

PRELIMINARY OFFICIAL STATEMENT DATED FEBRUARY 27, 2020

NEW ISSUE

Book-Entry-Only

SERIAL BONDS

**Rating: Standard & Poor's "AA"
(see "CREDIT RATING" herein)**

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the Borough, under existing statutes and court decisions, and assuming compliance with certain tax covenants described herein, (i) interest on the Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and (ii) interest on the Bonds is not treated as a preference item in calculating the alternative minimum tax under the Code. In addition, in the opinion of Bond Counsel to the Borough, under existing statutes, interest on the Bonds is not included in gross income under the New Jersey Gross Income Tax Act. See "Tax Matters" herein for a description of certain other provisions of the Code that may affect the tax treatment of interest on the Bonds for certain bondholders.

**\$6,750,000 BONDS
THE BOROUGH OF WANAUKE,
IN THE COUNTY OF PASSAIC, NEW JERSEY
consisting of
\$4,410,000 GENERAL BONDS OF 2020
and
\$2,340,000 WATER BONDS OF 2020
(BANK QUALIFIED)
(Callable)**

Dated: Date of Delivery

Due: March 15, as shown on the inside cover

The \$6,750,000 Bonds, consisting of \$4,410,000 General Bonds of 2020 (the "General Bonds") and \$2,340,000 Water Bonds of 2020 (the "Water Bonds" and, together with the General Bonds, the "Bonds") of the Borough of Wanaque, in the County of Passaic, New Jersey (the "Borough") will be issued in book-entry-only form with no physical distribution of bond certificates. The Bonds will be issued in registered form and bond certificates for each maturity of each series will be issued to The Depository Trust Company, New York, New York ("DTC"), registered in the name of its nominee, Cede & Co.

Interest on the Bonds will be payable semiannually on March 15 and September 15 in each year until maturity or earlier redemption, commencing September 15, 2020. Principal or redemption price, if any, of and interest on the Bonds will be paid to DTC by the Borough. Interest on the Bonds will be credited to the participants of DTC as listed on the records of DTC as of each next preceding March 1 and September 1 (the "Record Dates" for the payment of interest on the Bonds).

The Bonds shall be subject to redemption prior to their stated maturities as described herein (see "DESCRIPTION OF THE BONDS – Redemption" herein).

The Bonds are valid and legally binding obligations of the Borough and, unless paid from other sources, are payable from ad valorem taxes levied upon all the taxable real property within the Borough without limitation as to rate or amount; provided, however, that the rights of the holders of the Bonds and the enforceability thereof may be subject to bankruptcy, reorganization, insolvency, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and that the enforcement thereof may also be subject to the exercise of judicial discretion in appropriate cases. See "Bondholders' Remedies in the Event of Default" and "Municipal Bankruptcy" herein.

The Bonds are offered when, as and if issued and delivered to the Purchaser, subject to prior sale, to withdrawal or modification of the offer without notice and to approval of legality by the law firm of Hawkins Delafield & Wood LLP, Newark, New Jersey and certain other conditions described herein. Delivery of the Bonds is anticipated to take place on or about March 26, 2020.

Dated: March ____, 2020

This Preliminary Official Statement and the information contained herein are subject to completion and amendment without notice. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of the Bonds in any jurisdiction in which such an offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction. This Preliminary Official Statement is deemed final by the Borough within the meaning and for the purposes of Rule 15c2-12 of the Securities and Exchange Commission.

\$6,750,000 BONDS
THE BOROUGH OF WANAQUE,
IN THE COUNTY OF PASSAIC, NEW JERSEY
 consisting of
\$4,410,000 GENERAL BONDS OF 2020
 and
\$2,340,000 WATER BONDS OF 2020

COMBINED MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND YIELDS

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>
2021	\$270,000	%	%
2022	270,000		
2023	275,000		
2024	275,000		
2025	295,000		
2026	305,000		
2027	530,000		
2028	530,000		
2029	530,000		
2030	530,000		
2031	530,000		
2032	530,000		
2033	530,000		
2034	530,000		
2035	130,000		
2036	130,000		
2037	140,000		
2038	140,000		
2039	140,000		
2040	140,000		

BOROUGH OF WANAQUE

Municipal Building
579 Ringwood Avenue
Wanaque, New Jersey 07465

MAYOR

DANIEL MAHLER
Term Expires December 31, 2022

BOROUGH COUNCIL

<u>MEMBER</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>
Thomas Balunis	Councilperson	December 31, 2021
Dominick Cortellessa	Councilperson	December 31, 2022
Edward Leonard	Councilperson	December 31, 2022
Donald Pasquariello	Councilperson	December 31, 2020
Robert Pettet	Councilperson	December 31, 2020
Eric Willse	Councilperson	December 31, 2021

BOROUGH OFFICIALS

BOROUGH ADMINISTRATOR

Paul M. Carelli

MUNICIPAL CLERK

Katherine J. Falone

CHIEF FINANCIAL OFFICER

Mary Ann Brindisi

CONSULTANTS AND ADVISORS

COUNSEL

Anthony Fiorello, Esq.
Fiorello & Cifelli
Totowa, New Jersey

AUDITOR

Wielkocz & Company, LLC
Pompton Lakes, New Jersey

BOND COUNSEL

Hawkins Delafield & Wood LLP
Newark, New Jersey

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

The information which is set forth herein has been provided by the Borough of Wanaque and by other sources, but the information provided by such other sources is not guaranteed as to accuracy or completeness by the Borough of Wanaque. References in this Official Statement to 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 of Wanaque during normal business hours. This Official Statement is submitted in connection with the sale of the Bonds 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 the 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.

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 of Wanaque since the date hereof.

The Purchaser has provided the following sentence for inclusion in this Official Statement. The Purchaser has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Purchaser does not guarantee the accuracy or completeness of such information.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE ORIGINAL PURCHASER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL, IN THE OPEN MARKET, SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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**OFFICIAL STATEMENT
OF THE
THE BOROUGH OF WANAQUE
IN THE COUNTY OF PASSAIC, NEW JERSEY
RELATING TO
\$6,750,000 BONDS
consisting of
\$4,410,000 GENERAL BONDS OF 2020
and
\$2,340,000 WATER BONDS OF 2020**

INTRODUCTORY STATEMENT

This Official Statement, which includes the cover page hereof and the Appendices attached hereto, is furnished by the Borough of Wanaque (the "Borough") in the County of Passaic (the "County"), a public body corporate and politic of the State of New Jersey (the "State"), to provide certain information relating to the Borough and the \$6,750,000 Bonds, consisting of \$4,410,000 General Bonds of 2020 (the "General Bonds") and \$2,340,000 Water Bonds of 2020 (the "Water Bonds" and, together with the General Bonds, the "Bonds"), including their general description, the purposes of the issue, a summary of borrowing procedures, certain matters affecting the financing, certain legal matters, historical financial and economic information on the Borough and other information pertinent to the Bonds. This Official Statement should be read in its entirety in order to make an informed investment decision.

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 is not necessarily indicative of future or continuing trends in the financial position or other affairs of the Borough. The summaries of and references to all documents, statutes, reports and other instruments referred to herein do not purport to be complete, comprehensive or definitive, and each such summary and reference is qualified in its entirety by reference to each such document, statute, report or instrument.

Interest on the Bonds is calculated on the basis of the 30 day month and a 360 day year. Both the principal and interest on the Bonds will be payable in lawful money of the United States of America.

The Borough has never defaulted on the payment of its debt service according to available records.

MARKET PROTECTION

The Borough does not expect to issue any additional temporary or permanent debt within 90 days of the settlement date for the Bonds.

DESCRIPTION OF THE BONDS

The following is a summary of certain provisions of the Bonds. Reference is made to the Bonds themselves for the complete text thereof, and the discussion herein is qualified in its entirety by such reference.

Terms and Interest Payment Dates

The Bonds will be dated the date of delivery thereof. The Bonds will bear interest at the interest rates per annum stated on the inside cover page hereof, payable March 15 and September 15 of each year until maturity or earlier redemption, commencing September 15, 2020 (each, an “Interest Payment Date”). The Bonds will mature on March 15 in the years and in the principal amounts set forth below.

<u>Year</u>	<u>General Bonds</u>	<u>Water Bonds</u>
2021	\$200,000	\$70,000
2022	200,000	70,000
2023	200,000	75,000
2024	200,000	75,000
2025	200,000	95,000
2026	210,000	95,000
2027	400,000	130,000
2028	400,000	130,000
2029	400,000	130,000
2030	400,000	130,000
2031	400,000	130,000
2032	400,000	130,000
2033	400,000	130,000
2034	400,000	130,000
2035		130,000
2036		130,000
2037		140,000
2038		140,000
2039		140,000
2040		140,000

Denominations and Place of Payment

The Bonds will be issued by means of a book-entry system with no physical distribution of bond certificates. The Bonds will be issued in registered form and bond certificates for each maturity of each series will be issued to The Depository Trust Company, New York, New York (“DTC”), and registered in the name of its nominee, Cede & Co. (see the subcaption “Book-Entry System” below). Principal of and interest on the Bonds will be paid by the Borough, or its designee, in its capacity as paying agent (the “Paying Agent”) to the registered owners of the Bonds as of each March 1 and September 1 (whether or not a business day) immediately preceding the respective Interest Payment Dates (the “Record Dates”). So long as DTC or its nominee is the registered owner of the Bonds, payments of the principal of and interest on the Bonds will be made by the Paying Agent directly to DTC or its nominee, which will in turn remit such payments to DTC participants, which will in turn remit such payments to the beneficial owners of the Bonds. See the subcaption “Book-Entry System” below. Purchases of the Bonds will be made in book-entry form, in the denomination of \$5,000 each or integral multiples of \$1,000 in excess thereof. Purchasers will not receive certificates representing their beneficial ownership interests in Bonds purchased, but each book-entry owner will receive a credit balance on the books of its nominee, and this credit balance is expected to be confirmed by an initial transaction statement stating the details of the Bonds purchased. So long as Cede & Co. is the registered owners of the Bonds, as nominee of DTC, references herein (except under the captions “Tax Matters” and “Secondary Market Disclosure”) to the registered owners shall mean Cede & Co. and shall not mean the beneficial owners of the Bonds. See the subcaption “Book-Entry System” below.

Redemption

Optional Redemption

The Bonds of each series maturing prior to March 15, 2028, are not subject to redemption at the option of the Borough prior to their stated maturities. The Bonds of each series maturing on or after March 15, 2028, are redeemable at the option of the Borough in whole or in part on any date, in any order of maturity and by lot within a single maturity, on or after March 15, 2027, at a redemption price equal to one hundred percent (100%) of the principal amount being redeemed, plus in each case accrued interest to the date fixed for redemption.

Notice of Redemption

Notice of redemption shall be given by first-class mail, postage prepaid, to the registered owners of the Bonds or portions thereof to be redeemed, not less than thirty (30) days nor more than sixty (60) days prior to the redemption date, but such mailing shall not be a condition precedent to such redemption and failure so to mail any such notice shall not affect the validity of any proceedings for the redemption of Bonds. If notice of redemption shall have been given as aforesaid, the Bonds or portions thereof specified in said notice shall become due and payable at the redemption price on the redemption date therein designated and if, on the redemption date, moneys for payment of the redemption price of all the Bonds to be redeemed, together with the interest to the redemption date, shall be available for such payment on said date, then from and after the redemption date interest on such Bonds shall cease to accrue and become payable. Less than all of a Bond in a denomination in excess of \$5,000 may be so redeemed, and in such case, upon the surrender of such Bond, there shall be issued to the registered owner thereof, without charge therefor, for the unredeemed balance of the principal amount of such Bond, Bonds of like series, designation, maturity and interest rate in any of the authorized denominations. So long as DTC (or any successor thereto) acts as securities depository for the Bonds, notice of redemption shall be sent to such securities depository and shall not be sent to the beneficial owners of the Bonds. Any failure of such depository to advise any of its participants or any failure of any participant to notify any beneficial owner of any notice of redemption shall not affect the validity of the redemption proceedings. If the Borough determines to redeem a portion of the Bonds of a series prior to maturity, the Bonds to be redeemed shall be selected by the Borough; the Bonds to be redeemed having the same maturity shall be selected by DTC in accordance with its regulations.

Book-Entry System

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully registered Bond certificate will be issued for each year of maturity of the Bonds of each series, in the aggregate principal amount of each such maturity, and will be deposited with DTC.

DTC, the world's largest 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, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, also subsidiaries of DTCC, as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC and the National Association of Securities Dealers, Inc. 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 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 or www.dtc.org.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond (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 Bonds 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 Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co., or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct 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 DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

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

Principal, redemption price and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Borough or the Paying Agent, 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 Bonds 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.

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 the book-entry system is discontinued and the Beneficial Owners become registered owners of the Bonds, the following provisions shall apply: (i) the Bonds may be exchanged for an equal aggregate principal amount of the Bonds in other authorized denominations and of the same maturity, upon surrender thereof at the office of the Borough/Paying Agent; (ii) the transfer of any Bonds may be registered on the books maintained by the Borough/Paying Agent for such purposes only upon the surrender thereof to the Borough/Paying Agent together with the duly executed assignment in form satisfactory to the Borough/Paying Agent; and (iii) for every exchange or registration of transfer of Bonds, the Borough/Paying Agent may make a charge sufficient to reimburse it for any tax or other governmental charge required to be paid with respect to such exchange or registration of transfer of the Bonds. Interest on the Bonds will be payable by check or draft, mailed on each Interest Payment Date to the registered owners thereof as of the close of business on the Record Date next preceding an Interest Payment Date.

AUTHORIZATIONS FOR THE BONDS

The Bonds are authorized and are issued pursuant to the Laws of the State, including the Local Bond Law, N.J.S.A. 40A:2-1 et seq (the “Local Bond Law”). The Bonds are authorized by various ordinances adopted by the Borough Council of the Borough. The issuance of the Bonds does not require voter approval through a referendum. Sale of the Bonds was approved by a resolution of the Borough Council adopted on February 10, 2020. 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 barred from questioning the sale, execution, or delivery of the Bonds by the Borough.

The following table sets forth the ordinance number, par amount authorized, purpose, and the par amount of Bonds sold.

<u>Ordinance Number</u>	<u>Purpose</u>	<u>Bonds to be Issued</u>
<u>General</u>		
10-0-14	Improvement of Various Roads	\$281,000
13-0-14	Improvement of Various Roads	153,350
6-0-15	Improvement of Various Roads	141,250
9-0-15	Improvement of Various Roads	333,000
10-0-15	Acquisition of Equipment	207,000
10-0-16	Improvement of Various Roads	425,000
14-0-16	Various Improvements	85,000
18-0-16	Acquisition of Two Fire Trucks	990,000
26-0-16	Various Road Improvements	243,000
8-0-17	Improvements to Various Roads	225,000
10-0-17	Improvements of the Storm Water Drainage System	313,500
5-0-19	Various Improvements	640,000
9-0-19	Improvement of Various Roads	215,000
4-0-19	Improvement of Various Roads	<u>157,900</u>
	Total General	<u>\$4,410,000</u>
<u>Water</u>		
14-0-14	Improvements to Water System	\$225,000
5-0-15	Improvements to Water System	210,000
7-0-15	Improvements to Water System	280,000
8-0-15	Improvements to Water System	325,000
17-0-17	Improvements to Water System	450,000
10-0-19	Improvements to Water System	<u>850,000</u>
	Total Water	<u>\$2,340,000</u>
	Total Bonds to be Issued	<u>\$6,750,000</u>

PURPOSE OF ISSUE

The Bonds are issued to: (i) finance the costs of various capital projects, including payment at maturity on March 27, 2020 of \$4,887,750 outstanding bond anticipation notes and (ii) pay for expenses incurred in connection with the issuance of the Bonds.

SECURITY FOR THE BONDS

In the opinion of Bond Counsel, the Bonds are valid and legally binding obligations of the Borough and, unless paid from other sources, are payable from ad valorem taxes levied upon all the taxable property within the Borough, without limitation as to rate or amount. See “Bondholders’ Remedies in the Event of Default” and “Municipal Bankruptcy” herein.

SEASONAL BORROWING

The Borough has not borrowed in anticipation of taxes, and has no plans to issue debt in this manner during 2020.

INVESTMENT OF BOROUGH FUNDS

Borough funds are invested strictly in accordance with the provisions of State law, in particular N.J.S.A. 40A:5-15.1. The Borough is not authorized and has not invested Borough funds in derivative products or reverse repurchase agreements.

PROVISIONS FOR THE PROTECTION OF GENERAL OBLIGATION DEBT

Legal Framework

The Local Bond Law governs the issuance of bonds and notes by municipalities to finance certain municipal capital expenditures. Among its provisions are requirements that bonds must mature within the statutory period of usefulness of the projects bonded and that bonds be retired in serial installments. A 5% cash down payment is generally required toward the financing of such projects.

Debt Limits

The authorized bonded indebtedness of the Borough is limited by statute, subject to exceptions noted below, to an amount equal to 3 ½% of its State equalized valuation basis. The equalized valuation basis of the Borough is set by statute as the average for the last three 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. The Borough is within its 3 ½% debt limit.

Exceptions to Debt Limit

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 the Borough may be exceeded with the approval of the Local Finance Board, Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Board"), a state regulatory agency. If all or any part of a proposed debt authorization would exceed its debt limit, the Borough must apply to the Board for an extension of credit. If the Board determines that a proposed debt authorization would not materially impair the ability of the Borough to meet its obligations, or to provide essential services, or makes other statutory determinations, approval is granted. In regards to this financing, the Borough has not applied to the Board for an extension of credit.

Certain categories of debt are permitted by statute to be deducted for purposes of computing the statutory debt limit. Pursuant to law, the Borough has deducted the full amount of outstanding school debt.

School Debt Limit

State law (N.J.S.A. 18A:14-2 et seq.) permits the authorization of debt of the Borough for purposes of the school district not in excess of its limit of 3% of the equalized valuation basis, except that debt of the Borough for purposes of the school district may be authorized in excess of such limit by using the available borrowing capacity of the Borough. If such debt is in excess of the remaining borrowing capacity of the Borough, the proposed debt authorization must be approved by the State Commissioner of Education, the Board, and a majority of voters of the school board.

Short Term Financing (N.J.S.A. 40A:2-8(a))

A local governmental unit may issue bond anticipation notes to temporarily finance a capital improvement or project in anticipation of the issuance of bonds, if the bond ordinance or 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 ordinance, as the same may be amended and supplemented, creating such capital expenditures. Bond anticipation notes, which are full faith and credit obligations of the issuer, may be issued for a period not exceeding one year and may be renewed from time to time for a period that does not exceed one year. Such notes shall mature and be paid not later than the first day of the fifth month following the close of the tenth fiscal year following the date of the original note, provided, however, 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 in annual serial installments with the first principal payment due within two years and the final principal payment due within twenty years of an issue's date. No principal payment may be larger than a prior year's principal payment.

Refunding Bonds (N.J.S.A. 40A:2-51 et seq.)

Refunding bonds may be issued pursuant to the Local Bond Law for the purpose of paying, funding or refunding outstanding bonds, including emergency appropriations, 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 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 Board approval when authorized by conditions set forth in rules and regulations of the Board and upon a resolution adopted by a two-thirds vote of the full membership of the governing body of the local unit.

Tax Anticipation Notes (N.J.S.A. 40A:4-64)

The issuance of tax anticipation notes is limited in amount by law to collectively 30% of the tax levy plus 30% of realized miscellaneous revenues of the next preceding fiscal year and must be paid in full within 120 days of the close of a local government unit's current fiscal year.

APPROPRIATION 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 says "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". N.J.S.A. 40A:2-4 states "The power and obligation of a local governmental unit to pay any and all bonds and notes issued by it pursuant to this Chapter, or any act of which this Chapter is a revision, shall be unlimited...".

STATUTORY REQUIREMENTS

Set forth below is a summary of various statutory requirements relevant to the Borough's 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.

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

Under N.J.S.A. 40A:4-1 et seq., every local unit must adopt an operating budget in the form required by the New Jersey Division of Local Government Services. Items of revenue and appropriation are regulated by law and must be certified by the Director of the Division ("Director of Local Government Services") prior to final adoption of the budget. The Local Budget Law requires each local unit to appropriate sufficient funds for payment of current debt service, and the Director of Local Government Services is required to review the adequacy of such appropriations. Among other restrictions, the Director of Local Government Services 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 the preceding year, (d) reserve for uncollected taxes, and (e) other reserves and nondisbursement items. Anticipated tax revenue is 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 nontax revenue is limited to the amount actually realized the previous year; the Director of Local Government Services is empowered to permit higher levels of anticipation, should there be sufficient statutory or other evidence to substantiate that such anticipation is reasonable.

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

The operating budgets of local units must be in balance, i.e., the total of anticipated revenue must equal the total appropriations. If, in any year, the Borough's expenditures exceed its realized revenue for that year, then such excess (deficit) must be raised in the succeeding year's budget.

The Borough 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 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 of Local Government Services shall transmit to the County Board a certificate setting forth the amount required for the operation of the Borough 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 revenue, but excluding the amount to be raised by taxes for school purposes where required to be included in the Borough budget.

The certificate shall be prepared by using the revenue 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.

Appropriation "Caps"

Chapter 89 of the Pamphlet Laws of 1990 of New Jersey, extended and amended Chapter 203 of the Pamphlet Laws of 1986 of New Jersey and Chapter 68 of the Pamphlet Laws of 1976, of New Jersey (N.J.S.A. §40A:4-45.3), 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 August 18, 1976. If the Cost-of-Living Adjustment is equal to or less than 2.5%, a municipality may, by the adoption of an ordinance, elect to increase its final appropriations by a percentage rate greater than the Cost-of-Living Adjustment, but not to exceed 3.5%. A municipality may, by referendum, increase its final appropriations by a higher percentage rate.

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 will have their tax levies limited to a two percent (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 fifty percent (50%)) to increase the amount to be raised by taxation by more than the allowable adjusted tax levy.

Miscellaneous Revenues

N.J.S.A. 40A:4-26 provides that "No miscellaneous revenues from any source shall be included as an anticipated revenue in the budget in an amount in excess of the amount actually realized in cash from the same source during the next preceding fiscal year, unless the Director shall determine, upon application by the local governmental unit's 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 governmental unit."

In addition, budget amendments must be approved by the Director of Local Government Services, except for federal and state grant-in-aid offsetting appropriations.

Real Estate Taxes

N.J.S.A. 40A:4-29 which governs the anticipation of delinquent tax collections, provides that: "The maximum that may be anticipated is the sum produced by the multiplication of the amount of delinquent taxes unpaid and owing to the local governmental unit on the first day of the current fiscal year by the percentage of collection of delinquent taxes for the year immediately preceding the current fiscal year."

N.J.S.A. 40A:4-41 provides with regard to current taxes that: "Receipts from the collection of taxes levied or to be levied in a municipality and payable in a 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 December 31 of such preceding fiscal year."

This provision requires that an additional amount (the "reserve for uncollected taxes") be added to the tax levy 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 be at least 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.

Deferral of Current Expenses

Emergency appropriations, those made after the adoption of the budget and determination of the tax rate, may be authorized by the Borough Council. With minor exceptions set forth below, such appropriations must be included in full in the following year's budget.

Under the amended CAP law emergency resolutions aggregating less than 3% of the previous year's final current operating appropriations may be raised in the portion of the Borough's budget outside the CAP if approved by at least two-thirds of the members of the Council and the Director of Local Government Services. Emergency appropriations that aggregate more than 3% of the previous year's final current operating appropriations must be raised within the CAP. Emergency resolutions for debt service, capital improvements, the Borough's share of federal or state grants and other statutorily permitted items are outside the CAP.

The exceptions are certain enumerated quasi-capital projects such as ice and snow removal and repair of flood damage to streets, roads and bridges which may be amortized over three years and tax map preparation, revision of ordinances, and master plan preparation which may be amortized over five years.

Budget Transfers

Budget transfers provide 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 two months of the year. However, no transfers may be made under this section 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 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.

Local Fiscal Affairs Law

N.J.S.A. 40A:5-1 et seq. regulates the nonbudgetary financial activities of local governmental units. The Chief Financial Officer of every local unit must file annually with the Director of Local Government Services a verified statement of the financial condition of the local unit and all constituent boards, agencies and commissions.

An annual independent audit of the local governmental unit's accounts for the previous year must be performed by a New Jersey licensed Registered Municipal Accountant. The audit, conforming to the Division's "Requirements of Audit", includes recommendations for improvement of a local governmental unit's financial procedures and must be filed with the Director prior to June 1 of each year. A synopsis of the Audit Report, together with all recommendations made, must be published in a local newspaper within 30 days of its completion. The entire annual audit report is filed with the Municipal Clerk and is available for review during business hours.

Capital Budget

In accordance with the Local Budget Law, each local governmental unit must adopt and annually revise a six-year capital program budget. 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 governmental unit may contemplate over the next six years. Expenditures for capital purposes may be made either by ordinances adopted by the governing body setting forth the items and the method of financing or from the annual operating budget if the items were detailed.

FINANCIAL OPERATIONS

Basis of Accounting

The accounting policies of the Borough conform to the accounting principals applicable to local governmental units which 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 of New Jersey. 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 throughout the Current and the General Capital Funds are recorded as expenditures at the time of purchase and are not capitalized.

Current Fund

The Borough's 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. The Borough operates on a January 1 to December 31 fiscal year.

General Expenditures

Expenditures are comprised of those made for general Borough 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 Borough purposes include payments made primarily in support of the Borough's various departments.

Tax Collection Procedure

A local governmental unit 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 and the school district. The levying of taxes is for a fiscal year, which starts July 1 and ends June 30. 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 monies by a municipality to a school district are based on school needs and are generally made on a periodic basis throughout the year. A municipality remits 100% of the county taxes, payable quarterly on the 15th days of February, May, August and November.

Tax bills for the second half of the current calendar year and an estimate, based on 50% of the current fiscal year's tax levy, for the first half of the following calendar year are mailed annually in June and are due August and November in the current calendar year, and February and May of the following calendar year. Delinquent payments are subject to an interest penalty of 8% on the first \$1,500 of delinquency and 18% on amounts exceeding \$1,500. Unpaid taxes are subject to tax sales as of July 1 following the year of levy, in accordance with State statutes. Tax liens are subsequently subject to foreclosure proceedings in order to enforce tax collections or acquire title to the property.

