

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

PRELIMINARY OFFICIAL STATEMENT DATED JUNE 30, 2010

NEW ISSUES SERIAL BONDS

RATING: Standard & Poor's:

In the opinion of Rogut McCarthy LLC, Bond Counsel to the Borough, assuming compliance by the Borough with its Tax Certificate described herein, under existing law, interest on the Bonds is excluded from gross income of the owners thereof for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). In addition, under existing law, interest on the Bonds is not treated as a preference item for purposes of the alternative minimum tax imposed under the Code with respect to individuals and corporations; nor (with respect to the General Improvement Bonds only) is interest included in "adjusted current earnings" for purposes of computing the alternative minimum tax that may be imposed on corporations. Interest on the Refunding Bonds, however, is included in "adjusted current earnings" for purposes of computing the alternative minimum tax that may be imposed on corporations. In addition, Bond Counsel is further of the opinion that, under the New Jersey Gross Income Tax Act, as enacted and construed on the date hereof, interest on the Bonds and any gain from the sale of the Bonds are not includable in gross income of the holders thereof. See "TAX MATTERS" herein.

\$3,395,000

**BOROUGH OF OLD TAPPAN
COUNTY OF BERGEN, NEW JERSEY
\$2,120,000 GENERAL IMPROVEMENT BONDS
\$1,275,000 REFUNDING BONDS (consisting of
\$545,000 General Improvement Refunding Bonds and
\$730,000 Sewer Assessment Refunding Bonds)
(Non-Callable) (Bank-Qualified)
(Book-Entry Only)**

Dated: July 15, 2010

Due: On the dates as shown below

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

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

MATURITY SCHEDULES, INTEREST RATES AND YIELDS OR PRICES

\$2,120,000 GENERAL IMPROVEMENT BONDS (due July 15)

<u>Year</u>	<u>Amount Maturing</u>	<u>Interest Rate</u>	<u>Yield or Price</u>	<u>Year</u>	<u>Amount Maturing</u>	<u>Interest Rate</u>	<u>Yield or Price</u>
2011	\$ 50,000	%	%	2017	\$170,000	%	%
2012	50,000			2018	180,000		
2013	50,000			2019	190,000		
2014	150,000			2020	320,000		
2015	150,000			2021	325,000		
2016	160,000			2022	325,000		

\$1,275,000 REFUNDING BONDS (due February 15) (Combined Schedule)

<u>Year</u>	<u>Amount Maturing</u>	<u>Interest Rate</u>	<u>Yield or Price</u>	<u>Year</u>	<u>Amount Maturing</u>	<u>Interest Rate</u>	<u>Yield or Price</u>
2011	\$255,000	%	%	2016	\$85,000	%	%
2012	255,000			2017	85,000		
2013	255,000			2018	85,000		
2014	85,000			2019	85,000		
2015	85,000						

(plus accrued interest from July 15, 2010)

The Bonds are offered for sale upon the terms of the notices of sale and subject to the final approving opinions of Rogut McCarthy LLC, Cranford, New Jersey, Bond Counsel. It is anticipated that the Bonds in definitive form will be available for delivery to DTC in New York, New York, on or about July 19, 2010.

**ELECTRONIC BIDS VIA PARITY AND
SEALED PROPOSALS WILL BE RECEIVED
UNTIL 11:00 O'CLOCK A.M. ON JULY 8, 2010
AT THE MUNICIPAL BUILDING
227 OLD TAPPAN ROAD
OLD TAPPAN, NEW JERSEY 07675**

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

MAYOR

Victor M. Polce

BOROUGH COUNCIL

Ronald Binaghi, Jr.
Guy Carnazza
Victor Cioce
Anna Haverilla
John M. Kramer
Matthew M. Nalbandian

BUSINESS ADMINISTRATOR

Patrick K. O'Brien, BS, MAS, CPM

BOROUGH CLERK

Jean M. Quinn, RMC

CHIEF FINANCIAL OFFICER

Rebecca Overgaard, CMFO

BOROUGH ATTORNEY

Allen M. Bell, Esq.
Tenafly, New Jersey

AUDITOR

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

BOND COUNSEL

Rogut McCarthy LLC
Cranford, New Jersey

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

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

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

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

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

**\$3,395,000 BONDS
consisting of
I. \$2,120,000 GENERAL IMPROVEMENT BONDS
and
II. \$1,275,000 REFUNDING BONDS
consisting of
\$545,000 General Improvement Refunding Bonds
\$730,000 Sewer Assessment Refunding Bonds**

INTRODUCTION

This Official Statement (the "Official Statement") which includes the cover page and the appendices attached hereto, has been prepared by the Borough of Old Tappan (the "Borough"), in the County of Bergen (the "County"), State of New Jersey (the "State") in connection with the sale and issuance of its \$3,395,000 Bonds consisting of (1) \$2,120,000 General Improvement Bonds (the "General Improvement Bonds") and (2) \$1,275,000 Refunding Bonds consisting of \$545,000 General Improvement Refunding Bonds and \$730,000 Sewer Assessment Refunding Bonds (individually, the "General Refunding Bonds" or the "Sewer Refunding Bonds"; collectively, the "Refunding Bonds"). The General Improvement Bonds and the Refunding Bonds are collectively referred to herein as the "Bonds." This Official Statement has been executed by and on behalf of the Borough by the Chief Financial Officer.

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

THE BONDS

General Description of the General Improvement Bonds

The General Improvement Bonds will be dated and bear interest from July 15, 2010 and will mature on July 15 in the years and in the principal amounts as set forth below. Interest on the General Improvement Bonds is payable on each January 15 and July 15, commencing January 15, 2011 (each, an "Interest Payment Date"), at the respective interest rates set forth on the cover page of this Official Statement. Principal of and interest on the General Improvement Bonds will be paid to The Depository Trust Company, New York, New York ("DTC") by the Chief Financial Officer, acting as "Bond Registrar/Paying Agent". Interest on the General Improvement Bonds will be credited to the DTC Participants (as hereinafter defined) as listed on the records of DTC as of the last business day of the month preceding the month in which such Interest Payment Date occurs (the "Record Dates" for the payment of interest on the General Improvement Bonds).

The General Improvement Bonds are issuable as fully registered book-entry bonds in the form of one certificate for each maturity and in the principal amount of such maturity. The General Improvement Bonds will be issued in book-entry form only. Purchases of the General Improvement Bonds will be made in book-entry form, in the principal amount of \$5,000 or any integral multiple thereof. Purchasers will not receive certificates representing their interest in General Improvement Bonds purchased. So long as DTC or its

nominee, Cede & Co. (or any successor or assign), is the registered owner of the General Improvement Bonds, payments of the principal of and interest on the General Improvement Bonds will be made by the Bond Registrar/Paying Agent directly to Cede & Co. (or any successor or assign), as nominee for DTC, which will remit such payments to the participants of DTC which will in turn remit such payments to the owners of beneficial interests in the General Improvement Bonds. See "Book-Entry Only System" herein.

General Description of the Refunding Bonds

The Refunding Bonds will be dated and bear interest from July 15, 2010 and will mature on February 15 in the years and in the principal amounts as set forth below. Interest on the Refunding Bonds is payable on each February 15 and August 15, commencing February 15, 2011 (each, an "Interest Payment Date"), at the respective interest rates set forth on the cover page of this Official Statement. Principal of and interest on the Refunding Bonds will be paid to The Depository Trust Company, New York, New York ("DTC") by the Chief Financial Officer, acting as "Bond Registrar/Paying Agent". Interest on the Refunding Bonds will be credited to the DTC Participants (as hereinafter defined) as listed on the records of DTC as of the last business day of the month preceding the month in which such Interest Payment Date occurs (the "Record Dates" for the payment of interest on the Refunding Bonds).

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

Maturity Schedules

Year	General Improvement <u>Bonds</u>	General Refunding <u>Bonds</u>	<u>Refunding Bonds</u>	
			Sewer Refunding <u>Bonds</u>	Total Refunding <u>Bonds</u>
2011	\$50,000	\$185,000	\$70,000	\$255,000
2012	50,000	180,000	75,000	255,000
2013	50,000	<u>180,000</u>	75,000	255,000
2014	150,000	\$545,000	85,000	85,000
2015	150,000		85,000	85,000
2016	160,000		85,000	85,000
2017	170,000		85,000	85,000
2018	180,000		85,000	85,000
2019	190,000		<u>85,000</u>	<u>85,000</u>
2020	320,000		\$730,000	\$1,275,000
2021	325,000			
2022	<u>325,000</u>			
	\$2,120,000			

Book-Entry Only System

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

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks and trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and 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 ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners

will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

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

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

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

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

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

Prior Redemption

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

SECURITY AND SOURCE OF PAYMENT

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

Enforcement of a claim for the payment of principal of or interest on bonds or notes of the Borough is subject to applicable provisions of Federal bankruptcy law and to the provisions of statutes, if any, hereafter enacted by the Congress of the United States or the Legislature of the State of New Jersey, providing extension with respect to the payment of principal of or interest on the Bonds or imposing other constraints upon enforcement of such contracts insofar as any such constraints may be constitutionally applied. Under State law, a county, municipality or other political subdivision may file a petition under Federal bankruptcy

laws and a plan for readjustment of its debt, but only after first receiving the approval of the State Municipal Finance Commission, whose powers have been vested in the Local Finance Board (hereinafter defined).

AUTHORIZATION AND PURPOSE OF THE GENERAL IMPROVEMENT BONDS

The General Improvement Bonds are authorized and are to be issued pursuant to the Local Bond Law of the State of New Jersey, N.J.S.A. 40A:2-1 et seq., as amended (the "Local Bond Law"). The General Improvement Bonds also are authorized by various bond ordinances of the Borough set forth below and resolutions adopted by the Borough Council of the Borough on June 21, 2010.

On June 9, 2010, the Borough received the approval of the Local Finance Board, in the Division of Local Government Services, New Jersey Department of Community Affairs (the "Local Finance Board") to issue the General Improvement Bonds with a maturity schedule that does not conform with N.J.S.A. 40A:2-26(b). Such statute requires that no annual principal installment exceed by more than 100% the amount of the smallest prior installment. The Local Finance Board permitted the Borough to use a maturity schedule for the General Improvement Bonds with low principal installments in the early years in order to stabilize the Borough's outstanding debt over the next several years.

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

The proceeds of the General Improvement Bonds will be used (i) to refinance \$1,587,500 of the Borough's outstanding bond anticipation notes maturing on July 19, 2010 and (ii) to provide \$532,500 of new money for 2010 ordinances.

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

<u>Ordinance</u>	<u>Description</u>	<u>Amount</u>
<u>General Improvement Bonds</u>		
956-07	Construction of New Police Department Headquarters	\$217,000
986-09	Acquisition of various equipment for the use of Administration, DPW, Fire Department and Police Department, redevelopment of a well at Old Tappan Golf Course, and the 2009 Road, Drainage and Sidewalk Improvement Program	821,900
992-09	Solar Energy Panel Project	548,600
1007-10	2010 Road and Sidewalk Improvement Program	125,000
1011-10	Acquisition of various equipment for the use of Administration, DPW, Fire Department and Police, energy efficiency improvements to various public buildings, improvements to sidewalks and curbs at various locations and various improvements to the Municipal building	<u>407,500</u>
	Total General Improvement	<u>\$2,120,000</u>

AUTHORIZATION AND PURPOSE OF THE REFUNDING BONDS

The Refunding Bonds are authorized and are to be issued pursuant to the Local Bond Law. The Refunding Bonds also are authorized by a refunding bond ordinance adopted by the Borough Council of the Borough on June 9, 2010 (the "Refunding Bond Ordinance") and by virtue of a resolution adopted by the Borough Council of the Borough on June 21, 2010.

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

On June 9, 2010, the Local Finance Board, by resolution, approved the adoption of the Refunding Bond Ordinance and the issuance of the Refunding Bonds.

The Refunding Bonds are being issued for the purposes of (1) current refunding \$1,649,000 aggregate principal amount of the Borough's outstanding bonds dated June 15, 2001 consisting of (a) \$539,000 of General Bonds of 2001 maturing from 2011 to 2013 (the "Refunded 2001 General Bonds") and (b) \$1,110,000 of Sewer Assessment Bonds of 2001 maturing from 2011 to 2019 (the "Refunded 2001 Sewer Assessment Bonds", and together with the Refunded 2001 General Bonds, the "Refunded Bonds"), and (2) paying the costs and expenses incurred by the Borough in connection with the issuance and delivery of the Refunded Bonds.

Refunded Bonds

Year	Refunded 2001 General <u>Bonds</u>	Refunded 2001 Sewer Assessment <u>Bonds</u>
2011	\$180,000	\$125,000
2012	180,000	125,000
2013	179,000	125,000
2014		125,000
2015		125,000
2016		125,000
2017		120,000
2018		120,000
2019		<u>120,000</u>
	<u>\$539,000</u>	<u>\$1,110,000</u>

The proceeds of the Refunding Bonds, together with \$400,000 in sewer assessment fees previously collected, will be used as a gross refunding to redeem the Refunded Bonds on September 1, 2010 at the redemption price of 100% of the principal amount thereof, plus accrued interest to the redemption date.

The Refunding Bonds are being issued to effect the refunding of the Refunded Bonds pursuant to the Borough's refunding plan (the "Refunding Plan"). The Refunding Plan will permit the Borough to restructure the annual debt service of the Refunded Bonds such that savings in both the total debt service and the present value thereof will be realized. Upon issuance of the Refunded Bonds, the proceeds thereof, together with the \$400,000 on hand, will be sufficient to pay the redemption price of and interest due on the Refunded Bonds on the redemption date. Such funds will be irrevocably deposited with the Chief Financial Officer of the Borough for the benefit of the holders of the Refunded Bonds.

QUALIFIED TAX-EXEMPT OBLIGATIONS

The Borough has designated the Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended, and has represented that it reasonably expects that, collectively, neither it nor its subordinate entities will issue more than \$30,000,000 of new money tax-exempt obligations in the current calendar year.

NO DEFAULT

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

MARKET PROTECTION – BOND AND NOTE FINANCING

The Borough does not contemplate issuing any additional bonds, bond anticipation notes or tax anticipation notes during the balance of 2010.

CERTAIN STATUTORY PROVISIONS FOR THE PROTECTION OF GENERAL OBLIGATION DEBT

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

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

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

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

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

report, together with all recommendations made, must be published in a local newspaper within 30 days of its completion.

Debt Limits

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

The Borough has not exceeded its statutory debt limit. On December 31, 2009, the statutory net debt as a percentage of average equalized valuation was 0.45%. As noted above, the statutory limit is 3.50%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
General Purposes	\$9,346,373	\$701,473	\$8,644,900
School Purposes	10,789,831	10,789,831	-0-
Utility Purposes	<u>9,431,966</u>	<u>9,431,966</u>	<u>-0-</u>
	<u>\$29,568,170</u>	<u>\$20,923,270</u>	<u>\$8,644,900</u>

Exceptions to Debt Limits - Extensions of Credit

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

Short-Term Financing

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

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

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

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

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

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

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

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

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

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

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

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

Investment of Municipal Funds

Investment of funds by New Jersey municipalities is governed by State statute. Pursuant to N.J.S.A. 40A:5-15.1, municipalities are limited to purchasing the following securities: (1) direct obligations of, or obligations guaranteed by, the United States of America ("Government Obligations"); (2) U.S. Government money market mutual funds; (3) obligations of Federal Government agencies or instrumentalities having a

maturity of 397 days or less, provided such obligations bear a fixed rate of interest not dependent on any index or external factor; (4) bonds or other obligations of the particular municipality or a school district encompassing the geographic area of the particular municipality; (5) bonds or other obligations having a maturity of 397 days or less approved by the Division of Investment of the State Department of the Treasury; (6) local government investment pools, rated in the highest rating category, investing in U.S. government securities and repurchase agreements fully collateralized by securities set forth in (1) and (3) above; (7) deposits with the New Jersey Cash Management Fund (created pursuant to N.J.S.A. 52:18A-90.4; the "Cash Management Fund"); and (8) repurchase agreements with a maximum 30 day maturity fully collateralized by securities set forth in (1) and (3) above. Municipalities are required to deposit their funds in interest-bearing bank accounts in banks satisfying certain security requirements set forth in N.J.S.A. 17:9-41 et seq., or invest in permitted investments to the extent practicable, and may invest in bank certificates of deposit.

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

The Borough has no investments in derivatives.

GENERAL INFORMATION REGARDING THE BOROUGH

Size and Geographical Location

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

Form of Government

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

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

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

Transportation

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

Protection

The Old Tappan Police Department is committed to provide outstanding service and a safe place to live. It provides 24-hour protection for the citizens and property of Old Tappan.

The Old Tappan Volunteer Fire Department was established in 1932 by a handful of local residents to provide fire protection to the Borough of Old Tappan. Today, the Old Tappan Volunteer Fire Department has an active membership of firefighters who live or work in Old Tappan. The Old Tappan Fire Department is run by the Board of Fire Officers which consists of a fire chief, assistant fire chief, captain and four lieutenants.

In addition, the Borough has a volunteer First Aid Corps which provides emergency medical service to the residents of the Borough. They currently operate 2 ambulances with up-to-date equipment.

Sanitation

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

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

Utilities

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

Zoning and Planning

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

Old Tappan has approximately 50 businesses, 1 industrial establishment and approximately 1,800 housing units.

Recreation

Stone Point Park, Irving Street Little League Field, Chestnut Avenue Field, Stanaland Park, Bonnabel Park and Twin Oakes Park and Memorial Park are maintained by the Borough for residents' enjoyment. The Borough provides a variety of programs for residents including: volleyball, soccer, football, basketball, baseball and softball. A day camp program is also available to residents.

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

Education

The Borough's local school district, coterminous with the Borough, is a type II school district, and is an independent legal entity administered by a five member Board of Education elected by the voters of the local school district. The local school district is authorized by law to issue debt for school purposes upon vote of the electorate. The local school system is comprised of one elementary school and one middle school. The Borough is also a part of the Northern Valley Regional High School District which consists of high school students residing in the Boroughs of Closter, Demarest, Harrington Park, Haworth, Northvale and Norwood. Old Tappan students attend Northern Valley Regional High School at Old Tappan. In 2009, 93% of the graduating seniors from Northern Valley Regional High School went on to colleges or universities.

