

**OFFICIAL STATEMENT DATED AUGUST 11, 2016**

*In the opinion of McManimon, Scotland & Baumann, LLC, Bond Counsel to the Town (as defined herein), pursuant to Section 103(a) of the Internal Revenue Code of 1986, as amended (the “Code”) interest on the Bonds (as defined herein) is not included in gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the alternative minimum tax imposed on individuals and corporations. It is also the opinion of Bond Counsel that interest on the Bonds held by corporate taxpayers is included in “adjusted current earnings” in calculating alternative minimum taxable income for purposes of the federal alternative minimum tax imposed on corporations. In addition, in the opinion of Bond Counsel, interest on and any gain from the sale of the Bonds is not includable as gross income under the New Jersey Gross Income Tax Act. Bond Counsel’s opinions described herein are given in reliance on representations, certifications of fact, and statements of reasonable expectation made by the Town in its Tax Certificate (as defined herein), assuming continuing compliance by the Town with certain covenants set forth in its Tax Certificate and are based on existing statutes, regulations, administrative pronouncements and judicial decisions. See “TAX MATTERS” herein.*

**\$4,979,000**  
**TOWN OF NEWTON,**  
**IN THE COUNTY OF SUSSEX, NEW JERSEY**  
**GENERAL IMPROVEMENT BONDS**  
**(Bank Qualified) (Book-Entry-Only) (Callable)**

**Dated Date:** Date of Delivery

**Due:** August 15, as shown on the inside front cover page

The \$4,979,000 General Improvement Bonds (the “Bonds”) of the Town of Newton, in the County of Sussex, New Jersey (the “Town”) will be issued in the form of one certificate for the aggregate principal amount of the Bonds maturing in each year and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”), which will act as securities depository. See “AUTHORIZATION AND PURPOSE” herein.

Interest on the Bonds will be payable semiannually on February 15 and August 15 in each year until maturity or earlier redemption, commencing on February 15, 2017. Principal of and interest on the Bonds will be paid to DTC by the Town or its designated paying agent. Interest on the Bonds will be credited to the participants of DTC as listed on the records of DTC as of each next preceding February 1 and August 1 (the “Record Dates” for the payment of interest on the Bonds).

The Bonds are subject to redemption prior to their stated maturities. See “THE BONDS – Optional Redemption” herein.

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

**This cover page contains information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement, including the Appendices, to obtain information essential to the making of an informed investment decision.**

The Bonds are offered when, as and if issued, and delivered to the Underwriter, subject to prior sale, to withdrawal or modification of the offer without notice and to the approval of legality by the law firm of McManimon, Scotland & Baumann, LLC, Roseland, New Jersey and certain other conditions described herein. Phoenix Advisors, LLC, Bordentown, New Jersey has served as financial advisor in connection with the issuance of the Bonds. Delivery is anticipated to be via DTC in New York, New York on or about August 25, 2016.

**Baird**

**TOWN OF NEWTON,  
IN THE COUNTY OF SUSSEX, NEW JERSEY**

**\$4,979,000 GENERAL IMPROVEMENT BONDS  
(BANK QUALIFIED) (BOOK-ENTRY-ONLY) (CALLABLE)**

**MATURITIES, INTEREST RATES, YIELDS AND CUSIPS**

<b><u>Year</u></b>	<b><u>General Improvement Bonds</u></b>	<b><u>Interest Rate</u></b>	<b><u>Yield</u></b>	<b><u>CUSIPs*</u></b>
2017	\$ 200,000	2.000%	0.680%	653148GE0
2018	200,000	2.000	0.780	653148GF7
2019	230,000	2.000	0.880	653148GG5
2020	200,000	2.000	1.100	653148GH3
2021	200,000	2.000	1.200	653148GJ9
2022	200,000	2.000	1.350	653148GK6
2023	400,000	2.000	1.450	653148GL4
2024	400,000	2.000	1.550	653148GM2
2025	400,000	2.000	1.650**	653148GN0
2026	350,000	2.000	1.750**	653148GP5
2027	400,000	2.000	1.850**	653148GQ3
2028	400,000	2.000	2.000	653148GR1
2029	375,000	2.250	2.050**	653148GS9
2030	340,000	2.250	2.150**	653148GT7
2031	340,000	2.500	2.250**	653148GU4
2032	344,000	2.750	2.350**	653148GV2

---

\* "CUSIP" is a registered trademark of the American Bankers Association. CUSIP numbers are provided by Standard & Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. The CUSIP Numbers listed above are being provided solely for the convenience of Bondholders only at the time of issuance of the Bonds and the Town does not make any representations with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specified maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

\*\* Priced to the August 15, 2024 optional call date.

**TOWN OF NEWTON,  
IN THE COUNTY OF SUSSEX,  
NEW JERSEY**

**MAYOR**

Sandra Lee Diglio

**TOWN COUNCIL MEMBERS**

Wayne F. Levante, Deputy Mayor  
E. Kevin Elvidge  
Helen R. LeFrois  
Daniel G. Flynn

**TOWN MANAGER**

Thomas S. Russo, Jr.

**CHIEF FINANCIAL OFFICER / FINANCE DIRECTOR**

Dawn L. Babcock, CMFO

**TOWN CLERK**

Lorraine A. Read, RMC, CMR

**TOWN ATTORNEY**

Ursula H. Leo, Esq.  
Laddey, Clark & Ryan LLP  
Sparta, New Jersey

**AUDITOR**

Ferraioli, Wielkottz, Cerullo & Cuva, P.A.  
Newton, New Jersey

**FINANCIAL ADVISOR**

Phoenix Advisors, LLC  
Bordentown, New Jersey

**BOND COUNSEL**

McManimon, Scotland & Baumann, LLC  
Roseland, New Jersey

No broker, dealer, salesperson or other person has been authorized by the Town to give any information or to make any representations with respect to the Bonds other than those contained in this Official Statement, and, if given or made, such information or representations must not be relied upon as having been authorized by the foregoing. The information contained herein has been provided by the Town 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 or warranty by the Underwriter or, as to information from sources other than itself, by the Town. The information and the expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale hereunder under any circumstances shall create any implication that there has been no change in any of the information herein since the date hereof or since 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 Town during normal business hours.

For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission, this document, as the same may be supplemented or amended by the Town from time to time (collectively, the "Official Statement"), may be treated as a "Final Official Statement" with respect to the Bonds described herein that is deemed final as of the date hereof (or of any such supplement or amendment) by the Town.

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 the affairs of the Town since the date hereof or any earlier date as of which any information contained herein is given. This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be used, in whole or in part, for any other purpose.

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

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, salesperson 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 Town or the Underwriter.

THE ORDER AND PLACEMENT OF MATERIALS IN THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES, ARE NOT TO BE DEEMED TO BE A DETERMINATION OF RELEVANCE, MATERIALITY OR IMPORTANCE, AND THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES, MUST BE CONSIDERED IN ITS ENTIRETY. THE OFFERING OF THE BONDS IS MADE ONLY BY MEANS OF THIS ENTIRE OFFICIAL STATEMENT.

Neither McManimon, Scotland & Baumann, LLC nor the Underwriter have participated in the preparation of the financial or statistical information contained in this Official Statement nor have they verified the accuracy or completeness thereof, and, accordingly, they express no opinion with respect thereto.

## TABLE OF CONTENTS

INTRODUCTION .....	1
THE BONDS .....	1
General Description .....	1
Optional Redemption .....	1
Notice of Redemption .....	1
BOOK-ENTRY-ONLY SYSTEM .....	2
Discontinuation of Book-Entry-Only System.....	4
SECURITY AND SOURCE OF PAYMENT .....	4
AUTHORIZATION AND PURPOSE OF THE BONDS .....	4
MUNICIPAL FINANCE - FINANCIAL REGULATION OF COUNTIES AND MUNICIPALITIES.....	5
Local Bond Law (N.J.S.A. 40A:2-1 <u>et seq.</u> ).....	5
Local Budget Law (N.J.S.A. 40A:4-1 <u>et seq.</u> ).....	6
Tax Assessment and Collection Procedure.....	8
Tax Appeals .....	8
Local Fiscal Affairs Law (N.J.S.A. 40A:5-1 <u>et seq.</u> ).....	9
TAX MATTERS.....	9
Certain Federal Tax Consequences Relating to the Bonds.....	9
Bank Qualification .....	9
New Jersey Gross Income Tax .....	10
Future Events .....	10
FINANCIAL STATEMENTS .....	10
LITIGATION.....	10
SECONDARY MARKET DISCLOSURE.....	10
MUNICIPAL BANKRUPTCY .....	12
APPROVAL OF LEGAL PROCEEDINGS.....	13
UNDERWRITING .....	13
RATING .....	13
FINANCIAL ADVISOR .....	13
PREPARATION OF OFFICIAL STATEMENT .....	13
ADDITIONAL INFORMATION.....	14
MISCELLANEOUS .....	14
 CERTAIN ECONOMIC AND DEMOGRAPHIC INFORMATION ABOUT THE TOWN OF NEWTON.....	 Appendix A
 FINANCIAL STATEMENTS OF THE TOWN OF NEWTON, IN THE COUNTY OF SUSSEX, NEW JERSEY.....	 Appendix B
 FORM OF APPROVING LEGAL OPINION OF BOND COUNSEL.....	 Appendix C

[ THIS PAGE INTENTIONALLY LEFT BLANK ]

**OFFICIAL STATEMENT**  
**Relating to the**  
  
**TOWN OF NEWTON,**  
**IN THE COUNTY OF SUSSEX, NEW JERSEY**  
  
**\$4,979,000 GENERAL IMPROVEMENT BONDS**  
  
**(Bank Qualified) (Book-Entry-Only) (Callable)**

**INTRODUCTION**

This Official Statement, which includes the cover page, the inside front cover page and the appendices attached hereto, has been prepared by the Town of Newton (the "Town"), in the County of Sussex (the "County"), New Jersey (the "State"), in connection with the sale and the issuance of \$4,979,000 General Improvement Bonds (the "Bonds"). This Official Statement has been executed by and on behalf of the Town by its Chief Financial Officer and may be distributed in connection with the sale of the Bonds described herein.

This Official Statement is "deemed final," as of its date, within the meaning of Rule 15c2-12 of the Securities and Exchange Commission.

**THE BONDS**

**General Description**

Interest on the Bonds will be payable semiannually on February 15 and August 15 in each year until maturity or earlier redemption, commencing on February 15, 2017. Principal of and interest on the Bonds will be paid to DTC by the Town or its designated paying agent. Interest on the Bonds will be credited to the participants of DTC as listed on the records of DTC as of each next preceding February 1 and August 1 (the "Record Dates" for the payment of interest on the Bonds).

The Bonds are issuable as fully registered book-entry bonds in the form of one certificate for each maturity of each series of Bonds and in the principal amount of such maturity. The Bonds may be purchased in book-entry only form in the principal amount of \$5,000 (and where necessary, \$1,000 increments in excess thereof) through book-entries made on the books and records of The Depository Trust Company, New York, New York ("DTC") and its participants. So long as DTC or its nominee, Cede & Co. (or any successor or assign), is the registered owner for the Bonds, payments of the principal of and interest on the Bonds will be made by the Town directly to Cede & Co. (or any successor or assign), as nominee for DTC.

**Optional Redemption**

The Bonds of this issue maturing prior to August 15, 2025 are not subject to redemption prior to their stated maturities. The Bonds of this issue maturing on or after August 15, 2025 are redeemable at the option of the Town, in whole or in part, on any date on or after August 15, 2024 at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the date fixed for redemption.

**Notice of Redemption**

Notice of Redemption shall be given by mailing by first class mail in a sealed envelope with postage prepaid to the registered owners of the Bonds not less than thirty (30) days, nor more than sixty (60) days prior to the date fixed for redemption. Such mailing shall be to the owners of such Bonds at their respective addresses as they last appear on the registration books kept for that purpose by the Town or a duly appointed

bond registrar. Any failure of the securities depository to advise any of its participants or any failure of any participant to notify any beneficial owner of any Notice of Redemption shall not affect the validity of the redemption proceedings. If the Town determines to redeem a portion of the Bonds prior to maturity, the Bonds to be redeemed shall be selected by the Town; the Bonds to be redeemed having the same maturity shall be selected by the securities depository in accordance with its regulations.

So long as CEDE & CO., as nominee of DTC, is the registered owner of the Bonds, the Town shall send redemption notices only to CEDE & CO. See "BOOK-ENTRY-ONLY SYSTEM" herein for further information regarding conveyance of notices to Beneficial Owners.

If Notice of Redemption has been given as provided herein, the Bonds or the portion thereof called for redemption shall be due and payable on the date fixed for redemption at the redemption price, together with accrued interest to the date fixed for redemption. Interest shall cease to accrue on the Bonds after the date fixed for redemption and no further interest shall accrue beyond the redemption date. Payment shall be made upon surrender of the Bonds redeemed.

### **BOOK-ENTRY-ONLY SYSTEM<sup>1</sup>**

The description which follows of the procedures and recordkeeping with respect to beneficial ownership interest in the Bonds, payment of principal and interest and other payments on the Bonds to Direct and Indirect Participants (each as defined below) or Beneficial Owners (defined below), confirmation and transfer of beneficial ownership interests in the Bonds and other related transactions by and between DTC, Direct Participants and Beneficial Owners, is based on certain information furnished by DTC to the Town. DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each year of maturity of the Bonds, in the aggregate principal amount of each maturity, and will be deposited with DTC.

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

Purchases of the 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 the Bonds ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial

---

<sup>1</sup> Source: The Depository Trust Company



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 its' 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 is 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, if applicable, shall be sent to DTC. If less than all of the Bonds are being redeemed, DTC's practice is to determine by lot the amount of 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 procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Town 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, if any, 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 Town 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 Town, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, if any, 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 Town or the paying agent, if any, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Town 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 Town 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 Town believes to be reliable, but the Town takes no responsibility for the accuracy thereof.

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

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

#### **Discontinuation of Book-Entry-Only System**

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

#### **SECURITY AND SOURCE OF PAYMENT**

The Bonds are valid and legally binding general obligations of the Town, and the Town has pledged its full faith and credit for the payment of the principal of and the interest on the Bonds. The Town is required by law to levy *ad valorem* taxes upon all the real property taxable within the Town for the payment of the principal of and the interest on the Bonds without limitation as to rate or amount.

#### **AUTHORIZATION AND PURPOSE OF THE BONDS**

The Bonds have been authorized and are being issued pursuant to the laws of the State of New Jersey (the "State"), including the Local Bond Law (constituting Chapter 2 of Title 40A of the New Jersey Statutes, as amended) (the "Local Bond Law"). The Bonds are authorized by the bond ordinances adopted by the Town Council referred to in the chart below and by a resolution adopted by the Town Council on July 18, 2016 entitled, "Resolution Determining The Form And Other Details Of \$4,979,000 General Improvement Bonds Of The Town Of Newton, In The County Of Sussex, New Jersey And Providing For Their Sale" (the "Resolution").

The proceeds of the Bonds will be issued to (i) currently refund, together with a \$210,000 principal reduction payment, the Town's \$4,139,000 Bond Anticipation Notes dated August 27, 2015 and maturing August 26, 2016; (ii) provide \$1,050,000 in new money to finance various capital improvements; and (iii) pay costs and expenses incidental to the issuance and delivery of the Bonds.

<b>Number of Bond Ordinance</b>	<b>Description of Improvement and Date of Adoption of Ordinance</b>	<b>Amount of Bonds</b>
2012-13	Various capital improvements, finally adopted April 9, 2012	\$810,000
2013-11	Various capital improvements, finally adopted April 22, 2013	\$720,050
2014-03	Pool improvements, finally adopted March 10, 2014	\$128,250
2014-06	Various capital improvements, finally adopted April 14, 2014	\$1,473,250
2015-16	Various capital improvements, finally adopted April 27, 2015	\$744,250
2015-20	Improvements to Trinity Street, finally adopted June 22, 2015	\$53,200
2016-05	Various capital improvements, finally adopted June 13, 2016	\$1,050,000
	<b>TOTAL:</b>	<b>\$4,979,000</b>

## **MUNICIPAL FINANCE - FINANCIAL REGULATION OF COUNTIES AND MUNICIPALITIES**

### **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 Town are general full faith and credit obligations.

The authorized bonded indebtedness of the Town for municipal purposes is limited by statute, subject to the exceptions noted below, to an amount equal to 3½% of its average equalized valuation basis. The average for the last three years of the equalized value of all taxable real property and improvements and certain Class II railroad property within the boundaries of Town, as annually determined by the State Director of Taxation is included in Appendix “A”.

Certain categories of debt are permitted by statute to be deducted for purposes of computing the statutory debt limit, including school bonds that do not exceed the school bond borrowing margin and certain debt that may be deemed self-liquidating.

As shown in Appendix “A”, the Town has not exceeded its statutory debt limit. As noted above, the statutory limit is 3½%.

The Town may exceed its debt limit with the approval of the Local Finance Board, a State regulatory agency, and as permitted by other statutory exceptions. If all or any part of a proposed debt authorization would exceed its debt limit, the Town 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 Town or substantially reduce the ability of the Town to meet its obligations or to provide essential public improvements and services, or if it makes certain other statutory determinations, approval is granted. In

addition, debt in excess of the statutory limit may be issued by the Town 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).

The Town 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 a 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 creating such capital expenditure, as it may be amended and supplemented. A local unit's bond anticipation notes may be issued for periods not greater than one year. Generally, bond anticipation notes may not be outstanding for longer than ten years. An additional period may be available following the tenth anniversary date equal to the period from the notes' maturity to the end of the tenth fiscal year in which the notes mature plus 4 months (May 1) in the next following fiscal year from the date of original issuance. Beginning in the third year, the amount of notes that may be issued is decreased by the minimum amount required for the first year's principal payment for a bond issue.

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

The foundation of the New Jersey local finance system is the annual cash basis budget. Every local unit must adopt a budget in the form required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"). Certain items of revenue and appropriation are regulated by law and the proposed budget must be certified by the Director of the Division (the "Director") prior to final adoption. 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.

The local unit is authorized to issue Emergency Notes and Special Emergency Notes pursuant to the Local Budget Law.

Tax Anticipation Notes are limited in amount by law and must be paid off in full within 120 days of the close of the fiscal year.

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.

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.

The Local Budget Law (N.J.S.A. 40A:4-26) provides that no miscellaneous revenues from any source may 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 determines that the facts clearly warrant the expectation that such excess amount will actually be realized in cash during the fiscal year and certifies that determination to the local unit.

No budget or budget amendment may be adopted unless the Director shall have previously certified his approval of such anticipated revenues except that categorical grants-in-aid contracts may be included for their face amount with an offsetting appropriation. The fiscal years for such grants rarely coincide with the municipality's calendar year. However, grant revenue is generally realized in the amount so budgeted.

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. The maximum amount of delinquent taxes that may be anticipated is limited by a statutory formula, which allows the unit to anticipate collection at the same rate realized for the

collection of delinquent taxes in the previous year. Also, the local unit is required to make an appropriation for a "reserve for uncollected taxes" in accordance with a statutory formula to provide for a tax collection in an amount that does not exceed the percentage of taxes levied and payable in the preceding fiscal year that was received in cash by December 31 of that year, the average of the previous three years in accordance with P.L. 2000, c. 126, or the previous year collection percentage after reducing the previous year levy by tax appeal judgments of the county tax board pursuant to R.S. 54:3-21 et seq. or the State tax court pursuant to R.S. 54:48-1 et seq. in accordance with Chapter 56 P.L. 2010. The budget also must provide for any cash deficits of the prior year.

