

NEW ISSUE
SERIAL BONDS

RATING: Standard & Poor's: "AA+"

In the opinion of Rogut McCarthy LLC, Bond Counsel to the Borough, assuming compliance by the Borough with its Tax Certificate described herein, under existing law, interest on the Bonds is excluded from gross income of the owners thereof for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). In addition, under existing law, interest on the Bonds is not treated as a preference item for purposes of the alternative minimum tax imposed under the Code with respect to individuals and corporations; such interest, however, is included in "adjusted current earnings" for purposes of computing the alternative minimum tax that may be imposed on corporations. In addition, Bond Counsel is further of the opinion that, under the New Jersey Gross Income Tax Act, as enacted and construed on the date hereof, interest on the Bonds and any gain from the sale of the Bonds are not includable in gross income of the holders thereof. See "TAX MATTERS" herein.

\$8,610,000
BOROUGH OF NEW MILFORD
COUNTY OF BERGEN, NEW JERSEY
GENERAL IMPROVEMENT BONDS
(Bank-Qualified) (Callable) (Book-Entry Only)

Dated: December 1, 2015

Due: December 1, as shown below

The General Improvement Bonds (the "Bonds") of the Borough of New Milford, in the County of Bergen, New Jersey (the "Borough"), will be issued as fully registered bonds registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), as registered owner of the Bonds, with the Bonds immobilized in the custody of DTC. Owners of beneficial interests in the Bonds will not receive physical delivery of bond certificates, but are to receive statements or other evidence of such ownership of beneficial interests from sources from which such interests were purchased. Investors may purchase beneficial interests in the Bonds in book-entry form in the denomination of \$5,000 or any integral multiple thereof. See "THE BONDS – Book-Entry Only System" herein. So long as DTC or its nominee, Cede & Co., is the registered owner of the Bonds, payments of principal of and interest on the Bonds will be made directly to DTC or its nominee, Cede & Co., which will remit such payments to the DTC Participants, which will, in turn, remit such payments to the owners of beneficial interests in the Bonds. Principal of the Bonds is payable on December 1 of each of the years set forth below, and interest on the Bonds is payable on each June 1 and December 1, commencing June 1, 2016, in each year until maturity or prior redemption.

The Bonds are subject to redemption prior to their stated maturities at the prices, at the times and in the manner described herein. See "THE BONDS - Prior Redemption" herein.

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

MATURITY SCHEDULE, INTEREST RATES AND YIELDS

<u>Year</u>	<u>Amount</u> <u>Maturing</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Year</u>	<u>Amount</u> <u>Maturing</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>
2016	\$475,000	1.00%	0.50%	2025	\$575,000	2.375%	2.20%
2017	300,000	1.50	0.85	2026	555,000	2.50	2.25
2018	300,000	1.75	1.00	2027	550,000	3.00	2.30
2019	290,000	2.00	1.20	2028	550,000	3.00	2.35
2020	290,000	2.00	1.40	2029	550,000	3.00	2.40
2021	290,000	2.00	1.60	2030	550,000	3.00	2.45
2022	580,000	2.00	1.80	2031	550,000	3.00	2.65
2023	580,000	2.00	2.00	2032	550,000	3.125	2.85
2024	575,000	2.25	2.15	2033	500,000	3.125	3.00

The Bonds are offered for sale upon the terms of the notice of sale and subject to the final approving opinion of Rogut McCarthy LLC, Cranford, New Jersey, Bond Counsel. Phoenix Advisors, LLC, Bordentown, New Jersey has served as financial advisor in connection with the issuance of the Bonds. It is anticipated that the Bonds in definitive form will be available for delivery to DTC in New York, New York, on or about December 1, 2015.

ROOSEVELT & CROSS, INC. & ASSOCIATES

Dated: November 12, 2015

**BOROUGH OF NEW MILFORD
BERGEN COUNTY, NEW JERSEY**

MAYOR

Ann Subrizi

BOROUGH COUNCIL

Al Alonso
Austin Ashley
Ulises Cabrera
Dominic Colucci
Michael Putrino
Diego Robalino

ADMINISTRATOR / BOROUGH CLERK

Christine Demiris, RMC

CHIEF FINANCIAL OFFICER

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Mark D. Madaio, Esq.
Bergenfield, New Jersey

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Phoenix Advisors, LLC
Bordentown, New Jersey

BOROUGH AUDITOR

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

BOND COUNSEL

Rogut McCarthy LLC
Cranford, New Jersey

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

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

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

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

TABLE OF CONTENTS

	<u>PAGE</u>
INTRODUCTION	1
THE BONDS	1
SECURITY AND SOURCE OF PAYMENT	4
AUTHORIZATION AND PURPOSE OF THE BONDS	4
QUALIFIED TAX-EXEMPT OBLIGATIONS.....	5
NO DEFAULT	6
MARKET PROTECTION – BOND AND NOTE FINANCING	6
CERTAIN STATUTORY PROVISIONS FOR THE PROTECTION OF GENERAL OBLIGATION DEBT	6
MUNICIPAL BUDGET	9
ASSESSMENT AND COLLECTION OF TAXES	12
TAX MATTERS	13
STATEMENT OF LITIGATION.....	14
LEGALITY FOR INVESTMENT	15
RATING	15
UNDERWRITING	15
FINANCIAL ADVISOR	15
DOCUMENTS ACCOMPANYING DELIVERY OF THE BONDS.....	16
SECONDARY MARKET DISCLOSURE	17
PREPARATION OF OFFICIAL STATEMENT	18
APPROVAL OF OFFICIAL STATEMENT	19
ADDITIONAL INFORMATION.....	19
MISCELLANEOUS	19
Economic and Demographic Information Relating to the Borough of New Milford	Appendix A
Independent Auditor’s Report and Financial Statements	Appendix B
Proposed Form of Bond Counsel Opinion	Appendix C

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

\$8,610,000 GENERAL IMPROVEMENT BONDS

INTRODUCTION

This Official Statement (the "Official Statement") which includes the cover page and the appendices attached hereto, has been prepared by the Borough of New Milford (the "Borough"), in the County of Bergen (the "County"), State of New Jersey (the "State") in connection with the sale and issuance of its \$8,610,000 General Improvement Bonds (the "Bonds") dated December 1, 2015. This Official Statement has been executed by and on behalf of the Borough by the Chief Financial Officer and the Administrator/Borough Clerk and may be distributed in connection with the Bonds.

This 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").

THE BONDS

General Description

The Bonds will be dated and bear interest from December 1, 2015 and will mature on December 1 in the years and in the principal amounts as set forth below. Interest on the Bonds is payable on each June 1 and December 1, commencing June 1, 2016 (each, an "Interest Payment Date"), in each year until maturity or prior redemption at the respective interest rates set forth on the cover page of this Official Statement. Principal of and interest on the Bonds will be paid to The Depository Trust Company, New York, New York ("DTC"), acting as securities depository, by the Chief Financial Officer, as "Bond Registrar/Paying Agent". Interest on the Bonds will be credited to the DTC Participants (as hereinafter defined) as listed on the records of DTC as of the fifteenth day of the month preceding 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 and in the principal amount of such maturity. The Bonds will be issued in book-entry form only. Purchases of the Bonds will be made in book-entry form, in the principal amount of \$5,000 or any integral multiple thereof. Purchasers will not receive certificates representing their interest in Bonds purchased. So long as DTC or its nominee, Cede & Co. (or any successor or assign), is the registered owner of the Bonds, payments of the principal of and interest on the Bonds will be made by the Bond Registrar/Paying Agent directly to Cede & Co. (or any successor or assign), as nominee for DTC, which will remit such payments to the participants of DTC which will in turn remit such payments to the owners of beneficial interests in the Bonds. See "Book-Entry Only System" herein.

Maturity Schedule

<u>Year</u>	<u>Principal</u>	<u>Year</u>	<u>Principal</u>
2016	\$475,000	2025	\$ 575,000
2017	300,000	2026	555,000
2018	300,000	2027	550,000
2019	290,000	2028	550,000
2020	290,000	2029	550,000
2021	290,000	2030	550,000
2022	580,000	2031	550,000
2023	580,000	2032	550,000
2024	575,000	2033	500,000

Book-Entry Only System

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

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

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

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

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 will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

Prior Redemption

The Bonds maturing on or before December 1, 2025 are not subject to redemption prior to their stated maturities. The Bonds maturing on or after December 1, 2026 are subject to redemption at the option of the Borough prior to maturity, in whole on any date or in part on any Interest Payment Date, on or after December 1, 2025, 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.

If the Borough determines to optionally redeem a portion of the Bonds prior to maturity, such Bonds so redeemed shall be in such maturities as determined by the Borough and within any maturity, by lot; provided, however, that the portion of any Bond to be redeemed shall be in the principal amount of \$5,000 or some multiple thereof and that, in selecting Bonds for redemption, the Bond Registrar/Paying Agent shall treat each Bond as representing that number of Bonds that is obtained by dividing the principal amount of such Bond by \$5,000.

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.

SECURITY AND SOURCE OF PAYMENT

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

Enforcement of a claim for the payment of principal of or interest on bonds or notes of the Borough is subject to applicable provisions of Federal bankruptcy law and to the provisions of statutes, if any, hereafter enacted by the Congress of the United States or the Legislature of the State of New Jersey, providing extension with respect to the payment of principal of or interest on the Bonds or imposing other constraints upon enforcement of such contracts insofar as any such constraints may be constitutionally applied. Under State law, a county, municipality or other political subdivision may file a petition under Federal bankruptcy laws and a plan for readjustment of its debt, but only after first receiving the approval of the State Municipal Finance Commission, whose powers have been vested in the Local Finance Board in the Division of Local Government Services (the "Division") in the State of New Jersey Department of Community Affairs (the "Local Finance Board").

AUTHORIZATION AND PURPOSE OF THE BONDS

The Bonds are authorized and are to be issued pursuant to the Local Bond Law of the State of New Jersey, N.J.S.A. 40A:2-1 et seq., as amended (the "Local Bond Law"). The Bonds also are authorized by various bond ordinances of the Borough set forth below and resolutions adopted by the Borough Council of the Borough on October 26 2015.

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.

The proceeds of the Bonds will be used to provide (i) \$7,589,000 to refund a portion of the Borough's bond anticipation notes maturing on December 1, 2015 and (ii) \$1,021,000 to fund the unfunded portion of various capital projects. The projects to be funded in the sale are listed below:

<u>Ord Number</u>	<u>Description</u>	<u>Amount</u>
2009:04	Improvements to Boulevard, Section 5	\$ 622
2009:05	Various Public Improvements	235,760
2009:07	Sanitary Sewer Rehabilitation	21,992
2009:13/2012:07	Various Public Improvements	440,262
2010:05	Various Public Improvements	28,945
2010:06	Various Public Improvements	34,133
2010:07/2013:05/2014:23	Various Public Improvements	550,216
2010:13	Various Public Improvements	22,724
2010:14	Sanitary Sewer Pipe Lining & Replacement	33,642
2011:08	River Road Streetscape Imprsr, Phase IV	12,452
2011:09	Various Public Improvements	552,460
2012:07/2013:06	Various Public Improvements	576,580
2012:12	Improvements to Center Street	43,247
2013:6/2014:25	Various Public Improvements	4,646,600
2013:07	Improvement of Boulevard, Section 6 and Monmouth Avenue, Section 3	60,000
2014:23	Bypass of Borough's Sanitary Sewer Line and Connection to the BCUA Trunk Line	57,000
2014:27	Drainage Improvements at Cherry Street and Chestnut Street	114,000
2014:28	Senior Center Rehabilitation (Phase III)	15,565
2014:31	Acquisition of a New Loader for the Use of the DPW	142,800
2015:06	Various Public Improvements	1,021,000
		<u>\$ 8,610,000</u>

QUALIFIED TAX-EXEMPT OBLIGATIONS

The Borough has designated the Bonds as “qualified tax-exempt obligations” within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended, and has represented that it reasonably expects that, collectively, neither it nor its subordinate entities will issue more than \$10,000,000 of new money tax-exempt obligations in the current calendar year.