ECONOMIC AND DEMOGRAPHIC INFORMATION

Labor Force, Employment and Unemployment

For the years 2005 to 2009, the New Jersey Department of Labor reported the following annual average employment information for the Borough of Old Tappan, the County of Bergen and the State of New Jersey:

	<u>Total Labor Force</u>	<u>Employed Labor Force</u>	<u>Total Unemployed</u>	<u>Unemployment Rate</u>
<u>Borough of Old Tappan</u>				
2009	2,778	2,596	182	6.5%
2008	2,772	2,671	101	3.6%
2007	2,758	2,681	77	2.8%
2006	2,774	2,688	86	3.1%
2005	2,884	2,800	84	2.9%
<u>County of Bergen</u>				
2009	480,500	442,500	38,000	7.9%
2008	477,000	455,600	21,400	4.5%
2007	473,700	457,300	16,300	3.4%
2006	476,200	457,800	18,400	3.9%
2005	470,000	452,400	17,600	3.7%
<u>State of New Jersey</u>				
2009	4,536,700	4,118,400	418,300	9.2%
2008	4,496,700	4,251,200	245,500	5.5%
2007	4,462,300	4,271,700	190,600	4.3%
2006	4,492,800	4,283,600	209,200	4.7%
2005	4,431,600	4,232,800	198,700	4.5%

Source: Borough of Old Tappan.

Population

Population trends for the Borough, County and the State of New Jersey since 1970 are shown below:

<u>Area</u>	<u>1970</u>	<u>1980</u>	<u>1990</u>	<u>2000</u>	<u>2008</u>
Borough of Old Tappan	3,917	4,168	4,254	5,482	6,029
County of Bergen	897,148	845,385	825,380	884,118	894,840
State of New Jersey	7,171,112	7,365,011	7,730,188	8,414,350	8,682,661

Source: US Bureau of the Census.

MUNICIPAL BUDGET

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

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

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

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

Limitations on Municipal Appropriations and Tax Levy

A statute passed in 1976, as amended and supplemented (N.J.S.A. 40A:4-45.1 et seq.), commonly known as the "Cap Law", imposed limitations on increases in municipal appropriations subject to various exceptions. While the Cap Law restricts the ability of a municipality to increase its overall appropriations, the payment of debt service is an exception from this limitation. The Cap formula is somewhat complex, but basically, it permits a municipality to increase its overall appropriations by the lesser of 2.5% or the Cost-of-Living Adjustment ("COLA"). Increases up to 3.5% are allowed by adoption of an ordinance whenever the COLA is less than 2.5%. If the COLA is greater than 2.5%, an increase in any amount above 2.5% will be permitted by adoption of an ordinance to 3.5% and beyond 3.5% upon passage of a referendum. The COLA is the rate of annual percentage increase in the Implicit Price Deflator for State and Local Government purchases of goods and services computed by the U.S. Department of Commerce. Exceptions to the limitations imposed by the Cap Law also exist for other items including capital expenditures; extraordinary expenses approved by the Local Finance Board for implementation of an interlocal services agreement;

expenditures mandated as a result of certain emergencies; and certain expenditures for services mandated by law. The Cap Law does not limit the obligation of the Borough to levy *ad valorem* taxes upon all taxable real property within the Borough to pay debt service.

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

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

The Borough's appropriation and tax levy increases for 2010 were within the limits allowed under the CAP Law and Chapter 62, taking into account applicable adjustments and without requesting any waivers from the Local Finance Board.

Miscellaneous Revenues

The Local Budget Law (N.J.S.A. 40A:4-26) provides that: "No miscellaneous revenues from any source shall be included as an anticipated revenue in the budget in an amount in excess of the amount actually realized in cash from the same source during the next preceding fiscal year, unless the Director shall determine upon application by the governing body that the facts clearly warrant the expectation that such excess amount will actually be realized in cash during the fiscal year and shall certify such determination, in writing, to the local unit."

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

Real Estate Taxes

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

N.J.S.A. 40A:4-41 provides with regard to current taxes that: "Receipts from the collection of taxes levied or to be levied in the municipality, or in the case of a county for general county purposes and payable in the fiscal year, shall be anticipated in an amount which is not in excess of the percentage of taxes levied

and payable during the next preceding fiscal year which was received in cash by the last day of the preceding fiscal year."

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

The reserve requirement is calculated as follows:

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

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

Deferral of Current Expenses

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

The exceptions are certain enumerated quasi-capital projects ("special emergencies") such as ice, snow, and flood damage to streets, roads and bridges, which may be amortized over three years, and tax map preparation, property revaluation programs, revision and codification of ordinances, master plan preparations, and drainage map preparation for flood control purposes which may be amortized over five years. Of course, emergency appropriations for capital projects may be financed through the adoption of a bond ordinance and amortized over the useful life of the project.

Budget Transfers

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

Operation of Utilities

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

For each utility, there is established a separate budget. The anticipated revenues and appropriations for each utility are set forth in the separate budget. The budget is required to be balanced and to provide fully

for debt service. The regulations regarding anticipation of revenues and deferral of charges apply equally to the budgets of the utilities.

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

BUDGET INFORMATION
Current Fund
(As Adopted)

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Anticipated Revenues					
Fund Balance	\$ 1,006,000	\$ 817,000	\$ 1,751,000	\$ 1,255,000	\$ 1,608,000
Miscellaneous Revenues	3,179,507	3,413,874	3,352,463	3,384,507	3,261,884
Receipts from Delinquent Taxes	363,500	331,000	280,000	303,000	232,000
Amount to be Raised by Taxes for Support of Municipal Budget	<u>4,267,866</u>	<u>4,009,809</u>	<u>3,831,931</u>	<u>3,252,043</u>	<u>3,144,054</u>
	<u>\$ 8,816,873</u>	<u>\$ 8,571,683</u>	<u>\$ 9,215,394</u>	<u>\$ 8,194,550</u>	<u>\$ 8,245,938</u>
Appropriations					
Salaries and Wages	\$ 3,144,125	\$ 3,198,973	\$ 3,348,309	\$ 3,275,437	\$ 3,167,805
Other Expenses	2,953,004	2,917,144	3,021,193	2,727,162	2,564,838
Deferred Charges and Statutory Expenditures	851,177	784,804	696,900	560,887	450,628
Capital Improvement Fund	387,500	252,132	675,946	176,755	644,776
Municipal Debt Service	811,067	777,792	776,771	768,626	773,820
Reserve for Uncollected Taxes	<u>670,000</u>	<u>640,838</u>	<u>696,275</u>	<u>685,683</u>	<u>644,071</u>
	<u>\$ 8,816,873</u>	<u>\$ 8,571,683</u>	<u>\$ 9,215,394</u>	<u>\$ 8,194,550</u>	<u>\$ 8,245,938</u>

Source: Borough of Old Tappan.

Capital Budget

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

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

<u>Year</u>	<u>Fund Balance December 31</u>	<u>Utilized in Budget of Succeeding Year</u>
2009	\$ 1,341,497	\$ 1,006,000
2008	1,126,282	817,000
2007	2,056,990	1,751,000
2006	1,597,609	1,255,000
2005	1,950,613	1,608,000

Source: Borough of Old Tappan Annual Audit Reports

TAX INFORMATION OF THE BOROUGH

Tax Collection Procedure

Real property taxes are assessed locally, based upon an assessment at true value. The tax bill includes a levy for Borough, County and School purposes. Tax bills are mailed annually in June. Taxes are payable in four quarterly installments on February 1, May 1, August 1 and November 1. If unpaid on these dates, the amount due becomes delinquent and subject to interest at 8% per annum, or 18% on any delinquency amount in excess of \$1,500, and an additional penalty of 6% on delinquent taxes in excess of \$10,000. The school levy is turned over to the Board of Education as expenditures are incurred, and the balance, if any, is transferred as of June 30 of each fiscal year. County taxes are paid quarterly on February 15, May 15, August 15 and November 15 to the County by the Borough. Annually, all properties with unpaid taxes for the previous year are placed in a tax sale in accordance with the New Jersey Statutes. Annual interim tax foreclosure proceedings are instituted to enforce the tax collection or acquisition of title to the property by the Borough.

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

Tax Appeals

New Jersey statutes provide a taxpayer with remedial procedures for appealing an assessment deemed excessive. The taxpayer has a right to petition the Bergen County Tax Board on or before the first day of April of the current tax year for review. The Bergen County Tax Board has the authority after a hearing to decrease or reject the appeal petition. These adjustments are usually concluded within the current tax year and reductions are shown as canceled or remitted taxes for that year. If the taxpayer feels his petition was unsatisfactorily reviewed by the Bergen County Tax Board, appeal may be made to the State Department of Taxation, Division of Tax Appeal, for a further hearing. State tax appeals tend to take several years prior to

settlement, and any losses in tax collections from prior years are charged directly to operations or with the permission of the Local Finance Board may be financed, generally, over a three to five year period.

Current Tax Collections

<u>Year</u>	<u>Tax Levy</u>	<u>Collection During Year of Levy</u>	
		<u>Amount</u>	<u>Percent</u>
2009	\$ 27,949,846	\$ 27,565,325	98.62%
2008	26,774,225	26,418,573	98.67%
2007	25,322,060	25,034,811	98.86%
2006	24,266,836	23,929,313	98.60%
2005	23,216,862	22,926,675	98.75%

Source: Borough of Old Tappan Annual Audit Reports

Delinquent Taxes and Tax Title Liens

<u>Year</u>	<u>Tax Title Liens</u>	<u>Delinquent Taxes</u>	<u>Total Delinquent</u>	<u>Percentage of Levy</u>
2009	\$ 10,184	\$ 364,131	\$ 374,315	1.34%
2008	7,441	341,632	349,073	1.30%
2007	4,790	292,667	297,457	1.17%
2006	623	316,588	317,211	1.31%
2005	8,037	275,814	283,851	1.22%

Source: Borough of Old Tappan Annual Audit Reports

Assessed Valuation of Property Owned by the Borough Acquired for Taxes

<u>Year</u>	<u>Amount</u>
2009	\$ 278,485
2008	278,485
2007	278,485
2006	282,685
2005	282,685

Source: Borough of Old Tappan Annual Audit Reports

Ten Largest Taxpayers

The ten largest taxpayers in the Borough and their 2010 assessed valuations are listed below:

<u>Taxpayer</u>	<u>Assessment</u>
United Water of NJ	\$ 19,824,000
A&R	14,000,000
Prentice Hall	13,882,900
Sunrise S.L.	8,326,000
Brennan, John E & Lucinda	4,550,300
Rockland Electric	2,809,000
Rodriquez, Pedro & Mercedes	2,626,400
Rodriquez, Alfredo A. & Claribel	2,241,000
Bortner, Kenneth & Deborah Raimond I	2,171,000
Smyth, Kevin & Gwen	2,062,100
	<u>\$ 72,492,700</u>

Source: Tax Assessor.

Assessed Valuation

Land Improvements by Class

<u>Year</u>	<u>Vacant Land</u>	<u>Residential</u>	<u>Farm Value</u>	<u>Commercial</u>	<u>Apartment</u>	<u>Total</u>
2010	\$ 33,777,900	\$ 1,207,995,400	\$ 318,000	\$ 61,568,200	\$ 331,800	\$ 1,303,991,300
2009	35,466,800	1,197,274,300	318,000	60,361,700	331,800	1,293,752,600
2008	34,314,800	1,186,252,900	390,300	61,889,900	331,800	1,283,179,700
2007	36,722,900	1,165,297,800	390,300	61,889,900	331,800	1,264,632,700
2006	37,728,800	1,139,762,900	811,400	63,120,800	331,800	1,241,755,700

Source: Tax Duplicate.

**Assessed Valuations
Net Valuation Taxable**

<u>Year</u>	<u>Real Property</u>	<u>Business Personal Property</u>	<u>Net Valuation Taxable</u>	<u>Ratio of Assessed Value to True Value of Real Property</u>	<u>Total True Value of Assessed Property</u>
2010	\$ 1,303,991,300	\$ 1,290,151	\$ 1,305,281,451	68.27%	\$ 1,914,086,815
2009	1,293,752,600	1,247,192	1,294,999,792	65.80	1,970,249,241
2008	1,283,179,700	1,013,376	1,284,193,076	66.55	1,932,044,002
2007	1,264,632,700	905,277	1,265,537,977	67.69	1,871,806,190
2006	1,241,755,700	969,149	1,242,724,849	76.23	1,632,324,203

Source: Tax Duplicate and Abstract of Ratables of Bergen County

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

<u>Year</u>	<u>Total</u>	<u>Municipal</u>	<u>Local School</u>	<u>Regional School</u>	<u>County</u>
2009	\$ 2.141	\$ 0.319	\$ 0.946	\$ 0.583	\$ 0.293
2008	2.067	0.309	0.927	0.551	0.280
2007	1.980	0.274	0.906	0.536	0.264
2006	1.930	0.267	0.884	0.536	0.243
2005	1.890	0.263	0.860	0.536	0.231

Source: Borough of Old Tappan Audit Reports

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

<u>Year</u>	<u>Total</u>	<u>Municipal</u>	<u>Local School</u>	<u>Regional School</u>	<u>County</u>
2009	\$ 27,949,846	\$ 4,336,609	\$ 12,246,014	\$ 7,557,344	\$ 3,809,879
2008	26,774,225	4,182,287	11,910,264	7,075,531	3,606,143
2007	25,322,060	3,639,513	11,467,034	6,777,915	3,437,598
2006	24,266,836	3,536,403	10,987,762	6,653,279	3,089,392
2005	23,216,862	3,462,389	10,406,582	6,491,704	2,856,187

Source: Borough of Old Tappan Audit Reports

DEBT INFORMATION OF THE BOROUGH

Debt Statements

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

Debt Incurring Capacity As of December 31, 2009

Municipal	
Equalized Valuation Basis (last 3 years average)	\$ 1,915,149,511
3 1/2% Borrowing Margin	67,030,233
Net Debt Issued, Outstanding and Authorized	8,644,900
Remaining Municipal Borrowing Capacity	58,385,333
Regional School	
3% Borrowing Margin	57,454,485
Debt, Issued, Outstanding and Authorized	3,864,831
Remaining School Borrowing Capacity	53,589,654
Local School	
3% Borrowing Margin	57,454,485
Debt, Issued, Outstanding and Authorized	6,925,000
Remaining School Borrowing Capacity	50,529,485

Gross and Statutory Net Debt as of December 31,

<u>Year</u>	<u>Gross Debt Amount</u>	<u>Statutory Net Debt</u>	
		<u>Amount</u>	<u>Percentage</u>
2009	\$ 29,568,170	\$ 8,644,900	0.45%
2008	29,358,639	7,093,000	0.37%
2007	32,169,691	7,497,000	0.42%
2006	33,571,356	7,454,000	0.44%
2005	35,709,204	7,659,000	0.54%

Source: Borough of Old Tappan Audit Reports

**Statement of Indebtedness
As of December 31, 2009**

GENERAL PURPOSES

Bonds Issued and Outstanding	\$	5,650,000	
Loans		391,473	
Bond Anticipation Notes Issued and Outstanding		2,004,900	
Bond Anticipation Notes Authorized But Not Issued		<u>1,300,000</u>	
	\$		9,346,373

SEWER UTILITY

Bonds Issued and Outstanding		2,510,000	
Loans		6,641,661	
Bonds and Notes Authorized But Not Issued		<u>280,305</u>	
			9,431,966

REGIONAL SCHOOL

Bonds Issued and Outstanding		3,864,629	
Bonds and Notes Authorized But Not Issued		<u>202</u>	
			3,864,831

LOCAL SCHOOL

Bonds Issued and Outstanding			<u>6,925,000</u>
------------------------------	--	--	------------------

TOTAL GROSS DEBT 29,568,170

STATUTORY DEDUCTIONS

Municipal Purpose		701,473	
Sewer Utility		9,431,966	
Regional School		3,864,831	
Local School		<u>6,925,000</u>	
			<u>20,923,270</u>

TOTAL NET DEBT \$ 8,644,900

OVERLAPPING DEBT

County of Bergen		7,162,086	
Bergen County Utilities Authority - Water Pollution		<u>1,552,689</u>	

TOTAL OVERLAPPING DEBT \$ 8,714,775

GROSS DEBT

Per Capita (2008 Census - 6,029)	\$	4,904
Percent of Net Valuation Taxable (2010 - \$1,305,281,451)		2.27%
Percent of Estimated True Value of Real Property (2010 - \$1,914,086,815)		1.54%

NET MUNICIPAL DEBT

Per Capita (2008 Census - 6,029)	\$	1,434
Percent of Net Valuation Taxable (2010 - \$1,305,281,451)		0.66%
Percent of Estimated True Value of Real Property (2010 - \$1,914,086,815)		0.45%

OVERALL DEBT (Gross and Overlapping Debt)

Per Capita (2008 Census - 6,029)	\$	6,350
Percent of Net Valuation Taxable (2010 - \$1,305,281,451)		2.93%
Percent of Estimated True Value of Real Property (2010 - \$1,914,086,815)		2.00%

Note (1) Overlapping debt was computed based upon the real property ratio of equalized valuations of the municipality to all municipalities within the County as provided in the 2009 Bergen County Abstract of Ratables published by the Bergen County Board of Taxation.

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

Source: Borough of Old Tappan.

TAX MATTERS

Federal Income Taxes

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

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

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

Tax Opinions

In the opinion of Rogut McCarthy LLC, Bond Counsel to the Borough, assuming compliance by the Borough with the Tax Certificate, under existing law, interest on the Bonds is excluded from gross income of the owners thereof for Federal income tax purposes pursuant to Section 103 of the Code. In addition, under existing law, interest on the Bonds is not treated as a preference item for purposes of the alternative minimum tax imposed under the Code with respect to individuals and corporations; **nor (with respect to the General Improvement Bonds only) is interest included in "adjusted current earnings" for purposes of computing the alternative minimum tax that may be imposed on corporations. Interest on the Refunding Bonds, however, is included in "adjusted current earnings" for purposes of computing the alternative minimum tax that may be imposed on corporations.** For other federal tax information, see "Tax Matters - Additional Federal Income Tax Consequences" herein.

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

Additional Federal Income Tax Consequences

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

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

STATEMENT OF LITIGATION

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

LEGALITY FOR INVESTMENT

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

RATING

Standard & Poor's U.S. Public Finance Ratings ("Standard & Poor's") has assigned a rating of "____" to the Bonds.

