

NEW ISSUE - BOOK-ENTRY-ONLY

RATING: Moody's: "Aa2"

In the opinion of DeCotiis, FitzPatrick & Cole, LLP, Bond Counsel, assuming continuing compliance by the Borough of Englewood Cliffs (the "Borough") with certain covenants described herein, under current law, interest on the Bonds is not includable in gross income for federal income tax purposes and is not an item of tax preference under Section 57 of the Internal Revenue Code of 1986, as amended ("Code"), for purposes of computing the federal alternative minimum tax; however, interest on the Bonds held by corporate taxpayers is included in the relevant income computation for calculation of the federal alternative minimum tax as a result of the inclusion of interest on the Bonds in "adjusted current earnings". No opinion is expressed regarding other federal tax consequences arising with respect to the Bonds. Further, in the opinion of Bond Counsel, under current law interest on the Bonds and any gain on the sale thereof are not includable as gross income under the New Jersey Gross Income Tax Act. See "TAX MATTERS" herein.

\$9,885,000
BOROUGH OF ENGLEWOOD CLIFFS, COUNTY OF BERGEN, NEW JERSEY
GENERAL OBLIGATION BONDS, SERIES 2014
(Book-Entry Issue)
(Callable)
(Bank Qualified)

Dated: Date of Delivery

Due: March 15, as shown below

The Bonds will be issued in the form of one certificate for the aggregate principal amount of the Bonds maturing in each year and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York, which will act as Securities Depository. See "Book-Entry Only System."

Interest on the Bonds will be paid semi-annually on the fifteenth day of September and March in each year, commencing on September 15, 2014, until maturity or earlier redemption. Interest on the Bonds will be credited to the participants of The Depository Trust Company as listed on the records of The Depository Trust Company as of each next preceding September 1 and March 1 (the "Record Dates" for the payment of interest on the Bonds).

Principal of and interest on the Bonds will be paid to the Securities Depository by the Borough.

The Bonds are subject to optional redemption prior to maturity as more fully described herein.

The Bonds are valid and legally binding obligations of the Borough of Englewood Cliffs and, unless paid from other sources, are payable from ad valorem taxes levied upon all the taxable real property within the Borough for the payment of the Bonds and the interest thereon without limitation as to rate or amount.

The Bonds are offered when, as and if issued and delivered to the Underwriter, subject to prior sale, to withdrawal or modification of the offer without notice and to approval of legality by the law firm of DeCotiis, FitzPatrick & Cole, LLP, Teaneck, New Jersey, and certain other conditions described herein. Delivery is anticipated to be at the offices of the Borough's Bond Counsel, DeCotiis, FitzPatrick & Cole, LLP, Teaneck, New Jersey, or at such other place as agreed to with the Underwriter on or about March 20, 2014.

Maturities, Interest Rates and Yields or Prices

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield or Price</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield or Price</u>
		%	%			%	%
2015	\$350,000			2023	\$675,000		
2016	375,000			2024	700,000		
2017	575,000			2025	700,000		
2018	550,000			2026	700,000		
2019	575,000			2027	700,000		
2020	600,000			2028	700,000		
2021	635,000			2029	700,000		
2022	650,000			2030	700,000		

BID PROPOSALS WILL BE ACCEPTED ON WEDNESDAY, MARCH 12, 2014, BY ELECTRONIC SUBMISSION VIA THE PARITY WEBSITE AT WWW.NEWISSUEHOME.COM UNTIL 11:00 O'CLOCK A.M.

ALTERNATIVELY BE SEALED PROPOSAL DELIVERED TO THE BOROUGH CHIEF FINANCIAL OFFICER AT BOROUGH HALL, 482 HUDSON TERRACE ENGLEWOOD CLIFFS, NEW JERSEY 07632, BY 11:00 O'CLOCK A.M. ON WEDNESDAY, MARCH 12, 2014.

FOR MORE DETAILS ON HOW TO BID ELECTRONICALLY, REFER TO THE ENCLOSED NOTICE OF SALE AND VISIT THE WEBSITE ADDRESS LISTED ABOVE.

Dated: _____, 2014

The preliminary Official Statement has been "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 and amendment in accordance with applicable law. The Borough will deliver a final Official Statement in accordance with Rule 15c2-12. The Bonds may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this preliminary Official Statement 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 such offer, solicitation or sale would be unlawful prior to registration or qualification under the applicable securities laws of such jurisdiction.

**THE BOROUGH OF ENGLEWOOD CLIFFS
IN THE COUNTY OF BERGEN, STATE OF NEW JERSEY**

MAYOR

Joseph C. Parisi, Jr.

BOROUGH COUNCIL

Gloria Oh
Edward Aversa
Joseph Favaro
Zhi Liang
Nunzio Consalvo
Ramon Ferro

BOROUGH CLERK/ADMINISTRATOR

Lisette Duffy

CHIEF FINANCIAL OFFICER

Joseph Iannaconi, Jr.

BOROUGH ATTORNEY

E. Carter Corrison
Hackensack, New Jersey

BOROUGH AUDITOR

Ferraioli, Wielkottz, Cerullo & Cuva, P.A.
Pompton Lakes, New Jersey

BOND COUNSEL

DeCotiis, FitzPatrick & Cole, LLP
Teaneck, New Jersey

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

References in this Official Statement to laws, rules, regulations, resolutions, ordinances, 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.

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.

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

In order to facilitate the distribution of the Bonds, the Underwriter may engage in transactions intended to stabilize the price of the Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

The Underwriter has provided the following sentence for inclusion in this Preliminary Official Statement. The Underwriter has reviewed the information in this Preliminary Official Statement in accordance with, and as part of, its responsibilities to investors under the Federal Securities Laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

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**OFFICIAL STATEMENT
OF
BOROUGH OF ENGLEWOOD CLIFFS
IN THE COUNTY OF BERGEN
NEW JERSEY
RELATING TO
\$9,885,000 GENERAL OBLIGATION BONDS, SERIES 2014**

INTRODUCTION

This Official Statement (the "Official Statement"), which includes the cover page hereof and the Appendices attached hereto, is furnished by the Borough of Englewood Cliffs (the "Borough"), in the County of Bergen (the "County"), a municipal corporation of the State of New Jersey (the "State"), to provide certain information in connection with the sale and issuance of its \$9,885,000 General Obligation Bonds, Series 2014 (the "Bonds"). This Preliminary Official Statement is "deemed final", as of its date, within the meaning of Rule 15c2-12 of the Securities and Exchange Commission ("Rule 15c2-12").

DESCRIPTION OF THE BONDS

General

The Bonds shall be dated and shall bear interest from their date of delivery thereof and will mature on March 15 in each year as set forth on the cover page hereof. Interest on the Bonds is payable semi-annually commencing September 15, 2014, and thereafter on each March 15 and September 15 (each, an "Interest Payment Date") until maturity at the respective interest rates set forth on the cover page hereof. Principal of and interest on the Bonds will be paid to The Depository Trust Company, New York, New York ("DTC"), by the Borough, acting as "Bond Registrar/Paying Agent." Interest on the Bonds will be credited to the participants of DTC as listed on the records of DTC as of the first day of the month in which such Interest Payment Date occurs (the "Record Dates" for the payment of interest on the Bonds).

The Bonds are issuable as fully registered book-entry bonds in the form of one certificate for each maturity of the Bonds and in the principal amount of such maturity. The Bonds will be issued in book-entry form only. Investors may purchase beneficial interests in the Bonds in the denomination of \$5,000 or any integral multiple of \$1,000 in excess thereof. So long as DTC or its nominee, CEDE & Co. (or any successor or assign), is the registered owner of the Bonds, payments of the principal of and interest on the Bonds will be made by the Borough directly to CEDE & Co. (or any successor or assign), as nominee for DTC. Disbursement of such payments to the participants of DTC is the responsibility of DTC. Disbursement of such payments to the beneficial owners is the responsibility of the DTC participants. See "BOOK-ENTRY ONLY SYSTEM" below.

PRIOR REDEMPTION

The Bonds maturing on or before March 15, 2024 are not subject to redemption prior to their stated maturities. The Bonds maturing on or after March 15, 2025 are subject to redemption at the option of the Borough prior to maturity, in whole or in part on any date, on or after March 15, 2024, upon notice as hereinafter set forth, at the redemption price of 100% of the principal amount being redeemed, plus accrued interest to the date fixed for redemption.

Notice of redemption shall be given by first class mail in a sealed envelope with postage prepaid to the registered owners of the Bonds at their respective addresses as they last appear on the registration books kept for that purpose by the Bond Registrar/Paying Agent at least thirty (30) but not more than sixty (60) days before the date fixed for redemption. Such mailing is not a condition precedent to redemption, and the failure to mail or to receive any redemption notice will not affect the validity of the redemption proceedings. If any Bond subject to redemption is a part of a greater principal amount of the Bonds not to be redeemed, such entire amount shall be surrendered to the Bond Registrar/Paying Agent and, for that portion of the Bond not to be redeemed, a new Bond shall be issued in the name of the registered owner in an amount equal to the principal amount of the Bond surrendered less the amount to be redeemed.

AUTHORIZATION

The Bonds have been authorized by and are issued pursuant to the laws of the State, including the Local Bond Law (Chapter 2 of Title 40A of the New Jersey Statutes, as amended; the "Local Bond Law"). The Bonds are authorized by various bond ordinances adopted by the Borough Council, and by a resolution adopted by the Borough Council on February 11, 2014.

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

PURPOSE OF FINANCING

The proceeds of the Bonds will be used to refund, on a current basis, \$7,999,369 of the Borough's outstanding bond anticipation notes and to fund \$1,885,631 of previously unfunded projects.

The projects to be funded from the Bond proceeds are listed below:

<u>Ordinance Number</u>	<u>Description</u>	<u>Amount</u>
06-19/07-05/07-24	Various Improvements	\$255,344
07-20	Various Improvements	1,193,654
08-01	Various Capital Improvements	2,243,882
08-09	Imps. To Clendenin Place/Kahn Terrace	67,082
09-05	Rehabilitation of Woodland Park Basketball Court	144,465
09-12	Dredging and Restoration of Pershing Pond	315,000
09-13	Improvements to Pershing Road	23,684
09-14	Various Capital Improvements	225,308
10-14	Various Acquisitions and Improvements	1,166,000
11-10	Road Resurfacing	606,350
11-11	Various Improvements	994,400
12-15	Various Improvements	237,500
12-19	Road Improvements/Acq. Of Equipment	1,079,200
13-09	Various Improvements	<u>1,333,131</u>
		<u>\$9,885,000</u>

SECURITY FOR THE BONDS

The Bonds are valid and legally binding general obligations of the Borough and, unless paid from other sources, are payable from *ad valorem* taxes levied upon all the taxable real property within the Borough for the payment of the Bonds and the interest thereon without limitation as to rate or amount. The Bonds are not a debt of the State of New Jersey or any political subdivision thereof other than the Borough.

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 (the "Code"), and has represented that it reasonably expects that, collectively, neither it nor its subordinate entities, if any, will issue more than \$10,000,000 of tax-exempt obligations (other than current refunding obligations) during the current calendar year.

MARKET PROTECTION

The Borough does not expect to issue tax anticipation notes or additional bonds during the remainder of 2014. The Borough may issue bond anticipation notes as may be necessary during the remainder of 2014.

NO DEFAULT

The Borough has never defaulted in the payment of any bonds or notes, nor are any payments of principal of or interest on the Borough's indebtedness past due.

BOOK-ENTRY ONLY SYSTEM

The description which follows of the procedures and recordkeeping with respect to beneficial ownership interest in the Bonds, payment of principal and interest on the Bonds to Direct and Indirect Participants (defined below) or Beneficial Owners (defined below), confirmation and transfer of beneficial ownership interests in the Bonds and other related transactions by and between DTC, Direct Participants and Beneficial Owners, is based on certain information furnished by DTC to the Borough. Accordingly, the Borough does not make any representations as to the completeness or accuracy of such information.

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 the Bonds, in the aggregate principal amount of each maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation and Emerging Markets Clearing Corporation (NSCC, GSCC, MBSCC and EMCC are also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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 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).

Redemption proceeds and 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 redemption proceeds and 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 shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall 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 transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

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

THE PAYING AGENT WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH DTC PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS TO OR PROVIDING OF NOTICE FOR THE DTC PARTICIPANTS, OR THE INDIRECT PARTICIPANTS, OR BENEFICIAL OWNERS.

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE BONDS, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE BONDHOLDERS OR REGISTERED OWNERS OF THE BONDS (OTHER THAN UNDER THE CAPTION "TAX MATTERS") SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE NOTES.

Discontinuation of Book-Entry Only System

If the Borough, in its sole discretion, determines that DTC is not capable of discharging its duties, or if DTC discontinues providing its services with respect to the Bonds at any time, the Borough will attempt to locate another qualified securities depository. If the Borough fails to find such securities depository, or if the Borough determines, in its sole discretion, that it is in the best interest of the Borough or that the interest of the Beneficial Owners might be adversely affected if the book-entry only system of transfer is continued (the Borough undertakes no obligation to make an investigation to determine the occurrence of any events that would permit it to make such determination) the Borough shall notify DTC of the termination of the book-entry only system.

In the event that the book-entry only system for the Bonds is discontinued, the Borough has, pursuant to the Resolution, provided that upon receipt of the Bond certificates from DTC and the Participant information, the Borough will execute, or cause to be authenticated and deliver definitive Bonds to the holders thereof, and the principal of and interest on the Bonds will be payable and the Bonds may thereafter be transferred or exchanged in the manner described in the Bond certificates so provided.

SUMMARIES OF CERTAIN PROVISIONS OF THE LOCAL BUDGET LAW AND THE LOCAL FISCAL AFFAIRS LAW

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 an annual operating budget in the form required by the Division of Local Government Services (the "Division"), in the Department of Community Affairs, State of New Jersey. Certain items of revenue and appropriation are regulated by law and the proposed operating budget cannot be finally adopted until it has been certified by the Director of the Division (the "Director"), or in the case of a local unit's examination of its own budget, such budget cannot be finally adopted until a local examination certificate has been approved by the Chief Financial Officer and the governing body of the local unit. N.J.S.A. 40A:4-78(b) authorizes the Local Finance Board, in the Division of Local Government Services, in the Department of Community Affairs (the "Local Finance Board") to adopt rules that permit municipalities in sound fiscal condition to assume the responsibility normally granted to the Director, of conducting the annual budget examination required by the Local Budget Law. The Local Budget Law requires each local governmental unit to appropriate sufficient funds for payment of current debt service, and the Director, or in the case of local examination, the local unit, may review the adequacy of such appropriations. The Director has no authority over individual operating appropriations, unless a specific amount is required by law, but the review, focusing on anticipated revenues, functions to protect the solvency of all local governmental units. The cash basis budgets of local units must be in balance, i.e., the total of anticipated revenues must equal the total of appropriations (N.J.S.A. 40A:4-22). If in any year a local unit's expenditures exceed its realized revenues for the year, then such excess must be raised in the succeeding year's budget.

Limitations on Municipal Appropriations

A provision of law known as the New Jersey "Cap Law" (N.J.S.A. 40A:4-45.1 et seq.) imposes limitations on increases in municipal appropriations subject to various exceptions. 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 "Index Rate" if the index rate is greater than 2.5%. The "Index Rate" is the rate of annual percentage increase, rounded to the nearest one-half percent, 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 things 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. Counties are also prohibited from increasing their tax levies by more than the lesser of 2.5% or the Index Rate subject to certain exceptions. Municipalities by ordinance approved by a majority of the full membership of the governing body may increase appropriations up to 3.5% over the prior year's appropriation and counties by resolution approved by a majority of the full membership of the governing body may increase the tax levy up to 3.5% over the prior years' tax levy in years when the Index Rate is 2.5% or less.

Additionally, P.L. 2007, c.62, effective April 3, 2007, imposed a 4% cap on the tax levy of a municipality, county, fire district or solid waste collection district, with certain exceptions and subject to a number of adjustments. The exclusions from the limit included increases required to be raised for debt service and certain lease payments to county improvement authorities, increases to replace certain lost state aid, increases in certain pension contributions, increases in the reserve for uncollected taxes required for municipalities, and certain increases in health care costs over 4%. The Local Finance Board could approve waivers for certain extraordinary costs identified by the statute, and voters could approve increases above 4% not otherwise permitted by a vote of 60% of the voters voting on a public question.