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 a local unit. 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, re-evaluation programs, revision and codification of ordinances, master plan preparation, payment of compensated absences 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 provide a degree of flexibility and afford a control mechanism. Transfers between appropriation accounts may be made only during the last two months of the year. Appropriation reserves may also be transferred during the first three (3) months of the year, to the previous year's budget. Both types of transfers require a 2/3 vote of the full membership of the governing body; however, transfers cannot be made from either the down payment account or the capital improvement fund. Transfers may be made between sub-account line items within the same account at any time during the year, subject to internal review and approval. In a "CAP" budget, no transfers may be made from excluded from "CAP" appropriations to within "CAPS" appropriations nor can transfers be made between excluded from "CAP" appropriations, except that transfers may be made between debt service principal and interest.

A provision of law known as the New Jersey "Cap Law" (N.J.S.A. 40A:4-45.1 et seq.) imposes limitations on increases in municipal appropriations subject to various exceptions. The payment of debt service is an exception from this limitation. The Cap formula is somewhat complex, but basically, it permits a municipality to increase its overall appropriations by the lesser of 2.5% or the "Index Rate" if the index rate is greater than 2.5%. The "Index Rate" is the rate of annual percentage increase, rounded to the nearest one-half percent, in the Implicit Price Deflator for State and Local Government purchases of goods and services computed by the U.S. Department of Commerce. Exceptions to the limitations imposed by the Cap Law also exist for other things including capital expenditures; extraordinary expenses approved by the Local Finance Board for implementation of an interlocal services agreement; expenditures mandated as a result of certain emergencies; and certain expenditures for services mandated by law. Counties are also prohibited from increasing their tax levies by more than the lesser of 2.5% or the Index Rate subject to certain exceptions. Municipalities by ordinance approved by a majority of the full membership of the governing body may increase appropriations up to 3.5% over the prior year's appropriation and counties by resolution approved by a majority of the full membership of the governing body may increase the tax levy up to 3.5% over the prior years' tax levy in years when the Index Rate is 2.5% or less.

Additionally, legislation constituting P.L. 2010, c. 44, approved July 13, 2010 and applicable to the next local budget year following enactment, limits tax levy increases for those local units to 2% with exceptions only for capital expenditures including debt service, increases in pension contributions and accrued liability for pension contributions in excess of 2%, certain healthcare increases, extraordinary costs directly related to a declared emergency and amounts approved by a simple majority of voters voting at a special election.

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

In accordance with the Local Budget Law, each local unit must adopt and may from time to time amend rules and regulations for capital budgets, which rules and regulations must require a statement of capital undertakings underway or projected for a period not greater than over the next ensuing six 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 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 terms were detailed.

### **Tax Assessment and Collection Procedure**

Property valuations (assessments) are determined on true values as arrived at by a cost approach, market data approach and capitalization of net income where appropriate. Current assessments are the results of new assessments on a like basis with established comparable properties for newly assessed or purchased properties. This method assures equitable treatment to like property owners. But it often results in a divergence of the assessment ratio to true value. Because of the changes in property resale values, annual adjustments could not keep pace with the changing values. A revaluation of all property in the Town was last completed in 2008, along with follow up reassessments in 2011 and 2014.

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

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

Tax installments not paid on or before the due date are subject to interest penalties of 8% per annum on the first \$1,500.00 of the delinquency and 18% per annum on any amount in excess of \$1,500.00. These interest rates and penalties are the highest permitted under New Jersey Statutes. Delinquent taxes open for one year or more are annually included in a tax sale in accordance with New Jersey Statutes. A table detailing tax title liens is included in Appendix "A" attached hereto.

### **Tax Appeals**

The New Jersey Statutes provide a taxpayer with remedial procedures for appealing an assessment deemed excessive. Prior to February 1 in each year, the Town must mail to each property owner a notice of the current assessment and taxes on the property. The taxpayer has a right to petition the County Tax Board on or before April 1 for review. The County Board of Taxation has the authority after a hearing to decrease or reject the appeal petition. These adjustments are usually concluded within the current tax year and reductions are shown as canceled or remitted taxes for that year. If the taxpayer feels his petition was unsatisfactorily reviewed by the County Board of Taxation, appeal may be made to the Tax Court of New Jersey for further hearing. Some State Tax Court appeals may take several years prior to settlement and any losses in tax collections from prior years are charged directly to operations.

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

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

An independent examination of each local unit's accounts must be performed annually by a licensed registered municipal accountant. The audit, conforming to the Division of Local Government Services' "Requirements of Audit", includes recommendations for improvement of the local unit's financial procedures and must be filed with the report, together with all recommendations made, and must be published in a local newspaper within 30 days of its submission. The entire annual audit report for the year ended December 31, 2015 for the Town is on file with the Clerk and is available for review during business hours.

## **TAX MATTERS**

Section 103(a) of the Internal Revenue Code of 1986, as amended (the "Code") provides that interest on the Bonds is not included in gross income for federal income tax purposes if various requirements set forth in the Code are met. The Town has covenanted in its Arbitrate and Tax Certificate (the "Tax Certificate"), delivered in connection with the issuance of the Bonds, to comply with these continuing requirements and has made certain representations, certifications of fact, and statements of reasonable expectation in connection with the issuance of the Bonds to assure this exclusion. Pursuant to Section 103(a) of the Code, failure to comply with these requirements could cause interest on the Bonds to be includable in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds.

In the opinion of McManimon, Scotland & Baumann, LLC ("Bond Counsel"), pursuant to Section 103(a) of Code, interest on the Bonds is not included in gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the alternative minimum tax imposed on individuals and corporations. Bond Counsel is also of the opinion that interest on the Bonds held by corporate taxpayers is included in "adjusted current earnings" in calculating alternative minimum taxable income for purposes of the federal alternative minimum tax imposed on corporations. Bond Counsel's opinions described herein are given in reliance on the representations, certifications of fact, and statements of reasonable expectation made by the Town in its Tax Certificate, assume continuing compliance by the Town with certain covenants set forth in its Tax Certificate, and are based on existing statutes, regulations, administrative pronouncements and judicial decisions.

## **Certain Federal Tax Consequences Relating to the Bonds**

Although, pursuant to Section 103(a) of the Code, interest on the Bonds is excluded from gross income for federal income tax purposes, the accrual or receipt of interest on the Bonds may otherwise affect the federal income tax liability of the recipient. The nature and extent of these other tax consequences will depend upon the recipient's particular tax status or other items of income or deduction. Bond Counsel expresses no opinion regarding any such consequences. Purchasers of the Bonds, particularly purchasers that are corporations (including S corporations and foreign corporations operating branches in the United States), property or casualty insurance companies, banks, thrifts or other financial institutions and certain recipients of Social Security benefits, are advised to consult their own tax advisors as to the tax consequences of purchasing or holding the Bonds.

## **Bank Qualification**

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

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

### **New Jersey Gross Income Tax**

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

### **Future Events**

Tax legislation, administrative action taken by tax authorities and court decisions, whether at the Federal or state level, may adversely affect the exclusion from gross income of interest on the Bonds for federal income tax purpose, or the exclusion of interest on and any gain realized on the sale of the Bonds under the existing New Jersey Gross Income Tax Act, and any such legislation, administrative action or court decisions and even proposals for change could adversely affect the market price or marketability of the Bonds.

ALL POTENTIAL PURCHASERS OF THE BONDS SHOULD CONSULT THEIR OWN ADVISORS REGARDING ANY CHANGES IN THE STATUTES, PROPOSED FEDERAL OR NEW JERSEY STATE TAX LEGISLATION, ANY CHANGES IN THE STATUS OF PENDING OR PROPOSED LEGISLATION, ADMINISTRATIVE ACTION TAKEN BY TAX AUTHORITIES, COURT DECISIONS OR PROPOSALS FOR CHANGE ON THE TAX AND MARKET IMPLICATIONS OF OWNERSHIP OF THE BONDS.

## **FINANCIAL STATEMENTS**

The audited financial statements of the Town for the year ended December 31, 2015 are presented in Appendix "B" to this Official Statement (the "Financial Statements"). The Financial Statements have been prepared by Ferraioli, Wielkottz, Cerullo & Cuva, P.A., Newton, New Jersey, an independent auditor, as stated in its report appearing in Appendix "B" to this Official Statement. *See "APPENDIX B - Financial Statements of the Town of Newton, in the County of Sussex, New Jersey"*.

## **LITIGATION**

To the knowledge of the Town Attorney, Ursula H. Leo, Esq., Laddey, Clark & Ryan LLP, Sparta, New Jersey, there is no litigation of any nature now pending or threatened, restraining or enjoining the issuance or the delivery of the Bonds, or the levy or the collection of any taxes to pay the principal of or the interest on 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, or contesting the corporate existence or the boundaries of the Town or the title of any of the present officers. Moreover, to the knowledge of the Town Attorney, no litigation is presently pending or threatened that, in the opinion of the Town Attorney, would have a material adverse impact on the financial condition of the Town, if adversely decided.

## **SECONDARY MARKET DISCLOSURE**

The Town, pursuant to the Resolution, has covenanted for the benefit of the Bondholders and the beneficial owners of the Bonds to provide certain secondary market disclosure information pursuant to the Securities and Exchange Commission Rule 15c2-12 (the "Rule"). Specifically, for so long as the Bonds remain outstanding (unless the Bonds have been wholly defeased), the Town will provide:



(a) On or prior to September 30 of each fiscal year, beginning September 30, 2017 for the fiscal year ending December 31, 2016, electronically to the Municipal Securities Rulemaking Board's Electronic Municipal Market Access ("EMMA") system or such other repository designated by the SEC to be an authorized repository for filing secondary market disclosure information, if any, annual financial information with respect to the Town consisting of the audited financial statements (or unaudited financial statements if audited financial statements are not then available, which audited financial statements will be delivered when and if available) of the Town and certain financial information and operating data consisting of (1) Town indebtedness; (2) property valuation information; and (3) tax rate, levy and collection data. The audited financial statements will be prepared in accordance with modified cash accounting as mandated by the State statutory principles in effect from time to time or with generally accepted accounting principles as modified by governmental accounting standards as may be required by New Jersey law in effect from time to time;

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

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

For the purposes of the event identified in subparagraph (12) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Town 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 Town, 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 Town.

(c) in a timely manner to the MSRB, notice of failure of the Town to provide required annual financial information on or before the date specified in the Resolution.

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

The undertaking may be amended by the Town from time to time, without the consent of the Bondholders or the beneficial owners of the Bonds, in order to make modifications required in connection with a change in legal requirements or change in law, which in the opinion of nationally recognized bond counsel complies with the Rule.

During the five-year period preceding the date of this Official Statement, the Town previously failed to file, in accordance with the Rule, in a timely manner, under previous filing requirements: (i) its audited financial statements for the fiscal years ending December 31, 2010 and 2011; (ii) its adopted budgets for the fiscal years ending December 31, 2011 and 2012; and (iii) all of the required annual operating data for the fiscal years ending December 31, 2010 through 2013. Specifically, the Town previously failed to file, in a timely manner, its audited financial information for the fiscal year ending December 31, 2010 and adopted budgets for the fiscal years ending December 31, 2011 and 2012 only on its General Improvement Bonds, Series 2002 (the “2002 Bonds”). The 2002 Bonds had a filing deadline of February 1 of each year and have been called in full on August 1, 2012. Additionally, the Town filed its audited financial information for the fiscal years ending December 31, 2011 on July 18, 2012, which was after the February 1 filing deadline for its 2002 Bonds and the July 1 filing deadline for its General Obligation Refunding Bonds, Series 2004 and General Improvement Bonds, Series 2006. The Town also previously failed to file, in a timely manner, its annual operating data for the fiscal year ending December 31, 2013 only under its obligation with the Morris County Improvement Authority’s County of Morris Guaranteed Loan Program Bonds, Series 2009 (Town of Newton Project).

The Town previously failed to file material event notices and late filing notices in connection with (i) its audited financial statements; (ii) annual operating data; (iii) adopted budgets; and (iv) certain bond insurer rating changes. However, the Town has since filed all required annual financial information and notices with the MSRB through EMMA. The Town appointed Phoenix Advisors, LLC, Bordentown, New Jersey, in June of 2014 to act as Continuing Disclosure Agent to ensure compliance with its continuing disclosure obligations.

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

## **MUNICIPAL BANKRUPTCY**

The undertakings of the Town should be considered with reference to Chapter IX of the Bankruptcy Act, 11 U.S.C. Section 901, et seq., as amended by Public Law 94-260, approved April 8, 1976, and as further amended on November 6, 1978 by the Bankruptcy Reform Act of 1978, effective October 1, 1979, as further amended by Public Law 100-597, effective November 3, 1988, and as further amended and other bankruptcy laws affecting creditor’s rights and municipalities in general. The amendments of P.L. 94-260 replace former Chapter IX and permit the State or any political subdivision, public agency, or instrumentality that is insolvent or unable to meet its debts to file a petition in a court of bankruptcy for the purpose of effecting a plan to adjust its debts; directs such a petitioner to file with the court a list of petitioner’s creditors; provides that a petition filed under this chapter shall operate as a stay of the commencement or continuation of any judicial or other proceeding against the petitioner; grants priority to debt owed for services or material actually provided within three months of the filing of the petition; directs a petitioner to file a plan for the adjustment of its debts; and provides that the plan must be accepted in writing by or on behalf of creditors holding at least two-thirds in amount or more than one-half in number of the listed creditors. The 1976 Amendments were incorporated into the Bankruptcy Reform Act of 1978 with only minor changes.

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

### **APPROVAL OF LEGAL PROCEEDINGS**

All legal matters incident to the authorization, the issuance, the sale and the delivery of the Bonds are subject to the approval of Bond Counsel to the Town, whose approving legal opinion will be delivered with the Bonds substantially in the form set forth as Appendix "C" attached hereto. Certain legal matters will be passed on for the Town by its Town Attorney.

### **UNDERWRITING**

The Bonds have been purchased from the Town at a public sale by Robert W. Baird & Co., Inc., Milwaukee, Wisconsin (the "Underwriter") at a price of \$5,036,320.43 (consisting of the par amount of the Bonds, plus a bid premium of \$57,320.43). The Underwriter has purchased the Bonds in accordance with the Notice of Sale. The Bonds are being offered for sale at the yields set forth on the inside front cover page of this Official Statement.

### **RATING**

S&P Global Ratings, acting through Standard & Poor's Financial Services LLC ("S&P") has assigned a rating of "AA-/stable outlook" to the Bonds.

The inclusion of S&P's "stable outlook" (the "Outlook") has been provided herein for informational purposes only and is *not* a part of the "Rating" described in the preceding paragraph. The Outlook is only S&P's forward-looking view of the Town. The Town has no obligation to treat any change in the Outlook as a "Material Event", as defined and described under the Rule or under the provisions of the Town's continuing disclosure undertaking, or to notify Bondholders as to any changes to the Outlook after the date hereof.

An explanation of the significance of such rating may be obtained from S&P at 55 Water Street, New York, New York, 10041. The rating is not a recommendation to buy, sell or hold the Bonds and there is no assurance that such rating will continue for any given period of time or that such rating will not be revised downward or withdrawn entirely by S&P if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of such rating by S&P may have an adverse effect on the market price of the Bonds.

### **FINANCIAL ADVISOR**

Phoenix Advisors, LLC, Bordentown, New Jersey has served as financial advisor to the Town 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 this 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.

### **PREPARATION OF OFFICIAL STATEMENT**

The Town hereby states that the descriptions and statements herein, including financial statements, are true and correct in all material respects, and it will confirm same to the purchasers of the Bonds by certificates signed by the Mayor and Chief Financial Officer.

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

Bond Counsel has neither participated in the preparation of the financial or statistical information contained in this Official Statement, nor have they verified the accuracy, completeness or fairness thereof and, accordingly, expresses no opinion with respect thereto.

### **ADDITIONAL INFORMATION**

Inquiries regarding this Official Statement, including any information additional to that contained herein, may be directed to Dawn L. Babcock, Chief Financial Officer / Finance Director, Town of Newton at 39 Trinity Drive, Suite 207, Newton, New Jersey, 07860, (973) 383-3521 or the Financial Advisor, Phoenix Advisors, LLC at 4 West Park Street, Bordentown, New Jersey 08505, (609) 291-0130.

### **MISCELLANEOUS**

This Official Statement is not to be construed as a contract or agreement between the Town 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 Town since the date hereof. The information contained in this Official Statement is not guaranteed as to accuracy or completeness.

### **TOWN OF NEWTON, IN THE COUNTY OF SUSSEX, NEW JERSEY**

/s/ Dawn L. Babcock

**Dawn L. Babcock**

**Chief Financial Officer / Finance Director**

**Dated:** August 11, 2016

**APPENDIX A**

**CERTAIN ECONOMIC AND DEMOGRAPHIC INFORMATION  
ABOUT THE TOWN OF NEWTON**

[ THIS PAGE INTENTIONALLY LEFT BLANK ]

## **INFORMATION REGARDING THE TOWN<sup>1</sup>**

The following material presents certain economic and demographic information of the Town of Newton (the “Town”), in the County of Sussex (the “County”), State of New Jersey (the “State”).

### **General Information**

The Town is located in the picturesque County, the fourth largest County in the State by land area. Settled in 1751 and incorporated in 1864, the Town is the County Seat of Sussex County and serves as a regional employment and services center. The Town’s 7,997 residents make up about 5.3% of the County’s total population. During the workweek, the daily population increases to between 16,000 and 20,000 people.

The Town, with 3.1 square miles, has a long history of planning for compact development in coordination with the State Planning Commission, the County, and other local municipalities. The Town became the State’s first designated Regional Center in 1993, which confirmed the Town’s dedication to coordinated and thoughtful planning efforts to promote quality ratables in the community.

In fact, the Town could be considered a scaled-down city with the largest medical facility in the County, Newton Medical Center, a daily newspaper, social services, and the Sussex County Community College in addition to all the County facilities, courts, jail and administrative offices, all within the three square miles.

A multi-million-dollar beautification project was started in the Town’s business district in the mid-nineties and continues today. Town officials have aggressively pursued federal and state grants in order to complete the beautification project and the property owners in the district have invested hundreds of thousands of dollars in their respective properties to make for a fantastic combined public and private venture. The downtown has professional offices, stores, a theatre, as well as many antique shops. A new dynamic has entered the picture with the establishment of at least three restaurants, which can be considered “four star,” within a one square block area. This is attracting hundreds of people into our community on weeknights and weekends.

In July of 2003, the Town welcomed its first major “super” home improvement retail establishment, which is located north of our downtown district in the highway (Route 206) commercial district. Since then a major restaurant chain, hotel, and major department store opened in the same district.

In 2005, the Town hired a visionary planner to lend design concepts to the Town’s future growth and/or rehabilitation. Public hearings for community input were largely attended. In addition, the process of redevelopment was initiated to bring blighted, abandoned properties back on the tax rolls. The implementation of the redevelopment plans has led the Town towards the potential of up to 500 more jobs and an additional 150 homes in the Town. The Town updated its

---

<sup>1</sup> Source: The Town, unless otherwise indicated.

vision plan in 2013, and continues to assess opportunities for redevelopment and economic growth on an ongoing basis.