NO DEFAULT

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

MARKET PROTECTION – BOND AND NOTE FINANCING

The Borough does not plan to issue any tax anticipation notes or additional bonds during the balance of 2015. The Borough intends to issue a bond anticipation note on November 4, 2015 in the amount of \$440,490 to finance a portion of the bond anticipation notes maturing on December 1, 2015.

CERTAIN STATUTORY PROVISIONS FOR THE PROTECTION OF GENERAL OBLIGATION DEBT

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

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

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

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

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

Debt Limits

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

The Borough has not exceeded its statutory debt limit. On December 31, 2014 the statutory net debt as a percentage of average equalized valuation was 0.99%. As noted above, the statutory limit is 3.50%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
General Purposes	\$17,989,310	\$ 320,540	\$17,668,770
School Purposes	<u>2,600,000</u>	<u>2,600,000</u>	<u>-0-</u>
	<u>\$20,589,310</u>	<u>\$2,920,540</u>	<u>\$17,668,770</u>

Exceptions to Debt Limits - Extensions of Credit

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

Short-Term Financing

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

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

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

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

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

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

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

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

The Municipal Finance Commission was created in 1931 to assist in the financial rehabilitation of municipalities which had defaulted in their obligations. The powers of such Commission are exercised today by the Local Finance Board. Several elements of the local finance system are intended to prevent default on

obligations or occurrence of severe fiscal difficulties in any local unit. Should extreme economic conditions adversely affect any local unit, the statutory provisions are available to assist in restoring the stability of the local unit.

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

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

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

Investment of Municipal Funds

Investment of funds by New Jersey municipalities is governed by State statute. Pursuant to N.J.S.A. 40A:5-15.1, municipalities are limited to purchasing the following securities: (1) direct obligations of, or obligations guaranteed by, the United States of America ("Government Obligations"); (2) U.S. Government money market mutual funds; (3) obligations of Federal Government agencies or instrumentalities having a maturity of 397 days or less, provided such obligations bear a fixed rate of interest not dependent on any index or external factor; (4) bonds or other obligations of the particular municipality or a school district encompassing the geographic area of the particular municipality; (5) bonds or other obligations having a maturity of 397 days or less approved by the Division of Investment of the State Department of the Treasury; (6) local government investment pools, rated in the highest rating category, investing in U.S. government securities and repurchase agreements fully collateralized by securities set forth in (1) and (3) above; (7) deposits with the New Jersey Cash Management Fund (created pursuant to N.J.S.A. 52:18A-90.4; the "Cash Management Fund"); and (8) repurchase agreements with a maximum 30 day maturity fully collateralized by securities set forth in (1) and (3) above. Municipalities are required to deposit their funds in interest-bearing bank accounts in banks satisfying certain security requirements set forth in N.J.S.A. 17:9-41 *et seq.*, or invest in permitted investments to the extent practicable, and may invest in bank certificates of deposit.

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

The Borough has no investments in derivatives.

MUNICIPAL BUDGET

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

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

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

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

Limitations on Municipal Appropriations and Tax Levy

A statute passed in 1976, as amended and supplemented (N.J.S.A. 40A:4-45.1 et seq.), commonly known as the "Cap Law", imposed limitations on increases in municipal appropriations subject to various exceptions. While the Cap Law restricts the ability of a municipality to increase its overall appropriations, the payment of debt service is an exception from this limitation. The Cap formula is somewhat complex, but basically, it permits a municipality to increase its overall appropriations by the lesser of 2.5% or the Cost-of-Living Adjustment ("COLA"). Increases up to 3.5% are allowed by adoption of an ordinance whenever the COLA is less than 2.5%. If the COLA is greater than 2.5%, an increase in any amount above 2.5% will be permitted by adoption of an ordinance to 3.5% and beyond 3.5% upon passage of a referendum. The COLA is the rate of annual percentage increase in the Implicit Price Deflator for State and Local Government purchases of goods and services computed by the U.S. Department of Commerce. Exceptions to the limitations imposed by the Cap Law also exist for other items including capital expenditures; extraordinary expenses approved by the Local Finance Board for implementation of an interlocal services agreement; expenditures mandated as a result of certain emergencies; and certain expenditures for services mandated by law. The Cap Law does not limit the obligation of the Borough to levy *ad valorem* taxes upon all taxable real property within the Borough to pay debt service.

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

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

On July 13, 2010, P.L. 2010, c. 44 was approved, effective for budget years following enactment (the 2011 budget for the Borough) reducing the tax levy cap to 2% and limiting the exclusions to amounts required to be raised by taxation for debt service as defined by law, certain pension contributions and health care costs in excess of 2% and extraordinary costs directly related to a declared emergency. Voter approval may be requested to increase the amount to be raised by taxation by more than the allowable adjusted tax levy. Chapter 44 eliminated the process for obtaining waivers for additional spending under the tax levy limitation.

The Borough's appropriation and tax levy increases for 2011 to 2015, inclusive, were within the limits allowed under the CAP Law, taking into account applicable adjustments and without conducting a referendum to exceed the cap limits.

Miscellaneous Revenues

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

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

Real Estate Taxes

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

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

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

The reserve requirement is calculated as follows:

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

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

Deferral of Current Expenses

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

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

Budget Transfers

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

Operation of Utilities

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

For each utility, there is established a separate budget. The anticipated revenues and appropriations for each utility are set forth in the separate budget. The budget is required to be balanced and to provide fully for debt service. The regulations regarding anticipation of revenues and deferral of charges apply equally to the budgets of the utilities.

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

Fiscal Year

The Borough's fiscal year is the calendar year. Chapter 75 of the Pamphlet Laws of 1991 of the State (codified as N.J.S.A. 40A:4-3.1) required municipalities with populations in excess of 35,000 or which received Municipal Revitalization Aid from the State in 1990 or 1991 to change their fiscal year from the calendar year to the State fiscal year (July 1 to June 30), unless an exemption is granted. Municipalities not meeting the criteria for a mandatory change have the option to choose to change to the State fiscal year. N.J.S.A. 40A:4-3.1 was amended by P.L. 2000, c. 126, to eliminate the criteria for mandatory change of the fiscal year, but to

continue to grant all municipalities the option to change to the State fiscal year. In addition, P.L. 2008, c. 92, further amended N.J.S.A. 40A:4-3.1 to allow municipalities operating on a fiscal year basis to revert to a calendar year. The Borough did not meet the criteria to change to the State fiscal year and does not presently intend to optionally make such a change in the future.

Budget Process

Primary responsibility for the Borough's budget process lies with the Borough Council. As prescribed by the Local Budget Law, adoption should occur by the end of March, however, extensions may be granted by the Division to any local governmental unit. In the first quarter in which the budget formulation is taking place, the Borough operates under a temporary budget which may not exceed 26.25% of the previous fiscal year's adopted budget. In addition to the temporary budget, the Borough may approve emergency temporary appropriations for any purpose for which appropriations may lawfully be made.

Capital Budget

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

ASSESSMENT AND COLLECTION OF TAXES

Tax Collection Procedure

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

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

Tax Appeals

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

TAX MATTERS

Federal Income Taxes

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

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

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

Tax Opinions

In the opinion of Rogut McCarthy LLC, Bond Counsel to the Borough, assuming compliance by the Borough with the Tax Certificate, under existing law, interest on the Bonds is excluded from gross income of the owners thereof for Federal income tax purposes pursuant to Section 103 of the Code. In addition, under existing law, interest on the Bonds is not treated as a preference item for purposes of the alternative minimum tax imposed under the Code with respect to individuals and corporations; such interest, however, is included in "adjusted current earnings" for purposes of computing the alternative minimum tax that may be imposed on corporations. For other Federal tax information, see "Tax Matters - Additional Federal Income Tax Consequences" herein.

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

Additional Federal Income Tax Consequences

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

Proposals for Tax Changes

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Bonds or otherwise prevent holders of the Bonds from realizing the full benefit of the tax exemption of interest on the Bonds. Further, such proposals may impact the marketability or market value of the Bonds simply by being proposed. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted thereby.

Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The disclosures and opinions expressed herein are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds, and no opinion is expressed as of any date subsequent thereto or with respect to any proposed or pending legislation, regulatory initiatives or litigation.

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

STATEMENT OF LITIGATION

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

LEGALITY FOR INVESTMENT

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

RATING

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

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

UNDERWRITING

The Bonds have been purchased at public sale from the Borough for resale by the following purchasers (the "Underwriters"): Manager: Roosevelt & Cross, Inc.; Co-Managers: Edward D. Jones & Co., UBS Financial Services, Inc., Ramirez & Co., Inc., Ross, Sinclair & Associates Inc., R. Sealaus & Company, Inc. and Stifel, Nicolaus & Co., Inc.* The proceeds of the Bonds total \$8,696,100 (par plus a premium of \$86,100).

The Underwriters have jointly and severally agreed, subject to certain conditions, to purchase all but not less than all of the Bonds. If all the Bonds are sold at the public offering prices or yields set forth on the cover of this Official Statement, the Underwriters anticipate total selling compensation of \$141,413.20.* The public offering prices or yields of the Bonds may be changed from time to time by the Underwriters.

*Information obtained from the Underwriters.

FINANCIAL ADVISOR

Phoenix Advisors, LLC, Bordentown, New Jersey has served as financial advisor to the Borough with respect to the issuance of the Bonds (the "Financial Advisor"). The Financial Advisor is not obligated to undertake and has not undertaken, either to make an independent verification of, or to assume responsibility for the accuracy, completeness, or fairness of the information contained in the Official Statement and the appendices hereto. The Financial Advisor is an independent firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

DOCUMENTS ACCOMPANYING DELIVERY OF THE BONDS

Absence of Litigation

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

Legal Matters

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

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

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

Certificates of Borough Officials

The original purchasers of the Bonds shall also receive a certificate, dated as of the date of delivery of the Bonds and signed by the Chief Financial Officer and the Administrator/ Borough Clerk that (a) as of the date of the Official Statement furnished by the Borough in relation to the Bonds, said Official Statement did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements contained therein, in light of the circumstances under which they were made, not misleading, subject to the condition that while information in said Official Statement obtained from sources other than the Borough is not guaranteed as to accuracy, completeness or fairness, such officers have no reason to believe and do not believe that such information is materially inaccurate or misleading, and (b) to the knowledge of such officers, since the date of said Official Statement and since the date of the sale of the Bonds, there have been no material transactions not in the ordinary course of affairs entered into by the Borough and no material adverse change in the general affairs of the Borough or in its financial condition as shown in said Official Statement, other than as disclosed in or contemplated by said Official Statement, provided such certificate shall not include consideration of information supplied by, or that should have been supplied by, the successful bidders for the Bonds. In addition, the original purchasers of the Bonds shall also receive certificates in form satisfactory to Rogut McCarthy LLC, Bond Counsel, evidencing the proper execution and

delivery of the Bonds and receipt of payment therefor and a certificate, dated as of the date of delivery of the Bonds and signed by the officers who signed the Bonds, stating that no litigation is then pending or, to the knowledge of such officers, threatened to restrain or enjoin the issuance or delivery of the Bonds or the levy or collection of taxes to pay the Bonds or the interest thereon, or questioning the validity of the statutes or the proceedings under which the Bonds are issued, and that neither the corporate existence or boundaries of the Borough, nor the title of the said officers to their respective offices, is being contested.

SECONDARY MARKET DISCLOSURE

The Borough has agreed, pursuant to a resolution adopted on October 26, 2015, to undertake for the benefit of the Bondholders and the beneficial owners of the Bonds to provide certain secondary market disclosure information pursuant to Rule 15c2-12 to the Municipal Securities Rulemaking Board (the "MSRB") in an electronic format, as prescribed by the MSRB. Specifically, the Borough will do the following for the benefit of the holders of the Bonds and the beneficial owners thereof:

(A) Not later than seven months after the end of the Borough's fiscal year (presently December 31), commencing with the report for the fiscal year ending December 31, 2015, provide or cause to be provided, annual financial information with respect to the Borough consisting of (i) audited financial statements (or unaudited financial statements if audited financial statements are not then available by the date of filing, which audited financial statements will be delivered when and if available) of the Borough and (ii) certain financial information and operating data consisting of (a) information concerning the Borough's debt, overlapping indebtedness, tax rate, levy and collection data, property valuation and fund balance of the type contained under the headings "Budget Information", "Financial Information" and "Debt Information" in Appendix A hereof and (b) the Borough's most recent adopted budget. The audited financial statements will be prepared in accordance with mandated State statutory accounting principles, as in effect from time to time. Audited financial statements if not available by the filing date will be submitted separately when available.