BONDHOLDERS' REMEDIES IN THE EVENT OF DEFAULT

Neither the Bonds nor the proceedings with respect thereto specifically provide any remedies to the bondholders if the Borough defaults in the payment of principal of or interest on the Bonds, nor do they contain any provisions for the appointment of a trustee to enforce the interests of the bondholders upon the occurrence of such default. Upon any default in the payment of the principal of or interest on a Bond, a bondholder could, among other things, seek to obtain a writ of mandamus from a court of competent jurisdiction requiring the Borough to levy and collect a tax upon all taxable property within the Borough, without limitation as to rate or amount, sufficient to pay when due the principal of and interest on the Bonds as the same shall come due. The mandamus remedy, however, may be impractical and difficult to enforce. Further, the right to enforce payment of the principal of or interest on the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium and similar laws and equitable principles, which may limit the specific enforcement of certain remedies. See the caption "Municipal Bankruptcy" herein.

MUNICIPAL BANKRUPTCY

Any county, municipality, school district or other political subdivision of the State has the power to file a petition with any United States court or courts in bankruptcy under the federal bankruptcy act for the purpose of effecting a plan of readjustment of its debts or for the composition of its debts, provided that 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 New Jersey Local Finance Board.

Bankruptcy proceedings by the Borough could have adverse effects on the bondholders including (1) delay in the enforcement of their remedies, (2) subordination of their claims to those supplying goods and services to the Borough after the initiation of bankruptcy proceedings and to the administrative expenses of bankruptcy proceedings and (3) imposition without their consent of a reorganization plan reducing or delaying payment of the Bonds. The federal bankruptcy act contains provisions intended to ensure that, in any reorganization plan not accepted by at least a majority of a class of creditors, such as the holders of general obligation indebtedness or the Bonds, such creditors will have the benefit of their original claim or the "indubitable equivalent". The effect of these and other provisions of the federal bankruptcy act cannot be predicted and may be significantly affected by judicial interpretation.

The above references to the federal bankruptcy act are not to be construed as an indication that the Borough expects to resort to the provisions of the federal bankruptcy act or that, if it did, such action would be approved by the Municipal Finance Commission.

ABSENCE OF MATERIAL LITIGATION

To the knowledge of the Borough or the Borough Attorney, Anthony Fiorello, Esq., there is no litigation pending or threatened, restraining or enjoining the issuance or the delivery of the Bonds now being offered for sale, or the levy or the collection of any taxes to pay the principal of or the interest on said Bonds, or in any manner questioning the authority or the proceedings for the issuance of said Bonds or for the levy or the collection of said taxes, or contesting the corporate existence or the boundaries of the Borough or the title of any other present officers. A certificate to such effect will be executed by the Borough's Attorney and delivered to the Original Purchaser of the Bonds at the closing. Moreover, to the knowledge of the Borough Attorney, no litigation is presently pending or threatened that, in the opinion of the Borough Attorney, would have a material adverse impact on the financial condition of the Borough if adversely decided.

APPROVAL OF LEGAL PROCEEDINGS

All legal matters relating to the authorization, issuance, sale and delivery of the Bonds are subject to the approval of Hawkins Delafield & Wood LLP, Bond Counsel to the Borough, whose approving opinion will be delivered with the Bonds substantially in the form as set forth in Appendix D. Certain legal matters will be passed upon for the Borough by its Attorney, Anthony Fiorello, Esq.

TAX MATTERS

Opinion of Bond Counsel

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the Borough, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and (ii) interest on the Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under 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 Bonds, and Bond Counsel has assumed compliance by the Borough with certain provisions and procedures set forth in the Arbitrage and Use of Proceeds Certificate of the Borough to be delivered in connection with the issuance of the Bonds.

In addition, in the opinion of Bond Counsel to the Borough, under existing statutes, interest on the Bonds is not included in gross income under the New Jersey Gross Income Tax Act.

Bond Counsel expresses no opinion as to any other federal, state or local tax consequences arising with respect to the Bonds, or the ownership or disposition thereof, except as stated above. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update, revise or supplement its opinion to reflect any action thereafter taken or not taken, any fact or circumstance that may thereafter come to its attention, any change in law or interpretation thereof that may thereafter occur, or for any other reason. Bond Counsel expresses no opinion as to the consequence of any of the events described in the preceding sentence or the likelihood of their occurrence. In addition, Bond Counsel expresses no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel regarding federal, state or local tax matters, including, without limitation, exclusion from gross income for federal income tax purposes of interest on the Bonds.

Certain Ongoing Federal Tax Requirements and Covenants

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the federal government. Noncompliance with such requirements may cause interest on the Bonds to become included in gross income for federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. By executing its Arbitrage and Use of Proceeds Certificate to be delivered concurrently with the delivery of the Bonds, the Borough will certify that, to the extent it is empowered and allowed under applicable law, it will comply with certain applicable requirements of the Code to assure the exclusion of interest on the Bonds from gross income under Section 103 of the Code.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral federal income tax matters with respect to the Bonds. It does not purport to address all aspects of federal taxation that may be relevant to a particular owner of a Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Bonds.

Prospective owners of the Bonds should be aware that the ownership of such obligations may result in collateral federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for federal income tax purposes. Interest on the Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Bond Premium

In general, if an owner acquires a Bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the Bond after the acquisition date (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates), that premium constitutes “bond premium” on that Bond (a “Premium Bond”). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium Bond, based on the owner’s yield over the remaining term of the Premium Bond determined based on constant yield principles (in certain cases involving a Premium Bond callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such bond). An owner of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner’s regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Bond, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner’s original acquisition cost. Owners of any Premium Bonds should consult their own tax advisors regarding the treatment of bond premium for federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of Premium Bonds.

Information Reporting and Backup Withholding

Information reporting requirements apply to interest paid on tax-exempt obligations, including the Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, “Request for Taxpayer Identification Number and Certification,” or if the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to “backup withholding,” which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a “payor” generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Bonds from gross income for federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner’s federal income tax once the required information is furnished to the Internal Revenue Service.

Miscellaneous

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under federal or state law or otherwise prevent beneficial owners of the Bonds from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) and such decisions could affect the market price or marketability of the Bonds.

Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

SECONDARY MARKET DISCLOSURE

In order to assist the underwriter in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission (“Rule 15c2-12”), the Borough has undertaken to provide, on or before October 1 in each year while the Bonds are outstanding, commencing October 1, 2020, for filing with the Municipal Securities Rulemaking Board (the “MSRB”), on an annual basis, financial and operating information of the type hereinafter described and included in this Official Statement, which is referred to herein as “Annual Information”, together with the annual financial statements of the Borough prepared in accordance with generally accepted accounting principles as modified by governmental accounting standards and mandated State statutory principles as in effect from time to time for municipalities. In addition, the Borough has undertaken, for the benefit of the holders of the Bonds, to provide to the MSRB, in a timely manner not in excess of ten (10) business days after the occurrence of the specified event, the notices required to be provided by Rule 15c2-12 and described below (the “Notices”).

The Annual Information with respect to the Borough means annual information concerning the Borough which consists of financial and operating data of the Borough of the type included in this Official Statement relating to the following: (i) property tax levies and collections; (ii) assessed value of taxable property; (iii) property tax rates; and (iv) outstanding debt.

The Notices include notices of any of the following events with respect to the Bonds: (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 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 of determinations with respect to the tax status of the Bonds, or other material events affecting the tax-exempt status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls (other than mandatory sinking fund redemptions) if material and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the Borough; (13) the consummation of a merger, consolidation, or acquisition involving the Borough or the sale of all or substantially all of the assets of the Borough, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation (as defined in Rule 15c2-12) of the Borough, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar items of a financial obligation of the Borough, 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 a financial obligation of the Borough, any of which reflect financial difficulties.

The sole and exclusive remedy for breach or default under the undertaking to provide continuing disclosure described above is an action to compel specific performance of the undertaking of the Borough, and no person, including any holder of the Bonds, may recover monetary damages thereunder under any circumstances. In addition, if all or any part of Rule 15c2-12 ceases to be in effect for any reason, then the information required to be provided under the undertaking, insofar as the provision of Rule 15c2-12 no longer in effect required the providing of such information, shall no longer be required to be provided.

The undertaking may be amended or modified without consent of the holders of the Bonds under certain circumstances set forth in the undertaking. Copies of the undertaking when executed by the Borough upon the delivery of the Bonds will be on file at the office of the Borough Clerk.

The Borough has entered into prior undertakings to provide continuing disclosure for several outstanding bond issues. The undertakings require the Borough to submit financial information on a date certain after the end of the fiscal year which occurs on December 31st. The Borough did not file certain of its annual financial information for the fiscal year ended December 31, 2014 in a timely manner. In addition, the Borough failed to file notices with respect to such late filing. The Borough has taken steps to ensure timely filings on a going-forward basis and has appointed Phoenix Advisors, LLC to serve as continuing disclosure agent.

PREPARATION OF OFFICIAL STATEMENT

The firm of Ferraioli, Wielkotz, Cerullo & Cuva, P.A. (as of January 1, 2020, Wielkotz & Company, LLC), Auditor for the Borough, has assisted in the preparation of this Official Statement with information obtained from Borough documents and from other sources, including publicly available sources, considered reliable, but Wielkotz & Company, LLC, does not make any warranty or other representation with respect to the accuracy and completeness of such information.

Wielkotz & Company, LLC takes responsibility for the audited financial statements to the extent specified in the Independent Auditor's Report.

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

Hawkins Delafield & Wood LLP and Anthony Fiorello, Esq. have not participated in the preparation of the financial or statistical information contained in this Official Statement, nor have they verified the accuracy, completeness or fairness thereof and, accordingly, express no opinion with respect thereto.

LEGAL MATTERS

The delivery of the Bonds will be subject to the final approving opinion of Hawkins Delafield & Wood LLP, Newark, New Jersey. Such opinion will accompany the Bonds and will be to the effect that the Bonds are valid and legally binding obligations of the Borough, and the Borough has the power and obligation to levy ad valorem taxes upon all taxable property of said Borough for the payment of the Bonds and the interest thereon without limitation as to rate or amount.

Hawkins Delafield & Wood LLP has not participated in the preparation of the financial or statistical information contained in this Official Statement, nor has it verified the accuracy, completeness or fairness thereof and, accordingly, expresses no opinion with respect thereto.

CREDIT RATING

Standard and Poor's ("S&P") has assigned a rating of "AA" to the Bonds. This rating reflects only the view of S&P and an explanation thereof may be obtained only from S&P. Certain information and materials, including information and materials not included in this Official Statement, were furnished by the Borough to S&P. Generally, S&P bases its ratings on the information and materials so furnished and on its investigations, studies and assumptions.

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

UNDERWRITING

The Bonds have been purchased from the Borough at a public sale by _____ (the "Underwriter") at a price of \$_____.

The Underwriter intends to offer the Bonds to the public initially at the offering prices set forth on the cover page of this Official Statement, which may subsequently change without any requirement of prior notice. The Underwriter reserves the right to join with dealers and other underwriters in offering the Bonds to the public. The Underwriter may offer and sell Bonds to certain dealers (including dealers depositing Bonds into investment trusts) at prices lower than the public offering prices set forth on the cover page, and such public offering prices may be changed, from time to time, by the Underwriter without prior notice.

CLOSING CERTIFICATES

The purchaser will be furnished, at the time the Bonds are delivered, certificates in form satisfactory to Bond Counsel evidencing (a) the proper execution and delivery of the Bonds, (b) receipt and payment therefor, and (c) the absence of litigation now pending or, to the knowledge of the officers signing the Bonds, threatened to restrain or enjoin the issuance or delivery of the Bonds.

Upon request, the Borough will state in a certificate signed on its behalf by its Chief Financial Officer and delivered at the closing, that to such official's knowledge the descriptions and statements in this Official Statement, on the date of this Official Statement, are true and correct in all material respects and did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements herein, in the light of the circumstances under which they were made, not misleading.

ADDITIONAL INFORMATION

Additional information may be obtained from the Borough of Wanaque, Municipal Building, 579 Ringwood Avenue, Wanaque, New Jersey, 07465, attention: Mrs. Mary Ann Brindisi, Chief Financial Officer or Mr. Paul M. Carelli, Administrator (973-839-3000, ext. 7113).

MISCELLANEOUS

All summaries and explanations of provisions of laws, statutes or documents herein do not purport to summarize or describe all of the provisions thereof, and reference is made to said laws, statutes or documents for further information.

The economic, debt and other summaries which appear in Appendix A attached hereto have been prepared from publicly available sources of information described in said Appendix.

This Official Statement is not to be construed as a contract or agreement between the Borough and the purchaser or holder of any of the Bonds. Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as opinions and not as representations of fact. The information and expressions of opinion 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 Borough of Wanaque,
in the County of Passaic, New Jersey

By: /s/ _____
Mary Ann Brindisi
Chief Financial Officer

APPENDIX A

**THE BOROUGH OF WANAQUE
CERTAIN
ECONOMIC, DEMOGRAPHIC
AND
DEBT INFORMATION**

**APPENDIX A
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THE BOROUGH OF WANAQUE

General Information

Originally part of Pompton Township, the Borough was incorporated in 1918. The Borough covers an area of approximately 8.3 square miles in the northeast section of Passaic County, adjacent to Bergen County. New York City is about 35 miles southeast of the Borough. Paramus, in Bergen County with its myriad of shopping centers, is about 18 miles via roads connecting with Route 208, a four-lane divided highway. Wayne and Paterson to the south are approximately 10 and 13 miles respectively distant. Within the Borough's borders is part of the Wanaque Reservoir, the principal source of water for the North Jersey District Water Supply Commission. Of the Borough's area, approximately 40% is public. Of the remaining 60%, approximately 80% is developed and 20% undeveloped.

The Midvale section, in the Borough's northern part, experienced substantial residential development in the 1970's and 1980's. The Haskell area, in the Borough's southern portion, was developed after World War II and also contains most of the Borough's commercial and industrial businesses. Homes in the Midvale section have a value of \$225,000 to up to \$500,000, with the average resale to be estimated at \$325,000. Homes in the Haskell section are valued from \$225,000 to \$400,000, with average resale value of \$250,000.

Type of Government

The Mayor is the Borough's chief administrative officer, and is elected at large for a four-year term. The Council is composed of six members, each elected at large for three-year terms on a staggered basis. The Council President is appointed for a one-year term by a vote of the Council members.

Borough Officials

Administrator

The position of Administrator is by appointment by the Borough Council.

Mr. Paul M. Carelli is the Borough Administrator.

Borough Clerk

Ms. Katherine Falone was appointed Borough Clerk on August 4, 1992. Ms. Falone is tenured.

Chief Financial Officer

Ms. Mary Ann Brindisi is the Borough's Treasurer and Chief Financial Officer. Ms. Brindisi has held this position since July 2, 1986. Ms. Brindisi is tenured.

Tax Collector

Ann Smolen was appointed Tax Collector in 2010. Ms. Smolen is tenured. Her responsibilities include collection of water and sewer bills.

Municipal Services

Police

The Police Department consists of a Chief of Police, twenty-seven uniformed officers, eight special police officers, three school guards, and four non-uniformed employees.

Fire

The Volunteer Fire Department consists of a Fire Chief and sixty-five volunteer fire personnel. Fire apparatus includes one 105' ladder truck with pump, three pumpers, one rescue truck and three cars.

Public Works

The Department of Public Works maintain approximately 25 miles of roads, the Borough's storm drainage system, park system, other recreational facilities and the water/sewer (collection only) system infrastructure.

Health

The First Aid Squad, consisting of twenty volunteers and two first aid ambulances, is supported by donations from the Borough and citizens. Hospital services are available at Chilton Memorial Hospital, Pompton Plains, Valley Hospital, Ridgewood; St. Joseph's, Wayne; St. Joseph's Hospital and Medical Center, Paterson; and a major burn center, St. Barnabas Hospital in Livingston.

Recreation

The Borough has four parks and two playgrounds. Back Beach Park has two lighted fields for softball and soccer, a lighted tennis court, and a playground. The Park also has hiking trails which connect to Ramapo State Forest. Memorial Field has two lighted baseball fields, and is also used for football. Addice Park has two softball fields and a soccer field. Hagstrom Field has two baseball/softball fields. The Borough, Lakeland Regional High School and the Wanaque Board of Education jointly reconstructed fields at Addice Park and Wanaque School and entered into a joint use agreement, adding two fields.

Pulte Homes has constructed two (2) baseball fields and a soccer field on property leased to the Borough now known as Hagstrom Field, as part of their municipal contribution for their development.

Free Public Library

The Borough's Free Public Library, supported by local property taxes, was constructed and donated to the Borough by the Wanaque Borough Women's Club.

Solid Waste

Gaeta Sanitation provides once per week solid waste pickup (twice per week from May 15 to September 15), with the cost included in Municipal taxes. Waste is disposed of at Waste Management, Hillsdale. The Borough has entered into a five year contract with Waste Management to accept solid waste at a level, firm fixed price per ton for the full five year contract.

TRANSPORTATION

Public transportation to New York City is available by the New Jersey Transit bus which travels regularly along Ringwood Avenue. There is also a bus park and ride in Ringwood, which is adjacent to the Borough. New Jersey Transit trains are within a 15 minute ride to Lincoln Park or Ramsey.

Interstate 287 is at the southern end of the Borough, which provides direct access to the New York State Thruway, Route 208/Route 4 (Hackensack, Bergen County, George Washington Bridge), Interstate 80 (Newark via I-280, Morristown, Delaware Water Gap), and Route 23 (New York City - Lincoln Tunnel via Routes 46 and 3, Wayne, Paterson and Passaic).

BUILDING PERMITS

<u>Year</u>	<u>Permits Issued</u>	<u>Estimated Construction Cost</u>
2019	392	\$3,465,180
2018	414	4,924,018
2017	538	7,535,987
2016	575	11,051,683
2015	525	18,884,950
2014	412	6,323,811
2013	524	16,397,258
2012	436	3,176,675
2011	442	4,163,920
2010	371	3,971,719

Source: State of New Jersey State Data Center; and the Borough.

EDUCATIONAL FACILITIES

The Board of Education of the Borough of Wanaque (the "Board") operates as a Type II school district (the "District") which is coterminous with the Borough's borders. The legally registered voters in the District elect nine members to the Board on a staggered basis for a three year term, and vote annually on the District's budget.

The Board operates two schools as detailed below.

District Facilities

<u>School</u>	<u>Original Construction Date</u>	<u>Addition/ Renovation</u>	<u>Grades</u>	<u>Student Capacity</u>	<u>Student Enrollment</u>
Haskell Elementary	1917	1956,1963	K-8	469	410
Wanaque Elementary	1972		K-8	<u>574</u>	<u>496</u>
				1,043	906

The Board does not operate a Middle School. There are approximately 442 Wanaque students in grades 9-12 that attend the Lakeland Regional High School, located in the Borough, together with students from the Borough of Ringwood.

The Board employs approximately 90 certified teachers, 6 other professionals, and 47.5 non-certified employees.

UTILITIES

Water Utility

The Water Utility is a self-supporting department which pays for its annual operation and maintenance expenses and the annual debt service on outstanding debt from service charges which are billed quarterly.

The utility has two water storage tanks of 1 million gallons and 750 thousand gallons capacity. The Water Utility completed replacing 13,000 feet of 12 inch water main in Ringwood Ave. The 80-100 old main, made of universal joint pipe, experienced many leaks and lost water. The Water Utility replaces 500-1,000 feet of water mains each year, along with service connections.

Water is supplied from artesian wells in three well fields, one located in Haskell (the principal supply), the second in Midvale and the third, the Meadowbrook field, is also in the Borough's northern section. Water is chlorinated at the well heads. The water distribution system is a 12-inch main loop with cross connections capable of simultaneous north and south pumping. The Borough's water distribution system is connected to the Borough of Ringwood's, the Pompton Lakes Municipal Utilities Authority's and the North Jersey District Water Supply Commission's water distribution systems for emergency back-up supply.

Pulte Homes constructed a 2 million gallon per day water pump station on property leased to the Borough of Wanaque from the North Jersey District Water Supply Commission. The Borough will utilize an existing contract with the Passaic Valley Water Commission for the purchase of up to one million gallons per day of water to supplement the Borough's needs. The pump station is being constructed to handle a greater volume should the need arise to purchase more water should there be a loss of one of the existing wells.

Customers

There are 3,355 metered connections serving approximately 4,800 customers.

A total of 95 residences (30 in the Borough's western portion, 20 in the northeastern portion and 45 in the southern portion) have their own water supply. The Water Utility serves approximately 60% of the Borough's land area. The principal area not serviced by water lines is that portion of the Borough to the west of the Wanaque Reservoir.

Service Charges

All connections to the water distribution system are metered.

	<u>Residential</u>	<u>Commercial</u>
First 6,000 gallons or part thereof	49.00	79.75
Each 1,000 gallons or part thereof		
6,000 - 25,000 gallons	4.25	4.25
over 25, 000	5.60	
Connection Fees:		
For each connection	1,500.00	1,500.00
For each 3/4" meter (1)	300.00	300.00

(1) If meter is larger than 3/4", customer is to pay actual cost of meter.

The following five-year comparison shows the water pumped, metered usage and historical operations.

<u>Year</u>	<u>Total Gallons Pumped(000)</u>	<u>Metered Usage (1)(000)</u>	<u>Revenues</u>	<u>Operating Expenses (2)</u>	<u>Net Revenues/ (Deficit)</u>
2019	277,340	261,259	\$1,689,173	\$1,917,247	\$(228,074)
2018	296,281	266,585	2,057,658	2,004,850	52,808
2017	305,234	256,074	1,954,339	1,974,210	(19,871)
2016	325,410	286,313	1,969,334	1,831,217	138,117
2015	336,014	282,198	2,056,660	1,992,425	64,235

(1) Difference between the amount of water pumped and metered usage is primarily accounted for by municipal and religious users.

(2) Excludes payments for capital improvements but includes debt service on water purpose debt.

Source: The Water Department and the Borough's audited financial statements.

Wastewater Collection System

The Wanaque Borough Sewer Utility is responsible for the collection of all wastewater from residential, commercial and industrial properties in the Borough, except for those properties which are permitted to have septic systems.

Wastewater collected by the Sewer Utility is treated by the Wanaque Valley Regional Sewerage Authority (the "Regional Authority"). The Regional Authority has upgraded its wastewater treatment facility in 1995 from .7 million gallons per day ("MGD") to 1.25 million gallons per day. Wastewater conveyance facilities include a pumping station, force main, interceptor sewer lines, and an outfall line to the Wanaque River. The Utility has a portable generator for emergency back-up power supply for the pumping station.

RETIREMENT SYSTEMS

All full-time permanent or qualified Borough employees who began employment after 1944 must enroll in one or two retirement systems; Public Employees Retirement System and Police and Firemen's Retirement System depending upon their employment status. These systems were established by acts of the State Legislature. Benefits, contributions, means of funding and the manner of administration are set by the State. The Division of Pensions within the Treasury Department of the State is the Administrator of the funds with the benefit and contribution levels set by the state. The Borough is enrolled in the Public Employees' Retirement System and the Police and Firemen's Retirement System.

Public Employees' Retirement System

The Public Employees' Retirement System ("PERS") includes approximately 48 full-time and part-time Borough employees. PERS is evaluated every year. Employee rates for contribution are normally determined by the rate applicable at the age of enrollment.

Police and Firemen's Retirement System

Approximately 24 Borough employees are covered under the Police and Firemen's Retirement System ("PFRS").

Retirement System Payments

<u>Fund</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>Current Fund</u>					
PERS	\$248,326	\$231,444	\$220,408	\$212,075	\$193,031
PFRS	866,575	777,685	706,783	705,596	654,980
Social Security	<u>190,740</u>	<u>186,726</u>	<u>182,844</u>	<u>179,383</u>	<u>176,000</u>
	<u>1,305,641</u>	<u>1,195,855</u>	<u>1,110,035</u>	<u>1,097,054</u>	<u>1,024,011</u>
<u>Water Utility</u>					
Social Security	38,250	36,931	42,260	41,922	49,725
PERS	<u>62,081</u>	<u>57,861</u>	<u>55,740</u>	<u>51,796</u>	<u>48,258</u>
	<u>100,331</u>	<u>94,792</u>	<u>98,000</u>	<u>93,718</u>	<u>97,983</u>

Source: The Borough

LABOR RELATIONS

As of December 31, 2019, the Borough employed approximately 100 employees, of whom 40 employees are represented by two collective bargaining units. Blue and white collar employees are represented by Teamsters 11. The present five year contract expires December 31, 2020. The 24 uniformed police are represented by the Wanaque Police Association. The current five year contract expires December 31, 2020.

Employee Bargaining Units

Certain Borough employees are represented by bargaining agents which are shown below together with termination dates of current contracts.

<u>Classification</u>	<u>Representation</u>	<u>Date</u>
Police Officers	Fraternal Order of Police	12/31/20
Municipal Employees	Public Works, Water Office and Municipal Employees	12/31/20

LIABILITY INSURANCE

Liability insurance is purchased through the Polaris Galaxy Agency, Hasbrouck Heights, New Jersey from the New Jersey Intergovernmental Insurance Fund.

The Borough is part of a 22 member "municipal pool" arrangement for liability insurance coverage.

Liability insurance coverage consists of the following:

Per individual accident or occurrence, \$5,000,000 for automobile and general liability, plus umbrella coverage of \$10,000,000.

Police and Borough Officials are each covered separately for \$5,000,000 per occurrence.

The Borough is self-insured for worker's compensation through the North Jersey Intergovernmental Insurance Fund.

FINANCIAL OPERATIONS

Basis of Accounting

The accounting policies of the Borough conform to the accounting principals applicable to local governmental units which 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 of New Jersey. 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 by the Current and the General Capital Funds are recorded as expenditures at the time of purchase and are not capitalized.

Current Fund

The Borough finances its operations primarily through the Current Fund. All tax receipts and most revenues are paid into the Current Fund and substantially all expenditures are made by appropriations are paid from the Current Fund. The Borough operates on a January 1 to December 31, fiscal year.

General Expenditures

Expenditures are comprised of those made for general Borough 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 Borough purposes include payments made primarily in support of the Borough's various departments.

PROPOSED CAPITAL BUDGET AND CAPITAL IMPROVEMENT PROGRAM FOR YEAR

In accordance with the Local Budget Law, each local unit must adopt and annually revise a one to six year capital program budget. The capital budget, when adopted, constitutes the planned appropriation of funds and sets forth the possible capital expenditures which the local governmental unit may contemplate over the next one to six years. The Capital Budget does not in itself confer any authorization to raise or expend funds, but is to be used as part of a local governmental unit's planning and management program. The following is a summary of the Borough's 2019 capital budget and improvement program by project.

