

**NEW ISSUE**  
**Book-Entry-Only**Rating: Moody's "\_\_\_"  
(see "Credit Rating" herein)

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

**THE BOROUGH OF FAIR LAWN,  
IN THE COUNTY OF BERGEN, NEW JERSEY**

**\$15,660,000 BONDS**  
Consisting of  
**\$13,415,000 General Bonds of 2010**  
and  
**\$2,245,000 Water Bonds of 2010**

**Dated: Date of Delivery****Due: December 15, as shown below**

The \$15,660,000 bonds of 2010 consisting of \$13,415,000 General Bonds of 2010 and \$2,245,000 Water Bonds of 2010 (the "Bonds") of the Borough of Fair Lawn, in the County of Bergen, New Jersey (the "Borough"), will be issued in book-entry-only form with no physical distribution of bond certificates. The Bonds will be issued in registered form and bond certificates for each maturity of each series will be issued to The Depository Trust Company, New York, New York ("DTC"), registered in the name of its nominee, CEDE & CO.

Interest on the Bonds will be payable semiannually on June 15 and December 15 in each year until maturity or earlier redemption, commencing June 15, 2011. Principal or redemption price, if any, of and interest on the Bonds will be paid to DTC by the Borough. Interest on the Bonds will be credited to the participants of DTC as listed on the records of DTC as of June 1 and December 1 next preceding each such interest payment date (the "Record Dates") for the payment of interest on the Bonds).

The Bonds will be subject to redemption prior to their stated maturities as described herein (see "Description of the Bonds - Redemption" herein).

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

**MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND PRICES OR YIELDS**

<u>Year</u>	<u>General Bonds Principal Amount</u>	<u>Water Bonds Principal Amount</u>	<u>Total</u>	<u>Interest Rate</u>	<u>Price or Yield</u>
2011	\$550,000	\$105,000	\$655,000		
2012	550,000	140,000	690,000		
2013	575,000	200,000	775,000		
2014	650,000	200,000	850,000		
2015	725,000	200,000	925,000		
2016	785,000	200,000	985,000		
2017	880,000	200,000	1,080,000		
2018	905,000	200,000	1,105,000		
2019	920,000	200,000	1,120,000		
2020	935,000	200,000	1,135,000		
2021	950,000	200,000	1,150,000		
2022	965,000	200,000	1,165,000		
2023	980,000		980,000		
2024	995,000		995,000		
2025	1,025,000		1,025,000		
2026	<u>1,025,000</u>		<u>1,025,000</u>		
	<u>\$13,415,000</u>	<u>\$2,245,000</u>	<u>\$15,660,000</u>		

The Bonds are offered when, as and if issued and delivered to the Underwriter, subject to prior sale, to withdrawal or modification of the offer without notice and to approval of legality by the law firm of Hawkins Delafield & Wood LLP, Newark, New Jersey, and certain other conditions described herein. Delivery of the Bonds is anticipated to take place on or about December 15, 2010.

Dated: December \_\_\_\_, 2010

**BOROUGH OF FAIR LAWN  
COUNTY OF BERGEN**

**MAYOR AND COUNCIL**

**MAYOR**

Joseph Tedeshi

**DEPUTY MAYOR**

Steven Weinstein  
Lisa Swain

**COUNCIL MEMBERS**

Jeanne Baratta  
Edward Trawinski

**BOROUGH CLERK**

Joanne M. Kwasniewski

**BOROUGH MANAGER**

Timothy Stafford

**BOROUGH ATTORNEY**

Bruce R. Rosenberg  
Winne, Banta, Hetherington, Basralian & Kahn, P.C.  
Hackensack, New Jersey

**CHIEF FINANCIAL OFFICER**

Karen Palermo, CPA, RMA

**BOROUGH AUDITOR**

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

**BOND COUNSEL**

Hawkins Delafield & Wood LLP  
Newark, New Jersey

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

The information which is set forth herein has been provided by the Borough of Fair Lawn and by other sources, but the information provided by such other sources is not guaranteed as to accuracy or completeness by the Borough of Fair Lawn. References in this Official Statement to State of New Jersey statutes, laws, rules, regulations, resolutions, agreements, reports and documents do not purport to be comprehensive or definitive. All references to such documents are qualified in their entirety by reference to the particular document, the full text of which may contain qualifications of or exceptions to statements made herein. Copies of such above-mentioned documents may be inspected at the offices of the Borough of Fair Lawn during normal business hours. This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

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

The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Borough of Fair Lawn since the date hereof.