(B) Provide or cause to be provided in a timely manner not in excess of ten days after the occurrence of the event, notice of the occurrence of any of the following events with respect to the Bonds:

- (1) Principal or 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 Bonds, or other material events affecting the tax status of the Bonds ;
- (7) Modifications to the rights of Bondholders, if material;
- (8) Bond calls, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution or sale of property which secures the repayment of the Bonds, if material;
- (11) Rating changes;
- (12) Bankruptcy, insolvency, receivership or similar event of the Borough (the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Borough in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Borough, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order

confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Borough);

- (13) The consummation of a merger, consolidation, or acquisition involving the Borough or the sale of all or substantially all of the assets of the Borough, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

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

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

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

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

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

The Borough previously failed to file, in accordance with the Rule, in a timely manner, under previous filing requirements: (i) its adopted budgets for the fiscal years ending December 31, 2010, 2011 and 2014; (ii) operating data for the fiscal years ending December 31, 2010, 2011 and 2013; and (iii) annual financial statements for the fiscal years ending December 31, 2010 and 2013. Additionally, the Borough acknowledges that it previously failed to file material event notices and late filing notices in connection with (i) its timely filings of annual financial information; and (ii) certain rating changes. Such notices of material events and late filings have been filed with EMMA as of the date of this Official Statement. The Borough has appointed Phoenix Advisors, LLC to serve as continuing disclosure agent.

PREPARATION OF OFFICIAL STATEMENT

The firm of Ferraioli, Wielkotz, Cerullo & Cuva, P.A., Pompton Lakes, New Jersey, takes responsibility for the financial statements to the extent specified in the Independent Auditor's Report.

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

APPROVAL OF OFFICIAL STATEMENT

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

ADDITIONAL INFORMATION

Inquiries regarding this Official Statement including information additional to that contained herein may be directed to Diana McLeod, Chief Financial Officer, Borough of New Milford, 930 River Road, New Milford, New Jersey, 07646, telephone 201-967-5044, ext. 7056.

MISCELLANEOUS

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

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

BOROUGH OF NEW MILFORD, IN THE COUNTY OF BERGEN, NEW JERSEY

By:/s/ Diana McLeod
Diana McLeod
Chief Financial Officer

By:/s/ Christine Demiris
Christine Demiris
Administrator/ Borough Clerk

Dated: November 12, 2015

APPENDIX A

**ECONOMIC AND DEMOGRAPHIC INFORMATION
RELATING TO THE BOROUGH OF NEW MILFORD**

GENERAL INFORMATION REGARDING THE BOROUGH

Size and Geographical Location

The Borough of New Milford is situated in the central part of Bergen County and encompasses approximately 2.2 square miles. Neighboring communities include: Bergenfield, Dumont, Oradell, River Edge and Teaneck.

Form of Government

New Milford is organized under the borough form of government. There is a Mayor and a six member Council.

The Mayor is elected to serve a four-year term and may succeed that term by re-election. He is empowered, amongst his legal powers as head of the municipal government, to: (i) provide for the proper execution of local and State laws; (ii) recommend to the Borough Council measures he deems in the best interest of the Borough; (iii) nominate and, with the advice and consent of the Borough Council, appoint most subordinate officers of the Borough; and (iv) maintain peace and order. Although he presides over meetings of the Borough Council, the Mayor votes only in case of a tie.

The six Council members are elected at-large, two each year, for terms of three years. The Council exercises general legislative powers conferred upon it by State law to protect and promote the general welfare of the Borough. Among these are the right to enact ordinances, approve resolutions, approve mayoral appointments, adopt the annual budget and determine the tax levy. The Council, acting in committees, oversees the various departments and functions of the Borough government.

Transportation

The Borough's proximity and access to major transportation systems and international markets is appealing to many. Because it is located just 10 miles from New York City many residents are employed in the City of New York and commute through access to mass transportation. There are bus lines to the Port Authority and the George Washington Bridge bus terminals. Residents have access to all parts of New York and New Jersey via Routes 4 and 17 and the Garden State Parkway all of which are located just minutes away from the Borough.

Protection

New Milford is served by a Police Department consisting of 35 uniformed police officers including 4 detectives, who operate both marked and unmarked vehicles. The New Milford Fire Department consists of approximately 60 volunteers who operate 3 Pumpers, 2 Chief's vehicles, 1 Ladder Truck and 1 Hazmat vehicle. Ambulance Service is provided by a volunteer Ambulance Corps with 36 members.

Sanitation

The Borough provides garbage and recycling collection for all homes on a weekly basis. The Borough contracts with an outside vendor for these services. Payment for such garbage and recycling collection services is part of the general property tax levy. Sewerage disposal is provided by the Bergen County Utilities Authority. For this service the Borough pays an annual service charge based on the metered flow of sewerage. This service charge is also part of the general property tax levy.

Utilities

Electricity and gas is supplied by Public Service Electric & Gas Company. United Water New Jersey supplies the Borough's water.

Public Library

The Borough's Free Public Library is a full service library for the residents of the Borough. A children's reading and activity room is in use constantly. Borough residents borrow approximately 180,000 books, CD's, DVD's and other items annually. Through the Bergen County Cooperative Library System, the residents of the Township have access to the collections of other libraries within the County.

Education

The Borough's school district, coterminous with the Borough, is a type II school district, an independent legal entity administered by a five member Board of Education elected by the voters of the school district. The school district is not a part of any regional or consolidated school district, and neither receives nor sends students, except for a limited number of special education students. The school district is authorized by law to issue debt for school purposes upon vote of the electorate. The school system is comprised of three elementary schools and one high school.

A summary of the public school enrollments follows:

<u>Fiscal Year</u>	<u>Enrollment</u>	<u>Fiscal Year</u>	<u>Enrollment</u>
2015	1,979	2010	2,101
2014	2,034	2009	2,116
2013	2,066	2008	2,021
2012	2,048	2007	1,974
2011	2,131	2006	1,972

Population

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

<u>Area</u>	<u>1980</u>	<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>2014</u>
Borough of New Milford	16,876	15,990	16,400	16,341	16,678
County of Bergen	845,385	825,380	884,118	905,116	933,572
State of New Jersey	7,365,011	7,730,188	8,414,350	8,791,894	8,938,175

Source: U.S. Census Bureau.

Income as of 2013

	<u>Median Household Income</u>	<u>Median Family Income</u>	<u>Per Capita Income</u>
Borough of New Milford	\$75,414	\$102,957	\$36,434
County of Bergen	83,794	135,788	43,347
State of New Jersey	71,629	87,347	36,027

Source: U.S. Census Bureau, 2009 - 2013 American Community Survey 5 Year Estimates

ECONOMIC AND DEMOGRAPHIC INFORMATION

Labor Force, Employment and Unemployment

For the years 2010 to 2014, the New Jersey Department of Labor reported the following annual average employment information for the Borough of New Milford, the County of Bergen and the State of New Jersey:

	<u>Total Labor Force</u>	<u>Employed Labor Force</u>	<u>Total Unemployed</u>	<u>Unemployment Rate</u>
<u>Borough of New Milford</u>				
2014	8,878	8,428	450	5.1%
2013	8,509	7,988	521	6.1%
2012	9,391	8,622	769	8.2%
2011	9,320	8,570	750	8.0%
2010	9,327	8,564	763	8.2%
<u>County of Bergen</u>				
2014	479,448	453,688	25,760	5.4%
2013	477,410	443,734	33,676	7.1%
2012	479,549	441,164	38,385	8.0%
2011	479,131	441,277	37,854	7.9%
2010	477,342	438,688	38,654	8.1%
<u>State of New Jersey</u>				
2014	4,518,700	4,218,400	300,300	6.6%
2013	4,537,800	4,166,000	371,800	8.2%
2012	4,561,800	4,136,900	424,900	9.3%
2011	4,535,800	4,112,200	423,600	9.3%
2010	4,545,600	4,108,700	436,900	9.6%

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

DEBT INFORMATION

Debt Statements

The Borough must report all new authorizations of debt or changes in previously authorized debt to the Division of Local Government Services, Department of Community Affairs of the State of New Jersey (the "Division"). The Supplemental Debt Statement, as this report is known, must be 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, 2014

Municipal

Equalized Valuation Basis (last 3 years average)	\$	1,774,411,357
3 1/2% Borrowing Margin		62,104,397
Net Debt Issued, Outstanding and Authorized		17,668,770
Remaining Municipal Borrowing Capacity		44,435,627

Local School

4% Borrowing Margin		70,976,454
Debt, Issued, Outstanding and Authorized		2,600,000
Remaining School Borrowing Capacity		68,376,454

Gross and Statutory Net Debt as of December 31,

<u>Year</u>	<u>Gross Debt</u> <u>Amount</u>	<u>Statutory Net Debt</u> <u>Amount</u>	<u>Percentage</u>
2014	\$ 20,589,310	\$ 17,668,770	0.99%
2013	16,499,100	12,936,569	0.70%
2012	13,531,382	9,656,838	0.50%
2011	13,770,292	9,952,571	0.50%
2010	14,121,333	4,249,714	0.48%

Source: Borough of New Milford Annual Audit Reports

**Statement of Indebtedness
As of September 30, 2015**

GENERAL PURPOSES

Bonds Issued and Outstanding	\$ 2,340,000	
Notes	8,029,490	
Loans	740,642	
Bonds and Notes Authorized But Not Issued	4,420,812	
		\$ 15,530,944

LOCAL SCHOOL

Debt Issued and Outstanding		2,165,000
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TOTAL GROSS DEBT 17,695,944

STATUTORY DEDUCTIONS

Municipal Purpose	-	
School Purposes	2,165,000	
		2,165,000

TOTAL NET DEBT \$ 15,530,944

OVERLAPPING DEBT

County of Bergen (Note 1)	\$ 9,985,911	
Bergen County Utilities Authority (Note 2)	4,056,578	
		\$ 14,042,489

GROSS DEBT

Per Capita (2014 Census -16,678)	\$	1,061
Percent of Net Valuation Taxable (2015 - \$1,570,433,135)		1.13%
Percent of Estimated True Value of Real Property (2015 - \$1,780,136,224)		0.99%

NET MUNICIPAL DEBT

Per Capita (2014 Census -16,678)	\$	931
Percent of Net Valuation Taxable (2015 - \$1,570,433,135)		0.99%
Percent of Estimated True Value of Real Property (2015 - \$1,780,136,224)		0.87%

OVERALL DEBT (Gross and Overlapping Debt)

Per Capita (2014 Census -16,678)	\$	1,903
Percent of Net Valuation Taxable (2015 - \$1,570,433,135)		2.02%
Percent of Estimated True Value of Real Property (2015 - \$1,780,136,224)		1.78%

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 2014 Bergen County Abstract of Ratables published by the Bergen County Board of Taxation.