An explanation of the significance of such credit rating may be obtained from Standard & Poor's, 55 Water Street, New York, New York 10041. The Borough furnished Standard & Poor's with certain information and materials concerning the Bonds and the Borough. Generally, Standard & Poor's bases its ratings on such information and materials and also on such investigations, studies and assumptions that it may undertake independently. The rating is not a recommendation to buy, sell or hold the Bonds and there can be no assurance that any such rating will be maintained for any given period of time or that such rating may not be raised, lowered or withdrawn entirely if, in Standard & Poor's judgment, circumstances so warrant. Any downward change in or withdrawal of any such rating may have an adverse effect on the marketability or market price of the Bonds.

UNDERWRITING

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

DOCUMENTS ACCOMPANYING DELIVERY OF THE BONDS

Absence of Litigation

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

Legal Matters

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

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

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

Certificates of Borough Officials

The original purchasers of the Bonds shall also receive a certificate, dated as of the date of delivery of the Bonds and signed by the Chief Financial Officer certifying that (a) as of the date of the Official Statement furnished by the Borough in relation to the Bonds, said Official Statement did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements contained therein, in light of the circumstances under which they were made, not misleading, subject to the condition that while information in said Official Statement obtained from sources other than the Borough is not guaranteed as to accuracy, completeness or fairness, such officer has no reason to believe and does not believe that such information is materially inaccurate or misleading, and (b) to the knowledge of such officer, since the date of

said Official Statement and since the date of the sale of the Bonds, there have been no material transactions not in the ordinary course of affairs entered into by the Borough and no material adverse change in the general affairs of the Borough or in its financial condition as shown in said Official Statement, other than as disclosed in or contemplated by said Official Statement, provided such certificate shall not include consideration of information supplied by, or that should have been supplied by, the successful bidders for the Bonds. In addition, the original purchasers of the Bonds shall also receive certificates in form satisfactory to Rogut McCarthy LLC, Bond Counsel, evidencing the proper execution and delivery of the Bonds and receipt of payment therefor and a certificate, dated as of the date of delivery of the Bonds and signed by the officers who signed the Bonds, stating that no litigation is then pending or, to the knowledge of such officers, threatened to restrain or enjoin the issuance or delivery of the Bonds or the levy or collection of taxes to pay the Bonds or the interest thereon, or questioning the validity of the statutes or the proceedings under which the Bonds are issued, and that neither the corporate existence or boundaries of the Borough, nor the title of the said officers to their respective offices, is being contested.

SECONDARY MARKET DISCLOSURE

The Borough has agreed, pursuant to a resolution adopted on June 21, 2010, to undertake for the benefit of the Bondholders and the beneficial owners of the Bonds to provide certain secondary market disclosure information pursuant to Rule 15c2-12. Specifically, the Borough will do the following for the benefit of the holders of the Bonds and the beneficial owners thereof:

(A) Not later than seven months after the end of the Borough's fiscal year (presently December 31), commencing with the report for the fiscal year ending December 31, 2009, provide or cause to be provided to the Municipal Securities Rulemaking Board (the "MSRB") in an electronic format, as prescribed by the MSRB, annual financial information with respect to the Borough consisting of (i) audited financial statements (or unaudited financial statements if audited financial statements are not then available by the date of filing, which audited financial statements will be delivered when and if available) of the Borough and (ii) certain financial information and operating data consisting of (a) information concerning the Borough's debt, overlapping indebtedness, tax rate, levy and collection data, property valuation and fund balance of the type contained under the headings "Municipal Budget", "Tax Information of the Borough" and "Debt Information of the Borough", and (b) the Borough's most recent adopted budget. The audited financial statements will be prepared in accordance with mandated State statutory accounting principles, as in effect from time to time. Audited financial statements if not available by the filing date will be submitted separately when available.

(B) Provide or cause to be provided to the MSRB notice of the occurrence of any of the following events with respect to the Bonds, if material:

- (1) Principal or interest payment delinquencies;
- (2) Non-payment related defaults;
- (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 or events affecting the tax exempt status of the Bonds;
- (7) Modifications to the rights of Bondholders;
- (8) Bond calls;
- (9) Defeasances;
- (10) Release, substitution or sale of property that secures the repayment of the Bonds; and
- (11) Rating changes.

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

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

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

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

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

The Borough has never failed to provide required annual financial information.

PREPARATION OF OFFICIAL STATEMENT

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

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

APPROVAL OF OFFICIAL STATEMENT

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

ADDITIONAL INFORMATION

Inquiries regarding this Official Statement, including requests for information additional to that contained herein, may be directed to the Borough of Old Tappan, 227 Old Tappan Road, Old Tappan, New Jersey, Rebecca Overgaard, Chief Financial Officer, (201) 664-1849, ext. 15.

MISCELLANEOUS

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

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

BOROUGH OF OLD TAPPAN

/s/
Rebecca Overgaard, CMFO
Chief Financial Officer

Dated:

APPENDIX A
FINANCIAL STATEMENTS

LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

17-17 ROUTE 208
FAIR LAWN, NJ 07410
TELEPHONE (201) 791-7100
FACSIMILE (201) 791-3035
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DIETER P. LERCH, CPA, RMA, PSA
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ROBERT W. HAAG, CPA, PSA
DEBORAH KOZAK, CPA, PSA
DEBRA GOLLE, CPA
CINDY JANACEK, CPA, RMA
RALPH M. PICONE, CPA, RMA, PSA

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements - regulatory basis of the various funds and account group of the Borough of Old Tappan as of and for the years ended December 31, 2009 and 2008. These financial statements are the responsibility of the Borough of Old Tappan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

Except as discussed in the fourth paragraph, we conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Borough of Old Tappan's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described more fully in Note 1, the Borough has prepared these financial statements using accounting practices that demonstrate compliance with the regulatory basis of accounting and budget laws prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In addition, the financial statements of the Length of Service Awards Program (LOSAP) Fund have not been audited, and we were not required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, to audit nor were we engaged to audit the LOSAP Fund financial statements as part of our audit of the Borough's financial statements. The LOSAP Fund financial activities are included in the Borough's Trust Fund, and represent 21.9 percent and 20.3 percent of the assets and liabilities, respectively, of the Borough's Trust Funds as of December 31, 2009 and 2008.

In our opinion, because of the effects of the Borough preparing its financial statements on the basis of accounting discussed in the third paragraph, the financial statements referred to previously do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Borough of Old Tappan as of December 31, 2009 and 2008, or the changes in its financial position, or, where applicable, its cash flows for the years then ended. Further, the Borough has not presented a management's discussion and analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

However, in our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had the LOSAP Fund financial statements been audited, the financial statements - regulatory basis referred to previously present fairly, in all material respects, the financial position - regulatory basis of the various funds and account group of the Borough of Old Tappan as of December 31, 2009 and 2008 and the results of operations and changes in fund balance - regulatory basis of such funds for the years then ended and the revenues - regulatory basis and the expenditures - regulatory basis of the various funds for the year ended December 31, 2009 on the basis of accounting described in Note 1.

By/s/

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

Fair Lawn, New Jersey
June 24, 2010

BOROUGH OF OLD TAPPAN
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
CURRENT FUND
AS OF DECEMBER 31, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
ASSETS		
Cash	\$ 4,143,152	\$ 4,129,273
Cash - Change Funds	255	255
Cash - Petty Cash	600	300
Due from State-Senior Citizens and Veteran's Deductions	5,206	5,956
Grants Receivable	<u>14,923</u>	<u>142,215</u>
	<u>4,164,136</u>	<u>4,277,999</u>
RECEIVABLES AND OTHER ASSETS		
WITH FULL RESERVES		
Delinquent Property Taxes Receivable	364,131	341,632
Tax Title Liens Receivable	10,184	7,441
Property Acquired for Taxes - Assessed Valuation	278,485	278,485
Revenue Accounts Receivable	13,365	9,483
Prepaid Regional High School District Taxes	-	8,780
Prepaid County Taxes	4,806	4,303
Due from Other Trust Fund	2,314	6,338
Due from Animal Control Fund		23
Due from Sewer Utility Operating Fund	<u>-</u>	<u>3,623</u>
	<u>673,285</u>	<u>660,108</u>
DEFERRED CHARGES		
Emergency Authorizations	75,000	
Special Emergency Authorizations (40A:4-55)	<u>125,600</u>	<u>160,400</u>
	<u>200,600</u>	<u>160,400</u>
Total Assets	<u>\$ 5,038,021</u>	<u>\$ 5,098,507</u>

BOROUGH OF OLD TAPPAN
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
CURRENT FUND
AS OF DECEMBER 31, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
LIABILITIES, RESERVES AND FUND BALANCE		
Appropriation Reserves	\$ 121,187	\$ 246,043
Encumbrances Payable	209,938	215,266
Accounts Payable	141,850	155,960
Due to State - Sales Tax Payable	1,282	1,273
Due to State-DCA Training Fees	6,823	
Prepaid Taxes	194,482	181,218
Tax Overpayments	19,457	16,695
Local District School Taxes Payable	2,251,756	2,326,940
Due to General Capital Fund	-	8,268
Reserve for Tax Appeals	-	65,286
Miscellaneous Reserves	14,030	13,030
Reserve for Grants - Appropriated	32,707	61,731
Reserve for Grants - Unappropriated	<u>29,727</u>	<u>20,407</u>
	3,023,239	3,312,117
Reserve for Receivables and Other Assets	673,285	660,108
Fund Balance	<u>1,341,497</u>	<u>1,126,282</u>
Total Liabilities, Reserves and Fund Balance	<u>\$ 5,038,021</u>	<u>\$ 5,098,507</u>

BOROUGH OF OLD TAPPAN
COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE -
REGULATORY BASIS
CURRENT FUND
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
REVENUE AND OTHER INCOME REALIZED		
Fund Balance Utilized	\$ 817,000	\$ 1,751,000
Miscellaneous Revenue Anticipated	3,238,741	3,318,395
Receipts from Delinquent Taxes	330,178	283,103
Receipts from Current Taxes	27,565,325	26,418,573
Non-Budget Revenue	183,819	118,915
Other Credits to Income		
Unexpended Balances of Appropriation Reserves	64,444	63,248
Cancelled Accounts Payable	12,284	
Cancelled Prior Year Outstanding Checks		339
Cancelled Appropriated Grant Reserves		34,900
Prior Year Interfunds Returned	7,670	570
Prior Year Prepaids Liquidated	8,277	-
	<u>32,227,738</u>	<u>31,989,043</u>
Total Income		
EXPENDITURES		
Operations		
Salaries and Wages	3,189,993	3,374,144
Other Expenses	2,948,740	3,141,080
Deferred Charges and Statutory Expenditures	784,755	696,900
Capital Improvements	73,546	1,075,946
Municipal Debt Service	777,792	776,771
County Taxes	3,779,257	3,575,018
Due County for Added and Omitted Taxes	30,622	31,125
Local District School Taxes	11,983,014	11,798,264
Regional High School District Taxes	7,557,344	7,075,531
Municipal Open Space Taxes	130,548	129,534
Other Debits to Income		
Senior Citizens Deductions Disallowed on Prior Year Taxes		250
Refund of Prior Year Revenue	321	
Cancelled Grants Receivable	14,591	21,105
Prepayment of School and County Taxes	-	13,083
	<u>31,270,523</u>	<u>31,708,751</u>
Total Expenditures		
Excess in Revenue	957,215	280,292
Adjustments to Income Before Fund Balance:		
Expenditures Included Above Which are by Statute		
Deferred Charges to Budget of Succeeding Year	<u>75,000</u>	<u>540,000</u>
Statutory Excess to Fund Balance	1,032,215	820,292
Fund Balance, January 1	<u>1,126,282</u>	<u>2,056,990</u>
	2,158,497	2,877,282
Less Utilization as Anticipated Revenue	<u>817,000</u>	<u>1,751,000</u>
Fund Balance, December 31	<u>\$ 1,341,497</u>	<u>\$ 1,126,282</u>

See Accompanying Notes to Financial Statements

BOROUGH OF OLD TAPPAN
COMPARATIVE STATEMENTS OF REVENUES - REGULATORY BASIS
CURRENT FUND
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	<u>2009</u>		<u>2008</u>	
	<u>Budget After</u>	<u>Actual</u>	<u>Budget After</u>	<u>Actual</u>
	<u>Modification</u>		<u>Modification</u>	
Surplus Anticipated	\$ 817,000	\$ 817,000	\$ 1,751,000	\$ 1,751,000
Miscellaneous Revenues				
Licenses				
Alcoholic Beverages	9,000	9,000	8,500	\$ 9,200
Other	7,000	8,172	8,000	\$ 7,086
Fees and Permits	23,000	19,725	27,000	23,560
Fines and Costs - Municipal Court	66,000	67,276	55,000	66,523
Interest and Costs on Taxes	73,000	78,000	67,000	73,629
Uniform Fire Safety Act	5,000	5,320	6,000	5,267
Interest on Investments and Deposits	250,000	152,223	300,000	257,546
Golf Course Fees	651,000	584,035	656,000	651,645
Uniform Construction Code Fees	146,000	131,950	147,000	146,610
Energy Receipts Tax	1,554,229	1,554,229	1,636,031	1,636,031
Watershed Moratorium Offset Aid	38,540	38,540	38,540	38,540
River Vale Fuel Reimbursement	132,500	77,321	135,000	124,266
Public and Private Revenues Offset with Appropriations				
Recycling Tonnage Grant	8,229	8,229	3,915	3,915
Drunk Driving Enforcement Fund	632	632	1,649	1,649
Clean Communities Program	10,273	10,273	7,139	7,139
Alcohol Education and Rehabilitation Fund	321	321	321	321
Graduated Drivers License Grant	2,000	1,756	2,000	2,000
Body Armor Fund	1,273	1,273	1,370	1,370
Municipal Alliance on Alcoholism and Drug Abuse-				
Municipal	11,017	11,017	11,500	11,500
Community Development Block Grants				
Senior Citizens' Programs	3,000	3,000	3,000	3,000
County of Bergen Rd Resurfacing Program	32,446	32,446		
New Jersey Clean Energy Program	13,325	13,325		
Special Items of Revenue:				
Cell Tower Leases	120,000	134,476	127,000	120,343
Police Outside Duty Admin Fee	47,242	47,242		
Library Contribution - Municipal Services	64,030	64,030	35,586	35,587
Old Tappan Bpard of Education - Reverse 911			3,500	
Land Sale Proceeds	20,963	20,963		
Reserve for Tax Appeals	65,286	65,286		
Reserve for Centennial Committee	4,794	4,794		
Golf Concession , Rent and Utilities	5,400	10,874	18,600	6,856
Library Debt Service Reimbursement	83,013	83,013	84,812	84,812
Total Miscellaneous Revenues	<u>3,448,513</u>	<u>3,238,741</u>	<u>3,384,463</u>	<u>3,318,395</u>
Receipts from Delinquent Taxes	<u>331,000</u>	<u>330,178</u>	<u>280,000</u>	<u>283,103</u>
Amount to be Raised by Taxes for Support of Municipal Budget				
Local Tax for Municipal Purposes	<u>4,009,809</u>	<u>4,462,378</u>	<u>3,831,931</u>	<u>4,393,376</u>
	<u>\$ 8,606,322</u>	<u>\$ 8,848,297</u>	<u>\$ 9,247,394</u>	<u>\$ 9,745,874</u>

See Accompanying Notes to Financial Statements

2009 STATEMENT OF EXPENDITURES

BOROUGH OF OLD TAPPAN
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended</u>
	<u>Budget</u>	<u>Budget After</u>	<u>Paid or</u>	<u>Reserved</u>	<u>Balance</u>
		<u>Modification</u>	<u>Charged</u>		<u>Cancelled</u>
OPERATIONS - WITHIN "CAPS"					
GENERAL GOVERNMENT					
Administrative and Executive					
Salaries and Wages	\$ 177,250	\$ 163,020	\$ 159,679	\$ 3,341	
Other Expenses	80,880	80,880	62,467	18,413	
Mayor and Council					
Salaries and Wages	35,625	35,625	35,625		
Other Expenses	1,715	1,715	145	1,570	
Grant Professional - Other Expense	47,400	47,400	47,400		
Financial Administration					
Salaries and Wages	82,412	82,412	82,369	43	
Other Expenses	27,300	27,800	27,733	67	
Audit Services					
Other Expenses	17,700	17,700	17,700		
Assessment of Taxes					
Salaries and Wages	15,000	15,000	15,000		
Other Expenses	2,805	2,980	2,978	2	
Collection of Taxes					
Salaries and Wages	93,975	93,975	93,817	158	
Other Expenses	3,600	3,600	3,050	550	
Legal Services and Costs					
Other Expenses	100,000	175,000	175,000		
Engineering Services & Costs					
Other Expenses	15,432	15,432	14,249	1,183	
Open Space Advisory					
Other Expenses	90	90		90	
Senior Advisory					
Other Expenses	5,085	5,085	2,689	2,396	
Golden Age Club					
Other Expenses	4,500	4,500	3,990	510	
Municipal Land Use Law (NJSA 40:55D-1)					
Planning Board					
Salaries and Wages	22,591	22,591	21,755	836	
Other Expenses	14,000	14,000	11,534	2,466	
Insurance					
General Liability	96,847	96,847	96,644	203	
Workers Compensation	105,632	105,632	105,366	266	
Employee Group Health	519,900	519,900	513,415	6,485	
Unemployment Insurance	30,000	30,000	30,000		

BOROUGH OF OLD TAPPAN
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended</u>
	<u>Budget</u>	<u>Budget After</u>	<u>Paid or</u>	<u>Reserved</u>	<u>Balance</u>
		<u>Modification</u>	<u>Charged</u>		<u>Cancelled</u>
OPERATIONS - WITHIN "CAPS" (Cont'd.)					
GENERAL GOVERNMENT (Cont'd.)					
PUBLIC SAFETY					
Fire					
Salaries and Wages	\$ 28,500	\$ 28,500	\$ 27,561	\$ 939	
Other Expenses	30,000	30,000	19,538	10,462	
Rent	9,741	9,741	9,741		
Fire Hydrant Services	99,579	108,079	108,048	31	
Uniform Fire Safety Act (PL 1983, C.383)					
Fire Official					
Salaries and Wages	12,179	12,179	12,097	82	
Other Expenses	4,450	4,450	3,596	854	
Police					
Salaries and Wages	1,797,035	1,797,035	1,783,473	13,562	
Other Expenses	49,550	49,550	48,307	1,243	
Police Dispatch/911					
Contractual	101,408	101,408	100,803	605	
First Aid Organization - Contribution	28,880	28,880	28,880		
Emergency Management Services					
Salaries and Wages	680	680	680		
Other Expenses	500	500	443	57	
Municipal Prosecutor					
Salaries and Wages	5,370	5,370	4,752	618	
PUBLIC WORKS FUNCTIONS					
Road Repairs & Maintenance					
Salaries and Wages	420,867	425,867	416,861	9,006	
Other Expenses	31,105	31,105	28,050	3,055	
Other Public Works Functions					
Contractual	13,000	13,000	12,774	226	
Shade Tree Commission					
Other Expenses	22,445	22,445	18,833	3,612	
Recycling					
Salaries and Wages	2,500	2,750	2,681	69	
Other Expenses	50,050	50,605	50,528	77	
Solid Waste Collection					
Other Expenses	7,120	7,120	6,876	244	
Public Buildings and Grounds					
Other Expenses	29,375	24,933	22,670	2,263	
Contractual	12,000	12,000	11,430	570	
Vehicle Maintenance					
Other Expenses	52,000	55,000	51,256	3,744	