This legislation was amended by P.L. 2010, c. 44, approved July 13, 2010 and applicable to the next local budget year following enactment, to limit tax levy increases for those local units to 2% with exceptions only for capital expenditures including debt service, increases in pension contributions and accrued liability for pension contributions in excess of 2%, certain healthcare increases, extraordinary costs directly related to a declared emergency and amounts approved by a simple majority of voters voting at a special election. Chapter 44 eliminates the process for obtaining waivers for additional spending under the tax levy limitation.

Neither the tax levy limitation nor the "Cap Law" limits the obligation of the City to levy ad valorem taxes upon all taxable real property within the City to pay debt service on its bonds or notes.

Tax Assessment and Collection Procedure

Property valuations (assessments) are determined on true values as arrived at by a cost approach, market data approach and capitalization of net income where appropriate. Current assessments are the results of new assessments on a like basis with established comparable properties for newly assessed or purchased properties. This method assures equitable treatment to like property owners. But it often results in a divergence of the assessment ratio to true value. Because of the changes in property resale values, annual adjustments could not keep pace with the changing values. A revaluation of all property in the Borough was last completed in 2004.

Upon the filing of certified adopted budgets by the Borough's Local School District, Fire Districts and the County, the tax rate is struck by the County Board of Taxation based on the certified amounts in each of the taxing districts for collection to fund the budgets. The statutory provision for the assessment of property, levying of taxes and the collection thereof are set forth in N.J.S.A. 54:4-et seq. Special taxing districts are permitted in New Jersey for various special services rendered to the properties located within the special districts.

Tax bills are mailed annually in June by the Borough. The taxes are due August 1 and November 1 respectively, and are adjusted to reflect the current calendar year's total tax liability. The preliminary taxes due February 1 and May 1 of the succeeding year, are based upon one-half of the current year's total tax.

Tax installments not paid on or before the due date are subject to interest penalties of 8% per annum on the first \$1,500.00 of the delinquency and 18% per annum on any amount in excess of \$1,500.00. These interest and penalties are the highest permitted under New Jersey Statutes. Delinquent taxes open for one year or more are annually included in a tax sale in accordance with New Jersey Statutes. The Borough has \$18,307 in liens as of December 31, 2012.

Tax Appeals

The New Jersey Statutes provide a taxpayer with remedial procedures for appealing an assessment deemed excessive. Prior to February 1 in each year, the Borough must mail to each property owner a notice of the current assessment and taxes on the property. The taxpayer has a right to petition the County Tax Board on or before the April 1 for review. The County Board of Taxation 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 County Board of Taxation, appeal may be made to the Tax Court of New Jersey for further hearing. Some State Tax Court appeals may take several years prior to settlement and any losses in tax collections from prior years are charged directly to operations.

Miscellaneous Revenues

Section 26 of the Local Budget law 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."

Except for local review of budgets, 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. The fiscal year for such grants rarely coincides with a local governmental unit's fiscal year. Grant revenue is fully realized in the year in which it is budgeted by the establishment of accounts receivable and offsetting reserves.

Deferral of Current Expenses

Emergency appropriations, those made after the adoption of the budget and determination of the tax rate, may be authorized by the governing body of a local governmental unit, but only to meet certain unforeseen circumstances. With minor exceptions, however, such appropriations must be included in full in the following year's budget. When such appropriations exceed 3% of the adopted operating budget, consent of the Director must be obtained.

The minor exceptions are certain enumerated quasi-capital projects such as ice, snow, flood and hurricane damage to streets, roads and bridges which may be amortized over three years, tax map preparation, revision of ordinances, master plan preparation, and contractually required severance liabilities resulting from the layoff or retirement of employees, which may be amortized over five years.

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 also be transferred during the first three (3) months of the year, to the previous year's 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 internal review and approval. In a "CAP" budget, no transfers may be made from excluded from "CAP" appropriations to within "CAPS" appropriations nor can transfers be made between excluded from "CAP" appropriations.

Capital Budget

In accordance with the Local Budget Law, each local unit must adopt and may from time to time amend rules and regulations for capital budgets, which rules and regulations must require a statement of capital undertakings underway or projected for a period not greater than over the next ensuing three years (for municipalities with a population under 10,000) or six years (for municipalities with a population over 10,000) 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 three or six years. Expenditures for capital purposes may be made either by ordinances adopted by the governing body setting forth the items and the method of financing or from the annual operating budget if the terms were detailed.

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 each local unit 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 report, together with all recommendations made, and must be published in a local newspaper within 30 days of its submission. The entire annual audit report for the year ended December 31, 2012 for the Borough is on file with the Clerk and is available for review during business hours.

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 or notes must mature within the statutory period of usefulness of the projects bonded and that bonds be retired in serial installments, with no annual principal payment greater than 100% of the smallest amount of any prior year's principal amount. A 5% cash down payment is generally required toward the financing of capital expenditures for municipal purposes.

Debt Limit

The authorized bonded indebtedness of a municipality is limited by statute, subject to certain exceptions, to an amount equal to 3 1/2% of its equalized valuation basis. The equalized valuation basis of a municipality is set by statute as the average for the last three preceding years of the equalized value of all taxable real property and improvements and certain Class II railroad property within the boundaries of the municipality as annually determined by the Director of the Division of Taxation, in the Department of the Treasury, State of New Jersey. Certain categories of debt, which include the portion of school debt within a school district's debt limitation and the self-liquidating portion of a utility's debt, are permitted by statute to be deducted for purposes of computing the statutory debt limit.

Exceptions to Debt Limit

The debt limit of a municipality may be exceeded with the approval of the Local Finance Board. If all or any part of a proposed debt authorization is to exceed a municipality's debt limit, a municipality must apply to the Local Finance Board for an extension of credit. If the Local Finance Board determines that a proposed debt authorization would not materially impair the ability of a municipality to meet its obligations or to provide essential services, or makes other statutory determinations, approval is granted. In addition to the aforesaid, debt in excess of the debt limit may be issued without the approval of the Local Finance Board to fund certain obligations, for self-liquidating purposes and in each fiscal year in an amount not exceeding two-thirds of the amount budgeted in such fiscal year for the retirement of outstanding obligations (exclusive of obligations issued for utility or assessment purposes).

Assessment Bonds

Assessment bonds may be issued in annual serial installments with the first principal payment due within two years and the final principal payment due within twenty years of an issue's date. No principal payment may be larger than a prior year's principal payment.

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

Refunding bonds may be issued pursuant to the Local Bond Law for the purpose of paying, funding or refunding outstanding bonds, including emergency appropriations, the actuarial liabilities of a non-State administered public employee pension system, amounts owing to others for taxes levied and for paying the cost of issuance of refunding bonds. The Local Finance Board must consent to the authorization for the issuance of refunding bonds and approve the maturity schedule thereof.

TEMPORARY FINANCING

Bond Anticipation Notes (N.J.S.A. 40A:2-8(a))

A local governmental unit may issue short-term bond anticipation notes to temporarily finance a capital improvement or project if the bond ordinance or subsequent resolution so provides. Such bond anticipation notes for capital improvements may be issued in an aggregate amount not exceeding the amount of notes authorized in the ordinance, as may be amended and supplemented, creating such capital expenditure. A local governmental unit's bond anticipation notes may be issued for one year periods and renewed annually, with the final maturity not later than the first day of the fifth month following the close of the tenth fiscal year after the original issuance date. No bond anticipation notes shall be renewed beyond the third anniversary date of the original note unless an amount equal to the first legally payable installment of the bonds in anticipation of which the notes are issued is paid and retired from funds other than the proceeds of obligations on or before each anniversary date of the original notes beginning with said third anniversary date.

Tax Anticipation Notes (N.J.S.A. 40A:4-64-73)

The issuance of tax anticipation notes is limited in amount by law to, collectively, 30% of the tax levy plus 30% of realized miscellaneous revenues of the next preceding fiscal year, and must be paid in full within 120 days after the close of the fiscal year in which they were issued.

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

State law permits local school districts, upon approval of the voters in a Type II school district (the Borough's school district is a Type II school district), to authorize school district debt, including debt in excess of its independent debt limitation by using a municipality's share of its available borrowing capacity. If such debt is in excess of a school district's debt limit and the remaining borrowing capacity of a municipality, the State's Commissioner of Education and the Local Finance Board must approve the proposed debt authorization before it is submitted to the voters for approval.

TAX MATTERS

The Borough has covenanted to comply with any continuing requirements that may be necessary to preserve the exclusion from gross income for purposes of federal income taxation of interest on the Bonds under the Internal Revenue Code of 1986, as amended ("Code"). Failure to comply with certain requirements of the Code could cause interest on the Bonds to be includable in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. In the opinion of DeCotiis, FitzPatrick & Cole, LLP, Bond Counsel, to be delivered at the time of original issuance of the Bonds, assuming continuing compliance by the Borough with certain covenants described herein, under current law, interest on the Bonds is not includable in gross income for federal income tax purposes and is not an item of tax preference under Section 57 of the Code for purposes of computing the federal alternative minimum tax; however, interest on the Bonds held by corporate taxpayers is included in the relevant income computation for calculation of the federal alternative minimum tax as a result of the inclusion of interest on the Bonds in "adjusted current earnings" (see discussion below). No opinion is expressed regarding other federal tax consequences or other federal taxes arising with respect to the Bonds.

The Code imposes certain significant ongoing requirements that must be met after the issuance and delivery of the Bonds in order to assure that the interest on the Bonds will be and remain excludable from gross income for federal income tax purposes. These requirements include, but are not limited to, requirements relating to use and expenditure of proceeds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on investments of gross proceeds of the Bonds be rebated to the federal government. Noncompliance with such requirements may cause interest on the Bonds to become subject to federal income taxation retroactive to their date of issuance, regardless of the date on which such noncompliance occurs or is discovered. The Borough has covenanted that it shall do and perform all acts permitted by law that are necessary or desirable to assure that interest on the Bonds will be and will remain excluded from gross income for federal income tax purposes. The Borough will deliver its Arbitrage and Tax Certificate concurrently with the issuance of the Bonds, which will contain provisions relating to compliance with the requirements of the Code, including certain covenants in that regard by the Borough. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Borough in connection with the Bonds, and Bond Counsel has assumed compliance by the Borough with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Bonds from gross income under Section 103 of the Code.

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

The opinions of Bond Counsel are limited to and based upon the laws and judicial decisions of the State and the federal laws and judicial decisions of the United States of America as of the date of the opinions, and are subject to any amendment, repeal or other modification of the applicable laws or judicial decisions that served as the basis for their opinions or to any laws or judicial decisions hereafter enacted or rendered. Bond Counsel assumes no obligation to update its opinions after the issue date to reflect any future action, fact or circumstance, or change in law or interpretation, or otherwise. Bond Counsel expresses no opinion on the effect of any action taken after the date of the opinions or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for federal income tax purposes of interest on the Bonds.

Alternative Minimum Tax. Section 55 of the Code provides that an alternative minimum tax is imposed on corporations at a rate of 20 percent. For purposes of the corporate alternative minimum tax, the Code includes an increase adjustment for computation of the alternative minimum tax consisting generally of seventy-five percent of the amount by which "adjusted current earnings" exceeds alternative minimum taxable income (computed without regard to this adjustment and the alternative tax net operating loss deduction). Thus, to the extent that interest on the Bonds is a component of a corporate holder's "adjusted current earnings", a portion of that interest may be subject to an alternative minimum tax.

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

Branch Profits Tax. Section 884 of the Code imposes on foreign corporations a branch profits tax equal to 30 percent of the "dividend equivalent amount" for the taxable year, unless modified, reduced or eliminated by income tax treaty in certain instances. Interest on the Bonds received or accrued by a foreign corporation subject to the branch profits tax may be included in computing the "dividend equivalent amount" of such corporation for purposes of the branch profits tax.

S Corporation Tax. Section 1375 of the Code imposes a tax on the "excess net passive income" of certain S corporations with passive investment income in excess of 25 percent of gross receipts for a taxable year. The U.S. Department of Treasury has issued regulations indicating that interest on tax-exempt bonds, such as the Bonds, held by an S corporation would be included in the calculation of excess net passive income.

Other Federal Tax Consequences. Owners of the Bonds should be aware that the ownership of tax-exempt obligations may result in other collateral federal income tax consequences to certain taxpayers, including property and casualty insurance companies, individual recipients of Social Security and Railroad Retirement benefits, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or to carry tax-exempt obligations. Owners of each of the Bonds should consult their own tax advisors as to the applicability and the effect on their federal income taxes of the alternative minimum tax, the branch profits tax and the tax on S corporations, as well as the applicability and the effect of any other federal income tax consequences.

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

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

LITIGATION

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 law suits, none of a kind unusual for a municipality of its size, and none of which, in the opinion of the Borough Attorney, would materially and substantially impair the Borough's ability to pay its bond and note holders. All of the Borough's tort actions are being defended pursuant to the Borough's self-insurance fund and the Borough is a member of the Joint Insurance Fund and Municipal Excess Liability Fund. Pending municipal real estate tax appeals are limited in number and, based upon the Borough's prior experience, and assuming that such tax appeals are resolved adversely to the interest of the Borough, such resolution would not materially and substantially impair the Borough's ability to pay its bond and note holders.

MUNICIPAL BANKRUPTCY

The undertakings of the Borough should be considered with reference to Chapter IX of the Bankruptcy Act, 11 U.S.C. Section 401, *et seq.*, as amended by Public Law 94-260, approved April 8, 1976, and as further amended on November 6, 1978 by the Bankruptcy Reform Act of 1978, effective October 1, 1979, as further amended by Public Law 100-597, effective November 3, 1988, and as further amended and other bankruptcy laws affecting creditor's rights and municipalities in general. The amendments of P.L. 94-260 replace former Chapter IX and permit the State or any political subdivision, public agency, or instrumentality that is insolvent or unable to meet its debts to file a petition in a court of bankruptcy for the purpose of effecting a plan to adjust its debts; directs such a petitioner to file with the court a list of petitioner's creditors; provides that a petition filed under this chapter shall operate as a stay of the commencement or continuation of any judicial or other proceeding against the petitioner; grants priority to debt owed for services or material actually provided within three months of the filing of the petition; directs a petitioner to file a plan for the adjustment of its debts; and provides that the plan must be accepted in writing by or on behalf of creditors holding at least two-thirds in amount or more than one-half in number of the listed creditors. The 1976 Amendments were incorporated into the Bankruptcy Reform Act of 1978 with only minor changes.

Reference should also be made to N.J.S.A. 52:27-40 *et seq.*, which provides that a municipality has the power to file a petition in bankruptcy provided the approval of the Municipal Finance Commission has been obtained. The powers of the Municipal Finance Commission have been vested in the Local Finance Board. The Bankruptcy Act specifically provides that Chapter 9 does not limit or impair the power of a state to control, by legislation or otherwise, the procedures that a municipality must follow in order to take advantage of the provisions of the Bankruptcy Act.

APPROVAL OF LEGAL PROCEEDINGS

All legal matters incident to the authorization, the issuance, the sale and the delivery of the Bonds are subject to the approval of DeCotiis, FitzPatrick & Cole, LLP, Teaneck, New Jersey, Bond Counsel to the Borough, whose approving legal opinion will be delivered with the Bonds substantially in the form set forth as Appendix D. Certain legal matters will be passed on for the Borough by its Counsel, E. Carter Corrison, Hackensack, New Jersey.

UNDERWRITING

The Bonds have been purchased from the Borough at a public sale by _____ at a price of \$_____ (consisting of the par amount of the Bonds plus an original issue premium of \$_____). The Bonds are being offered for sale at the yields or prices set forth on the cover of this Official Statement.

RATING

Moody's Investors Service, Inc. ("Moody's") has assigned a rating of "Aa2" to the Bonds.

An explanation of the significance of such credit rating may be obtained from Moody's, 7 World Trade Center at 250 Greenwich Street, New York, New York 10007. The Borough furnished Moody's with certain information and materials concerning the Bonds and the Borough. Generally, Moody'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 Moody'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.