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

BUDGET INFORMATION

**Current Fund
(As Adopted)**

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Anticipated Revenues					
Fund Balance	\$ 717,000	\$ 717,000	\$ 556,227	\$ 130,088	\$ 125,200
Miscellaneous Revenues	2,477,612	2,522,923	2,468,075	2,780,268	2,701,442
Receipts from Delinquent Taxes	400,000	395,000	519,000	482,300	512,000
Amount to be Raised by Taxes for Support of Municipal Budget	<u>16,232,976</u>	<u>15,940,190</u>	<u>15,784,067</u>	<u>15,068,384</u>	<u>14,812,429</u>
	<u>\$ 19,827,588</u>	<u>\$ 19,575,113</u>	<u>\$ 19,327,369</u>	<u>\$ 18,461,040</u>	<u>\$ 18,151,071</u>
Appropriations					
Salaries and Wages	\$ 7,788,072	\$ 7,505,926	\$ 7,424,589	\$ 7,102,165	\$ 7,219,349
Other Expenses	8,346,625	8,420,603	8,306,322	8,023,041	7,816,475
Deferred Charges and Statutory Expenditures	1,796,036	1,667,469	1,719,490	1,646,989	1,626,321
Capital Improvement Fund	185,900	274,000	235,255	40,000	46,500
Judgments				30,000	
Municipal Debt Service	1,150,955	1,147,385	1,081,713	1,058,845	909,306
Reserve for Uncollected Taxes	<u>560,000</u>	<u>559,730</u>	<u>560,000</u>	<u>560,000</u>	<u>533,120</u>
	<u>\$ 19,827,588</u>	<u>\$ 19,575,113</u>	<u>\$ 19,327,369</u>	<u>\$ 18,461,040</u>	<u>\$ 18,151,071</u>

Source: Borough of New Milford

FINANCIAL INFORMATION

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

<u>Year</u>	<u>December 31</u>	<u>of Succeeding Year</u>
2014	\$ 2,099,728	\$ 717,000
2013	1,307,344	717,000
2012	917,603	556,227
2011	447,997	130,088
2010	335,965	125,200

Source: Borough of New Milford Annual Audit Reports.

Current Tax Collections

<u>Year</u>	<u>Tax Levy</u>	<u>Collection During Year of Levy</u>	
		<u>Amount</u>	<u>Percent</u>
2014	\$ 49,699,673	\$ 49,200,778	98.99%
2013	48,735,123	48,196,732	98.89%
2012	47,751,598	46,943,670	98.30%
2011	46,925,810	46,236,569	98.53%
2010	45,165,561	44,559,574	98.65%

Source: Borough of New Milford Annual Audit Reports.

Delinquent Taxes and Tax Title Liens

<u>Year</u>	<u>Tax Title Liens</u>	<u>Delinquent Taxes</u>	<u>Total Delinquent</u>	<u>Percentage of Levy</u>
2014	\$ 14,283	\$ 414,085	\$ 428,368	0.86%
2013	13,020	400,482	413,502	0.85%
2012	11,785	543,075	554,860	1.16%
2011	10,353	488,794	499,147	1.06%
2010	8,958	526,266	535,224	1.19%

Source: Borough of New Milford Annual Audit Reports.

Ten Largest Taxpayers

The ten largest taxpayers in the Borough and their 2015 assessed valuations are listed below:

<u>Taxpayer</u>	<u>Assessment</u>
Bal Bay Realty	\$ 43,586,400
Brunetti, Jo Ann	36,733,400
NM Village LLC c/o Affiliated Mgmt Inc	28,958,500
Dorchester Manor	13,500,000
New Meditrust Co LLC c/o Woodcrest Hcc	13,130,200
Milford Arms	8,366,400
Brookchester Shopping Center	5,624,800
Hackensack Water Co	5,517,100
Inserra Associates	5,262,600
Canterbury Village	3,773,800
	<u>\$ 164,453,200</u>

Source: Tax Assessor.

**Assessed Valuation
Land Improvements by Class**

<u>Year</u>	<u>Vacant Land</u>	<u>Residential</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Apartment</u>	<u>Total</u>
2015	\$ 2,574,300	\$ 1,349,590,900	\$ 79,723,400	\$ 3,293,300	\$ 134,224,400	1,569,406,300
2014	2,875,800	1,347,084,200	81,736,300	3,292,300	134,224,400	1,569,213,000
2013	2,875,800	1,348,339,000	81,837,300	3,292,300	135,238,800	1,571,583,200
2012	3,766,500	1,721,056,000	86,754,500	3,736,200	128,832,200	1,944,145,400
2011	4,637,700	1,738,120,200	87,716,300	3,736,200	126,339,400	1,960,549,800

Source: Tax Duplicate.

**Assessed Valuations
Net Valuation Taxable**

<u>Year</u>	<u>Real Property</u>	<u>Business Personal Property</u>	<u>Net Valuation Taxable</u>	<u>Ratio of Assessed Value to True Value of Real Property</u>	<u>Total True Value of Assessed Property</u>
2015	\$ 1,569,406,300	\$ 1,026,835	\$ 1,570,433,135	88.34%	\$ 1,780,136,224
2014	1,569,213,000	1,370,781	1,570,583,781	90.58%	1,736,324,500
2013	1,571,583,200	1,370,800	1,572,954,000	93.02%	1,693,832,974
2012	1,944,145,400	1,331,073	1,945,476,473	101.25%	1,924,561,040
2011	1,960,549,800	1,377,437	1,961,927,237	99.37%	1,977,668,307

Source: Bergen County Abstract of Ratables and 2015 Preliminary Equalization Table.

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

<u>Year</u>	<u>Total</u>	<u>Municipal (1)</u>	<u>Local School</u>	<u>County (1)</u>
2015	3.255	\$ 1.039	\$ 1.944	\$ 0.272
2014	3.158	1.019	1.880	0.259
2013	3.086	1.008	1.831	0.247
2012	2.448	0.779	1.451	0.218
2011	2.385	0.759	1.416	0.210

(1) Includes open space tax
 Source: Tax Collector.

Apportionment of Tax Levy
 (Including School and County Purposes)

<u>Year</u>	<u>Total</u>	<u>Municipal (1)</u>	<u>Local School</u>	<u>County (1)</u>
2015	\$ 51,103,893	\$ 16,311,497	\$ 30,523,832	\$ 4,268,564
2014	49,699,673	16,111,754	29,530,523	4,057,396
2013	48,735,123	16,050,368	28,810,572	3,874,183
2012	47,751,598	15,303,663	28,226,840	4,221,095
2011	46,925,810	15,041,802	27,774,251	4,109,757

(1) Includes open space tax
 Source: Borough of New Milford Annual Audit Reports.

APPENDIX B

**INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS
OF THE BOROUGH OF NEW MILFORD,
IN THE COUNTY OF BERGEN, STATE OF NEW JERSEY**

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

Charles J. Ferraioli, Jr., MBA, CPA, RMA
Steven D. Wielkocz, CPA, RMA
James J. Cerullo, CPA, RMA
Paul J. Cuva, CPA, RMA
Thomas M. Ferry, CPA, RMA

Certified Public Accountants
401 Wanaque Avenue
Pompton Lakes, New Jersey 07442
973-835-7900
Fax 973-835-6631

Newton Office
100B Main Street
Newton, N.J. 07860
973-579-3212
Fax 973-579-7128

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and
Members of the Borough Council
Borough of New Milford
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 New Milford in the County of Bergen, as of December 31, 2014 and 2013, 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, 2014, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express 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.

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 New Milford 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 New Milford as of December 31, 2014, or changes in financial position for the years then ended.

Basis for Qualified Opinion on Regulatory Basis of Accounting

As described in Note 14 of the financial statements, the Borough participates in a Length of Service Award Program (LOSAP) for its volunteer fire and rescue personnel. The amount reflected in the trust fund statements of \$834,523 and \$795,723 for 2014 and 2013, respectively, were not audited and, therefore, we express no opinion on the LOSAP program.



Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the effects of the matter described in the “*Basis for Qualified Opinion on Regulatory Basis of Accounting*” paragraph, the financial statements referred to above present fairly, in all material respects, the regulatory basis balances sheets and account group as of December 31, 2014, the regulatory basis statements of operations for the years then ended and the regulatory basis statements of revenues and expenditures for the year ended December 31, 2014 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 New Milford’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 was 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.

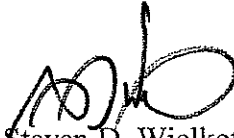
Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 19, 2015 on our consideration of the Borough of New Milford’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



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

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 New Milford'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
Pompton Lakes, New Jersey

June 19, 2015

BOROUGH OF NEW MILFORD

Comparative Balance Sheet - Regulatory Basis

Current Fund

December 31, 2014 and 2013

<u>Assets</u>	<u>Ref.</u>	<u>2014</u>	<u>2013</u>
Regular fund:			
Cash and Investments	A-4	\$ 4,128,811	3,975,317
Cash - Change Funds	A-5	450	450
Due from State of N.J. (Ch. 20, P.L. 1971)	A-7	18,398	17,842
Grants Receivable	A-18	<u>51,425</u>	<u>47,333</u>
		<u>4,199,084</u>	<u>4,040,942</u>
Receivables and other assets with full reserves:			
Delinquent Property Taxes Receivable	A-8	414,085	400,482
Tax Title Liens Receivable	A-9	14,283	13,020
Revenue Accounts Receivable	A-10	12,747	13,062
Interfund Receivables:			
Animal License Trust Fund	A-17	3,396	10,427
Other Trust Fund	A-17	183,926	7,747
General Capital Fund	A-17	<u>2,070</u>	<u>1,647</u>
		<u>630,507</u>	<u>446,385</u>
		<u>\$ 4,829,591</u>	<u>4,487,327</u>

BOROUGH OF NEW MILFORD

Comparative Balance Sheet - Regulatory Basis

Current Fund

December 31, 2014 and 2013

	<u>Ref.</u>	<u>2014</u>	<u>2013</u>
<u>Liabilities, Reserves and Fund Balance</u>			
Regular Fund - Liabilities:			
Appropriation Reserves	A-3, A-11	1,233,529	1,409,171
Encumbrances Payable	A-12	535,075	562,529
Prepaid Taxes	A-13	224,238	624,048
Tax Overpayments	A-14	2,601	11,197
Due to County for Added and Omitted Taxes	A-15	8,308	6,113
Interfunds Payable:			
Open Space Trust Fund	A-17	161	126
Reserve For:			
DCA Fees Payable	A-19	2,030	3,191
Marriage License Fees Payable	A-19	225	600
State Burial Fees	A-19	1,453	1,453
Federal and State Grants - Appropriated	A-20	62,398	92,643
Federal and State Grants - Unappropriated	A-21	29,338	22,527
		<u>2,099,356</u>	<u>2,733,598</u>
Reserve for Receivables and Other Assets	A	630,507	446,385
Fund Balance	A-1	<u>2,099,728</u>	<u>1,307,344</u>
		<u>\$ 4,829,591</u>	<u>4,487,327</u>

See accompanying notes to financial statements.

BOROUGH OF NEW MILFORD

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

Current Fund

Year ended December 31, 2014

	<u>2014</u>	<u>2013</u>
Revenue and other income realized:		
Fund balance utilized	\$ 717,000	556,227
Miscellaneous revenue anticipated	2,683,578	2,686,002
Receipts from delinquent taxes	423,267	516,720
Receipts from current taxes	49,200,779	48,196,732
Nonbudget revenue	121,269	80,809
Other credits to income:		
Unexpended balance of appropriation reserves	1,199,666	558,470
Interfunds returned	19,821	848
	<hr/>	<hr/>
Total revenues and other income	54,365,380	52,595,808
Expenditures:		
Budget appropriations:		
Operations:		
Salaries and wages	7,488,742	7,390,389
Other expenses	8,472,346	8,424,266
Capital improvements	274,000	235,255
Municipal debt service	1,105,010	1,046,153
Deferred charges and statutory expenditures	1,670,553	1,719,490
Local School District Tax	29,530,523	28,810,572
County taxes	4,005,681	3,825,724
County share of added and omitted taxes	8,308	6,113
County open space tax	43,408	42,346
Local open space tax	78,529	78,648
Local open space added tax	161	126
Refund of prior year taxes and revenues	539	70,758
Interfund advances	178,196	
	<hr/>	<hr/>
Total expenditures	52,855,996	51,649,840
Excess in revenue	1,509,384	945,968
Statutory excess to Fund Balance	1,509,384	945,968

BOROUGH OF NEW MILFORD

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

Current Fund

Year ended December 31, 2014

	<u>2014</u>	<u>2013</u>
Fund balance, January 1	<u>1,307,344</u>	<u>917,603</u>
	2,816,728	1,863,571
Decreased by utilized as anticipated revenue	<u>717,000</u>	<u>556,227</u>
Fund balance, December 31	<u>\$ 2,099,728</u>	<u>1,307,344</u>

See accompanying notes to financial statements.