The citizens of the Town live a quiet, safe, and quality-filled life and the people who work, shop, and frequent the downtown district consider the Town the “place to be” in the County. Wonderful schools, close proximity to New York City, and the ability to walk to stores, churches, post office, banks, etc., all combine to make the Town a great place to live, work, and visit.

### **Type of Government**

In 1956, the residents of the Town adopted by referendum the Council-Manager form of government known as Plan B of the Faulkner Act established by New Jersey statute. Under this form, the residents are represented by a non-partisan five-member Town Council each serving four year terms. Elections for the Council members are held during May of even numbered years. In 2012, two Council seats will be open. Each July 1, a Mayor is elected to serve for a one-year period by the Town Council. The individual may succeed himself or herself according to statute but in the Town, it has been customary to rotate the mayor’s post.

The Town Manager is a contract employee and the Town Clerk is a tenured position. All other full-time employees enjoy New Jersey Department of Civil Service Commission status. The Town Manager is the Chief Executive Officer of the Town and is charged with the administrative responsibility of the municipal government. Since 1956, there have been nine Town Managers. The current Manager was appointed August 18, 2008.

### **Retirement Systems**

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

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, and expanded under the provisions of Chapter 89, P.L. 2008, and Chapter 1, P.L. 2010. The DCRP provides eligible members 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. Under Chapter 1, any employee otherwise eligible to enroll in Tier 4 or Tier 5 of the PERS who does not work the required minimum hours, but earns a minimum annual base salary of \$5,000 or more, must be



enrolled in the DCRP. The DCRP 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.

### **Pension Information<sup>2</sup>**

Employees who are eligible to participate in a pension plan are enrolled in PERS, PFRS or DCRP, administered by the Division. The Division annually charges municipalities and other participating governmental units for their respective contributions to the plans based upon actuarial calculations. The employees contribute a portion of the cost. The Town's share of pension costs in 2015, which is based upon the annual billings received from the State, amounted to \$312,906 for PERS, \$571,949 for PFRS, and \$8,253 for DCRP.

### **Education Facilities**

In the 3.1 square miles of the Town there are four (4) educational facilities. The first three (3) are part of the Newton Public School District and are the Merriam Avenue Elementary School (K-4), the Halsted Middle School (5-8), and the Newton High School (9-12). The unique part of Newton High School is the inclusion of two sending districts from Andover Township and Borough, and Green Township.

The final educational facility is Sussex County Community College (SCCC). This facility is a two-year community college, which is attended by many residents of the County.

### **Healthcare Facilities**

The Town is home to the largest health care facility in the County. Newton Medical Center, which is part of the Atlantic Health System, employs over 1,000 people. Newton Medical Center works very closely with the community with various programs offered. The medical center has spent major capital dollars within the past 10 years upgrading the surgery wing, emergency room, and single room maternity. In 2008, the Charles L. Tice Center was opened for cardiac procedures.

### **Municipal Services**

The Town is served by a Police Department consisting of 22 sworn police officers including 3 detectives with a support staff of 3 special police officers. The Department operates 9 marked and 4 unmarked vehicles. The Town's dispatch services consist of 4 full-time 911 operators and 8 part-time dispatchers. The Town's Fire Department is comprised of 43 active members. All members are volunteers and maintain the most up-to-date equipment and training. The department maintains a ladder truck, pumper, pumper/tanker, pumper/nozzle, rescue truck, and command vehicle.

---

<sup>2</sup> Source: State of New Jersey Department of Treasury, Division of Pensions and Benefits

The municipal government has distinguished itself since 1970 by its ability to attract substantial amounts of Federal funds. An Urban Renewal Program, two housing projects, the Community Development Block Grant Program, and the Economic Development Administration's Public Works Program have all resulted in Federal funding for the community. The Town has also been successful in attracting State funding through such programs as Green Acres and Neighborhood Preservation, among others. State and Federal funding for the Town averages approximately \$500,000 annually.

Supporting the Town Council are several Boards and Commissions meeting on a varied basis. They are:

Advisory Board of Health  
Advisory Recreation Commission  
Economic Development Commission  
Historic Preservation Advisory Commission  
Planning Board  
Shade Tree Commission  
Utility Advisory Board

In addition, the Town has a Parking Authority and a Housing Authority, both of which are autonomous bodies whose members are appointed by the Town Council.

### **Utilities**

Electricity is provided by Jersey Central Power & Light. Natural gas is supplied by Elizabethtown Gas Company. Cable service is provided by Service Electric Cable TV. The Town bids electric and natural gas through online auctions, which allows the Town to purchase electricity and natural gas through third party vendors at significant cost savings.

### **Water and Sewer Utility**

The municipal government also operates a Water and Sewer Utility, which operates under a separate budget and is self-liquidating. Its assets include the Morris Lake reservoir located in Sparta Township and a wastewater treatment plant located in the Town. A \$7,000,000 water filtration plant was constructed in 2004 at the reservoir in Sparta Township and was funded through a U.S. Department of Agriculture loan/grant program. The Town currently serves 206 water-only users, 9 sewer-only users, 2032 water and sewer residential users and 389 commercial water and sewer users.

### **Transportation Facilities**

Bus transportation is provided daily to from the Town to Manhattan by Lakeland Bus Company. The County Transit System provides public transportation within the County at \$1.00 per one-way trip. Also, the Town provides a free shuttle bus for senior citizens for destinations within Town borders as well as the Ledgewood and Rockaway Malls.

## **Shopping**

The 3.1 square miles of the Town boasts many shopping facilities. The Central Business District houses unique stores such as antique stores, pet shops, delis, gift stores, boutiques and multiple restaurants. Along Route 206 there are two supermarkets, a Home Depot, Kohl's, Applebee's, Holiday Inn Express, and other types of retail establishments.

## **Employment and Unemployment Comparisons**

For the following years, the New Jersey Department of Labor reported the following annual average employment information for the Town, the County, and the State:

	<b><u>Total Labor Force</u></b>	<b><u>Employed Labor Force</u></b>	<b><u>Total Unemployed</u></b>	<b><u>Unemployment Rate</u></b>
<b><u>Town</u></b>				
2015	3,581	3,348	233	6.5%
2014	3,560	3,305	255	7.2%
2013	3,624	3,312	312	8.6%
2012	3,763	3,378	385	10.2%
2011	3,709	3,371	338	9.1%
<b><u>County</u></b>				
2015	77,573	73,505	4,068	5.2%
2014	77,521	72,557	4,964	6.4%
2013	78,888	72,653	6,235	7.9%
2012	81,301	73,994	7,307	9.0%
2011	81,874	74,313	7,561	9.2%
<b><u>State</u></b>				
2015	4,545,083	4,291,650	253,417	5.6%
2014	4,518,715	4,218,423	300,277	6.6%
2013	4,537,800	4,166,000	371,800	8.2%
2012	4,595,500	4,159,300	436,200	9.5%
2011	4,556,200	4,131,800	424,400	9.3%

Source: New Jersey Department of Labor, Office of Research and Planning, Division of Labor Market and Demographic Research, Bureau of Labor Force Statistics, Local Area Unemployment Statistics

## **Income (as of 2010)**

	<b><u>Town</u></b>	<b><u>County</u></b>	<b><u>State</u></b>
Median Household Income	\$48,702	\$83,089	\$71,180
Median Family Income	72,266	93,701	86,779
Per Capita Income	25,296	35,982	35,768

Source: US Bureau of the Census 2010

## **Population**

The following tables summarize population increases and the decreases for the Town, the County, and the State.

	<b><u>Town</u></b>		<b><u>County</u></b>		<b><u>State</u></b>	
<b><u>Year</u></b>	<b><u>Population</u></b>	<b><u>% Change</u></b>	<b><u>Population</u></b>	<b><u>% Change</u></b>	<b><u>Population</u></b>	<b><u>% Change</u></b>
2010	7,997	-3.00%	149,265	3.54%	8,791,894	4.49%
2000	8,244	9.61	144,166	10.10	8,414,350	8.85
1990	7,521	-2.93	130,943	12.77	7,730,188	4.96
1980	7,748	6.18	116,119	49.78	7,365,001	2.75
1970	7,297	11.18	77,528	57.40	7,168,164	18.15

Source: United States Department of Commerce, Bureau of the Census

## **Largest Taxpayers**

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

<b><u>Taxpayers</u></b>	<b><u>2015 Assessed Valuation</u></b>	<b><u>% of Total Assessed Valuation</u></b>
Martin, Kenneth D & Assoc II, LLC	\$11,052,300	1.84%
Route 519 & North Park Drive, LLC	10,400,000	1.73%
Sussex Nine Inc c/o Barn Hill Conv	9,180,000	1.53%
Newton West LTD	9,077,200	1.51%
Newton 213, LLC C/O Ronetco	8,300,000	1.38%
Weis Markets, Inc	7,288,000	1.21%
Meriam Gateway Apartments, Inc	5,750,000	0.96%
Newtonian Associates, LLC	4,850,000	0.81%
Holiday Inn Express	4,740,000	0.79%
Gordon Newton Assoc, LLC & Diamond	4,549,200	0.76%
<b>Total</b>	<b><u>\$75,186,700</u></b>	<b><u>12.50%</u></b>

Source: Comprehensive Annual Financial Report of the School District and Municipal Tax Assessor

## **Largest Employers**

The largest employers in the Town and the number of employees they employ are listed below:

<b><u>Employers</u></b>	<b>2015 <u>Employees</u></b>
Newton Medical Center	1,000-4,999
County of Sussex	500-999
Thorlabs	500-999
Sussex County Community College	250-499
Newton 213 LLC, C/O Ronetco	100-249
Bristol Glen	100-249
Barnhill Care Center	100-249
Home Depot	100-249
Kohls	100-249
Superior Court of Newton	100-249
Newton Public Schools	100-249

Source: Sussex County Chamber of Commerce

## **Comparison of Tax Levies and Collections**

<b><u>Year</u></b>	<b><u>Tax Levy</u></b>	<b>Current Year <u>Collection</u></b>	<b>Current Year <u>Percentage of Collection</u></b>
2015	\$24,576,742	\$24,029,767	97.77%
2014	24,026,561	23,483,299	97.74%
2013	23,353,969	22,888,127	98.01%
2012	22,948,127	22,561,654	98.32%
2011	22,734,788	22,234,331	97.80%

Source: Annual Audit Reports of the Town

### **Delinquent Taxes and Tax Title Liens**

<b><u>Year</u></b>	<b><u>Amount of Tax Title Liens</u></b>	<b><u>Amount of Delinquent Tax</u></b>	<b><u>Total Delinquent</u></b>	<b><u>% of Tax Levy</u></b>
2015	\$58,761	\$512,496	\$571,257	2.32%
2014	39,310	519,622	558,932	2.33%
2013	34,034	368,745	402,779	1.72%
2012	28,843	331,054	359,898	1.57%
2011	23,043	455,563	478,607	2.11%

Source: Annual Audit Reports of the Town

### **Property Acquired by Tax Lien Liquidation**

<b><u>Year</u></b>	<b><u>Amount</u></b>
2015	\$558,650
2014	558,650
2013	558,650
2012	558,650
2011	558,650

Source: Annual Audit Reports of the Town

### **Tax Rates per \$100 of Net Valuations Taxable and Allocations**

The table below lists the tax rates for Town residents for the past five (5) years.

<b><u>Year</u></b>	<b><u>Municipal</u></b>	<b><u>Local School</u></b>	<b><u>County</u></b>	<b><u>Total Taxes</u></b>
2016	\$1.427	\$2.171	\$0.572	\$4.170
2015	1.394	2.125	0.541	4.060
2014R	1.356	2.079	0.541	3.976
2013	1.151	1.756	0.490	3.397
2012	1.138	1.693	0.489	3.320

Source: Abstract of Ratables and State of New Jersey – Property Taxes  
R=Revaluation

### **Valuation of Property**

<b><u>Year</u></b>	<b><u>Aggregate Assessed Valuation of Real Property</u></b>	<b><u>Aggregate True Value of Real Property</u></b>	<b><u>Ratio of Assessed to True Value</u></b>	<b><u>Assessed Value of Personal Property</u></b>	<b><u>Equalized Valuation</u></b>
2015	\$601,533,600	\$615,820,639	97.68%	\$3,135,425	\$618,956,064
2014R	601,574,500	623,134,970	96.54%	2,296,214	625,431,184
2013	685,479,300	670,133,249	102.29%	1,611,110	634,380,703
2012	688,321,400	717,524,653	95.93%	2,365,090	675,276,812
2011R	692,717,300	692,717,300	100.00%	3,821,741	725,928,798

Source: Abstract of Ratables and State of New Jersey – Table of Equalized Valuations  
R=Revaluation

### **Classification of Ratables**

The table below lists the comparative assessed valuation for each classification of real property within the Town for the past five (5) years.

<b><u>Year</u></b>	<b><u>Vacant Land</u></b>	<b><u>Residential</u></b>	<b><u>Farm</u></b>	<b><u>Commercial</u></b>	<b><u>Industrial</u></b>	<b><u>Apartments</u></b>	<b><u>Total</u></b>
2015	\$8,703,900	\$369,929,600	\$687,300	\$172,475,000	\$13,593,900	\$36,143,900	\$601,533,600
2014R	7,644,700	369,711,500	687,300	173,581,700	13,805,400	36,143,900	601,574,500
2013	8,829,300	433,661,600	768,500	187,450,300	17,091,600	37,678,000	685,479,300
2012	8,883,100	435,739,900	505,400	188,293,900	17,130,400	37,768,700	688,321,400
2011R	10,565,700	436,837,600	505,400	189,235,100	17,354,900	38,218,600	692,717,300

Source: Abstract of Ratables and State of New Jersey – Property Value Classification  
R=Revaluation

## **Financial Operations**

The following table summarizes the Town's Current Fund budget for the past five (5) fiscal years ending December 31. The following summary should be used in conjunction with the tables in the sourced documents from which it is derived.

### **Summary of Current Fund Budget**

<b><u>Anticipated Revenues</u></b>	<b><u>2012</u></b>	<b><u>2013</u></b>	<b><u>2014</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>
Fund Balance	\$641,000	\$776,000	\$841,461	\$776,048	\$810,876
Miscellaneous Revenues	2,481,210	2,582,513	2,685,108	2,315,936	2,478,248
Receipts from Delinquent Taxes	440,000	330,000	360,000	519,000	512,376
Amount to be Raised by Taxation	<u>7,860,280</u>	<u>7,911,487</u>	<u>8,189,331</u>	<u>8,434,016</u>	<u>8,612,938</u>
Total Revenue:	<u>\$11,422,490</u>	<u>\$11,600,000</u>	<u>\$12,075,900</u>	<u>\$12,045,000</u>	<u>\$12,414,438</u>
<b><u>Appropriations</u></b>					
General Appropriations	\$7,688,719	\$7,983,843	\$8,235,587	\$8,979,633	\$9,170,504
Operations Excluded from CAPS	1,295,071	1,270,987	1,379,361	416,436	397,139
Deferred Charges and Statutory Expenditures	76,065	23,430	82,600	37,600	37,600
Capital Improvement Fund	123,000	107,500	100,000	171,000	133,000
Municipal Debt Service	1,761,245	1,819,715	1,847,572	1,950,885	2,132,005
Reserve for Uncollected Taxes	<u>478,390</u>	<u>394,526</u>	<u>430,780</u>	<u>489,446</u>	<u>544,190</u>
Total Appropriations:	<u>\$11,422,490</u>	<u>\$11,600,000</u>	<u>\$12,075,900</u>	<u>\$12,045,000</u>	<u>\$12,414,438</u>

Source: Annual Adopted Budgets of the Town



## **Fund Balance**

### **Current Fund**

The following table lists the Town's fund balance and the amount utilized in the succeeding year's budget for the Current Fund for the past five (5) fiscal years ending December 31.

<b><u>Fund Balance - Current Fund</u></b>		
<b><u>Year</u></b>	<b><u>Balance 12/31</u></b>	<b><u>Utilized in Budget of Succeeding Year</u></b>
2015	\$1,504,224	\$810,876
2014	1,498,340	776,048
2013	1,563,753	841,461
2012	1,542,318	776,000
2011	979,774	641,000

Source: Annual Audit Reports of the Town

### **Water/Sewer Utility Operating Fund**

The following table lists the Town's fund balance and the amount utilized in the succeeding year's budget for the Water/Sewer Utility Operating Fund for the past five (5) fiscal years ending December 31.

<b><u>Fund Balance - Water/Sewer Utility Operating Fund</u></b>		
<b><u>Year</u></b>	<b><u>Balance 12/31</u></b>	<b><u>Utilized in Budget of Succeeding Year</u></b>
2015	\$842,620	\$303,000
2014	897,441	357,767
2013	779,506	353,424
2012	931,675	438,274
2011	790,635	371,588

Source: Annual Audit Reports of the Town

## **Town Indebtedness as of December 31, 2015**

### **General Purpose Debt**

Serial Bonds	\$15,920,000
Bond Anticipation Notes	4,139,000
Bonds and Notes Authorized but Not Issued	476,000
Other Bonds, Notes and Loans	<u>101,037</u>
Total:	\$20,636,037

### **Local School District Debt**

Serial Bonds	\$7,150,000
Temporary Notes Issued	0
Bonds and Notes Authorized but Not Issued	<u>0</u>
Total:	\$7,150,000

### **Self-Liquidating Debt**

Serial Bonds	\$9,030,000
Bond Anticipation Notes	0
Bonds and Notes Authorized but Not Issued	1,200,000
Other Bonds, Notes and Loans	<u>0</u>
Total:	\$10,230,000

### **TOTAL GROSS DEBT**

**\$38,016,037**

Less: Statutory Deductions

General Purpose Debt \$4,170,000

Local School District Debt 7,150,000

Self-Liquidating Debt 10,230,000

Total: \$21,550,000

### **TOTAL NET DEBT**

**\$16,466,037**

Source: Annual Audit Reports of the Town

**Overlapping Debt (as of December 31, 2015)<sup>3</sup>**

<b><u>Name of Related Entity</u></b>	<b><u>Related Entity Debt Outstanding</u></b>	<b><u>Town Percentage</u></b>	<b><u>Town Share</u></b>
Local School District	\$7,150,000	100.00%	\$7,150,000
County	112,567,827	3.66%	<u>4,117,382</u>
Net Indirect Debt			\$11,267,382
Net Direct Debt			<u>16,466,037</u>
Total Net Direct and Indirect Debt			<u><u>\$27,733,419</u></u>

**Debt Limit (as of December 31, 2015)**

Average Equalized Valuation Basis (2013, 2014, 2015)	\$623,908,401
Permitted Debt Limitation (3 1/2%)	21,836,794
Less: Net Debt	<u>16,466,037</u>
Remaining Borrowing Power	<u><u>\$5,370,757</u></u>
Percentage of Net Debt to Average Equalized Valuation	2.639%
Gross Debt Per Capita based on 2010 population of 7,997	\$4,754
Net Debt Per Capita based on 2010 population of 7,997	\$2,059

Source: Annual Audit Reports of the Town

<sup>3</sup>Town percentage of County debt is based on the Town's share of the total equalized valuation in the County.