Summary of Proposed Annual Funding Amounts

<u>Year</u>	<u>General Annual Funding Amount</u>	<u>Water Annual Funding Amount</u>
2019	<u>\$1,865,000</u>	<u>\$300,000</u>

2019 Budget Appropriations, Funding Sources and Amounts

<u>Project</u>	<u>Planned Funding Services</u>			
	<u>Estimated Total Cost</u>	<u>Capital Improvement Fund</u>	<u>Grants in Aid and Other Funds</u>	<u>Debt Authorized</u>
Various Improvements	<u>\$1,865,000</u>	<u>\$340,000</u>	<u>\$727,100</u>	<u>\$797,900</u>
Water	<u>\$300,000</u>	<u>\$</u>	<u>\$</u>	<u>\$300,000</u>

Source: 2019 Adopted Budget.

CURRENT FUND REVENUE SOURCES

<u>Year</u>	<u>Budget Requirement(1)</u>	<u>Revenue Surplus Appropriated</u>	<u>Anticipated Revenues Collected (2)</u>	<u>Delinquent Taxes Collected</u>	<u>Tax Levy Collected</u>	<u>Surplus</u>
2019(3)	\$14,575,346	\$975,000	\$2,884,973	\$386,864	\$11,208,169	\$879,660
2018	13,769,876	955,000	2,491,056	322,825	10,662,031	661,036
2017	13,689,351	995,000	2,430,089	384,782	10,481,288	601,808
2016	13,350,265	952,500	2,203,081	456,663	10,394,417	656,396
2015	13,072,724	888,500	2,490,314	720,542	10,103,032	1,129,664

- (1) Current year's appropriation budget is limited to the Index Rate or a 3.5% increase over the immediately preceding year's final appropriations after giving effect to ratable growth or specified exemptions or emergencies. Includes reserve for uncollected taxes.
- (2) Reflects amount realized and non-budgeted revenue.
- (3) Unaudited

**CURRENT FUND BALANCES AND AMOUNTS UTILIZED
IN SUCCEEDING YEAR'S BUDGET**

Current Fund			
<u>Year</u>	<u>Balance December 31</u>	<u>Amount</u>	<u>Percent</u>
2019(1)	\$2,785,703		
2018	2,474,792	975,000	39.40
2017	2,469,142	955,000	38.68
2016	2,572,342	995,000	38.68
2015	2,560,219	952,500	37.20

Water Utility			
2019(1)	\$420,876		
2018	583,467	272,649	46.73
2017	265,301	132,850	50.08
2016	262,345	104,896	39.98
2015	194,179	74,435	38.33

Sewer Utility			
2019(1)	\$369,907		
2018	498,862	378,316	75.84
2017	592,939	400,000	67.46
2016	678,623	388,317	57.22
2015	429,960	345,583	80.37

Source: The Borough's audited financial statements.

(1) Unaudited

TREND OF STATE AND FEDERAL AID

<u>Year</u>	<u>Energy Receipts Tax(1)</u>	<u>Municipal Tax Relief</u>	<u>Other Aid</u>	<u>Federal Aid</u>	<u>Total</u>
2019(2)	\$892,133	\$10,225	\$4,385	\$-0-	\$906,743
2018	856,825	45,533	4,385	-0-	906,743
2017	833,900	68,458	4,385	-0-	906,743
2016	829,233	73,125	86,020	-0-	988,378
2015	829,233	73,125	222,562	-0-	1,124,920

(1) Represents taxes received from public utilities in the State. The State keeps a portion of such taxes, and distributes the balance to local governmental units according to a formula. The amount of taxes distributed by the State to the local governmental units is not governed by law.

(2) Unaudited

Source: Audited financial statements.

MAJOR REAL PROPERTY TAXPAYERS (1)

<u>Taxpayer</u>	<u>Nature of Business</u>	<u>Assessed Valuation</u>
North Jersey District Water Supply Commission	Water Supply	\$19,158,600
Wanaque Real Property (Convalescent Center)	Nursing Home	9,500,000
Omni 11 LLC (Nursing Home 25 Fifth Ave)	Nursing Home	6,500,000
Wanaque Building Assoc (4 Union Ave)	Food Store	6,200,000
NL Ventures X Third Ave (Arrow Shed)	Aluminum Sheds	5,201,400
Algonquin Gas c/o Duke Energy	Natural Gas Supply	4,494,900
1049 Ringwood Avenue, LLC	Realty	3,857,800
Shree Badha Shivan, LLC	Realty	3,645,000
Haskell Town Center LLC	Realty	2,697,300
Mountain Lakes Estates	Realty	<u>2,625,000</u>
Total Assessed Valuation		<u>\$63,880,000</u>

Proportion of Total 2019 Real Property Assessed Valuation of the Borough 5.71%

(1) Available information indicates that payment of taxes are current, and that none of the taxpayers shown have filed for bankruptcy under Chapter 11 of the Federal Bankruptcy Code.

Source: The Borough's Tax Duplicates.

TREND OF NET ASSESSED AND EQUALIZED PROPERTY VALUATIONS

Real Property Net Assessed Valuations by Classification and Land Use Analysis

<u>Classification</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Residential	\$991,182,000	\$992,489,900	\$988,682,600	\$976,142,900	\$976,794,800
Apartment	6,035,900	3,438,100	2,178,100	2,178,100	2,178,100
Farm	813,000	813,000	813,000	939,700	132,400
Commercial	70,309,900	70,933,700	72,102,400	86,100,400	86,193,800
Industrial	19,394,900	19,349,700	19,349,700	19,791,700	19,791,700
Vacant Land	<u>31,423,400</u>	<u>32,301,800</u>	<u>33,925,800</u>	<u>35,921,500</u>	<u>36,099,300</u>
Total	<u>\$1,119,159,100</u>	<u>\$1,119,326,200</u>	<u>\$1,117,051,600</u>	<u>\$1,121,074,300</u>	<u>\$1,121,190,100</u>

Source: The Borough's tax duplicates for the years shown.

(1) Revaluation

Net Assessed and Equalized Property Valuations

<u>Net Assessed Valuation</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Real Property (1)	\$1,119,159,100	\$1,119,326,200	\$1,117,051,600	\$1,121,074,300	\$1,121,190,100
Personal Tangible Property(2)	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total Net Assessed Valuation	1,119,159,100	1,119,326,200	1,117,051,600	1,121,074,300	1,121,190,100
Percent Increase/(Decrease) Over Previous Year	(0.015)%	.20%	(0.36)%	(0.01)%	(0.37)%
Equalized Valuation Ratio(3)	85.50%	87.09%	89.18%	90.73%	89.45%
Equalized Valuation	1,318,773,459	1,295,067,963	1,262,422,911	1,245,557,989	1,257,130,277
Percent Increase/(Decrease) Over Previous Year	1.83%	2.77%	1.35%	(.92)%	(2.50)%

- (1) Net Assessed valuation after deductions permitted under New Jersey Statutes.
- (2) Composed of "machinery, implements and equipment" of telephone, telegraph and messenger systems.
- (3) As equalized by the County.
- (4) Revaluation

Source: The County's Abstracts of Ratables for years shown.

**LEVY AND COLLECTION OF TAXES
As of December 31, for Years Shown**

The Borough is the political entity responsible for the levying and collection of taxes on all taxable real property within its borders, including the tax levies for the County and the school districts. The levy and collection of taxes are based upon the Borough's Calendar Year. The Borough remits to the County 100% of its tax levy quarterly, on the 15th days of August and November of the current calendar year, and the 15th days of February and May of the following calendar year. Turnover of 100% of tax levies for school purposes are based on school needs and are generally made on a periodic basis throughout the year. Tax bills for the second half of the current calendar year's tax levy and an estimate based on 50% of the levy for the first half of the following calendar year, are mailed annually in June and are due in quarterly installments on the first days of August, November, February and May. Delinquent payments are subject to an interest penalty of 8% on the first \$1,500 of delinquency and 18% on amounts exceeding \$1,500. Unpaid taxes are subject to tax sale as of the eleventh day of the eleventh month of the current tax year, in accordance with statutes of the State of New Jersey. Tax liens are subsequently subject to foreclosure proceedings in order to enforce tax collections or acquire title to the property.

**TAX RATE APPORTIONMENT
(Per \$1,000 of Assessed Valuation)**

<u>Year</u>	<u>Municipal(1)</u>	<u>County(2)</u>	<u>Local School</u>	<u>Regional School</u>	<u>Tax Rate</u>
2019(3)	9.58	8.28	13.78	7.43	39.1
2018	9.19	8.48	13.48	7.15	38.3
2017	8.84	8.57	13.19	6.85	37.5
2016	8.95	8.32	12.74	6.46	36.5
2015	8.71	8.50	12.40	6.280	35.9

- (1) Includes Municipal Open Space and Library.
 - (2) Includes County Open Space Tax.
 - (3) Unaudited
- Source: Audited Financial Statements.

APPORTIONMENT OF TAX LEVY

<u>Year</u>	<u>Municipal(1)</u>	<u>County(2)</u>	<u>Local School</u>	<u>Regional School</u>	<u>Tax Levy</u>
2019(3)	\$ 10,742,359	\$ 9,258,981	\$ 15,391,623	\$ 8,332,484	\$ 43,725,447
2018	10,297,368	9,477,164	15,082,840	8,004,482	42,861,854
2017	10,097,721	9,279,731	14,738,068	7,651,101	41,766,621
2016	10,027,651	9,331,352	14,282,718	7,245,034	40,886,755
2015	9,852,880	9,542,564	13,919,890	7,041,043	40,356,377

(1) Includes Municipal Open Space and Library.

(2) Includes County Open Space.

(3) Unaudited

TAX COLLECTION EXPERIENCE

<u>Year</u>	<u>Current Tax Levy Collection</u>			<u>Delinquent Taxes Collected</u>	<u>Total Taxes Collected</u>	<u>Percent of Current Tax Levy</u>
	<u>Tax Levy</u>	<u>Amount</u>	<u>Percent</u>			
2019(1)	\$ 43,744,669	\$ 43,403,107	99.22%	\$ 386,864	\$ 43,789,971	100.10%
2018	42,921,178	42,461,260	98.93	322,825	42,784,085	99.68
2017	41,905,256	41,415,408	98.83	384,782	41,800,190	99.75
2016	41,020,395	40,539,206	98.83	456,663	40,995,869	99.94
2015	40,356,377	39,871,698	98.80	720,542	40,592,240	100.58

(1) Unaudited

DELINQUENT TAXES AND TAX TITLE LIENS

<u>Year</u>	<u>Tax Title Liens</u>	<u>Delinquent Taxes</u>	<u>Total Delinquent</u>	<u>% to Current Levy</u>
2019(1)	\$ 187,543	\$ 302,880	\$ 490,423	1.12%
2018	172,497	391,411	563,908	1.31
2017	164,612	358,124	522,736	1.25
2016	146,057	406,962	553,019	1.35
2015	125,518	482,158	607,676	1.51

(1) Unaudited

TAX TITLE LIENS

<u>Year</u>	<u>Balance January 1</u>	<u>Added by Sales & Transfers</u>	<u>Tax Liens Collected</u>	<u>Balance December 31</u>
2019(1)				\$0
2018	164,612	38,444	30,559	172,497
2017	146,056	21,047	2,491	164,612
2016	125,518	21,112	574	146,056
2015	460,304	10,105	344,891	125,518

Source: The Borough's audited financial statements
(1) Unaudited

FORECLOSED PROPERTY

<u>Year</u>	<u>Balance December 31</u>
2019(1)	\$388,475
2018	388,475
2017	388,475
2016	388,475
2015	388,475

Source: The Borough's audited financial statements.
(1) Unaudited

**COMPARISON OF MUNICIPAL TAX LEVY
TO
ANNUAL DEBT SERVICE REQUIREMENT**

<u>Year</u>	<u>Municipal Purpose Tax Levy</u>	<u>Debt Service Requirement</u>	<u>Percent of Debt Service To Tax Levy</u>
2019	\$10,630,443	\$1,403,754	13.21%
2018	10,185,435	1,345,249	13.21
2017	9,986,016	1,162,222	11.64
2016	9,915,544	1,160,354	11.70
2015	9,703,523	1,225,428	12.63

Source: The Borough's audited financial statements.

AUTHORIZED BUT UNISSUED DEBT
(As Of December 31, 2019(1))

<u>Purpose</u>	<u>Authorized Amount</u>
General Capital:	
Provision of Affordable Housing	\$36,000
2 nd Avenue Drainage System Improvements	22,100
Improvement of Various Roads	157,900
Improvement of Various Roads	215,000
Various Improvements	<u>640,000</u>
	1,071,000
Water Capital - Various Water Improvements	<u>850,000</u>
	<u>\$1,921,000</u>
Sewer Capital: - N/A	

TEMPORARY DEBT ISSUED AND OUTSTANDING
(As Of December 31, 2019(1))

<u>Purpose</u>	<u>Interest Rate</u>	<u>Original Issue Date</u>	<u>Maturity Date</u>	<u>Amount Outstanding</u>
General:				
Improvements to Various Roads	2.75%	03/28/19	03/27/20	\$281,250
Improvements to Various Roads	2.75	03/28/19	03/27/20	153,750
Improvements to Various Roads	2.75	03/28/19	03/27/20	141,250
Improvements to Various Roads	2.75	03/28/19	03/27/20	333,000
Acquisition of Equipment	2.75	03/28/19	03/27/20	207,000
Improvements to Various Roads	2.75	03/28/19	03/27/20	425,000
Acquisition of Two Fire Trucks	2.75	03/28/19	03/27/20	85,000
Various Improvements	2.75	03/28/19	03/27/20	990,000
Various Road Improvements	2.75	03/28/19	03/27/20	243,000
Improvements to Various Roads	2.75	03/28/19	03/27/20	225,000
Improvements of Stormwater System	2.75	03/28/19	03/27/20	313,500
Water:				
Improvements to Water System	2.75	03/28/19	03/27/20	225,000
Improvements to Water System	2.75	03/28/19	03/27/20	210,000
Improvements to Water System	2.75	03/28/19	03/27/20	280,000
Improvements to Water System	2.75	03/28/19	03/27/20	325,000
Improvements to Water System	2.75	03/28/19	03/27/20	<u>450,000</u>
				<u>\$4,887,750</u>

_____ (1) Unaudited

PERMANENT DEBT ISSUED AND OUTSTANDING
(As Of December 31, 2019(1))

<u>Purpose</u>	<u>Interest Rate</u>	<u>Original Issue Date</u>	<u>Maturity Date</u>	<u>Amount Outstanding</u>
General Capital:				
General Bonds of 2015	2.25 to 3.25	2/26/15	2/1/35	\$444,000
General Refunding Bonds of 2015	3.0 to 4.0	2/26/15	2/1/27	3,290,000
General Bonds of 2015	2.25 to 3.0	2/26/15	2/1/25	<u>10,105,000</u>
Total General Capital Debt				<u>13,839,000</u>
Water Utility:				
Water Refunding Bonds of 2015	3.0 to 4.0	2/1/15	2/1/27	760,000
Water Bonds of 2015	2.25 to 3.125	2/26/15	2/1/32	612,000
NJEIT 2010	1.66 to 6.54	7/28/10	8/1/31	<u>1,999,000</u>
				<u>3,371,000</u>
Sewer Utility				
Revenue Bonds 2008A	4.77 to 5.16	9/16/08	12/1/22	2,137,261
Refunding Bonds 2008B	3.5 to 4.25	9/16/08	12/1/21	<u>1,325,000</u>
				<u>3,462,261</u>
Loan Payable State of New Jersey:				
Back Beach Phase 1	2.00	2/10/98	1/26/32	<u>147,373</u>
Total Permanent Debt Issued and Outstanding				<u><u>\$20,819,634</u></u>

(1) Unaudited
Source: The Borough.

STATUTORY DEBT INFORMATION
(As of December 31, 2019)

School Purpose:	
Bonds and Notes Issued	\$10,362,510
Authorized/Unissued Debt	
Total School Purpose Debt	<u>10,362,510</u>
Deductions	<u>10,362,510</u>
Net Debt for School Purposes	<u>0</u>
Self-Liquidating Purpose:	
Bonds and Notes Issued (Water Utility)	4,861,000
Bonds and Notes Issued (Sewer Utility)	3,462,261
Authorized/Unissued Debt (Water Utility)	<u>850,000</u>
Total Self-Liquidating Purpose	9,173,261
Deductions	<u>9,173,261</u>
Net Debt for Self-Liquidating Purpose	<u>0</u>
Municipal Purpose:	
General Bonds, Notes & Loans	17,384,123
Authorized/Unissued Debt	<u>1,071,000</u>
Total Gross Municipal Debt	18,455,123
Deductions	<u>154</u>
Net Debt for Municipal Purpose	<u>18,454,969</u>
Total Gross Statutory Debt	37,990,894
Total Statutory Deductions	<u>19,535,925</u>
Total Net Statutory Debt	<u><u>\$18,454,969</u></u>

STATUTORY BORROWING POWER
(As of December 31, 2019)

Statutory Equalized Valuation (1)	\$1,318,486,001
Statutory Borrowing Power (2)	46,147,010
Statutory Net Debt	<u>18,454,969</u>
Remaining Statutory Borrowing Power	<u>27,692,041</u>
Net Debt to Equalized Valuation	1.400%

(1) Average for the immediately preceding three years (2019, 2018 and 2017) as calculated by State.

(2) 3.50% of the statutory equalized valuation.

Source: The Borough.

**DIRECT AND OVERLAPPING DEBT
ISSUED AND OUTSTANDING
(As of December 31, 2019)**

	<u>Direct Debt</u>	<u>Overlapping Debt</u>
Direct Debt:		
Bonds, Loans and Notes	\$17,384,123	
Authorized Not Issued	1,071,000	
Self-Liquidating Water Utility	5,711,000	
Self-Liquidating Sewer Utility	<u>3,462,261</u>	
	<u>27,628,384</u>	
Overlapping Debt:		
Local and Regional School District		\$10,362,510
Passaic County (1)		8,515,224
Passaic County Utilities Authority (1)		1,220,875
Self-Supporting:		
Wanaque Valley Regional Sewerage Authority		<u>13,537,207</u>
		<u>33,635,816</u>
Total Direct Debt:		
Gross	27,628,384	
Deductions	<u>9,173,415</u>	
Net	<u>\$18,454,969</u>	
Total Overlapping Debt:		
Gross		33,635,816
Deductions		<u>10,362,510</u>
Net		<u>\$23,273,306</u>

(1) The Borough's net share of the County's debt is obtained by dividing the Borough's 2019 equalized valuation by the County's 2019 equalization as obtained from the County's abstract of ratables.
Source: The political entities shown.

DEBT RATIOS

	<u>Direct Debt</u>		<u>Direct and Overlapping Debt</u>	
	<u>Gross</u>	<u>Net</u>	<u>Gross</u>	<u>Net</u>
Per Capital 2010 Census: 11,116	\$2,485	\$1,660	\$3,026	\$2,094
Equalized Valuation: 1,318,486,001	2.095%	1.400%	2.551%	1.765%

APPENDIX B

**THE BOROUGH OF WANAQUE
SUMMARY OF
2019 ADOPTED BUDGET**

**BOROUGH OF WANAQUE
SUMMARY OF
2019 ADOPTED BUDGET**

Summary of General Revenues Anticipated:	
Surplus	<u>\$975,000</u>
Miscellaneous Revenues:	
Local Revenues	355,500
State Aid Without Offsetting Appropriations	906,743
Dedicated Uniform Construction Code Fees	
Offset Without Appropriations	140,000
Special Items of General Revenue Anticipated	
With Prior Consent of Director of	
Local Government Services:	
Interlocal Municipal Service Agreements	40,600
Public and Private Revenues	557,694
Other Special Items	<u>629,166</u>
Total Miscellaneous Revenues	<u>2,629,703</u>
Delinquent Taxes Receipts	<u>320,000</u>
Sub-total General Revenues	<u>3,924,703</u>
Amount to be Raised for Support of Municipal	
Budget, Including Reserve for Uncollected Taxes	10,194,059
Municipal Library Tax	<u>436,384</u>
Total Amount to be Raised by Taxes for Support	
of Municipal Budget	<u>10,630,443</u>
Total General Reserves	<u>\$14,555,146</u>
Summary of General Appropriations:	
Within "CAPS":	
Operations:	
Salaries and Wages	5,058,830
Other Expenses	<u>4,415,065</u>
Sub-total	9,473,895
Deferred Charges and Statutory Expenditures	<u>1,313,640</u>
Total Operations Within "CAPS"	<u>10,787,535</u>
Excluded From "CAPS":	
Operations:	
Salaries and Wages	32,000
Other Expenses	602,678
Capital Improvements	825,000
Municipal Debt Service	1,403,754
Deferred Charges	<u>-0-</u>
Total General Appropriations Excluded From "CAPS"	<u>2,863,432</u>
Sub-total General Appropriations	13,650,967
Reserve for Uncollected Taxes	<u>904,179</u>
Total General Appropriations	<u>\$14,555,146</u>

Source: The Borough's 2019 Adopted Budget.

APPENDIX C

EXCERPTS FROM
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2018

Ferraioli, Wielkotz, Cerullo & Cuva, P.A.

Charles J. Ferraioli, Jr., MBA, CPA, RMA
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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and
Members of the Borough Council
Borough of Wanaque
Wanaque, New Jersey 07465

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 Wanaque in the County of Passaic, as of December 31, 2018 and 2017, the related statement of operations and changes in fund balance - regulatory basis for the years then ended, and the related statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the various funds for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"), and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 Wanaque on the basis of the financial reporting provisions prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of New Jersey.

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

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 Wanaque 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

As described in Note 16 of the financial statements, the Borough participates in a Length of Service Award Program (LOSAP) for its volunteer fire and rescue personnel. The amount reflected in the trust fund statements of \$1,503,713.88 and \$1,581,014.59 for 2018 and 2017, respectively, were not audited and, therefore, we express no opinion on the LOSAP program.

Opinion on Regulatory Basis of Accounting

In our opinion, except for the effects of the matters described in the “Basis for Qualified Opinion on Regulatory Basis of Accounting” paragraph, the financial statements referred to above, present fairly, in all material respects, the regulatory basis balance sheets and account group as of December 31, 2018 and 2017, the regulatory basis statements of operations for the years then ended and the regulatory basis statements of revenues and expenditures for the year ended December 31, 2018 in accordance with the basis of financial reporting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

Emphasis of Matter

Adoption of New Accounting Principle

As discussed in Note 1 to the basic financial statements, during the year ended December 31, 2018, the Borough adopted Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Post Employment Benefits Other Than Pensions (an Amendment of GASB Statement No. 45). As a result of the regulatory basis of accounting, described in the previous paragraph, the implementation of this statement only required financial statement disclosure. Our opinions are not modified with respect to this matter.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Borough of Wanaque’s basic financial statements. The supplementary information listed in the table of contents and the letter of comments and recommendations section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental information listed in the table of contents is the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information listed in the table of contents is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Honorable Mayor and
Members of the Borough Council
Page 4.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 18, 2019 on our consideration of the Borough of Wanaque's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Borough of Wanaque's internal control over financial reporting and compliance.

James Cerullo

James Cerullo, C.P.A.
Registered Municipal Accountant
No. 415

Ferraioli, Wielkocz, Cerullo & Cuva, P.A.

FERRAIOLI, WIELKOTZ, CERULLO & CUVA, P.A.
Certified Public Accountants
Pompton Lakes, New Jersey

July 18, 2019

Comparative Balance Sheet - Regulatory Basis

Current Fund

December 31,

<u>Assets</u>	<u>Ref.</u>	<u>2018</u>	<u>2017</u>
Current Fund:			
Cash	A-4	4,448,881.46	6,424,723.16
Change Fund	A-6	625.00	625.00
Due from State of New Jersey:			
Senior Citizen and Veteran Deductions	A-7	<u>10,558.87</u>	<u>7,639.71</u>
		<u>4,460,065.33</u>	<u>6,432,987.87</u>
Receivables and Other Assets with Full Reserves:			
Delinquent Taxes Receivable	A-8	391,410.50	358,123.54
Tax Title Liens Receivable	A-9	172,497.01	164,611.61
Property Acquired for Taxes - Assessed Valuation	A-10	388,475.00	388,475.00
Revenue Accounts Receivable	A-11	24,400.62	27,868.56
Due from Passaic County	A-12	8,700.24	8,931.28
Interfund Receivables:			
Animal Control Trust Fund	A-13	122.44	13.99
Other Trust Fund	A-13	79,478.08	
Escrow Trust	A-13	2,800.00	586.71
Recycling Trust	A-13	3,845.36	
Payroll Fund	A-13	11,605.41	10,358.25
Assessment Trust Fund	A-13	<u>75,673.79</u>	
		<u>1,159,008.45</u>	<u>958,968.94</u>
		<u>5,619,073.78</u>	<u>7,391,956.81</u>
Federal and State Grant Fund:			
State Grants Receivable	A-21	250,060.00	124,574.72
Interfund - Current Fund	A-24	<u>307,094.89</u>	<u>290,520.08</u>
		<u>557,154.89</u>	<u>415,094.80</u>
Total Assets		<u><u>6,176,228.67</u></u>	<u><u>7,807,051.61</u></u>

The accompanying "Notes to Financial Statements" are an integral part of these Financial Statements.

Comparative Balance Sheet - Regulatory Basis

Current Fund

December 31,

	<u>Ref.</u>	<u>2018</u>	<u>2017</u>
<u>Liabilities, Reserves and Fund Balance</u>			
Current Fund:			
Appropriation Reserves	A-3/A-14	453,162.94	384,698.33
Encumbrances Payable	A-15	139,332.86	190,614.80
Prepaid Taxes	A-16	233,908.93	2,048,163.32
Interfunds Payable			
Other Trust Fund	A-13		17,260.77
Open Space Trust Fund	A-13	32,423.42	84,173.94
Flex Spending Trust	A-13	600.49	2,200.45
Assessment Trust Fund	A-13		97,115.97
Federal and State Grant Fund	A-13	307,094.89	290,520.08
Water Operating Fund	A-13	20,695.14	2,146.67
General Capital Fund	A-13	37,850.44	
Local School Tax Payable	A-17	181.00	179.00
Regional School Tax Payable	A-18	9,487.62	9,487.62
County Taxes Payable	A-19		28,373.26
Deposits for Redemption of Tax Sale Certificates	A-20		29,552.86
Tax Overpayments	A-20	3,386.17	28,620.91
Due to State of NJ:			
Marriage Surcharge	A-20	225.00	275.00
Building Surcharge	A-20	1,207.00	1,150.00
Reserve for:			
Revaluation / Tax Map	A-20	60,134.15	60,134.15
Police Law Enforcement	A-20	56.64	56.64
Project D.A.R.E.	A-20	18,863.55	18,863.55
P.I.L.O.T. Service Charge	A-20	666,663.09	670,258.79
		<u>1,985,273.33</u>	<u>3,963,846.11</u>
Reserve for Receivables	Contra	1,159,008.45	958,968.94
Fund Balance	A-1	<u>2,474,792.00</u>	<u>2,469,141.76</u>
		<u>5,619,073.78</u>	<u>7,391,956.81</u>
Federal and State Grant Fund:			
Appropriated Reserve for Grants	A-22	532,298.19	376,575.58
Unappropriated Reserve for Grants	A-23	24,856.70	38,519.22
		<u>557,154.89</u>	<u>415,094.80</u>
Total Liabilities, Reserves and Fund Balance		<u>6,176,228.67</u>	<u>7,807,051.61</u>

The accompanying "Notes to Financial Statements" are an integral part of these Financial Statements.