BOROUGH OF NEW MILFORD

Statement of Revenues - Regulatory Basis

Current Fund

Year ended December 31, 2014

	<u>Budget</u>	<u>Realized</u>	<u>Excess (deficit)</u>
Fund balance anticipated	\$ 717,000	717,000	
Miscellaneous revenues:			
Licenses:			
Alcoholic beverages	11,000	14,795	3,795
Other	15,000	30,342	15,342
Fees and permits:			
Construction Code Official	150,000	174,810	24,810
Other	3,400	2,763	(637)
Fines and costs - Municipal Court	125,000	187,462	62,462
Interest and costs on taxes	90,000	120,348	30,348
Energy Receipts tax	1,615,078	1,615,078	
Interest on investments and deposits	4,500	4,717	217
Fire Safety Fees	9,000	9,801	801
Recreation Fees	37,000	42,204	5,204
Recycling Tonnage Grant	18,374	18,374	
Clean Communities Program	25,399	25,399	
Municipal Alliance	5,838	5,838	
Bulletproof Vest Partnership Program	2,406	2,406	
Click it or Ticket	4,000	4,000	
Title III	20,680	20,680	
Body Armor Grant	4,153	4,153	
General Capital Fund Balance	30,936	30,936	
Life Hazard Use Fees	8,800	9,787	987
Cable TV Franchise Fee	216,502	216,502	
Recycling Revenue	98,500	77,068	(21,432)
Cell Tower Rent - Gaelic Communications	65,000	66,115	1,115
Total miscellaneous revenues	<u>2,560,566</u>	<u>2,683,578</u>	<u>123,012</u>
Receipts from delinquent taxes	<u>395,000</u>	<u>423,267</u>	<u>28,267</u>
Amount to be raised by taxes for support of municipal budget - local tax for municipal purposes	<u>15,940,190</u>	<u>16,093,899</u>	<u>153,709</u>
Budget totals	<u>\$ 19,612,756</u>	<u>19,917,744</u>	<u>304,988</u>

BOROUGH OF NEW MILFORD
Statement of Revenues - Regulatory Basis
Current Fund
Year ended December 31, 2014

Non budget revenue		<u>121,269</u>
		<u>\$ 20,039,013</u>
Allocation of current tax collections:		
Revenue from collections		\$ 49,200,779
Allocated to:		
School and County Taxes	\$ 33,587,920	
Local Open Space Tax	<u>78,690</u>	
		<u>33,666,610</u>
Balance for support of municipal budget		15,534,169
Add appropriated reserve for uncollected taxes		<u>559,730</u>
Amount for support of municipal budget		<u>\$ 16,093,899</u>
Fees and Permits - other:		
Borough Clerk		<u>2,763</u>
		<u>\$ 2,763</u>
Nonbudget revenue:		
Bergen County Utility Authority		312
Insurance Reimbursement		7,155
Housing		1,973
FEMA		17,431
Mid-Bergen Rent		3,000
Election Reimbursement		2,716
Sale of Assets		2,520
Miscellaneous		4,550
Private Duty Administrative Fee		65,000
Shade Tree Fines		5,185
LOSAP Refunds		8,177
Pistol Range Rent		1,500
Senior Citizen/Veteran Deduction Refunds		<u>1,750</u>
		<u>\$ 121,269</u>

See accompanying notes to financial statements.

BOROUGH OF NEW MILFORD

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2014

	<u>Budget</u>	<u>Budget after Modification and Transfers</u>	<u>Paid or Committed</u>	<u>Reserved</u>	<u>Unexpended Balance Cancelled</u>
<u>General Appropriations:</u>					
Operations within "CAPS"					
General Government					
General Administration:					
Salaries & Wages	\$ 40,000	40,000	37,500	2,500	
Mayor and Council:					
Salaries & Wages	14,500	14,500	14,500		
Other Expenses	7,500	7,500	7,500		
Municipal Clerk:					
Salaries & Wages	215,300	215,300	211,823	3,477	
Other Expenses	142,000	142,000	120,704	21,296	
Municipal Court:					
Salaries & Wages	133,264	133,264	124,753	8,511	
Other Expenses	12,000	12,000	8,237	3,763	
Financial Administration:					
Other Expenses	45,000	45,000	43,599	1,401	
Audit Services	37,500	37,500	37,500		
Collection of Taxes:					
Salaries & Wages	184,213	184,213	179,205	5,008	
Other Expenses	28,000	28,000	22,668	5,332	
Assessment of Taxes:					
Salaries & Wages	53,500	54,000	53,381	619	
Other Expenses	15,265	15,265	9,359	5,906	
Legal Services & Costs:					
Other Expenses	225,000	219,000	168,522	50,478	
Engineering Services & Costs:					
Other Expenses	12,000	12,000	8,248	3,752	

BOROUGH OF NEW MILFORD

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2014

<u>General Appropriations:</u>	<u>Budget</u>	#	<u>Budget after Modification and Transfers</u>	<u>Paid or Committed</u>	<u>Reserved</u>	<u>Unexpended Balance Cancelled</u>
Public Defender:						
Salaries and wages	6,000		6,000	4,000	2,000	
Municipal Land Use Law (NJSA 40:55D-1)						
Planning Board:						
Salaries & Wages	26,200		26,200	4,146	22,054	
Other Expenses	13,500		13,500	11,759	1,741	
Zoning Board of Adjustment:						
Salaries & Wages	1,260		1,260	772	488	
Other Expenses	10,810		10,810	4,154	6,656	
Insurance						
Liability	51,000		51,000	45,830	5,170	
Liability (Bergen Joint Insurance Fund)	286,000		286,000	266,157	19,843	
Worker's Compensation Insurance (BJIF)	324,000		324,000	323,971	29	
Employee Group Insurance	2,050,000		2,060,000	1,845,908	214,092	
Health Benefit Waiver	20,000		20,000	13,756	6,244	
Police Department:						
Salaries & Wages	4,609,686		4,619,686	4,541,650	78,036	
Other Expenses	274,900		274,900	230,511	44,389	
Emergency Management Services:						
Other Expenses	8,750		8,750	6,352	2,398	
Fire:						
Salaries & Wages	2,900		2,900	2,050	850	
Misc. Other Expenses	111,500		111,500	109,245	2,255	
First Aid Organization	36,200		36,200	36,200		
Fire Official:						
Salaries & Wages	15,600		15,900	15,792	108	
Other Expenses	2,000		2,000	1,870	130	

BOROUGH OF NEW MILFORD

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2014

	<u>Budget</u>	<u>Budget after Modification and Transfers</u>	<u>Paid or Committed</u>	<u>Reserved</u>	<u>Unexpended Balance Cancelled</u>
<u>General Appropriations:</u>					
Public Works Functions					
Road Repairs and Maintenance:					
Salaries & Wages	1,525,600	1,525,600	1,329,199	196,401	
Other Expenses	243,800	245,800	243,787	2,013	
Garbage and Trash Removal:					
Other Expenses	933,350	933,350	771,773	161,577	
Recycling:					
Salaries & Wages	45,300	45,300	39,940	5,360	
Other Expenses	308,500	308,500	291,908	16,592	
Public Buildings and Grounds:					
Salaries & Wages	90,235	90,235	85,023	5,212	
Other Expenses	67,820	67,820	58,950	8,870	
Vehicle Maintenance:					
Other Expenses	35,000	36,000	34,512	1,488	
Health and Human Services					
Board of Health:					
Salaries & Wages	115,917	115,917	110,445	5,472	
Other Expenses	76,780	76,780	71,184	5,596	

BOROUGH OF NEW MILFORD

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2014

<u>General Appropriations:</u>	<u>Budget</u>	<u>Budget after Modification and Transfers</u>	<u>Paid or Committed</u>	<u>Reserved</u>	<u>Unexpended Balance Cancelled</u>
Environmental Committee:					
Salaries & Wages	500	700	700		
Other Expenses	1,035	835	410	425	
Animal Control Services:					
Other Expenses	27,144	27,144	20,753	6,391	
Parks and Recreation Functions					
Recreation:					
Salaries & Wages	76,206	83,206	79,058	4,148	
Other Expenses	102,360	102,360	95,098	7,262	
Historical Commission					
Other Expenses	1,000	1,000	335	665	
Shade Tree Commission					
Other Expenses	7,500	7,500	3,560	3,940	
Senior Citizen Program:					
Salaries & Wages	128,500	131,200	130,789	411	
Miscellaneous Other Expenses	28,000	30,600	22,508	8,092	
Uniform Construction Code					
Salaries and wages	140,945	140,945	126,208	14,737	
Other expenses	11,250	11,250	8,238	3,012	
Rent Leveling Board:					
Salaries & Wages	600	600	350	250	
Other expenses	4,750	4,750	3,325	1,425	

BOROUGH OF NEW MILFORD

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2014

	Budget	Budget after Modification and Transfers	Paid or Committed	Reserved	Unexpended Balance Cancelled
<u>General Appropriations:</u>					
Unclassified:					
Celebration of Public Events:					
Other Expenses	6,464	6,464	5,124	1,340	
Utility Expenses and Bulk Purchases:					
Electricity	144,000	144,000	116,843	27,157	
Street Lighting	125,000	125,000	123,194	1,806	
Telephone	63,000	63,000	49,248	13,752	
Water	250,500	250,500	222,270	28,230	
Gas & Oil	150,000	150,000	124,710	25,290	
Sewer Outside Capacity	1,295,918	1,295,918	1,295,917	1	
Salary and Wage Adjustment	75,000	41,816		41,816	
	<u>15,097,322</u>	<u>15,094,238</u>	<u>13,976,981</u>	<u>1,117,257</u>	
Total Operations within "CAPS"					
Detail:					
Salaries & Wages	7,501,226	7,488,742	7,091,284	397,458	
Other Expenses	7,596,096	7,605,496	6,885,697	719,799	
Total	<u>15,097,322</u>	<u>15,094,238</u>	<u>13,976,981</u>	<u>1,117,257</u>	

BOROUGH OF NEW MILFORD

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2014

<u>General Appropriations:</u>	<u>Budget</u>	<u>Budget after Modification and Transfers</u>	<u>Paid or Committed</u>	<u>Reserved</u>	<u>Unexpended Balance Cancelled</u>
Statutory Expenditures:					
Contribution to:					
Social Security System (O.A.S.I.)	342,000	342,000	316,077	25,923	
Public Employees' Retirement System	346,227	317,731	317,731		
Police and Firemen's Retirement System of NJ	946,242	977,722	977,722		
DCRP	1,000	1,100	1,066	34	
Unemployment	32,000	32,000	32,000		
	<u>1,667,469</u>	<u>1,670,553</u>	<u>1,644,596</u>	<u>25,957</u>	
Total Deferred Charges and Statutory Expenditures					
	<u>16,764,791</u>	<u>16,764,791</u>	<u>15,621,577</u>	<u>1,143,214</u>	
Total General Appropriations for Municipal Purposes within "CAPS"					
Operations - Excluded from "CAPS"					
Maintenance of Free Public Library	141,000	141,000	128,800	12,200	
Library	570,000	570,000	566,885	3,115	
LOSAP	75,000	75,000	75,000	75,000	
Total Other Operations - Excluded from "CAPS"	<u>786,000</u>	<u>786,000</u>	<u>695,685</u>	<u>90,315</u>	

BOROUGH OF NEW MILFORD

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2014

General Appropriations:	Budget	Budget after Modification and Transfers	Paid or Committed	Reserved	Unexpended Balance Cancelled
Public and Private Programs Offset by Revenues					
Drunk Driving Enforcement Fund					
Police					
Click it or Ticket	4,000	4,000	4,000		
Municipal Alliance	5,838	5,838	5,838		
Body Armor Replacement Program	4,153	4,153	4,153		
Title III	20,680	20,680	20,680		
Recycling Tonnage Grant	18,374	18,374	18,374		
Clean Communities	25,399	25,399	25,399		
Bulletproof Vest Partnership Program	2,406	2,406	2,406		
Total Public and Private Programs Offset by Revenues	80,850	80,850	80,850		
Total Operations-Excluded from "CAPS"	866,850	866,850	776,535	90,315	
Detail:					
Salaries and Wages					
Other Expenses	866,850	866,850	776,535	90,315	
Total	866,850	866,850	776,535	90,315	
Capital Improvements - Excluded from "CAPS"					
Capital Improvement Fund	274,000	274,000	274,000		
Total Capital Improvements - Excluded from "CAPS"	274,000	274,000	274,000		