See Accompanying Notes to Financial Statements

BOROUGH OF OLD TAPPAN
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended</u>
	<u>Budget After</u>		<u>Paid or</u>		<u>Balance</u>
	<u>Budget</u>	<u>Modification</u>	<u>Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
OPERATIONS - WITHIN "CAPS" (Cont'd.)					
HEALTH & HUMAN SERVICES					
Board of Health					
Other Expenses	\$ 30,197	\$ 30,197	\$ 28,952	\$ 1,245	
O.S.H.A.					
Hepatitis B Program					
Other Expenses	2,425	2,425	2,425		
Environmental Commission					
Salaries and Wages	1,400	1,400	1,364	36	
Other Expenses	190	190		190	
Administration of Public Assistance					
Salaries and Wages	6,528	6,528	6,527	1	
Other Expenses	750	750	455	295	
Aid to Community Center for Mental Health (NJSA 40:4-2-9)	2,000	2,000	2,000		
PARKS AND RECREATION FUNCTIONS					
Parks and Playgrounds					
Salaries and Wages	29,152	29,152	28,644	508	
Other Expenses	20,600	20,600	20,515	85	
Golf Course					
Salaries and Wages	331,439	331,439	320,896	10,543	
Other Expenses	86,002	86,002	85,756	246	
Senior Citizen Van					
Salaries and Wages	1,246	1,246	1,142	104	
Other Expenses	1,775	1,775	1,597	178	
Social & Cultural Affairs					
Other Expenses	2,850	2,850	2,673	177	
Recreation Program Fees					
Other Expenses	1,615	1,615	1,550	65	
OTHER COMMON OPERATING FUNCTIONS					
Celebration of Public Events					
Other Expenses	1,000	1,000	352	648	
Municipal Court Administration					
Salaries and Wages	26,010	26,010	25,769	241	
Other Expenses	5,505	5,505	2,786	2,719	
Public Defender					
Other Expenses	380	380	200	180	

See Accompanying Notes to Financial Statements

**BOROUGH OF OLD TAPPAN
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Balance Cancelled</u>
OPERATIONS - WITHIN "CAPS" (Cont'd.)					
UNIFORM CONSTRUCTION CODE					
APPROPRIATIONS OFFSET BY					
DEDICATED REVENUES					
(N.J.A.C. 5:23-4-17)					
State Uniform Construction Code					
(N.J.S.A. 52:27D-120, et seq.)					
Construction Code Official					
Salaries and Wages	\$ 108,582	\$ 108,582	\$ 107,512	\$ 1,070	
Other Expenses	16,000	16,000	9,751	6,249	
Unclassified					
Utilities					
Electricity	129,000	129,000	128,731	269	
Street Lighting	11,500	12,250	12,135	115	
Telephone	21,700	21,700	21,689	11	
Water	14,475	14,975	14,532	443	
Gasoline	48,000	43,000	41,982	1,018	
Interlocal Service Agreement					
Harrington Park Service Fee	8,100	8,100	8,100	-	-
Total Operations Within "CAPS"	5,216,494	5,287,052	5,170,518	116,534	-
Detail:					
Salaries and Wages	3,198,341	3,189,361	3,148,204	41,157	-
Other Expenses	2,018,153	2,097,691	2,022,314	75,377	-
Deferred Charges and Statutory Expenditures					
- Municipal Within "CAPS"					
Statutory Charges:					
Social Security System (O.A.S.I.)	233,000	233,000	231,207	1,793	
Public Employees Retirement System	117,788	117,788	117,788		
Police and Firemen's Retirement System	392,816	392,816	392,816	-	-
Total Deferred Charges & Statutory					
Expenditures - Municipal Within "CAPS"	743,604	743,604	741,811	1,793	-
Total General Appropriations for Municipal					
Purposes Within "CAPS"	5,960,098	6,030,656	5,912,329	118,327	-

See Accompanying Notes to Financial Statements

BOROUGH OF OLD TAPPAN
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended</u>
	<u>Budget</u>	<u>Budget After</u> <u>Modification</u>	<u>Paid or</u> <u>Charged</u>	<u>Reserved</u>	<u>Balance</u> <u>Cancelled</u>
OPERATIONS - EXCLUDED FROM "CAPS"					
Aid to Public Library (NJSA 40:54-35)	\$ 650,378	\$ 650,378	\$ 650,378		
Fire					
LOSAP	<u>80,000</u>	<u>80,000</u>	<u>70,000</u>	<u>-</u>	<u>\$ 10,000</u>
Total Other Operations Excluded from "CAPS"	<u>730,378</u>	<u>730,378</u>	<u>720,378</u>	<u>-</u>	<u>10,000</u>
Interlocal Municipal Service Agreements					
River Vale Fuel Reimbursement					
Gasoline	<u>132,500</u>	<u>132,500</u>	<u>77,012</u>	<u>\$ 23</u>	<u>55,465</u>
Total Interlocal Municipal Service Agreements	<u>132,500</u>	<u>132,500</u>	<u>77,012</u>	<u>23</u>	<u>55,465</u>
Public and Private Programs Offset by Revenues					
Drunk Driving Enforcement Fund	632	632		632	
Municipal Alliance Program	11,017	11,017	10,871	146	
Clean Communities Grant	10,273	10,273	9,897	376	
Alcohol Education and Rehab. Fund	321	321	321		
Body Armor Replacement	1,273	1,273		1,273	
Recycling Tonnage Grant	8,229	8,229	8,229		
Graduated Drivers License Grant	2,000	2,000	1,756		244
Community Development-Senior Citizen Prog.	3,000	3,000	2,590	410	
Local Energy Audit Program					
State Share		13,325	13,325		
Local Share	<u>-</u>	<u>4,442</u>	<u>4,442</u>	<u>-</u>	<u>-</u>
Total Public and Private Programs Offset by Revenues	<u>36,745</u>	<u>54,512</u>	<u>51,431</u>	<u>2,837</u>	<u>244</u>
Total Operations Excluded from "CAPS"	<u>899,623</u>	<u>917,390</u>	<u>848,821</u>	<u>2,860</u>	<u>65,709</u>
Detail:					
Salaries & Wages	632	632	-	632	
Other Expenses	<u>898,991</u>	<u>916,758</u>	<u>848,821</u>	<u>2,228</u>	<u>65,709</u>

See Accompanying Notes to Financial Statements

BOROUGH OF OLD TAPPAN
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>Appropriated</u>	<u>Budget After</u>	<u>Expended</u>	<u>Unexpended</u>	
	<u>Budget</u>	<u>Modification</u>	<u>Paid or</u>	<u>Balance</u>	
			<u>Charged</u>	<u>Cancelled</u>	
OPERATIONS - EXCLUDED FROM "CAPS" (Cont'd.)					
CAPITAL IMPROVEMENTS					
Capital Improvement Fund	\$ 241,000	\$ 241,000	\$ 41,100	\$ 199,900	
County of Bergen-					
Road Resurfacing Program	<u>11,132</u>	<u>32,446</u>	<u>32,446</u>	<u>-</u>	
Total Capital Improvements Excluded from "CAPS"	<u>252,132</u>	<u>273,446</u>	<u>73,546</u>	<u>199,900</u>	
MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"					
Payment of Bond Principal	530,000	530,000	530,000		
Interest on Notes	12,000	12,000	12,000		
Interest on Bonds	<u>235,792</u>	<u>235,792</u>	<u>235,792</u>	<u>-</u>	
Total Municipal Debt Service Excluded from "CAPS"	<u>777,792</u>	<u>777,792</u>	<u>777,792</u>	<u>-</u>	
DEFERRED CHARGES MUNICIPAL - EXCLUDED FROM "CAPS"					
Prior Year Bills	6,400	6,400	6,351	49	
Special Emergency Authorizations - 5 Years (NJS 40A:4-55.1 & 40A:4-55.13)	<u>34,800</u>	<u>34,800</u>	<u>34,800</u>	<u>-</u>	
Total Deferred Charges - Municipal Excluded from "CAPS"	<u>41,200</u>	<u>41,200</u>	<u>41,151</u>	<u>49</u>	
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	<u>1,970,747</u>	<u>2,009,828</u>	<u>1,741,310</u>	<u>\$ 2,860</u>	
Subtotal General Appropriations	7,930,845	8,040,484	7,653,639	121,187	
Reserve for Uncollected Taxes	<u>640,838</u>	<u>640,838</u>	<u>640,838</u>	<u>-</u>	
Total General Appropriations	<u>\$ 8,571,683</u>	<u>\$ 8,681,322</u>	<u>\$ 8,294,477</u>	<u>\$ 121,187</u>	
Budget as Adopted		\$ 8,571,683			
Appropriation by 40A:4-87		34,639			
Emergency Appropriation		<u>75,000</u>			
		\$ 8,681,322			

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2008 STATEMENT OF EXPENDITURES

BOROUGH OF OLD TAPPAN
STATEMENT OF EXPENDITURES - STATUTORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended</u>
	<u>Budget</u>	<u>Budget After</u>	<u>Paid or</u>	<u>Reserved</u>	<u>Balance</u>
		<u>Modification</u>	<u>Charged</u>		<u>Cancelled</u>
OPERATIONS - WITHIN "CAPS"					
GENERAL GOVERNMENT					
Administrative and Executive					
Salaries and Wages	\$ 180,803	\$ 175,513	\$ 174,973	\$ 540	
Other Expenses	88,476	88,476	80,803	7,673	
Mayor and Council					
Salaries and Wages	37,500	37,500	37,500		
Other Expenses	1,805	1,805	1,713	92	
Grant Professional - Other Expense	20,000	20,000	20,000		
Financial Administration					
Salaries and Wages	81,518	81,518	76,842	4,676	
Other Expenses	28,750	34,350	34,089	261	
Audit Services					
Other Expenses	17,200	17,200	16,100	1,100	
Assessment of Taxes					
Salaries and Wages	15,000	15,000	15,000		
Other Expenses	3,095	3,095	2,805	290	
Revaluation Program		140,000	140,000		
Collection of Taxes					
Salaries and Wages	93,682	93,682	92,359	1,323	
Other Expenses	3,285	3,285	2,510	775	
Legal Services and Costs					
Other Expenses	65,000	65,000	64,304	696	
Engineering Services & Costs					
Other Expenses	15,000	15,000	12,743	2,257	
Open Space Advisory					
Other Expenses	95	95		95	
Senior Advisory					
Other Expenses	6,300	6,300	3,340	2,960	
Golden Age Club					
Other Expenses	5,000	5,000	4,495	505	
Municipal Land Use Law (NJSA 40:55D-1)					
Planning Board					
Salaries and Wages	22,115	22,115	21,653	462	
Other Expenses	17,950	17,950	12,800	5,150	
Insurance					
General Liability	94,036	94,036	92,438	1,598	
Workers Compensation	99,750	99,750	99,750		
Employee Group Health	749,000	671,900	671,363	537	
Unemployment Insurance	30,000	35,250	35,250		

BOROUGH OF OLD TAPPAN
STATEMENT OF EXPENDITURES - STATUTORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended</u>
	<u>Budget</u>	<u>Budget After</u>	<u>Paid or</u>	<u>Reserved</u>	<u>Balance</u>
		<u>Modification</u>	<u>Charged</u>		<u>Cancelled</u>
OPERATIONS - WITHIN "CAPS" (Cont'd.)					
GENERAL GOVERNMENT (Cont'd.)					
PUBLIC SAFETY					
Fire					
Salaries and Wages	\$ 28,500	\$ 28,500	\$ 27,817	\$ 683	
Other Expenses	28,900	33,700	24,770	8,930	
Rent	9,550	9,550	9,550		
Fire Hydrant Services	95,500	95,500	87,527	7,973	
Uniform Fire Safety Act (PL 1983, C.383)					
Fire Official					
Salaries and Wages	11,435	11,435	11,274	161	
Other Expenses	5,900	5,900	3,688	2,212	
Police					
Salaries and Wages	1,791,500	1,829,200	1,825,967	3,233	
Other Expenses	43,650	43,650	42,789	861	
Police Dispatch/911					
Contractual	104,700	104,700	104,691	9	
First Aid Organization - Contribution	28,880	28,880	28,880		
Emergency Management Services					
Salaries and Wages	667	667	666	1	
Other Expenses	800	800		800	
Municipal Prosecutor					
Salaries and Wages	5,279	5,279	4,293	986	
PUBLIC WORKS FUNCTIONS					
Road Repairs & Maintenance					
Salaries and Wages	568,250	561,675	553,837	7,838	
Other Expenses	32,750	32,750	30,952	1,798	
Other Public Works Functions					
Contractual	10,450	10,450	10,345	105	
Shade Tree Commission					
Other Expenses	23,635	25,635	25,588	47	
Recycling					
Salaries and Wages	4,240	4,240	2,198	2,042	
Other Expenses	46,075	46,415	42,443	3,972	
Solid Waste Collection					
Other Expenses	7,120	7,170	7,090	80	
Public Buildings and Grounds					
Other Expenses	26,080	26,080	26,053	27	
Contractual	10,188	11,938	11,897	41	
Vehicle Maintenance					
Other Expenses	47,500	53,700	51,784	1,916	

BOROUGH OF OLD TAPPAN
STATEMENT OF EXPENDITURES - STATUTORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended</u>
	<u>Budget</u>	<u>Budget After</u>	<u>Paid or</u>	<u>Reserved</u>	<u>Balance</u>
		<u>Modification</u>	<u>Charged</u>		<u>Cancelled</u>
OPERATIONS - WITHIN "CAPS" (Cont'd.)					
HEALTH & HUMAN SERVICES					
Board of Health					
Other Expenses	\$ 26,757	\$ 26,757	\$ 25,367	\$ 1,390	
O.S.H.A.					
Hepatitis B Program					
Other Expenses	2,400	2,400	2,358	42	
Environmental Commission					
Salaries and Wages	1,372	1,372	1,232	140	
Other Expenses	190	190	190		
Administration of Public Assistance					
Salaries and Wages	6,398	6,398	6,398		
Other Expenses	1,015	1,015	636	379	
Aid to Community Center for Mental Health (NJSA 40:4-2-9)	2,700	2,700	2,700		
PARKS AND RECREATION FUNCTIONS					
Parks and Playgrounds					
Salaries and Wages	28,534	28,534	27,877	657	
Other Expenses	21,750	21,750	20,289	1,461	
Golf Course					
Salaries and Wages	335,990	335,990	330,483	5,507	
Other Expenses	93,710	93,710	89,329	4,381	
Senior Citizen Van					
Salaries and Wages	1,220	1,220	1,220		
Other Expenses	2,500	2,500		2,500	
Social & Cultural Affairs					
Other Expenses	3,000	3,000	2,750	250	
Recreation Program Fees					
Other Expenses	1,700	1,700	1,340	360	
OTHER COMMON OPERATING FUNCTIONS					
Celebration of Public Events					
Other Expenses	1,425	1,425	895	530	
Municipal Court Administration					
Salaries and Wages	25,245	25,245	24,763	482	
Other Expenses	11,800	11,800	9,772	2,028	
Public Defender					
Other Expenses	400	400	200	200	

BOROUGH OF OLD TAPPAN
STATEMENT OF EXPENDITURES - STATUTORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended</u>
	<u>Budget</u>	<u>Budget After</u> <u>Modification</u>	<u>Paid or</u> <u>Charged</u>	<u>Reserved</u>	<u>Balance</u> <u>Cancelled</u>
OPERATIONS - WITHIN "CAPS" (Cont'd.)					
UNIFORM CONSTRUCTION CODE					
APPROPRIATIONS OFFSET BY					
DEDICATED REVENUES					
(N.J.A.C. 5:23-4-17)					
State Uniform Construction Code					
(NJSA 52:27D-120, et seq.)					
Construction Code Official					
Salaries and Wages	\$ 107,412	\$ 107,412	\$ 106,404	\$ 1,008	
Other Expenses	19,030	19,030	14,243	4,787	
Unclassified					
Utilities					
Electricity	103,900	103,900	103,837	63	
Street Lighting	11,500	11,500	11,196	304	
Telephone	16,250	21,750	20,038	1,712	
Water	14,225	14,225	12,476	1,749	
Gasoline	43,800	63,350	56,785	6,565	
Interlocal Service Agreement					
Harrington Park Service Fee	7,400	7,625	7,621	4	-
Total Operations Within "CAPS"	5,498,532	5,638,532	5,527,328	111,204	-
Detail:					
Salaries and Wages	3,346,660	3,372,495	3,342,756	29,739	-
Other Expenses	2,151,872	2,266,037	2,184,572	81,465	-
Deferred Charges and Statutory Expenditures					
- Municipal Within "CAPS"					
Statutory Charges:					
Social Security System (O.A.S.I.)	252,000	252,000	237,370	14,630	-
Total Deferred Charges & Statutory					
Expenditures - Municipal Within "CAPS"	252,000	252,000	237,370	14,630	-
Total General Appropriations for Municipal					
Purposes Within "CAPS"	5,750,532	5,890,532	5,764,698	125,834	-