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

Current Fund

Year Ended December 31,

	<u>Ref.</u>	<u>2018</u>	<u>2017</u>
Revenues and Other Income:			
Fund Balance Utilized	A-2	955,000.00	995,000.00
Miscellaneous Revenue Anticipated	A-2	2,336,198.66	2,398,764.13
Receipts from Delinquent Taxes	A-2	322,824.61	384,782.43
Receipts from Current Taxes	A-2	42,461,260.13	41,415,407.86
Non-Budget Revenue	A-2	154,857.27	49,737.42
Other Credits to Income:			
Interfunds Returned	A-13	10,958.95	31,867.20
Canceled Grant Reserves	A-13	0.83	21,127.48
Unexpended Balance of Appropriation Reserves	A-14	286,766.69	105,843.34
Canceled Tax Overpayments	A-20	1.63	500.11
		<hr/>	<hr/>
Total Revenues and Other Income		46,527,868.77	45,403,029.97
Expenditures:			
Budget and Emergency Appropriations:			
Operations:			
Salaries and Wages	A-3	4,961,798.59	4,981,039.00
Other Expenses	A-3	4,975,087.22	5,031,533.58
Capital Improvement Fund	A-3	365,000.00	300,000.00
Municipal Debt Service	A-3	1,345,249.10	1,162,222.35
Deferred Charges and Statutory Expenditures -			
Municipal	A-3	1,234,129.42	1,338,391.00
Refund of Prior Years Revenue	A-4	1,278.00	55,970.21
Interfund Advances	A-13	173,525.08	10,958.95
Canceled Grants Receivable	A-13	0.83	24,863.08
Municipal Open Space	A-13	112,066.14	112,011.94
Local District School Tax	A-17	15,082,840.00	14,738,068.00
Regional High School Tax	A-18	7,827,791.50	7,448,067.50
County Taxes including Added Taxes	A-19	9,488,452.65	9,308,104.16
		<hr/>	<hr/>
Total Expenditures		45,567,218.53	44,511,229.77

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

Current Fund

Year Ended December 31,

	<u>Ref.</u>	<u>2018</u>	<u>2017</u>
Excess (Deficit) Revenue Over Expenditures		960,650.24	891,800.20
Adjustment to Income Before Fund Balance - Expenditures Included above Which are by Statute Deferred Charges to Budget of Succeeding Year		<hr/>	<hr/>
Statutory Excess to Fund Balance		960,650.24	891,800.20
Fund Balance, January 1,	A	<u>2,469,141.76</u>	<u>2,572,341.56</u>
		3,429,792.00	3,464,141.76
Decreased by:			
Fund Balance Utilized as Budget Revenue		<u>955,000.00</u>	<u>995,000.00</u>
Fund Balance, December 31,	A	<u><u>2,474,792.00</u></u>	<u><u>2,469,141.76</u></u>

The accompanying "Notes to Financial Statements" are an integral part of these Financial Statements.

Borough of Wanaque , N.J.

Statement of Revenues - Regulatory Basis

Current Fund

Year Ended December 31, 2018

	<u>Ref.</u>	<u>Budget</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
Fund Balance Anticipated	A-1	955,000.00	955,000.00	
Miscellaneous Revenues:				
Licenses:				
Alcoholic Beverages	A-11	21,000.00	20,000.00	(1,000.00)
Licenses - Other	A-2	7,000.00	8,313.00	1,313.00
Fees & Permits	A-2	11,500.00	11,425.60	(74.40)
Fines and Costs:				
Municipal Court	A-11	186,500.00	172,272.09	(14,227.91)
Interest and Costs on Taxes	A-5	82,500.00	82,793.31	293.31
Interest on Investments	A-11	30,000.00	116,653.71	86,653.71
Consolidated Municipal Property Tax Relief Aid	A-4	45,533.00	45,533.00	
Energy Receipts Tax	A-4	856,825.00	856,825.00	
Garden State Trust PILOT	A-4	4,385.00	4,385.00	
Uniform Construction Code Fees	A-11	165,000.00	148,529.00	(16,471.00)
Interlocal Agreements				
Street Lighting Contract	A-12	8,100.00	8,931.28	831.28
Clean Communities Program	A-21	20,044.47	20,044.47	
Recycling Tonnage Grant	A-21	9,437.22	9,437.22	
N.J. Transit Trust Fund Authority Act	A-21	200,000.00	200,000.00	
Don't Text and Drive	A-21	5,500.00	5,500.00	
Municipal Alliance	A-21	44,880.00	44,880.00	
Alcohol Education and Rehabilitation Fund	A-21	1,351.14	1,351.14	
Bulletproof Vest Program	A-21	5,177.76	5,177.76	
Body Armor Replacement Fund	A-21	2,508.63	2,508.63	
Cable TV	A-11	58,210.00	58,112.00	(98.00)
Uniform Fire Safety Act	A-11	18,000.00	23,407.96	5,407.96
Library Services	A-11	22,000.00	22,000.00	
Hotel Occupancy Fee	A-11	71,000.00	69,763.41	(1,236.59)
Social Services Rent	A-11	81,989.00	81,984.00	(5.00)
Cellular Tower Lease	A-11	191,000.00	206,371.08	15,371.08
Wanaque BOE Field Reimbursement	A-11	5,000.00	5,000.00	
General Capital Fund - Fund Balance	A-11	43,000.00	43,000.00	
Municipal Open Space Share of Debt Service	A-11	30,000.00	30,000.00	
Reserve for Debt Service	A-11	32,000.00	32,000.00	
Total Miscellaneous Revenues	A-1	2,259,441.22	2,336,198.66	76,757.44
Receipts from Delinquent Taxes	A-1/A-2	370,000.00	322,824.61	(47,175.39)
Subtotal General Revenues		3,584,441.22	3,614,023.27	29,582.05
Amount to be Raised by Taxes for Support of Municipal Budget - Local Tax for Municipal Purposes Including Reserve for Uncollected Taxes	A-2	10,185,434.70	10,662,030.91	476,596.21
Budget Totals		13,769,875.92	14,276,054.18	506,178.26
Non-Budget Revenue	A-1/A-2		154,857.27	154,857.27
		13,769,875.92	14,430,911.45	661,035.53
	A-3			

The accompanying "Notes to Financial Statements" are an integral part of these Financial Statements.

Borough of Wanaque , N.J.
Statement of Revenues - Regulatory Basis

Current Fund

Year Ended December 31, 2018

Analysis of Realized Revenues

	<u>Ref.</u>	
Revenue from Collections	A-1/A-8	42,461,260.13
Allocated to School and County Taxes	A-8	<u>32,687,840.79</u>
Balance for Support of Municipal Budget Appropriations		9,773,419.34
Add : Appropriation - Reserve for Uncollected Taxes	A-3	<u>888,611.57</u>
Amount for Support of Municipal Budget Appropriations	A-2	<u><u>10,662,030.91</u></u>
Receipts from Delinquent Taxes:		
Delinquent Taxes	A-2,A-8	292,265.68
Tax Title Liens	A-9	<u>30,558.93</u>
	A-2	<u><u>322,824.61</u></u>
Licenses - Other:		
Clerk	A-11	5,295.00
Board of Health	A-11	<u>3,018.00</u>
	A-2	<u><u>8,313.00</u></u>
Fees & Permits		
Clerk	A-11	924.50
Police	A-11	1,577.10
Board of Health	A-11	<u>8,924.00</u>
	A-2	<u><u>11,425.60</u></u>

Analysis of Non-budget Revenues

	<u>Ref.</u>	
Miscellaneous Revenues Not Anticipated:		
Revenue Accounts Receivable:		
Lyndhurst QPA Interlocal - Prior Year	A-11	15,500.00
Tax Miscellaneous		681.58
Insurance Dividend		14,487.09
FEMA		38,483.44
Senior Citizen and Veterans Administrative Fee		1,978.03
Homestead Rebate Administrative Fee		1,213.20
Developer Applications		7,250.00
Vaccine Reimbursements		16,818.18
Interest and Costs on Assessments		324.37
Use of Borough Property		1,474.00
DMV Inspections		1,900.00
Sale of Borough Assets		37,160.00
Various Refunds and Miscellaneous		<u>17,587.38</u>
	A-4	<u>139,357.27</u>
	A-2	<u><u>154,857.27</u></u>

The accompanying "Notes to Financial Statements" are an integral part of these Financial Statements.

Borough of Wanaque, N.J.

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2018

	<u>General Appropriations</u>	<u>Ref.</u>	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Cancelled</u>
General Government Functions							
Administrative and Executive							
Salaries and Wages			100,776.00	100,776.00	100,449.35	326.65	
Other Expenses							
Mayor and Council							
Salaries and Wages			39,000.00	39,000.00	38,999.48	0.52	
Other Expenses			3,750.00	3,750.00	3,684.00	66.00	
Municipal Clerk							
Salaries and Wages			182,451.00	184,651.00	184,633.39	17.61	
Other Expenses			28,600.00	28,600.00	28,091.10	508.90	
Elections							
Salaries & Wages			2,500.00	3,650.00	3,647.13	2.87	
Other Expenses			4,000.00	4,000.00	3,500.00	500.00	
Financial Administration:							
Salaries & Wages			122,751.00	122,751.00	121,710.99	1,040.01	
Other Expenses			4,800.00	5,625.00	5,555.20	69.80	
Data Processing			35,000.00	31,075.00	25,695.50	5,379.50	
Miscellaneous Other Expenses			49,000.00	49,000.00	40,711.25	8,288.75	
Collection of Taxes							
Salaries and Wages			67,694.00	67,704.00	67,702.85	1.15	
Other Expenses			7,850.00	6,150.00	2,281.00	3,869.00	
Assessment of Taxes							
Salaries and Wages			57,966.00	58,216.00	58,187.50	28.50	
Other Expenses			12,725.00	10,225.00	9,501.63	723.37	
Legal Services and Costs							
Other Expenses			195,000.00	185,300.00	133,145.09	52,154.91	
Engineering Services and Costs							
Other Expenses			45,000.00	43,000.00	29,997.67	13,002.33	

Borough of Wanaque, N.J.

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2018

	<u>Ref.</u>	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Cancelled</u>
<u>General Appropriations</u>						
Planning Board						
Salaries and Wages		6,310.00	6,310.00	6,309.94	0.06	
Other Expenses		9,075.00	7,075.00	3,702.53	3,372.47	
Board of Adjustment						
Salaries and Wages		6,310.00	6,310.00	6,309.94	0.06	
Other Expenses		3,175.00	3,675.00	3,475.00	200.00	
Insurance:						
Other Insurance Premiums		420,625.00	400,625.00	398,580.09	2,044.91	
Group Insurance for Employees		1,100,000.00	1,077,000.00	1,000,064.70	76,935.30	
Health Benefit Waiver		88,000.00	103,000.00	102,754.42	245.58	
Police						
Salaries and Wages		3,592,300.59	3,553,300.59	3,445,915.37	107,385.22	
Other Expenses		153,700.00	153,300.00	151,433.73	1,866.27	
Police Vehicles		35,000.00	73,900.00	69,645.00	4,255.00	
911 Dispatch Services		9,700.00	9,700.00	9,700.00		
Emergency Management Services:						
Salaries and Wages		15,555.00	15,555.00	14,766.18	788.82	
Other Expenses		4,250.00	4,250.00	4,218.00	32.00	
First Aid Organization Contribution		58,000.00	58,000.00	41,581.95	16,418.05	
Fire						
Salaries and Wages		4,000.00	6,000.00	6,000.00		
Clothing Allowance		25,000.00	25,000.00	23,750.00	1,250.00	
Miscellaneous Other Expenses		123,875.00	123,875.00	120,135.09	3,739.91	
Uniform Fire Safety Act (Ch. 383, P.L. 1983)						
Salaries and Wages		31,250.00	33,750.00	33,737.38	12.62	
Other Expenses		3,650.00	3,650.00	3,166.69	483.31	
Municipal Prosecutor						
Retainer		30,611.00	30,611.00	30,010.92	600.08	

Borough of Wanaque, N.J.

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2018

	<u>Ref.</u>	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Cancelled</u>
<u>General Appropriations</u>						
Road Repair and Maintenance						
Salaries and Wages		410,000.00	394,590.00	366,256.90	28,333.10	
Other Expenses		187,600.00	187,600.00	180,054.13	7,545.87	
Public Buildings and Grounds						
Other Expenses		250,000.00	307,700.00	305,220.25	2,479.75	
Garbage and Trash Removal						
Other Expenses		750,000.00	723,000.00	710,592.11	12,407.89	
Municipal Services Act (P.L. 1993, CH. 6)						
Garbage and Trash Removal						
Other Expenses		28,000.00	28,000.00	3,238.36	24,761.64	
Recycling						
Other Expenses		232,500.00	232,500.00	228,687.35	3,812.65	
Board of Health						
Salaries and Wages		92,751.00	94,751.00	92,768.17	1,982.83	
Other Expenses		115,400.00	121,500.00	119,491.15	2,008.85	
Parks and Playgrounds:						
Salaries and Wages		8,906.00	8,906.00	8,906.00		
Other Expenses						
Golden Agers		12,000.00	12,000.00	10,807.00	1,193.00	
Miscellaneous Other Expenses		35,840.00	35,840.00	35,840.00		
Municipal Court:						
Salaries and Wages		167,065.00	181,565.00	181,528.72	36.28	
Other Expenses		9,800.00	9,800.00	8,536.50	1,263.50	
Uniform Construction Code Officials						
Salaries and Wages		110,279.00	114,779.00	114,779.00		
Other Expenses		9,550.00	6,050.00	5,067.07	982.93	
Electrical Inspector						
Salaries and Wages		14,517.00	15,117.00	15,068.52	48.48	

Borough of Wanaque, N.J.

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2018

	<u>Ref.</u>	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Cancelled</u>
<u>General Appropriations</u>						
Plumbing Inspector		14,517.00	16,217.00	15,289.38	927.62	
Salaries and Wages						
Fire Sub-Code Official		8,065.00	8,065.00	8,065.00		
Salaries and Wages						
Celebration of Public Events		40,000.00	41,700.00	41,700.00		
Other Expenses		46,300.00	46,300.00	40,616.69	5,683.31	
Street Lighting		43,000.00	43,000.00	40,861.45	2,138.55	
Telephone		65,000.00	65,000.00	56,262.84	8,737.16	
Gasoline						
Total Operations within "CAPS"		9,332,339.59	9,332,339.59	8,922,386.65	409,952.94	
Detail:						
Salaries and Wages	A-1	4,984,798.59	4,961,798.59	4,820,592.76	141,205.83	
Other Expenses	A-1	4,347,541.00	4,370,541.00	4,101,793.89	268,747.11	
Deferred Charges and Statutory Expenditures - Municipal within "CAPS"						
Statutory Expenditures:						
Contribution to:						
Public Employee Retirement System		231,444.42	231,444.42	231,444.42		
Social Security System (O.A.S.I.)		187,000.00	187,000.00	186,725.53	274.47	
Police and Firemen's Retirement System of NJ		777,685.00	777,685.00	777,685.00		
Defined Contribution Retirement Plan		8,000.00	8,000.00	5,064.47	2,935.53	
Total Deferred Charged and Statutory Expenditures - Municipal within "CAPS"	A-1	1,204,129.42	1,204,129.42	1,200,919.42	3,210.00	
Total General Appropriations for Municipal Purposes within "CAPS"		10,536,469.01	10,536,469.01	10,123,306.07	413,162.94	

Borough of Wanaque, N.J.

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2018

	<u>Ref.</u>	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Cancelled</u>
<u>General Appropriations</u>						
Operations - Excluded from "CAPS"						
Maintenance of Free Public Library		427,547.00	427,547.00	427,547.00		
Reserve for Tax Appeals		40,000.00	40,000.00	40,000.00		
Emergency Services Volunteer Length of Service Award Program		40,000.00	40,000.00		40,000.00	
Interlocal Municipal Service Agreements:						
Street Lighting		8,100.00	8,100.00	8,100.00		
Other Expenses						
Public and Private Programs Offset by Revenues						
Clean Communities Program		20,044.47	20,044.47	20,044.47		
Over the Limit Under Arrest						
Municipal Alliance		44,880.00	44,880.00	44,880.00		
Don't Text and Drive		5,500.00	5,500.00	5,500.00		
Alcohol Education & Rehab. Grant		1,351.14	1,351.14	1,351.14		
Recycling Tonnage Grant		9,437.22	9,437.22	9,437.22		
Bulletproof Vest Program		5,177.76	5,177.76	5,177.76		
Body Armor Replacement Program		2,508.63	2,508.63	2,508.63		
Total Operations - Excluded from "CAPS"		604,546.22	604,546.22	564,546.22	40,000.00	
Detail:						
Salaries & Wages	A-1					
Other Expenses	A-1	604,546.22	604,546.22	564,546.22	40,000.00	
Capital Improvements:						
Down Payment on Improvements		15,000.00	15,000.00	15,000.00		
Capital Improvement Fund		150,000.00	150,000.00	150,000.00		
New Jersey Transportation Trust Fund Authority Act		200,000.00	200,000.00	200,000.00		
Total Capital Improvements Excluded from "CAPS"	A-1	365,000.00	365,000.00	365,000.00		

Borough of Wanaque, N.J.

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2018

	<u>General Appropriations</u>	<u>Ref.</u>	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Cancelled</u>
Municipal Debt Service:							
Payment of Bond Principal			750,000.00	750,000.00	750,000.00		
Interest on Bonds			475,120.00	475,120.00	475,120.00		
Interest on Notes			106,745.64	106,745.64	106,745.62		0.02
Green Trust Loan Program:							
Loan Repayments for Principal and Interest			13,383.48	13,383.48	13,383.48		
			<u>1,345,249.12</u>	<u>1,345,249.12</u>	<u>1,345,249.10</u>		<u>0.02</u>
Total Municipal Debt Service-Excluded from "CAPS"		A-1					
Deferred Charges:							
Deficit in Assessment Cash			30,000.00	30,000.00	30,000.00		
Total Deferred Charges - Municipal - Excluded from "CAPS"		A-1	<u>30,000.00</u>	<u>30,000.00</u>	<u>30,000.00</u>		
Total General Appropriations for Municipal Purposes Excluded from "CAPS"			<u>2,344,795.34</u>	<u>2,344,795.34</u>	<u>2,304,795.32</u>	<u>40,000.00</u>	<u>0.02</u>

Borough of Wanaque, N.J.

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2018

<u>General Appropriations</u>	<u>Ref.</u>	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Cancelled</u>
Subtotal General Appropriations		12,881,264.35	12,881,264.35	12,428,101.39	453,162.94	0.02
Reserve for Uncollected Taxes		888,611.57	888,611.57	888,611.57		
Total General Appropriations		<u>13,769,875.92</u>	<u>13,769,875.92</u>	<u>13,316,712.96</u>	<u>453,162.94</u>	<u>0.02</u>
			A-2		A	
Analysis of Paid or Charged						
Reserve for Uncollected Taxes	A-2			888,611.57		
Cash Disbursed	A-4			11,959,869.31		
Encumbrances Payable	A-15			139,332.86		
Reserve for Tax Appeals	A-20			40,000.00		
Reserve for Federal and State Grants	A-22			288,899.22		
				<u>13,316,712.96</u>		

The accompanying "Notes to Financial Statements" are an integral part of these Financial Statements.

Comparative Balance Sheet - Regulatory Basis

Trust Funds

December 31,

<u>Assets</u>	<u>Ref.</u>	<u>2018</u>	<u>2017</u>
Assessment Trust Fund			
Cash	B-4, B-5	100,682.88	1,893.80
Assessments Receivable	B-6	4,846.89	5,846.21
Interfund - Current Fund	B-7		97,115.97
Prospective Assessments Funded	B-8		792,300.00
		<u>105,529.77</u>	<u>897,155.98</u>
Animal Control Trust Fund:			
Cash	B-4	735.39	3,270.83
		<u>735.39</u>	<u>3,270.83</u>
Other Trust Funds:			
Cash	B-4	1,805,209.12	1,653,654.21
Interfund - Current Fund - Other Trust	B-7		17,260.77
Interfund - Current Fund - Flex Spending	B-7	600.49	2,200.45
Intrafund - Payroll Fund - Other Trust	B-16	3,289.06	113.06
		<u>1,809,098.67</u>	<u>1,673,228.49</u>
Open Space Trust			
Cash	B-4	259,096.03	123,169.56
Interfund - Current Fund	B-7	32,423.42	84,173.94
		<u>291,519.45</u>	<u>207,343.50</u>
Emergency Services Volunteer Length of Service Award Program (Unaudited)			
Cash in Plan	B-4	1,445,063.88	1,526,964.59
Contributions Receivable	B-20	58,650.00	54,050.00
		<u>1,503,713.88</u>	<u>1,581,014.59</u>
Total Assets		<u><u>3,710,597.16</u></u>	<u><u>4,362,013.39</u></u>

The accompanying "Notes to Financial Statements" are an integral part of these Financial Statements.

Comparative Balance Sheet - Regulatory Basis

Trust Funds

December 31,

	<u>Ref.</u>	<u>2018</u>	<u>2017</u>
<u>Liabilities, Reserves & Fund Balance</u>			
Assessment Trust Fund			
Interfund - Current Fund	B-7	75,673.79	
Interfund - General Capital Fund	B-9	6,000.00	
Assessment Serial Bonds	B-10		624,000.00
Reserve for Assessments and Liens	B-11	4,846.89	255,146.21
Fund Balance	B-1	19,009.09	18,009.77
		<u>105,529.77</u>	<u>897,155.98</u>
Animal Control Trust Fund:			
Interfund - Current Fund	B-7	122.44	13.99
Reserve for Animal Control Expenditures	B-12	612.95	3,256.84
		<u>735.39</u>	<u>3,270.83</u>
Other Trust Fund:			
Interfund - Current Fund - Escrow	B-7	2,800.00	586.71
Interfund - Current Fund - Payroll Fund	B-7	11,605.41	10,358.25
Interfund - Current Fund - Other Trust	B-7	79,478.08	
Interfund - Current Fund - Recycling Trust	B-7	3,845.36	
Various Reserves	B-14	1,599,934.47	1,577,328.78
Interfund - General Capital Fund	B-16	12,712.03	
Reserve for Recreation	B-17	50,740.06	31,416.56
Payroll Deductions Payable	B-18	44,694.20	53,425.13
Intrafund - Other Trust Fund - Payroll	B-19	3,289.06	113.06
		<u>1,809,098.67</u>	<u>1,673,228.49</u>
Open Space Trust Fund:			
Reserve for Open Space Expenditures	B-15	291,519.45	207,343.50
		<u>291,519.45</u>	<u>207,343.50</u>
Emergency Services Volunteer Length of Service Award Program (Unaudited)			
Net Assets Available for Benefits	B-21	1,503,713.88	1,581,014.59
		<u>1,503,713.88</u>	<u>1,581,014.59</u>
Total Liabilities, Reserves and Fund Balances		<u><u>3,710,597.16</u></u>	<u><u>4,362,013.39</u></u>

The accompanying "Notes to Financial Statements" are an integral part of these Financial Statements.

Borough of Wanaque, N.J.

Comparative Schedule of Fund Balance - Regulatory Basis

Assessment Trust Fund

December 31,

	<u>Ref.</u>	<u>2018</u>	<u>2017</u>
Balance - January 1,	B	18,009.77	17,060.31
Increased by:			
Collection of Unpledged Assessments	B-11	<u>999.32</u>	<u>949.46</u>
Balance - December 31,	B	<u><u>19,009.09</u></u>	<u><u>18,009.77</u></u>

The accompanying "Notes to Financial Statements" are an integral part of these Financial Statements.

Borough of Wanaque, N.J.

Schedule of Revenues - Regulatory Basis

Assessment Trust Fund

Year Ended December 31, 2018

	<u>Ref.</u>	Budget <u>Revenue</u>	<u>Realized</u>
Assessment Cash		75,000.00	75,000.00
Deficit		<u>30,000.00</u>	<u>30,000.00</u>
	B-3	<u>105,000.00</u>	<u>105,000.00</u>

Schedule of Expenditures - Regulatory Basis

Assessment Trust Fund

Year Ended December 31, 2018

	<u>Ref.</u>	Budget <u>Appropriation</u>	<u>Expended</u>
Payment of Bond Principal	B-2	<u>105,000.00</u>	<u>105,000.00</u>

The accompanying "Notes to Financial Statements" are an integral part of these Financial Statements.

Borough of Wanaque , N.J.

Comparative Balance Sheet - Regulatory Basis

General Capital Fund

December 31,

	<u>Ref.</u>	<u>2018</u>	<u>2017</u>
<u>Assets</u>			
Cash	C-2/C-3	2,189,640.65	2,923,757.22
Various Grants Receivable	C-4	543,195.72	725,907.52
Deferred Charges to Future Taxation:			
Funded	C-5	14,841,654.71	15,082,733.66
Deferred Charges to Future Taxation:			
Unfunded	C-6	3,455,849.98	5,305,849.98
Interfund - Current Fund	C-14	37,850.44	
Interfund - Assessment Trust Fund	C-14	6,000.00	
Interfund - Other Trust Fund	C-14	12,712.03	
		<u>21,086,903.53</u>	<u>24,038,248.38</u>
Total Assets			
<u>Liabilities, Reserves and Fund Balance</u>			
General Serial Bonds	C-7	14,684,000.00	14,915,000.00
Bond Anticipation Notes	C-8	3,397,750.00	4,744,250.00
Loan Payable - NJDEP Green Trust	C-9	157,654.71	167,733.66
Improvement Authorizations:			
Funded	C-10	364,854.83	350,685.41
Unfunded	C-10	959,510.61	2,895,329.66
Capital Improvement Fund	C-11	165,433.73	48,425.00
Down Payment on Improvements	C-12	15,000.00	
Reserve for:			
Debt Service	C-13	29,653.53	55,653.53
Bond Issue Costs	C-13	21,066.51	21,066.51
Special Needs Housing	C-13	795,859.00	795,859.00
Interfund - Water Capital Fund	C-14	463,679.86	
Fund Balance	C-1	32,440.75	44,245.61
		<u>21,086,903.53</u>	<u>24,038,248.38</u>
Total Liabilities, Reserves and Fund Balance			

Footnote: There was Authorized but not Issued Debt at December 31, 2018 and 2017 of \$58,099.98 and \$595,599.98 respectively per Exhibit C-15.