PREPARATION OF OFFICIAL STATEMENT

The Borough hereby states that the descriptions and statements herein, including financial statements, are true and correct in all material respects and it will confirm to the purchasers of the Bonds, by a certificate signed by the Chief Financial Officer of the Borough, that to his knowledge such descriptions and statements, as of the date of this Official Statement, are true and correct in all material respects and do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements herein, in light of the circumstances under which they were made, not misleading.

Ferraioli, Wielkottz, Cerullo & Cuva, P.A. assisted in the preparation of information contained in this Official Statement and takes responsibility for the audited financial statements to the extent specified in their Independent Auditor's Report.

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

DeCotiis, FitzPatrick & Cole, LLP has not participated in the preparation of the financial or statistical information contained in this Official Statement, nor have they verified the accuracy, completeness or fairness thereof and, accordingly, expresses no opinion with respect thereto.

SECONDARY MARKET DISCLOSURE

The Borough has covenanted for the benefit of the Bondholders and the beneficial owners of the Bonds to provide certain secondary market disclosure information pursuant to the Securities and Exchange Commission Rule 15c2-12 (the "Rule").

(a) On or prior to nine (9) months from the end of each fiscal year, beginning with the fiscal year ending December 31, 2013, to the Municipal Securities Rulemaking Board through the Electronic Municipal Market Access System (the "MSRB") annual financial information with respect to the Borough consisting of the audited financial statements (or unaudited financial statements if audited financial statements are not then available, which audited financial statements will be delivered when and if available) of the Borough and certain financial information and operating data consisting of (i) Borough and overlapping indebtedness including a schedule of outstanding debt issued by the Borough, (ii) the Borough's most current adopted

budget, (iii) property valuation information, and (iv) tax rate, levy and collection data. The audited financial information will be prepared in accordance with modified cash accounting as mandated by State of New Jersey statutory principles in effect from time to time or with generally accepted accounting principles as modified by governmental accounting standards as may be required by New Jersey law and shall be filed electronically and accompanied by identifying information with the MSRB;

(b) in a timely manner not in excess of ten business days after the occurrence of the event, to the MSRB notice of any of the following events with respect to the Bonds (herein "Material Events"):

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the Bonds;
- (7) Modifications to rights of holders of the Bonds, if material;
- (8) Bond calls, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution, or sale of property securing repayment of the securities, if material;
- (11) Rating changes;
- (12) Bankruptcy, insolvency, receivership or similar event of the Borough;
- (13) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

In the event that the Borough fails to comply with the above-described undertaking and covenants, the Borough shall not be liable for any monetary damages, remedy of the beneficial owners of the Bonds being specifically limited in the undertaking to specific performance of the covenants.

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 or change in law, which in the opinion of nationally recognized bond counsel complies with the Rule.

The Borough has never failed to comply with its undertakings pursuant to the Rule.

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

NO DEFAULT

There is no report of any default on the principal payment of, redemption premium, if any, or interest on any bonds, the Bonds or other obligations of the Borough as of the date hereof.

ADDITIONAL INFORMATION

Additional information may be obtained from the Borough, Borough Municipal Building, 482 Hudson Terrace, Englewood Cliffs, New Jersey 07632, attention Joseph Iannaconi, Jr., Chief Financial Officer, telephone number (201) 569-5252 or email jiannaconi@englewoodcliffsnj.org and Ferraioli, Wielkotz, Cerullo & Cuva, P.A., 401 Wanaque Avenue, Pompton Lakes, New Jersey 07442.

MISCELLANEOUS

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

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

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

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

BOROUGH OF ENGLEWOOD CLIFFS

By: _____
Joseph Iannaconi, Jr.
Chief Financial Officer

Dated: _____, 2014

APPENDIX A

**DESCRIPTION OF
THE BOROUGH OF ENGLEWOOD CLIFFS
TOGETHER WITH
CERTAIN ECONOMIC AND DEBT INFORMATION**

APPENDIX A

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GENERAL INFORMATION REGARDING THE BOROUGH

General Information

Englewood Cliffs is located atop the Palisades about one-half mile north of the George Washington Bridge and adjacent to the City of Englewood and the Borough of Tenafly. The eastern part of the Borough borders on the Palisades Interstate Park. There is direct bus transportation to New York and the shopping center of Paramus, New Jersey.

The Borough is essentially residential but has a fine "limited business" area on U.S. Highway Route No. 9W. This business and commercial area includes Corporate Headquarters, Lipton Tea, CPC International, Lucky Goldstar and many other nationally known firms. Additional construction is under way at the present time. There is no manufacturing permitted in the Borough. Present home building is in the \$1,500,000 to \$3,000,000 class.

Type of Government

Government of the Borough is by a Mayor elected for a four-term by the qualified voters, and by a six-member Council, each Council Member elected by the qualified voters for a three-year term on a staggered basis. The Mayor is the chief administrative officer. As Mayor, Mr. Joseph C. Parisi, Jr. is serving his third full term.

Borough Officials

Borough Clerk/Administrator

Ms. Lizette Duffy was appointed the Borough's Acting Clerk in 2012 following the death of the Clerk/Administrator, Susan Spohn.

Chief Financial Officer

Mr. Joseph Iannaconi, Jr., was appointed to this position in January 1987. Mr. Iannaconi's appointment is part-time and he also serves as the Borough's Tax Collector.

Educational Facilities

The Englewood Cliffs School District (the "District") is a Type II school district that is coterminous with the borders of the Borough. The Board of Education of Englewood Cliffs (the "Board") governs the operations of the District. The District's fiscal year-end is June 30th.

The Board is composed of nine members elected by the legally qualified voters in the District for three-year term on a staggered basis. The President and Vice-President are chosen for one-year terms from among the members.

The Board is a policy making body and has the general responsibility for providing an education program, the power to establish policies and supervise the public schools in the District, responsibility to draw up the annual budget and present it to the legally registered voters in the District for approval and the power to appoint the Superintendent of Schools (the "Superintendent").

The administrative structure of the Board gives final responsibility for both the educative process and the business operation to the Superintendent. The Superintendent is the chief executive officer of the Board in charge of carrying out Board policies. The Board Secretary is the chief financial officer and must submit monthly financial reports to the Board and annual reports to the State Department of Education. State law requires a Treasurer of School Monies to hold in trust all school monies and to make a monthly report to the Board

The Board presently operates two elementary schools.

The Board anticipates that student enrollment will increase from the present level over the next five years.

Health Care Facilities

Englewood Hospital provides 24 hours, 7 days a week ambulance service.

Emergency and acute medical care facilities are available at Englewood Hospital, Holy Name Hospital in Teaneck and Palisades General Hospital in North Bergen.

Municipal Services

Police Department

The Police Department consists of a Chief of Police, a Deputy Chief of Police, 2 Captains, 6 Lieutenants, 5 Sergeants and 10 Uniformed Officers.

Fire Department

The Fire Department is composed of volunteer firemen. Fire apparatus consists of one 100 foot tower platform truck, three pumpers with capacity between 1,250 and 1,500 gallons per minute, one rescue truck, two ambulances, one station wagon and three cars.

Public Works Department

The Department of Public Works (the "DPW") has a foreman and nine employees. The DPW is responsible for maintenance of roads and municipal facilities.

Utilities

Electricity and gas are provided by Public Service Electric & Gas Company. Telephone service is provided by Verizon Telephone Company. Water is provided by United Water Co. Collection of wastewater is provided by the Bergen County Utilities Authority. Solid waste pickup is by waste management. The annual charge for collection of solid waste is included in the tax rate.

Transportation Facilities

The New Jersey Department of Transportation - Bus Operations provides local service to surrounding communities from some of which there is available rail and bus interstate services. The George Washington Bridge at Fort Lee provides access to Manhattan by bus.

Recreational Facilities

The Witte Field provides a baseball field and a large grass area for other sports or relaxation.

Building Permits

<u>Year</u>	<u>Number of Permits</u>	<u>Estimated Cost of Construction</u>
2013	572	\$26,550,851
2012	487	21,108,554
2011	474	15,044,601
2010	532	23,605,284
2009	357	12,552,537

Source: Borough of Englewood Cliffs, Building Inspector

Population

<u>Year</u>	<u>Borough of Englewood Cliffs</u>	<u>County of Bergen</u>
2010	5,281	905,116
2000	5,322	884,118
1990	5,634	825,380
1980	5,698	845,385

Source: U.S. Census Reports

Comparative Schedule of Fund Balance Current Fund

<u>Year</u>	<u>Fund Balance, December 31,</u>	<u>Utilized In Budget of Succeeding Year</u>
2013(1)	\$1,029,036	\$ *
2012	1,346,866	850,000
2011	325,945	-0-
2010	1,137,924	955,000
2009	731,467	604,000

(1) Unaudited

* Succeeding year's budget has not been introduced.

RETIREMENT SYSTEMS

The Borough is enrolled in three retirement systems established by acts of the State Legislature. Benefits, contributions, means of funding and administration of the retirement systems are set by the State. The Division of Pensions within the Treasury Department of the State is the administrator of the systems with benefit and contribution levels set by the State. All full-time permanent or qualified employees who began employment after 1944 must enroll in one of two retirement systems, depending upon their employment status. Borough employees, employed or retired, are enrolled in either the Public Employees' Retirement System ("PERS"), or the Police and Firemen's Retirement System ("PFRS"), or if retired in the Consolidated Police and Firemen's Pension Fund ("CPFPPF"). Employee rates for contribution are normally determined by the Division of Pensions. The Borough is current in its payments to the retirement systems as well as the Federal Social Security System ("OASI").

COLLECTIVE BARGAINING REPRESENTATION

Certain Borough employees are a part of collective bargaining agreements whose termination dates of current contracts are shown below.

<u>Unit</u>	<u>Date</u>
Department of Police	Dec. 31, 2013
Department of Public Works	Dec. 31, 2014

Annual salary increases are agreed to by their negotiating committee and the Mayor and Council.

Source: The Borough.

TAX INFORMATION ON THE BOROUGH

Tax Collection Procedures

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

Tax Appeals

The 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 County Board of Taxation 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 cancelled or remitted taxes for that year. If the taxpayer feels his petition was unsatisfactorily reviewed by the County Board of Taxation, 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>Percentage</u>
2013(1)	\$28,999,117	\$28,395,527	97.92%
2012	28,311,393	27,832,086	98.31%
2011	27,271,226	26,725,283	98.00
2010	27,462,264	27,092,550	98.65
2009	26,108,741	25,645,953	98.23

(1) Unaudited

**Delinquent Taxes and Tax Title Liens
December 31,**

<u>Year</u>	<u>Delinquent</u>	<u>Tax Title</u>	<u>Total</u>	<u>Percentage</u>
	<u>Taxes</u>	<u>Liens</u>		<u>of Levy</u>
2013(1)	\$484,184	\$19,222	\$503,406	1.74%
2012	417,225	15,926	433,151	1.53
2011	432,229	12,725	444,954	1.63
2010	286,709	9,643	296,352	1.08
2009	324,955	6,558	331,513	1.27

(1) Unaudited

**Assessed Valuations of Property Owned by
the Borough Acquired for Taxes**

<u>Year</u>	<u>December 31</u>
2013(1)	\$39,528
2012	39,528
2011	39,528
2010	39,528
2009	39,528

(1) Unaudited

Ten Largest Assessments

The ten largest assessments in the Borough and their 2013 assessed valuations are listed below:

<u>Owner</u>	<u>Assessment</u>
LG Electronics USA Inc.	\$107,100,000
Tea-Land Ltd. Partnership	109,310,000
General Electric Capital Corp.	90,000,000
Best Foods c/o Conopco Inc.	89,145,700
Tag Sylvan Corp. Ctr LLC	37,194,600
Tag New Sylvan Corp Ctr LLC	35,719,500
F.R. Brunetti Const.	35,500,000
Sylvan Ave Associates L.P.	25,125,000
140 Sylvan LLC/Signature PPTY Grp.	14,624,800
Ferrari Group No. America Inc.	17,780,600

Source: Borough of Englewood Cliffs Tax Assessor

Assessed Valuations

Land and Improvements by Class

<u>Classification</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Apartment	\$1,750,000	\$1,750,000	\$1,750,000	\$1,750,000	\$1,750,000
Residential	2,431,098,700	2,431,499,000	2,420,689,700	2,427,408,700	2,393,393,200
Commercial	926,889,700	935,926,300	952,029,800	944,271,600	1,003,351,100
Industrial	1,675,000	1,675,000	1,886,500	1,886,500	1,886,500
Vacant Land	<u>43,625,600</u>	<u>44,397,400</u>	<u>50,562,700</u>	<u>47,202,000</u>	<u>54,487,100</u>
Sub Total	3,405,039,000	3,415,247,700	3,426,918,700	3,422,518,800	3,454,867,900
Exempt Public	917,566,200	917,566,200	917,466,200	918,228,300	911,902,000
Public Utilities	<u>1,472,537</u>	<u>1,634,938</u>	<u>1,725,842</u>	<u>1,925,179</u>	<u>1,980,256</u>
Total	<u>\$4,324,077,737</u>	<u>\$4,334,448,838</u>	<u>\$4,346,110,742</u>	<u>\$4,342,672,279</u>	<u>\$4,368,750,156</u>

Net Assessed and Equalized Property Valuations

Net Assessed Valuation:					
Real Property	3,405,039,000	3,415,247,700	3,426,918,700	3,422,518,800	3,454,867,900
Personal Tangible Property	<u>1,472,537</u>	<u>1,634,938</u>	<u>1,725,842</u>	<u>1,925,179</u>	<u>1,980,256</u>
Total Net Assessed Valuation	<u>\$3,406,511,537</u>	<u>\$3,416,882,638</u>	<u>\$3,428,644,542</u>	<u>\$3,424,443,979</u>	<u>\$3,456,848,156</u>

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

<u>Year</u>	<u>Municipal</u>	<u>County</u>	<u>Local School</u>	<u>Tax Rate</u>
2013	.332	.214	.303	0.849
2012	.324	.204	.297	0.825
2011	.305	.197	.293	0.795
2010	.307	.196	.292	0.795
2009	.291	.186	.274	0.751

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

<u>Year</u>	<u>Municipal</u>	<u>County</u>	<u>Local School</u>	<u>Tax Levy</u>
2013	\$11,323,637	\$7,181,468	\$10,334,737	\$28,839,842
2012	11,099,363	6,922,157	10,136,420	28,157,940
2011	10,463,322	6,704,903	10,052,158	27,220,383
2010	10,527,903	6,693,971	9,975,855	27,197,729
2009	10,059,901	6,407,628	9,296,949	25,764,478

DEBT INFORMATION ON THE BOROUGH

Debt Statements

The Borough must report all new authorizations of debt or changes in previously authorized debt to 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, 2013**

Municipal:

Equalized Valuations (last 3 years average)	\$3,185,424,220
3 1/2% Borrowing Margin	\$111,489,848
Net Debt Issued, Outstanding and Authorized	<u>19,200,140</u>
Remaining Municipal Borrowing Capacity	<u>\$ 92,289,708</u>

School:

3% Borrowing Margin	\$95,562,727
Debt Issued, Outstanding and Authorized	<u>2,451,190</u>
Remaining School Borrowing Capacity	<u>\$93,111,537</u>

**Gross and Statutory Net Debt
(Exclusive of Overlapping Debt)
as of December 31,**

**TREND OF STATUTORY REMAINING BORROWING POWER
FOR YEARS ENDING DECEMBER 31, 2013 - 2009**

<u>Year</u>	<u>Statutory Equalized Valuation(1)</u>	<u>Borrowing Capacity(2)</u>	<u>Bonds and Notes Outstanding</u>	<u>Deductions</u>	<u>Net Debt Outstanding</u>	<u>Authorized Unissued Debt</u>	<u>Remaining Borrowing Power</u>
2013(3)	\$3,185,424,220	\$111,489,848	\$16,024,369	\$82,026	\$15,942,343	\$3,257,797	\$92,289,708
2012	3,245,224,254	113,582,849	15,815,633	12,026	15,803,607	2,433,797	95,345,445
2011	3,322,140,675	116,274,924	15,074,779	1,222,815	13,851,904	1,940,297	100,482,723
2010	3,384,375,089	118,453,128	15,012,125		15,012,125	1,562,638	101,878,365
2009	3,356,785,324	117,487,486	14,115,000		14,115,000	808,763	102,563,723

(1) Average of the immediately preceding three years as calculated by the State.