[ THIS PAGE INTENTIONALLY LEFT BLANK ]

**APPENDIX B**

**FINANCIAL STATEMENTS OF THE TOWN OF NEWTON, IN THE  
COUNTY OF SUSSEX, NEW JERSEY**

[ THIS PAGE INTENTIONALLY LEFT BLANK ]

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

Charles J. Ferraioli, Jr., MBA, CPA, RMA  
Steven D. Wielkotz, 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 Town Council  
Town of Newton  
Newton, NJ 07860

### **Report on the Financial Statements**

We have audited the accompanying balance sheets - regulatory basis of the various funds and account group of the Town of Newton in the County of Sussex, as of December 31, 2015 and 2014, 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, 2015, and the related notes to the financial statements, which collectively comprise the Town'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 Town of Newton 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 Town of Newton as of December 31, 2015 and 2014, or changes in financial position for the years then ended.

***Basis for Qualified Opinion on Regulatory Basis Accounting Principles***

We are unable to obtain sufficient evidence to support the cost of fixed assets. As more fully describe in Note 1, due to the length of time over which these fixed assets were acquired, it is not practical to determine their actual costs. We are, therefore, unable to express an opinion as to the general fixed assets account group at December 31, 2015, and 2014, stated as \$49,508,104.00 and \$48,894,202, respectively.

As described in Note 18 of the financial statements, the Town participates in a Length of Service Award Program (LOSAP) volunteer fire and rescue personnel. The amount reflected in the trust fund statements of \$348,564.15 and \$308,252.75 for 2015 and 2014, 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 "Basis for Qualified Opinion on Regulatory Basis Accounting Principles" paragraph, the financial statements referred to above present fairly, in all material respects, the regulatory basis balances sheets as of December 31, 2015 and 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, 2015 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 Town of Newton'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 are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information listed in the table of contents, are 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 May 10, 2016 on our consideration of the Town of Newton's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Newton's internal control over financial reporting and compliance.



Thomas M. Ferry, C.P.A.  
Registered Municipal Accountant  
No. 497

***Ferraioli, Wielkotz, Cerullo & Cuva, PA***  
FERRAIOLI, WIELKOTZ, CERULLO & CUVA, P.A.  
*Certified Public Accountants*

Newton, New Jersey

May 10, 2016

Town of Newton, N.J.

Comparative Balance Sheet -Regulatory Basis

Current Fund

December 31,

	<u>Ref.</u>	<u>2015</u>	<u>2014</u>
<u>Assets</u>			
Current Fund:			
Cash	A-4	2,800,615.37	2,152,497.07
Change Fund	A-5	400.00	400.00
		<u>2,801,015.37</u>	<u>2,152,897.07</u>
Receivables and Other Assets with Full Reserves:			
Delinquent Taxes Receivable	A-6	512,495.80	519,622.10
Tax Title Liens Receivable	A-7	58,761.06	39,310.20
Property Acquired for Taxes - Assessed Valuation	A-8	558,650.00	558,650.00
Interfund Receivables:			
Federal and State Grant Fund	A-12	34,422.50	10,082.50
		<u>1,164,329.36</u>	<u>1,127,664.80</u>
Deferred Charges:			
Special Emergency Authorization (40A:4-53)	A-10	73,200.00	110,800.00
		<u>4,038,544.73</u>	<u>3,391,361.87</u>
Federal and State Grant Fund:			
Cash	A-4	20,662.54	26,560.36
Grants Receivable	A-20	89,304.58	114,327.00
		<u>109,967.12</u>	<u>140,887.36</u>
		<u>4,148,511.85</u>	<u>3,532,249.23</u>

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

## Comparative Balance Sheet -Regulatory Basis

## Current Fund

December 31,

	<u>Ref.</u>	<u>2015</u>	<u>2014</u>
Current Fund:			
Appropriation Reserves			
Unencumbered	A-3; A-13	643,027.66	417,069.92
Encumbered	A-3; A-13	187,742.81	160,413.61
Due to State of New Jersey:			
Senior Citizen and Veteran Deductions	A-11	21,043.40	21,793.40
Due to State of New Jersey:			
Marriage Surcharge	A-14	425.00	300.00
Burial Fees	A-14	20.00	5.00
Accounts Payable	A-14	45,287.50	45,000.00
Tax Overpayments	A-14	3,175.58	3,269.90
Reserve for:			
Tax Appeals Pending	A-14	50,000.00	
Revaluation	A-14	188.19	6,575.69
Sale of Municipal Assets	A-14	3,117.02	6,837.02
Prepaid Taxes	A-15	412,341.79	101,825.77
County Taxes Payable	A-16	3,622.89	2,267.17
		<u>1,369,991.84</u>	<u>765,357.48</u>
Reserve for Receivables	Contra	1,164,329.36	1,127,664.80
Fund Balance	A-1	<u>1,504,223.53</u>	<u>1,498,339.59</u>
		<u>4,038,544.73</u>	<u>3,391,361.87</u>
Federal and State Grant Fund:			
Interfund - Current Fund	A-18	34,422.50	10,082.50
Encumbrances Payable	A-19	20,302.70	64,041.81
Appropriated Reserve for Grants	A-21	41,268.23	40,612.53
Unappropriated Reserve for Grants	A-22	13,973.69	26,150.52
		<u>109,967.12</u>	<u>140,887.36</u>
		<u>4,148,511.85</u>	<u>3,532,249.23</u>

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

## Town of Newton, N.J.

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

## Current Fund

## Years Ended December 31,

	<u>Ref.</u>	<u>2015</u>	<u>2014</u>
Revenues and Other Income:			
Fund Balance Utilized	A-2	776,048.00	841,461.00
Miscellaneous Revenue Anticipated	A-2	2,414,020.10	2,731,318.74
Receipts from Delinquent Taxes	A-2	516,660.01	377,544.80
Receipts from Current Taxes	A-2	24,029,766.83	23,483,299.04
Non-Budget Revenue	A-2	553,898.43	827,785.61
Other Credits to Income:			
Interfunds Returned			6,508.50
Cancellation of Grant Reserves			2,269.00
Unexpended Balance of Appropriation Reserves	A-13	255,713.32	152,387.82
Encumbrances Cancelled			10,350.04
Total Revenues and Other Income		<u>28,546,106.69</u>	<u>28,432,924.55</u>
Expenditures:			
Budget and Emergency Appropriations:			
Operations - Within "CAPS"			
Salaries and Wages	A-3	4,694,540.00	4,177,497.50
Other Expenses	A-3	3,167,628.00	2,994,615.00
Deferred Charges and Statutory Expenditures -			
Municipal - Within "CAPS"	A-3	1,110,465.00	1,039,874.00
Operations - Excluded From CAPS:			
Salaries and Wages	A-3	231,887.30	913,639.91
Other Expenses	A-3	259,190.44	569,648.99
Capital Improvements - Excluded from Caps	A-3	171,000.00	100,000.00
Municipal Debt Service - Excluded from Caps	A-3	1,950,883.16	1,844,790.09
Deferred Charges and Statutory Expenditures -			
Municipal - Excluded from Caps	A-3	37,600.00	82,600.00
Refund Prior Year Taxes			112,308.28
Interfund Advances	A-12	24,340.00	
County Taxes including Added Taxes	A-16	3,265,337.85	3,266,844.79
Local District School Tax	A-17	12,851,303.00	12,555,058.00
Total Expenditures		<u>27,764,174.75</u>	<u>27,656,876.56</u>
Statutory Excess to Fund Balance		781,931.94	776,047.99
Fund Balance, January 1,	A-1	<u>1,498,339.59</u>	<u>1,563,752.60</u>
		2,280,271.53	2,339,800.59
Decreased by:			
Fund Balance Utilized as Budget Revenue		<u>776,048.00</u>	<u>841,461.00</u>
Fund Balance, December 31,	A	<u><u>1,504,223.53</u></u>	<u><u>1,498,339.59</u></u>

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

**Town of Newton, N.J.**  
**Statement of Revenues - Regulatory Basis**  
**Current Fund**  
**Year Ended December 31, 2015**

A-2  
Page 1 of 2

	<u>Ref.</u>	<u>Budget</u>	<u>Special N.J.S. 40A:4-87</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
Fund Balance Anticipated	A-1	776,048.00		776,048.00	
Miscellaneous Revenues:					
Licenses:					
Alcoholic Beverages	A-9	14,800.00		14,670.00	(130.00)
Other	A-9	18,110.00		18,777.00	667.00
Fees and Permits	A-9	160,410.16		167,643.12	7,232.96
Fines and Costs:					
Municipal Court	A-9	178,910.00		184,730.48	5,820.48
Interest and Costs on Taxes	A-9	92,515.00		106,900.32	14,385.32
Interest on Investments and Deposits	A-9	6,800.00		11,732.47	4,932.47
Hotel Tax	A-9	79,335.00		80,443.83	1,108.83
Certificates of Compliance - Commercial	A-9	13,350.00		9,775.00	(3,575.00)
Consolidated Municipal Property Tax Relief Aid	A-9	3,910.00		3,910.00	
Energy Receipts Tax	A-9	1,013,467.00		1,013,467.00	
Garden State Trust Fund	A-9	8,539.00		8,539.00	
Uniform Construction Code Fees					
Special Items of General Revenue Anticipated					
With Prior Written Consent of Director of					
Local Government Services:					
Shared Service Agreements					
Parking Authority Contract	A-9	45,000.00		45,000.00	
Reimbursement for Dispatching Services	A-9	40,000.00		40,000.00	
Public and Private Revenues:					
Federal Body Armor Grant	A-20		3,191.90	3,191.90	
Recycling Tonnage Reserve	A-20	22,184.53		22,184.53	
Clean Communities	A-20		16,434.04	16,434.04	
Municipal Alliance	A-20		20,772.00	20,772.00	
Safe and Secure Communities	A-20	25,811.00		25,811.00	
State of N.J. Body Armor Fund	A-20	2,355.73	2,352.27	4,708.00	
Drunk Driving Enforcement Fund	A-20	1,610.26		1,610.26	
Pedestrian Safety Grant 8/15	A-20		14,146.00	14,146.00	
Drive Sober or Get Pulled Over	A-20		5,000.00	5,000.00	
Body Camera Grant	A-20		4,245.83	4,245.83	
Other Special Items:					
Reserve for Sale of Municipal Assets	A-9	6,837.00		6,837.00	
Thor Labs PILOT - Offset Debt Service	A-9	281,140.00		281,140.00	
Thor Labs PILOT - Miscellaneous Revenues	A-9	271,000.00		271,000.00	
Cable Franchise TV Fees	A-9	29,350.00		29,350.00	
Municipal Alliance Cash Match- Andover Borough	A-20		500.00	500.00	
Municipal Alliance Cash Match- Andover Township	A-20		500.00	500.00	
Municipal Alliance Cash Match - Green Township	A-20		500.00	500.00	
Reserve for Redevelopment/Planning	A-9	501.32		501.32	
Total Miscellaneous Revenues	A-1	2,315,936.00	67,642.04	2,414,020.10	30,442.06
Receipts from Delinquent Taxes	A-1;A-2	519,000.00		516,660.01	(2,339.99)
Subtotal General Revenues		3,610,984.00	67,642.04	3,706,728.11	28,102.07
Amount to be Raised by Taxes for Support of					
Municipal Budget-Local Tax for Municipal					
Purposes Including Reserve for Uncollected Taxes	A-2	8,434,016.00		8,402,572.28	(31,443.72)
Budget Totals		12,045,000.00	67,642.04	12,109,300.39	(3,341.65)
Non-Budget Revenue	A-1;A-2			553,898.43	553,898.43
		<u>12,045,000.00</u>	<u>67,642.04</u>	<u>12,663,198.82</u>	<u>550,556.78</u>
		A-3	A-3		

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

**Town of Newton, N.J.**  
**Statement of Revenues - Regulatory Basis**  
**Current Fund**  
**Year Ended December 31, 2015**

A-2  
Page 2 of 2

<u>Analysis of Realized Revenues</u>	<u>Ref.</u>	
Revenue from Collections	A-6;A-1	24,029,766.83
Allocated to School and County Taxes	A-6	<u>16,116,640.85</u>
Balance for Support of Municipal Budget Appropriations		7,913,125.98
Add : Appropriation - Reserve for Uncollected Taxes	A-3	<u>489,446.30</u>
Amount for Support of Municipal Budget Appropriations	A-2	<u><u>8,402,572.28</u></u>
Receipts from Delinquent Taxes:		
Delinquent Taxes		
Taxes Receivable	A-6	<u>516,660.01</u>
		A-2
<u>Analysis of Non-budget Revenues</u>		
Miscellaneous Revenues Not Anticipated:		
Payment in Lieu of Taxes		477,877.67
Uniform Construction Code		6,346.60
FEMA Reimbursement - Sandy Relief		4,400.22
Miscellaneous		<u>65,273.94</u>
	A-4	<u><u>553,898.43</u></u>
		A-2

Town of Newton, N.J.  
Statement of Expenditures - Regulatory Basis  
Current Fund

A-3  
Page 1 of 11

Year Ended December 31, 2015

	<u>Ref.</u>	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Cancelled</u>
<u>General Appropriations</u>						
Operations - within "CAPS"						
General Government:						
General Administration						
Salaries and Wages		115,799.00	115,849.00	115,825.40	23.60	
Other Expenses		45,450.00	45,450.00	43,710.04	1,739.96	
Human Resource:						
Salaries and Wages		30,494.00	30,494.00	26,057.50	4,436.50	
Other Expenses		4,100.00	4,100.00	1,514.68	2,585.32	
Mayor and Council						
Salaries and Wages		7,146.00	7,146.00	5,784.44	1,361.56	
Other Expenses		4,750.00	5,250.00	4,762.25	487.75	
Town Clerk						
Salaries and Wages		114,855.00	114,855.00	111,620.34	3,234.66	
Other Expenses		26,745.00	28,745.00	22,597.25	6,147.75	
Elections:						
Other Expenses		6,800.00	4,800.00	3,766.94	1,033.06	
Financial Administration						
Salaries and Wages		69,738.00	69,688.00	67,688.68	1,999.32	
Other Expenses		14,600.00	14,600.00	14,190.44	409.56	
Audit Services						
Other Expenses		13,915.00	13,915.00	6,206.00	7,709.00	
Assessment of Taxes						
Salaries and Wages		20,508.00	42,408.00	42,102.32	305.68	
Other Expenses		23,540.00	23,540.00	15,293.41	8,246.59	

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

Town of Newton, N.J.  
Statement of Expenditures - Regulatory Basis  
Current Fund

A-3  
Page 2 of 11

Year Ended December 31, 2015

<u>General Appropriations</u>	<u>Ref.</u>	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Cancelled</u>
Collection of Taxes						
Salaries and Wages		48,550.00	48,550.00	47,371.22	1,178.78	
Other Expenses		9,100.00	9,100.00	5,880.41	3,219.59	
Legal Services and Costs						
Other Expenses		140,750.00	140,750.00	113,320.56	27,429.44	
Municipal Court						
Salaries and Wages		109,763.00	109,763.00	109,429.51	333.49	
Other Expenses		15,400.00	15,400.00	10,597.83	4,802.17	
Engineering Services and Costs						
Other Expenses		12,500.00	12,500.00	9,912.80	2,587.20	
Public Buildings and Grounds						
Salaries and Wages		1.00	1.00		1.00	
Other Expenses		96,600.00	96,600.00	55,109.89	41,490.11	
Municipal Land Use Law (N.J.S.A. 40:55 D-1 Et Seq.)						
Planning Board						
Salaries and Wages		40,003.00	40,003.00	40,003.00		
Other Expenses		20,340.00	20,340.00	19,722.26	617.74	
Historical Commission						
Other Expenses		2,350.00	2,350.00	190.75	2,159.25	
Community Development						
Salaries and Wages		52,424.00	52,424.00	51,498.16	925.84	
Other Expenses		7,850.00	7,850.00	5,774.20	2,075.80	
Code Enforcement						
Salaries and Wages		36,929.00	36,929.00	32,934.45	3,994.55	
Other Expenses		2,800.00	3,300.00	2,555.95	744.05	
Industrial Commission						
Other Expenses		1.00	1.00		1.00	

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



Town of Newton, N.J.  
Statement of Expenditures - Regulatory Basis  
Current Fund

A-3  
Page 3 of 11

Year Ended December 31, 2015

	<u>Ref.</u>	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Cancelled</u>
<u>General Appropriations</u>						
Shade Tree Commission						
Other Expenses		500.00	500.00	95.00	405.00	
Economic Development Commission						
Other Expenses		500.00	500.00	500.00		
Insurance						
Group Insurance for Employees		1,483,500.00	1,459,185.00	1,376,245.36	82,939.64	
Health Benefit Waiver		8,784.00	11,199.00	11,197.01	1.99	
Worker's Compensation Insurance		137,865.00	137,865.00	137,862.16	2.84	
Surety Bond Premiums		1.00	1.00		1.00	
⇒     Other Insurance Premiums		94,375.00	94,375.00	82,804.12	11,570.88	
Public Safety:						
Fire:						
Other Expenses		27,000.00	27,000.00	8,681.60	18,318.40	
Police:						
Salaries and Wages		3,240,314.00	3,235,314.00	3,072,928.68	162,385.32	
Other Expenses		87,500.00	87,500.00	68,512.24	18,987.76	
Parking Meter Maintenance						
Salaries and Wages		1.00	1.00		1.00	
Aid to Volunteer Fire Companies		13,000.00	13,000.00	12,650.00	350.00	
Aid to Volunteer First Aid Squad		24,174.00	24,174.00	24,174.00		
Emergency Management Services:						
Salaries and Wages		10,500.00	10,500.00	10,500.00		
Other Expenses		4,100.00	4,100.00	3,530.89	569.11	
Streets and Roads:						
Road Repair and Maintenance						
Salaries and Wages		514,928.00	514,928.00	481,585.80	33,342.20	
Other Expenses		69,350.00	69,350.00	49,837.49	19,512.51	

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

Town of Newton, N.J.  
Statement of Expenditures - Regulatory Basis

A-3  
Page 4 of 11

Current Fund

Year Ended December 31, 2015

<u>General Appropriations</u>	<u>Ref.</u>	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Cancelled</u>
Snow Removal:						
Salaries and Wages		60,000.00	65,000.00	64,995.12	4.88	
Other Expenses		97,400.00	97,400.00	72,195.93	25,204.07	
Sanitation						
Salaries and Wages		1,600.00	1,600.00	1,600.00		
Other Expenses		27,000.00	26,300.00	17,091.02	9,208.98	
Vehicle Maintenance						
Other Expenses		90,000.00	90,000.00	42,666.10	47,333.90	
Health and Welfare:						
Board of Health						
Other Expenses		1,800.00	1,800.00	1,646.95	153.05	
Mosquito and Gypsy Moth Control:						
Other Expenses		1.00	1.00		1.00	
Public Assistance:						
Other Expenses		1.00	1.00		1.00	
Occupational Health (Previously Blood Borne PEOSHA Requirement)						
Salaries and Wages		4,050.00	4,050.00	3,900.00	150.00	
Other Expenses		5,500.00	5,500.00	4,714.65	785.35	
Cencom						
Other Expenses		83,250.00	83,250.00	61,391.67	21,858.33	
Recreation and Education:						
Recreation:						
Salaries and Wages		16,320.00	16,320.00	16,209.95	110.05	
Other Expenses		17,250.00	15,250.00	7,022.46	8,227.54	