BOROUGH OF NEW MILFORD

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2014

<u>General Appropriations:</u>	<u>Budget</u>	<u>Budget after Modification and Transfers</u>	<u>Paid or Committed</u>	<u>Reserved</u>	<u>Unexpended Balance Cancelled</u>
Municipal Debt Service-Excluded from "CAPS"					
Payment of Bond Principal	745,000	745,000	745,000		
Payment of Bond Anticipation Notes and Capital Notes	136,460	136,460	136,460		
Interest on Bonds	112,940	112,940	112,937		3
Interest on Notes	74,900	74,900	74,472		428
NJIT Infrastructure					
Repayments for Principal and Interest	78,085	78,085	36,141		41,944
Total Municipal Debt Service-Excluded from "CAPS"	1,147,385	1,147,385	1,105,010		42,375
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	2,288,235	2,288,235	2,155,545	90,315	42,375

BOROUGH OF NEW MILFORD

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2014

<u>General Appropriations:</u>	<u>Budget</u>	<u>Budget after Modification and Transfers</u>	<u>Paid or Committed</u>	<u>Reserved</u>	<u>Unexpended Balance Cancelled</u>
Subtotal General Appropriations	19,053,026	19,053,026	17,777,122	1,233,529	42,375
Reserve for Uncollected Taxes	<u>559,730</u>	<u>559,730</u>	<u>559,730</u>		
Total General Appropriations	\$ <u>19,612,756</u>	<u>19,612,756</u>	<u>18,336,852</u>	<u>1,233,529</u>	<u>42,375</u>

Adopted Budget 19,575,113
 Amended per N.J.S.A. 40A: 4-87 37,643
\$ 19,612,756

Encumbrances \$	519,764
Reserve for Uncollected Taxes	559,730
Federal and State Grant Fund	80,850
Cash Disbursements	<u>17,176,508</u>
	<u>\$ 18,336,852</u>

See accompanying notes to financial statements

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BOROUGH OF NEW MILFORD

Comparative Balance Sheet - Regulatory Basis

Trust Funds

December 31, 2014 and 2013

<u>Assets</u>	<u>Ref.</u>	<u>2014</u>	<u>2013</u>
Animal License Fund:			
Cash	B-1	\$ 17,092	24,589
Due from the State of NJ	B-3	1	2
		<u>17,093</u>	<u>24,591</u>
Other Trust Fund:			
Cash	B-1	784,987	
Accounts Receivable		175,894	618,900
		<u>960,881</u>	<u>618,900</u>
Unemployment Compensation Insurance Fund:			
Cash	B-1	53,172	36,263
Medical Claims Trust:			
Cash	B-1	66,468	18,534
Community Development Trust Fund:			
Cash	B-1	8	8
Open Space Trust Fund:			
Cash	B-1	43,264	29,973
Due From Current Fund	B-9	161	126
		<u>43,425</u>	<u>30,099</u>
Recreation Trust Fund:			
Cash	B-1	11,532	4,876
Emergency Services Volunteer Length of Service Award Program			
Cash in Plan	B-1	769,898	732,785
Contribution Receivable	B-13	64,625	62,938
		<u>834,523</u>	<u>795,723</u>
		<u>\$ 1,987,102</u>	<u>1,528,994</u>

BOROUGH OF NEW MILFORD

Comparative Balance Sheet - Regulatory Basis

Trust Funds

December 31, 2014 and 2013

		<u>2014</u>	<u>2013</u>
<u>Liabilities and Reserves</u>			
Animal License Fund:			
Due to Current Fund	B-9	3,396	10,427
Reserve for Animal License Fund Expenditures	B-2	13,697	14,164
		<u>17,093</u>	<u>24,591</u>
Other Trust Fund:			
Due to Current Fund	B-9	183,926	7,747
Reserve for Various Deposits	B-8	776,955	611,153
		<u>960,881</u>	<u>618,900</u>
Unemployment Compensation Insurance Fund:			
Reserve for Unemployment Compensation	B-5	44,265	32,851
Due to State of NJ	B-6	8,907	3,412
		<u>53,172</u>	<u>36,263</u>
Medical Claims Trust:			
Reserve for Payment of Medical Claims	B-7	66,468	18,534
Community Development Trust Fund:			
Due to County of Bergen	B-11	7	7
Reserve for Community Development Grant Expenditures	B-10	1	1
		<u>8</u>	<u>8</u>
Open Space Trust Fund:			
Reserve for Open Space Trust Expenditures	B-4	43,425	30,099
		<u>43,425</u>	<u>30,099</u>
Recreation Trust Fund:			
Reserve for Expenditures	B-12	11,532	4,876
Emergency Services Volunteer Length of Service Award Program			
Net Assets Available for Benefits	B-14	834,523	795,723
		<u>834,523</u>	<u>795,723</u>
		<u>\$ 1,987,102</u>	<u>1,528,994</u>

See accompanying notes to financial statements.

BOROUGH OF NEW MILFORD

Comparative Balance Sheet - Regulatory Basis

General Capital Fund

December 31, 2014 and 2013

<u>Assets</u>	<u>Ref.</u>	<u>2014</u>	<u>2013</u>
Cash and Investments	C-2,C-3	\$ 3,326,517	4,926,834
Deferred charges to future taxation:			
Funded	C-4	3,921,977	4,718,312
Unfunded	C-5	13,844,740	8,543,185
Grants and Contributions Receivable:			
Community Development Block Grant	C-7	168,171	173,000
Bergen County Open Space Trust Fund	C-8	175,584	303,979
State Department of Transportation	C-9	318,500	150,000
Bergen County	C-10	180,650	
Homeowner's Flood Insurance Proceeds	C-11	1,500	54,730
		<u>\$ 21,937,639</u>	<u>18,870,040</u>

BOROUGH OF NEW MILFORD

Comparative Balance Sheet - Regulatory Basis

General Capital Fund

December 31, 2014 and 2013

	<u>Ref.</u>	<u>2014</u>	<u>2013</u>
<u>Liabilities, Reserves and Fund Balance</u>			
General Serial Bonds Payable	C-13	\$ 3,130,000	3,875,000
New Jersey Environmental Infrastructure Trust:			
Fund Loan Payable	C-14	276,977	308,312
Trust Loan Payable	C-15	515,000	535,000
Bond Anticipation Notes	C-16	7,521,604	7,980,000
Improvement authorizations:			
Funded	C-17	185,971	200,951
Unfunded	C-17	6,214,709	4,456,973
Due to Current Fund	C-12	2,070	1,647
Capital Improvement Fund	C-18	5,030	16,405
Reserve for:			
Legislative Grant	C-19	30,000	30,000
Grants Receivable	C-20	440,671	277,000
Payment of Notes	C-21	97,947	321,938
Contracts Payable	C-22	3,517,614	835,833
Green Acres	C-23	46	45
Fund Balance	C-1	<u> </u>	<u> </u>
		\$ <u>21,937,639</u>	<u>18,870,040</u>

There were bonds and notes authorized but not issued on December 31, 2014 and 2013 in the amount of \$6,545,729 and \$785,778 respectively (Exhibit C-24)

See accompanying notes to financial statements.

BOROUGH OF NEW MILFORD

Schedule of Capital Fund Balance - Regulatory Basis

General Capital Fund

December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Balance - December 31, 2013	\$ 30,936	6,076
Increased by:		
Premium on Sale of Bonds and Notes	<u> </u>	<u>30,983</u>
	30,936	37,059
Decreased by:		
Utilized as Budget Revenue	<u>30,936</u>	<u>6,123</u>
Balance - December 31, 2014	<u>\$ <u> </u></u>	<u>30,936</u>

See accompanying notes to financial statements

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BOROUGH OF NEW MILFORD

Comparative Balance Sheet - Regulatory Basis

Goodwill Fund

December 31, 2014 and 2013

		<u>2014</u>	<u>2013</u>
	<u>Assets</u>		
Cash - Goodwill	E-1	\$ <u>12,290</u>	<u>12,362</u>
		\$ <u>12,290</u>	<u>12,362</u>
	<u>Liabilities</u>		
Reserve for Goodwill	E-2	\$ <u>12,290</u>	<u>12,362</u>
		\$ <u>12,290</u>	<u>12,362</u>

See accompanying notes to the financial statements.

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BOROUGH OF NEW MILFORD, N. J.
Notes to Financial Statements
Years Ended December 31, 2014 and 2014

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

GASB has issued Statement No. 14 which requires the financial reporting entity to include both the primary government and those component units for which the primary government is financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either a) the ability to impose the 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 municipal library, volunteer fire department or volunteer ambulance squad which are considered component units under GAAP. Complete financial statements of the above components can be obtained by contacting the Treasurer's of the respective entity.

BOROUGH OF NEW MILFORD, N.J.
Notes to Financial Statements
Years Ended December 31, 2014 and 2013
(continued)

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

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

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

The Borough has the following funds and account groups:

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

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

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

Municipal Open Space Trust - This fund is used to account for taxes raised to finance the acquisition and preservation of property.

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

Other Trust Funds - These funds are 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. These funds include dedicated fees/proceeds collected, developer deposits and deposited funds with the Borough as collateral.

Recreation Trust Fund - This fund is used to account for the resources and expenditures for recreation activities.

Medical Claims Trust Fund - This fund is used to account for the resources and expenditures for medical deductibles associated with the Borough's health, prescription and vision insurance plan.

BOROUGH OF NEW MILFORD, N.J.
Notes to Financial Statements
Years Ended December 31, 2014 and 2013
(continued)

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

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

Community Development Trust Fund - This fund is used to account for grant proceeds and related expenditures for Block Grant entitlements.

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

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.

Goodwill Fund - This fund is used to account for the receipt and disbursement of funds that provide assistance to certain residents of the Borough that do not meet the requirements to be eligible for General Assistance pursuant to Title 44 of New Jersey Statutes.

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

Basis of Accounting

A modified accrual basis of accounting is followed by the Borough of New Milford. 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

BOROUGH OF NEW MILFORD, N.J.
Notes to Financial Statements
Years Ended December 31, 2014 and 2013
(continued)

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

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

Basis of Accounting, (continued)

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 the 11th day of the 11th month in the current year taxes are levied, 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.

Budgets and Budgetary Accounting - An annual budget is required to be adopted and integrated into the accounting system to provide budgetary control over revenues and expenditures for the current fund. 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

BOROUGH OF NEW MILFORD, N.J.
Notes to Financial Statements
Years Ended December 31, 2014 and 2013
(continued)

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

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

Basis of Accounting, (continued)

The governing body shall introduce and approve the annual budget not later than February 10, of the fiscal year. The budget shall be adopted not later than March 20, and prior to adoption must be certified by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The Director of the Division of Local Government Services, with the approval of the Local Finance Board may extend the introduction and approval and adoption dates of the municipal budget. The budget is prepared by fund, function, activity and line item (salary or other expense) and includes information on the previous year. The legal level of control for appropriations is exercised at the individual line item level for all operating budgets adopted. Emergency appropriations, those made after the adoption of the budget and determination of the tax rate, may be authorized by the governing body of the municipality. During the last two months of the fiscal year, the governing body may, by a 2/3 vote, amend the budget through line item transfers. Management has no authority to amend the budget without the approval of the Governing Body. Expenditures may not legally exceed budgeted appropriations at the line item level. During 2014, the Mayor and Council approved additional revenues and appropriations of \$37,643 in accordance with N.J.S.A. 40A:4-87 along with several budget transfers.

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.

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.

BOROUGH OF NEW MILFORD, N.J.
Notes to Financial Statements
Years Ended December 31, 2014 and 2013
(continued)

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

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

Basis of Accounting, (continued)

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 fair value and are limited by N.J.S.A. 40A:5-15.1(a).