(2) 3 1/2% of the statutory equalized valuation.

Source: The Borough's audited financial statements for years shown.

(3) (Unaudited)

**BOROUGH OF ENGLEWOOD CLIFFS
STATEMENT OF INDEBTEDNESS
AS OF DECEMBER 31, 2013**

GENERAL PURPOSES

Bonds, Notes and Loans Issued and Outstanding	
Bonds	\$6,875,000
Notes	9,149,369
Bonds and Notes Authorized But Not Issued	<u>3,257,797</u>
 TOTAL GROSS DEBT	 19,282,166

STATUTORY DEDUCTIONS

Cash on Hand	<u>82,026</u>
 TOTAL NET DEBT	 <u>\$19,200,140</u>

OVERLAPPING DEBT

School District	\$2,451,190
County of Bergen (Note 1)	15,128,155
Bergen County Utilities Authority (Notes 2 and 3)	<u>3,775,432</u>

TOTAL OVERLAPPING DEBT	<u>\$21,354,777</u>
------------------------	---------------------

GROSS MUNICIPAL DEBT

Per Capita (2010 Census - 5,281)	3,651
Percent of Net Valuation Taxable (2013 - \$3,185,424,220)	.605%

NET MUNICIPAL DEBT

Per Capita (2010 Census - 5,281)	3,636
Percent of Net Valuation Taxable (2013 - \$3,185,424,220)	.603%

OVERALL DEBT (Gross and Overlapping Debt)

Per Capita (2010 Census - 5,281)	7,695
Percent of Net Valuation Taxable (2013 - \$3,185,424,220)	1.28%

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 2013 Abstract of Ratables published by the Bergen County Board of Taxation.

Note (2) Overlapping Debt was computed based upon the sewer fees charged of the municipality to all municipalities served by the Authority as provided in the 2013 billings furnished by the Authority.

Note (3) The Solid Waste Management System of the Bergen County Utilities Authority has \$268,704,631 debt outstanding as of December 31, 2012 which is payable solely from and secured by a pledge of revenues from the system. Payment of the principal and interest on this debt is guaranteed by the Financial Guaranty Insurance Company (FGIC) should the Authority default in the payment thereof.

APPENDIX B

**BOROUGH OF ENGLEWOOD CLIFFS
SUMMARY OF
2013 ADOPTED BUDGET**

**BOROUGH OF ENGLEWOOD CLIFFS
SUMMARY OF
2013 ADOPTED BUDGET**

Summary of General Revenues Anticipated:	
Surplus	\$850,000
Miscellaneous Revenues:	
Local Revenues	1,864,900
State Aid Without Offsetting Appropriations	691,474
Dedicated Uniform Construction Code Fees Offset Without Appropriations	
Special Items of General Revenue Anticipated With Prior Consent of Director of Local Government Services:	
Other Special Items	<u>234,483</u>
Total Miscellaneous Revenues	2,790,857
Delinquent Taxes Receipts	<u>415,000</u>
Sub-total General Revenues	4,055,857
Amount to be Raised for Support of Municipal Budget, Including Reserve for Uncollected Taxes	<u>11,323,637</u>
Total General Revenues	<u>\$15,379,494</u>
Summary of General Appropriations:	
Within "CAPS":	
Operations:	
Salaries and Wages	5,458,219
Other Expenses	<u>4,638,630</u>
Sub-total	10,096,849
Deferred Charges, Statutory Expenditures and Judgments	<u>1,089,371</u>
Total Operations Within "CAPS"	<u>11,186,220</u>
Excluded From "CAPS":	
Operations:	
Salaries and Wages	-0-
Other Expenses	<u>1,362,983</u>
Sub-total	1,362,983
Capital Improvements	129,100
Municipal Debt Service	1,867,014
Deferred Charges	<u>404,677</u>
Total General Appropriations Excluded From "CAPS"	<u>3,763,774</u>
Sub-total General Appropriations	14,949,994
Reserve for Uncollected Taxes	<u>429,500</u>
Total General Appropriations	<u>\$15,379,494</u>

Source: The Borough's 2013 Adopted Budget.

APPENDIX C

**EXCERPTS FROM
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2012
AND
SELECTED FINANCIAL INFORMATION
FOR THE YEARS ENDED
DECEMBER 31, 2009-2013**

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

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

Honorable Mayor and
Members of the Borough Council
Borough of Englewood Cliffs
County of Bergen, New Jersey

Report on the Financial Statements

We have audited the accompanying balance sheets - regulatory basis of the various funds and account group of the Borough of Englewood Cliffs in the County of Bergen, as of December 31, 2012, the related statement of operations and changes in fund balance - regulatory basis for the years then ended, and the related statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the various funds for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements as listed in the table of contents. The financial statements for the year ended December 31, 2011 were audited by other auditors whose report dated March 9, 2012 expressed a qualified opinion. The qualification relates to the Borough not having certified minutes and adopted resolutions available for inspection.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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



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

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

The Length of Service Awards Program of the Borough of Englewood Cliffs has not been audited, and we were not engaged to audit the Length of Service Awards Program financial statements as part of our audit of the Borough's financial statements.

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

As described in Note 1 of the financial statements, the financial statements are prepared by the Borough of Englewood Cliffs on the basis of the financial reporting provisions prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of New Jersey.

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the Borough of Englewood Cliffs as of December 31, 2012, or changes in financial position for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above, with the exception of the Length of Service Awards Program, present fairly, in all material respects, the regulatory basis balances sheets and account group as of December 31, 2012, the regulatory basis statements of operations for the year then ended and the regulatory basis statements of revenues and expenditures for the year ended December 31, 2012 in accordance with the basis of financial reporting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.



Other Matters

Other Information

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

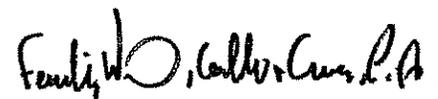
The supplemental information listed in the table of contents is the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 24, 2013 on our consideration of the Borough of Englewood Cliffs's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Borough of Englewood Cliffs's internal control over financial reporting and compliance.


Steven D. Wielkotz, C.P.A.
Registered Municipal Accountant
No. CROO413


FERRAIOLI, WIELKOTZ, CERULLO & CUVA, P.A.
Certified Public Accountants

April 24, 2013



BOROUGH OF ENGLEWOOD CLIFFS

Comparative Balance Sheet - Regulatory Basis

Current Fund

December 31, 2012 and 2011

<u>Assets</u>	<u>Ref.</u>	<u>2012</u>	<u>2011</u>
Current Fund:			
Cash	A-4	\$ 2,714,788	1,811,002
Change Fund	A-5	200	200
Petty Cash Fund	A-6	300	300
Due from State of New Jersey - Senior Citizens' and Veterans' deductions	A-8	<u>1,653</u>	<u>1,223</u>
		<u>2,716,941</u>	<u>1,812,725</u>
Receivables with full reserves:			
Delinquent property taxes receivable	A-9	417,225	432,229
Property acquired for taxes - assessed valuation	A-10	39,528	39,528
Revenue accounts receivable	A-11	218,160	69,383
Tax Title Liens Receivable	A-12	15,926	12,725
Due from:			
General Capital Fund	A-21	1,072	12
Assessment/Other Trust Fund	A-21	917	5,040
Dog License Trust Fund	A-21	1,341	4,064
Payroll Account	A-21	<u>200</u>	<u>200</u>
		<u>694,169</u>	<u>563,181</u>
Deferred Charges:			
Emergency Authorizations	A-24	200,000	339,129
Overexpenditure of Appropriated Reserve	A-24	1,852	
Special Emergency Authorization	A-22,25	<u>812,966</u>	<u>665,875</u>
		<u>1,014,818</u>	<u>1,005,004</u>
Total Current Fund		4,425,928	3,380,910
State and Federal Grants Fund:			
Federal and State Grants Receivable	A-7	39,867	32,012
Due From Current Fund	A-21	<u>153,527</u>	<u>164,933</u>
		<u>193,394</u>	<u>196,945</u>
		\$ 4,619,322	3,577,855

BOROUGH OF ENGLEWOOD CLIFFS

Comparative Balance Sheet - Regulatory Basis

Current Fund

December 31, 2012 and 2011

	<u>Ref.</u>	<u>2012</u>	<u>2011</u>
<u>Liabilities, Reserves and Fund Balance</u>			
Regular Fund:			
Liabilities:			
Appropriation reserves	A-3, A-12	619,418	716,113
Encumbrances	A-14	151,522	105,233
Prepaid taxes	A-17	286,637	295,683
Tax overpayments	A-18	103,601	183,914
Due to county for added taxes	A-19	30,194	11,797
Due to State and Federal Grant Fund	A-21	153,527	164,933
Reserve for:			
State Library Aid	A-23	3,675	2,740
Sale of Municipal Assets	A-23		18,407
Master Plan	A-23	1,675	1,675
BCUA Recycling Grant	A-23	11,445	11,445
Reserve for Police Salaries	A-23		43,466
Outside Tax Title Lien Redemption	A-23	10,233	
Emergency Note Payable	A-25	1,012,966	930,004
		<u>2,384,893</u>	<u>2,485,410</u>
Reserve for receivables		694,169	563,181
Fund balance	A-1	1,346,866	332,319
		<u>4,425,928</u>	<u>3,380,910</u>
State and Federal Grant Fund:			
Appropriated Reserves	A-15	137,870	163,381
Encumbrances Payable	A-15	820	
Unappropriated Reserves	A-16	54,704	33,564
		<u>193,394</u>	<u>196,945</u>
		<u>\$ 4,619,322</u>	<u>3,577,855</u>

See accompanying notes to financial statements.

BOROUGH OF ENGLEWOOD CLIFFS

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

Current Fund

December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Revenue and other income:		
Fund balance utilized	\$	955,000
Miscellaneous revenues anticipated	2,458,336	1,749,245
Receipts from delinquent taxes	423,646	282,591
Receipts from current taxes	27,832,086	26,730,752
Non-budget revenue	180,991	203,083
Other credits to income:		
Canceled School Taxes		3
Animal License Fund Excess	1,341	2,048
Prior year's interfunds returned	9,316	5,144
Tax Overpayments Cancelled	164,140	
Unexpended Balance of Appropriation Reserves	175,376	345,921
Total revenue and other income	<u>31,245,232</u>	<u>30,273,787</u>
Expenditures:		
Budget appropriations:		
Operations:		
Salaries and wages	5,321,726	5,301,453
Other expenses	5,315,913	5,517,725
Municipal debt service	1,540,815	1,613,516
Deferred charges and statutory expenditures - municipal	1,272,088	1,388,232
Capital Improvements	100,000	84,250
Tax Appeals		145,383
Bank Service Charges		1,142
Interest on Outside Tax Title Liens		66
Local district school taxes	10,094,292	10,014,006
County taxes	6,922,156	6,704,903
County share of added taxes	30,194	11,797
County share of added taxes - 2010		30,000
Interfund Advanced	3,330	2,048
Prior Year Refunds	154,329	
Total expenditures	<u>30,754,843</u>	<u>30,814,521</u>
Excess in revenue	490,389	(540,734)
Adjustments to Income Before Fund Balance:		
Expenditures Included Above Which are by Statute Deferred Charges to Budgets of Succeeding Years	<u>524,158</u>	<u>689,204</u>
Statutory Excess to Surplus	1,014,547	148,470
Fund balance, January 1	<u>332,319</u>	<u>1,138,849</u>
	1,346,866	1,287,319
Decreased by utilization as anticipated revenue		<u>955,000</u>
Fund balance, December 31	<u>\$ 1,346,866</u>	<u>332,319</u>

See accompanying notes to financial statements.

BOROUGH OF ENGLEWOOD CLIFFS

Comparative Statement of Revenues - Regulatory Basis

Current Fund

Year ended December 31, 2012

	<u>Budget</u>	<u>Realized</u>	<u>Excess (deficit)</u>
Miscellaneous revenues:			
Licenses - alcoholic beverages	\$ 16,200	16,400	200
Fees and permits:			
Construction Code Official	230,900	263,500	32,600
Other	13,300	27,344	14,044
Municipal Court - fines and costs	67,700	409,218	341,518
Interest and costs on taxes	81,100	93,889	12,789
Interest on Investments	2,100	3,147	1,047
Fire inspection fees	20,900		(20,900)
Commercial Sewer User Fees	193,000	279,717	86,717
Cable TV - Annual Fees	16,500	15,372	(1,128)
Cell Tower - Annual Leases	228,000	242,331	14,331
Burglar Alarm Fees	10,000	12,700	2,700
Elevator Fees	29,000	40,449	11,449
Consolidated Municipal Property Tax Relief Aid	8,718	8,718	
Energy Receipts Tax	682,756	682,756	
Municipal Alliance on Alcoholism and Drug Abuse	10,356	10,356	
JIF - Police Accreditation	25,000	25,000	
General Capital Fund Balance	223,810	223,810	
Reserve for Sale of Assets	18,407	18,407	
Recreation Fees	95,000	85,222	(9,778)
Total miscellaneous revenues	<u>1,972,747</u>	<u>2,458,336</u>	<u>485,589</u>
Receipts from delinquent taxes	<u>435,000</u>	<u>423,646</u>	<u>(11,354)</u>
Amount to be raised by taxes for support of municipal budget - local tax for municipal purposes	<u>11,099,363</u>	<u>11,158,516</u>	<u>59,153</u>
Budget totals	<u>\$ 13,507,110</u>	<u>14,040,498</u>	<u>533,388</u>
Nonbudget revenue		<u>180,991</u>	
		<u>\$ 14,221,489</u>	

BOROUGH OF ENGLEWOOD CLIFFS
Comparative Statement of Revenues - Regulatory Basis

Current Fund

Year ended December 31, 2012

Allocation of current tax collections:	
Revenue from collections	27,832,086
Less: Allocated to school and county taxes	<u>17,088,770</u>
Balance for support of municipal budget	10,743,316
Add reserve for uncollected taxes	<u>415,200</u>
Amount for support of municipal budget	<u>\$ 11,158,516</u>
<u>Analysis of non-budget revenue:</u>	
Board of Health	5,265
Miscellaneous	11,051
FEMA Reimbursements	115,439
Fire Prevention Fees	450
Sewer Hookups	44,000
Police Reports	3,131
Bus Shelter	1,194
Fines	300
Polling Rental	160
Rent	<u>1</u>
	<u>\$ 180,991</u>

See accompanying notes to financial statements.