The accompanying "Notes to the Financial Statements" are an integral part of these Financial Statements.

Borough of Wanaque, N.J.

Comparative Schedule of Fund Balance - Regulatory Basis

General Capital Fund

December 31,

	<u>Ref.</u>	<u>2018</u>	<u>2017</u>
Balance - January 1,	C	44,245.61	742.55
Increased by:			
Canceled Funded Improvement Authorizations			213,741.35
Premium on Sale of Bond Anticipation Notes	C-2	<u>31,195.14</u>	<u>42,747.26</u>
		75,440.75	256,488.61
Decreased by:			
Payment to Current Fund as Anticipated Revenue	C-2	<u>43,000.00</u>	<u>146,826.11</u>
Canceled Grants Receivable			<u>66,159.44</u>
		43,000.00	212,985.55
Balance - December 31,	C,C-3	<u><u>32,440.75</u></u>	<u><u>44,245.61</u></u>

The accompanying "Notes to the Financial Statements" are an integral part of these Financial Statements.

Borough of Wanaque, N.J.

Comparative Balance Sheet - Regulatory Basis

Water Utility Fund

December 31,

	<u>Ref</u>	<u>2018</u>	<u>2017</u>
<u>Assets</u>			
Operating Fund:			
Cash	D-5	1,198,849.22	972,185.40
Change Fund	D-6	100.00	100.00
Interfund - Sewer Operating Fund	D-9		21,600.16
Interfund - Current Fund	D-9	20,695.14	2,146.67
Interfund - Water Utility Capital Fund	D-9	1,036.08	37,190.81
		<u>1,220,680.44</u>	<u>1,033,223.04</u>
Receivables with Full Reserves:			
Consumers Account Receivable	D-10	197,324.30	211,679.00
		<u>197,324.30</u>	<u>211,679.00</u>
Total Operating Fund		<u>1,418,004.74</u>	<u>1,244,902.04</u>
Capital Fund:			
Cash	D-5/D-8	178,955.57	614,625.45
Fixed Capital	D-11	10,414,865.16	10,414,865.16
Fixed Capital Authorized and Uncompleted	D-12	2,345,000.00	2,345,000.00
Interfund - General Capital Fund	D-25	463,679.86	
Total Capital Fund		<u>13,402,500.59</u>	<u>13,374,490.61</u>
Total Assets		<u>14,820,505.33</u>	<u>14,619,392.65</u>

The accompanying "Notes to the Financial Statements" are an integral part of these Financial Statements.

Borough of Wanaque, N.J.

Comparative Balance Sheet - Regulatory Basis

Water Utility Fund

December 31,

	<u>Ref</u>	<u>2018</u>	<u>2017</u>
<u>Liabilities, Reserves and Fund Balance</u>			
Operating Fund:			
Interfund - Sewer Operating Fund	D-9	94,233.27	
Appropriation Reserve	D-4/D-13	93,590.28	363,033.31
Encumbrances Payable	D-14	40,364.62	12,254.34
Accrued Interest on Bonds	D-15	77,743.30	78,898.19
Accrued Interest on Notes	D-16	17,550.00	
Security Deposits Payable	D-17	375.00	375.00
Reserve for Water Improvement Escrow	D-18	182,139.38	182,139.38
Water Rent Overpayments	D-19	667.37	671.26
Reserve for Legal Settlement	D-27	130,550.30	130,550.30
		<u>637,213.52</u>	<u>767,921.78</u>
Reserve for Receivables	Contra	197,324.30	211,679.00
Fund Balance	D-1	583,466.92	265,301.26
Total Operating Fund		<u>1,418,004.74</u>	<u>1,244,902.04</u>
Capital Fund:			
Serial Bonds Payable	D-20	3,661,000.00	3,926,000.00
Bond Anticipation Notes	D-21	1,490,000.00	1,040,000.00
Improvement Authorizations:			
Funded	D-22	62,708.80	306,431.80
Unfunded	D-22	414,800.27	570,592.42
Capital Improvement Fund	D-23	29,946.22	29,946.22
Reserve for Amortization	D-24	6,528,865.16	6,263,865.16
Interfund - Water Utility Operating Fund	D-25	1,036.08	37,190.81
Reserve for Deferred Amortization	D-26	1,080,000.00	1,080,000.00
Fund Balance	D-2	134,144.06	120,464.20
Total Capital Fund		<u>13,402,500.59</u>	<u>13,374,490.61</u>
Total Liabilities, Reserves and Fund Balances		<u>14,820,505.33</u>	<u>14,619,392.65</u>

The fixed capital reported is taken from the municipal records and does not necessarily reflect the true condition of such fixed capital. There was authorized but not issued debt at December 31, 2018 and 2017 of \$0.00 and \$450,000.00 respectively per Exhibit D-28.

The accompanying "Notes to the Financial Statements" are an integral part of these Financial Statements.

Borough of Wanaque, N.J.

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

Water Utility Operating Fund

Year Ended December 31,

	<u>Ref.</u>	<u>2018</u>	<u>2017</u>
Revenue and Other Income Realized:			
Surplus Anticipated	D-3	132,850.00	104,896.00
Rents	D-3	1,745,102.89	1,642,150.00
Miscellaneous Revenue	D-3	58,818.66	64,538.18
Interlocal Service Agreement - WBSA	D-3	130,000.00	150,000.00
PCIA Interest Rebate	D-3	49,705.10	51,407.68
Additional Water Rents			75,243.01
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves	D-13	<u>339,389.01</u>	<u>43,827.77</u>
Total Income		<u>2,455,865.66</u>	<u>2,132,062.64</u>
Expenditures:			
Operating	D-4	1,364,269.00	1,472,500.00
Capital Improvements	D-4	50,000.00	50,000.00
Debt Service	D-4	491,399.00	397,809.04
Deferred Charges and Statutory Expenditures	D-4	<u>99,182.00</u>	<u>103,901.00</u>
Total Expenditures		<u>2,004,850.00</u>	<u>2,024,210.04</u>
Excess in Revenue over Expenditures		451,015.66	107,852.60
Expenditures Included Above Which are by Statute Deferred Charges to Budget of Succeeding Years		<u> </u>	<u> </u>
Statutory Excess to Surplus		451,015.66	107,852.60
Fund Balance - January 1,	D	<u>265,301.26</u>	<u>262,344.66</u>
		716,316.92	370,197.26
Decreased by:			
Utilized as Anticipated Revenue		<u>132,850.00</u>	<u>104,896.00</u>
Fund Balance - December 31,	D	<u><u>583,466.92</u></u>	<u><u>265,301.26</u></u>

The accompanying "Notes to the Financial Statements" are an integral part of these Financial Statements.

Borough of Wanaque, N.J.

Comparative Statement of Capital Surplus - Regulatory Basis

Water Capital Fund

Year Ended December 31,

	<u>Ref.</u>	<u>2018</u>	<u>2017</u>
Balance - January 1,	D	120,464.20	111,093.46
Increased by:			
Premium on Sale of Bond Anticipation Notes	D-5	13,679.86	9,370.74
Funded Improvement Authorizations Canceled		<u>13,679.86</u>	<u>250,000.00</u>
		134,144.06	370,464.20
Decreased by:			
Appropriated to Finance Improvement Auth.		<u> </u>	<u>250,000.00</u>
Balance - December 31,	D	<u><u>134,144.06</u></u>	<u><u>120,464.20</u></u>

The accompanying "Notes to the Financial Statements" are an integral part of these Financial Statements.

Borough of Wanaque, N.J.

Statement of Revenues - Regulatory Basis

Water Utility Operating Fund

Year Ended December 31, 2018

	<u>Ref.</u>	<u>Anticipated</u>	<u>Realized</u>	<u>Excess (Deficit)</u>
Operating Surplus Anticipated	D-1	132,850.00	132,850.00	
Rents	D-1,D-7	1,717,150.00	1,745,102.89	27,952.89
Interlocal Service Agreement - Sewer Utility	D-1, D-5	130,000.00	130,000.00	
PCIA Interest Rebate	D-1, D-5	24,850.00	49,705.10	24,855.10
Miscellaneous	D-1		<u>58,818.66</u>	<u>58,818.66</u>
Budget Totals		<u>2,004,850.00</u>	<u>2,116,476.65</u>	<u>111,626.65</u>
		D-4		

Analysis Realized Revenues

Miscellaneous:

Interest on Deposits:
 Late Interest Charge
 Connection Fee

13,620.44
 6,198.22
39,000.00

D-5 58,818.66

The accompanying "Notes to the Financial Statements" are an integral part of these Financial Statements.

Borough of Wanaque, N.J.

Statement of Expenditures - Regulatory Basis

Water Utility Operating Fund

Year Ended December 31, 2018

	Ref.	Appropriated		Expended	
		Budget	Budget After Modification	Paid or Charged	Reserved
Operating:					
Salaries and Wages		539,269.00	539,269.00	511,508.97	27,760.03
Other Expenses		750,000.00	782,800.00	782,770.75	29.25
Purchase of Water		75,000.00	42,200.00	30,789.46	11,410.54
Total Operating	D-1	<u>1,364,269.00</u>	<u>1,364,269.00</u>	<u>1,325,069.18</u>	<u>39,199.82</u>
Capital Improvements:					
Capital Outlay		<u>50,000.00</u>	<u>50,000.00</u>		<u>50,000.00</u>
Total Capital Improvements	D-1	<u>50,000.00</u>	<u>50,000.00</u>		<u>50,000.00</u>
Debt Service:					
Payment of Bond Principal		185,000.00	185,000.00	185,000.00	
Interest on Bonds		53,642.00	53,642.00	53,642.00	
Interest on Notes		40,950.00	40,950.00	40,950.00	
PCIA Loan Principal Payment		80,000.00	80,000.00	80,000.00	
PCIA Loan Interest Payment		<u>131,807.00</u>	<u>131,807.00</u>	<u>131,807.00</u>	
Total Debt Service	D-1	<u>491,399.00</u>	<u>491,399.00</u>	<u>491,399.00</u>	
Deferred Charges and Statutory Expenditures:					
Statutory Expenditures:					
Contribution to:					
Public Employees' Retirement System		57,861.11	57,861.11	57,861.00	0.11
Social Security System (O.A.S.I.)		<u>41,320.89</u>	<u>41,320.89</u>	<u>36,930.54</u>	<u>4,390.35</u>
Total Deferred Charges and Statutory Expenditures	D-1	<u>99,182.00</u>	<u>99,182.00</u>	<u>94,791.54</u>	<u>4,390.46</u>
		<u>2,004,850.00</u>	<u>2,004,850.00</u>	<u>1,911,259.72</u>	<u>93,590.28</u>
			D-3		D
Cash Disbursed	D-5			1,644,496.10	
Encumbrances Payable	D-14			40,364.62	
Interest on Bonds	D-15			185,449.00	
Interest on Notes	D-16			<u>40,950.00</u>	
				<u>1,911,259.72</u>	

The accompanying "Notes to the Financial Statements" are an integral part of these Financial Statements.

Borough of Wanaque, N.J.

Comparative Balance Sheet - Regulatory Basis

Sewer Utility Fund

December 31,

	<u>Ref</u>	<u>2018</u>	<u>2017</u>
<u>Assets</u>			
Operating Fund:			
Cash	E-4	941,452.81	1,090,973.67
Interfund - Water Operating Fund	E-7	94,233.27	
		1,035,686.08	1,090,973.67
Receivables with Full Reserves:			
Consumers Account Receivable	E-8	455,379.37	462,018.67
Prepaid Expenses	E-20	42,375.00	16,875.00
		497,754.37	478,893.67
Total Operating Fund		1,533,440.45	1,569,867.34
 Capital Fund:			
Cash	E-4/E-6	2,021,787.98	1,986,509.39
Fixed Capital	E-9	13,772,138.73	13,772,138.73
Fixed Capital Authorized and Uncompleted	E-10	2,413,158.50	2,413,158.50
Due from Passaic County - Community			
Development Block Grant	E-18	1,794.41	1,794.41
Interfund - Sewer Utility Operating Fund	E-19	308,752.88	344,031.47
Total Capital Fund		18,517,632.50	18,517,632.50
Total Assets		20,051,072.95	20,087,499.84

The accompanying "Notes to the Financial Statements" are an integral part of these Financial Statements.

Borough of Wanaque, N.J.

Comparative Balance Sheet - Regulatory Basis

Sewer Utility Fund

December 31,

	<u>Ref</u>	<u>2018</u>	<u>2017</u>
<u>Liabilities, Reserves and Fund Balance</u>			
Operating Fund:			
Interfund - Sewer Utility Capital Fund	E-7	308,752.88	344,031.47
Interfund - Water Operating Fund	E-7		21,600.16
Appropriation Reserve	E-3/E-11	115,208.77	19,488.09
Encumbrances Payable	E-12	2,584.51	260.62
Sewer Overpayments	E-13	1,568.93	1,929.47
Reserve for Sewer Improvement Escrow	E-13	45,000.00	45,000.00
Reserve for O&M Requirement	E-13	57,000.00	57,000.00
Accrued Interest on Bonds	E-14	6,709.00	8,725.00
		<u>536,824.09</u>	<u>498,034.81</u>
Reserve for Receivables	Contra	497,754.37	478,893.67
Fund Balance	E-1	<u>498,861.99</u>	<u>592,938.86</u>
Total Operating Fund		<u>1,533,440.45</u>	<u>1,569,867.34</u>
Capital Fund:			
Serial Bonds Payable	E-15	4,087,261.35	4,692,261.35
Improvement Authorizations:			
Funded	E-16	1,562,408.97	1,562,408.97
Reserve for Amortization	E-17	11,740,640.88	11,135,640.88
Bond & Debt Service Reserve Fund	E-21	769,926.30	769,926.30
Deferred Reserve for Amortization	E-22	357,395.00	357,395.00
Total Capital Fund		<u>18,517,632.50</u>	<u>18,517,632.50</u>
Total Liabilities, Reserves and Fund Balances		<u>20,051,072.95</u>	<u>20,087,499.84</u>

The fixed capital reported is taken from the municipal records and does not necessarily reflect the true condition of such fixed capital.

There were no bonds and notes authorized but not issued on December 31, 2018 and 2017

The accompanying "Notes to the Financial Statements" are an integral part of these Financial Statements.

Borough of Wanaque, N.J.

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

Sewer Utility Operating Fund

Year Ended December 31,

	<u>Ref.</u>	<u>2018</u>	<u>2017</u>
Revenue and Other Income Realized:			
Surplus Anticipated	E-2	400,000.00	388,316.67
Rents	E-2	4,220,692.80	4,142,956.78
Miscellaneous Anticipated	E-2	266,056.70	245,659.65
Other Credits to Income:			
Unexpended Balance of			
Appropriation Reserves	E-11	19,673.63	15.65
Total Income		<u>4,906,423.13</u>	<u>4,776,948.75</u>
Expenditures:			
Operating	E-3	3,867,316.00	3,815,000.00
Debt Service	E-3	707,684.00	659,316.67
Prepaid Expenses	E-20	25,500.00	
Total Expenditures		<u>4,600,500.00</u>	<u>4,474,316.67</u>
Excess in Revenue over Expenditures		305,923.13	302,632.08
Expenditures Included Above Which are by Statute Deferred Charges to Budget of Succeeding Years			
Statutory Excess to Surplus		305,923.13	302,632.08
Fund Balance - January 1,	E	<u>592,938.86</u>	<u>678,623.45</u>
		898,861.99	981,255.53
Decreased by:			
Utilized as Anticipated Revenue		<u>400,000.00</u>	<u>388,316.67</u>
Fund Balance - December 31,	E	<u>498,861.99</u>	<u>592,938.86</u>

The accompanying "Notes to the Financial Statements" are an integral part of these Financial Statements.

Borough of Wanaque, N.J.

Statement of Revenues - Regulatory Basis

Sewer Utility Operating Fund

Year Ended December 31, 2018

	<u>Ref.</u>	<u>Anticipated</u>	<u>Realized</u>	<u>Excess (Deficit)</u>
Operating Surplus Anticipated	E-1	400,000.00	400,000.00	
Rents	E-1,E-5	3,935,000.00	4,220,692.80	285,692.80
Miscellaneous	E-1	<u>240,000.00</u>	<u>266,056.70</u>	<u>26,056.70</u>
 Budget Totals		 <u>4,575,000.00</u>	 <u>4,886,749.50</u>	 <u>311,749.50</u>
		E-3		
 <u>Analysis Realized Revenues</u>				
Miscellaneous:				
Interest on Deposits			50,596.33	
Late Interest Charge			14,635.37	
Connection Fees			<u>200,825.00</u>	
		E-4	<u>266,056.70</u>	

The accompanying "Notes to the Financial Statements" are an integral part of these Financial Statements.

Borough of Wanaque, N.J.

Statement of Expenditures - Regulatory Basis

Sewer Utility Operating Fund

Year Ended December 31, 2018

	Ref.	Appropriated		Expended	Reserved
		Budget	Budget After Modification	Paid or Charged	
Operating:					
Other Expenses		217,806.00	217,806.00	102,597.23	115,208.77
Interlocal Water Utility		130,000.00	130,000.00	130,000.00	
Interlocal WVRSA		<u>3,519,510.00</u>	<u>3,519,510.00</u>	<u>3,519,510.00</u>	
Total Operating	E-1	<u>3,867,316.00</u>	<u>3,867,316.00</u>	<u>3,752,107.23</u>	<u>115,208.77</u>
Debt Service:					
Payment of Bond Principal		605,000.00	605,000.00	605,000.00	
Interest on Bonds		<u>102,684.00</u>	<u>102,684.00</u>	<u>102,684.00</u>	
Total Debt Service	E-1	<u>707,684.00</u>	<u>707,684.00</u>	<u>707,684.00</u>	
		<u>4,575,000.00</u>	<u>4,575,000.00</u>	<u>4,459,791.23</u>	<u>115,208.77</u>
			E-2		E
Cash Disbursed	E-4			4,354,522.72	
Encumbrances Payable	E-12			2,584.51	
Interest on Bonds	E-14			<u>102,684.00</u>	
				<u>4,459,791.23</u>	

The accompanying "Notes to the Financial Statements" are an integral part of these Financial Statements.

Borough of Wanaque, N.J.

Comparative Statement of General Fixed Assets - Regulatory Basis

December 31,

	<u>2018</u>	<u>2017</u>
<u>General Fixed Assets:</u>		
Land	5,931,300.00	5,931,300.00
Buildings	8,922,100.00	8,922,100.00
Machinery and Equipment	<u>6,475,438.00</u>	<u>6,394,427.00</u>
	<u>21,328,838.00</u>	<u>21,247,827.00</u>
 Investment in Fixed Assets	 <u>21,328,838.00</u>	 <u>21,247,827.00</u>

See accompanying notes to financial statements.

BOROUGH OF WANAQUE, N.J.
Notes to Financial Statements
Years Ended December 31, 2018 and 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

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

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

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

BOROUGH OF WANAQUE, N.J.
Notes to Financial Statements
Years Ended December 31, 2018 and 2017
(continued)

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

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

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

The Borough has the following funds and account groups:

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

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

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

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

Assessment Trust Fund - This fund is used to account for receivables arising from assessments for benefits accruing from local improvements. It also deals with indebtedness or other obligations arising from the transfer from capital fund of the liability of such indebtedness.

Payroll Fund - Receipts and disbursements of payroll withholdings that the Borough collects on behalf of various agencies as their agents.

Emergency Services Volunteer Length of Service Award Program - This fund is used to account for the cumulative amount of each participant's length of service awards, including any income, gains, losses or increases or decreases in market value attributable to the investment of the participant's length of service awards.

BOROUGH OF WANAQUE, N.J.
Notes to Financial Statements
Years Ended December 31, 2018 and 2017
(continued)

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

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

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

Water Operating and Water Capital Funds - Account for the operations and acquisition of capital facilities of the municipality-owned water utility.

Sewer Operating and Sewer Capital Funds - Account for the operations and acquisition of capital facilities of the municipality-owned sewer utility.

Public Assistance Fund - This fund is used to account for the receipt and disbursement of funds that provide assistance to certain residents of the Borough pursuant to Title 44 of New Jersey Statutes. Effective July 1, 2010, the Borough transferred administration of the general assistance program to Passaic County Board of Social Services.

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

Basis of Accounting

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

Property Tax Revenues - Real property taxes are assessed locally, based upon the assessed value of the property. The tax bill includes a levy for Municipal, County, and School purposes. The bills are mailed annually in June for that calendar year's levy. Taxes are payable in four quarterly installments on February 1, May 1, August 1, and November 1. The amounts of the first and second installments are determined as one quarter of the total tax levied against the property for the preceding year. The installment due the third and fourth quarters is determined by taking the current year levy less the amount previously charged for the first and second installments, with the remainder being divided equally. If

BOROUGH OF WANAQUE, N.J.
Notes to Financial Statements
Years Ended December 31, 2018 and 2017
(continued)

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

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

Basis of Accounting, (continued)

unpaid on these dates, the amount due becomes delinquent and subject to interest at 8% per annum, or 18% on any delinquency amount in excess of \$1,500. The school levy is turned over to the Board of Education as expenditures are incurred, and the balance, if any, must be transferred as of June 30, of each fiscal year. County taxes are paid quarterly on February 15, May 15, August 15 and November 15, to the County by the Borough. When unpaid taxes or any municipal lien, or part thereof, on real property, remains in arrears on 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 tax sale. Annual in rem tax foreclosure proceedings are instituted to enforce the tax collection or acquisition of title to the property by the Borough. In accordance with the accounting principles prescribed by the State of New Jersey, current and delinquent taxes are realized as revenue when collected. Since delinquent taxes and liens are fully reserved, no provision has been made to estimate that portion of the taxes receivable and tax title liens that are uncollectible. GAAP requires property tax revenues to be recognized in the accounting period when they become susceptible to accrual, reduced by an allowance for doubtful accounts.

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

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

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

BOROUGH OF WANAQUE, N.J.
Notes to Financial Statements
Years Ended December 31, 2018 and 2017
(continued)

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

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

Basis of Accounting, (continued)

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

General Capital Fund	Public Assistance Fund
Trust Fund	Water Capital Fund
Sewer Capital Fund	

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

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

BOROUGH OF WANAQUE, N.J.
Notes to Financial Statements
Years Ended December 31, 2018 and 2017
(continued)

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

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

Basis of Accounting, (continued)

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

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

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

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

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

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

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

BOROUGH OF WANAQUE, N.J.
Notes to Financial Statements
Years Ended December 31, 2018 and 2017
(continued)

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

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

Basis of Accounting, (continued)

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

General Fixed Assets - The Borough of Wanaque has developed during the year 1999 a fixed asset accounting and reporting system, as promulgated by the Division of Local Government Services, which differs in certain respects from generally accepted accounting principles.

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

No depreciation has been provided for in the financial statements.

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

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

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

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

BOROUGH OF WANAQUE, N.J.
Notes to Financial Statements
Years Ended December 31, 2018 and 2017
(continued)

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

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

Basis of Accounting, (continued)

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

Impact of Recently Issued Accounting Principles

Recently Issued and Adopted Accounting Pronouncements

For the year ended December 31, 2018, the Borough adopted Government Accounting Standards Board GASB Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions*. This Statement applies to government employers who provided OPEB plans to their employees and basically parallels GASB Statement 68 and replaces GASB Statement 45. The Statement is effective for periods beginning after June 15, 2017. As a result of adopting this Statement, the Borough was required to measure and disclose liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to their post-employment benefits other than pensions. As a result of the regulatory basis of accounting previously described in Note 1, the implementation of this Statement only required financial statement disclosure. There exists no impact on the financial statements of the Borough.

C. Basic Financial Statements

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

BOROUGH OF WANAQUE, N.J.
Notes to Financial Statements
Years Ended December 31, 2018 and 2017
(continued)

NOTE 2. CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash

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's policy is based on New Jersey Statutes requiring cash be deposited only in New Jersey based banking institutions that participate in New Jersey Governmental Depository Protection Act (GUDPA) or in qualified investments established in New Jersey Statutes 40A:5-15.1(a) that are treated as cash equivalents. As of December 31, 2018, \$0- of the Borough's bank balance of \$13,551,313.71 was exposed to custodial credit risk.

Investments

Investment Rate Risk

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

Credit Risk

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

Concentration of Credit Risk

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

Unaudited Investments

As more fully described in Note 16, the Borough has created a Length of Service Award Program (LOSAP) for emergency service volunteers. The LOSAP investments are similar to those allowed in a deferred compensation program as specified in NJSA 43:15B-1 et. seq. except that all investments are retained in the name of the Borough. All investments

BOROUGH OF WANAQUE, N.J.
Notes to Financial Statements
Years Ended December 31, 2018 and 2017
(continued)

NOTE 2. CASH, CASH EQUIVALENTS AND INVESTMENTS, (continued)

are valued at fair value. In accordance with NJAC 5:30-14.37, the investments are maintained by VALIC, which is an authorized provider approved by the Division of Local Government Services. The balance in the account on December 31, 2018 and 2017 amounted to \$1,445,063.88 and \$1,526,964.59, respectively.