Tax Appeals and Other Contingent Losses - Losses arising from tax appeals and other contingent losses are recognized at the time a decision is rendered by an administrative or judicial body and not when it is probable that a loss has been incurred and the amount of such loss can be reasonably estimated.

General Fixed Assets - The Borough of New Milford 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.

BOROUGH OF NEW MILFORD, N.J.
Notes to Financial Statements
Years Ended December 31, 2014 and 2013
(continued)

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

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

Basis of Accounting, (continued)

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.

Recent Accounting Pronouncements

In June 2012, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27. This statement, which is effective for fiscal periods beginning after June 15, 2014, will not have any effect on the entity's financial reporting. However, the provisions of this statement will require significant modifications to the disclosure requirements related to the entity's proportionate share of the cost-sharing defined benefit plans reported at the State of New Jersey level.

BOROUGH OF NEW MILFORD, N.J.
Notes to Financial Statements
Years Ended December 31, 2014 and 2013
(continued)

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

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

Basis of Accounting, (continued)

In January 2013, the Government Accounting Standards Board issued GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term “government combinations” includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations. This Statement is effective for financial statements beginning after December 15, 2013 will not have any effect on the entity’s financial reporting.

In April of 2013, the Government Accounting Standards Board issued GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The objective of this Statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. This Statement is effective for reporting periods beginning after June 15, 2013 and will not have any impact on the entity’s financial statement disclosures.

In November 2013, the Government Accounting Standards Board issued GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* – an amendment of GASB Statement No. 68. The provisions of this statement are required to be applied simultaneously with the provisions of Statement 68 which is effective for periods beginning after June 15, 2014. The provisions of this statement will require significant modifications of the disclosure requirements related to the entity’s proportionate share of the cost-sharing defined benefit plans reported at the State of New Jersey level.

C. Basic Financial Statements

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

BOROUGH OF NEW MILFORD, N.J.
Notes to Financial Statements
Years Ended December 31, 2014 and 2013
(continued)

NOTE 2: CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Borough's policy is based on New Jersey Statutes requiring cash be deposited only in New Jersey based banking institutions that participate in New Jersey Governmental Depository Protection Act (GUDPA) or in qualified investments established in New Jersey Statutes 40A:5-15.1(a) that are treated as cash equivalents. As of December 31, 2014 and 2013, \$-0- of the Borough's bank balance of \$8,444,356 and \$9,826,757, respectively, was exposed to custodial credit risk.

Investments

Investment Rate Risk

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

Credit Risk

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

Concentration of Credit Risk

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

BOROUGH OF NEW MILFORD, N.J.
Notes to Financial Statements
Years Ended December 31, 2014 and 2013
(continued)

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

Unaudited Investments

As more fully described in Note 15, 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 Lincoln Financial Group, which is an authorized provider approved by the Division of Local Government Services. The balance in the account on December 31, 2014 and 2013 amounted to \$769,898 and \$732,785, respectively.

The following investments represent 5% or more of the total invested with Lincoln Financial Group on December 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Fixed Income	\$231,469	\$244,961
Fidelity VIP Contrafund Portfolio	43,392	72,346
LVIP SSgA S&P 500 Index Fund	332,480	350,357
All Others	<u>162,557</u>	<u>65,121</u>
Total	<u>\$769,898</u>	<u>\$732,785</u>

NOTE 3: TAXES RECEIVABLE

Receivables at December 31, 2014 and 2013 consisted of the following:

	<u>2014</u>	<u>2013</u>
Property Taxes	<u>\$414,085</u>	<u>\$400,482</u>

In 2014 and 2013, the Borough collected \$423,267 and \$516,720 from delinquent taxes, which represented 100% and 95% of the prior year delinquent tax receivable balances.

BOROUGH OF NEW MILFORD, N.J.
Notes to Financial Statements
Years Ended December 31, 2014 and 2013
(continued)

NOTE 4: MUNICIPAL DEBT

Long-term debt as of December 31, 2014 consisted of the following:

	<u>Balance</u> <u>Dec. 31, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Amounts Due</u> <u>Within</u> <u>One Year</u>
Bonds Payable - General Obligation Debt	\$3,875,000	\$	\$745,000	\$3,130,000	\$790,000
Deferred PERS/PFRS Pension Contribution	423,454		25,630	397,824	28,224
Other Liabilities:					
Compensated Absences Payable	2,881,300	268,071	409,842	2,739,529	
New Jersey Environmental Infrastructure Trust Loans Payable	<u>843,312</u>	<u> </u>	<u>51,335</u>	<u>791,977</u>	<u>51,335</u>
	<u>\$8,023,066</u>	<u>\$268,071</u>	<u>\$1,231,807</u>	<u>\$7,059,330</u>	<u>\$869,559</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. These bonds are reported in the funds which are expected to fund them. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the Borough are general obligation bonds, backed by the full faith and credit of the Borough. Bond anticipation notes, which are issued to temporarily finance capital projects, must be paid off within ten years and four months or retired by the issuance of bonds.

The Borough's debt is summarized as follows:

	<u>Year 2014</u>	<u>Year 2013</u>	<u>Year 2012</u>
<u>Issued</u>			
General:			
Bonds, Notes and Loans	<u>\$11,443,581</u>	<u>\$12,698,312</u>	<u>\$9,368,025</u>
Total Issued	11,443,581	12,698,312	9,368,025
<u>Less</u>			
Excess Proceeds of Bond Anticipation Notes	222,593	225,593	
Funds Temporarily Held to Pay Bonds and Notes	<u>97,947</u>	<u>321,938</u>	<u>469,544</u>
Net Debt Issued	11,123,041	12,150,781	8,898,481
<u>Authorized But Not Issued</u>			
General:			
Bonds and Notes	<u>6,545,729</u>	<u>785,788</u>	<u>758,357</u>
Net Bonds and Notes Issued and Authorized But Not Issued	<u>\$17,668,770</u>	<u>\$12,936,569</u>	<u>\$9,656,838</u>

BOROUGH OF NEW MILFORD, N.J.
Notes to Financial Statements
Years Ended December 31, 2014 and 2013
(continued)

NOTE 4: MUNICIPAL DEBT, (continued)

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 .996%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School District	\$2,600,000	\$2,600,000	\$0
General Debt	<u>17,989,310</u>	<u>320,540</u>	<u>17,668,770</u>
	<u>\$20,589,310</u>	<u>\$2,920,540</u>	<u>\$17,668,770</u>

Net Debt \$17,668,770 divided by equalized valuation basis per N.J.S. 40A:2-2 as amended, \$1,774,411,357 = .996%.

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

3 ½% of Equalized Valuation Basis (Municipal)	\$62,104,397
Net Debt	<u>17,668,770</u>
Remaining Borrowing Power	<u>\$44,435,627</u>

The Borough's long term debt consisted of the following at December 31, 2014:

Paid by Current Fund:

<u>General Obligation Bonds</u>	<u>Amount Outstanding</u>
\$3,085,000 General Obligation Bonds - with an interest rate of 3.50% issued June 15, 2005, due through February 1, 2015	\$445,000
\$4,160,000 General Improvement Bonds - with an interest rate of 2.00% to 3.50% issued May 1, 2009, due through May 1, 2021	<u>2,685,000</u>
	<u>\$3,130,000</u>

BOROUGH OF NEW MILFORD, N.J.
Notes to Financial Statements
Years Ended December 31, 2014 and 2013
(continued)

NOTE 4: MUNICIPAL DEBT, (continued)

The Borough has entered into a loan agreement with the New Jersey Environmental Infrastructure Trust for the financing related to the Borough's sanitary sewer pipe lining and replacement project.

General Capital

\$575,000, 2010 Trust Loan, due in annual installments of \$20,000 to \$45,000 through August 1, 2030, interest at 5.00%	\$515,000
\$616,250, 2010 Fund Loan, due in annual installments of \$10,445 to \$20,890 through August 1, 2030, no interest	<u>276,977</u>
	<u>\$791,977</u>

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

<u>Year</u>	<u>Total</u>	<u>New Jersey Environmental Infrastructure Trust Loans</u>		<u>General Serial Bonds</u>	
		<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2015	\$956,454	\$51,335	\$25,750	\$790,000	\$89,369
2016	389,398	56,335	24,750	235,000	73,313
2017	514,073	56,335	23,500	370,000	64,238
2018	525,853	56,334	22,250	395,000	52,269
2019	536,360	56,335	21,000	420,000	39,025
2020-2024	1,311,778	275,303	83,750	920,000	32,725
2025-2029	236,750	195,000	41,750		
2030	<u>47,250</u>	<u>45,000</u>	<u>2,250</u>		
	<u>\$4,517,916</u>	<u>\$791,977</u>	<u>\$245,000</u>	<u>\$3,130,000</u>	<u>\$350,939</u>

At December 31, 2014 and 2013, the Borough had authorized but not issued debt of \$6,545,729 and \$785,778, respectively.

NOTE 5: BOND ANTICIPATION NOTES

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

BOROUGH OF NEW MILFORD, N.J.
Notes to Financial Statements
Years Ended December 31, 2014 and 2013
(continued)

NOTE 5. BOND ANTICIPATION NOTES, (continued)

On December 31, 2014, the Borough had \$7,521,604 in outstanding bond anticipation notes which matured on April 17, 2015 at .43% and were subsequently renewed at a rate of .42% with a maturity date of December 1, 2015.

The following activity related to bond anticipation notes occurred during the calendar year ended December 31, 2014.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
TD Bank, N.A.	\$	\$7,521,604	\$	\$7,521,604
Janney Montgomery Scott, LLC	3,500,000		3,500,000	0
TD Securities, LLC	<u>4,480,000</u>		<u>4,480,000</u>	<u>0</u>
	<u>\$7,980,000</u>	<u>\$7,521,604</u>	<u>\$7,980,000</u>	<u>\$7,521,604</u>

NOTE 6: SCHOOL TAXES

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

NOTE 7: 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 Firemens' 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 Firemens' 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.

BOROUGH OF NEW MILFORD, N.J.
Notes to Financial Statements
Years Ended December 31, 2014 and 2013
(continued)

NOTE 7: PENSION PLANS, (continued)

Description of Systems, (continued)

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.

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.

BOROUGH OF NEW MILFORD, N.J.
Notes to Financial Statements
Years Ended December 31, 2014 and 2013
(continued)

NOTE 7: PENSION PLANS, (continued)

Description of Systems, (continued)

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

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.

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.

BOROUGH OF NEW MILFORD, N.J.
Notes to Financial Statements
Years Ended December 31, 2014 and 2013
(continued)

NOTE 7: PENSION PLANS, (continued)

Description of Systems, (continued)

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.

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</u>	<u>PERS</u>	<u>PFRS</u>
December 31, 2014	\$317,731	\$977,722
December 31, 2013	314,444	942,837
December 31, 2012	359,507	790,682

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.

BOROUGH OF NEW MILFORD, N.J.
Notes to Financial Statements
Years Ended December 31, 2014 and 2013
(continued)

NOTE 7: PENSION PLANS, (continued)

Defined Contribution Retirement Program, (continued)

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 retain 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.

The Borough's contribution to the DCRP for each year was as follows:

<u>Year</u>	<u>Amount</u>
December 31, 2014	\$1,066
December 31, 2013	490
December 31, 2012	629

NOTE 8: FUND BALANCES APPROPRIATED

Fund balances at December 31, 2013 which were appropriated and included as anticipated revenue in their own respective funds for the year ending December 31, 2014 were as follows:

Current Fund	<u>\$717,000</u>
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BOROUGH OF NEW MILFORD, N.J.
Notes to Financial Statements
Years Ended December 31, 2014 and 2013
(continued)

NOTE 9: FIXED ASSETS

The following is a summary of changes in the general fixed asset account group for the year 2014.

	<u>Dec.31, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>Dec.31, 2014</u>
Land	\$36,878,288	\$	\$	\$36,878,288
Buildings and Improvements	4,646,000			4,646,000
Machinery and Equipment	<u>4,764,468</u>	<u>367,759</u>	<u>274,425</u>	<u>4,857,802</u>
	<u>\$46,288,756</u>	<u>\$367,759</u>	<u>\$274,425</u>	<u>\$46,382,090</u>

NOTE 10: ACCRUED SICK AND VACATION BENEFITS

Under the existing policies and labor agreements of the Borough, employees are allowed to accumulated (with certain restrictions) unused vacation and sick pay over the life of their working careers and to redeem such unused leave time in cash upon death, retirement or by extended absence immediately preceding retirement.