Borough of Englewood Cliffs
Statement of Expenditures - Regulatory Basis
Current Fund
Year Ended December 31, 2012

	<u>Budget</u>	<u>Total for 2012 as Modified by all Transfers</u>	<u>Expended 2012</u>		<u>Cancelled</u>
			<u>Paid or Charged</u>	<u>Reserved</u>	
Operations-within "CAPS"					
General government:					
Administrative and executive:					
Salaries and wages	\$ 123,100	106,100	102,301	3,799	
Other expenses	71,000	71,000	63,362	7,638	
Governing Body					
Salaries and wages	12,250	12,500	12,500		
Financial administration:					
Other expenses	54,500	4,000	1,046	2,954	
Collection of Taxes:					
Salaries and wages	180,201	184,298	183,407	891	
Other expenses	22,000	25,077	25,077		
Assessment of Taxes:					
Salaries and wages	18,980	19,980	19,740	240	
Other expenses	2,750	2,875	2,874	1	
Legal services and costs:					
Other expenses	100,000	137,220	137,219	1	
Appraisal Fees	60,000	60,000	55,904	4,096	
Engineering services and costs					
Other expenses	40,000	40,000	32,761	7,239	
Insurance					
Other insurance premiums	410,825	410,825	408,630	2,195	
Group insurance plan for employees	1,105,700	1,177,887	1,157,719	20,168	
Municipal Land Use Law (NJSA40:55D-1)					
Zoning Officer					
Salaries and wages	13,000	13,000	13,000		
Planning Board:					
Other expenses	37,950	37,950	29,112	8,838	
Board of Adjustment:					

Borough of Englewood Cliffs
Statement of Expenditures - Regulatory Basis
Current Fund
Year Ended December 31, 2012

	Budget	Total for 2012 as Modified by <u>all Transfers</u>	Expended 2012		<u>Cancelled</u>
			<u>Paid or Charged</u>	<u>Reserved</u>	
Salaries and wages	5,000	5,000	4,999	1	
Other expenses	8,650	13,150	13,150		
Public safety:					
Police:					
Salaries and wages	3,315,049	3,349,699	3,264,805	84,894	
Other expenses	239,266	239,266	232,867	6,399	
First Aid Organization					
Salaries and wages	60,000	45,000	43,313	1,687	
Contribution	20,000	20,000	13,811	6,189	
Fire Official:					
Salaries and wages	68,000	68,000	55,515	12,485	
Fire Hydrant Services	91,079	91,079	77,346	13,733	
Other expenses	79,192	79,192	77,170	2,022	
Clothing expenses	23,000	23,000	22,073	927	
Municipal Court:					
Salaries and Wages- Prosc/Pub Defender	19,173	19,173	15,286	3,887	
Public Works Function:					
Road repairs and maintenance:					
Salaries and wages	745,955	745,955	745,954	1	
Other expenses	93,050	93,050	57,452	35,598	
Gasoline	90,100	90,100	84,564	5,536	
Garbage and Trash Removal:					
Other expenses	471,250	421,250	310,169	111,081	
Recycling:					
Other expenses	3,100	3,100	100	3,000	
Public Buildings and Grounds:					
Other expenses	43,300	53,300	53,264	36	
Sewer System:					
Other expenses	31,500	31,500	15,824	15,676	

Borough of Englewood Cliffs
Statement of Expenditures - Regulatory Basis
Current Fund
Year Ended December 31, 2012

	<u>Budget</u>	<u>Total for 2012 as Modified by all Transfers</u>	<u>Expended 2012</u>		<u>Cancelled</u>
			<u>Paid or Charged</u>	<u>Reserved</u>	
Shade Tree:					
Salaries and wages	7,201	7,201	2,697	4,504	
Other expenses	100,850	100,850	92,887	7,963	
Health and Welfare:					
Board of Health:					
Salaries and wages	10,000	10,187	10,187		
Other expenses	39,615	39,615	35,174	4,441	
Environmental Commission:					
Other expenses	2,160	2,160		2,160	
Senior Citizens Committee:					
Other expenses	33,000	33,000	27,855	5,145	
Parks and Playgrounds:					
Salaries and wages	112,900	112,900	99,715	13,185	
Other expenses	86,200	86,200	63,649	22,551	
Library service - contract					
Main. of Free Public Library	225,000	225,000	225,000		
Celebration of public event, anniversary or holiday					
Other expenses	2,000	2,000	1,897	103	
Rental of Building	7,500	7,500	3,750	3,750	
Appropriations Offset by Dedicated Revenues (N.J.A.C. 5:23-4.17)					
State Uniform Construction Code Official:					
Construction official					
Salaries and wages	84,325	92,558	91,829	729	
Other expenses	10,850	10,850	5,522	5,328	
Plumbing inspector					
Salaries and wages	9,862	9,862	9,862		
Fire Sub-Code Official:					

Borough of Englewood Cliffs
Statement of Expenditures - Regulatory Basis
Current Fund
Year Ended December 31, 2012

	<u>Budget</u>	Total for 2012 as Modified by all Transfers	<u>Expended 2012</u>		<u>Cancelled</u>
			<u>Paid or Charged</u>	<u>Reserved</u>	
Salaries and wages	10,000	10,000	7,500	2,500	
Sewer Inspection					
Salaries and wages	6,000	6,000	6,000		
Fire Prevention					
Salaries and Wages	12,746	12,746	12,746		
Other Expenses	5,300	5,300	2,861	2,439	
Elevator Inspections					
Other expenses	29,000	29,000	28,383	617	
Electrical Inspections					
Salaries and wages	10,123	10,123	10,123		
Municipal Court					
Salaries & Wages	141,638	159,138	158,899	239	
Other Expenses	14,925	14,925	11,066	3,859	
Terminal Leave					
Salaries & Wages		322,306	322,306		
Unclassified:					
Utilities:					
Gasoline, electricity, heating oil	145,000	127,585	97,353	30,232	
Telephone and fax	120,000	120,000	98,045	21,955	
Street lighting	146,000	146,000	126,836	19,164	
Water	16,000	25,884	25,884		
Salary and Wage Adjustment	43,000				
Hurricane Sandy		200,000	125,331	74,669	
Total Operations within "CAPS"	<u>9,090,115</u>	<u>9,622,416</u>	<u>9,035,671</u>	<u>586,745</u>	
Detail:					
Salaries & Wages	5,008,503	5,321,726	5,192,684	129,042	
Other Expenses (Including Contingent)	4,081,612	4,300,690	3,842,987	457,703	

Borough of Englewood Cliffs
Statement of Expenditures - Regulatory Basis
Current Fund
Year Ended December 31, 2012

	Budget	Total for 2012 as Modified by all Transfers	Expended 2012		Cancelled
			Paid or Charged	Reserved	
(E) Deferred Charges and Statutory Expenditures- Municipal within "CAPS"					
(1) DEFERRED CHARGES					
Prior Years Bills - Boswell Engineering	1,951	1,951			1,951
(2) STATUTORY EXPENDITURES:					
Contribution to:					
Public Employees' Retirement System	134,580	134,580	126,974	7,606	
Social Security System (O.A.S.I.)	225,000	215,000	205,177	9,823	
Police and Firemen's Retirement System of NJ	707,293	707,293	699,682	7,611	
Total Deferred Charged and Statutory Expenditures- Municipal within "CAPS"	<u>1,068,824</u>	<u>1,058,824</u>	<u>1,031,833</u>	<u>25,040</u>	<u>1,951</u>
Total General Appropriations for Municipal Purposes within "CAPS"	<u>10,158,939</u>	<u>10,681,240</u>	<u>10,067,504</u>	<u>611,785</u>	<u>1,951</u>
Operations - Excluded from "CAPS"					
Bergen County Utilities Authority					
Service charges	885,000	885,000	885,000		
Sewer charges - Borough of Tenafly	12,000	12,000	11,356	644	
Sewer charges - City of Englewood	45,273	45,278	45,278		
LOSAP	35,000	35,000	30,600	4,400	
Municipal Alliance on Alcoholism and Drug Abuse	10,356	10,356	10,356		
Local Match	2,589	2,589		2,589	

Borough of Englewood Cliffs
 Statement of Expenditures - Regulatory Basis
 Current Fund
 Year Ended December 31, 2012

	Budget	Total for 2012 as Modified by all Transfers	Expended 2012		Cancelled
			Paid or Charged	Reserved	
JIF - Police Accreditation	25,000	25,000	25,000		
Total Operations-Excluded from "CAPS"	<u>1,015,218</u>	<u>1,015,223</u>	<u>1,007,590</u>	<u>7,633</u>	
Detail:					
Other Expenses	1,015,218	1,015,223	1,007,590	7,633	
Capital Improvements - Excluded from "CAPS"					
Capital Improvement Fund	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>		
Total Capital Improvements Excluded from "CAPS"	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>		
Municipal Debt Service-Excluded from "CAPS"					
Payment of Bond Principal	705,000	705,000	705,000		
Interest on Bonds	336,732	336,732	288,257		48,475
Payment of Notes	403,346	403,346	403,346		
Interest on Notes	90,610	90,610	90,609		1
Bergen County Improvement Authority					
Principal on Capital Leases	26,000	26,000	26,000		
Interest on Capital Leases	40,850	40,850	27,603		13,247
Total Municipal Debt Service-Excluded from "CAPS"	<u>1,602,538</u>	<u>1,602,538</u>	<u>1,540,815</u>		<u>61,723</u>
Deferred Charges:					
Emergency Authorizaton	40,000	40,000	40,000		
Special Emergency Authorizations- 5 years (N.J.S. 40A:4-55)	<u>175,215</u>	<u>175,215</u>	<u>175,215</u>		
Total Deferred Charges - Municipal - Excluded from "CAPS"	<u>215,215</u>	<u>215,215</u>	<u>215,215</u>		
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	<u>2,932,971</u>	<u>2,932,976</u>	<u>2,863,620</u>	<u>7,633</u>	<u>61,723</u>

Borough of Englewood Cliffs
 Statement of Expenditures - Regulatory Basis
 Current Fund
 Year Ended December 31, 2012

	<u>Budget</u>	<u>Total for 2012 as Modified by all Transfers</u>	<u>Expended 2012</u>		
			<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
Total General Appropriations-Excluded from "CAPS"	2,932,971	2,932,976	2,863,620	7,633	61,723
Subtotal General Appropriations	13,091,910	13,614,216	12,931,124	619,418	63,674
Reserve for Uncollected Taxes	415,200	415,200	415,200		
Total General Appropriations	<u>\$ 13,507,110</u>	<u>14,029,416</u>	<u>13,346,324</u>	<u>619,418</u>	<u>63,674</u>

Appropriation by 40:A4-87	\$ 25,000
Emergency Appropriation	522,306
Adopted Budget	<u>13,482,110</u>
	<u>\$ 14,029,416</u>

Encumbrances	151,522
Deferred Charges	215,215
Reserve for uncollected taxes	415,200
Transfer to Grant Fund	35,356
Cash	<u>12,529,031</u>
	<u>\$ 13,346,324</u>

See accompanying notes to financial statements.

BOROUGH OF ENGLEWOOD CLIFFS

Comparative Balance Sheet - Regulatory Basis

Trust Funds

December 31, 2012 and 2011

<u>Assets</u>	<u>Ref.</u>	<u>2012</u>	<u>2011</u>
Assessment/Other Trust Fund:			
Cash	B-1	736,662	883,499
Assessment liens receivable	B-2	78	78
Tax Sale Receivable	B-3	50	50
Due from Recycling Trust	B-6	26,325	
		<u>763,115</u>	<u>883,627</u>
Dog License Trust Fund:			
Cash	B-1	4,873	7,656
Due from State of New Jersey	B-5	113	85
		<u>4,986</u>	<u>7,741</u>
Recycling Trust Fund:			
Cash	B-1	<u>108,005</u>	<u>88,665</u>
Shade Tree Trust Fund:			
Cash	B-1	<u>21,995</u>	<u>9,293</u>
COAH Development Trust:			
Cash	B-1	<u>1,066,768</u>	<u>926,593</u>
Emergency Services Volunteer Length of Service Award Program (unaudited):			
Cash in Plan	B-1	485,341	423,688
Contributions Receivable	B-4	28,010	30,600
		<u>513,351</u>	<u>454,288</u>
DEA Forfeiture Trust:			
Cash	B-1	10,917	167,434
Due from General Capital Fund	B-6	50,000	
		<u>60,917</u>	<u>167,434</u>
		<u>\$ 2,539,137</u>	<u>2,537,641</u>

BOROUGH OF ENGLEWOOD CLIFFS

Comparative Balance Sheet - Regulatory Basis

Trust Funds

December 31, 2012 and 2011

	<u>Ref.</u>	<u>2012</u>	<u>2011</u>
<u>Liabilities, Reserves and Fund Balance</u>			
Assessment/Other Trust Fund:			
Due to Current Fund:			
Assessment/Other Trust	B-6	736	740
Escrow Trust Fund	B-6	181	4,300
Due to Capital Fund	B-6		175,000
Due to State of New Jersey	B-7	6,749	12,229
Reserve for Assessments and Liens	B-8	78	78
Reserve For:			
Other Trust Deposits	B-9	755,371	691,280
		<u>763,115</u>	<u>883,627</u>
Dog License Fund:			
Due to Current	B-6	1,341	4,064
Reserve for Dog Fund expenditures	B-10	3,645	3,677
		<u>4,986</u>	<u>7,741</u>
Recycling Trust Fund:			
Reserve for Recycling expenditures	B-11	81,680	
Due to Other Trust Fund	B-6	26,325	88,665
		<u>108,005</u>	<u>88,665</u>
Shade Tree Trust Fund:			
Reserve for Shade Tree expenditures	B-12	21,995	9,293
COAH Development Trust:			
Reserve for COAH Development expenditures	B-13	1,066,768	926,593
Emergency Services Volunteer Length of Service Award Program (unaudited):			
Net Assets available for Benefits	B-14	513,351	454,288
DEA Forfeiture Trust			
Due to Capital Fund	B-6		75,000
Reserve for Expenditures	B-15	60,917	92,434
		<u>60,917</u>	<u>167,434</u>
		<u>\$ 2,539,137</u>	<u>2,537,641</u>

See accompanying notes to financial statements.

BOROUGH OF ENGLEWOOD CLIFFS

Comparative Balance Sheet - Regulatory Basis

General Capital Fund

December 31, 2012 and 2011

<u>Assets</u>	<u>Ref.</u>	<u>2012</u>	<u>2011</u>
Cash	C-2,C-3	\$ 807,931	812,505
Grants Receivable			
New Jersey Department of Transportation	C-4	23,074	23,074
Bergen County Open Space Trust Fund	C-5	10,051	10,051
Due from Ambulance Corp.		100,000	100,000
Due from Other Trust Fund	C-6		175,000
Due from DEA Trust Fund	C-6		75,000
Deferred Charges to Future Taxation:			
Funded	C-7	8,480,000	9,083,000
Unfunded	C-8	10,604,430	8,735,076
		<u>\$ 20,025,486</u>	<u>19,013,706</u>
<u>Liabilities, Reserves and Fund Balance</u>			
Due to Current Fund	C-6	1,072	12
Bond Anticipation Notes	C-9	8,170,633	6,794,779
General Serial Bonds	C-10	7,645,000	8,280,000
Capital Leases Payable	C-11	835,000	803,000
Due to DEA Trust Fund		50,000	
Improvement Authorizations:			
Funded	C-12	13,975	165,513
Unfunded	C-12	3,208,207	2,725,176
Capital Improvement Fund	C-13	40,090	9,390
Reserve for Payment of Debt	C-14	12,026	12,026
Fund Balance	C-1	49,483	223,810
		<u>\$ 20,025,486</u>	<u>19,013,706</u>

There were \$2,433,797 and \$1,940,297 of Bonds and Notes Authorized But Not Issued on December 31, 2012 and 2011 respectively (Exhibit C-15).

See accompanying notes to financial statements.

BOROUGH OF ENGLEWOOD CLIFFS

Statement of Fund Balance - Regulatory Basis

General Capital Fund

Year ended December 31, 2012

Balance - December 31, 2011	\$	223,810
Increased by:		
Premium received on Note Sale		<u>49,483</u>
		273,293
Decreased by:		
Current Fund Budget Revenue		<u>223,810</u>
Balance - December 31, 2012	\$	<u><u>49,483</u></u>

See accompanying notes to financial statements.

BOROUGH OF ENGLEWOOD CLIFFS

Comparative Statement of General Fixed Assets - Regulatory Basis

General Fixed Assets Account Group

December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
General fixed assets:		
Land	\$ 73,800,228	73,758,416
Buildings	9,237,137	9,207,106
Vehicles and equipment	<u>5,192,939</u>	<u>4,549,162</u>
	<u>88,230,304</u>	<u>87,514,684</u>
Investment in general fixed assets	<u>\$ 88,230,304</u>	<u>87,514,684</u>

See accompanying notes to financial statements.

**BOROUGH OF ENGLEWOOD CLIFFS
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

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

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

However, the municipalities in the State of New Jersey do not prepare financial statements in accordance with GAAP and thus do not comply with all of the GASB pronouncements. The financial statements contained herein include only those boards, bodies, officers or commissions as required by NJS 40A:5-5. Accordingly, the financial statements of the Borough do not include the volunteer fire department which is considered a component unit under GAAP. Complete financial statements of the above components can be obtained by contacting the Treasurer of the respective entity.

BOROUGH OF ENGLEWOOD CLIFFS
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011
(CONTINUED)

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

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

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

The Borough has the following funds and account group:

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

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

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

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

Shade Tree Trust Fund - This fund is used to account for all fees and donations collected for the removal and replacement of trees.

Recycling Trust Fund - This fund is used to account for all fees collected from the sale of Recyclable materials.