BOROUGH OF OLD TAPPAN
STATEMENT OF EXPENDITURES - STATUTORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>Budget</u>	<u>Appropriated Budget After Modification</u>	<u>Expended Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Cancelled</u>
OPERATIONS - EXCLUDED FROM "CAPS"					
Aid to Public Library (NJSA 40:54-35)	\$ 633,726	\$ 633,726	\$ 633,726		
Stormwater Management					
Other Expenses	15,600	15,600	12,214	\$ 3,386	
Fire					
LOSAP	87,750	87,750	72,750		\$ 15,000
Statutory Expenditures					
Public Employees Retirement System of NJ	96,517	96,517	96,517		
Police & Firemen's Retirement System of NJ	335,565	335,565	335,565	-	-
Total Other Operations Excluded from "CAPS"	<u>1,169,158</u>	<u>1,169,158</u>	<u>1,150,772</u>	<u>3,386</u>	<u>15,000</u>
Interlocal Municipal Service Agreements					
River Vale Fuel Reimbursement					
Gasoline	<u>103,000</u>	<u>135,000</u>	<u>124,266</u>	<u>-</u>	<u>10,734</u>
Total Interlocal Municipal Service Agreements	<u>103,000</u>	<u>135,000</u>	<u>124,266</u>	<u>-</u>	<u>10,734</u>
Public and Private Programs Offset by Revenues					
Drunk Driving Enforcement Fund	1,649	1,649		1,649	
Municipal Alliance Program	11,500	11,500	8,292	3,208	
Clean Communities Grant	7,139	7,139	7,139		
Alcohol Education and Rehab. Fund	321	321		321	
Body Armor Replacement	1,370	1,370		1,370	
Recycling Tonnage Grant	3,915	3,915	3,915		
Graduated Drivers License Grant	2,000	2,000	1,456		544
Community Development-Senior Citizen Prog.	<u>3,000</u>	<u>3,000</u>	<u>3,000</u>	<u>-</u>	<u>-</u>
Total Public and Private Programs Offset by Revenues	<u>30,894</u>	<u>30,894</u>	<u>23,802</u>	<u>6,548</u>	<u>544</u>
Total Operations Excluded from "CAPS"	<u>1,303,052</u>	<u>1,335,052</u>	<u>1,298,840</u>	<u>9,934</u>	<u>26,278</u>
Detail:					
Salaries & Wages	1,649	1,649	-	1,649	
Other Expenses	<u>1,301,403</u>	<u>1,333,403</u>	<u>1,298,840</u>	<u>8,285</u>	<u>26,278</u>

BOROUGH OF OLD TAPPAN
STATEMENT OF EXPENDITURES - STATUTORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>Budget</u>	<u>Appropriated Budget After Modification</u>	<u>Expended Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Cancelled</u>
OPERATIONS - EXCLUDED FROM "CAPS" (Cont'd.)					
CAPITAL IMPROVEMENTS					
Capital Improvement Fund	\$ 350,000	\$ 350,000	\$ 350,000		
Fire Department					
Acquisition of Equipment	67,046	67,046	56,622	\$ 10,424	
Streets and Roads					
Acquisition of Vehicles and Equipment	27,000	27,000	26,336	664	
Sidewalk Improvement Program	15,000	15,000		15,000	
Various Road Improvements - Emergency		400,000	400,000		
Golf Course					
Building Improvements	42,800	42,800	20,436	22,364	
Public Buildings and Grounds					
Acquisition of Equipment	6,600	6,600		6,600	
Building Improvements - Fire House Siding	14,000	14,000	13,600	400	
General Administration					
Acquisition of Computer Equip.-Adm. & Exec.	30,000	30,000	9,855	20,145	
Police					
Acquisition of Equipment	96,000	96,000	61,322	34,678	
Construction of Police Headquarters	27,500	27,500	27,500	-	-
Total Capital Improvements Excluded from "CAPS"	675,946	1,075,946	965,671	110,275	-
MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"					
Payment of Bond Principal	514,000	514,000	514,000		
Interest on Notes	5,240	5,240	5,240		
Interest on Bonds	257,531	257,531	257,531	-	-
Total Municipal Debt Service Excluded from "CAPS"	776,771	776,771	776,771	-	-

BOROUGH OF OLD TAPPAN
STATEMENT OF EXPENDITURES - STATUTORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>Budget</u>	<u>Appropriated Budget After Modification</u>	<u>Expended Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Cancelled</u>
DEFERRED CHARGES MUNICIPAL - EXCLUDED FROM "CAPS"					
Emergency Authorizations	\$ 6,018	\$ 6,018	\$ 6,018		
Special Emergency Authorizations - 3 Years (NJS 40A:4-55.1 & 40A:4-55.13)	<u>6,800</u>	<u>6,800</u>	<u>6,800</u>	<u>-</u>	<u>-</u>
Total Deferred Charges - Municipal Excluded from "CAPS"	<u>12,818</u>	<u>12,818</u>	<u>12,818</u>	<u>-</u>	<u>-</u>
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	<u>2,768,587</u>	<u>3,200,587</u>	<u>3,054,100</u>	<u>\$ 120,209</u>	<u>\$ 26,278</u>
Subtotal General Appropriations	8,519,119	9,091,119	8,818,798	246,043	26,278
Reserve for Uncollected Taxes	<u>696,275</u>	<u>696,275</u>	<u>696,275</u>	<u>-</u>	<u>-</u>
Total General Appropriations	<u>\$ 9,215,394</u>	<u>\$ 9,787,394</u>	<u>\$ 9,515,073</u>	<u>\$ 246,043</u>	<u>\$ 26,278</u>
Budget as Adopted		\$ 9,215,394			
Emergency Appropriation		400,000			
Special Emergency Appropriation		140,000			
Appropriation by 40A:4-87		<u>32,000</u>			
		<u>\$ 9,787,394</u>			

**BOROUGH OF OLD TAPPAN
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
TRUST FUNDS
AS OF DECEMBER 31, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>
ASSETS		
ANIMAL CONTROL FUND		
Cash	\$ 2,164	\$ 1,150
OTHER TRUST FUND		
Cash	<u>1,495,503</u>	<u>1,548,499</u>
UNEMPLOYMENT COMPENSATION INSURANCE FUND		
Cash	<u>18,671</u>	<u>18</u>
OPEN SPACE PRESERVATION TRUST FUND		
Cash	<u>631,858</u>	<u>208,372</u>
LENGTH OF SERVICE AWARD PROGRAM FUND - (UNAUDITED)		
Investments	529,452	379,645
Contributions Receivable	<u>74,750</u>	<u>69,000</u>
	<u>604,202</u>	<u>448,645</u>
Total Assets	<u>\$ 2,752,398</u>	<u>\$ 2,206,684</u>

**BOROUGH OF OLD TAPPAN
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
TRUST FUNDS
AS OF DECEMBER 31, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>
LIABILITIES, RESERVES AND FUND BALANCE		
ANIMAL CONTROL FUND		
Due to Current Fund		\$ 23
Due to State of New Jersey	\$ 2	
Reserve for Animal Control Expenditures	<u>2,162</u>	<u>1,127</u>
	<u>2,164</u>	<u>1,150</u>
OTHER TRUST FUND		
Due to Current Fund	2,314	6,338
Escrow Deposits Payable	898,992	1,013,924
Miscellaneous Reserves and Deposits	494,125	482,314
Due to State of New Jersey		
Department of Human Services	350	400
Payroll Deductions Payable	<u>99,722</u>	<u>45,523</u>
	<u>1,495,503</u>	<u>1,548,499</u>
UNEMPLOYMENT COMPENSATION INSURANCE FUND		
Due to State of New Jersey	2,370	664
Reserve for Unemployment Compensation		
Insurance Claims (Deficit)	<u>16,301</u>	<u>(646)</u>
	<u>18,671</u>	<u>18</u>
OPEN SPACE PRESERVATION TRUST FUND		
Due to General Capital Fund	53,000	
Reserve for Payment of Note	270,000	
Reserve for Open Space Preservation	<u>308,858</u>	<u>208,372</u>
	<u>631,858</u>	<u>208,372</u>
LENGTH OF SERVICE AWARD PROGRAM FUND - (UNAUDITED)		
Intergovernmental Payable - Other	1,150	1,150
Reserve for Length of Service Awards Program	<u>603,052</u>	<u>447,495</u>
	<u>604,202</u>	<u>448,645</u>
Total Liabilities, Reserves and Fund Balance	<u>\$ 2,752,398</u>	<u>\$ 2,206,684</u>

BOROUGH OF OLD TAPPAN
COMPARATIVE STATEMENTS OF REVENUES-REGULATORY BASIS
OPEN SPACE PRESERVATION TRUST FUND
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	<u>2009</u>		<u>2008</u>	
	Budget After <u>Modification</u>	<u>Realized</u>	Budget After <u>Modification</u>	<u>Realized</u>
Amount to be Raised by Taxation	\$ 129,500	\$ 130,548	\$ 128,419	\$ 129,534
Reserve for Open Space Preservation	<u>78,295</u>	<u>78,295</u>	<u>-</u>	<u>1,597</u>
	<u>\$ 207,795</u>	<u>\$ 208,843</u>	<u>\$ 128,419</u>	<u>\$ 131,131</u>

BOROUGH OF OLD TAPPAN
STATEMENT OF APPROPRIATIONS-REGULATORY BASIS
OPEN SPACE PRESERVATION TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>Appropriated</u>		<u>Expended</u>	
	<u>Budget</u>	Budget After <u>Modification</u>	Paid or <u>Charged</u>	<u>Reserved</u>
Maintenance of Lands for Recreation and Conservation:				
Salaries and Wages	\$ 67,000	\$ 67,000	\$ 67,000	
Other Expenses	13,000	17,208	17,208	
Down Payment to Improvements		76,000	76,000	
Debt Service:				
Payment of Bond Principal	33,192	33,192	33,192	
Interest on Bonds	8,329	8,328	8,328	
Interest on Notes	6,100	6,067	6,067	
Reserve for Future Use	1,879	-	-	-
	<u>\$ 129,500</u>	<u>\$ 207,795</u>	<u>\$ 207,795</u>	<u>\$ -</u>

EXHIBIT B-2b

STATEMENT OF APPROPRIATIONS-REGULATORY BASIS
OPEN SPACE PRESERVATION TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>Appropriated</u>		<u>Expended</u>	
	<u>Budget</u>	Budget After <u>Modification</u>	Paid or <u>Charged</u>	<u>Reserved</u>
Development of Lands for Recreation and Conservation				
Other Expenses		\$ 2,023	\$ 2,023	
Debt Service:				
Payment of Bond Principal	\$ 32,538	32,538	32,538	
Interest on Bonds	19,512	19,512	19,512	
Reserve for Future Use	76,369	74,346	74,346	-
	<u>\$ 128,419</u>	<u>\$ 128,419</u>	<u>\$ 128,419</u>	<u>\$ -</u>

**BOROUGH OF OLD TAPPAN
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
GENERAL CAPITAL FUND
AS OF DECEMBER 31, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>
ASSETS		
Cash	\$ 1,116,446	\$ 1,451,852
Grants Receivable	794,040	504,930
Due From Current Fund		8,268
Due From Open Space Preservation Trust Fund	53,000	
Deferred Charges to Future Taxation		
Funded	6,041,473	6,604,665
Unfunded	<u>3,304,900</u>	<u>1,183,000</u>
 Total Assets	 <u>\$ 11,309,859</u>	 <u>\$ 9,752,715</u>
 LIABILITIES, RESERVES AND FUND BALANCE		
General Serial Bonds	\$ 5,650,000	\$ 6,180,000
Green Trust Loan Payable	391,473	424,665
Bond Anticipation Notes Payable	2,004,900	803,000
Contracts Payable	1,056,379	1,262,948
Improvement Authorizations:		
Funded	450,783	421,136
Unfunded	1,046,419	391,176
Capital Improvement Fund	7,749	7,749
Reserve for Sidewalk Improvements	142,787	160,487
Reserve for Sale of Land		20,963
Reserve for Capital Improvements	9,000	9,000
Reserve for Payment of Debt	40,000	-
Reserve for Grants Receivable	456,810	700
Fund Balance	<u>53,559</u>	<u>70,891</u>
 Total Liabilities, Reserves and Fund Balance	 <u>\$ 11,309,859</u>	 <u>\$ 9,752,715</u>

There were bonds and notes authorized but not issued as of December 31, 2009 and 2008 of \$1,300,000 and \$380,000 respectively.

BOROUGH OF OLD TAPPAN
COMPARATIVE STATEMENTS OF CHANGES IN FUND BALANCE - REGULATORY BASIS
GENERAL CAPITAL FUND
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
Balance, December 31	\$ 70,891	
Increased by:		
Bond Anticipation Notes Premium	668	
Funded Improvement Authorizations Cancelled	<u>-</u>	<u>\$ 82,391</u>
	71,559	82,391
Decreased by:		
Appropriated to Finance Improvement Authorizations	<u>18,000</u>	<u>11,500</u>
Balance, December 31	<u>\$ 53,559</u>	<u>\$ 70,891</u>

BOROUGH OF OLD TAPPAN
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
SEWER UTILITY FUND
AS OF DECEMBER 31, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
ASSETS		
OPERATING FUND		
Cash	\$ 64,081	\$ 103,843
Due from Sewer Utility Assessment Trust Fund	<u>239,421</u>	<u>268,955</u>
	303,502	372,798
Receivables With Full Reserves		
Consumer Accounts Receivable	<u>42,023</u>	<u>24,385</u>
	<u>345,525</u>	<u>397,183</u>
ASSESSMENT TRUST FUND		
Cash	2,867,404	2,830,899
Assessment Receivable	5,876,526	6,724,052
Deferred Charge		
Utility Share of Assessment Debt Issued	<u>342,196</u>	<u>342,196</u>
	<u>9,086,126</u>	<u>9,897,147</u>
CAPITAL FUND		
Cash	159,031	159,031
Grants Receivable	91,000	91,000
Fixed Capital	18,357,654	18,351,154
Fixed Capital Authorized and Uncompleted	<u>330,000</u>	<u>330,000</u>
	<u>18,937,685</u>	<u>18,931,185</u>
Total Assets	<u>\$ 28,369,336</u>	<u>\$ 29,225,515</u>

BOROUGH OF OLD TAPPAN
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
SEWER UTILITY FUND
AS OF DECEMBER 31, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
LIABILITIES, RESERVES AND FUND BALANCE		
OPERATING FUND		
Liabilities		
Appropriation Reserves	\$ 19,928	\$ 36,228
Encumbrances Payable	17,675	20,137
Accounts Payable	17,200	17,200
Accrued Interest on Bonds and Loans	101,298	111,253
Sewer Fee Overpayments	735	679
Due to Current Fund	<u>-</u>	<u>3,623</u>
	156,836	189,120
Reserve for Receivables	42,023	24,385
Fund Balance	<u>146,666</u>	<u>183,678</u>
	<u>345,525</u>	<u>397,183</u>
ASSESSMENT TRUST FUND		
Assessment Serial Bonds	2,510,000	2,745,000
Environmental Infrastructure Loan Payable	6,252,787	6,799,274
Due to Sewer Utility Operating Fund	239,421	268,955
Reserve for Assessments Receivable	1,341	1,341
Fund Balance	<u>82,577</u>	<u>82,577</u>
	<u>9,086,126</u>	<u>9,897,147</u>
CAPITAL FUND		
Wastewater Treatment Loans Payable	388,874	519,822
Improvement Authorizations		
Funded	66,586	66,586
Unfunded	262,500	262,500
Capital Improvement Fund	16,500	16,500
Reserve for Sewer Assessment Debt	181,827	181,827
Reserve for Amortization	17,950,975	17,813,527
Deferred Reserve for Amortization	67,500	67,500
Fund Balance	<u>2,923</u>	<u>2,923</u>
	<u>18,937,685</u>	<u>18,931,185</u>
Total Liabilities, Reserves and Fund Balance	<u>\$ 28,369,336</u>	<u>\$ 29,225,515</u>

There were Bonds and Notes Authorized But Not Issued on December 31, 2009 and 2008 of \$280,305 and \$280,305.

BOROUGH OF OLD TAPPAN
COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN OPERATING FUND BALANCE -
REGULATORY BASIS
SEWER UTILITY OPERATING FUND
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
REVENUES AND OTHER INCOME REALIZED		
Fund Balance Utilized	\$ 92,000	\$ 169,000
Sewer User Fees	848,528	853,106
Interest on Assessments	230,862	252,220
United Properties Group - Reimbursement of Waste Water		
Bond Debt Service	150,917	152,894
Non-Budget Revenue	21,544	25,897
Other Credits to Income:		
Unexpended Balances of Appropriation Reserves	26,272	283
Cancellation of Accounts Payable	<u>-</u>	<u>3,796</u>
Total Income	<u>1,370,123</u>	<u>1,457,196</u>
EXPENDITURES		
Operating	887,907	861,014
Capital Improvements	6,500	96,500
Debt Service	387,228	411,336
Deferred Charges and Statutory Expenditures	<u>33,500</u>	<u>34,800</u>
Total Expenditures	<u>1,315,135</u>	<u>1,403,650</u>
Excess in Revenue	54,988	53,546
Fund Balance, January 1	<u>183,678</u>	<u>299,132</u>
	238,666	352,678
Less Utilization as Anticipated Revenue	<u>92,000</u>	<u>169,000</u>
Fund Balance, December 31	<u>\$ 146,666</u>	<u>\$ 183,678</u>

BOROUGH OF OLD TAPPAN
COMPARATIVE STATEMENTS OF REVENUES - REGULATORY BASIS
SEWER UTILITY OPERATING FUND
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	2009		2008	
	<u>Anticipated</u>	<u>Realized</u>	<u>Anticipated</u>	<u>Realized</u>
Surplus Anticipated	\$ 92,000	\$ 92,000	\$ 169,000	\$ 169,000
Sewer User Fees	853,030	848,528	849,957	853,106
Interest on Assessments	245,000	230,862	259,600	252,220
United Properties Group - Reimbursement of Wastewater Bond Debt Service	<u>148,730</u>	<u>150,917</u>	<u>154,440</u>	<u>152,894</u>
	<u>\$ 1,338,760</u>	<u>\$ 1,322,307</u>	<u>\$ 1,432,997</u>	<u>\$ 1,427,220</u>