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

Town of Newton, N.J.  
Statement of Expenditures - Regulatory Basis  
Current Fund

A-3  
Page 5 of 11

Year Ended December 31, 2015

<u>General Appropriations</u>	<u>Ref.</u>	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Cancelled</u>
Swimming Pool Maintenance:						
Salaries and Wages		51,500.00	55,660.00	55,430.48	229.52	
Other Expenses		20,000.00	20,000.00	18,624.80	1,375.20	
Parks and Playgrounds						
Salaries and Wages		65,197.00	65,197.00	63,632.83	1,564.17	
Other Expenses		30,000.00	27,840.00	24,962.76	2,877.24	
Celebration of Public Events, Anniversary or Holiday:						
Other Expenses		20,000.00	20,000.00	15,978.00	4,022.00	
Senior Citizens Transportation:						
Salaries and Wages		25,835.00	26,535.00	26,506.55	28.45	
Other Expenses		3,000.00	3,000.00	3,000.00		
Aid to Dennis Memorial Library (N.J.S.A. 49:54-35):						
Other Expenses		25.00	25.00		25.00	
Miscellaneous Operating Expenses						
Salaries and Wages		1.00	1.00		1.00	
Other Expenses		1,000.00				
Utility Expenses and Bulk Purchases						
Other Expenses		405,520.00	398,520.00	333,105.37	65,414.63	
Construction Official						
Salaries and Wages		26,324.00	26,324.00	25,062.82	1,261.18	
Other Expenses		1,400.00	1,400.00	970.78	429.22	
Accumulated Absences						
Salaries and Wages		5,000.00	5,000.00		5,000.00	
Total Operations Within "CAPS"		<u>7,869,167.00</u>	<u>7,862,167.00</u>	<u>7,187,233.27</u>	<u>674,933.73</u>	
Contingent		<u>1.00</u>	<u>1.00</u>		<u>1.00</u>	
Total Operations Including Contingent-Within "CAPS"		<u>7,869,168.00</u>	<u>7,862,168.00</u>	<u>7,187,233.27</u>	<u>674,934.73</u>	

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

Town of Newton, N.J.  
Statement of Expenditures - Regulatory Basis  
Current Fund

A-3  
Page 6 of 11

Year Ended December 31, 2015

<u>General Appropriations</u>	<u>Ref.</u>	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Cancelled</u>
Detail:						
Salaries and Wages	A-1	4,667,780.00	4,694,540.00	4,472,667.25	221,872.75	
Other Expenses (Including Contingent)	A-1	3,201,388.00	3,167,628.00	2,714,566.02	453,061.98	
Deferred Charges and Statutory Expenditures- Municipal Within "CAPS"						
Statutory Expenditures - Contribution to:						
Public Employees' Retirement System		295,359.00	295,359.00	295,359.00		
Social Security System (O.A.S.I.)		229,507.00	229,507.00	187,896.96	41,610.04	
Police and Fireman's Retirement System of NJ		571,949.00	571,949.00	571,949.00		
Defined Contribution Retirement Program		8,650.00	8,650.00	8,253.12	396.88	
Unemployment Compensation Insurance		5,000.00	5,000.00		5,000.00	
Total Deferred Charged and Statutory Expenditures - Municipal within "CAPS"	A-1	1,110,465.00	1,110,465.00	1,063,458.08	47,006.92	
Total General Appropriations for Municipal Purposes within "CAPS"		8,979,633.00	8,972,633.00	8,250,691.35	721,941.65	
Other Operating - Excluded From CAPS						
Insurance						
Employee Group Health		48,368.00	48,368.00	48,368.00		
Length of Service Awards Program		45,000.00	45,000.00		45,000.00	

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

Town of Newton, N.J.  
Statement of Expenditures - Regulatory Basis

A-3  
Page 7 of 11

Current Fund  
Year Ended December 31, 2015

<u>General Appropriations</u>	<u>Ref.</u>	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Cancelled</u>
Stormwater / Flood Control						
Other Expenses		12,200.00	19,200.00	11,451.33	7,748.67	
Recycling Tax						
Other Expenses		500.00	500.00	127.98	372.02	
Reserve for Tax Appeals		50,000.00	50,000.00	50,000.00		
Total Other Operations - Excluded From CAPS		<u>156,068.00</u>	<u>163,068.00</u>	<u>109,947.31</u>	<u>53,120.69</u>	
Shared Service Agreements						
Parking Authority Contract:						
Parking Meter Maintenance						
Salaries and Wages		45,000.00	45,000.00	44,407.42	592.58	
Animal Control Agreement						
Dog Regulations						
Other Expenses		5,000.00	5,000.00	5,000.00		
Green Township Court						
Salaries and Wages		40,000.00	40,000.00	40,000.00		
State Uniform Construction Code Agreement		10,000.00	10,000.00		10,000.00	
Shared Service Agreements		<u>100,000.00</u>	<u>100,000.00</u>	<u>89,407.42</u>	<u>10,592.58</u>	
Public and Private Programs Offset By Revenues						
State of N.J. Safe & Secure Neighborhood Program						
Police						
Salaries and Wages		25,811.00	25,811.00	25,811.00		
Matching Funds-Safe and Secure Neighborhood Program						
Police						
Salaries and Wages		98,032.00	98,032.00	98,032.00		
Other Expenses		1.00	1.00	1.00		
Group Insurance		9,872.00	9,872.00	9,872.00		

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

Town of Newton, N.J.  
Statement of Expenditures - Regulatory Basis

A-3  
Page 8 of 11

Current Fund

Year Ended December 31, 2015

	<u>Ref.</u>	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Cancelled</u>
<u>General Appropriations</u>						
Federal Body Armor						
Police						
Other Expenses		3,191.90	3,191.90	3,191.90		
Recycling Tonnage						
Sanitation						
Other Expenses		22,184.53	22,184.53	22,184.53		
Municipal Alliance Grant						
Other Expenses		20,772.00	20,772.00	20,772.00		
Matching Funds for Grants - Municipal Alliance		2,000.00	2,000.00	2,000.00		
Body Armor Fund						
Police						
Other Expenses		4,708.00	4,708.00	4,708.00		
Clean Communities Program						
Parks and Playgrounds						
Salaries and Wages		16,434.04	16,434.04	16,434.04		
Matching Funds For Grants		1.18	1.18		1.18	
Drunk Driving Enforcement						
Police:						
Salaries and Wages		1,610.26	1,610.26	1,610.26		
Drive Sober or Get Pulled Over						
Police						
Salaries and Wages		5,000.00	5,000.00	5,000.00		

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

Town of Newton, N.J.  
Statement of Expenditures - Regulatory Basis

A-3  
Page 9 of 11

Current Fund  
Year Ended December 31, 2015

<u>General Appropriations</u>	<u>Ref.</u>	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Cancelled</u>
Body Camera Grant						
Police						
Other Expenses		4,245.83	4,245.83	4,245.83		
Pedestrian Safety Grant						
Other Expense		14,146.00	14,146.00	14,146.00		
Total Public and Private Programs Offset						
By Revenues		228,009.74	228,009.74	228,008.56	1.18	
Total Operations - Excluded from "CAPS"		484,077.74	491,077.74	427,363.29	63,714.45	
Detail:						
Salaries and Wages	A-1	231,887.30	231,887.30	231,294.72	592.58	
Other Expenses	A-1	252,190.44	259,190.44	196,068.57	63,121.87	
Capital Improvements - Excluded From "CAPS"						
Capital Improvement Fund		39,250.00	39,250.00	39,250.00		
Stormwater Pipe/Basin		5,000.00	5,000.00	2,755.89	2,244.11	
DPW Safety Equipment		5,000.00	5,000.00	3,527.16	1,472.84	
Fire- Pagers/Radios		5,000.00	5,000.00		5,000.00	
Refurbish OEM Explorer		7,000.00	7,000.00	2,872.54	4,127.46	
Pave Firehouse #2 Lot		10,000.00	10,000.00		10,000.00	
Police Base Station		6,000.00	6,000.00	5,550.00	450.00	
Police Handguns/Holsters		15,000.00	15,000.00	14,602.04	397.96	
Acquisition Office Equip (Copier)		8,000.00	8,000.00	7,867.00	133.00	
DPW 10 Ton Roller Trailer		10,000.00	10,000.00	6,055.00	3,945.00	
Parks - Leaf Vacuum		10,000.00	10,000.00	10,000.00		
Parks - Playground Equipment		5,250.00	5,250.00		5,250.00	
Parks - Babe Ruth Improve.		12,500.00	12,500.00	406.00	12,094.00	
Improve. Munic Bldg HVAC		20,000.00	20,000.00	20,000.00		
Fire Museum Improvements		13,000.00	13,000.00	13,000.00		
Total Capital Improvements Excluded from "CAPS"	A-1	171,000.00	171,000.00	125,885.63	45,114.37	

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

Town of Newton, N.J.  
Statement of Expenditures - Regulatory Basis  
Current Fund

A-3  
Page 10 of 11

Year Ended December 31, 2015

<u>General Appropriations</u>	<u>Ref.</u>	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Cancelled</u>
Municipal Debt Service -Excluded From "CAPS"						
Payment of Bond Principal		1,080,000.00	1,080,000.00	1,080,000.00		
Interest on Bonds		747,372.00	747,372.00	747,371.26		0.74
Payment of Bond Anticipation Notes		70,000.00	70,000.00	70,000.00		
Interest on Notes		34,021.00	34,021.00	34,020.98		0.02
Loan Repayment for Principal and Interest		19,492.00	19,492.00	19,490.92		1.08
Total Municipal Debt Service-Excluded from "CAPS"	A-1	<u>1,950,885.00</u>	<u>1,950,885.00</u>	<u>1,950,883.16</u>		<u>1.84</u>
Deferred Charges:						
Special Emergency-- 5 Years		37,600.00	37,600.00	37,600.00		
Total Deferred Charges Municipal- Excluded from "C	A-1	<u>37,600.00</u>	<u>37,600.00</u>	<u>37,600.00</u>		
Total General Appropriations for Municipal						
Purposes Excluded from "CAPS"		<u>2,643,562.74</u>	<u>2,650,562.74</u>	<u>2,541,732.08</u>	<u>108,828.82</u>	<u>1.84</u>
(O) Total General Appropriations - Excluded From						
"CAPS"		<u>2,643,562.74</u>	<u>2,650,562.74</u>	<u>2,541,732.08</u>	<u>108,828.82</u>	<u>1.84</u>
Subtotal General Appropriations		<u>11,623,195.74</u>	<u>11,623,195.74</u>	<u>10,792,423.43</u>	<u>830,770.47</u>	<u>1.84</u>
Reserve for Uncollected Taxes		<u>489,446.30</u>	<u>489,446.30</u>	<u>489,446.30</u>		
Total General Appropriations		<u><u>12,112,642.04</u></u>	<u><u>12,112,642.04</u></u>	<u><u>11,281,869.73</u></u>	<u><u>830,770.47</u></u>	<u><u>1.84</u></u>

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



Town of Newton, N.J.  
Statement of Expenditures - Regulatory Basis

A-3  
Page 11 of 11

Current Fund  
Year Ended December 31, 2015

			Budget After Modification	Paid or Charged	Reserved	Unexpended Balance Cancelled
<u>General Appropriations</u>	<u>Ref.</u>	<u>Budget</u>				
Adopted Budget	A-2		12,045,000.00			
Appropriated by N.J.S. 40A:4-87	A-2		67,642.04			
			<u>12,112,642.04</u>			
<u>Analysis of Paid or Charged</u>						
Cash Disbursed	A-4			10,585,219.87		
Reserve for Uncollected Taxes	A-2			489,446.30		
Deferred Charges:						
Special Emergency Authorizations	A-10			37,600.00		
Accounts Payable	A-14			50,000.00		
Reserve for Federal and State Grants	A-21			119,603.56		
				<u>11,281,869.73</u>		
<u>Analysis of Appropriation Reserves</u>						
Unencumbered	A				643,027.66	
Encumbered	A				187,742.81	
					<u>830,770.47</u>	

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

## Town of Newton, N.J.

## Comparative Balance Sheet - Regulatory Basis

## Trust Funds

December 31,

<u>Assets</u>	<u>Ref.</u>	<u>2015</u>	<u>2014</u>
Animal Control Trust Fund:			
Cash- Treasurer	B-1	<u>16,255.75</u>	<u>14,904.48</u>
Other Trust Funds:			
Cash	B-1	1,039,616.41	996,472.55
Investment	B-2	<u>850.00</u>	<u>850.00</u>
		<u>1,040,466.41</u>	<u>997,322.55</u>
Emergency Services Volunteer Length of Service Award Program (Unaudited)			
Cash	B-1	306,301.65	280,825.25
Contributions Receivable	B-6	<u>42,262.50</u>	<u>27,427.50</u>
		<u>348,564.15</u>	<u>308,252.75</u>
Total Assets		<u><u>1,405,286.31</u></u>	<u><u>1,320,479.78</u></u>
<u>Liabilities, Reserves &amp; Fund Balance</u>			
Animal Control Trust Fund:			
Reserve for Animal Control			
Trust Fund Expenditures	B-3	<u>16,255.75</u>	<u>14,904.48</u>
Other Trust Funds:			
Various Reserves	B-5	<u>1,040,466.41</u>	<u>997,322.55</u>
Emergency Services Volunteer Length of Service Award Program (Unaudited)			
Net Position Available for Benefits	B-7	<u>348,564.15</u>	<u>308,252.75</u>
Total Liabilities, Reserves & Fund Balance		<u><u>1,405,286.31</u></u>	<u><u>1,320,479.78</u></u>

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

## Town of Newton, N.J.

## Comparative Balance Sheet - Regulatory Basis

## General Capital Fund

December 31,

	<u>Ref.</u>	<u>2015</u>	<u>2014</u>
<u>Assets</u>			
Cash	C-2;C-3	1,286,664.30	1,727,960.28
Federal & State Grants Receivable	C-4	237,500.00	330,000.00
Deferred Charges to Future Taxation			
Funded	C-5	16,021,037.25	17,118,248.82
Unfunded	C-6	4,615,000.00	4,197,575.00
		<u>22,160,201.55</u>	<u>23,373,784.10</u>
<u>Liabilities, Reserves and Fund Balance</u>			
Capital Improvement Fund	C-7	2,223.98	11,117.38
General Serial Bonds Payable	C-8	15,920,000.00	17,000,000.00
Garden State Preservation Trust Loan Payable	C-9	101,037.25	118,248.82
Bond Anticipation Notes	C-10	4,139,000.00	3,411,575.00
Improvement Authorizations:			
Funded	C-11	114,559.62	219,355.27
Unfunded	C-11	1,049,328.31	2,331,633.07
Various Reserves	C-12	30,000.00	30,501.32
Encumbrances Payable	C-13	669,748.56	217,042.47
Fund Balance	C-1	134,303.83	34,310.77
		<u>22,160,201.55</u>	<u>23,373,784.10</u>

Footnote C: There were Bonds and Notes Authorized But Not Issued on December 31, 2015 and 2014 in the amount of \$476,000.00 and \$786,000.00 per Exhibit C-14.

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

## Town of Newton, N.J.

## Comparative Schedule of Fund Balance - Regulatory Basis

## General Capital Fund

## Years Ended December 31,

	<u>Ref.</u>	<u>2015</u>	<u>2014</u>
Balance - January 1,	C	<u>34,310.77</u>	<u>21,959.51</u>
Increased by:			
Premium on Bond Anticipation Notes	C-2	35,446.23	12,351.00
Improvement Authorizations	C-11	107,546.83	
Cancellation of Reserve			0.26
		<u>142,993.06</u>	<u>12,351.26</u>
		<u>177,303.83</u>	<u>34,310.77</u>
Decreased by:			
Appropriated to Finance			
Improvement Authorizations	C-11	<u>43,000.00</u>	
		<u>43,000.00</u>	
Balance - December 31,	C	<u><u>134,303.83</u></u>	<u><u>34,310.77</u></u>

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

## Comparative Balance Sheet - Regulatory Basis

## Water/Sewer Utility Fund

December 31,

	<u>Ref</u>	<u>2015</u>	<u>2014</u>
<u>Assets</u>			
Operating Fund:			
Cash-Treasurer	D-5	2,089,041.75	2,094,911.09
Cash-Change Fund	D-7	100.00	100.00
		<u>2,089,141.75</u>	<u>2,095,011.09</u>
Receivables with Full Reserves:			
Consumer Accounts	D-8	243,455.44	212,607.39
Water/Sewer Liens Receivable	D-9	347.46	
Inventory	D-10	50,287.00	50,287.00
		<u>294,089.90</u>	<u>262,894.39</u>
Deferred Charges:			
Special Emergency Authorization (40A:4-53)	D-12	70,000.00	140,000.00
Emergency Authorization	D-13	220,000.00	
		<u>290,000.00</u>	<u>140,000.00</u>
Total Operating Fund		<u>2,673,231.65</u>	<u>2,497,905.48</u>
Assessment Trust Fund:			
Assessments Receivable	D-11	353,204.12	368,419.93
Total Assessment Trust Fund		<u>353,204.12</u>	<u>368,419.93</u>
Capital Fund:			
Cash	D-5;D-6	1,518,693.71	1,664,273.27
Fixed Capital*	D-14	37,346,844.44	37,346,844.44
Fixed Capital Authorized and Uncompleted*	D-15	2,217,076.26	2,217,076.26
Total Capital Fund		<u>41,082,614.41</u>	<u>41,228,193.97</u>
Total Assets		<u>43,755,846.06</u>	<u>43,726,099.45</u>

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

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

## Comparative Balance Sheet - Regulatory Basis

## Water/Sewer Utility Fund

December 31,

	<u>Ref</u>	<u>2015</u>	<u>2014</u>
<u>Liabilities, Reserves and Fund Balance</u>			
Operating Fund: -			
Appropriation Reserves:			
Unencumbered	D-4;D-16	443,235.76	356,150.43
Encumbered	D-4;D-16	302,032.38	175,044.42
Accrued Interest on Bonds	D-20	62,778.45	75,790.95
Accounts Payable	D-18	62,513.98	98,838.42
Water/Sewer Overpayments	D-17	4,578.69	4,286.04
Reserve for:			
Hook-up Fees	D-23	356,680.00	318,680.00
Special Emergency - Sparta Glen	D-23	304,702.07	308,779.57
		<u>1,536,521.33</u>	<u>1,337,569.83</u>
Reserve for Receivables	Contra	294,089.90	262,894.39
Fund Balance	D-1	842,620.42	897,441.26
Total Operating Fund		<u>2,673,231.65</u>	<u>2,497,905.48</u>
Assessment Trust Fund:			
Bonds Payable	D-27	<u>353,204.12</u>	<u>368,419.93</u>
Total Assessment Trust Fund		<u>353,204.12</u>	<u>368,419.93</u>
Capital Fund:			
Reserve for Encumbrances	D-19	100,310.31	109,949.17
Bonds Payable	D-28	8,676,795.88	8,986,580.07
Improvement Authorizations:			
Funded	D-21	175,043.80	445,874.50
Unfunded	D-21	1,093,791.65	1,101,401.65
Capital Improvement Fund	D-24	328,282.52	243,282.52
Reserve for Amortization	D-25	28,959,273.67	28,649,489.48
Reserve for Deferred Amortization	D-26	727,851.15	727,851.15
Various Reserves	D-22	858,642.15	751,142.15
Fund Balance	D-2	<u>162,623.28</u>	<u>212,623.28</u>
Total Capital Fund		<u>41,082,614.41</u>	<u>41,228,193.97</u>
Total Liabilities, Reserves and Fund Balances		<u>43,755,846.06</u>	<u>43,726,099.45</u>

Footnote D: There were Bonds and Notes Authorized But Not Issued on December 31, 2015 and 2014 in the amount of \$1,200,000.00 and \$1,200,000.00 per Exhibit D-29.