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

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

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

BOROUGH OF ENGLEWOOD CLIFFS
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011
(CONTINUED)

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

Basis of Accounting

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

Property Tax Revenues - Real property taxes are assessed locally, based upon the assessed value of the property. The tax bill includes a levy for Municipal, County, and School purposes. The bills are mailed annually in June for that calendar year's levy. Taxes are payable in four quarterly installments on February 1, May 1, August 1, and November 1. The amounts of the first and second installments are determined as one quarter of the total tax levied against the property for the preceding year. The installment due the third and fourth quarters is determined by taking the current year levy less the amount previously charged for the first and second installments, with the remainder being divided equally. If unpaid on these dates, the amount due becomes delinquent and subject to interest at 8% per annum, or 18% on any delinquency amount in excess of \$1,500. The school levy is turned over to the Board of Education as expenditures are incurred, and the balance, if any, must be transferred as of June 30, of each fiscal year. County taxes are paid quarterly on February 15, May 15, August 15 and November 15, to the County by the Borough. When unpaid taxes or any municipal lien, or part thereof, on real property, remains in arrears on April first in the year following the calendar year levy when the same became in arrears, the collector in the municipality shall subject to the provisions of the New Jersey Statutes enforce the lien by placing the property on a tax sale. Annual in rem tax foreclosure proceedings are instituted to enforce the tax collection or acquisition of title to the property by the Borough. In accordance with the accounting principles prescribed by the State of New Jersey, current and delinquent taxes are realized as revenue when collected. Since delinquent taxes and liens are fully reserved, no provision has been made to estimate that portion of the taxes receivable and tax title liens that are uncollectible. GAAP requires property tax revenues to be recognized in the accounting period when they become susceptible to accrual, reduced by an allowance for doubtful accounts.

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

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

BOROUGH OF ENGLEWOOD CLIFFS
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011
(CONTINUED)

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

Basis of Accounting, (continued)

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 of the current fund. Budget amounts presented in the accompanying financial statements represent amounts adopted by the Borough and approved by the State Division of Local Government Services per N.J.S.A. 40A:4 et seq.

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

General Capital Fund
Trust Funds

The governing body shall introduce and approve the annual budget not later than February 10, of the fiscal year. The budget shall be adopted not later than March 20, and prior to adoption must be certified by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The Director of the Division of Local Government Services, with the approval of the Local Finance Board may extend the introduction and approval and adoption dates of the municipal budget. The budget is prepared by fund, function, activity and line item (salary or other expense) and includes information on the previous year. The legal level of control for appropriations is exercised at the individual line item level for all operating budgets adopted. Emergency appropriations, those made after the adoption of the budget and determination of the tax rate, may be authorized by the governing body of the municipality. During the last two months of the fiscal year, the governing body may, by a 2/3 vote, amend the budget through line item transfers. Management has no authority to amend the budget without the approval of the Governing Body. During 2012, the Mayor and Council approved additional revenues and appropriations of \$25,000 in accordance with N.J.S.A. 40A:4-87. In addition, several budget transfers were approved by the governing body. The Mayor and Council also approved \$322,306 of special emergency appropriations for accumulated sick and vacation payments and \$200,000 of special emergency appropriations for Hurricane Sandy 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 canceled by the governing body. GAAP requires expenditures to be recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt, which should be recognized when due.

BOROUGH OF ENGLEWOOD CLIFFS
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011
(CONTINUED)

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

Basis of Accounting, (continued)

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

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

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

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

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

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

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

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

**BOROUGH OF ENGLEWOOD CLIFFS
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011
(CONTINUED)**

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

Basis of Accounting, (continued)

General Fixed Assets - The Borough of Englewood Cliffs has developed a fixed assets accounting and reporting system, as promulgated by The Division of Local Government Services, which differs in certain respects from generally accepted accounting principles.

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

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available.

No depreciation has been provided for in the financial statements.

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

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

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

Use of Estimates

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

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

**BOROUGH OF ENGLEWOOD CLIFFS
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011
(CONTINUED)**

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

C. Basic Financial Statements

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

NOTE 2. PENSION PLANS

Description of Systems:

Substantially all of the Borough's employees participate in one of the following contributory defined benefit public employee retirement systems which have been established by State statute: the Police and Firemen's Retirement System (PFRS) or the Public Employees' Retirement System (PERS). These systems are sponsored and administered by the State of New Jersey. The Public Employees' Retirement System and the Police and Firemen's Retirement System (PFRS) are considered a cost sharing multiple-employer plans. According to the State of New Jersey Administrative Code, all obligations of the systems will be assumed by the State of New Jersey should the systems terminate.

Public Employees' Retirement System (PERS)

The Public Employees' Retirement System was established in January, 1955 under the provisions of N.J.S.A. 43:15A to provide coverage including post-retirement health care to certain qualified members. Membership is mandatory for substantially all full time employees of the State or any county, municipality, school district or public agency provided the employee is not required to be a member of another State-administered retirement system. Vesting occurs after 8-10 years of service and 25 years for health care coverage. Members are eligible for retirement at age 60 with an annual benefit generally determined to be 1/55th of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of creditable service. Early retirement is available to those under age 60 with 25 or more years of credited service. Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on contributions. In case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

BOROUGH OF ENGLEWOOD CLIFFS
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011
(CONTINUED)

NOTE 2. PENSION PLANS, (continued)

Description of Systems, (continued)

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

Chapter 103, P.L. 2007 amended the early retirement reduction formula for members hired on or after July 1, 2007 and retiring with 25 years of service to be reduced by 1% for every year between age 55 and 60, plus 3% for every year under age 55.

Chapter 89, P.L. 2008 increased the PERS eligibility age for unreduced benefits from age 60 to age 62 for members hired on or after November 1, 2008; increased the minimum annual compensation required for membership eligibility for new members. Also, it amended the early retirement reduction formula for members hired on or after November 1, 2008 and retiring with 25 years of service to be reduced by 1% for every year between age 55 and 62, plus 3% for every year under age 55.

Chapter 1, P.L. 2010, effective May 21, 2010, changed the membership eligibility criteria for new members of PERS from the amount of compensation to the number of hours worked weekly. Also, it returned the benefit multiplier for new members of PERS to 1/60 from 1/55, and it provided that new members of PERS have the retirement allowance calculated using the average annual compensation for the last five years of service instead of the last three years of service. New members of PERS will no longer receive pension service credit from more than one employer. Pension service credit will be earned for the highest paid position only. This law also closed the Prosecutors Part of the PERS to new members and repealed the law for new members that provided a non-forfeitable right to receive a pension based on the laws of the retirement system in place at the time 5 years of pension service credit is attained. The law also requires the State to make its full pension contribution, defined as 1/7th of the required amount, beginning in fiscal year 2012.

Chapter 3, P.L. 2010, effective May 21, 2010, replaced the accidental and ordinary disability retirement for new members of PERS with disability insurance coverage similar to that provided by the State to individuals enrolled in the State's Defined Contribution Retirement Program.

Chapter 78, P.L. 2011, provides that new members of PERS hired on or after June 28, 2011 (Tier 5 members) will need 30 years of creditable service and age 65 for receipt of the early retirement benefit without a reduction of $\frac{1}{4}$ of 1% for each month that the member is under age 65. Tier 5 members will be eligible for a service retirement benefit at age 65.

**BOROUGH OF ENGLEWOOD CLIFFS
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011
(CONTINUED)**

NOTE 2. PENSION PLANS, (continued)

Description of Systems, (continued)

Police and Firemens' Retirement System (PFRS)

The Police and Firemens' Retirement System was established in July 1944 under the provisions of N.J.S.A. 43:16A to provide retirement, death and disability benefits to its members. Membership is mandatory for all full time county and municipal police and firemen, and state firemen or officer employees with police powers appointed after June 30, 1944.

Enrolled members of the Police and Firemens' Retirement System may retire at age 55 with no minimum service requirement. The annual allowance is equal to 2% of the members' final compensation for each year of service up to 30 years, plus 1% of each year of creditable service over 30 years. Final compensation equals the compensation for the final year of service prior to retirement. Special retirement is permitted to members who have 25 or more years of creditable service in the system. Benefits fully vest on reaching 10 years of service. Members are always fully vested for their own contributions. In the case of death before retirement, members' beneficiaries are entitled to full payment of members' contributions.

Chapter 1, P.L. 2010, effective May 21, 2010, eliminated the provision in PFRS that would permit a member to retire, at any age after 25 years of service credit, on a special retirement allowance of 70% of final compensation after the retirement system reaches a funded level of 104%. Also, for new members of PFRS, the law capped the maximum compensation that can be used to calculate a pension from the plan at the annual wage contribution base for Social Security, and requires the pension to be calculated using a three year average annual compensation instead of the last year's salary.

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 for PERS and PFRS. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Divisions of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295.

Significant Legislation

On March 17, 2009, the legislative of the State of New Jersey enacted Public Laws 2009, c.19(S-21) the "Pension Deferral Program". This law allows the Division of Pensions and Benefits to provide non-state government pension system employers the option of paying their full amount, or an amount that reflects a 50 percent reduction of the normal and accrued liability component of the Public Employees' Retirement System and/or the Police and Firemen's Retirement System

**BOROUGH OF ENGLEWOOD CLIFFS
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011
(CONTINUED)**

NOTE 2. PENSION PLANS, (continued)

Significant Legislation, (continued)

obligation for payment due to the State Fiscal Year ending June 30, 2009. The amount deferred will be repaid starting in April 2012 over a 15-year period at 8¼ percent. The amount will fluctuate based on pension system investment earnings on the deferred amount. The local employer is allowed to payoff the obligation at any time prior to April 2012.

The Borough of Englewood Cliffs opted for this deferral in the amount of \$436,241.

Contribution Requirements

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

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

<u>Year Ended December 31,</u>	<u>PERS Amount</u>	<u>PFRS Amount</u>
2012	\$134,580	\$707,293
2011	148,819	928,136
2010	129,991	836,899

**BOROUGH OF ENGLEWOOD CLIFFS
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011
(CONTINUED)**

NOTE 2. PENSION PLANS, (continued)

Defined Contribution Retirement Program

The Defined Contribution Retirement Program (DCRP) was established on July 1, 2007 for certain public employees under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007. The program provides eligible members, with a minimum base salary of \$1,500.00 or more, with a tax-sheltered, defined contribution retirement benefit, in addition to life insurance and disability coverage. The DCRP is jointly administered by the Division of Pensions and Benefits and Prudential Financial.

If the eligible elected or appointed official will earn less than \$5,000.00 annually, the official may choose to waive participation in the DCRP for that office or position. The waiver is irrevocable.

This retirement program is a new pension system where the value of the pension is based on the amount of the contribution made by the employee, employer and through investment earnings. It is similar to a Deferred Compensation Program where the employee has a portion of tax deferred salary placed into an account that the employee manages through investment option provided by the employer.

The law requires that three classes of employees enroll in the DCRP detailed as follows:

All elected officials taking office on or after July 1, 2007, except that a person who is reelected to an elected office held prior to that date without a break in service may remain in the PERS.

A Governor appointee with advice and consent of the Legislature or who serves at the pleasure of the Governor only during that Governor's term of office.

Other employees commencing service after July 1, 2007, pursuant to an appointment by an elected official or elected governing body which include the statutory untenured Chief Administrative Officer such as the Business Administrator, County Administrator, or Municipal or County Manager, Department Heads, Legal Counsel, Municipal or County Engineer, Municipal Prosecutor and the Municipal Court Judge.

Notwithstanding the foregoing requirements, other employees who hold a professional license or certificate or meet other exceptions are permitted to remain to join or remain in PERS.

Contributions made by employees for DCRP are currently at 5.5% of the base wages. Member contributions are matched by a 3.0% employer contribution.

**BOROUGH OF ENGLEWOOD CLIFFS
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011
(CONTINUED)**

NOTE 3. OTHER POST EMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 2, the Borough provides post employment health care benefits as follows:

Plan Description

The Borough of Englewood Cliffs contributes to the State Health Benefits Program (SHBP) a cost-sharing, multi-employer defined benefit post-employment healthcare plan administered by the State of New Jersey Division of Pensions and Benefits. The SHBP was established in 1961 under N.J.S.A. 52:14-17.25 et seq. to provide health benefits to State employees, retirees, and their dependents.

The SHBP was extended to employees, retirees, and dependents of participating local public employers in 1964. Local employers must adopt a resolution to participate in the SHBP. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. SHBP provides medical, prescription drugs, mental health/substance abuse, and Medicare Part B reimbursement to retirees and their covered dependents.

The State Health Benefits Commission is the executive body established by statute to be responsible for the operation of the SHBP. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for the SHBP. That report may be obtained by writing to: State of New Jersey Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295 or by visiting their website at <http://www.state.nj.us/treasury/pensions/gasb-43-july2011.pdf>.

Plan Coverage

Any employee who retires after twenty-five (25) years or more of service within a state administered retirement system shall be entitled to be continued in the above health insurance coverage on a family-plan basis, with the cost thereof to be paid by the Borough. This does not include dental benefits.

Funding Policy

Participating employers are contractually required to contribute based on the amount of premiums attributable to their retirees. Post-retirement medical benefits under the plan have been funded on a pay-as-you-go basis since 1994. Prior to 1994, medical benefits were funded on an actuarial basis.

**BOROUGH OF ENGLEWOOD CLIFFS
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011
(CONTINUED)**

NOTE 3. OTHER POST EMPLOYMENT BENEFITS, (continued)

Contributions to pay for the health premiums of participating employees in the SHBP are billed to the Borough of Englewood Cliffs on a monthly basis. The rates charges by the system for the year ended December 31, 2012 were as follows:

The Borough of Englewood Cliffs contributions to SHBP for post-retirement benefits for the years ended December 31, 2012 and 2011 were \$435,592 and \$425,254, respectively, which equaled the required contribution for each year.

NOTE 4. MUNICIPAL DEBT

Long-term debt as of December 31, 2012 consisted of the following:

	Balance Dec. 31, <u>2011</u>	<u>Additions</u>	<u>Reductions</u>	Ending <u>Balance</u>	Amounts Due Within <u>One Year</u>
Bonds Payable:					
General Obligation Debt	\$8,280,000	\$2,495,000	\$3,130,000	\$7,645,000	\$770,000
Other Liabilities:					
Pension Deferral	436,241		18,207	418,034	21,457
General Capital:					
BCIA Leases Payable	803,000	804,000	772,000	835,000	44,000
Compensated Absences Payable	<u>2,004,573</u>	<u>733,536</u>	<u>95,708</u>	<u>2,642,401</u>	
Total Other Liabilities	<u>\$3,243,814</u>	<u>\$1,537,536</u>	<u>\$885,915</u>	<u>\$3,895,435</u>	<u>\$109,457</u>

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

**BOROUGH OF ENGLEWOOD CLIFFS
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011
(CONTINUED)**

NOTE 4. MUNICIPAL DEBT, (continued)

The Borough's debt is summarized as follows:

Summary of Municipal Debt (Excluding Current Operating Debt)

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Issued:			
General - Bonds, Notes and Loans	\$15,815,633	\$15,074,779	\$15,012,125
Authorized But Not Issued - General			
Bonds and Notes	<u>2,433,797</u>	<u>1,940,297</u>	<u>1,505,547</u>
Total Bonds, Notes and Loans Issued and Authorized Not Issued	18,249,430	17,015,076	16,517,672
Less Deductions	<u>12,026</u>	<u>12,026</u>	<u>12,206</u>
Net Debt	<u>\$18,237,404</u>	<u>\$17,003,050</u>	<u>\$16,505,466</u>

Summary of Statutory Debt Condition - Annual Debt Statement

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of .56%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
General Debt	\$2,696,190	\$2,696,190	\$ -0-
Local School Debt	<u>18,249,430</u>	<u>12,026</u>	<u>18,237,404</u>
	<u>\$20,945,620</u>	<u>\$2,708,216</u>	<u>\$18,237,404</u>

Net debt of \$18,237,404 divided by equalized valuation basis per N.J.S.A. 40A:2-2 as amended of \$3,245,224,254 equals .56%.