BOROUGH OF OLD TAPPAN
STATEMENT OF EXPENDITURES - REGULATORY BASIS
SEWER UTILITY OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>Appropriated</u>	<u>Expended</u>	<u>Unexpended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Balance Cancelled</u>
OPERATING					
Salaries	\$ 292,500	\$ 292,500	\$ 287,032	\$ 5,468	
Other Expenses	<u>595,407</u>	<u>595,407</u>	<u>580,947</u>	<u>14,460</u>	<u>-</u>
Total Operating	<u>887,907</u>	<u>887,907</u>	<u>867,979</u>	<u>19,928</u>	<u>-</u>
CAPITAL IMPROVEMENTS					
Capital Improvement Fund	-	-	-		
Capital Outlay	<u>6,500</u>	<u>6,500</u>	<u>6,500</u>	<u>-</u>	<u>-</u>
Total Capital Improvements	<u>6,500</u>	<u>6,500</u>	<u>6,500</u>	<u>-</u>	<u>-</u>
DEBT SERVICE					
Payment of Bond Principal	130,948	130,948	130,948		
Interest on Bonds	<u>279,905</u>	<u>279,905</u>	<u>256,280</u>	<u>-</u>	<u>\$ 23,625</u>
Total Debt Service	<u>410,853</u>	<u>410,853</u>	<u>387,228</u>	<u>-</u>	<u>23,625</u>
DEFERRED CHARGES AND REGULATORY EXPENDITURES					
Statutory Expenditures					
Public Employees Retirement System	8,500	8,500	8,500	-	
Unemployment Compensation Insurance	5,000	5,000	5,000		
Contribution to Social Security System (O.A.S.I.)	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>-</u>	<u>-</u>
Total Deferred Charges and Statutory Expenditures	<u>33,500</u>	<u>33,500</u>	<u>33,500</u>	<u>-</u>	<u>-</u>
	<u>\$1,338,760</u>	<u>\$ 1,338,760</u>	<u>\$ 1,295,207</u>	<u>\$ 19,928</u>	<u>\$ 23,625</u>

BOROUGH OF OLD TAPPAN
STATEMENT OF EXPENDITURES - STATUTORY BASIS
SEWER UTILITY OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Balance Cancelled</u>
OPERATING					
Salaries	\$ 275,842	\$ 275,842	\$ 275,826	\$ 16	
Other Expenses	585,172	585,172	549,015	36,157	-
Total Operating	861,014	861,014	824,841	36,173	-
CAPITAL IMPROVEMENTS					
Capital Improvement Fund	67,500	67,500	67,500		
Capital Outlay	29,000	29,000	28,945	55	-
Total Capital Improvements	96,500	96,500	96,445	55	-
DEBT SERVICE					
Payment of Bond Principal	133,147	133,147	133,147		
Interest on Bonds	307,236	307,236	278,189	-	\$ 29,047
Total Debt Service	440,383	440,383	411,336	-	29,047
DEFERRED CHARGES AND STATUTORY EXPENDITURES					
Deferred Charges					
Other Expenses - Prior Year Bills - Northvale Sewer	4,800	4,800	4,800		
Statutory Expenditures					
Public Employees Retirement System	7,000	7,000	7,000	-	
Unemployment Compensation Insurance	3,000	3,000	3,000		
Contribution to Social Security System (O.A.S.I.)	20,000	20,000	20,000	-	-
Total Deferred Charges and Statutory Expenditures	34,800	34,800	34,800	-	-
	<u>\$1,432,697</u>	<u>\$ 1,432,697</u>	<u>\$ 1,367,422</u>	<u>\$ 36,228</u>	<u>\$ 29,047</u>

BOROUGH OF OLD TAPPAN
COMPARATIVE STATEMENTS OF CHANGES IN FUND BALANCE - REGULATORY BASIS
SEWER UTILITY ASSESSMENT TRUST FUND

	<u>2009</u>	<u>2008</u>
Balance, January 1	\$ 82,577	\$ 71,818
Increased by:		
Collection of Unpledged Assessments	<u>-</u>	<u>10,759</u>
Balance, December 31	<u>\$ 82,577</u>	<u>\$ 82,577</u>

COMPARATIVE STATEMENTS OF REVENUES - REGULATORY BASIS
SEWER UTILITY ASSESSMENT TRUST FUND
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	2009		2008	
	<u>Budget</u> <u>Revenues</u>	<u>Realized</u>	<u>Budget</u> <u>Revenues</u>	<u>Realized</u>
Assessment Cash	\$ 781,487	\$ 781,487	\$ 839,843	\$ 839,843
	<u>\$ 781,487</u>	<u>\$ 781,487</u>	<u>\$ 839,843</u>	<u>\$ 839,843</u>

COMPARATIVE STATEMENTS OF EXPENDITURES - REGULATORY BASIS
SEWER UTILITY ASSESSMENT TRUST FUND
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	2009		2008	
	<u>Budget</u> <u>Appropriations</u>	<u>Expended</u>	<u>Budget</u> <u>Appropriations</u>	<u>Expended</u>
Payment of Bond Principal	\$ 235,000	\$ 235,000	\$ 310,000	\$ 310,000
Payment of Loan Principal	<u>546,487</u>	<u>546,487</u>	<u>529,843</u>	<u>527,159</u>
	<u>\$ 781,487</u>	<u>\$ 781,487</u>	<u>\$ 839,843</u>	<u>\$ 837,159</u>

BOROUGH OF OLD TAPPAN
COMPARATIVE STATEMENTS OF CHANGES IN FUND BALANCE-REGULATORY BASIS
SEWER UTILITY CAPITAL FUND
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
Balance, January 1	\$ 2,923	\$ 1,419
Increased by:		
Funded Improvement Authorizations Cancelled	<u>-</u>	<u>1,504</u>
Balance, December 31	<u><u>\$ 2,923</u></u>	<u><u>\$ 2,923</u></u>

**BOROUGH OF OLD TAPPAN
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
PUBLIC ASSISTANCE FUND
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>
ASSETS		
Cash	<u>\$ 22,295</u>	<u>\$ 27,858</u>
LIABILITIES AND RESERVES		
Reserve for Public Assistance Expenditures	<u>\$ 22,295</u>	<u>\$ 27,858</u>

**BOROUGH OF OLD TAPPAN
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
GENERAL FIXED ASSETS ACCOUNT GROUP
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>
ASSETS		
Land	\$ 29,113,900	\$ 29,113,900
Buildings and Building Improvements	14,619,200	14,619,200
Machinery and Equipment	<u>6,079,750</u>	<u>5,759,182</u>
	<u>\$ 49,812,850</u>	<u>\$ 49,492,282</u>
FUND BALANCE		
Investment in General Fixed Assets	<u>\$ 49,812,850</u>	<u>\$ 49,492,282</u>

NOTES TO FINANCIAL STATEMENTS

BOROUGH OF OLD TAPPAN
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2009 AND 2008

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

The Borough of Old Tappan (the "Borough") was incorporated in 1894 and operates under an elected 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 requires the financial reporting entity to include both the primary government and component units. Component units are legally separate organizations for which the Borough is financially accountable. The Borough is financially accountable for an organization if the Borough appoints a voting majority of the organization's governing board and (1) the Borough is able to significantly influence the programs or services performed or provided by the organization; or (2) the Borough is legally entitled to or can otherwise access the organization's resources; the Borough is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Borough is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Borough in that the Borough approves the budget, the issuance of debt or the levying of taxes. The Borough is not includable in any other reporting entity as a component unit.

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

BOROUGH OF OLD TAPPAN
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2009 AND 2008

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. The Borough also uses an account group, which is designed to provide accountability for certain assets that are not recorded in those Funds.

The Borough has the following funds and account group:

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

Trust Funds - 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 individuals, private organizations, or other governments are recorded in the Trust Funds.

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

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

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

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

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

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

Sewer Utility Fund - This fund is used to account for the revenues and expenditures for the operation of the Borough's sanitary sewerage system and the assets and liabilities relative to such activities. Special benefit assessments levied against properties for specific purposes are accounted for in the assessment trust section of the fund. Acquisition or improvement of capital facilities and other capital assets for the sewer utility is accounted for in the capital section of the fund.

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.

BOROUGH OF OLD TAPPAN
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2009 AND 2008

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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 unpaid on these dates, the amount due becomes delinquent and subject to interest at 8% per annum, or 18% on any delinquency amount in excess of \$1,500. A penalty of up to 6% of the delinquency may be imposed on a taxpayer with a delinquency in excess of \$10,000 who fails to pay that delinquency prior to the end of the fiscal year in which the charges become delinquent. The school levy is turned over to the Board of Education as expenditures are incurred, and the balance, if any, must be transferred as of 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 standard tax sale. The Borough also has the option when unpaid taxes or any municipal lien, or part thereof, on real property remains in arrears on the 11th day of the eleventh month in the fiscal year when the taxes or lien became in arrears, the collector in the municipality shall, subject to the provisions of the New Jersey Statutes, enforce the lien by placing property on an accelerated tax sale, provided that the sale is conducted and completed no earlier than in the last month of the fiscal year. The Borough may institute annual in rem tax foreclosure proceedings to enforce the tax collection or acquisition of title to the property. In accordance with the accounting principles prescribed by the State of New Jersey, current and delinquent taxes are realized as revenue when collected. Since delinquent taxes and liens are fully reserved, no provision has been made to estimate that portion of the tax receivable and tax title liens that are uncollectible. GAAP requires property tax revenues to be recognized in the accounting period when they become susceptible to accrual (i.e., when they are both levied and available), reduced by an allowance for doubtful accounts.

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

BOROUGH OF OLD TAPPAN
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2009 AND 2008

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

The governing body is required to introduce and approve the annual budget no later than February 10, of the fiscal year. The budget is required to be adopted no later than March 20, and prior to adoption must be certified by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The Director of the Division of Local Government Services, with the approval of the Local Finance Board may extend the introduction and approval and adoption dates of the municipal budget. The budget is prepared by fund, function, activity and line item (salary or other expense) and includes information on the previous year. The legal level of control for appropriations is exercised at the individual line item level for all operating budgets adopted. The governing body of the municipality may authorize emergency appropriations and the inclusion of certain special items of revenue to the budget after its adoption and determination of the tax rate. During the last two months of the fiscal year, the governing body may, by a 2/3 vote; amend the budget through line item transfers. Management has no authority to amend the budget without the approval of the Governing Body. Expenditures may not legally exceed budgeted appropriations at the line item level. During 2009 and 2008 the Borough Council increased the original budget by \$109,639 and \$572,000, respectively. The increases in 2009 were funded by additional aid allotted to the Borough and an emergency authorization for legal fees. The increases in 2008 were funded by additional aid allotted and emergency authorizations for emergency road improvements and the revaluation program. In addition, the governing body approved several budget transfers during 2009 and 2008.

BOROUGH OF OLD TAPPAN
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2009 AND 2008

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

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

Prepaid Items – Certain payments reflect costs applicable to future accounting periods and are recorded as prepaid items. Prepaid items in the current fund, except for prepaid debt service, are offset by a reserve, created by a charge to operations. GAAP does not require the establishment of a reserve for prepaid items.

BOROUGH OF OLD TAPPAN
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2009 AND 2008

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

The Borough undertook a fixed asset valuation study as of December 31, 2008. General fixed asset valuations are stated as follows:

Land	Assessed Value
Buildings and Building Improvements	Assessed Value
Machinery and Equipment	Acquisition Cost or Estimated Acquisition Cost

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.

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

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

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

**BOROUGH OF OLD TAPPAN
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2009 AND 2008**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Reclassifications - Certain reclassifications have been made to the December 31, 2008 balances to conform to the December 31, 2009 presentation.

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

C. Basic Financial Statements

The GASB Codification also requires the financial statements of a governmental unit to be presented in the basic financial statements in accordance with GAAP. The Borough presents the 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 reporting requirements under GAAP.

NOTE 2 DEPOSITS AND INVESTMENTS

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

Deposits

The Borough's deposits are insured through either the Federal Deposit Insurance Corporation (FDIC), Securities Investor Protection Corporation (SIPC) or New Jersey's Governmental Unit Deposit Protection Act (GUDPA). The Borough is required to deposit their funds in a depository which is protecting such funds pursuant to GUDPA. The New Jersey Governmental Unit Deposit Protection Act requires all banks doing business in the State of New Jersey to maintain additional collateral in the amount of 5% of the average public deposits and to deposit these amounts with the Federal Reserve Bank for all deposits not covered by the FDIC.

BOROUGH OF OLD TAPPAN
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2009 AND 2008

NOTE 2 DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank for a temporary period ending December 31, 2013. SIPC replaces cash claims up to a maximum of \$100,000 for each failed brokerage firm. At December 31, 2009 and 2008, the book value of the Borough's deposits were \$10,521,460 and \$10,461,350 and bank and brokerage firm balances of the Borough's deposits amounted to \$10,673,597 and \$10,919,757, respectively. The Borough's deposits which are displayed on the various fund balance sheets as "cash" are categorized as:

<u>Depository Account</u>	<u>Bank Balance</u>	
	<u>2009</u>	<u>2008</u>
Insured	\$ 10,665,971	\$ 10,912,179
Uninsured and Collateralized	<u>7,626</u>	<u>7,578</u>
	<u>\$ 10,673,597</u>	<u>\$ 10,919,757</u>

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Borough does not have a formal policy for custodial credit risk. As of December 31, 2009 and 2008, the Borough's bank balance of \$7,626 and \$7,578 was exposed to custodial credit risk as follows:

	<u>2009</u>	<u>2008</u>
Uninsured and Collateralized		
Collateral held by pledging financial institution's trust department but not in the Borough's name	<u>\$ 7,626</u>	<u>\$ 7,578</u>

Investments

The Borough is permitted to invest public funds in accordance with the types of securities authorized by N.J.S.A. 40A:5-15.1. Investments include bonds or other obligations of the United States or obligations guaranteed by the United States of America, Government Money Market Mutual Funds, bonds or other obligations of the Borough or bonds or other obligations of the school districts which are a part of the Borough or school districts located within the Borough, Local Government investment pools, and agreements for the repurchase of fully collateralized securities, if transacted in accordance with NJSA 40A:5-15.1 (8a-8e). In addition, the Borough is permitted to invest LOSAP Funds with the types of eligible investments authorized in NJAC 5:30-14.19. LOSAP investments include interest bearing accounts or securities, in which savings banks of New Jersey are authorized to invest their funds, New Jersey Cash Management Fund, fixed and variable individual or group annuity contracts, mutual fund shares or fixed and variable life insurance contracts.

BOROUGH OF OLD TAPPAN
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2009 AND 2008

NOTE 2 DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

As of December 31, 2009 and 2008, the Borough had the following investments:

	<u>Fair Value</u>	
	<u>(LOSAP - Unaudited)</u>	
	<u>2009</u>	<u>2008</u>
Investment:		
Lincoln Financial LOSAP Investment Fund (Unaudited)	\$ <u>529,452</u>	\$ <u>379,645</u>

Custodial Credit Risk – Investments – For an investment, this is the risk, that in the event of the failure of the counterparty, the Borough will not be able to recover the value of its investments or collateral securities that are held by an outside party. The Borough does not have a policy for custodial risk. As of December 31, 2009 and 2008, \$529,452 and \$379,645 of the Borough's investments was exposed to custodial credit risk as follows:

	<u>(LOSAP - Unaudited)</u>	
	<u>2009</u>	<u>2008</u>
Uninsured and Collateralized:		
Collateral held by pledging financial institution's trust department but not in the Borough's name	\$ <u>529,452</u>	\$ <u>379,645</u>

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

Credit Risk – State law limits investments as noted above (N.J.S.A. 40A:5-15.1 and NJAC 5:30-14.19). The Borough does not have an investment policy that would further limit its investment choices. As of December 31, 2009 and 2008, the Borough's investment in Lincoln Financial, a subsidiary of Lincoln National Corporation was rated Baa2, respectively, by Moody's Investors Service.

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

The fair value of the above-listed investment was based on quoted market prices provided by Lincoln Financial Group.

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

BOROUGH OF OLD TAPPAN
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2009 AND 2008

NOTE 3 TAXES AND UTILITY RENTS RECEIVABLE

Receivables at December 31, 2009 consisted of the following:

	<u>Current</u>	<u>Sewer Utility</u>	<u>Total</u>
<u>2009</u>			
Property Taxes	\$ 364,131		\$ 364,131
Tax Title Liens	10,184		10,184
Utility Charges	<u>-</u>	<u>\$ 42,023</u>	<u>42,023</u>
	<u>\$ 374,315</u>	<u>\$ 42,023</u>	<u>\$ 416,338</u>

In 2009, the Borough collected \$330,178 and \$24,385 from delinquent taxes and utility rents, which represented 95% and 100% of the delinquent tax and sewer charges receivable at December 31, 2008.

Receivables at December 31, 2008 consisted of the following:

	<u>Current</u>	<u>Sewer Utility</u>	<u>Total</u>
<u>2008</u>			
Property Taxes	\$ 341,632		\$ 341,632
Tax Title Liens	7,441		7,441
Utility Charges	<u>-</u>	<u>\$ 24,385</u>	<u>24,385</u>
	<u>\$ 349,073</u>	<u>\$ 24,385</u>	<u>\$ 373,458</u>

In 2008, the Borough collected \$283,103 and \$27,332 from delinquent taxes and utility rents, which represented 95% and 100% of the delinquent tax and sewer charges receivable at December 31, 2007.