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

## Town of Newton, N.J.

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

## Water/Sewer Utility Operating Fund

Years Ended December 31,

	<u>Ref.</u>	<u>2015</u>	<u>2014</u>
Revenue and Other Income Realized:			
Operating Surplus Anticipated	D-3	357,767.00	353,424.00
Rents	D-3	3,552,782.66	3,553,500.55
Miscellaneous	D-3	52,247.69	51,471.82
Non-Budget Revenues	D-3	101,379.91	151,309.51
Interest and Costs on Assessments	D-3	15,657.85	16,278.16
Water/Sewer Capital Fund Balance	D-3	50,000.00	50,000.00
Other Credits to Income:			
Cancellation of Accounts Payable	D-18	2,690.75	
Unexpended Balance of Appropriation			
Reserves	D-16	<u>183,204.49</u>	<u>328,474.66</u>
Total Income		<u>4,315,730.35</u>	<u>4,504,458.70</u>
Expenditures:			
Operating	D-4	2,919,200.00	2,612,670.00
Capital Improvements	D-4	513,000.00	590,000.00
Debt Service	D-4	650,784.19	674,714.50
Deferred Charges and			
Statutory Expenditures	D-4	<u>149,800.00</u>	<u>155,715.00</u>
Total Expenditures		<u>4,232,784.19</u>	<u>4,033,099.50</u>
Excess in Revenue over Expenditures to Surplus		82,946.16	471,359.20
Expenditures Included Above Which are by Statute			
Deferred Charges to Budget of Succeeding Years		<u>220,000.00</u>	
Statutory Excess to Surplus		302,946.16	471,359.20
Fund Balance - January 1,	D	<u>897,441.26</u>	<u>779,506.06</u>
		1,200,387.42	1,250,865.26
Decreased by:			
Utilized as Anticipated Revenue		<u>357,767.00</u>	<u>353,424.00</u>
Fund Balance - December 31,	D	<u><u>842,620.42</u></u>	<u><u>897,441.26</u></u>

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

Town of Newton, N.J.  
**Comparative Statement of Fund Balance - Regulatory Basis**  
**Water/Sewer Utility Capital Fund**  
**Years Ended December 31,**

	<u>Ref.</u>	<u>2015</u>	<u>2014</u>
Balance - January 1,	D	<u>212,623.28</u>	<u>104,566.03</u>
Increased by:			
Cancellation of Reserves		<u>212,623.28</u>	<u>158,057.25</u>
			<u>262,623.28</u>
Decreased by:			
Anticipated as Item of Revenue	D-5	<u>50,000.00</u>	<u>50,000.00</u>
Balance - December 31,	D	<u><u>162,623.28</u></u>	<u><u>212,623.28</u></u>

D-3

**Statement of Revenues - Regulatory Basis**  
**Water/Sewer Utility Operating Fund**  
**Year Ended December 31, 2015**

	<u>Ref.</u>	<u>Anticipated</u>	<u>Realized</u>	<u>(Deficit)</u>
Operating Surplus Anticipated	D-1	357,767.00	357,767.00	
Rents	D-1;D-8	3,553,500.15	3,552,782.66	(717.49)
Miscellaneous	D-1	51,075.00	52,247.69	1,172.69
Interest and Costs on Assessments	D-1;D-5	15,657.85	15,657.85	
Water/Sewer Capital Fund Balance	D-1;D-5	50,000.00	50,000.00	
Non-Budget Revenues	D-1		<u>101,379.91</u>	<u>101,379.91</u>
Budget Totals		<u>4,028,000.00</u>	<u>4,129,835.11</u>	<u>101,835.11</u>
		D-4		
<u>Analysis of Miscellaneous Revenue Anticipated</u>				
Meters Sold / Tested		1,150.00		
Frozen Meters		5,695.55		
Water On/Off		5,271.14		
Final Readings		2,856.00		
Sprinklers/Hydrants		<u>37,275.00</u>		
	D-5		<u><u>52,247.69</u></u>	
<u>Analysis of Non-Budget Revenues</u>				
Interest on Deposits		7,496.91		
Water Tower Rental		90,286.91		
Returned Check Fees		360.63		
Construction Water		200.00		
Miscellaneous		<u>3,035.46</u>		
	D-5		<u><u>101,379.91</u></u>	

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



Town of Newton, N.J.  
Statement of Expenditures - Regulatory Basis  
Water/Sewer Operating Fund  
Year Ended December 31, 2015

		Appropriated		Expended	
		Budget	After Modification	Paid or Charged	Reserved
	Ref.	Budget	Modification	Charged	Reserved
Operating:					
Salaries and Wages		799,310.00	799,310.00	761,402.51	37,907.49
Other Expenses		1,899,890.00	2,119,890.00	1,740,786.71	379,103.29
Total Operating	D-1	2,699,200.00	2,919,200.00	2,502,189.22	417,010.78
Capital Improvements:					
Capital Improvement Fund		85,000.00	85,000.00	85,000.00	
Capital Outlay		15,000.00	15,000.00	15,000.00	
Acquisition of Water Meters/Hydrants		30,000.00	30,000.00	29,999.98	0.02
Sewer Rehabilitation / Improvements		10,000.00	10,000.00	10,000.00	
Improvements to Morris Lake Dam		3,000.00	3,000.00	1,865.00	1,135.00
Valve Replacement		10,000.00	10,000.00	10,000.00	
STP - 1 RBC Replacement		340,000.00	340,000.00	19,220.81	320,779.19
Pump Station Improvements		20,000.00	20,000.00	20,000.00	
Total Capital Improvements	D-1	513,000.00	513,000.00	191,085.79	321,914.21
Debt Service:					
Payment of Bond Principal		325,000.00	325,000.00	309,784.19	15,215.81
Interest on Bonds		341,000.00	341,000.00	341,000.00	
Total Debt Service	D-1	666,000.00	666,000.00	650,784.19	15,215.81

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

Town of Newton, N.J.  
Statement of Expenditures - Regulatory Basis  
Water/Sewer Operating Fund  
Year Ended December 31, 2015

		<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended Balance Cancelled</u>
	<u>Ref.</u>	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
Deferred Charges and Statutory Expenditures						
Deferred Charges						
Emergency Authorizations (N.J.S. 40A:4-55)		70,000.00	70,000.00	70,000.00		
Statutory Expenditures:						
Contribution to:						
Public Employees' Retirement System		14,500.00	14,500.00	14,500.00		
Unemployment		4,200.00	4,200.00		4,200.00	
Social Security System (O.A.S.I.)		61,100.00	61,100.00	58,956.85	2,143.15	
Total Deferred Charges and Statutory Expenditures	D-1	<u>149,800.00</u>	<u>149,800.00</u>	<u>143,456.85</u>	<u>6,343.15</u>	
Total Water/Sewer Utility Appropriations		<u>4,028,000.00</u>	<u>4,248,000.00</u>	<u>3,487,516.05</u>	<u>745,268.14</u>	<u>15,215.81</u>
Adopted Budget	D-3		4,028,000.00			
Emergency Authorizations (40A:4-46)	D-13		220,000.00			
			<u>4,248,000.00</u>			
Unencumbered	D				443,235.76	
Encumbered	D				302,032.38	
					<u>745,268.14</u>	
Cash Disbursed	D-5			3,076,516.05		
Special Emergency Authorizations	D-12			70,000.00		
Accrued Interest on Bonds	D-20			341,000.00		
				<u>3,487,516.05</u>		

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

**Town of Newton, N.J.**

**Comparative Statement of General Fixed Assets - Regulatory Basis**

**December 31,**

**(Unaudited)**

	<u>2015</u>	<u>2014</u>
<u>General Fixed Assets</u>		
Land	\$ 3,347,740.00	\$ 3,347,740.00
Buildings	35,011,164.00	35,011,164.00
Improvements	2,800,402.00	2,489,986.00
Machinery and Equipment (Including Vehicles)	<u>8,348,798.00</u>	<u>8,045,312.00</u>
	<u>49,508,104.00</u>	<u>48,894,202.00</u>
 Investment In General Fixed Assets	 <u>\$49,508,104.00</u>	 <u>\$ 48,894,202.00</u>

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

## TOWN OF NEWTON, N.J.

### NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2015 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 Town of Newton 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 an other comprehensive basis of accounting other than generally accepted accounting principles. 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 Town accounts for its financial transactions through the following separate funds which differ from the fund structure required by GAAP.

#### **A. Reporting Entity**

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

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

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

The Town 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 Town 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.

**TOWN OF NEWTON**

**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2015 AND 2014**  
**(CONTINUED)**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

The Town 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 Town as an agent for individual, private organizations, or other governments are recorded in the Trust Funds.

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

Animal Control Trust - 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.

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

Water/Sewer Operating, Water/Sewer Assessment and Water/Sewer Capital Funds - These funds account for the operations and acquisition of capital facilities of the municipally owned water/sewer utility.

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

**Basis of Accounting**

A modified accrual basis of accounting is followed by the Town of Newton. 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:

**TOWN OF NEWTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2015 AND 2014**  
**(CONTINUED)**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Accounting** (Continued)

Property Tax Revenues - Real property taxes are assessed locally, based upon the assessed value of the property. The tax bill includes a levy for Municipal, County and School purposes. The bills are mailed annually in June for that calendar year's levy. Taxes are payable in four quarterly installments on February 1, May 1, August 1, and November 1. The amounts of the first and second installments are determined as one quarter of the total tax levied against the property for the preceding year. The installment due the third and fourth quarters is determined by taking the current year levy less the amount previously charged for the first and second installments, with the remainder being divided equally. If unpaid on these dates, the amount due becomes delinquent and subject to interest at 8% per annum, or 18% on any delinquency amount in excess of \$1,500. The school levy is turned over to the Board of Education as expenditures are incurred, and the balance, if any, must be transferred as of June 30, of each fiscal year. County taxes are paid quarterly on February 15, May 15, August 15 and November 15, to the County by the Town. When unpaid taxes or any municipal lien, or part thereof, on real property, remains in arrears on the 11<sup>th</sup> day of the 11<sup>th</sup> month of the fiscal year 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 Town. 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 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 Town'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 Town's budget. GAAP requires such revenues to be recognized in the accounting period when they become susceptible to accrual.

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

**TOWN OF NEWTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2015 AND 2014**  
**(CONTINUED)**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Accounting** (Continued)

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

General Capital Fund  
Trust Fund

Water/Sewer Utility Capital Fund  
Animal Control Trust Fund

The governing body shall introduce and approve the annual budget not later than February 10, of the fiscal year. The budget shall be adopted not later than March 20, and prior to adoption must be certified by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The Director of the Division of Local Government Services, with the approval of the Local Finance Board may extend the introduction and approval and adoption dates of the municipal budget. The budget is prepared by fund, function, activity and line item (salary or other expense) and includes information on the previous year. The legal level of control for appropriations is exercised at the individual line item level for all operating budgets adopted. Emergency appropriations, those made after the adoption of the budget and determination of the tax rate, may be authorized by the governing body of the municipality. During the last two months of the fiscal year, the governing body may, by a 2/3 vote, amend the budget through line item transfers. Management has no authority to amend the budget without the approval of the Governing Body. Expenditures may not legally exceed budgeted appropriations at the line item level. During 2015, the Town Council increased the original current fund budget by \$67,642.04. The increase was for ten special items of revenue inserted into the budget. They are as follows: Federal Body Armor Grant \$3,191.90; Clean Communities Grant \$16,434.04; Municipal Alliance \$20,772.00; State of New Jersey Body Armor \$2,352.27; Pedestrian Safety Grant \$14,146.00; Drive Sober or Get Pulled Over \$5,000.00; Body Camera Grant \$4,245.83; Municipal Alliance Cash Match: Andover Borough \$500.00, Andover Township \$500.00, Green Township \$500.00. In addition, several budget transfers were approved by the governing body.

Expenditures - Are recorded on the "budgetary" basis of accounting. Generally, expenditures are recorded when an amount is encumbered for goods or services through the issuance of a purchase order in conjunction with an encumbrance accounting system. Outstanding encumbrances at December 31, are reported as a cash liability in the financial statements. Unexpended or uncommitted appropriations, at December 31, are reported as expenditures through the establishment of appropriations 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.

**TOWN OF NEWTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2015 AND 2014**  
**(CONTINUED)**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Accounting** (Continued)

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

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

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

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

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

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

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

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



**TOWN OF NEWTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2015 AND 2014**  
**(CONTINUED)**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Accounting** (Continued)

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 road, bridges, curbs and gutters, streets, sidewalks and drainage systems are not capitalized.

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

No depreciation has been provided for in the financial statements.

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

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

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

Use of Estimates - The preparation of financial statements requires management of the Town 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 Town'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 required 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.

## TOWN OF NEWTON

### NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2015 AND 2014 (CONTINUED)

#### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### Recent Accounting Pronouncements (Continued)

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 required 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.

In February 2015, the Government Accounting Standards Board issued GASB Statement No. 72, Fair Value Measurement and Application. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement also provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. This Statement is effective for periods beginning after June 15, 2015. The Town is currently reviewing what effect, if any, this Statement might have on future financial statements.

In June 2015, the Government Accounting Standards Board issued GASB Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68 and Amendments to Certain Provisions of GASB Statements 67 and 68. This Statement is effective for periods beginning after June 15, 2015 – except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, which are effective for financial statements for periods beginning after June 15, 2016. The Town is currently reviewing what effect, if any, this Statement might have on future financial statements.

In June 2015, the Government Accounting Standards Board issued GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans. This Statement applies to OPEB plans and basically parallels GASB Statement 67 and replaces GASB Statement 43 and is effective for periods beginning after June 15, 2016. The Town is currently reviewing what effect, if any, this Statement might have on future financial statements.

**TOWN OF NEWTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2015 AND 2014**  
**(CONTINUED)**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Recent Accounting Pronouncements (Continued)

In June 2015, the Government Accounting Standards Board issued GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement applies to government employers who provided OPEB plans to their employees and basically parallels GASB Statement 68 and replaces GASB Statement 45. The Statement is effective for periods beginning after June 15, 2017. The Town is currently reviewing what effect, if any, this Statement might have on future financial statements.

In June 30, 2015, the Government Accounting Standards Board issued GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which reduces the GAAP hierarchy to two categories of authoritative GAAP from the four categories under GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The first category of authoritative GAAP consists of GASB Statements of Governmental Accounting Standards. The second category comprises GASB Technical Bulletins and Implementation Guides, as well as guidance from the American Institute of Certified Public Accountants that is cleared by the GASB. This Statement is effective for periods beginning after June 15, 2015. The Town is currently reviewing what effect, if any, this Statement might have on future financial statements.

In August 2015, the Government Accounting Standards Board issued GASB Statement No. 77, *Tax Abatement Disclosures*, which improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition. The Town is currently reviewing what effect, if any, this Statement might have on future financial statements.

In December 2015, the Government Accounting Standards Board issued GASB Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. This Statement is effective for reporting periods beginning after December 15, 2015. The Town is currently reviewing what effects, if any, this Statement might have on future financial statements.

In December 2015, the Government Accounting Standards Board issued GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement addresses accounting and

**TOWN OF NEWTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2015 AND 2014**  
**(CONTINUED)**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Recent Accounting Pronouncements (Continued)**

financial reporting for certain external investment pools and pool participants. Specifically, it established criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. This Statement is effective for periods beginning after June 15, 2015, and for certain provisions, periods beginning after December 15, 2015. The Town is currently reviewing what effects, if any, this Statement might have on future financial statements.

**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 Town presents the financial statements listed in the table of contents which are required by the Division and which differ from the financial statements required by GAAP. In addition, the Division requires the financial statements listed in the table of contents to be referenced to the supplementary schedules. This practice differs from GAAP.

**NOTE 2: BUDGETARY INFORMATION**

Under New Jersey State Statutes, the annual budget is required to be a balanced cash basis document. To accomplish this, the municipality is required to establish a reserve for uncollected taxes. The 2015 statutory budget included a reserve for uncollected taxes in the amount of \$489,446.30. To balance the budget, the municipality is required to show a budgeted fund balance. The amount of fund balance budgeted to balance the 2015 statutory budget was \$776,048.00.

Interdepartment budget transfers are not permitted prior to November 1. After November 1, budget transfers can be made in the form of a resolution and approved by the Town Council.

N.J.S.A. 40A:4-87 permits special items of revenue and appropriations to be inserted into the annual budget when the item has been made available by any public or private funding source and the item was not determined at the time of budget adoption. During 2015, Federal Body Armor Grant, Clean Communities Grant, Municipal Alliance, State of New Jersey Body Armor, Pedestrian Safety Grant, Drive Sober or Get Pulled Over, Body Camera Grant, and Municipal Alliance Cash Match were inserted into the Budget.

The municipality may make emergency appropriations, after the adoption of the budget, for a purpose which was not foreseen at the time the budget was adopted or for which adequate provision was not made therein. This type of appropriation shall be made to meet a pressing need for public expenditure to protect or promote the public health, safety, morals or welfare or to provide temporary housing or

**TOWN OF NEWTON**

**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2015 AND 2014**  
**(CONTINUED)**

**NOTE 2: BUDGETARY INFORMATION (CONTINUED)**

public assistance prior to the next succeeding fiscal year. Emergency appropriations, except those classified as a special emergency, must be raised in the budgets of the succeeding year. Special emergency appropriations are permitted to be raised in the budgets of the succeeding three or five years. During 2015, there were no special emergency appropriations.

**NOTE 3: DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS**

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2015, the following deferred charges are shown on the balance sheets of the various funds:

	<u>Balance</u> <u>Dec. 31, 2015</u>	<u>Added</u> <u>in 2015</u>	<u>2016 Budget</u> <u>Appropriation</u>	<u>Balance to</u> <u>Succeeding Years</u>
Current Fund	<u>\$73,200.00</u>	<u>\$ -</u>	<u>\$25,600.00</u>	<u>\$47,600.00</u>
Water/Sewer Utility	\$70,000.00 <u>-</u>	\$ - <u>220,000.00</u>	\$ 70,000.00 <u>220,000.00</u>	\$ - <u>-</u>
Total Water/Sewer Utility	<u>\$70,000.00</u>	<u>\$220,000.00</u>	<u>\$290,000.00</u>	<u>\$ -</u>

**NOTE 4: GENERAL FIXED ASSETS**

The following schedule is a summarization of the changes in general fixed assets for the calendar year ended December 31, 2015.