The following investments represent 5% or more of the total invested with VALIC on December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Fixed Income	\$230,357.20	\$394,050.92
Index Funds	383,815.07	368,866.00
Growth Funds	351,323.95	238,905.60
Value Funds	259,169.26	295,635.16
All Others	<u>220,398.40</u>	<u>229,506.91</u>
Total	<u>\$1,445,063.88</u>	<u>\$1,526,964.59</u>

NOTE 3. MUNICIPAL DEBT

Long-term debt as of December 31, 2018 consisted of the following:

	Balance <u>Dec. 31, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Bonds Payable:					
General Obligation Debt	\$14,915,000.00	\$519,000.00	\$750,000.00	\$14,684,000.00	\$845,000.00
Trust Assessment	624,000.00		624,000.00	0.00	
Water Utility	3,926,000.00		265,000.00	3,661,000.00	290,000.00
Sewer Utility	4,692,261.35		605,000.00	4,087,261.35	625,000.00
Other Liabilities:					
Compensated Absences Payable	732,422.71	71,542.02	84,852.88	719,111.85	
Deferred Pension Liability	206,470.00		25,087.00	181,383.00	27,439.00
Green Trust Loan	<u>167,733.66</u>		<u>10,078.95</u>	<u>157,654.71</u>	<u>10,281.53</u>
	<u>\$25,263,887.72</u>	<u>\$590,542.02</u>	<u>\$2,364,018.83</u>	<u>\$23,490,410.91</u>	<u>\$1,797,720.53</u>

BOROUGH OF WANAUKE, N.J.
Notes to Financial Statements
Years Ended December 31, 2018 and 2017
(continued)

NOTE 3. MUNICIPAL DEBT, (continued)

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

The Borough's debt is summarized as follows:

SUMMARY OF MUNICIPAL DEBT

	<u>Year 2018</u>	<u>Year 2017</u>	<u>Year 2016</u>
<u>Issued:</u>			
Assessment Bonds	\$0.00	\$624,000.00	\$731,000.00
General Bonds, Notes and Loans	18,239,404.71	19,826,983.66	15,742,614.01
Water Utility - Bonds, Notes and Loans	5,151,000.00	4,966,000.00	4,131,000.00
Sewer Utility - Bonds, Notes and Loans	4,087,261.35	4,692,261.35	5,227,261.35
Total Issued	<u>27,477,666.06</u>	<u>30,109,245.01</u>	<u>25,831,875.36</u>
<u>Less:</u>			
Funds Temporarily Held to Pay			
Bonds and Notes:			
General	29,653.53	171,653.53	55,653.53
Net Debt Issued	<u>27,448,012.53</u>	<u>29,937,591.48</u>	<u>25,776,221.83</u>
<u>Authorized But Not Issued</u>			
General Bonds and Notes	58,099.98	596,599.98	4,767,349.98
Water Bonds and Notes	<u> </u>	450,000.00	1,040,000.00
Total Authorized But Not Issued	<u>58,099.98</u>	<u>1,046,599.98</u>	<u>5,807,349.98</u>
<u>Less Deductions:</u>			
Self Liquidating	<u>9,238,261.35</u>	<u>10,108,261.35</u>	<u>10,398,261.35</u>
Net Bonds and Notes Issued and Authorized But Not Issued	<u>\$18,267,851.16</u>	<u>\$20,875,930.11</u>	<u>\$21,185,310.46</u>

BOROUGH OF WANAQUE, N.J.
Notes to Financial Statements
Years Ended December 31, 2018 and 2017
(continued)

NOTE 3. MUNICIPAL DEBT, (continued)

SUMMARY OF STATUTORY DEBT CONDITION - ANNUAL DEBT STATEMENTS

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of 1.424%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School District Debt	\$10,910,000.00	\$10,910,000.00	\$0.00
Regional High School District Debt	334,564.77	334,564.77	0.00
Water Utility Debt	5,151,000.00	5,151,000.00	0.00
Sewer Utility Debt	4,087,261.35	4,087,261.35	0.00
General Debt	<u>18,297,504.69</u>	<u>29,653.53</u>	<u>18,267,851.16</u>
	<u>\$38,780,330.81</u>	<u>\$20,512,479.65</u>	<u>\$18,267,851.16</u>

Net Debt \$18,267,851.16 divided by Equalized Valuation Basis per N.J.S. 40A:2-2 as amended, \$1,282,961,849.67 equals 1.424%.

BORROWING POWER UNDER N.J.S. 40A:2-6 AS AMENDED

3 ½% of Equalized Valuation Basis (Municipal)	\$44,903,664.74
Net Debt	<u>18,267,851.16</u>
Remaining Borrowing Power	<u>\$26,635,813.58</u>

BOROUGH OF WANAQUE, N.J.
Notes to Financial Statements
Years Ended December 31, 2018 and 2017
(continued)

NOTE 3. MUNICIPAL DEBT, (continued)

CALCULATION OF “SELF-LIQUIDATING PURPOSE”, WATER UTILITY
PER N.J.S.A. 40A:2-45

Cash receipts from fees, rents or other charges for year		\$2,116,476.65
Deductions:		
Operating and Maintenance Cost	\$1,463,451.00	
Debt Service per Water Account	<u>491,399.00</u>	
Total Deductions		<u>1,954,850.00</u>
 Excess in Revenue		 <u>\$161,626.65</u>

CALCULATION OF “SELF-LIQUIDATING PURPOSE”, SEWER UTILITY
PER N.J.S.A. 40A:2-45

Cash receipts from fees, rents or other charges for year		\$4,886,749.50
Deductions:		
Operating and Maintenance Cost	\$3,867,316.00	
Debt Service per Sewer Account	<u>707,684.00</u>	
Total Deductions		<u>4,575,000.00</u>
 Excess in Revenue		 <u>\$311,749.50</u>

Footnote: If there is an “excess in revenue”, all such utility debt is deductible. If there is a “Deficit”, then the utility debt is not deductible to the extent of twenty times such deficit amount or the total debt service, whichever is smaller.

The foregoing debt information is not in agreement with the annual debt statement filed by the Chief Financial Officer.

BOROUGH OF WANAQUE, N.J.
Notes to Financial Statements
Years Ended December 31, 2018 and 2017
(continued)

NOTE 3. MUNICIPAL DEBT, (continued)

The Borough's long term debt consisted of the following at December 31, 2018:

<u>Paid by Current Fund</u>	<u>Debt Outstanding</u>
Ringwood Avenue Sidewalk Bonds of 2015 with an interest rate of 2.25%-3.00% issued February 26, 2015 due in installments through February 1, 2025	\$519,000.00
General Serial Bonds - General Improvement Bonds of 2015 with an interest rate of 2.25%-3.25% issued February 26, 2015, due in installments through February 1, 2035	10,505,000.00
General Refunding Bonds of 2015 with an interest rate of 3.00%-4.00% issued February 26, 2015, due in installments through February 1, 2027	3,660,000.00
Loan Payable - Green Trust Loan - State of New Jersey dated April 26, 2012 with an interest rate of 2.00% payable in semiannual installments through January 26, 2032	<u>157,654.71</u>
Total Current Fund	<u>\$14,841,654.71</u>
 <u>Paid by Water Utility Fund</u>	
Water Loan Program Bonds of 2010 with an interest rate of 1.66%-6.54% issued July 28, 2010, due in installments through August 1, 2031	2,099,000.00
Water Serial Bonds - Water Utility Bonds of 2015 with an interest rate of 2.25%-3.125% issued February 26, 2015, due in installments through February 1, 2032	652,000.00
Water Refunding Bonds of 2015 with an interest rate of 3.00%-4.00% issued February 26, 2015, due in installments through February 1, 2027	<u>910,000.00</u>
Total Water Utility Fund	<u>\$3,661,000.00</u>
 <u>Paid By Sewer Utility Fund</u>	
Sewer Revenue Bonds - Series 2008A with an interest rate of 4.77%-5.16% issued September 16, 2008, due in installments through December 1, 2028	2,137,261.35
Sewer Revenue Refunding Bonds - Series 2008B with an interest rate of 3.50%-4.25% issued September 16, 2008, due in installments through December 1, 2021	<u>1,950,000.00</u>
Total Sewer Utility Fund	<u>\$4,087,261.35</u>

BOROUGH OF WANAQUE, N.J.
Notes to Financial Statements
Years Ended December 31, 2018 and 2017
(continued)

NOTE 3. MUNICIPAL DEBT, (continued)

General Capital and Water Capital Serial Bonds are direct obligations of the Borough for which its full faith and credit are pledged, and are payable from taxes levied on all taxable property located within the Borough and/or Water Utility Revenues.

In addition to the above, the Borough had authorized but not issued debt as follows:

General Capital	\$ <u>58,099.98</u>
Water Capital	\$ <u>-0-</u>

SCHEDULE OF ANNUAL DEBT SERVICE FOR PRINCIPAL AND INTEREST
FOR BONDED DEBT ISSUED AND OUTSTANDING

Calendar Year	<u>Principal</u>	<u>General</u> Interest
2019	\$855,281.53	\$455,034.45
2020	905,488.20	429,190.28
2021	975,699.01	399,654.47
2022	1,025,914.06	368,276.92
2023	1,076,133.43	335,270.05
2024-2028	5,058,115.18	1,127,257.18
2029-2033	3,545,023.30	498,818.84
2034-2035	1,400,000.00	45,500.00
	<u>\$14,841,654.71</u>	<u>\$3,659,002.19</u>

BOROUGH OF WANAQUE, N.J.
Notes to Financial Statements
Years Ended December 31, 2018 and 2017
(continued)

NOTE 3. MUNICIPAL DEBT, (continued)

SCHEDULE OF ANNUAL DEBT SERVICE FOR PRINCIPAL AND INTEREST
FOR BONDED DEBT ISSUED AND OUTSTANDING, (continued)

Calendar Year	<u>Water Utility</u>		<u>Sewer Utility</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2019	\$290,000.00	\$177,300.85	\$625,000.00	\$80,500.00
2020	345,000.00	165,978.35	650,000.00	55,500.00
2021	350,000.00	151,125.85	675,000.00	28,687.50
2022	325,000.00	135,960.85	371,069.50	353,930.50
2023	300,000.00	121,795.85	348,422.40	371,577.60
2024-2028	1,285,000.00	420,564.25	1,417,769.45	2,052,230.55
2029-2032	<u>766,000.00</u>	<u>87,236.93</u>		
	<u>\$3,661,000.00</u>	<u>\$1,259,962.93</u>	<u>\$4,087,261.35</u>	<u>\$2,942,426.15</u>

NOTE 4. BOND ANTICIPATION NOTES

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

On December 31, 2018, the Borough had \$3,397,750.00 in outstanding general capital bond anticipation notes maturing on March 29, 2019 at an interest rate of 2.75% and \$1,490,000.00 in outstanding water capital bond anticipation notes maturing on March 29, 2019 at an interest rate of 2.75%. These notes were renewed on March 28, 2019 and maturing on March 27, 2020 at an interest rate of 2.75%.

BOROUGH OF WANAQUE, N.J.
Notes to Financial Statements
Years Ended December 31, 2018 and 2017
(continued)

NOTE 4. BOND ANTICIPATION NOTES, (continued)

The following activity related to bond anticipation notes occurred during the calendar year ended December 31, 2018:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Notes Payable:				
Oppenheimer & Co.	\$	\$4,887,750.00	\$	\$4,887,750.00
Jefferies & Co.	<u>5,784,250.00</u>		<u>5,784,250.00</u>	<u>0.00</u>
	<u>\$5,784,250.00</u>	<u>\$4,887,750.00</u>	<u>\$5,784,250.00</u>	<u>\$4,887,750.00</u>

NOTE 5. LOAN AGREEMENTS

The Borough has entered into a loan agreement with the State of New Jersey for Memorial Field Lighting Replacement. The loan is payable in 39 semiannual payments from the date of the final consummation of the loan. The funds have been provided through the Green Trust Program. The loan of \$215,226.58 is at an interest rate of 2.00% under loan number 1613-08-031. Drawdowns of the \$215,226.58 loan were initiated in 2012. Installment payments of principal and interest on this loan are due on January 26 and July 26 of each year.

NOTE 6. DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2018, the Borough had no deferred charges.

NOTE 7. LOCAL AND REGIONAL HIGH SCHOOL TAXES

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

The calculation of the Regional High School Tax balances and deferrals are as follows:

	<u>Regional High School Taxes</u>	
	<u>Balance Dec. 31, 2018</u>	<u>Balance Dec. 31, 2017</u>
Balance of Tax	\$4,011,728.62	\$3,835,038.12
Deferred	<u>4,002,241.00</u>	<u>3,825,550.50</u>
Taxes Payable	<u>\$ 9,487.62</u>	<u>\$ 9,487.62</u>

Local school taxes have been raised on a calendar year basis and there is no deferred liability at December 31, 2018.

BOROUGH OF WANAQUE, N.J.
Notes to Financial Statements
Years Ended December 31, 2018 and 2017
(continued)

NOTE 8. PENSION PLANS

Description of Plans:

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

Public Employees' Retirement System (PERS)

Plan Description

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

Benefits Provided

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

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

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 before age 62 with 25 or more years of service credit and Tier 5 with 30 or more years of service credit before age 65. Benefits are reduced

BOROUGH OF WANAQUE, N.J.
Notes to Financial Statements
Years Ended December 31, 2018 and 2017
(continued)

NOTE 8. PENSION PLANS, (continued)

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

by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Police and Firemens' Retirement System (PFRS)

Plan Description

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

Police and Firemens' Retirement System (PFRS)

Benefits Provided

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

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% (Tiers 1 and 2 members) and 60% (Tier 3 members) of final compensation plus 1% for each year of creditable service over 25 years but not to exceed 30 years. Members may elect deferred retirement benefits after achieving ten years of service, in which case benefits would begin at age 55 equal to 2% of final compensation for each year of service.

BOROUGH OF WANAQUE, N.J.
Notes to Financial Statements
Years Ended December 31, 2018 and 2017
(continued)

NOTE 8. PENSION PLANS, (continued)

Defined Contribution Retirement Program

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

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of the DCRP. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625-0295.

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

Significant Legislation

On March 17, 2009, the legislative of the State of New Jersey enacted Public Laws 2009, c.19(S-21) the "Pension Deferral Program". This law allows the Division of Pensions and Benefits to provide non-state government pension system employers the option of paying their full amount, or an amount that reflects a 50 percent reduction of the normal and accrued liability component of the Public Employees' Retirement System and/or the Police and Firemen's Retirement System obligation for payment due to the State Fiscal Year ending June 30, 2009. The amount deferred will be repaid starting in April 2012 over a 15-year period at 8¼ percent. The amount will fluctuate based on pension system investment earnings on the deferred amount. The local employer is allowed to payoff the obligation at any time prior to April 2012. The Borough of Wanaque opted for this deferral in the amount of \$315,277.00.

Of this amount, \$80,352.00 represents the Public Employees' Retirement System deferral and \$234,925.00 represents the Police and Firemens' Retirement System deferral. The outstanding balance at December 31, 2018 for PERS is \$45,810.00 and PFRS is \$135,573.00. The principal amounts that are due in 2019 are \$7,120.00 for PERS and \$20,319.00 for PFRS.

BOROUGH OF WANAUKE, N.J.
Notes to Financial Statements
Years Ended December 31, 2018 and 2017
(continued)

NOTE 8. PENSION PLANS, (continued)

Contribution Requirements

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

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

<u>Year</u>	<u>PERS</u>	<u>PFRS</u>	<u>DCRP</u>
2018	\$274,250.00	\$741,609.00	\$5,064.47
2017	276,148.00	706,783.00	3,435.42
2016	258,980.00	705,596.00	3,685.10

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

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

Public Employees Retirement System (PERS)

At December 31, 2018, the Borough had a liability of \$5,878,523 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Borough's proportion of the net pension liability was based on a projection of the Borough's long-term share of

BOROUGH OF WANAQUE, N.J.
Notes to Financial Statements
Years Ended December 31, 2018 and 2017
(continued)

NOTE 8. PENSION PLANS, (continued)

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

Public Employees Retirement System (PERS), (continued)

contributions to the pension plan relative to the projected contributions of all participating governmental entities, actuarially determined. At June 30, 2018, the Borough's proportion was .02985613 percent, which was an increase of 0.0002520699 percent from its proportion measured as of June 30, 2017.

For the year ended December 31, 2018, the Borough recognized pension expense of \$274,250. At December 31, 2018, deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$112,104.00	\$30,312.00
Changes of assumptions	968,683.00	1,879,639.00
Net difference between projected and actual earnings on pension plan investments		55,141.00
Changes in proportion and differences between Borough contributions and proportionate share of contributions	<u>183,552.00</u>	<u>62,291.00</u>
Total	<u>\$1,264,339.00</u>	<u>\$2,027,383.00</u>

Amounts reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date (June 30, 2018) will be recognized as a reduction of the net pension liability in the subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions (excluding changes in proportion) will be recognized in pension expense as follows:

Year ended June 30:	
2019	\$40,800
2020	(56,488)
2021	(405,066)
2022	(351,117)
2023	(112,432)

BOROUGH OF WANAQUE, N.J.
Notes to Financial Statements
Years Ended December 31, 2018 and 2017
(continued)

NOTE 8. PENSION PLANS, (continued)

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

Public Employees Retirement System (PERS), (continued)

Changes in Proportion

The previous amounts do not include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) by each employer over the average of the expected remaining service lives of all plan members, which is 5.63, 5.48, 5.57, 5.72 and 6.44 years for 2018, 2017, 2016, 2015 and 2014 amounts, respectively.

Additional Information

Local Group Collective balances at June 30, 2018 and June 30, 2017 are as follows:

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Collective deferred outflows of resources	\$4,684,852,302	\$6,424,455,842
Collective deferred inflows of resources	7,646,736,226	5,700,625,981
Collective net pension liability	19,689,501,539	23,278,401,588
Borough's Proportion	0.029856130%	0.0296040601%

Actuarial Assumptions

The collective total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of July 1, 2017, which rolled forward to June 30, 2018. This actuarial valuation used the following assumptions, applied to all periods in the measurement.

Inflation	2.25 Percent
Salary Increases:	
Through 2026	1.65-4.15 Percent (based on age)
Thereafter	2.65-5.15 Percent (based on age)
Investment Rate of Return	7.00 Percent

BOROUGH OF WANAQUE, N.J.
Notes to Financial Statements
Years Ended December 31, 2018 and 2017
(continued)

NOTE 8. PENSION PLANS, (continued)

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

Public Employees Retirement System (PERS), (continued)

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

Mortality Rates

Pre-retirement mortality rates were based on the RP-2000 Employee Pre-retirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the Conduent modified 2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirements and beneficiaries of former members. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from 2012 to 2013 using Projection Scale AA and using a generational approach based on the Conduent 2014 projection scale thereafter. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

Long-Term Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2018) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate

BOROUGH OF WANAQUE, N.J.
Notes to Financial Statements
Years Ended December 31, 2018 and 2017
(continued)

NOTE 8. PENSION PLANS, (continued)

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

Public Employees Retirement System (PERS), (continued)

of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Mitigation Strategies	5.00%	5.51%
Cash equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
High yield	2.50%	6.82%
Global diversified credit	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private real asset	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S. equity	30.00%	8.19%
Non-U.S. developed markets equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%

Discount Rate

The discount rate used to measure the total pension liability was 5.66% as of June 30, 2018. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.87% as of June 30, 2018 based on 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. The projection of cash flows used to determine the discount rate assumed that contributions from

BOROUGH OF WANAQUE, N.J.
Notes to Financial Statements
Years Ended December 31, 2018 and 2017
(continued)

NOTE 8. PENSION PLANS, (continued)

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

Public Employees Retirement System (PERS), (continued)

plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 50% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through June 30, 2046. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through June 30, 2046 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

The following presents the collective net pension liability of the participating employers as of June 30, 2018 respectively, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1 -percentage point lower or 1- percentage-point higher than the current rate:

	<u>June 30, 2018</u>		
	1%	At Current	1%
	Decrease	Discount Rate	Increase
	<u>4.66%</u>	<u>5.66%</u>	<u>6.66%</u>
Borough's proportionate share of the pension liability	\$7,690,127	\$5,878,523	\$4,609,177

Pension Plan Fiduciary Net Position

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

BOROUGH OF WANAQUE, N.J.
Notes to Financial Statements
Years Ended December 31, 2018 and 2017
(continued)

NOTE 8. PENSION PLANS, (continued)

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

Police and Firemen's Retirement System (PFRS)

At December 31, 2018, the Borough had a liability of \$11,492,721.00 for its proportionate share of the PFRS net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Borough's proportion of the net pension liability was based on a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, actuarially determined. At June 30, 2018, the Borough's proportion was 0.0849321603 percent, which was an increase of 0.0011362809 percent from its proportion measured as of June 30, 2017.

For the year ended December 31, 2018, the Borough recognized pension expense of \$741,609.00. At December 31, 2018, deferred outflows of resources and deferred inflows of resources related to PFRS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference in actual and expected experience	\$116,923.00	\$47,560.00
Changes of assumptions	986,496.00	2,945,386.00
Net difference between projected and actual earnings on pension plan investments		62,876.00
Changes in proportion and differences between Borough contributions and proportionate share of contributions	<u>477,755.00</u>	<u>9,616.00</u>
Total	<u>\$1,581,174.00</u>	<u>\$3,065,438.00</u>

BOROUGH OF WANAQUE, N.J.
Notes to Financial Statements
Years Ended December 31, 2018 and 2017
(continued)

NOTE 8. PENSION PLANS, (continued)

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

Police and Firemen's Retirement System (PFRS), (continued)

Amounts reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date (June 30, 2018) will be recognized as a reduction of the net pension liability in the subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions (excluding changes in proportion) will be recognized in pension expense as follows:

Year ended June 30:	
2019	\$98,839
2020	(333,180)
2021	(932,116)
2022	(598,355)
2023	(187,590)

Changes in Proportion

The previous amounts do not include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) by each employer over the average of the expected remaining service lives of all plan members, which is 5.73, 5.59, 5.58, 5.53 and 6.17 years for 2018, 2017, 2016, 2015 and 2014 amounts respectively.

Additional Information

Local Group Collective balances at June 30, 2018 and June 30, 2017 are as follows:

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Collective deferred outflows of resources	\$1,988,215,695	\$2,941,952,753
Collective deferred inflows of resources	4,286,994,294	3,262,432,093
Collective net pension liability	13,531,648,591	17,167,260,198
Borough's Proportion	0.0849321603%	0.0837958794%

BOROUGH OF WANAQUE, N.J.
Notes to Financial Statements
Years Ended December 31, 2018 and 2017
(continued)

NOTE 8. PENSION PLANS, (continued)

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

Police and Firemen's Retirement System (PFRS), (continued)

Actuarial Assumptions

The collective total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of July 1, 2017, which rolled forward to June 30, 2018. This actuarial valuation used the following actuarial assumptions:

Inflation	2.25 Percent
Salary Increases:	
Through 2026	2.10-8.98 Percent (based on age)
Thereafter	3.10-9.98 Percent (based on age)
Investment Rate of Return	7.00 Percent

Mortality Rates

Preretirement mortality rates were based on the RP-2000 Combined Healthy Mortality tables projected on a generational basis from the base year of 2000 to 2013 using Projection Scale BB and the Conduent modified 2014 projection scale thereafter. For preretirement accidental mortality, a custom table with representative rates was used and there is no mortality improvement assumed. Post-retirement mortality rates for male service retirements are based on the RP-2000 Combined Healthy Mortality Tables projected on a generational basis using Projection Scale AA from the base year of 2012 to 2013 and the Conduent modified 2014 projection scale thereafter. Postretirement mortality rates for female service retirements and beneficiaries were based on the RP-2000 Combined Healthy Mortality Tables projected on a generational basis from the base year of 2000 to 2013 using Projection Scale BB and the Conduent modified 2014 projection scales thereafter. Disability mortality rates were based on a custom table with representative rates and no mortality improvement assumed.

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

BOROUGH OF WANAQUE, N.J.
Notes to Financial Statements
Years Ended December 31, 2018 and 2017
(continued)

NOTE 8. PENSION PLANS, (continued)

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

Police and Firemen's Retirement System (PFRS), (continued)

Long-Term Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2018) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PFRS's target asset allocation as of June 30, 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Mitigation Strategies	5.00%	5.51%
Cash equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
High yield	2.50%	6.82%
Global diversified credit	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private real asset	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S. equity	30.00%	8.19%
Non-U.S. developed markets equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%

BOROUGH OF WANAUKE, N.J.
Notes to Financial Statements
Years Ended December 31, 2018 and 2017
(continued)

NOTE 8. PENSION PLANS, (continued)

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

Police and Firemen's Retirement System (PFRS), (continued)

Discount Rate

The discount rate used to measure the total pension liability was 6.51% as of June 30, 2018. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.87% as of June 30, 2018 based on 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. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the non-employer contributing entity will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 50% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through June 30, 2062. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through June 30, 2062, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

The following presents the collective net pension liability of the participating employers as of June 30, 2018, respectively, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1 -percentage point lower or 1- percentage-point higher than the current rate:

	June 30, 2018		
	1% Decrease <u>5.51%</u>	At Current Discount Rate <u>6.51%</u>	1% Increase <u>7.51%</u>
Borough's proportionate share of the pension liability	\$17,470,915	\$11,492,721	\$9,410,517

BOROUGH OF WANAQUE, N.J.
Notes to Financial Statements
Years Ended December 31, 2018 and 2017
(continued)

NOTE 8. PENSION PLANS, (continued)

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

Police and Firemen's Retirement System (PFRS), (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 proportionate share of the net pension liability attributable to the Borough for the PFRS special funding situation is \$1,561,096 and \$1,448,993, 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 \$184,909 and \$177,245, respectively, which is more than the actual contributions the State made on behalf of the Borough of \$92,455 and \$72,456, respectively. The State's proportionate share attributable to the Borough was developed based on actual contributions made to PFRS allocated to employers based upon covered payroll. These on-behalf contributions have not been reported on the Borough's financial statements.

Pension Plan Fiduciary Net Position

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

BOROUGH OF WANAQUE, N.J.
Notes to Financial Statements
Years Ended December 31, 2018 and 2017
(continued)

NOTE 9. OTHER POST EMPLOYMENT BENEFITS (OPEB)

In addition to the pension described in Note 8, the Borough provides post employment health care benefits as part of the State Health Benefits Local Government Retired Employments Plan.

General Information about the OPEB Plan

The State Health Benefit Local Government Retired Employees Plan (the Plan) is a cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plan with a special funding situation. It covers employees of local government employers that have adopted a resolution to participate in the Plan. The plan meets the definition of an equivalent arrangement as defined in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for the Postemployment Benefits Other Than Pensions* (GASB Statement No. 75); therefore, assets are accumulated to pay associated benefits. For additional information about the Plan, please refer to the State of New Jersey (the State), Division of Pensions and Benefits' (the Division) 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) retired with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 3) retired and reached the age of 65 with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 4) retired and reached age 62 with at least 15 years of service with the employer. Further, the law provides that the employer paid obligations for retiree coverage may be determined by means of a collective negotiations agreement.