Borrowing Power Available Under N.J.S.A. 40A:2-6 as Amended

3-1/2% of equalized valuation basis (municipal)	\$113,582,849
Less net debt	<u>\$18,237,404</u>
Remaining Borrowing Power	<u>\$95,345,445</u>

**BOROUGH OF ENGLEWOOD CLIFFS
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011
(CONTINUED)**

NOTE 4. MUNICIPAL DEBT, (continued)

The Borough's long-term debt consisted of the following at December 31, 2012:

Paid by Current Fund:

\$5,325,000 General Serial Bonds - with an interest rate of 3.625% to 4.00% issued August 15, 2003, due through August 15, 2003	\$425,000
\$5,370,000 General Serial Bonds - with an interest rate of 4.15% to 4.2% issued July 15, 2007, due through July 15, 2022	4,725,000
\$2,495,000 Refunding Bonds - with an interest rate of 1.50% to 3.00% issued June 28, 2012, due through October 15, 2018	<u>2,495,000</u>
Total General Serial Bonds	<u>\$7,645,000</u>

Aggregate annual debt service requirements for bonded debt issued and outstanding:

<u>Year</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2013	\$1,058,010	\$770,000	\$288,010
2014	1,062,718	810,000	252,718
2015	1,059,315	830,000	229,315
2016	1,045,505	845,000	200,505
2017	1,031,188	860,000	171,188
2018-2022	<u>3,949,650</u>	<u>3,530,000</u>	<u>419,650</u>
	<u>\$9,206,386</u>	<u>\$7,645,000</u>	<u>\$1,561,386</u>

General capital serial bonds are direct obligations of the Borough for which its full faith and credit are pledged, and are payable from taxes levied on all taxable property located within the Borough.

At December 31, 2012, the Borough had authorized but not issued debt of \$2,433,797.

**BOROUGH OF ENGLEWOOD CLIFFS
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011
(CONTINUED)**

NOTE 5. CAPITAL LEASES PAYABLE

The Borough entered into an \$870,000 capital lease through the Bergen County Improvement Authority for the retirement of its outstanding unfunded pension liability. Principal and interest payments are due semi-annually through 2023. During 2012, the Borough entered into a new lease agreement to refinance the original unfunded pension liability. Principal and interest payments are due semi-annually through 2023. The following is a schedule of the future minimum lease payments under the agreements, and the present value of the net minimum lease payments at December 31, 2012:

<u>Year</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2013	\$63,162	\$44,000	\$19,162
2014	68,165	50,000	18,165
2015	72,780	55,000	17,780
2016	76,185	59,000	17,185
2017	83,271	67,000	16,271
2018-2022	496,379	443,000	53,379
2023	<u>118,907</u>	<u>117,000</u>	<u>1,907</u>
	<u>\$978,849</u>	<u>\$835,000</u>	<u>\$143,849</u>

NOTE 6. BOND ANTICIPATION NOTES

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

On December 31, 2012, the Borough had \$8,170,633 in outstanding bond anticipation notes consisting of \$6,391,433 maturing on March 29, 2013 with an interest rate of 1.25%, \$700,000 maturing on March 29, 2013 with an interest rate of .66% and \$1,079,200 maturing on December 20, 2013 with an interest rate of .67%.

**BOROUGH OF ENGLEWOOD CLIFFS
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011
(CONTINUED)**

NOTE 6. BOND ANTICIPATION NOTES, (continued)

The following activity related to bond anticipation notes occurred during the calendar year ended December 31, 2012.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
General Capital Notes Payable:				
Oppenheimer & Co., Inc.	\$6,794,779	\$	\$6,794,779	\$0
Bank of New Jersey		1,779,200		1,779,200
Jeffries & Company		<u>6,391,433</u>		<u>6,391,433</u>
	<u>\$6,794,779</u>	<u>\$8,170,633</u>	<u>\$6,794,779</u>	<u>\$8,170,633</u>

NOTE 7. FUND BALANCE APPROPRIATED

The fund balance at December 31, 2012 which has been appropriated as revenue in the 2013 budget is as follows:

Current Fund	<u>\$500,000</u>
--------------	------------------

NOTE 8. ACCRUED SICK AND VACATION BENEFITS

The Borough permits employees to accrue (with certain restrictions) unused vacation and sick pay, which may be taken as time off or paid at a later date at an agreed-upon rate. It is estimated that the current cost of such unpaid compensation would approximate \$2,642,401 as of December 31, 2012. This amount is not reported either as an expenditure or liability.

NOTE 9. CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Borough's policy is based on New Jersey Statutes requiring cash be deposited only in New Jersey based banking institutions that participate in New Jersey Governmental Depository Protection Act (GUDPA) or in qualified investments established in New Jersey Statutes 40A:5-15.1(a) that are treated as cash equivalents. As of December 31, 2012, \$-0- of the Borough's bank balance of \$6,642,331 was exposed to custodial credit risk.

**BOROUGH OF ENGLEWOOD CLIFFS
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011
(CONTINUED)**

NOTE 9. CASH, CASH EQUIVALENTS AND INVESTMENTS, (continued)

Investments

Investment Rate Risk

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

Credit Risk

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

Concentration of Credit Risk

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

Unaudited Investments

As more fully described in Note 14, the Borough has created a Length of Service Award Program (LOSAP) for emergency service volunteers. The LOSAP investments are similar to those allowed in a deferred compensation program as specified in NJSA 43:15B-1 et. seq. except that all investments are retained in the name of the Borough. All investments are valued at fair value. In accordance with NJAC 5:30-14.37, the investments are maintained by AIG, which is an authorized provider approved by the Division of Local Government Services. The balance in the account on December 31, 2012 and 2011 amounted to \$485,341 and \$423,688, respectively.

**BOROUGH OF ENGLEWOOD CLIFFS
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011
(CONTINUED)**

NOTE 9. CASH, CASH EQUIVALENTS AND INVESTMENTS, (continued)

The following investments represent the total invested with AIG on December 31, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Aggressive Growth Lifestyle	\$5,581	\$5,636
Asset Allocation Fund	21,380	17,279
Blue Chip Growth Fund	20,140	15,881
Capital Conservation	2,402	2,058
Core Value		18,952
Fixed Account Plus	46,651	40,824
Dividend Value	22,539	
Global Strategy	10,842	8,451
Government Securities Fund	11,597	9,421
Growth Fund	2,526	744
Growth & Income Fund	2,498	
High Yield Bond Fund	1,823	1,615
International Equities Fund	1,283	3,375
International Opportunities	1,332	1,100
Large CAP CORE		923
Large CAP Value Fund		1,066
Mid Cap Growth Fund	559	506
Mid Cap Index Fund	43,696	40,437
Mid Cap Value Fund	104,669	82,667
Moderate Growth Lifestyle	3,160	2,800
Money Market I Fund	51,110	51,299
NASDAQ-100R Index Fund	2,546	1,832
Science & Technology Fund	52,954	44,920
SM CAP Aggressive Growth		273
Small CAP Fund		1,144
Small CAP Index Fund		3,923
Small Cap Value Fund	1,798	2,577
Stock Index Fund	74,255	63,985
	<u>\$485,341</u>	<u>\$423,688</u>

**BOROUGH OF ENGLEWOOD CLIFFS
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011
(CONTINUED)**

NOTE 10. LOCAL DISTRICT SCHOOL TAXES

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

The Borough has elected to defer school taxes as of December 31, 2012 and 2011 as follows:

	<u>2012</u>	<u>2011</u>
Balance of tax	\$5,068,207	\$5,026,079
Deferred	<u>5,068,207</u>	<u>5,026,079</u>
Tax payable	<u>\$ -0-</u>	<u>\$ -0-</u>

NOTE 11. FIXED ASSETS

The following is a summary of changes in the General Fixed Assets Account Group as of December 31, 2012.

	<u>Balance Dec. 31, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance Dec. 31, 2012</u>
Land	\$73,758,416	\$41,812	\$	\$73,800,228
Buildings	9,207,106	30,031		9,237,137
Vehicles and Equipment	<u>4,549,162</u>	<u>643,777</u>		<u>5,192,939</u>
	<u>\$87,514,684</u>	<u>\$715,620</u>	<u>\$</u>	<u>\$88,230,304</u>

**BOROUGH OF ENGLEWOOD CLIFFS
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011
(CONTINUED)**

NOTE 12. INTERFUND BALANCES AND ACTIVITY

Balances due to/from other funds at December 31, 2012 consist of the following:

\$153,527	Due to Federal and State Grant Fund from the Current Fund for grant awards not turned over.
1,072	Due to Current Fund from the General Capital Fund for interest earnings not turned over.
1,341	Due to the current Fund from the Animal License Fund for statutory excess.
181	Due to the Current Fund from the Escrow Trust Fund for interest earnings not turned over.
736	Due to Current Fund from the Other Trust Fund for deposits made in error.
50,000	Due to the DEA Trust Fund from the General Capital Fund for reimbursement of expenditures paid.
<u>26,325</u>	Due to the Other Trust Fund from the Recycling Trust Fund for reimbursement of expenditures paid.
<u>\$233,182</u>	

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

NOTE 13. EMERGENCY SERVICES VOLUNTEER LENGTH OF SERVICE AWARD PLAN (LOSAP)

On December 6, 2001, the Division of Local Government Services approved the Borough's LOSAP plan, provided by the Variable Annuity Life Insurance Company (VALIC). The purpose of this plan is to enhance the Borough's ability to retain and recruit volunteer firefighters and volunteer members of emergency service squads.

VALIC will provide for the benefit of participants, a multi-fund variable annuity contract as its funding vehicle. The plan shall provide for an annual contribution of \$1,150 to all eligible members, subject to periodic increases as permitted by N.J.A.C. 5:30-14.9. The Borough's contribution shall be included in the current years budget.

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

**BOROUGH OF ENGLEWOOD CLIFFS
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011
(CONTINUED)**

NOTE 13. EMERGENCY SERVICES VOLUNTEER LENGTH OF SERVICE AWARD PLAN (LOSAP), (continued)

We have reviewed the plan for the year ended December 31, 2012 in accordance with the American Institute of Certified Public Accountants (AICPA) Statement on Standards for Accounting and Review Services.

NOTE 14. RISK MANAGEMENT

The Borough is exposed to various risks of loss related to general liability, automobile coverage, damage and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Borough has obtained insurance coverage to guard against these events which will provide minimum exposure to the Borough should they occur. During the 2012 calendar year, the Borough did not incur claims in excess of their coverage and the amount of coverage did not significantly decrease.

The Borough of Englewood Cliffs is a member of the Bergen County Joint Insurance Fund (BCJIF) 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 BCJIF 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 insurance funds, to report claims on a timely basis, cooperate with the management of the Fund, its claims administrator and attorneys in claims investigation and settlement, and to follow risk management procedures as outlined by the insurance funds. Members have a contractual obligation to fund any deficit of the insurance funds attributable to a membership year during which they were 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.

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

Financial statements for the funds are available at the office of the funds executive director, Public Entity Risk Management Administrators, Inc.

**BOROUGH OF ENGLEWOOD CLIFFS
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011
(CONTINUED)**

NOTE 15. TAXES COLLECTED IN ADVANCE

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

	<u>Balance Dec 31, 2012</u>	<u>Balance Dec 31, 2011</u>
Prepaid Taxes	<u>\$286,637</u>	<u>\$295,683</u>
Cash Liability for Taxes Collected in Advance	<u>\$286,637</u>	<u>\$295,683</u>

NOTE 16. COMMITMENTS AND CONTINGENT LIABILITIES

We are advised by the Borough Counsel that the Borough is involved in several legal suits. These legal proceedings are not likely to have a material adverse impact on the affected funds of the Borough. The following matters were identified by Borough Counsel to have significant risk exposure:

(a) **Miscellaneous Tax Appeals**

There are over 40 commercial appeals and 20 residential appeals pending in the Tax Court, which challenge the 2008 revaluation assessments. Ten of these cases were settled in late 2009 and are due refunds in excess of \$96,000. The amounts are to be funded as part of a 2010 refunding bond ordinance.

Those matters pending for years prior to the 2008 revaluation, and have been settled in December of 2009, are as follows:

Tealand

The former Thomas J. Lipton headquarters site was tried in the Tax Court for tax years 2004, 2005 and 2006. The Tax Court has rendered its Decision and reduced the assessment from \$74,285,000 to \$68,525,000 for 2004, \$65,173,600 for 2005 and \$60,136,000 for 2006. There is a refund due of \$300,464 which will also be a part of a 2010 refunding bond ordinance.

While the 2008 revaluation appeal will not be tried during 2009, such a finding would obviously have some affect on our ability to hold the line at the newly determined revaluation assessment of \$120 million.

**BOROUGH OF ENGLEWOOD CLIFFS
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011
(CONTINUED)**

NOTE 16. COMMITMENTS AND CONTINGENT LIABILITIES, (continued)

Citibank

A settlement has been reached with Citibank for the years 2005 to 2009 which results in a refund due to Citibank of \$1,059,561 which will also be a part of the 2010 refunding bond ordinance.

The following matters are still pending:

Palestroni Office Building Appeals

Appeals are pending on the properties located at 600 Sylvan Avenue, 385 Sylvan Avenue and 375 Sylvan Avenue for years 2005, 2006 and 2007. The assessments on these three offices are approximately \$150 per foot, which we believe are sustainable for tax years 2005 and 2006. In 2007, the Borough's ratio is approximately 66% and, hence, even were the Court to find fair market value at approximately \$170 per square foot, the taxpayer would be entitled to a substantial reduction for that year. The anticipated losses are \$40,000 for 600 Sylvan; \$15,000 for 375 Sylvan; \$15,000 for 385 Sylvan. These estimates do not include any amounts with respect to the 2008 revaluation appeals.

Palestroni Foundation

5 acre vacant tract at Sage Road was assessed at \$2.8 million for tax years 2006 and 2007. The revaluation assessment is \$3.6 million. At issue is the quantum of wetlands versus the developable uplands. If the uplands are found to be 2 acres, the fair market value would be approximately \$4 million, and there would be no reduction for the pre-revaluation years. If, however, the wetlands limits development to one acre, the anticipated refund would approximate \$30,000 for tax years 2007 and 2008.

Bally's Total Fitness Corp.

This mixed use property was assessed at \$7,359,800 for the tax year 2007. The property was revalued for 2008 in the total amount of \$12,508,000. Even assuming a fair market value of \$10 million, the 2007 refund would be approximately \$10,000. However, a more likely scenario would be a minor reduction in 2007 in exchange for a larger reduction in 2008. In any case, we don't anticipate a refund of more than \$25,000, inclusive of both years.

**BOROUGH OF ENGLEWOOD CLIFFS
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011
(CONTINUED)**

NOTE 16. COMMITMENTS AND CONTINGENT LIABILITIES, (continued)

Kalman (PNC Bank)

The assessment for 2007 is \$1,064,500 for this branch bank located on one-third of an acre. The revaluation assessment is \$1,759,200. Any adjustment would be of relatively minor consequence.

325 Sylvan Avenue

This small multi-tenanted office building was assessed at \$1,075,000 for 2007. Even if the taxpayer is entitled to a reduction, the amount would approximate \$2,500.

C&R Realty and T. Browning

This economic unit of two separate lots located at 140 Sylvan Avenue is comprised of a multi-tenanted office and a parking lot, a portion of which is separately leased to Bally's (an adjacent user). The 2005 through 2007 assessment on this 91,000 square foot building, including the parking lot, is \$17,419,000. If the Court finds value at \$175/foot for the office and another \$1.5 million for the lot, the Borough would still lose the 2007 appeal and have to refund almost \$75,000. However, if value is determined to be \$160/foot, the refund amount would approximate \$120,000 for 2006 and 2007.

On December 16, 2009, the Mayor and Council adopted a resolution to submit an application to the Local Finance Board to request the approval of a \$1,500,000 refunding bond ordinance for tax appeal refunds. This ordinance was introduced by the Mayor and Council on January 6, 2010 and the application was heard by the Local Finance Board at their meeting of January 13, 2010. The Local Finance Board approved the application at this meeting for a repayment of 6 years as follows:

2011	\$300,000
2012	275,000
2013	250,000
2014	245,000
2015	230,000
2016	<u>200,000</u>
	<u>\$1,500,000</u>

The Mayor and Council adopted the ordinance and plans to issue bond anticipation notes to pay the refunds due by March 31, 2010.

APPENDIX C

**SELECTED FINANCIAL INFORMATION
FOR YEARS ENDED DECEMBER 31, 2009-2013**

The selected data presented on pages C-46 to C-50 under the section "Selected Financial Information" as of and for each of the years in the five year periods ended December 31, 2012 are derived from the financial statements of the Borough of Englewood Cliffs, except for the financial information for December 31, 2013 which is derived from the "Unaudited" Annual Financial Statements. The excerpts from the financial statements as of December 31, 2012 and the Independent Auditor's Report thereon are included in the previous section.