	<u>Balance as of</u> <u>12/31/14</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance as of</u> <u>12/31/15</u>
Land	\$ 3,347,740.00	\$ -	\$ -	\$ 3,347,740.00
Buildings	35,011,164.00	-	-	35,011,164.00
Improvements	2,489,986.00	310,416.00	-	2,800,402.00
Equipment, Furniture and Vehicles	<u>8,045,312.00</u>	<u>305,662.00</u>	<u>2,176.00</u>	<u>8,348,798.00</u>
	<u>\$48,894,202.00</u>	<u>\$616,078.00</u>	<u>\$2,176.00</u>	<u>\$49,508,104.00</u>

# TOWN OF NEWTON

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2015 AND 2014 (CONTINUED)

### NOTE 5: MUNICIPAL DEBT

Long-term debt as of December 31, 2015 consisted of the following:

	<u>Balance</u> <u>Dec. 31, 2014</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>Dec. 31, 2015</u>	<u>Amount Due</u> <u>Within</u> <u>One Year</u>
General Capital Fund:					
Bonds Payable	17,000,000.00		1,080,000.00	15,920,000.00	1,135,000.00
Garden Trust Preservation Trust Loan Payable	<u>118,248.82</u>		<u>17,211.57</u>	<u>101,037.25</u>	<u>17,557.51</u>
	<u>17,118,248.82</u>		<u>1,097,211.57</u>	<u>16,021,037.25</u>	<u>1,152,557.51</u>
Water Sewer Assessment Trust Fund:					
Bonds Payable	<u>368,419.93</u>		<u>15,215.81</u>	<u>353,204.12</u>	<u>15,862.48</u>
Water/Sewer Capital Fund:					
Bonds Payable	<u>8,986,580.07</u>		<u>309,784.19</u>	<u>8,676,795.88</u>	<u>294,137.52</u>
Compensated Absences Payable	<u>428,168.00</u>	<u>27,686.00</u>	(1)	<u>455,854.00</u>	
Capital Lease Payable	<u>51,634.48</u>		<u>32,808.86</u>	<u>18,825.62</u>	<u>9,303.04</u>
	<u>26,953,051.30</u>	<u>27,686.00</u>	<u>1,455,020.43</u>	<u>25,525,716.87</u>	<u>1,471,860.55</u>

(1) Net of additions and deletions during the year.

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

Net Debt \$16,466,062.25 divided by average equalized valuation basis per N.J.S. 40A:2-2 as amended, 623,908,400.67 = 2.639%.

TOWN OF NEWTON

NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2015 AND 2014  
(CONTINUED)

**NOTE 5: MUNICIPAL DEBT (CONTINUED)**

SUMMARY OF AVERAGE EQUALIZED VALUATION PER N.J.S. 40A:2-2

2015	623,908,400.67		
2014		642,938,762.00	
2013			675,929,457.00

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

3 ½% of Average Equalized Valuation Basis	\$21,836,794.02
Net Debt	<u>16,466,062.25</u>
Remaining Borrowing Power	<u>\$ 5,370,731.77</u>

CALCULATION OF "SELF-LIQUIDATING PURPOSE" WATER/SEWER UTILITY PER N.J.S. 40A:2-45

		<u>Water/Sewer</u>
Cash Receipts from Fees, Rents or Other Charges for Year		\$4,079,835.11
Deductions:		
Operating and Maintenance Cost	2,999,000.00	
Debt Service	<u>650,784.19</u>	
		<u>3,649,784.19</u>
Excess in Revenue		<u>\$ 430,050.92</u>

If there is an "excess in revenue" all such utility debt is deductible. If there is a deficit, then utility debt is not deductible to the extent of 20 times such deficit amount.

The forgoing debt information is in agreement with the Annual Debt Statement filed by the Chief Financial Officer.

**TOWN OF NEWTON**

**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2015 AND 2014**  
**(CONTINUED)**

**NOTE 5: MUNICIPAL DEBT (CONTINUED)**

The Town's debt is summarized as follows:

	<u>Year 2015</u>	<u>Year 2014</u>	<u>Year 2013</u>
Issued			
General Capital Fund:			
Bonds, Notes and Loans	20,160,037.25	20,529,823.82	20,041,171.25
Water/Sewer Assessment Bonds, Notes and Loans	353,204.12	368,419.93	383,015.43
Water-Sewer Utility Fund:			
Bonds, Notes and Loans	<u>8,676,795.88</u>	<u>8,986,580.07</u>	<u>9,321,984.57</u>
Total Issued	<u>29,190,037.25</u>	<u>29,884,823.82</u>	<u>29,746,171.25</u>
<u>Authorized But Not Issued</u>			
General Capital Fund:			
Bonds and Notes	476,000.00	786,000.00	786,000.00
Water-Sewer Utility Fund:			
Bonds and Notes	<u>1,200,000.00</u>	<u>1,200,000.00</u>	<u>1,110,658.37</u>
Total Authorized But Not Issued	<u>1,676,000.00</u>	<u>1,986,000.00</u>	<u>1,896,658.37</u>
Net Bonds & Notes Issued & Authorized But Not Issued	<u>30,866,037.25</u>	<u>31,870,823.82</u>	<u>31,642,829.62</u>

**SUMMARY OF STATUTORY DEBT CONDITION - ANNUAL DEBT STATEMENTS**

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of 2.639%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
School District Debt	7,150,000.00	7,150,000.00	-
Water-Sewer Utility Debt	10,230,000.00	10,230,000.00	-
General Debt	<u>20,636,037.25</u>	<u>4,170,000.00</u>	<u>16,466,037.25</u>
	<u>38,016,037.25</u>	<u>21,550,000.00</u>	<u>16,466,037.25</u>



**TOWN OF NEWTON**

**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2015 AND 2014**  
**(CONTINUED)**

**NOTE 5: MUNICIPAL DEBT (CONTINUED)**

Details of Long-Term debt as of December 31, 2015 is as follows:

Outstanding debt whose principle and interest are paid from the Current Fund Budget of the Town:

General Improvement Bonds of 2006 dated 4/1/06, in the amount of \$4,041,000.00 - Interest is paid semi-annually at a rate of 4.000% - 4.125% per annum. The remaining balance as of December 31, 2015 was \$225,000.00.

MCIA Loan Program Bond of 2009 dated 10/1/09, in the amount of \$4,285,000.00 - Interest is paid semi-annually at a rate of 2.00% to 5.00% per annum. The remaining balance as of December 31, 2015 was \$2,685,000.00.

General Obligation Redevelopment Area Bonds of 2010 dated 10/28/10, in the amount of \$4,350,000.00 - Interest is paid semi-annually at a rate of 1.60% - 5.45% per annum. The remaining balance as of December 31, 2015 was \$4,170,000.00.

General Obligation Loan - Memory Park Development Project - dated 4/1/03, in the amount of \$286,600.00 with the State of New Jersey Department of Environmental Protection. This loan is payable in semi-annual installments of \$19,490.92 through 1/15/21. Interest is calculated at 2.00% and is included in the semi-annual installments. The remaining balance as of December 31, 2015 was \$101,037.25.

General Refunding Bonds of 2011 dated 8/30/11, in the amount of \$3,875,000.00 - Interest is paid semi-annually at a rate of 2.00% - 5.00% per annum. The remaining balance as of December 31, 2015 was \$3,485,000.00.

General Improvement Bonds of 2011 dated 8/30/11, in the amount of \$2,735,000.00 - Interest is paid semi-annually at a rate of 2.00% - 5.00% per annum. The remaining balance as of December 31, 2015 was \$1,875,000.00.

General Refunding Bonds of 2012 dated 6/27/12, in the amount of \$1,685,000.00 - Interest is paid semi-annually at a rate of 2.00% - 5.00% per annum. The remaining balance as of December 31, 2015 was \$1,295,000.00.

General Refunding Bonds of 2014 dated 8/7/14, in the amount of \$2,185,000.00 - Interest is paid semi-annually at a rate of 3.00% - 5.00% per annum. The remaining balance as of December 31, 2015 was \$2,185,000.00.

**TOWN OF NEWTON**

**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2015 AND 2014**  
**(CONTINUED)**

**NOTE 5: MUNICIPAL DEBT (CONTINUED)**

Outstanding debt whose principal and interest are paid from the Water/Sewer Utility Operating Fund Budget of the Town:

Refunding Bonds of 2012 dated 6/27/12, in the amount of \$8,525,000.00 - Interest is paid semi-annually at a rate of 2.00% - 5.00% per annum. The remaining balance as of December 31, 2015 was \$7,386,795.88.

Refunding Bonds of 2014 dated 8/7/14, in the amount of \$1,445,000.00 - Interest is paid semi-annually at a rate of 2.00% - 5.00% per annum. The remaining balance as of December 31, 2015 was \$1,290,000.00.

Outstanding debt whose principal and interest are paid from the Water/Sewer Assessment Trust Fund:

Assessment Bonds of 2012 dated 6/27/12, in the amount of \$427,843.95 - Interest is paid semi-annually at a rate of 4.25%. The remaining balance as of December 31, 2015 was \$353,204.12.

Total General Capital Bonds and Loans - listed above \$16,021,037.25

Total Water/Sewer Utility Capital Bonds and Loans -  
listed above \$ 8,676,795.88

Total Water/Sewer Assessment Bonds - listed above \$ 353,204.12

**SCHEDULE OF ANNUAL DEBT SERVICE FOR PRINCIPAL AND INTEREST LONG TERM**  
**DEBT ISSUED AND OUTSTANDING**

Calendar Year	General		Water/Sewer		Water/Sewer Assessment Trust	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	1,152,557.51	707,529.64	294,137.52	329,401.33	15,862.48	15,011.17
2017	1,202,910.42	662,801.74	308,463.37	318,275.48	16,536.63	14,337.02
2018	1,213,270.42	614,091.74	317,760.56	306,278.28	17,239.44	13,634.22
2019	1,223,637.66	564,452.00	292,027.89	293,998.47	17,972.11	12,901.53
2020	1,269,012.27	507,434.88	311,264.07	280,049.77	18,735.93	12,137.73
2021-2025	4,919,648.97	1,725,231.49	1,768,677.42	1,168,779.33	106,322.58	48,045.67
2026-2030	3,505,000.00	823,320.00	2,129,080.06	821,807.95	130,919.94	23,448.30
2031-2035	1,535,000.00	83,020.00	2,105,384.99	447,853.86	29,615.01	1,258.64
2036-2039	-	-	1,150,000.00	56,800.00	-	-
	<u>16,021,037.25</u>	<u>5,687,881.49</u>	<u>8,676,795.88</u>	<u>4,023,244.47</u>	<u>353,204.12</u>	<u>140,774.28</u>

**TOWN OF NEWTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2015 AND 2014**  
**(CONTINUED)**

**NOTE 5: MUNICIPAL DEBT (CONTINUED)**

**SCHEDULE OF ANNUAL DEBT SERVICE FOR PRINCIPAL AND INTEREST LONG TERM DEBT ISSUED AND OUTSTANDING (continued)**

	<u>Yearly Total</u>	
	<u>Principal</u>	<u>Interest</u>
2016	1,462,557.51	1,051,942.14
2017	1,527,910.42	995,414.24
2018	1,548,270.42	934,004.24
2019	1,533,637.66	871,352.00
2020	1,599,012.27	799,622.38
2021-2025	6,794,648.97	2,942,056.49
2026-2030	5,765,000.00	1,668,576.25
2031-2035	3,670,000.00	532,132.50
2036-2039	<u>1,150,000.00</u>	<u>56,800.00</u>
	<u>25,051,037.25</u>	<u>9,851,900.24</u>

**NOTE 6: BOND ANTICIPATION NOTES**

The Town issued 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 such notes 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.

The following activity related to Bond Anticipation Notes occurred during the calendar year ended December 31, 2015:

	<u>Balance</u> <u>Dec. 31, 2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>Dec. 31, 2015</u>
General Capital:				
Jeffries LLC	3,411,575.00	-	3,411,575.00	-
TD Bank	<u>-</u>	<u>4,139,000.00</u>	<u>-</u>	<u>4,139,000.00</u>
	<u>3,411,575.00</u>	<u>4,139,000.00</u>	<u>3,411,575.00</u>	<u>4,139,000.00</u>

**TOWN OF NEWTON**

**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2015 AND 2014**  
**(CONTINUED)**

**NOTE 6: BOND ANTICIPATION NOTES**

The Town has outstanding at December 31, 2015, a bond anticipation note in the amount of \$4,139,000.00 payable to TD Securities. This note will mature on August 26, 2016 and it is the intent of the Town Council to renew this note for another one year period. The current interest rate on this note is 1.50%. Principal and interest on this note is paid from the Current Fund Budget of the Town.

**NOTE 7: DUE TO/FROM OTHER FUNDS**

Balances due to/from other funds at December 31, 2015 consist of the following:

\$34,422.50      Due to Current Fund from Federal and State Grant Fund for various receipts and disbursements made in Current Fund for Federal and State Grant Fund.

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

**NOTE 8: FUND BALANCES APPROPRIATED**

Fund balances at December 31, 2015 and 2014, which were appropriated and included as anticipated revenue in their own respective funds for the 2016 and 2015 budget were as follows:

	<u>2016</u>	<u>2015</u>
Current Fund	<u>\$810,876.00</u>	<u>\$776,048.00</u>
Water/Sewer Utility Operating Fund	<u>\$303,000.00</u>	<u>\$357,767.00</u>

**NOTE 9: LOCAL SCHOOL DISTRICT TAXES**

Regulations provide for the deferral of not more than 50% of the annual levy when school taxes are raised for a school year and have not been requisitioned by the school district. The Town of Newton has not elected to defer school taxes

**TOWN OF NEWTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2015 AND 2014**  
**(CONTINUED)**

**NOTE 10: PENSION PLANS**

Description of Systems:

Substantially all of the Town'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.

*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

**TOWN OF NEWTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2015 AND 2014**  
**(CONTINUED)**

**NOTE 10: PENSION PLANS (CONTINUED)**

Description of Systems: (continued)

members and repealed the law for new members that provided a non-forfeitable right to receive a pension based on the laws of the retirement system in place at the time 5 years of pension service credit is attained. The law also requires the State to make its full pension contribution, defined as 1/7th of the required amount, beginning in fiscal year 2012.

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

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

*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.

**TOWN OF NEWTON**

**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2015 AND 2014**  
**(CONTINUED)**

**NOTE 10: 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.

Defined Contribution Retirement Program

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

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

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

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

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

**TOWN OF NEWTON**

**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2015 AND 2014**  
**(CONTINUED)**

**NOTE 10: PENSION PLANS (CONTINUED)**

**Contribution Requirements**

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

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

<u>Year</u>	<u>PERS</u>	<u>PFRS</u>	<u>DCRP</u>
2015	\$312,905.57	\$571,949.00	\$8,253.12
2014	309,859.00	527,189.00	16,990.19
2013	284,334.00	551,294.00	3,701.83

Statement No's 68 and 71 require a state or local government employer to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. However, since the financial statements are prepared on another comprehensive basis of accounting, the net pension liability of the various pension systems is not recorded in the financial statements and is only required to be disclosed in the notes to the financial statements. The following pension information is as of June 30, 2014 which is the latest information available. This information is eighteen months prior to December 31, 2015. GASB Statement No. 68 requires that the information be no more than twelve months prior to the employer's fiscal year end.

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

**Public Employees Retirement System (PERS)**

At December 31, 2015, the Town had a liability of \$7,037,251.00 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, actuarially determined. At June 30, 2014, the Town's proportion was 0.0375866595 percent, which was an increase/(decrease) of 0.0014467283 percent from its proportion measured as of June 30, 2013.



**TOWN OF NEWTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2015 AND 2014**  
**(CONTINUED)**

**NOTE 10: PENSION PLANS (CONTINUED)**

**Public Employees Retirement System (PERS)** (continued)

For the year ended December 31, 2015, the Town recognized pension expense of \$312,905.57. At December 31, 2015, deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$221,289.00	\$ -
Net difference between projected and actual earnings on pension plan investments	-	419,382.00
Changes in proportion and differences between Town contributions and proportionate share of contributions	233,564.00	-
Town contributions subsequent to the measurement date	<u>330,349.00</u>	<u>-</u>
Total	<u>\$785,202.00</u>	<u>\$419,382.00</u>

Amounts reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date (June 30, 2014) will be recognized as a reduction of the net pension liability in the subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	(\$64,167.00)
2017	(64,167.00)
2018	(64,167.00)
2019	40,678.00
Thereafter	17,898.00

**TOWN OF NEWTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2015 AND 2014**  
**(CONTINUED)**

**NOTE 10: PENSION PLANS (CONTINUED)**

**Additional Information**

Local Group Collective balances at June 30, 2014 and June 30, 2013 are as follows:

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Collective deferred outflows of resources	\$ 952,194,675	Not Available
Collective deferred inflows of resources	1,479,224,662	Not Available
Collective net pension liability	18,722,735,003	\$19,111,986,111
Town's Proportion	0.0375866595%	0.0361399312%

**Actuarial Assumptions**

The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of July 1, 2013, which rolled forward to June 30, 2014. The total pension liability for the July 1, 2013 measurement date was determined by an actuarial valuation as of July 1, 2013. This actuarial valuation used the following assumptions, applied to all periods in the measurement.

Inflation	3.01 Percent
Salary Increases:	
2012-2021	2.15-4.40 Percent (based on age)
Thereafter	3.15-5.40 Percent (based on age)
Investment Rate of Return	7.90 Percent

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011.

**Mortality Rates**

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback one year for females) with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA.