BOROUGH OF OLD TAPPAN
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2009 AND 2008

NOTE 4 MUNICIPAL DEBT

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

The Borough's debt is summarized as follows:

	<u>2009</u>	<u>2008</u>
Issued		
General		
Bonds, Loans and Notes	\$ 8,046,373	\$ 7,407,665
Sewer Utility		
Loans	388,874	519,822
Sewer Utility Assessment		
Bonds and Loans	<u>8,762,787</u>	<u>9,544,274</u>
	17,198,034	17,471,761
Less Funds Temporarily Held to Pay Bonds and Notes	<u>3,037,233</u>	<u>2,479,367</u>
Net Debt Issued	14,160,801	14,992,394
Authorized But Not Issued		
General		
Bonds and Notes	1,300,000	380,000
Sewer Utility		
Bonds and Notes	<u>280,305</u>	<u>280,305</u>
Net Bonds and Notes Issued and Authorized But Not Issued	<u>\$ 15,741,106</u>	<u>\$ 15,652,699</u>

BOROUGH OF OLD TAPPAN
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2009 AND 2008

NOTE 4 MUNICIPAL DEBT (Continued)

The statement of debt condition that follows is extracted from the Borough's Annual Debt Statement and indicates a statutory net debt of .45% and .37% at December 31, 2009 and 2008, respectively.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u>2009</u>			
General Debt	\$ 9,346,373	\$ 701,473	\$ 8,644,900
School Debt	10,789,831	10,789,831	
Utility Debt	<u>9,431,966</u>	<u>9,431,966</u>	<u>-</u>
Total	<u>\$ 29,568,170</u>	<u>\$ 20,923,270</u>	<u>\$ 8,644,900</u>
	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u>2008</u>			
General Debt	\$ 7,787,665	\$ 694,665	\$ 7,093,000
School Debt	11,226,573	11,226,573	
Utility Debt	<u>10,344,401</u>	<u>10,344,401</u>	<u>-</u>
Total	<u>\$ 29,358,639</u>	<u>\$ 22,265,639</u>	<u>\$ 7,093,000</u>

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

	<u>2009</u>	<u>2008</u>
3-1/2% of Equalized Valuation Basis (Municipal)	\$ 67,030,233	\$ 66,323,484
Net Debt	<u>8,644,900</u>	<u>7,093,000</u>
Remaining Borrowing Power	<u>\$ 58,385,333</u>	<u>\$ 59,230,484</u>

BOROUGH OF OLD TAPPAN
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2009 AND 2008

NOTE 4 MUNICIPAL DEBT (Continued)

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

General Obligation Bonds

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

	<u>2009</u>	<u>2008</u>
\$1,974,000, 2001 Bonds, due in annual installments of \$179,000 to \$180,000 through February 2013, interest at 4.10% to 4.75%	\$ 719,000	\$ 899,000
\$1,754,000, 2003 Bonds, due in annual installments of \$270,000 to \$339,000 through December, 2013, interest at 3.20% to 3.25%	1,254,000	1,524,000
\$2,967,000, 2004 Bonds (Series A), due in annual installments of \$35,000 to \$467,000 through August 2019, interest at 4.0% to 4.125%	2,802,000	2,837,000
\$1,080,000, 2004 Bonds (Series B), due in annual installments of \$45,000 to \$80,000 through August 2023, interest at 4.0% to 4.5%	<u>875,000</u>	<u>920,000</u>
	<u>\$ 5,650,000</u>	<u>\$ 6,180,000</u>

BOROUGH OF OLD TAPPAN
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2009 AND 2008

NOTE 4 MUNICIPAL DEBT (Continued)

General Intergovernmental Loans Payable

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

	<u>2009</u>	<u>2008</u>
\$653,625, 2000 Loan, due in Semi-annual installments of \$16,514 to \$20,555 through February 21, 2020, interest at 2.00%	\$ 391,473	\$ 424,665

Sewer Utility Assessment Bonds

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

	<u>2009</u>	<u>2008</u>
\$2,110,000, 2001 Bonds, due in annual installments of \$120,000 to \$125,000 through February 2019, interest at 4.10% to 4.75%	\$ 1,235,000	\$ 1,360,000
\$720,000, 2003 Bonds, due in annual installments of \$40,000 to \$45,000 through December 2021, interest at 3.20% to 4.25%	495,000	540,000
\$975,000, 2004 Bonds, due in annual installments of \$60,000 through August 2022, interest at 4.0% to 4.375%	<u>780,000</u>	<u>845,000</u>
	<u>\$ 2,510,000</u>	<u>\$ 2,745,000</u>

BOROUGH OF OLD TAPPAN
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2009 AND 2008

NOTE 4 MUNICIPAL DEBT (Continued)

Sewer Utility Intergovernmental Loans Payable

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

	<u>2009</u>	<u>2008</u>
\$1,195,000, 1993 Loan, refunded by 2003 Refunding Series due in annual installments of \$71,107 to \$85,199 through February 2013, interest rates of 4.75% to 4.80%	\$ 322,971	\$ 394,078
\$1,181,351, 1993 Loan, due in semi-annual installments of \$4,010 to \$56,665 through February 2011, interest free	65,903	125,744
\$3,415,000, 1999 Assessment Loan, refunded by 2006B Refunding Series, due in annual installments of \$170,000 to \$255,579 through August 2019, interest rates of 5.00% to 5.70%	2,108,738	2,278,738
\$3,193,990, 1999 Assessment Loan, due in semi-annual installments of \$4,592 to \$176,970 through August 2019, interest free	1,772,027	1,950,830
\$1,960,000, 2000 Assessment Loan, refunded by 2006A Refunding Series, due in annual installments of \$95,000 to \$139,676 through August 1, 2020, interest at 5.00% to 5.25%	1,257,109	1,352,109
\$1,828,595, 2000 Assessment Loan due in Semi-annual installments of \$2,521 to \$98,569 through August 1, 2020, interest free	<u>1,114,913</u>	<u>1,217,597</u>
	<u>\$ 6,641,661</u>	<u>\$ 7,319,096</u>
 Sewer Utility Capital Loans	 \$ 388,874	 \$ 519,822
Sewer Utility Assessment Loans	<u>6,252,787</u>	<u>6,799,274</u>
	<u>\$ 6,641,661</u>	<u>\$ 7,319,096</u>

BOROUGH OF OLD TAPPAN
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2009 AND 2008

NOTE 4 MUNICIPAL DEBT (Continued)

The Borough's principal and interest for long-term debt issued and outstanding as of December 31, 2009 is as follows:

Calendar Year	<u>General</u>		<u>Sewer Capital</u>		<u>Sewer Assessment</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2010	\$ 583,859	\$ 224,189	\$ 136,649	\$ 14,139	\$ 784,459	\$ 249,646	\$ 1,992,941
2011	604,540	203,604	86,071	10,250	786,568	231,093	1,922,126
2012	620,234	182,212	80,956	6,242	796,974	212,397	1,899,015
2013	643,943	159,963	85,198	2,114	794,934	193,178	1,879,330
2014	516,665	140,707			813,562	170,299	1,641,233
2015-2019	2,751,679	396,122			4,285,526	476,338	7,909,665
2020-2023	<u>320,553</u>	<u>33,799</u>	<u>-</u>	<u>-</u>	<u>500,764</u>	<u>27,677</u>	<u>882,793</u>
	<u>\$ 6,041,473</u>	<u>\$ 1,340,596</u>	<u>\$ 388,874</u>	<u>\$ 32,745</u>	<u>\$ 8,762,787</u>	<u>\$ 1,560,628</u>	<u>\$ 18,127,103</u>

Changes in Long-Term Municipal Debt

The Borough's long-term capital debt activity for the years 2009 and 2008 were as follows:

	Balance, December 31, <u>2008</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2009</u>	Due Within <u>One Year</u>
<u>2009</u>					
General Capital Fund					
Bonds Payable	\$ 6,180,000		\$ 530,000	\$ 5,650,000	\$ 550,000
Intergovernmental Loans Payable	<u>424,665</u>	<u>-</u>	<u>33,192</u>	<u>391,473</u>	<u>33,860</u>
General Capital Fund Long-Term Liabilities	<u>\$ 6,604,665</u>	<u>\$ -</u>	<u>\$ 563,192</u>	<u>\$ 6,041,473</u>	<u>\$ 583,860</u>
Sewer Utility Capital Fund					
Intergovernmental Loans	<u>\$ 519,822</u>	<u>-</u>	<u>\$ 130,948</u>	<u>\$ 388,874</u>	<u>\$ 136,649</u>
Sewer Utility Capital Fund Long-Term Liabilities	<u>\$ 519,822</u>	<u>\$ -</u>	<u>\$ 130,948</u>	<u>\$ 388,874</u>	<u>\$ 136,649</u>
Sewer Utility Assessment Fund					
Bonds Payable	\$ 2,745,000		\$ 235,000	\$ 2,510,000	\$ 230,000
Intergovernmental Loans Payable	<u>6,799,274</u>	<u>-</u>	<u>546,487</u>	<u>6,252,787</u>	<u>554,459</u>
Sewer Utility Assessment Fund Long-Term Liabilities	<u>\$ 9,544,274</u>	<u>\$ -</u>	<u>\$ 781,487</u>	<u>\$ 8,762,787</u>	<u>\$ 784,459</u>

BOROUGH OF OLD TAPPAN
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2009 AND 2008

NOTE 4 MUNICIPAL DEBT (Continued)

Changes in Long-Term Municipal Debt (Continued)

	Balance, December 31, <u>2007</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2008</u>	Due Within <u>One Year</u>
<u>2008</u>					
General Capital Fund					
Bonds Payable	\$ 6,694,000		\$ 514,000	\$ 6,180,000	\$ 530,000
Intergovernmental Loans Payable	<u>457,203</u>	<u>-</u>	<u>32,538</u>	<u>424,665</u>	<u>33,192</u>
General Capital Fund Long-Term Liabilities	<u>\$ 7,151,203</u>	<u>\$ -</u>	<u>\$ 546,538</u>	<u>\$ 6,604,665</u>	<u>\$ 563,192</u>
Sewer Utility Capital Fund					
Intergovernmental Loans	<u>\$ 652,969</u>	<u>-</u>	<u>\$ 133,147</u>	<u>\$ 519,822</u>	<u>\$ 130,948</u>
Sewer Utility Capital Fund Long-Term Liabilities	<u>\$ 652,969</u>	<u>\$ -</u>	<u>\$ 133,147</u>	<u>\$ 519,822</u>	<u>\$ 130,948</u>
Sewer Utility Assessment Fund					
Bonds Payable	\$ 3,055,000		\$ 310,000	\$ 2,745,000	\$ 235,000
Intergovernmental Loans Payable	<u>7,329,116</u>	<u>-</u>	<u>529,842</u>	<u>6,799,274</u>	<u>546,487</u>
Sewer Utility Assessment Fund Long-Term Liabilities	<u>\$ 10,384,116</u>	<u>\$ -</u>	<u>\$ 839,842</u>	<u>\$ 9,544,274</u>	<u>\$ 781,487</u>

BOROUGH OF OLD TAPPAN
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2009 AND 2008

NOTE 4 MUNICIPAL DEBT (Continued)

Short-Term Debt

The Borough's short-term capital debt activity for the years 2009 and 2008 was as follows:

	Balance December 31, <u>2008</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2009</u>
<u>2009</u>				
Bond Anticipation Notes				
General Capital Fund	\$ <u>803,000</u>	\$ <u>2,004,900</u>	\$ <u>803,000</u>	\$ <u>2,004,900</u>
	\$ <u>803,000</u>	\$ <u>2,004,900</u>	\$ <u>803,000</u>	\$ <u>2,004,900</u>
	Balance December 31, <u>2007</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2008</u>
<u>2008</u>				
Bond Anticipation Notes				
General Capital Fund	\$ <u>565,000</u>	\$ <u>803,000</u>	\$ <u>565,000</u>	\$ <u>803,000</u>
	\$ <u>565,000</u>	\$ <u>803,000</u>	\$ <u>565,000</u>	\$ <u>803,000</u>

BOROUGH OF OLD TAPPAN
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2009 AND 2008

NOTE 5 FIXED ASSETS

General Fixed Assets

The following is a summary of changes in the general fixed assets account group for the years 2009 and 2008.

	Balance December 31, <u>2008</u>	<u>Additions</u>	<u>Deletions</u>	Balance, December 31, <u>2009</u>
<u>2009</u>				
Land	\$ 29,113,900			\$ 29,113,900
Buildings and Building Improvement	14,619,200			14,619,200
Machinery and Equipment	<u>5,759,182</u>	<u>\$ 320,568</u>	<u>-</u>	<u>6,079,750</u>
	<u>\$ 49,492,282</u>	<u>\$ 320,568</u>	<u>\$ -</u>	<u>\$ 49,812,850</u>
	Balance December 31, <u>2007</u> (Restated)	<u>Additions</u>	<u>Deletions</u>	Balance, December 31, <u>2008</u>
<u>2008</u>				
Land	\$ 29,113,900			\$ 29,113,900
Buildings and Building Improvement	14,619,200			14,619,200
Machinery and Equipment	<u>5,552,687</u>	<u>\$ 206,495</u>	<u>-</u>	<u>5,759,182</u>
	<u>\$ 49,285,787</u>	<u>\$ 206,495</u>	<u>\$ -</u>	<u>\$ 49,492,282</u>

BOROUGH OF OLD TAPPAN
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2009 AND 2008

NOTE 5 FIXED ASSETS (Continued)

Sewer Utility Fixed Assets

The following is a summary of changes in the utility fund fixed assets for the years 2009 and 2008.

	Balance December 31, <u>2008</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2009</u>
<u>2009</u>				
Fixed Capital				
System and System Improvements	\$ 17,955,006	\$ 6,500		\$ 17,961,506
Vehicles and Equipment	<u>396,148</u>	<u>-</u>	<u>-</u>	<u>396,148</u>
	<u>\$ 18,351,154</u>	<u>\$ 6,500</u>	<u>\$ -</u>	<u>\$ 18,357,654</u>
	Balance December 31, <u>2007</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2008</u>
<u>2008</u>				
Fixed Capital				
System and System Improvements	\$ 18,018,959	\$ 28,946	\$ 92,899	\$ 17,955,006
Vehicles and Equipment	<u>396,148</u>	<u>-</u>	<u>-</u>	<u>396,148</u>
	<u>\$ 18,415,107</u>	<u>\$ 28,946</u>	<u>\$ 92,899</u>	<u>\$ 18,351,154</u>

BOROUGH OF OLD TAPPAN
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2009 AND 2008

NOTE 6 DUE TO/FROM OTHER FUNDS

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

	<u>2009</u>		<u>2008</u>	
	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Current Fund	\$ 2,314		\$ 9,984	\$ 8,268
Trust Funds:				
Animal Control Fund				23
Other Trust Fund		\$ 2,314		6,338
Open Space Trust Fund		53,000		
General Capital Fund	53,000		8,268	
Sewer Utility Fund:				
Operating Fund	239,421		268,955	3,623
Assessment Trust Fund	<u>-</u>	<u>239,421</u>	<u>-</u>	<u>268,955</u>
Total	<u>\$ 294,735</u>	<u>\$ 294,735</u>	<u>\$ 287,207</u>	<u>\$ 287,207</u>

The above balances are the result of expenditures being paid by one fund on behalf of another and/or revenues collected in one fund on behalf of another fund.

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

BOROUGH OF OLD TAPPAN
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2009 AND 2008

NOTE 7 FUND BALANCES APPROPRIATED

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

	Fund Balance December 31, <u>2009</u>	Utilized in Subsequent Year's Budget	Fund Balance December 31, <u>2008</u>	Utilized in Subsequent Year's Budget
Current Fund				
Cash Surplus	\$ 1,120,768	\$ 1,006,000	\$ 817,711	\$ 817,000
Non-Cash Surplus	<u>220,729</u>	<u>-</u>	<u>308,571</u>	<u>-</u>
	<u>\$ 1,341,497</u>	<u>\$ 1,006,000</u>	<u>\$ 1,126,282</u>	<u>\$ 817,000</u>
Sewer Utility Operating Fund				
Cash Surplus	<u>\$ 146,666</u>	<u>\$ 55,000</u>	<u>\$ 183,678</u>	<u>\$ 92,000</u>

NOTE 8 DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

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

	Balance, <u>December 31,</u>	Subsequent Year Budget <u>Appropriation</u>	Balance to Succeeding <u>Budgets</u>
<u>2009</u>			
Current Fund			
Emergency Authorization	\$ 75,000	\$ 75,000	
Special Emergency Authorizations (40A:4-53)	<u>125,600</u>	<u>34,800</u>	<u>\$ 90,800</u>
	<u>\$ 200,600</u>	<u>\$ 109,800</u>	<u>\$ 90,800</u>
<u>2008</u>			
Current Fund			
Special Emergency Authorizations (40A:4-53)	<u>\$ 160,400</u>	<u>\$ 34,800</u>	<u>\$ 125,600</u>
	<u>\$ 160,400</u>	<u>\$ 34,800</u>	<u>\$ 125,600</u>

BOROUGH OF OLD TAPPAN
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2009 AND 2008

NOTE 9 COMPENSATED ABSENCES

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

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS

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

Police and Firemen's Retirement System (PFRS) – established in July 1944, under the provisions of N.J.S.A. 43:16A to provide coverage to substantially all full time county and municipal police or firemen and State firemen appointed after June 30, 1944. Membership is mandatory for such employees with vesting occurring after 10 years of membership.

Public Employees' Retirement System (PERS) – established in January 1955, under the provisions of N.J.S.A. 43:15A to provide coverage, including post-retirement healthcare for those eligible employees whose local employers elected to do so, to substantially all full-time employees of the State or any county, municipality, school district, or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees and vesting occurs after 8 to 10 years of service for pension benefits and 25 years for post-retirement healthcare coverage.

Other Pension Funds

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

The cost of living increase for PFRS and PERS are funded directly by each of the respective systems and are considered in the annual actuarial calculation of the required contributions for the system.

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

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

BOROUGH OF OLD TAPPAN
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2009 AND 2008

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Basis of Accounting

The financial statements of the retirement systems are prepared on the accrual basis of accounting. Employer contributions are recognized when payable to the retirement systems. Benefits or refunds are recognized when due and payable in accordance with the terms of the retirement systems.

Investment Valuation

Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. The fair value of real estate investments is based on independent appraisals. Investments that do not have an established market are reported at estimated fair values.

The State of New Jersey, Department of the Treasury, Division of Investment, issues publicly available financial reports that include the financial statements of the State of New Jersey Cash Management Fund, Common Pension Fund A, Common Pension Fund B, Common Pension Fund D and Common Pension Fund E. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Investment, P.O. Box 290, Trenton, New Jersey 08625-0290.

Significant Legislation

P.L. 2009, c. 19, effective March 17, 2009 provides an option for local employers to contribute 50 percent of the normal and accrued liability contribution amounts certified by the PERS and PFRS for payments due in State fiscal year 2009. This law also provides that a local employer may pay 100 percent of the required contribution. Such an employer will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries for PERS and PFRS will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the State fiscal year ending June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets.

P.L. 2008, c. 89, effective November 1, 2008, increased the TPAF and PERS eligibility age for unreduced benefits from age 60 to age 62 for members hired on or after November 1, 2008; changed the early retirement provisions; increased the minimum annual compensation required for membership eligibility for new members on or after the effective date of this law.

P.L. 2007, c. 103, certain parts effective July 1, 2007, provided for the following: changed contribution rates of TPAF, PERS, and Defined Contribution Retirement Program (DCRP) to 5.5 percent of annual compensation; imposed an annual maximum wage contribution base and a new retirement age to new employees; implemented changes to State Health Benefits Program (SHBP) which included the creation of the School Employees' Health Benefit Program (SEHBP) and established an employee contribution of 1.5 percent of the employee's base salary.

**BOROUGH OF OLD TAPPAN
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2009 AND 2008**

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Funded Status and Funding Progress

As of June 30, 2008, the most recent actuarial valuation date, the aggregate funded ratio for all the State administered retirement systems, including PERS and PFRS, is 72.6 percent with an unfunded actuarial accrued liability of \$34.4 billion. The aggregate funded ratio and unfunded accrued liability for the State-funded systems is 69.6 percent and \$23.0 billion, and the aggregate funded ratio and unfunded accrued liability for local PERS and PFRS is 77.2 percent and \$11.4 billion.