BOROUGH OF ENGLEWOOD CLIFFS
COMPARATIVE ASSETS, LIABILITIES, RESERVES AND FUND BALANCE
CURRENT FUND

<u>Assets</u>	<u>(Unaudited)</u> <u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Regular Fund:					
Cash	3,043,634	2,714,788	1,811,002	2,417,537	1,615,767
Cash - Change Fund	500	500	500	500	500
Due from State of New Jersey	898	1,653	1,223	1,223	1,723
	<u>3,045,032</u>	<u>2,716,941</u>	<u>1,812,725</u>	<u>2,419,260</u>	<u>1,617,990</u>
Receivables and Other Assets with Full Reserves:					
Delinquent Property Taxes Receivable	484,184	417,225	432,229	286,709	324,955
Tax Title Liens Receivable	19,222	15,926	12,725	9,643	6,558
Property Acquired for Taxes-Assessed Value	39,528	39,528	39,528	39,528	39,528
Revenue Accounts Receivable	218,160	218,160	69,383	39,220	31,689
Interfunds Receivable	102,134	3,330	9,316	10,550	3,515
	<u>863,228</u>	<u>694,169</u>	<u>563,181</u>	<u>385,650</u>	<u>406,245</u>
Deferred Charges:					
Emergency Appropriation		200,000	339,129		
Overexpenditure of Appropriation	1,852				
Expenditure without Appropriation	12,658				
Overexpenditure of Appropriation Reserves		1,852			
Special Emergency Authorization (40A:4-55)	608,289	812,966	665,875	421,000	105,000
	<u>622,799</u>	<u>1,014,818</u>	<u>1,005,004</u>	<u>421,000</u>	<u>105,000</u>
	<u>4,531,059</u>	<u>4,425,928</u>	<u>3,380,910</u>	<u>3,225,910</u>	<u>2,129,235</u>
Federal and State Grant Fund:					
Federal and State Grants Receivable	36,311	39,867	32,012	25,519	31,500
Due from Current Fund	152,494	153,527	164,933	144,932	131,610
	<u>188,805</u>	<u>193,394</u>	<u>196,945</u>	<u>170,451</u>	<u>163,110</u>
Total Assets	<u><u>4,719,864</u></u>	<u><u>4,619,322</u></u>	<u><u>3,577,855</u></u>	<u><u>3,396,361</u></u>	<u><u>2,292,345</u></u>

BOROUGH OF ENGLEWOOD CLIFFS
COMPARATIVE ASSETS, LIABILITIES, RESERVES AND FUND BALANCE
CURRENT FUND

<u>Liabilities, Reserves and Fund Balance</u>	<u>(UNAUDITED)</u> <u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Appropriation Reserves	596,813	619,418	716,113	524,354	373,074
Reserve for Encumbrances	122,411	151,522	105,233	118,482	89,478
Prepaid Taxes	411,899	286,637	295,683	239,712	227,600
Tax overpayments	109,349	103,601	183,914	158,936	49,660
Due to County for Added and Omitted Taxes	19,587	30,194	11,797	52,865	36,608
Interfunds Payable	152,494	153,527	164,933	144,932	131,610
Special Emergency Notes	608,289	812,966	630,875		
Emergency Notes	590,000	200,000	299,129	351,000	
Reserve for Sale of Assets			18,407	6,782	2,950
Reserve for Reassessment				11,104	26,566
Reserve for State Library Aid	4,600	3,675	2,740	1,767	40,757
Reserve for Lien Redemption	10,233	10,233		34,791	
Reserve for Tax Title Lien Premiums				100	100
Reserve for Master Plan	1,675	1,675	1,675	1,675	1,675
Reserve for BCUA Recycling	11,445	11,445	11,445	11,445	11,445
Reserve for Police/ Other Salaries			43,466	43,466	
	<u>2,638,795</u>	<u>2,384,893</u>	<u>2,485,410</u>	<u>1,701,411</u>	<u>991,523</u>
Reserve for Receivables and Other Assets	863,228	694,169	563,181	385,650	406,245
Fund Balance	<u>1,029,036</u>	<u>1,346,866</u>	<u>332,319</u>	<u>1,138,849</u>	<u>731,467</u>
	<u>4,531,059</u>	<u>4,425,928</u>	<u>3,380,910</u>	<u>3,225,910</u>	<u>2,129,235</u>
Federal and State Grant Fund:					
Appropriated Reserves	111,757	137,870	163,381	129,861	129,590
Encumbrances Payable		820			60
Unappropriated Reserves	<u>77,048</u>	<u>54,704</u>	<u>33,564</u>	<u>40,590</u>	<u>36,460</u>
	<u>188,805</u>	<u>193,394</u>	<u>196,945</u>	<u>170,451</u>	<u>166,110</u>
Total Liabilities, Reserves and Fund Balance	<u><u>4,719,864</u></u>	<u><u>4,619,322</u></u>	<u><u>3,577,855</u></u>	<u><u>3,396,361</u></u>	<u><u>2,295,345</u></u>

BOROUGH OF ENGLEWOOD CLIFFS
COMPARATIVE OPERATIONS AND CHANGES IN FUND BALANCE
CURRENT FUND

	(Unaudited) 2013	2012	2011	2010	2009
Revenue and Other Income Realized:					
Fund Balance Utilized	850,000		955,000	604,000	668,000
Miscellaneous Revenue Anticipated	3,014,934	2,458,336	1,749,245	1,952,069	1,640,968
Receipts from Delinquent Taxes	409,335	423,646	282,591	329,861	200,587
Receipts from Current Taxes	28,395,527	27,832,086	26,730,752	27,092,550	25,645,953
Non-Budget Revenue	124,434	180,991	203,083	131,429	294,054
Other Credits to Income:					
Unexpended Balance of Appropriations				237,004	
Unexpended Balance of Appropriation Reserves	205,232	175,376	345,921	184,462	287,942
Liabilities canceled		164,140	2	1,176	
Prior year's interfunds returned	917	9,316	11,289		2,645
Animal License Fund Excess		1,341			
	<u>33,000,379</u>	<u>31,245,232</u>	<u>30,277,883</u>	<u>30,532,551</u>	<u>28,740,149</u>
Expenditures:					
Budget Appropriations:					
Operations:					
Salaries and Wages	5,465,529	5,321,726	5,301,453	5,691,054	5,593,791
Other expenses	5,914,303	5,315,913	5,517,725	5,707,415	5,091,581
Municipal debt service	1,843,127	1,540,815	1,617,613	1,568,347	1,481,372
Deferred charges and statutory expenditures - municipal	1,494,048	1,272,088	1,388,232	254,445	237,500
Capital Improvements	129,100	100,000	84,250	48,000	5,000
Local district school taxes	10,235,576	10,094,292	10,014,006	9,719,598	9,296,949
County Taxes	7,262,752	6,922,156	6,704,903	6,693,971	6,407,628
County share of added taxes	19,587	30,194	11,796	52,865	36,608
Interfund Advances	89,613	3,330	2,048	1,176	
Refunds	14,574	154,329	176,591	135,298	19,527
	<u>32,468,209</u>	<u>30,754,843</u>	<u>30,818,617</u>	<u>29,872,169</u>	<u>28,169,956</u>
Excess/(Deficit) in Revenue	532,170	490,389	-540,734	660,382	570,193
Deferred Charges Which are by Statute Raised in Succeeding Years Budget		524,158	689,204	351,000	0
Statutory Excess to Fund Balance	532,170	1,014,547	148,470	1,011,382	570,193
Fund Balance, January 1,	1,346,866	332,319	1,138,849	731,467	829,274
	1,879,036	1,346,866	1,287,319	1,742,849	1,399,467
Less Utilized as Anticipated Revenue	850,000		955,000	604,000	668,000
Fund Balance, December 31,	<u>1,029,036</u>	<u>1,346,866</u>	<u>332,319</u>	<u>1,138,849</u>	<u>731,467</u>

BOROUGH OF ENGLEWOOD CLIFFS
COMPARATIVE ASSETS, LIABILITIES, RESERVES AND FUND BALANCE
GENERAL CAPITAL FUND

<u>Assets</u>	<u>(Unaudited)</u> <u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Cash - Checking	82,554	807,931	812,505	1,048,320	529,979
Due from Department of Transportation	173,074	23,074	23,074	23,074	300,000
Due from Bergen County	10,051	10,051	10,051	10,051	92,500
Due from DEA Trust Fund			75,000	75,000	
Due from Other Trust Fund			175,000	175,000	175,000
Due From Ambulance Corp.	100,000	100,000	100,000		
Overexpenditure of Ordinance	3,524				
Deferred Charges to Future Taxation:					
Funded	7,666,000	8,480,000	9,083,000	9,779,000	10,360,000
Unfunded	12,407,166	10,604,430	8,735,076	7,562,672	5,403,763
	<u>20,442,369</u>	<u>20,025,486</u>	<u>19,013,706</u>	<u>18,673,117</u>	<u>16,861,242</u>
 <u>Liabilities, Reserves and Fund Balance</u>					
Bond Anticipation Notes	9,149,369	8,170,633	6,794,779	6,057,125	4,595,000
Capital Leases	791,000	835,000	803,000	824,000	840,000
General Serial Bonds	6,875,000	7,645,000	8,280,000	8,955,000	9,520,000
Due to Current Fund	78,335	1,072	12	4,468	236
Reserve for Payment of Debt	12,026	12,026	12,026	12,026	12,026
Premium on BAN				41,172	
Due to DEA Trust Fund		50,000			
Improvement Authorizations:					
Funded	13,799	13,975	165,513	14,364	374,304
Unfunded	3,419,221	3,208,207	2,725,176	2,531,762	1,442,721
Capital Improvement Fund	52,424	40,090	9,390	9,390	20,390
Fund Balance	51,195	49,483	223,810	223,810	56,565
	<u>20,442,369</u>	<u>20,025,486</u>	<u>19,013,706</u>	<u>18,673,117</u>	<u>16,861,242</u>

BOROUGH OF ENGLEWOOD CLIFFS
STATEMENT OF CHANGES IN FUND BALANCE
GENERAL CAPITAL FUND

	(Unaudited) 2013	2012	2011	2010	2009
Fund Balance, January 1,	49,483	223,810	223,810	56,565	
Increased by:					
Premium on Note Sale	51,195				56,565
Ordinances Canceled		49,483		334,745	
	100,678	273,293	223,810	391,310	56,565
Decreased by:					
Budget Revenue	49,483	223,810		167,500	
Fund Balance, December 31,	<u>51,195</u>	<u>49,483</u>	<u>223,810</u>	<u>223,810</u>	<u>56,565</u>

APPENDIX D

**FORM OF
BOND COUNSEL OPINION**

*An opinion in substantially the following form
will be delivered at Closing, assuming no
material changes in facts or law*

April __, 2014

Mayor and Borough Council of the
Borough of Englewood Cliffs in the
County of Bergen, New Jersey

Re: Borough of Englewood Cliffs, in the County of Bergen, New Jersey
\$9,885,000 General Obligation Bonds, Series 2014

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance by the Borough of Englewood Cliffs, in the County of Bergen, New Jersey (the "Borough"), of its General Obligation Bonds, Series 2014 in the aggregate principal amount of \$9,885,000 (the "Bonds"). The Bonds are general obligations of the Borough and the full faith, credit and taxing power of the Borough is available to pay the principal of and interest on the Bonds. The Bonds are dated _____, 2014 and mature on March 15 in the years and in the principal amounts and bear interest at the rates, payable on September 15, 2014 and semiannually thereafter on the fifteenth days of March and September in each year until maturity or earlier redemption, as follows:

Year	Principal Amount	Interest Rate
2015	\$350,000	
2016	375,000	
2017	575,000	
2018	550,000	
2019	575,000	
2020	600,000	
2021	635,000	
2022	650,000	
2023	675,000	
2024	700,000	
2025	700,000	
2026	700,000	
2027	700,000	
2028	700,000	
2029	700,000	
2030	700,000	

The Bonds will be initially issued in book-entry form only in the form of one certificate for the principal amount of Bonds maturing in each year, registered in the name of and held by Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. DTC will be responsible for maintaining the book-entry system for recording the interests of its participants or the transfers of such interests among such participants. Such participants shall be responsible for maintaining records regarding the beneficial ownership interests in the Bonds on behalf of individual purchasers. Individual purchases of the Bonds may be made in the principal amount of \$5,000 or multiples of \$1,000 in excess thereof through book-entries on the books and records of DTC and its participants.

The Bonds are issued under the provisions of the Local Bond Law, Chapter 169 of the Laws of 1960 of the State of New Jersey, effective January 1, 1962, and the acts amendatory thereof and supplemental thereto (the "Act"), Bond Ordinance Nos. 06-19, as amended by 07-05 and 07-24, 07-20, 08-01, 08-09, 09-05, 09-12, 09-13, 09-14, 10-14, 11-10, 11-11, as amended by 12-15, 12-19 and 13-09 (collectively, the "Ordinances"), and a resolution adopted by the Borough Council of the Borough on February 11, 2014 (the "Resolution"). The Bonds are issued for the purpose of providing funds for the financing and refinancing of the improvements described in the Ordinances.

The Bonds are subject to redemption prior to maturity as described in the Resolution.

In our capacity as Bond Counsel and as a basis for the opinions set forth below, we have examined the proceedings relating to the authorization and issuance of the Bonds, including (a) copies of the Resolution and the Ordinances; (b) such matters of law, including, *inter alia*, the Act and the Internal Revenue Code of 1986, as amended (the "Code"); and (c) such other agreements, proceedings, certificates, records, approvals, resolutions and documents as to various matters with respect to the issuance of the Bonds as we have deemed necessary. We have further assumed and relied upon the genuineness, accuracy and completeness of all of the documents and other instruments which we have examined. As to questions of fact material to our opinion, we have relied upon the proceedings and other certifications of public officials executed and furnished to us without undertaking to verify the same by independent investigation.

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

1. The Bonds have been duly authorized, issued, executed and sold by the Borough; the Ordinances and the Resolution have been duly authorized and adopted by the Borough; and the Bonds, the Ordinances and the Resolution are legal, valid and binding obligations of the Borough enforceable in accordance with their respective terms.

2. The Borough has covenanted to comply with any continuing requirements that may be necessary to preserve the exclusion from gross income for purposes of federal income taxation of interest on the Bonds under the Code. Failure to comply with certain requirements of the Code could cause interest on the Bonds to be includable in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. In our opinion, assuming continuing compliance by the Borough with its covenants, under current law, interest on the Bonds is not includable in gross income for federal income tax purposes and is not an item of tax preference under Section 57 of the Code for purposes of computing the alternative minimum tax; however, interest on the Bonds held by corporate taxpayers is included in the relevant income computation for calculation of the federal alternative minimum tax as a result of the inclusion of interest on the Bonds in “adjusted current earnings”.

3. Under current law, interest on the Bonds and any gain on the sale thereof are not includable as gross income under the New Jersey Gross Income Tax Act.

4. The power and obligation of the Borough to pay the Bonds is unlimited, and the Borough shall be required to levy *ad valorem* taxes upon all 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.

For purposes of this opinion, the enforceability (but not the validity) of the documents mentioned herein may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other laws now or hereafter enacted by any state or by the federal government affecting the enforcement of creditors’ rights generally, and by equitable principles, and the phrase “enforceable in accordance with their respective terms” shall not mean that specific performance would necessarily be available as a remedy in every situation.

Other than as set forth in Paragraphs 2 and 3 hereof, we express no opinion regarding other federal and state tax consequences arising with respect to the Bonds.

The opinions expressed herein are limited to and based upon the laws and judicial decisions of the State of New Jersey and the federal laws and judicial decisions of the United States of America as of the date hereof, and are subject to any amendment, repeal or other modification of the applicable laws or judicial decisions that served as the basis for our opinions or to any laws or judicial decisions hereafter enacted or rendered.

We express no opinion herein as to the adequacy or accuracy of any official statement, private placement memorandum or other offering material pertaining to the offering of the Bonds.

DECOTIIS, FITZPATRICK & COLE, LLP