BOROUGH OF WANAQUE, N.J.
Notes to Financial Statements
Years Ended December 31, 2018 and 2017
(continued)

NOTE 9. OTHER POST EMPLOYMENT BENEFITS (OPEB), continued

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

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

Total OPEB Liability

At December 31, 2018, the Borough had a liability of \$8,471,410 for its proportionate share of the non-special funding net OPEB liability. The net OPEB liability was measured as of June 30, 2018 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Borough's proportion of the net OPEB liability was based on a projection of the Borough's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers a in the plan. At June 30, 2018 the Borough's proportion was 0.0540730 percent.

For the year ended December 31, 2018, the Borough recognized OPEB expense of \$364,151. At December 31, 2018, deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$	\$1,719,998
Changes of assumptions		2,148,884
Net difference between projected and actual earnings on OPEB plan investments	4,477	
Changes in proportion	<u>66,892</u>	<u>430,070</u>
Total	<u>\$71,369</u>	<u>\$4,298,952</u>

BOROUGH OF WANAQUE, N.J.
Notes to Financial Statements
Years Ended December 31, 2018 and 2017
(continued)

NOTE 9. OTHER POST EMPLOYMENT BENEFITS (OPEB), continued

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

Year ended June 30:	
2019	\$(567,436)
2020	(567,436)
2021	(567,437)
2022	(567,910)
2023	(568,674)
Thereafter	<u>(1,025,512)</u>
	<u><u>\$(3,864,405)</u></u>

Changes in Proportion

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

Actual Assumptions and Other Inputs

The total OPEB liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of July 1, 2017, which rolled forward to June 30, 2018. The total OPEB liability as of June 30, 2017 was determined by an actuarial valuation as of June 30, 2016, which was rolled forward to June 30, 2017. The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Inflation rate	2.50%
Salary increases*:	
Through 2026	1.65 - 8.98%
Thereafter	2.65 - 9.98%

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

BOROUGH OF WANAQUE, N.J.
Notes to Financial Statements
Years Ended December 31, 2018 and 2017
(continued)

NOTE 9. OTHER POST EMPLOYMENT BENEFITS (OPEB), continued

Preretirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Employee Male/Female mortality table with fully generational mortality improvement projections from the central year using the MP-2017 scale. Postretirement mortality rates were based on the RP-2006 Headcount-Weighted Health Annuitant Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale. Disability mortality was based on the RP-2006 Headcount-Weighted Disabled Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale.

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

Health Care Trend Assumptions

For pre-Medicare preferred provider organization (PPO) medical benefits, this amount initially is 5.8% and decreases to a 5.0% long-term trend rate after nine years. For self-insured post-65 PPO and HMO medical benefits, the trend rate is 4.5%. For prescription drug benefits, the initial trend rate is 8.0% decreasing to a 5.0% long-term trend rate after seven years. For the Medicare Part B reimbursement, the trend rate is 5.0%. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

Discount Rate

The discount rate for June 30, 2018 and 2017 was 3.87% and 3.58%, respectively. This 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 Discount Rate

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

	June 30, 2018		
	1% Decrease	At Current Discount Rate	1% Increase
	<u>2.87%</u>	<u>3.87%</u>	<u>4.87%</u>
Borough's proportionate share of Net OPEB liability	\$9,939,204	\$8,471,410	\$7,298,975

BOROUGH OF WANAQUE, N.J.
Notes to Financial Statements
Years Ended December 31, 2018 and 2017
(continued)

NOTE 9. OTHER POST EMPLOYMENT BENEFITS (OPEB), continued

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

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

	June 30, 2018		
	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Borough's proportionate share of Net OPEB liability	\$7,066,615	\$8,471,410	\$10,289,554

Special Funding Situation PFRS

Under Chapter 330, P.L. 1997, the State shall pay the premium 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.

Therefore, these employers are considered to be in a special funding situation as defined by GASB Statement No. 75 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute under this legislation directly to the plan, there is no net OPEB liability, deferred outflows of resources or deferred inflows of resources to report in the financial statements of the local participating employers related to this legislation.

At December 31, 2018, the State's proportionate share of the net OPEB liability attributable to the Borough for the PFRS special funding situation is \$6,778,869 and the State's proportionate share of the OPEB expense for the PFRS special funding situation is \$205,204.

BOROUGH OF WANAQUE, N.J.
Notes to Financial Statements
Years Ended December 31, 2018 and 2017
(continued)

NOTE 10. FUND BALANCES

Fund balances as of December 31, 2018 and 2017 that have been anticipated as revenue in the 2019 budgets is as follows:

	<u>2019</u>	<u>2018</u>
Current Fund	\$965,000.00	\$955,000.00
Water Operating Fund	272,648.58	132,850.00
Sewer Operating Fund	378,316.00	400,000.00

NOTE 11. FIXED ASSETS

The balance as of December 31, 2018 and December 31, 2017 are as follows:

	Balance <u>Dec. 31, 2018</u>	Balance <u>Dec. 31, 2017</u>
Land	\$5,931,300.00	\$5,931,300.00
Buildings	8,922,100.00	8,922,100.00
Machinery and Equipment	<u>6,475,438.00</u>	<u>6,394,427.00</u>
	<u>\$21,328,838.00</u>	<u>\$21,247,827.00</u>

NOTE 12. ACCRUED SICK AND VACATION BENEFITS

The Borough permits all employees to accrue unused vacation and sick pay, which may be taken as time off or paid at a later date at an agreed-upon rate. It is estimated that the current cost of such unpaid compensation approximates \$719,111.85 as of December 31, 2018. The Division of Local Government Services, Department of Community Affairs, State of New Jersey does not allow this amount to be reported either as an expenditure or liability.

BOROUGH OF WANAQUE, N.J.
Notes to Financial Statements
Years Ended December 31, 2018 and 2017
(continued)

NOTE 13. DUE TO/FROM OTHER FUNDS

Balances due to/from other funds at December 31, 2018 consist of the following:

\$3,845.36	Due to Current Fund from Recycling Trust for Current Fund receipts deposited in Recycling Trust.
79,478.08	Due to Current Fund from Other Trust Fund for Other Trust Fund expenditures paid by Current Fund.
11,605.41	Due to Current Fund from Payroll Fund for excess deposit.
2,800.00	Due to Current Fund from Escrow Trust for interest earned.
122.44	Due to Current Fund from Animal Control Trust Fund for interest earned.
75,673.79	Due to Current Fund from Assessment Trust Fund for Assessment Trust Fund expenditures paid by Current Fund.
307,094.89	Due to Federal and State Grant Fund from Current Fund for grant receipts deposited in Current Fund.
600.49	Due to Flex Spending Trust from Current Fund for Flex Spending Trust receipts deposited in Current Fund.
32,423.42	Due to Open Space Trust from Current Fund for Open Space Trust receipts deposited in Current Fund.
37,850.44	Due to General Capital Fund from Current Fund for General Capital Fund receipts deposited in Current Fund.
6,000.00	Due to General Capital Fund from Assessment Trust Fund for General Capital Fund receipts deposited in Assessment Trust Fund.
12,712.03	Due to General Capital Fund from Other Trust Fund for General Capital receipts deposited in Other Trust Fund.
20,695.14	Due to Water Operating Fund from Current Fund for Water Operating receipts deposited in Current Fund.
1,036.08	Due to Water Operating Fund from Water Capital Fund for Water Operating receipts deposited in Water Capital.
463,679.86	Due to Water Capital Fund from General Capital Fund for Water Capital Fund receipts deposited in General Capital Fund.
94,233.27	Due to Sewer Operating Fund from Water Operating Fund for Sewer Operating Fund receipts deposited in Water Operating Fund.
<u>308,752.88</u>	Due to Sewer Capital Fund from Sewer Operating Fund for Sewer Capital Fund receipts deposited in Sewer Operating Fund.
<u>\$1,458,603.58</u>	

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

BOROUGH OF WANAQUE, N.J.
Notes to Financial Statements
Years Ended December 31, 2018 and 2017
(continued)

NOTE 14. RISK MANAGEMENT

The Borough is exposed to various risks of loss related to general liability, automobile coverage, damage and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Borough has obtained insurance coverage to guard against these events which will provide minimum exposure to the Borough should they occur. During the 2018 calendar year, the Borough did not incur claims in excess of their coverage and the amount of coverage did not significantly decrease.

The Borough of Wanaque is a member of the North Jersey Intergovernmental Joint Insurance Fund (the "JIF"). The JIF is a self-administered group of municipalities established for the purpose of providing certain low-cost general liability, automobile liability, property and workers' compensation insurance coverage for member municipalities. The Borough of Wanaque pays an annual assessment to the JIF and should it be determined that payments received by the JIF are deficient, additional assessments may be levied.

The JIF can declare and return excess surplus to members upon approval of the State of New Jersey Department of Insurance. These distributions would be divided amongst the members in the same ratio as their individual assessment relates to the total assessment of the membership body. In accordance with Statement No. 10 of the Government Accounting Standards Board, these distributions may be issued to reduce the amount recorded for membership expense in the year in which the distribution was declared.

Financial statements for the Funds are available at the office of the Funds' Administrator, Inservco, Inc.

The Borough of Wanaque continues to carry commercial insurance coverage for all other risks of loss, including employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 15. TAXES COLLECTED IN ADVANCE

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

	<u>Balance</u> <u>Dec 31, 2018</u>	<u>Balance</u> <u>Dec 31, 2017</u>
Prepaid Taxes	<u>\$233,908.93</u>	<u>\$2,048,163.32</u>
Cash Liability for Taxes Collected in Advance	<u>\$233,908.93</u>	<u>\$2,048,163.32</u>

BOROUGH OF WANAQUE, N.J.
Notes to Financial Statements
Years Ended December 31, 2018 and 2017
(continued)

NOTE 16. EMERGENCY SERVICES VOLUNTEER LENGTH OF SERVICE AWARD PLAN (LOSAP)

On March 21, 2002, the Division of Local Government Services approved the Borough's LOSAP plan, provided by Variable Annuity Life Insurance Company (VALIC). The purpose of this plan is to enhance the Borough's ability to retain and recruit volunteer firefighters and volunteer members of emergency service squads.

VALIC will provide for the benefit of participants, a multi-fund variable annuity contract as its funding vehicle. The plan shall have minimum and maximum contribution requirements as follows: the minimum contribution for each participating active volunteer member shall be \$100 per year of active emergency service and the maximum contribution for each active volunteer member shall be \$1,150 per year of active emergency service, subject to periodic increases as permitted by N.J.A.C. 5:30-14.9. The Borough's contribution shall be included in the current years budget.

All amounts awarded under a length of service award plan shall remain the asset of the sponsoring agency; the obligation of the sponsoring agency to participating volunteers shall be contractual only; and no preferred or special interest in the awards made shall accrue to such participants. Such money shall be subject to the claims of the sponsoring agency's general creditors until distributed to any or all participants.

We have reviewed the plan for the year ended December 31, 2018 in accordance with the American Institute of Certified Public Accountants (AICPA) Statement on Standards for Accounting and Review Services.

NOTE 17. DISSOLUTION OF WANAQUE BOROUGH SEWERAGE AUTHORITY

On September 14, 2009, the Borough of Wanaque passed Ordinance number 15-0-09 which dissolved the Wanaque Borough Sewerage Authority effective December 31, 2009. As of January 1, 2010, all assets, liabilities and equity of the Authority were transferred to the Borough of Wanaque.

BOROUGH OF WANAQUE, N.J.
Notes to Financial Statements
Years Ended December 31, 2018 and 2017
(continued)

NOTE 18. COMMITMENTS AND CONTINGENT LIABILITIES

We are advised by Borough Counsel that the Borough is involved in several suits that are either covered by insurance or not material to the financial statements.

The Borough is involved in several tax appeals. The tax refund exposure is not known at this time.

NOTE 19. SUBSEQUENT EVENT

The Borough has evaluated subsequent events through July 18, 2019, the date which the financial statements were available to be issued and no other items were noted for disclosure.

APPENDIX C

SELECTED FINANCIAL INFORMATION FOR YEARS ENDED DECEMBER 31, 2019-2015

The selected data presented on pages C-78-C-93 under the section "Selected Financial Information" as of and for each of the years in the five year periods ended December 31, 2019 are derived from the financial statements of the Borough of Wanaque, except for the financial information for December 31, 2019 which is derived from the "Unaudited" Annual Financial Statements. The excerpts from the financial statements as of December 31, 2018 and the Independent Auditor's Report thereon are included in the previous section.

**BOROUGH OF WANAUKE
COMPARATIVE BALANCE SHEET
CURRENT FUND**

	Unaudited 2019	2018	2017	2016	2015
ASSETS					
Current Fund:					
Cash	4,696,767.42	4,448,881.46	6,424,723.16	4,468,115.63	5,418,591.18
Change Fund	625.00	625.00	625.00	625.00	625.00
Due from State of New Jersey:					
Senior Citizen and Veteran Deductions	<u>10,308.87</u>	<u>10,558.87</u>	<u>7,639.71</u>	<u>7,068.29</u>	<u>7,576.48</u>
	4,707,701.29	4,460,065.33	6,432,987.87	4,475,808.92	5,426,792.66
Receivables and Other Assets with Full Reserves:					
Delinquent Taxes Receivable	302,880.20	391,410.50	358,123.54	406,960.72	482,158.07
Tax Title Liens Receivable	187,542.88	172,497.01	164,611.61	146,056.59	125,518.38
Property Acquired for Taxes - Assessed Valuation	388,475.00	388,475.00	388,475.00	388,475.00	388,475.00
Revenue Accounts Receivable	24,400.62	24,400.62	27,868.56	38,385.15	24,744.60
Due from Passaic County	8,017.80	8,700.24	8,931.28	8,146.80	8,788.08
Interfund Receivables:					
Animal Control Trust Fund	232.44	122.44	13.99	5.62	16.69
Other Trust fund	59,801.72	86,123.44	586.71	16,358.36	7,837.11
Payroll Fund		11,605.41	10,358.25	3.03	3.06
Public Assistance Fund					
Water Operating Fund	38,573.42	75,673.79		15,500.19	66,993.13
Assessment Trust/Other Trust					
General Capital	<u>111,864.69</u>				
	1,121,788.77	1,159,008.45	958,968.94	1,019,891.46	1,104,534.12
Deferred Charges:					
Special Emergency Authorization	0.00	0.00	0.00	0.00	0.00
	<u>5,829,490.06</u>	<u>5,619,073.78</u>	<u>7,391,956.81</u>	<u>5,495,700.38</u>	<u>6,531,326.78</u>
Federal and State Grant Fund:					
State Grants Receivable	50,494.48	250,060.00	124,574.72	69,528.91	232,002.08
Interfund Receivables	<u>344,987.78</u>	<u>307,094.89</u>	<u>290,520.08</u>	<u>290,629.22</u>	<u>274,777.80</u>
	395,482.26	557,154.89	415,094.80	360,158.13	506,779.88
Total Assets	<u><u>6,224,972.32</u></u>	<u><u>6,176,228.67</u></u>	<u><u>7,807,051.61</u></u>	<u><u>5,855,858.51</u></u>	<u><u>7,038,106.66</u></u>

**BOROUGH OF WANAQUE
COMPARATIVE BALANCE SHEET
CURRENT FUND**

	Unaudited 2019	2018	2017	2016	2015
LIABILITIES, RESERVES AND FUND BALANCES					
Current Fund:					
Appropriation Reserves	263,788.24	453,162.94	384,698.33	203,164.33	250,502.92
Encumbrances Payable	204,836.95	139,332.86	190,614.80	175,111.68	165,911.28
Prepaid Taxes	410,428.71	233,908.93	2,048,163.32	170,869.92	230,317.57
Local School Tax Payable	178.00	181.00	179.00	22,894.00	180.00
Regional School Tax Payable	9,487.62	9,487.62	9,487.62	9,487.62	9,487.62
County Taxes Payable			28,373.26	28,272.02	
Interfunds Payable:					
Animal Control Trust Fund					
Other Trust Fund	49.04	32,423.42	17,260.77	112,262.70	326,966.61
Open Space Trust		600.49	84,173.94		
Flex Spending		307,094.89	2,200.45		
Federal and State Grant Fund	344,987.78	37,850.44	290,520.08	290,629.22	274,777.80
General Capital Fund		20,695.14	2,146.67		100,672.08
Water Operating Fund			97,115.97		45,220.25
Assessment Trust	5,283.35				
Sewer Capital Fund					
Deposits for Redemption of Tax Sale Certificates			29,552.86	111,733.44	626,800.63
Tax Overpayments	2,435.68	3,386.17	28,620.91	5,532.20	533.32
Due to State of New Jersey:					
Marriage Surcharge		225.00	275.00		
Building Surcharge	1,373.00	1,207.00	1,150.00		4,644.00
Reserve for:					
P.I.L.O.T. Service Charge	586,663.09	666,663.09	670,258.79	670,258.79	670,258.79
Revaluation / Tax Map	60,134.15	60,134.15	60,134.15	60,134.15	60,134.15
Police Law Enforcement	56.64	56.64	56.64	56.64	56.64
Project D.A.R.E.	18,863.55	18,863.55	18,863.55	22,531.80	21,642.11
Fire Prevention Bureau				20,528.85	20,528.85
Tax Appeals	13,432.39				57,938.95
	<u>1,921,998.19</u>	<u>1,985,273.33</u>	<u>3,963,846.11</u>	<u>1,903,467.36</u>	<u>2,866,573.57</u>
Reserve for Receivables	1,121,788.77	1,159,008.45	958,968.94	1,019,891.46	1,104,534.12
Fund Balance	<u>2,785,703.10</u>	<u>2,474,792.00</u>	<u>2,489,141.76</u>	<u>2,572,341.56</u>	<u>2,560,219.09</u>
	<u>5,829,490.06</u>	<u>5,619,073.78</u>	<u>7,391,956.81</u>	<u>5,495,700.38</u>	<u>6,531,326.78</u>
Federal and State Grant Fund:					
Appropriated Reserve for Grants	361,437.91	532,298.19	376,575.58	327,608.94	465,640.00
Unappropriated Reserve for Grants	<u>34,044.35</u>	<u>24,856.70</u>	<u>38,519.22</u>	<u>32,549.19</u>	<u>41,139.88</u>
	<u>395,482.26</u>	<u>557,154.89</u>	<u>415,094.80</u>	<u>360,158.13</u>	<u>506,779.88</u>
Total Liabilities, Reserves and Fund Balance	<u><u>6,224,972.32</u></u>	<u><u>6,176,228.67</u></u>	<u><u>7,807,051.61</u></u>	<u><u>5,855,858.51</u></u>	<u><u>7,038,106.66</u></u>

**BOROUGH OF WANAUKE
COMPARATIVE STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCE
CURRENT FUND**

	Unaudited 2019	2018	2017	2016	2015
Revenues and Other Income:					
Fund Balance Utilized	975,000.00	955,000.00	995,000.00	952,500.00	888,500.00
Miscellaneous Revenue Anticipated	2,786,672.76	2,336,198.66	2,398,764.13	2,138,358.06	2,427,547.90
Receipts from Delinquent Taxes	386,864.23	322,824.61	384,782.43	456,662.51	720,541.90
Receipts from Current Taxes	43,403,107.48	42,461,260.13	41,415,407.86	40,539,205.97	39,871,698.45
Non-Budget Revenue	99,959.80	154,857.27	49,737.42	64,723.20	62,766.11
Due from Passaic County					8,665.55
Other Credits to Income:					
Interfunds Returned	173,525.08	10,958.95	31,867.20	74,849.99	45,779.73
Canceled Grant Reserves		0.83	21,127.48	1,620.20	
Unexpended Balance of Appropriation Reserves	277,304.21	286,766.69	105,843.34	126,076.41	161,739.83
Cancelled Liabilities	233.75	1.63	500.11		15,108.46
Total Revenues and Other Income	48,102,667.31	46,527,868.77	45,403,029.97	44,353,996.34	44,202,347.93
Expenditures:					
Budget and Emergency Appropriations:					
Operations:					
Salaries and Wages	5,170,829.59	4,961,798.59	4,981,039.00	4,809,480.00	4,658,560.00
Other Expenses	4,959,443.17	4,975,087.22	5,031,533.58	4,920,230.42	4,841,965.86
Capital Improvement Fund	825,000.00	365,000.00	300,000.00	250,000.00	200,000.00
Municipal Debt Service	1,403,754.11	1,345,249.10	1,162,222.35	1,160,354.37	1,225,428.24
Deferred Charges and Statutory Expenditures - Municipal	1,312,140.60	1,234,129.42	1,338,391.00	1,270,200.00	1,230,003.71
Interfund Advances	210,472.27	173,525.08	10,958.95	31,867.20	74,849.99
Municipal Open Space	111,965.04	112,066.14	112,011.94	112,412.47	112,225.20
Local District School Tax	15,391,623.00	15,082,840.00	14,738,068.00	14,282,718.00	13,919,890.00
Regional High School Tax	8,168,483.00	7,827,791.50	7,448,067.50	7,143,038.50	7,071,779.50
County Taxes including Added Taxes	9,263,045.43	9,488,452.65	9,308,104.16	9,359,624.45	9,542,564.24
Cancelled Grants Receivables		0.83	24,863.08	1,620.20	
Due from County of Passaic					8,788.08
Prior Year Revenue Refunded		1,278.00	55,970.21	47,828.26	695.00
Total Expenditures	46,816,756.21	45,567,218.53	44,511,229.77	43,389,373.87	42,886,749.82

**BOROUGH OF WANAQUE
COMPARATIVE STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCE
CURRENT FUND**

	<u>Unaudited 2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Excess (Deficit) Revenue Over Expenditures	1,285,911.10	960,650.24	891,800.20	964,622.47	1,315,598.11
Adjustment to Income Before Fund Balance Expenditures Included above which are by Statute Deferred Charges to Budget of Succeeding Year					
Statutory Excess to Fund Balance	1,285,911.10	960,650.24	891,800.20	964,622.47	1,315,598.11
Fund Balance - January 1,	<u>2,474,792.00</u>	<u>2,469,141.76</u>	<u>2,572,341.56</u>	<u>2,560,219.09</u>	<u>2,133,120.98</u>
	3,760,703.10	3,429,792.00	3,464,141.76	3,524,841.56	3,448,719.09
Decreased by:					
Fund Balance Utilized as Budget Revenue	<u>975,000.00</u>	<u>955,000.00</u>	<u>995,000.00</u>	<u>952,500.00</u>	<u>888,500.00</u>
Fund Balance - December 31,	<u><u>2,785,703.10</u></u>	<u><u>2,474,792.00</u></u>	<u><u>2,469,141.76</u></u>	<u><u>2,572,341.56</u></u>	<u><u>2,560,219.09</u></u>

**BOROUGH OF WANAQUE
COMPARATIVE BALANCE SHEET
TRUST FUND**

	Unaudited 2019	2018	2017	2016	2015
ASSETS					
Assessment Fund:					
Cash	14,776.52	100,682.88	1,893.80	560.50	51,151.31
Interfund - Current Fund	5,283.35		97,115.97		
Assessments Receivable	3,796.11	4,846.89	5,846.21	6,795.67	7,697.80
Prospective Assessments Funded			792,300.00	1,012,300.00	1,119,300.00
	<u>23,855.98</u>	<u>105,529.77</u>	<u>897,155.98</u>	<u>1,019,656.17</u>	<u>1,178,149.11</u>
Animal Control Trust Fund:					
Cash	<u>1,315.87</u>	<u>735.39</u>	<u>3,270.83</u>	<u>1,003.37</u>	<u>404.46</u>
		<u>735.39</u>	<u>3,270.83</u>	<u>1,003.37</u>	<u>404.46</u>
Other Trust Funds:					
Cash	2,101,497.28	1,965,581.83	1,681,510.77	1,480,589.26	1,723,638.17
Interfund - Current Fund			17,260.77	112,262.70	326,966.61
Interfund - Water Capital				200,000.00	200,000.00
Interfund - Current Fund - Flex Spending	49.04	600.49	2,200.45		
Interfund - Current Fund - Open Space		32,423.42	84,173.94		
Interfund - Payroll Fund		3,289.06	113.06	14,325.02	6,901.80
	<u>2,101,546.32</u>	<u>2,001,894.80</u>	<u>1,785,258.99</u>	<u>1,807,176.98</u>	<u>2,257,506.58</u>
Recreation Trust Fund:					
Cash	<u>54,381.10</u>	<u>50,740.06</u>	<u>31,416.56</u>	<u>26,730.75</u>	<u>25,321.49</u>
	<u>54,381.10</u>	<u>50,740.06</u>	<u>31,416.56</u>	<u>26,730.75</u>	<u>25,321.49</u>
Payroll Agency Trust Fund					
Cash	<u>44,694.20</u>	<u>47,983.26</u>	<u>63,896.44</u>	<u>81,849.04</u>	<u>61,411.18</u>
	<u>44,694.20</u>	<u>47,983.26</u>	<u>63,896.44</u>	<u>81,849.04</u>	<u>61,411.18</u>
Emergency Services Volunteer Length of Service Award Program (Unaudited)					
Cash in Plan	1,503,713.88	1,445,063.88	1,526,964.59	1,268,550.04	1,245,756.79
Contributions Receivable		58,650.00	54,050.00	66,700.00	64,400.00
	<u>1,503,713.88</u>	<u>1,503,713.88</u>	<u>1,581,014.59</u>	<u>1,335,250.04</u>	<u>1,310,156.79</u>
Total Assets	<u><u>3,729,507.35</u></u>	<u><u>3,710,597.16</u></u>	<u><u>4,362,013.39</u></u>	<u><u>4,271,666.35</u></u>	<u><u>4,832,949.61</u></u>