**TOWN OF NEWTON**

**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2015 AND 2014**  
**(CONTINUED)**

**NOTE 10: PENSION PLANS (CONTINUED)**

**Long-Term Rate of Return**

In accordance with State statute, the long-term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries: Best estimates of arithmetic real rates of return for each major asset class included in PERs's target asset allocation as of June 30, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	1.04%
U. S. Treasuries	1.75%	1.64%
Investment Grade Credit	10.00%	1.79%
Mortgages	2.10%	1.62%
High Yield Bonds	2.00%	4.03%
Inflation Indexed Bonds	1.50%	3.25%
Broad U.S. Equities	27.25%	8.52%
Developed Foreign Markets	12.00%	6.88%
Emerging Market Equities	6.40%	10.00%
Private Equity	9.25%	12.41%
Hedge Funds/Absolute Returns	12.00%	4.72%
Real Estate (Property)	2.00%	6.83%
Commodities	1.00%	5.32%
Global Debt ex US	3.50%	-0.40%
REIT	4.25%	5.12%
	<u>100.00%</u>	

**Discount Rate**

The discount rate used to measure the total pension liability was 5.39% and 5.55% as of June 30, 2014 and 2013, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9%, and a municipal bond rate of 4.29% and 4.63% as of June 30, 2014 and 2013, respectively, based on the Bond Buyer GO 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years of contributions made in relation to the last five years of recommended contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

**TOWN OF NEWTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2015 AND 2014**  
**(CONTINUED)**

**NOTE 10: PENSION PLANS (CONTINUED)**

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

The following presents the collective net pension liability of the participating employers as of June 30, 2014 respectively, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1 -percentage point lower or 1 -percentage-point higher than the current rate:

	<u>June 30, 2014</u>		
	<u>1%</u> <u>Decrease</u> <u>4.39%</u>	<u>At Current</u> <u>Discount Rate</u> <u>5.39%</u>	<u>1%</u> <u>Increase</u> <u>6.39%</u>
Town's proportionate share of the pension liability	\$8,853,101.00	\$7,037,251.00	\$5,512,399.00

**Pension Plan Fiduciary Net Position**

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

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

At December 31, 2015, the Town had a liability of \$9,367,111.00 for its proportionate share of the PFRS net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, actuarially determined. At June 30, 2014, the Town's proportion was 0.0744658293 percent, which was an increase/(decrease) of 0.0022063610 percent from its proportion measured as of June 30, 2013

For the year ended December 31, 2015, the Town recognized pension expense of \$571,949.00. At December 31, 2015, deferred outflows of resources and deferred inflows of resources related to PFRS from the following sources:

**TOWN OF NEWTON**

**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2015 AND 2014**  
**(CONTINUED)**

**NOTE 10: PENSION PLANS (CONTINUED)**

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$351,673.00	\$ -
Net difference between projected and actual earnings on pension plan investments	-	955,882.00
Changes in proportion and differences between Town contributions and proportionate share of contributions	245,777.00	-
Town contributions subsequent to the measurement date	<u>620,370.00</u>	<u>-</u>
Total	<u>\$1,217,820.00</u>	<u>\$955,882.00</u>

Amounts reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date (June 30, 2014) will be recognized as a reduction of the net pension liability in the subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	(\$170,949.00)
2017	(170,949.00)
2018	(170,949.00)
2019	68,022.00
Thereafter	11,564.00

**Additional Information**

Local Group Collective balances at June 30, 2014 and June 30, 2013 are as follows:

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Collective deferred outflows of resources	\$ 750,532,959	Not Available
Collective deferred inflows of resources	1,561,923,934	Not Available
Collective net pension liability	13,933,627,178	\$14,533,269,004
Town's Proportion	0.0744658293%	0.0722594683%

**TOWN OF NEWTON**

**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2015 AND 2014**  
**(CONTINUED)**

**NOTE 10: PENSION PLANS (CONTINUED)**

**Actuarial Assumptions**

The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of July 1, 2013, which rolled forward to June 30, 2014. The total pension liability for the July 1, 2013 measurement date was determined by an actuarial valuation as of July 1, 2013. This actuarial valuation used the following assumptions, applied to all periods in the measurement.

Inflation	3.01 Percent
Salary Increases:	
2012-2021	3.95-8.62 Percent (based on age)
Thereafter	4.95-9.62 Percent (based on age)
Investment Rate of Return	7.90 Percent

**Mortality Rates**

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback one year for females) with adjustments for mortality improvements from the base year of 2011 based on Projection Scale AA.

**Long-Term Rate of Return**

In accordance with State statute, the long-term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in PFRS's target asset allocation as of June 30, 2014 are summarized in the following table:

**TOWN OF NEWTON**

**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2015 AND 2014**  
**(CONTINUED)**

**NOTE 10: PENSION PLANS (CONTINUED)**

**Long-Term Rate of Return** (continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	1.04%
U. S. Treasuries	1.75%	1.64%
Investment Grade Credit	10.00%	1.79%
Mortgages	2.10%	1.62%
High Yield Bonds	2.00%	4.03%
Inflation Indexed Bonds	1.50%	3.25%
Broad U.S. Equities	27.25%	8.52%
Developed Foreign Markets	12.00%	6.88%
Emerging Market Equities	6.40%	10.00%
Private Equity	9.25%	12.41%
Hedge Funds/Absolute Returns	12.00%	4.72%
Real Estate (Property)	2.00%	6.83%
Commodities	1.00%	5.32%
Global Debt ex US	3.50%	-0.40%
REIT	<u>4.25%</u>	5.12%
	<u>100.00%</u>	

**Discount Rate**

The discount rate used to measure the total pension liability was 6.32% and 6.45% as of June 30, 2014 and 2013, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9%, and a municipal bond rate of 4.29% and 4.63% as of June 30, 2014 and 2013, respectively, based on the Bond Buyer GO 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years of contributions made in relation to the last five years of recommended contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2045. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2045, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

The following presents the collective net pension liability of the participating employers as of June 30, 2014 respectively, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1 -percentage point lower or 1- percentage-point higher than the current rate:

**TOWN OF NEWTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2015 AND 2014**  
**(CONTINUED)**

**NOTE 10: PENSION PLANS (CONTINUED)**

**Sensitivity of the Collective Net Pension Liability to Changes in the Discount Rate** (continued)

	<u>June 30, 2014</u>		
	1% Decrease <u>5.32%</u>	At Current Discount Rate <u>6.32%</u>	1% Increase <u>7.32%</u>
Town's proportionate share of the pension liability	\$13,982,713.00	\$9,367,111.00	\$7,394,759.00

**Pension Plan Fiduciary Net Position**

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

**NOTE 11: ACCRUED SICK AND VACATION BENEFITS**

The Town has permitted employees to accrue unused sick pay, which may be taken as time off or paid upon retirement or separation at the employee's current rate at such termination. It is estimated that current cost of such unpaid compensation would approximate \$455,854.00.

This amount is not reported either as an expenditure or a liability. The Town has reserved \$175,544.32 previous budgets to be used to offset this liability and is reflected on the Trust Fund balance sheet. See Exhibit B-5 for an analysis. It is expected that any remaining cost of such unpaid compensation the would be included in the Town's budget operating expenditures in the year in which it is used.

**NOTE 12: 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 Town'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, 2015, \$311,016.65 of the Town's bank balance of \$9,079,238.44 was exposed to custodial credit risk. In comparison, as of December 31, 2014, \$280,825.25 of the Town's bank balance of \$9,063,110.27 was exposed to custodial credit risk.



**TOWN OF NEWTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2015 AND 2014**  
**(CONTINUED)**

**NOTE 12: CASH, CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)**

**Investments**

**Investment Rate Risk**

The Town has a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. 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 Town places no limit on the amount the Town may invest in any one issuer.

**Unaudited Investments**

As more fully described in Note 18, the Town 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 Town. 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, 2015 and 2014 amounted to \$311,016.65 and \$280,825.25 respectively.

The following investments represent 5% or more of the total invested with Lincoln Financial Group on December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Investments under 5%	\$43,366.65	\$30,071.60
Fixed	240,208.56	225,506.82
LVIP SSgA S&P 500 Index Fund	<u>27,441.44</u>	<u>25,246.83</u>
Total	<u>\$311,016.65</u>	<u>\$280,825.25</u>

**TOWN OF NEWTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2015 AND 2014**  
**(CONTINUED)**

**NOTE 13: RISK MANAGEMENT**

The Town 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 Town has obtained insurance coverage to guard against these events which will provide minimum exposure to the Town should they occur. During the 2015 calendar year, the Town did not incur claims in excess of their coverage and the amount of coverage did not significantly decrease.

**NOTE 14: LEASES**

In 2014, the Town entered into a lease agreement for the purchase of a 2014 Ford Utility Police Interceptor. The lease is for a three year term. The interest rate for the lease is 2.360%. A payment, in the amount of \$9,747.45, was made on the date of inception of the lease.

The following is a schedule of future minimum lease payments as of December 31, 2015:

Total minimum lease payment	\$19,494.64
Less: Amount representing interest	<u>669.02</u>
Present value of net minimum lease payments	<u>\$18,825.62</u>

<u>Payment Dates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Lease Payment</u>
2016	\$9,303.04	\$444.28	\$ 9,747.32
2017	<u>9,522.58</u>	<u>224.74</u>	<u>9,747.32</u>
	<u>\$18,825.62</u>	<u>\$669.02</u>	<u>\$19,494.64</u>

**NOTE 15: PUBLIC ASSISTANCE**

The Town of Newton has elected to have the County of Sussex process all public assistance granted to the residents. Therefore, the Town of Newton no longer has a public assistance director.

**NOTE 16: HEALTH INSPECTIONS**

The Town of Newton has elected to have the County of Sussex, Department of Health, perform all inspections. Therefore, the Town of Newton does not have a health inspector.

**TOWN OF NEWTON**

**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2015 AND 2014**  
**(CONTINUED)**

**NOTE 17. 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, 2015</u>	<u>Balance</u> <u>Dec 31, 2014</u>
Prepaid Taxes	<u>\$412,341.79</u>	<u>\$101,825.77</u>
Cash Liability for Taxes Collected in Advance	<u>\$412,341.79</u>	<u>\$101,825.77</u>

**NOTE 18: EMERGENCY SERVICES VOLUNTEER LENGTH OF SERVICE AWARD PLAN  
(LOSAP)**

On May 24, 2004 the Division of Local Government Services approved the Town's LOSAP plan, provided by Lincoln Financial Group. The purpose of this plan is to enhance the Town's ability to retain and recruit volunteer firefighters and volunteer members of emergency service squads.

Lincoln Financial Group will provide for the benefit of participants, a multi-fund variable annuity contract as its funding vehicle. The plans contribution requirements are as follows: the contribution for each participating active volunteer member shall be between the minimum contributions of \$115.00 and the maximum contribution of \$1,150.00 commencing 2004. The Town's contribution shall be included in the current year's budget.

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

We have reviewed the plan for the year ended December 31, 2015 in accordance with the American Institute of Certified Public Accountants (AICPA) Statement on Standards for Accounting and Review Services.

**TOWN OF NEWTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2015 AND 2014**  
**(CONTINUED)**

**NOTE 19: POST-RETIREMENT BENEFITS**

Plan Description

The Town of Newton contributes to the New Jersey Municipal Employee Benefits Fund (NJMEBF), a public entity joint insurance fund whereby various town and school boards combine their employee and retiree populations and coverage needs to negotiate better rates due to the number of lives in the fund. This plan replaced the State Health Benefits Program (SHBP) effective January 1, 2010 adopted on October 14, 2009 by Resolution # 202-2009. The Town as a participant in the Fund will be able to duplicate all medical coverage formerly provided to both active and retirees offered through the State Health Benefits Program by participating in health insurance as defined pursuant to N.J.S.A. 17B:17-4, the NJMEBF bylaws and Plan of Risk Management.

Through the NJMEBF active and retired employees and dependents have access to a variety of health plans that provide medical, prescription drugs, mental health/substance abuse. The Town also reimburses retirees and their covered dependents for Medicare Part B.

Eligible retired employees and their dependents covered under the program, including surviving spouses will receive benefits based on their collective bargaining agreement defining eligibility for retirement medical insurance or by Resolution # 39-2011 adopted March 14, 2011 for the Non-Union employees. Under Resolution # 39-2011:

- Non-Union employees hired before December 31, 2010 that are not retired on a disability pension must be at least 50 years of age; have 25 years or more of service credited in a retirement system administered by a New Jersey municipality or by the State of New Jersey and have 15 years or more of service with the Town of Newton.
- Non-Union employees hired after January 1, 2011 that are not retired on a disability pension must be at least 62 years of age; have 25 years or more of service credited in a retirement system administered by a New Jersey municipality or by the State of New Jersey and have 15 years or more of service with the Town of Newton.
- Non-Union employees hired on or after January 1, 2015, regardless of full-time or part-time status, shall not be eligible for, or have access to the following: 1) any post-retirement medical benefits (including but not limited to: hospitalization, major medical, medical/surgical, prescription, dental, vision) provided by the Town of Newton; and 2) any payment or reimbursement for Medicare or Medicaid coverage by the Town of Newton.

Eligibility exceptions include employees who elected deferred retirement but include the employees who retired on disability pensions based on fewer years of credited service and also will be reimbursed for their premium charges under Part B of the Federal Medicare Program covering the retired employees and their spouses.

**TOWN OF NEWTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2015 AND 2014**  
**(CONTINUED)**

**NOTE 19: POST-RETIREMENT BENEFITS (CONTINUED)**

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

Contributions to pay for the health premiums of participating retirees in the NJMEBF are billed to the Town of Newton on a monthly basis. Funds for retiree health premiums are raised each year in the municipality via property taxes. There is no cost sharing policies that the current retirees contribute.

**Results of Valuation**

- *Actuarial Accrued Liability*

The Actuarial Accrued Liability ("AAL") as of December 31, 2014 is \$29,918,987 based upon a discount rate of 4.50% per annum and the plan provisions in effect on December 31, 2014.

- *Annual Required Contribution*

The Annual Required Contribution ("ARC") is the measure of annual cost on an accrual basis. It is comprised of the "Normal Cost" which is the portion of future liabilities attributable to the measurement year, plus 30 year amortization of the Unfunded Actuarial Accrued Liability ("UAAL"). As of the measurement date, the plan had no assets to offset any portion of the AAL, so the UAAL and AAL are equal.

The ARC as of December 31, 2014 is \$2,866,294 based upon a discount rate of 4.50% per annum and the plan provisions in effect on December 31, 2014. The breakdown of the ARC is as follows:

(1) Normal Cost	\$ 1,029,521
(2) Actuarial Accrued Liability	\$ 29,918,987
(3) Assets	\$ -
(4) UAAL = (2) - (3)	\$ 29,918,987
(5) 30 year amortization of UAAL at Discount Rate	\$ 1,836,773
(6) ARC = (1) + (5)	\$ 2,866,294

**TOWN OF NEWTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2015 AND 2014**  
**(CONTINUED)**

**NOTE 19: POST-RETIREMENT BENEFITS (CONTINUED)**

**Basis of Valuation**

This valuation has been conducted as of December 31, 2014 based upon census, plan design and claims information provided by the Fund. Census includes 52 participants currently receiving retiree benefits, and 57 active participants of whom 6 are eligible to retire as of the valuation date. The average age of the active population is 44 and the average age of the retiree population is 67.

Actuarial assumptions were selected with the intention of satisfying the requirements of New Jersey Local Finance Notice 2007-15 in addition to Statement of Government Accounting Standard Number 45.

Demographic assumptions were selected based on those used in the State Division of Pensions and Benefits in calculation pension benefits taken from the July 1, 2013 report from Buck Consultants. While some assumptions were simplified to reflect the smaller population, and to simplify the valuation process, the valuation results reasonably conform to the requirements of LFN 2007-15.

Health care (economic) assumptions were selected based on those used by the State Health Benefits Program in calculating SHBP member OPEB requirements taken from the July 1, 2012 report from Aon Consultants.

**Key Actuarial Assumptions**

Mortality	RP 2000 Combined Healthy Male Mortality Rates Set Forward Three Years
Turnover	NJ State Pensions Ultimate Withdrawal Rates - prior to benefits eligibility
Assumed Retirement Age	At first eligibility after completing age 50 (62 for those 2011 and later) with 15 years of employment and 25 years of pension service
Full Attribution Period	Service to Assumed Retirement Age and all 25 years of pension service being earned at Newton
Annual Discount Rate	4.50%
Medical Trend	8% in 2014, reducing by 0.5% per annum, leveling at 5% per annum in 2020
Medical Cost Aging Factor	NJ SHBP Medical Morbidity Rates

**TOWN OF NEWTON**

**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2015 AND 2014**  
**(CONTINUED)**

**NOTE 19: POST-RETIREMENT BENEFITS (CONTINUED)**

- Attribution period - This attribution period begins with the date of hire and ends with full benefits eligibility date.
- Per capita cost methods - The valuation reflects per capita net premium costs based on actual 2014 medical, prescription drug, and dental husband and spouse premiums and the plan option selected. Plan selections are assumed to remain unchanged in retirement. The age specific cost was derived based on per person costs at the average age of the active population (44) and scaled to each age based on the medical cost aging factors. At age 65, Medicare becomes the primary payer of medical benefits and consequentially, per capita plan costs are offset by Medicare payments. Thus, post 65 costs were decreased using the assumption that Medicare picks up 66.7% of combined medical/prescription drug costs. 2014 employer contributions for retiree benefits as reported by the Fund are 1.095 million.
- Retiree contribution - Retirees contribute 12% of the amount of premium in excess of the single rate. For valuation purposes we assumed that this level of contribution does not overstate the required aggregate contribution collections under NJ Chapter 78 and therefore do not understate the actuarial measurements.
- Actuarial valuation method - Projected Unit Credit Funding Method.

**NOTE 20: COMMITMENTS AND CONTINGENT LIABILITIES**

Town Counsel has advised us there are no unsettled pending or threatened litigation, claims and assessments.

**NOTE 21: SUBSEQUENT EVENT**

The Town has evaluated subsequent events through May 10, 2016, the date which the financial statements were available to be issued and no other items were noted for disclosure.

[ THIS PAGE INTENTIONALLY LEFT BLANK ]



**APPENDIX C**

**FORM OF APPROVING LEGAL OPINION OF BOND COUNSEL**

[ THIS PAGE INTENTIONALLY LEFT BLANK ]

\_\_\_\_\_, 2016

Town Council of the  
Town of Newton, in the  
County of Sussex, New Jersey

Dear Town Council Members:

We have acted as bond counsel to the Town of Newton, in the County of Sussex, New Jersey (the "Town") in connection with the issuance by the Town of \$4,979,000 General Improvement Bonds, dated the date hereof (the "Bonds"). In order to render the opinions herein, we have examined laws, documents and records of proceedings, or copies thereof, certified or otherwise identified to us, as we have deemed necessary.

The Bonds are issued pursuant to the Local Bond Law of the State of New Jersey, a resolution of the Township adopted July 18, 2016 pursuant to N.J.S.A. 40A:2-26(f), in all respects duly approved, and the various bond ordinances referred to therein, each in all respects duly approved and published as required by law.

In our opinion, except insofar as the enforcement thereof may be limited by any applicable bankruptcy, moratorium or similar laws or application by a court of competent jurisdiction of legal or equitable principles relating to the enforcement of creditors' rights, the Bonds are valid and legally binding general obligations of the Town, and the Town has the power and is obligated to levy *ad valorem* taxes upon all the taxable real property within the Town for the payment of the Bonds and the interest thereon without limitation as to rate or amount.

On the date hereof, the Town has covenanted in its Arbitrage and Tax Certificate (the "Certificate") to comply with certain continuing requirements that must be satisfied subsequent to the issuance of the Bonds in order to preserve the tax-exempt status of the Bonds pursuant to Section 103(a) of the Internal Revenue Code of 1986, as amended (the "Code"). Pursuant to Section 103(a) of the Code, failure to comply with these requirements could cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. In the event that the Town continuously complies with its covenants and in reliance on representations, certifications of fact and statements of reasonable expectations made by the Town in the Certificate, it is our opinion that, pursuant to Section 103(a) of the Code, interest on the Bonds is not included in gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax

imposed on individuals and corporations. It is also our opinion that interest on the Bonds held by a corporate taxpayer is included in “adjusted current earnings” in calculating alternative minimum taxable income for purposes of the federal alternative minimum tax imposed on corporations. We express no opinion regarding other federal tax consequences arising with respect to the Bonds. Further, in our opinion, interest on the Bonds and any gain on the sale thereof are not included in gross income under the New Jersey Gross Income Tax Act. These opinions are based on existing statutes, regulations, administrative pronouncements and judicial decisions.

This opinion is issued as of the date hereof. We assume no obligation to update, revise or supplement this opinion to reflect any facts or circumstances that may come to our attention or any changes in law or interpretations thereof that may occur after the date of this opinion or for any reason whatsoever.

Very truly yours,