The funded status and funding progress of the retirement systems is based on actuarial valuations which involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the probability of future events.

Actuarial calculations reflect a long-term perspective and are based on the benefits provided under the terms of the retirement systems in effect at the time of each valuation and also consider the pattern of the sharing of costs between the employer and members at that point in time. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual limitations on the pattern of cost sharing between the employer and members in the future.

Actuarial Methods and Assumptions

In the June 30, 2008 actuarial valuation, the projected unit credit was used as the actuarial cost method, and the five year average of market value was used as the asset valuation method for the retirement systems. The actuarial assumptions included (1) 8.25 percent for investment rate of return for all the retirement systems; and (2) 5.45 percent for projected salary increases for all the retirement systems except PFRS.

Employer and Employee Pension Contributions

The contribution policy is set by laws of the State of New Jersey and contributions are required by active members and participating employers. Plan members and employer contributions may be amended by State of New Jersey legislation, with the amount of contributions by the State of New Jersey contingent upon the annual Appropriations Act. As defined, the various retirement systems require employee contributions based on 5.5% for PERS, 8.50% for PFRS of employees' annual compensation.

Annual Pension Cost (APC)

Per the requirements of GASB Statement No. 27 for the year ended June 30, 2009 for PFRS and PERS, which are cost sharing multi-employer defined benefit pension plans, annual pension cost equals contributions made.

BOROUGH OF OLD TAPPAN
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2009 AND 2008

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Annual Pension Cost (APC) (Continued)

During the years ended December 31, 2009, 2008 and 2007, the Borough was required to contribute for normal cost pension contributions the following amounts which equaled the required contributions for each year:

<u>Year Ended</u> <u>December 31</u>	<u>PFRS</u>	<u>PERS</u>
2009	\$ 392,816	\$ 126,288
2008	335,565	103,517
2007	239,974	51,312

NOTE 11 POST-RETIREMENT MEDICAL BENEFITS

The State of New Jersey sponsors and administers the post-retirement health benefit program plans for participating municipalities including the Borough. The Plans are cost-sharing multiple employer-defined benefit plans.

As a result of implementing Governmental Accounting Standards Board (GASB) Statement No. 43, *Financial Reporting for Post-employment Benefit Plans Other than Pension Plans* (OPEB), effective for Fiscal Year 2007, the State Health Benefits Program (SHBP), and the Prescription Drug Program (PDP), and Post-Retirement Medical (PRM) of the PERS and the Teachers Pension and Annuity (TPAF) are combined and reported as Pension and Other Employee Benefit Trust Funds in the State's Comprehensive Annual Financial Report (CAFR). Specifically, SHBP-State, PDP-State, and the PRM of the PERS are combined and reported as Health Benefits Program Fund – State Class. The SHBP-Local, PDP-Local, and the PRM of the TPAF are combined and reported as a separate fund (Health Benefits Program Fund –Local) in the State's CAFR. The post-retirement benefit programs had a total of 484 state and local participating employers and contributing entities for Fiscal Year 2009.

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

Basis of Accounting

The financial statements of the health benefit programs are prepared on the accrual basis of accounting. Employer contributions are recognized when payable to the health benefit programs. Benefits or refunds are recognized when due and payable in accordance with the terms of the health benefit programs.

**BOROUGH OF OLD TAPPAN
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2009 AND 2008**

NOTE 11 POST-RETIREMENT MEDICAL BENEFITS (Continued)

Investment Valuation

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

Funded Status and Funding Progress

As of June 30, 2008, the most recent actuarial valuation date, the State had a \$55.9 billion unfunded actuarial liability for other post employment benefits (OPEB) which is made up of \$19.8 billion for state active and retired members and \$36.1 billion for education employees and retirees that become the obligation of the State of New Jersey upon retirement.

The funded status and funding progress of the OPEB is based on actuarial valuations which involve estimates of the value of reported amounts and assumptions about the probability of events in the future. These amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the probability of future events.

Actuarial calculations reflect a long-term perspective and are based on the benefits provided under the terms of the OPEB in effect at the time of each valuation and also consider the pattern of the sharing of costs between the employer and members at the point in time. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal contractual funding limitations on the pattern of cost sharing between the employer and members in the future.

Actuarial Methods and Assumptions

In the June 30, 2008 actuarial valuation, the projected unit credit was used as the actuarial cost method, and the market value was used as asset valuation method for the OPEB. The actuarial assumptions included 4.50 percent for investment rate of return for the OPEB.

Post-Retirement Medical Benefits Contribution

P.L. 1987, c. 384 and P.L. 1990, c.6 required the Public Employees' Retirement System to fund post-retirement medical benefits for those State and participating local government employees who retire after accumulating 25 years of credited service or on a disability retirement. As of June 30, 2009, there were 84,590 retirees receiving post-retirement medical benefits. The cost of these benefits is funded through contributions by the State and participating local governments in accordance with P.L. 1994, c.62. Funding of post-retirement medical benefits changed from a pre-funding basis to a pay-as-you-go basis beginning in fiscal year 1994.

P.L. 1977, c. 136 provides for the State and participating local governments to pay health benefits on a pay-as-you-go basis for all enrolled retired employees, regardless of retirement date, under two provisions. The first is for employees whose pensions are based on 25 years or more of credited service (except those who elect a deferred retirement). The second is for retired employees who are eligible for a disability retirement regardless of years of service. The State and participating local governments contributed \$87.0 million for 7,255 eligible retired members for fiscal year 2009.

BOROUGH OF OLD TAPPAN
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2009 AND 2008

NOTE 11 POST-RETIREMENT MEDICAL BENEFITS (Continued)

P.L. 1997, c. 330 provides paid post-retirement health benefits to qualified retirees of the Police and Firemen's Retirement System and to dependents of qualified retirees. The State and participating local governments are responsible for 80 percent of the premium for the category of coverage elected by the retiree under the State managed care plan or a health maintenance organization participating in the program, whichever provides the lower charge. The State and participating local governments contributed \$24.4 million in fiscal year 2009 to provide benefits under Chapter 330 to qualified retirees.

The State sets the employer contribution rate based on a pay-as-you-go basis rather than the *annual required contribution of the employers (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The Borough's contributions to the State Health Benefits Program Fund for post-retirement benefits for the years ended December 31, 2009 and 2008 were \$108,515 and \$84,925, respectively, which equaled the required contributions for each year.

NOTE 12 RISK MANAGEMENT

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

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

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

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

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

BOROUGH OF OLD TAPPAN
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2009 AND 2008

NOTE 12 RISK MANAGEMENT (Continued)

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

<u>Year Ended</u> <u>December 31</u>	<u>Borough</u> <u>Contributions</u>	<u>Employee</u> <u>Contributions</u>	<u>Amount</u> <u>Reimbursed</u>	<u>Ending</u> <u>Balance</u>
2009	\$ 35,000	\$ 4,181	\$ 22,328	\$ 16,301
2008	38,250	4,162	44,151	(646)
2007	8,500	4,851	21,942	906

NOTE 13 CONTINGENT LIABILITIES

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

Federal and State Awards - The Borough participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Borough may be required to reimburse the grantor government. As of December 31, 2009 and 2008, significant amounts of grant expenditure have not been audited by the various grantor agencies but the Borough believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the Borough.

NOTE 14 FEDERAL ARBITRAGE REGULATIONS

The Borough is subject to Section 148 of the Internal Revenue Code as it pertains to the arbitrage rebate on all tax-exempt obligations, both long and short-term debt. Under the 1986 Tax Reform Act, the Internal Revenue Service (IRS) required that all excess earnings from investment proceeds be rebated to the IRS. Arbitrage, for purposes of these regulations, is defined as the difference between the yield on the investment and the yield on the obligations issued. If there are excess earnings, this amount may be required to be rebated to the IRS. At December 31, 2009 and 2008, the Borough has not determined its estimated arbitrage earnings due to the IRS, if any.

**BOROUGH OF OLD TAPPAN
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2009 AND 2008**

NOTE 15 LENGTH OF SERVICE AWARD PROGRAM (LOSAP)-UNAUDITED

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

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

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

The Borough of Old Tappan has contributed \$1,150 for 2009 and 2008, respectively, for each eligible volunteer first aid squad member into the Plan. For the years ended December 31, 2009 and 2008 the Borough contributed \$71,300 and \$67,850, respectively to the plan for all eligible volunteer fire department and first aid squad members.

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

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

Vesting and Benefits

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

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

BOROUGH OF OLD TAPPAN
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2009 AND 2008

NOTE 15 LENGTH OF SERVICE AWARD PROGRAM (LOSAP) (Continued)

Reporting Requirements

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

NOTE 16 DEFERRED 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.

	<u>2009</u>	<u>2008</u>
	Local District	Local District
	<u>School</u>	<u>School</u>
Balance of Tax	\$ 6,337,616	\$ 6,149,800
Deferred	<u>4,085,860</u>	<u>3,822,860</u>
Taxes Payable	<u>\$ 2,251,756</u>	<u>\$ 2,326,940</u>

NOTE 17 CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

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

<u>Capital Project</u>	<u>Construction</u> <u>Commitment</u>	<u>Estimated</u> <u>Date of</u> <u>Completion</u>
<u>2009</u>		
Police Headquarters	\$148,139	2010
Solar Photovoltaic System	831,250	2011
<u>2008</u>		
Police Headquarters	1,005,377	2010
Vehicle w/Aerial Lift	89,483	2009

BOROUGH OF OLD TAPPAN
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2009 AND 2008

NOTE 18 INDEMNIFICATION AGREEMENT - WASTEWATER TREATMENT LOANS

Under the New Jersey Department of Environmental Protection ("NJDEP") 1993 Wastewater Treatment Loan Agreements the Borough unconditionally and irrevocably pledges its full faith and credit and covenants to exercise its unlimited taxing powers for the punctual payment of the principal and interest on the loans in accordance with their respective terms. The Loan Agreements may not be assigned by the Borough unless approved by the NJDEP. These loan agreements have not been assigned and remain the obligations of the Borough under the Loan Agreements.

On September 20, 1993 the Borough entered into an indemnification agreement with United Properties Group ("UPG") formerly River Vale Realty Co., Inc. ("RVR"). A New York Corporation, authorized to do business in New Jersey. Under the Agreement UPG shall indemnify, hold harmless and defend the Borough and its officers, employees or agents from all losses, costs and expenses, including but not limited to repayment of loan principal, interest, penalties, if any, and costs arising out of the loans received by the Borough from the NJDEP 1993 Wastewater Treatment Fund and 1993 Wastewater Treatment Trust for the purpose of constructing sanitary sewers. All payments, including but not limited to principal, interest and penalties, if any required to be made by the Borough as an applicant and recipient of funds under the NJDEP 1993 Wastewater Treatment Financing Programs shall be considered as the obligation of UPG. UPG shall pay all such sums when they become due. It is the intentions of the parties that the 1993 wastewater treatment loans received by the Borough be at absolutely no cost to the municipality.

Under the agreement UPG constructed Phase II B of the Sanitary Sewer System within the time period required by the financing program. After completion of Phase II B of the Sanitary Sewer improvements and after certification by the Municipal Engineer that Phase II B had been satisfactorily completed, UPG dedicated such improvements to the Borough and the Borough accepted ownership of the sanitary sewer improvements. UPG has no ownership interest in the improvements.

As of December 31, 2009 and 2008 the balance outstanding from the 1993 wastewater treatment loans were \$388,874 and \$519,822, respectively.

NOTE 19 CONSTRUCTION LOAN AGREEMENT – OLD TAPPAN FREE PUBLIC LIBRARY

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

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

As of December 31, 2009 and 2008 the balances of the Loan outstanding were \$875,000 and \$920,000, respectively.

**BOROUGH OF OLD TAPPAN
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2009 AND 2008**

NOTE 20 SUBSEQUENT EVENTS

Debt Authorized

On February 16, 2010 and May 3, 2010, the Borough adopted Bond Ordinances authorizing the issuance of \$325,000 and \$428,000, respectively, in Bonds or Bond Anticipation Notes to fund certain capital projects. As of the date of this report the Borough has not issued nor awarded the sale of said bonds or notes.

Bond Anticipation Notes

On March 19, 2010 the Borough issued Bond Anticipation Notes in the amount of \$1, 938,000 to temporarily finance expenditures related to various capital projects. The Borough awarded the sale of said notes to TD Bank, N.A. at an interest rate of 0.75%. These notes dated March 19, 2010 will mature on July 19, 2010.

Serial Bonds

On June 10, 2010 the Borough adopted a Refunding Bond Ordinance authorizing the issuance of Bonds not to exceed \$1,750,000 to provide for the refunding of \$1,649,000 of outstanding General and Sewer Assessment Bonds of 2001. As of the date of this report, the Borough has not issued nor awarded the sale of said Refunding Bonds.

On June 21, 2010 the Borough adopted a resolution for the issuance of \$2,120,000 General Improvement Bonds for the purpose of funding various capital improvements of the Borough. As of the date of this report, the Borough has not issued nor awarded the sale of said Bonds.

APPENDIX B

PROPOSED FORM OF BOND COUNSEL OPINION

APPENDIX B

[Proposed Form of Bond Counsel Opinion -
General Improvement Bonds]

July __, 2010

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

Dear Council Members:

We have acted as bond counsel in connection with the issuance of \$2,120,000 aggregate principal amount of General Improvement Bonds (the "Bonds") by the Borough of Old Tappan, in the County of Bergen, a municipal corporation of the State of New Jersey (the "Borough"). The Bonds are dated July 15, 2010 and comprise an issue of registered bonds. The Bonds bear interest from their date, payable on each January 15 and July 15, commencing January 15, 2011 (each, an "Interest Payment Date"), in each year until maturity.

The Bonds are payable in annual installments on July 15 in each year, and bear interest at the rates per annum, as follows:

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2011	\$ 50,000	%	2017	\$170,000	%
2012	50,000		2018	180,000	
2013	50,000		2019	190,000	
2014	150,000		2020	320,000	
2015	150,000		2021	325,000	
2016	160,000		2022	325,000	

The Bonds are issued pursuant to the Local Bond Law (Chapter 2 of Title 40A of the New Jersey Statutes, as amended) and pursuant to five bond ordinances adopted by the Borough Council of the Borough on December 6, 2007 (Ord. No. 956-07), April 20, 2009 (Ord. No. 986-09), September 21, 2009 (Ord. No. 992-09), February 16, 2010 (Ord. No. 1007-10) and May 3, 2010 (Ord. No. 1011-10) and resolutions adopted by the Borough Council of the Borough on June 21, 2010.

Borough Council
Borough of Old Tappan
July __, 2010
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The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds be and remain excluded from gross income of the owners thereof for Federal income tax purposes pursuant to Section 103 of the Code. Such requirements include requirements relating to the use and investment of proceeds of the Bonds and other amounts and to the rebate of certain arbitrage earnings to the United States. Noncompliance by the Borough with such requirements may cause interest on the Bonds to be included in gross income of the owners thereof retroactive to the date of issuance of the Bonds, regardless of when such noncompliance occurs.

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

As bond counsel, we have examined certified copies of the bond ordinances and resolutions referred to above and related proceedings in connection with the issuance of the Bonds. We have also examined originals (or copies certified or otherwise identified to our satisfaction) of such other instruments, certificates and documents as we have deemed necessary or appropriate for the purpose of the opinion rendered below, including the Tax Certificate executed by the Chief Financial Officer of the Borough of even date herewith. We have assumed the accuracy of the factual information and the truthfulness of the expectations set forth in the Tax Certificate and the exhibits thereto. We have also examined the executed and authenticated first numbered Bond and have assumed that all of the other Bonds have been similarly executed and authenticated. In such examination, we have assumed the genuineness of all signatures,

Borough Council
Borough of Old Tappan
July __, 2010
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the authenticity of all documents submitted to us as originals and the conformity to the original documents of all documents submitted to us as copies. As to any facts material to our opinion we have, when relevant facts were not independently established, relied upon the aforesaid instruments, certificates and documents.

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

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

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

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

3. Assuming compliance by the Borough with the Tax Certificate, under existing law, interest on the Bonds is excluded from gross income of the owners thereof for Federal income tax purposes pursuant to Section 103 of the Code. In addition, under existing law, interest on the Bonds is not treated as a preference item for purposes of the alternative minimum tax imposed under the Code with respect to individuals and corporations; nor is it included in "adjusted current earnings" for purposes of computing the alternative minimum tax that may be imposed on corporations.

Borough Council
Borough of Old Tappan
July __, 2010
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In addition, under the New Jersey Gross Income Tax Act, as enacted and construed on the date hereof, interest on the Bonds and any gain from the sale of the Bonds are not includable in gross income of the holders thereof.

Very truly yours,

Rogut McCarthy LLC

APPENDIX B

[Proposed Form of Bond Counsel Opinion - Refunding Bonds]

July __, 2010

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

Dear Council Members:

We have acted as bond counsel in connection with the issuance of \$1,275,000 refunding bonds consisting of \$545,000 aggregate principal amount of General Improvement Refunding Bonds and \$730,000 aggregate principal amount of Sewer Assessment Refunding Bonds (individually, the "General Improvement Refunding Bonds" or the "Sewer Assessment Refunding Bonds"; collectively, the "Bonds") by the Borough of Old Tappan, in the County of Bergen, a municipal corporation of the State of New Jersey (the "Borough"). The Bonds are dated July 15, 2010 and comprise two issues of registered bonds. The Bonds bear interest from their date, payable on each February 15 and August 15, commencing February 15, 2011 (each, an "Interest Payment Date"), in each year until maturity.

The General Improvement Refunding Bonds are payable in annual installments on February 15 in each year, and bear interest at the rates per annum, as follows:

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2011	\$185,000	%
2012	180,000	
2013	180,000	

The Sewer Assessment Refunding Bonds are payable in annual installments on February 15 in each year, and bear interest at the rates per annum, as follows:

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2011	\$70,000	%	2016	\$85,000	%
2012	75,000		2017	85,000	
2013	75,000		2018	85,000	
2014	85,000		2019	85,000	
2015	85,000				

The Bonds are issued pursuant to the Local Bond Law (Chapter 2 of Title 40A of the New Jersey Statutes, as amended) and pursuant to a refunding bond ordinance adopted by the Borough Council of the Borough on June 9, 2010 (Ord. No. 1014-10) and resolutions adopted by the Borough Council of the Borough on June 21, 2010.

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

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

and intends to comply with the provisions and procedures contained therein.

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

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

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

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

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

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

Very truly yours,

Rogut McCarthy LLC