It is estimated that the current cost of such unpaid compensation, which is unaudited, would approximate \$2,739,529. This amount is considered material to the financial statements, is not reported either as an expenditure or liability.

NOTE 11: INTERFUND BALANCES AND ACTIVITY

Balances due to/from other funds at December 31, 2014 consist of the following:

\$161	Due to the Open Space Trust Fund from the Current Fund for added/omitted taxes collected not turned over.
3,396	Due to the Current Fund from the Animal License Trust Fund for statutory excess.
183,926	Due to the Current Fund from the Other Trust Fund to reimburse Current Fund for police outside duty overtime paid and the remaining balance of interest earnings not turned over and a tax title lien premium due to the Borough due to foreclosure proceedings.
<u>2,070</u>	Due to the Current Fund from the General Capital Fund for the remaining balance of interest earned but not transferred.
<u>\$189,553</u>	

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

BOROUGH OF NEW MILFORD, N.J.
Notes to Financial Statements
Years Ended December 31, 2014 and 2013
(continued)

NOTE 12: 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 2014 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 New Milford is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The Borough has established a medical claims trust fund to fund certain deductibles associated with the Borough's health, prescription and vision plans, a group insurance benefit plan for its employees and their eligible dependents. As of December 31, 2014 and 2013, the Borough has available in the Medical Claims Trust Fund \$66,468 and \$18,534, respectively, for the payment of these claims.

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

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

The Borough of New Milford is also a member of the Municipal Excess Liability Joint Insurance Fund (the "MEL"). The MEL provides excess insurance coverage for claims for general liability, automobile liability and workers' compensation.

The JIF's members are also members of the New Jersey Municipal Environmental Risk Management Fund which provides commercial insurance coverage for environmental impairment liability.

BOROUGH OF NEW MILFORD, N.J.
Notes to Financial Statements
Years Ended December 31, 2014 and 2013
(continued)

NOTE 12: RISK MANAGEMENT, (continued)

The JIF provides Property coverage (i.e. Boiler and Machinery, Flood, Valuable Papers, etc.) to its members by participating in a state-wide joint purchase program arranged by the MEL acting as a lead agency.

Financial statements for the Funds are available at the office of the Funds' Executive Director, Public Entity Risk Management Administration, Inc.

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

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

<u>Year Ended</u> <u>December 31,</u>	<u>Borough</u> <u>Contributions</u>	<u>Employee</u> <u>Contributions</u>	<u>Amount</u> <u>Reimbursed</u>	<u>Ending</u> <u>Balance</u>
2014	\$32,000	\$9,713	\$30,322	\$44,265
2013	32,000	9,457	27,545	32,851
2012	32,000	9,567	26,706	18,914

NOTE 13: TAXES COLLECTED IN ADVANCE

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

	<u>Balance</u> <u>Dec 31, 2014</u>	<u>Balance</u> <u>Dec 31, 2013</u>
Prepaid Taxes	<u>\$224,238</u>	<u>\$624,048</u>
Cash Liability for Taxes Collected in Advance	<u>\$224,238</u>	<u>\$624,048</u>

BOROUGH OF NEW MILFORD, N.J.
Notes to Financial Statements
Years Ended December 31, 2014 and 2013
(continued)

NOTE 14: EMERGENCY SERVICES VOLUNTEER LENGTH OF SERVICE AWARD PLAN (LOSAP)

The Borough of New Milford Length of Service Award Plan (the Plan) was created by a Borough ordinance adopted on December 5, 2000 pursuant to 457 (e)(11)(13) of the Internal Service Code of 1986, as amended, except for provisions added by reason of the Length of Service Award Program as enacted into federal law in 1997. The voters of the Borough of New Milford approved the adoption of the Plan at the general election held on November 2, 1999.

The first year of eligibility for entrance into the Plan was calendar year 2001. The tax deferred income benefits for emergency services volunteers, consisting of the Volunteer Fire Department and the First Aid Organization come from contributions made solely by the Borough on behalf of those volunteers who meet the criteria of a plan created by the governing body.

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

The Borough of New Milford has contributed \$1,375 and \$1,353 for 2014 and 2013, respectively, for each eligible Volunteer Fire Department and Volunteer Ambulance Corps member into the Plan.

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

Lincoln financial is the administrator of the Plan. The Borough's practical involvement in administering the plan is essentially limited to verifying the eligibility of each participant and remitting the funds to the plan administrator.

Vesting and Benefits

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

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

BOROUGH OF NEW MILFORD, N.J.
Notes to Financial Statements
Years Ended December 31, 2014 and 2013
(continued)

NOTE 14: EMERGENCY SERVICES VOLUNTEER LENGTH OF SERVICE AWARD PLAN (LOSAP), (continued)

Reporting Requirements

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

NOTE 15: COMMITMENTS AND CONTINGENT LIABILITIES

The Borough is a defendant in various legal proceedings. A portion of these cases, if decided against the Borough, would be covered by insurance. Any judgements not covered by insurance would be raised by future taxation. The Borough expects such amounts, if any, to be immaterial.

NOTE 16: CLAIMS AND JUDGEMENTS

The Borough participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Borough may be required to reimburse the grantor government. As of December 31, 2014, significant amounts of grant expenditure have not been audited by the various grantor agencies but the Borough believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds on the overall financial position of the Borough.

NOTE 17: OTHER POST EMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 8, the Borough provides post employment health care benefits in accordance with the provisions of Ch. 88, P.L. 1974 as amended by Chapter 436, P.L. 1981, at its cost.

Plan Description

The Borough provides a post employment healthcare plan for its eligible retirees and their spouses. The plan is a single-employer defined benefit healthcare plan administered by the Borough. In accordance with Borough ordinances, contracts and/or policies, the Borough provides benefits to any employee retiree with at least 25 years of service with the Borough.

BOROUGH OF NEW MILFORD, N.J.
Notes to Financial Statements
Years Ended December 31, 2014 and 2013
(continued)

NOTE 17: OTHER POST EMPLOYMENT BENEFITS, (continued)

Funding Policy

The required contribution is funded on a pay-as-you-go basis with an additional amount to prefund benefits as determined annually by the Borough. For the year 2014, the Borough contributed \$279,010 to the plan.

Annual OPEB Cost and Net OPEB Obligation

The Borough's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Borough's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Borough's net OPEB obligation to the plan.

Annual Required Contribution	\$780,000
Interest on Net OPEB Obligation	40,000
Adjustment to Annual Required Contribution	<u>(50,000)</u>
Total (Annual OPEB Cost (Expense))	770,000
Contributions Made	<u>279,010</u>
Increase in Net OPEB Obligation	490,990
Net OPEB Obligation - Beginning of Year	<u>1,802,118</u>
Net OPEB Obligation - End of Year	<u><u>\$2,293,108</u></u>

The Borough's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the years 2014, 2013 and 2012 were as follows:

<u>Year Ended</u> <u>December 31,</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost</u> <u>Contributed</u>	<u>Net</u> <u>OPEB</u> <u>Obligation</u>
2014	\$770,000	33.58%	\$2,293,108
2013	770,000	39.54%	1,802,118
2012	770,000	39.74%	1,336,580

BOROUGH OF NEW MILFORD, N.J.
Notes to Financial Statements
Years Ended December 31, 2014 and 2013
(continued)

NOTE 17: OTHER POST EMPLOYMENT BENEFITS, (continued)

Funded Status and Funding Progress

As of December 31, 2012, the most recent actuarial valuation date, the plan was 0 percent funded. The actuarial accrued liability for benefits was \$8,590,000, and the actuarial value of assets was \$-0-, resulting in an unfunded actuarial accrued liability (UAAL) of \$8,590,000. The covered payroll (annual payroll of active employees covered by the plan) was \$7,920,000, and the ratio of the UAAL to the covered payroll was 108 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and included the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December 31, 2012 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expense) which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 9.5 percent initially, reduced by decrements to an ultimate rate of 0.5 percent per year through year 10 to 5 percent thereafter. Both rates included a 0 percent inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2012 was 30 years.

NOTE 18: SUBSEQUENT EVENT

The Borough has evaluated subsequent events through June 19, 2015, the date which the financial statements were available to be issued and no other items were noted for disclosure.

APPENDIX C

PROPOSED FORM OF BOND COUNSEL OPINION

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APPENDIX C

[Proposed Form of Bond Counsel Opinion]

December __, 2015

Borough Council
Borough of New Milford
County of Bergen, New Jersey

Dear Council Members:

We have acted as bond counsel in connection with the issuance of \$8,610,000 aggregate principal amount of General Improvement Bonds (the "Bonds") by the Borough of New Milford, in the County of Bergen, a municipal corporation of the State of New Jersey (the "Borough"). The Bonds are dated December 1, 2015 and comprise an issue of registered bonds. The Bonds bear interest from their date, payable on each June 1 and December 1, commencing June 1, 2016 (each, an "Interest Payment Date"), in each year until maturity or prior redemption.

The Bonds are payable in annual installments on December 1 in each year, and bear interest at the rates per annum, as follows:

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2016	\$475,000	1.00%	2025	\$575,000	2.375%
2017	300,000	1.50	2026	555,000	2.50
2018	300,000	1.75	2027	550,000	3.00
2019	290,000	2.00	2028	550,000	3.00
2020	290,000	2.00	2029	550,000	3.00
2021	290,000	2.00	2030	550,000	3.00
2022	580,000	2.00	2031	550,000	3.00
2023	580,000	2.00	2032	550,000	3.125
2024	575,000	2.25	2033	500,000	3.125

The Bonds maturing on or before December 1, 2025 are not subject to redemption prior to their stated maturities. The Bonds maturing on or after December 1, 2026 are subject to redemption at the option of the Borough prior to maturity, in whole on any date or in part on any Interest Payment Date, on or after December 1, 2025, upon notice as set forth in the resolutions referred to below at the redemption price of 100% of the principal amount being redeemed, plus accrued interest to the date fixed for redemption.

If the Borough determines to optionally redeem a portion of the Bonds prior to maturity, such Bonds so redeemed shall be in such maturities as determined by the Borough, and within any maturity, by lot.

The Bonds are issued pursuant to the Local Bond Law (Chapter 2 of Title 40A of the New Jersey Statutes, as amended) and pursuant to twenty bond ordinances adopted by the Borough Council of the Borough on April 27, 2009 (two ordinances: Ord. Nos. 2009:04 and 2009:05), May 27, 2009 (Ord. No. 2009:07), August 24, 2009 (Ord. No. 2009:13, as amended by Ord. No. 2012:07 adopted on May 14, 2012), February 22, 2010 (two ordinances: Ord. Nos. 2010:05 and 2010:06), April 26, 2010 (Ord. No. 2010:07, as amended by Ord. No. 2013:05 adopted on May 13, 2013, as further amended by Ord. No. 2014:23 adopted on September 22, 2014), July 26, 2010 (Ord. No. 2010:13), August 23, 2010 (Ord. No. 2010:14), April 25, 2011 (two ordinances: Ord. Nos. 2011:08 and 2011:09), May 14, 2012 (Ord. No. 2012:07, as amended by Ord. No. 2013:06 adopted on May 29, 2013), July 23, 2012 (Ord. No. 2012:12), May 29, 2013 (Ord. No. 2013:06, as amended by Ord. No. 2014:25 adopted on October 27, 2014), July 29, 2013 (Ord. No. 2013:07), September 22, 2014 (Ord. No. 2014:23), November 24, 2014 (three ordinances: Ord. Nos. 2014:27, 2014:28 and 2014:31) and May 11, 2015 (Ord. No. 2015:06) and resolutions adopted by the Borough Council of the Borough on October 26, 2015.

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

interest on the Bonds to be included in gross income of the owners thereof retroactive to the date of issuance of the Bonds, regardless of when such noncompliance occurs.

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

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

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

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

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

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

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

Very truly yours,

Rogut McCarthy LLC