**BOROUGH OF WANAQUE
COMPARATIVE BALANCE SHEET
TRUST FUND**

	Unaudited 2019	2018	2017	2016	2015
<u>LIABILITIES, RESERVES AND FUND BALANCES</u>					
Assessment Fund:					
Interfund - Current Fund		75,673.79		15,500.19	66,993.13
Interfund - General Capital		6,000.00			
Assessment Serial Bonds			624,000.00	731,000.00	838,000.00
Reserve for Assessments and Liens	3,796.11	4,846.89	255,146.21	256,095.67	256,997.80
Fund Balance	20,059.87	19,009.09	18,009.77	17,060.31	16,158.18
	23,855.98	105,529.77	897,155.98	1,019,656.17	1,178,149.11
Animal Control Trust Fund:					
Due to State of N.J.				1.40	
Interfund - Current Fund	232.44	122.44	13.99		16.69
Reserve for Animal Control Expenditures	1,083.43	612.95	3,256.84	996.35	387.77
	1,315.87	735.39	3,270.83	1,003.37	404.46
Other Trust Fund:					
Developers Escrow	85,345.88		44,950.20	72,550.44	57,209.12
Various Reserves	1,629,868.32	1,599,934.47	1,532,378.58	1,560,695.91	1,947,662.38
Reserve for Municipal Open Space	326,530.40	291,519.45	207,343.50	173,930.63	248,459.28
Interfund - Current Fund	59,801.72	97,728.85	586.71		
Interfund - General Capital Fund		12,712.03			4,175.80
	2,101,546.32	2,001,894.80	1,785,258.99	1,807,176.98	2,257,506.58
Recreation Trust Fund:					
Reserve for Recreation Expenditures	54,381.10	50,740.06	31,416.56	26,730.75	25,321.49
	54,381.10	50,740.06	31,416.56	26,730.75	25,321.49
Payroll Agency Trust Fund:					
Interfund - Current Fund		3,289.06	10,358.25	16,358.36	7,837.11
Interfund - Other Trust Fund		44,694.20	113.06	14,325.02	6,901.80
Payroll Deductions Payable			53,425.13	51,165.66	46,672.27
	44,694.20	47,983.26	63,896.44	81,849.04	61,411.18
Emergency Services VolunteerLength of Service Award Program (Unaudited)	1,503,713.88	1,503,713.88	1,581,014.59	1,335,250.04	1,301,156.79
Net Assets Available for Benefits	1,503,713.88	1,503,713.88	1,581,014.59	1,335,250.04	1,301,156.79
Total Liabilities, Reserves and Fund Balances	3,729,507.35	3,710,597.16	4,362,013.39	4,271,666.35	4,823,949.61

**BOROUGH OF WANAEQUE
COMPARATIVE BALANCE SHEET
GENERAL CAPITAL FUND**

	Unaudited 2019	2018	2017	2016	2015
<u>ASSETS</u>					
Cash	2,148,857.17	2,189,640.65	2,923,757.22	25,977.66	1,682,616.64
Various Grants Receivable	693,533.89	543,195.72	725,907.52	717,066.96	507,427.31
Deferred Charges to Future Taxation - Funded	13,986,373.18	14,841,654.71	15,082,733.66	15,742,614.01	16,377,299.68
Deferred Charges to Future Taxation - Unfunded	4,468,749.98	3,455,849.98	5,305,849.98	4,767,349.98	1,232,349.98
Interfund - Current Fund		37,850.44			100,672.08
Interfund - Assessment Trust Fund		6,000.00			
Interfund - Water Operating				131,425.99	25,667.60
Interfund - Water Capital Fund					
Interfund - Other Trust Fund		12,712.03			4,175.80
Total Assets	21,297,514.22	21,086,903.53	24,038,248.38	21,384,434.60	19,930,209.09
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>					
Interfund - Current Fund	111,864.69				
Interfund - Water Capital Fund	11,949.80				
General Serial Bonds	13,839,000.00	14,684,000.00	14,915,000.00	15,565,000.00	16,190,000.00
Bond Anticipation Notes	3,397,750.00	3,397,750.00	4,744,250.00		
Loan Payable - NJDEP Green Trust	147,373.18	157,654.71	167,733.66	177,614.01	187,299.68
Improvement Authorizations:					
Funded	1,011,292.14	364,854.83	350,685.41	848,757.65	1,111,446.17
Unfunded	1,793,545.93	959,510.61	2,895,329.66	3,779,816.35	801,216.65
Capital Improvement Fund	124,968.73	165,433.73	48,425.00	139,925.00	128,750.00
Down Payment on Improvements	15,000.00	15,000.00			
Reserve for:					
Bond Issue Costs	21,066.51	21,066.51	21,066.51	21,066.51	21,066.51
Debt Service	153.53	29,653.53	55,653.53	55,653.53	55,653.53
Special Needs Housing	795,859.00	795,859.00	795,859.00	795,859.00	795,859.00
Interfund - Water Capital Fund		463,679.86			
Fund Balance	27,690.71	32,440.75	44,245.61	742.55	638,917.55
Total Liabilities, Reserves and Fund Balance	21,297,514.22	21,086,903.53	24,038,248.38	21,384,434.60	19,930,209.09

**BOROUGH OF WANAQUE
STATEMENT OF FUND BALANCE
GENERAL CAPITAL FUND**

	Unaudited 2019	2018	2017	2016	2015
Balance - January 1, 2012	32,440.75	44,245.61	742.55	638,917.55	338,864.62
Increased by:					
Canceled Funded Improvement Authorizations	27,249.96	31,195.14	213,741.35		300,052.93
Premium on Sale of Bonds/Notes			42,747.26		
	59,690.71	75,440.75	257,231.16	638,917.55	638,917.55
Decreased by:					
Appropriated to Finance Improvement Authorizations	32,000.00	43,000.00	146,826.11	638,175.00	
Payment to Current Fund as Anticipated Revenue			66,159.44		
Cancelled Grants Receivable	32,000.00	43,000.00	212,985.55	638,175.00	-
Balance - December 31, 2012	<u>27,690.71</u>	<u>32,440.75</u>	<u>44,245.61</u>	<u>742.55</u>	<u>638,917.55</u>

**BOROUGH OF WANAQUE
COMPARATIVE BALANCE SHEET
WATER UTILITY FUND**

	Unaudited 2019	2018	2017	2016	2015
ASSETS					
Operating Fund:					
Cash	1,221,747.32	1,198,849.22	972,185.40	534,870.69	1,484,428.00
Change Fund	100.00	100.00	100.00	100.00	100.00
Interfund - Current Fund		20,695.14	2,146.67		45,220.25
Interfund - Sewer Operating Fund			21,600.16	256,315.73	
Interfund - Water Utility Capital Fund	2,800.76	1,036.08	37,190.81		122.19
	<u>1,224,648.08</u>	<u>1,220,680.44</u>	<u>1,033,223.04</u>	<u>791,286.42</u>	<u>1,529,870.44</u>
Receivables with Full Reserves:					
Consumers Account Receivable	203,506.62	197,324.30	211,679.00	201,017.43	193,709.97
	<u>1,428,154.70</u>	<u>1,418,004.74</u>	<u>1,244,902.04</u>	<u>992,303.85</u>	<u>1,723,580.41</u>
Total Operating Fund					
Capital Fund:					
Cash	502,261.27	178,955.57	614,625.45	274,486.06	112,242.42
Fixed Capital	10,944,865.16	10,414,865.16	10,414,865.16	10,099,319.16	10,099,319.16
Fixed Capital Authorized and Uncompleted	2,665,000.00	2,345,000.00	2,345,000.00	2,170,000.00	1,390,000.00
Interfund - General Capital Fund	11,949.80	463,679.86			
Due From CDBG				100,000.00	100,000.00
	<u>14,124,076.23</u>	<u>13,402,500.59</u>	<u>13,374,490.61</u>	<u>12,643,805.22</u>	<u>11,701,561.58</u>
Total Capital Fund					
	<u>15,552,230.93</u>	<u>14,820,505.33</u>	<u>14,619,392.65</u>	<u>13,636,109.07</u>	<u>13,425,141.99</u>

**BOROUGH OF WANAUKE
COMPARATIVE BALANCE SHEET
WATER UTILITY FUND**

	2019	2018	2017	2016	2015
Unaudited					
	2019	2018	2017	2016	2015
LIABILITIES, RESERVES AND FUND BALANCE					
Operating Fund:					
Interfund - Current Fund	38,573.42				169,596.15
Interfund - Sewer Operating Fund	7,802.91	94,233.27			25,667.60
Interfund - General Capital Fund					54,745.43
Appropriation Reserve	315,881.19	93,590.28	363,033.31	49,501.46	
Encumbrances Payable	14,089.01	40,364.62	12,254.34	82,144.08	52,972.18
Accrued Interest on Bonds and Notes	101,604.79	95,293.30	78,898.19	82,800.00	90,330.60
Security Deposits Payable	375.00	375.00	375.00	375.00	375.00
Reserve for Water Improvement Escrow	194,139.38	182,139.38	182,139.38	182,139.38	41,605.46
Reserve for Legal Settlement	130,550.30	130,550.30	130,550.30	130,550.30	900,000.00
Water Rent Overpayments	756.39	667.37	671.26	1,431.54	399.41
	<u>803,772.39</u>	<u>637,213.52</u>	<u>767,921.78</u>	<u>528,941.76</u>	<u>1,335,691.83</u>
Reserve for Receivables	203,506.62	197,324.30	211,679.00	201,017.43	193,709.97
Fund Balance	420,875.69	583,466.92	265,301.26	262,344.66	194,178.61
	<u>1,428,154.70</u>	<u>1,418,004.74</u>	<u>1,244,902.04</u>	<u>992,303.85</u>	<u>1,723,580.41</u>
Capital Fund:					
Serial Bonds Payable	3,371,000.00	3,661,000.00	3,926,000.00	4,131,000.00	4,281,000.00
Bond Anticipation Notes	1,490,000.00	1,490,000.00	1,040,000.00		
Improvement Authorizations:					
Funded	25,657.83	62,708.80	306,431.80	636,988.43	100,396.87
Unfunded	1,259,712.40	414,800.27	570,592.42	305,031.96	810,683.68
Capital Improvement Fund	29,946.22	29,946.22	29,946.22	29,946.22	29,946.22
Interfund - Water Utility Operating Fund	2,800.76	1,036.08	37,190.81	200,000.00	122.19
Interfund - Other Trust Fund				131,425.99	200,000.00
Interfund__General Capital Fund					5,818,319.16
Reserve for Amortization	7,348,865.16	6,528,865.16	6,263,865.16	5,968,319.16	5,818,319.16
Reserve for Deferred Amortization	550,000.00	1,080,000.00	1,080,000.00	1,130,000.00	350,000.00
Fund Balance	46,093.86	134,144.06	120,464.20	111,093.46	111,093.46
	<u>14,124,076.23</u>	<u>13,402,500.59</u>	<u>13,374,490.61</u>	<u>12,643,805.22</u>	<u>11,701,561.58</u>
Total Capital Fund					
	<u>15,552,230.93</u>	<u>14,820,505.33</u>	<u>14,619,392.65</u>	<u>13,636,109.07</u>	<u>13,425,141.99</u>
Total Liabilities, Reserves and Fund Balances					

**BOROUGH OF WANAQUE
STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCE
WATER UTILITY FUND**

	Unaudited 2019	2018	2017	2016	2015
Revenue and Other Income Realized:					
Surplus Anticipated	272,648.58	132,850.00	104,896.04	74,453.00	197,160.53
Rents	1,682,497.59	1,745,102.89	1,717,393.01	1,642,152.04	1,652,157.87
Miscellaneous not Anticipated	30,739.12	58,818.66	64,538.18	19,513.85	23,240.92
Interlocal Service Agreement - WBSA	110,000.00	130,000.00	150,000.00	180,000.00	180,000.00
PCIA Interest Rebate	47,464.62	49,705.10	51,407.68	53,214.96	54,329.24
Water Capital Fund Surplus	100,000.00				
Other Credits to Income:					
Cancellation Accrued Interest on Notes				3,278.80	
Unexpended Balance of Appropriation Reserves	89,824.41	339,389.01	43,827.77	51,223.40	67,903.01
Total Income	2,333,174.32	2,455,865.66	2,132,062.68	2,023,836.05	2,174,791.57
Expenditures:					
Operating	1,305,000.00	1,364,269.00	1,472,500.00	1,385,000.00	1,375,000.00
Capital Improvements	300,000.00	50,000.00	50,000.00	50,000.00	50,000.00
Debt Service	516,916.00	491,399.00	397,809.04	349,421.00	524,187.53
Deferred Charges and Statutory Expenditures	101,200.97	99,182.00	103,901.00	96,796.00	97,983.00
Total Expenditures	2,223,116.97	2,004,850.00	2,024,210.04	1,881,217.00	2,047,170.53
Excess in Revenue over Expenditures	110,057.35	451,015.66	107,852.64	142,619.05	127,621.04
Expenditures Included Above Which are by Statute					
Deferred Charges to Budget of Succeeding Years					
Statutory Excess to Surplus	110,057.35	451,015.66	107,852.64	142,619.05	127,621.04
Fund Balance - January 1,	583,466.92	265,301.26	262,344.66	194,178.61	263,718.10
	693,524.27	716,316.92	370,197.30	336,797.66	391,339.14
Decreased by:					
Utilized as Anticipated Revenue	272,648.58	132,850.00	104,896.04	74,453.00	197,160.53
Fund Balance - December 31,	420,875.69	583,466.92	265,301.26	262,344.66	194,178.61

**BOROUGH OF WANAQUE
COMPARATIVE BALANCE SHEET
SEWER UTILITY FUND**

	Unaudited 2019	2018	2017	2016	2015
<u>ASSETS</u>					
Operating Fund:					
Cash	759,237.68	941,452.81	1,090,973.67	1,409,238.38	781,253.94
Interfund - Water Operating Fund	7,802.91	94,233.27			169,596.15
	<u>767,040.59</u>	<u>1,035,686.08</u>	<u>1,090,973.67</u>	<u>1,409,238.38</u>	<u>950,850.09</u>
Receivables with Full Reserves:					
Consumer Account Receivable	435,537.53	455,379.37	462,018.67	454,511.62	436,641.74
Prepaid Expenses	42,375.00	42,375.00	16,875.00	16,875.00	
Connection Fees Receivable				4,679.17	4,679.17
	<u>477,912.53</u>	<u>497,754.37</u>	<u>478,893.67</u>	<u>476,065.79</u>	<u>441,320.91</u>
Total Operating Fund	<u>1,244,953.12</u>	<u>1,533,440.45</u>	<u>1,569,867.34</u>	<u>1,885,304.17</u>	<u>1,392,171.00</u>
Capital Fund:					
Cash	2,062,615.07	2,021,787.98	1,984,582.23	1,962,882.77	1,962,348.89
Fixed Capital	13,772,138.73	13,772,138.73	13,772,138.73	13,772,138.73	13,772,138.73
Fixed Capital Authorized and Uncompleted	2,413,158.50	2,413,158.50	2,413,158.50	2,413,158.50	2,413,158.50
Due from Passaic County - CDBG	1,794.41	1,794.41	1,794.41	1,794.41	1,794.41
Interfund - Sewer Utility Operating Fund	267,925.79	308,752.88	345,958.63	367,658.09	368,191.97
Total Capital Fund	<u>18,517,632.50</u>	<u>18,517,632.50</u>	<u>18,517,632.50</u>	<u>18,517,632.50</u>	<u>18,517,632.50</u>
Total Assets	<u><u>19,762,585.62</u></u>	<u><u>20,051,072.95</u></u>	<u><u>20,087,499.84</u></u>	<u><u>20,402,936.67</u></u>	<u><u>19,909,803.50</u></u>

**BOROUGH OF WANAQUE
COMPARATIVE BALANCE SHEET
SEWER UTILITY FUND**

	Unaudited 2019	2018	2017	2016	2015
LIABILITIES, RESERVES AND FUND BALANCE					
Operating Fund:					
Interfund - Water Operating Fund			21,600.16	256,315.73	368,191.97
Interfund - Sewer Utility Capital Fund	267,925.79	308,752.88	344,031.47	359,995.83	4,000.00
Appropriation Reserve	12,596.32	115,208.77	19,488.09	15.65	
Encumbrances Payable	7,638.73	2,845.13	260.62		33,119.69
Sewer Overpayments	2,348.06	1,568.93	1,929.47	1,779.39	753.72
Reserve for Sewer Improvement Escrow	45,000.00	45,000.00	45,000.00	45,000.00	45,000.00
Reserve for O&M Requirement	57,000.00	57,000.00	57,000.00	57,000.00	57,000.00
Accrued Interest on Bonds	4,625.00	6,709.00	8,725.00	10,508.33	12,825.00
	397,133.90	537,084.71	498,034.81	730,614.93	520,890.38
Reserve for Receivables	477,912.53	497,754.37	478,893.67	476,065.79	441,320.91
Fund Balance	369,906.69	498,601.37	592,938.86	678,623.45	429,959.71
Total Operating Fund	1,244,953.12	1,533,440.45	1,569,867.34	1,885,304.17	1,392,171.00
Capital Fund:					
Serial Bonds Payable	3,462,261.35	4,087,261.35	4,692,261.35	5,227,261.35	5,922,261.35
Improvement Authorizations: Funded	1,562,408.97	1,562,408.97	1,562,408.97	1,562,408.97	1,562,408.97
Reserve for Amortization	12,365,640.88	11,740,640.88	11,135,640.88	10,600,640.88	9,905,640.88
Bond & Debt Service Reserve Fund	769,926.30	769,926.30	769,926.30	769,926.30	769,926.30
Deferred Reserve for Amortization	357,395.00	357,395.00	357,395.00	357,395.00	357,395.00
Total Capital Fund	18,517,632.50	18,517,632.50	18,517,632.50	18,517,632.50	18,517,632.50
Total Liabilities, Reserves and Fund Balances	19,762,585.62	20,051,072.95	20,087,499.84	20,402,936.67	19,909,803.50

**BOROUGH OF WANAQUE
STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCE
SEWER UTILITY FUND**

	Unaudited 2019	2018	2017	2016	2015
Revenue and Other Income Realized:					
Surplus Anticipated	378,316.00	400,000.00	388,316.67	345,583.33	506,732.94
Rents	4,225,692.32	4,220,692.80	4,142,956.78	4,067,337.92	4,162,480.23
Miscellaneous Anticipated	80,972.14	266,056.70	245,659.65	720,909.15	19,825.29
Other Credits to Income:					
Unexpended Balance of Appropriation Reserves	117,696.24	19,673.63	15.65	3,875.00	48,806.33
Total Income	<u>4,802,676.70</u>	<u>4,906,423.13</u>	<u>4,776,948.75</u>	<u>5,137,705.40</u>	<u>4,737,844.79</u>
Expenditures:					
Operating	3,849,900.00	3,867,316.00	3,815,000.00	3,680,000.00	3,550,000.00
Deferred Charges					188,907.94
Debt Service	703,416.00	707,684.00	659,316.67	846,583.33	846,825.00
Prepaid Expenses		25,500.00		16,875.00	
Total Expenditures	<u>4,553,316.00</u>	<u>4,600,500.00</u>	<u>4,474,316.67</u>	<u>4,543,458.33</u>	<u>4,585,732.94</u>
Excess in Revenue over Expenditures	249,360.70	305,923.13	302,632.08	594,247.07	152,111.85
Expenditures Included Above Which are by Statute Deferred Charges to Budget of Succeeding Years					
Statutory Excess to Surplus	249,360.70	305,923.13	302,632.08	594,247.07	152,111.85
Fund Balance - January 1,	498,861.99	592,938.86	678,623.45	429,959.71	784,580.80
	748,222.69	898,861.99	981,255.53	1,024,206.78	936,692.65
Decreased by:					
Utilized as Anticipated Revenue	378,316.00	400,000.00	388,316.67	345,583.33	506,732.94
Fund Balance - December 31,	<u>369,906.69</u>	<u>498,861.99</u>	<u>592,938.86</u>	<u>678,623.45</u>	<u>429,959.71</u>

**BOROUGH OF WANAQUE
COMPARATIVE BALANCE SHEET
PUBLIC ASSISTANCE FUND**

	Unaudited 2019	2018	2017 (1)	2016	2015
<u>ASSETS</u>					
Cash				1,498.76	1,498.79
Total Assets	0.00	0.00	0.00	1,498.76	1,498.79
<u>LIABILITIES</u>					
Reserve for Public Assistance Interfund - Current Fund				1,495.73 3.03	1,495.73 3.06
Total Liabilities	0.00	0.00	0.00	1,498.76	1,498.79

(1) Account closed out during the year ended 12/31/2016.

**BOROUGH OF WANAUQUE
COMPARATIVE BALANCE SHEET
STATEMENT OF GENERAL FIXED ASSETS**

Unaudited	2019	2018	2017	2016	2015
	5,931,300.00	5,931,300.00	5,931,300.00	5,931,300.00	2,372,300.00
	8,922,100.00	8,922,100.00	8,922,100.00	8,922,100.00	1,247,700.00
	6,475,438.00	6,475,438.00	6,394,427.00	5,823,308.00	1,826,872.00
	<u>21,328,838.00</u>	<u>21,328,838.00</u>	<u>21,247,827.00</u>	<u>20,676,708.00</u>	<u>5,446,872.00</u>
	<u>21,328,838.00</u>	<u>21,328,838.00</u>	<u>21,247,827.00</u>	<u>20,676,708.00</u>	<u>5,446,872.00</u>

GENERAL FIXED ASSETS

Land
Buildings
Machinery and Equipment

Investment in Fixed Assets

APPENDIX D

PROPOSED FORM OF BOND COUNSEL OPINION

Hawkins Delafield & Wood LLP

A NEW YORK LIMITED LIABILITY PARTNERSHIP

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NEWARK
HARTFORD
LOS ANGELES
SACRAMENTO
SAN FRANCISCO
PORTLAND
ANN ARBOR

C. STEVEN DONOVAN
ROBERT H. BEINFELD
ERIC J. SAPIR
CHARLES G. TOTO
KRISTINE L. FLYNN
DAVID S. HANDLER

March 26, 2020

Borough Council of The
Borough of Wanaque, in the
County of Passaic, New Jersey

Ladies and Gentlemen:

We have acted as bond counsel to The Borough of Wanaque, a municipal corporation of the State of New Jersey, situate in the County of Passaic (the “Borough”), and have examined a record of proceedings relating to the issuance by the Borough of \$6,750,000 bonds, consisting of \$4,410,000 General Bonds of 2020 (the “General Bonds”) and \$2,340,000 Water Bonds of 2020 (the “Water Bonds” and, together with the General Bonds, the “Bonds”). The Bonds are issued pursuant to the Local Bond Law of the State of New Jersey, and as provided by (i) with respect to the General Bonds, a resolution of the Borough Council of the Borough, entitled: “Resolution providing for the combination of certain issues of bonds of the Borough of Wanaque, in the County of Passaic, New Jersey, into a single issue of General Bonds aggregating \$4,410,000 in principal amount”, adopted February 10, 2020 and the bond ordinances referred to therein, and (ii) with respect to the Water Bonds, a resolution of the Borough Council of the Borough, entitled: “Resolution providing for the combination of certain issues of bonds of the Borough of Wanaque, in the County of Passaic, New Jersey, into a single issue of Water Bonds aggregating \$2,340,000 in principal amount”, adopted February 10, 2020 and the bond ordinances referred to therein.

The Bonds are dated the date hereof, and bear interest from their dated date at the rates per annum (payable semi-annually on each March 15 and September 15 until maturity or earlier redemption, commencing September 15, 2020) and mature on March 15 in the years and in the respective principal amounts set forth below:

Borough Council of The
 Borough of Wanaque, in the
 County of Passaic, New Jersey

General Bonds

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2021	\$200,000		2028	\$400,000	
2022	200,000		2029	400,000	
2023	200,000		2030	400,000	
2024	200,000		2031	400,000	
2025	200,000		2032	400,000	
2026	210,000		2033	400,000	
2027	400,000		2034	400,000	

Water Bonds

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2021	\$70,000		2031	\$130,000	
2022	70,000		2032	130,000	
2023	75,000		2033	130,000	
2024	75,000		2034	130,000	
2025	95,000		2035	130,000	
2026	95,000		2036	130,000	
2027	130,000		2037	140,000	
2028	130,000		2038	140,000	
2029	130,000		2039	140,000	
2030	130,000		2040	140,000	

The Bonds of each series maturing prior to March 15, 2028 are not subject to redemption prior to maturity at the option of the Borough. The Bonds of each series maturing on and after March 15, 2028 are subject to redemption prior to maturity at the option of the Borough in whole or in part, in any order of maturity and by lot within a maturity if less than all the Bonds of such maturity are to be redeemed, on any date on or after March 15, 2027, at a redemption price equal to 100% of the principal amount thereof, together with interest accrued, if any, to the date fixed for redemption.

The Internal Revenue Code of 1986, as amended (the "Code") establishes certain requirements to be met subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds be and remain excluded from gross income under Section 103 of the Code. We have examined the Arbitrage and Use of Proceeds Certificate of the Borough delivered in connection with the issuance of the Bonds which contains provisions and procedures regarding

Borough Council of The
Borough of Wanaque, in the
County of Passaic, New Jersey

compliance with the requirements of the Code. By said Arbitrage and Use of Proceeds Certificate, the Borough has certified that, to the extent it is empowered and allowed under applicable law, it will comply with the provisions and procedures set forth therein and that it will do and perform all acts and things necessary or desirable to assure that interest paid on the Bonds is excludable from gross income under Section 103 of the Code. In rendering this opinion we have assumed that the Borough will comply with the provisions and procedures set forth in its Arbitrage and Use of Proceeds Certificate.

In our opinion, the Bonds are valid and legally binding obligations of the Borough and, unless paid from other sources, are payable from ad valorem taxes levied upon all the taxable property within the Borough without limitation as to rate or amount. The enforceability of rights or remedies with respect to the Bonds may be limited by bankruptcy, insolvency or other laws affecting creditors' rights or remedies heretofore or hereafter enacted.

In our opinion, under existing statutes and court decisions, interest on the Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code and interest on the Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code. In addition, in our opinion, under existing statutes, interest on the Bonds is not included in gross income under the New Jersey Gross Income Tax Act.

Attention is called to the fact that we have not been requested to examine and have not examined any documents or information relating to the Borough other than the record of proceedings hereinabove referred to, and no opinion is expressed as to any financial or other information, or the adequacy thereof, which has been or may be supplied to the purchaser of the Bonds.

We express no opinion as to any other federal, state or local tax consequences arising with respect to the Bonds, or the ownership or disposition thereof, except as stated above. We render our opinion under existing statutes and court decisions as of the date hereof, and assume no obligation to update, revise or supplement our opinion to reflect any action hereafter taken or not taken, any fact or circumstance that may hereafter come to our attention, any change in law or interpretation thereof that may hereafter occur, or for any other reason. We express no opinion as to the consequence of any of the events described in the preceding sentence or the likelihood of their occurrence. In addition, we express no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel regarding federal, state or local tax matters, including, without limitation, exclusion from gross income for federal income tax purposes of interest on the Bonds.

We have examined an executed bond of each of said series and, in our opinion, the forms of said bonds and their execution are regular and proper.

Very truly yours,