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

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**OFFICIAL STATEMENT  
OF  
THE BOROUGH OF FAIR LAWN  
IN THE COUNTY OF BERGEN  
NEW JERSEY  
RELATING TO  
\$15,660,000 BONDS  
Consisting of  
\$13,415,000 General Bonds of 2010  
and  
\$2,245,000 Water Bonds of 2010**

**INTRODUCTION**

This Official Statement (the "Official Statement"), which includes the cover page hereof and the Appendices attached hereto, is furnished by the Borough of Fair Lawn (the "Borough"), in the County of Bergen (the "County"), a municipal corporation of the State of New Jersey (the "State"), to provide certain information in connection with the sale and issuance of its \$15,660,000 bonds consisting of \$13,415,000 General Bonds of 2010 and \$2,245,000 Water Bonds of 2010 (the "Bonds"). This Official Statement has been executed by and on behalf of the Borough by the Chief Financial Officer.

**DESCRIPTION OF THE BONDS**

The Bonds shall be dated and shall bear interest from the date of delivery thereof and will mature on December 15 in each year as set forth in the "Schedule of Maturities" below. Interest on the Bonds is payable semi-annually commencing June 15, 2011 and thereafter on each December 15 and June 15 (each, an "Interest Payment Date") until maturity or earlier redemption at the respective interest rates set forth on the cover page hereof. Principal of and interest on the Bonds will be paid to The Depository Trust Company, New York, New York ("DTC"), by the Chief Financial Officer, acting as "Bond Registrar/Paying Agent." Interest on the Bonds will be credited to the participants of DTC as listed on the records of DTC as of the fifteenth day of the month preceding the month in which such Interest Payment Date occurs (the "Record Dates" for the payment of interest on the Bonds).

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

**Redemption**

*Optional Redemption*

The Bonds maturing prior to December 15, 2021 are not subject to redemption prior to their stated maturities at the option of the Borough. The Bonds maturing on or after December 15, 2021 are redeemable at the option of the Borough upon notice as described below in whole or in part, in any order of maturity and by lot within a maturity if less than all the Bonds of such maturity are to be redeemed, on any date on or after December 15, 2020 at a redemption price equal to one hundred percent (100%) of the principal amount being redeemed, plus accrued interest to the date fixed for redemption.

### *Notice of Redemption*

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

### **Schedule of Maturities**

The Bonds will mature on December 15, in each of the years as follows:

	General Bonds Principal	Water Bonds Principal	
<u>Year</u>	<u>Amount</u>	<u>Amount</u>	<u>Total</u>
2011	\$550,000	\$105,000	\$655,000
2012	550,000	140,000	690,000
2013	575,000	200,000	775,000
2014	650,000	200,000	850,000
2015	725,000	200,000	925,000
2016	785,000	200,000	985,000
2017	880,000	200,000	1,080,000
2018	905,000	200,000	1,105,000
2019	920,000	200,000	1,120,000
2020	935,000	200,000	1,135,000
2021	950,000	200,000	1,150,000
2022	965,000	200,000	1,165,000
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2025	1,025,000		1,025,000
2026	1,025,000		1,025,000
	<u>\$13,415,000</u>	<u>\$2,245,000</u>	<u>\$15,660,000</u>

### **BOOK-ENTRY ONLY SYSTEM**

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

DTC, the world's largest 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 Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices 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 the interest of each Direct Participant to be redeemed.

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

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

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

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

The improvements to be financed with the proceeds of the Bonds include the following:

**Table I**  
**General Capital**

<b>Ordinance Number</b>	<b>Purpose</b>	<b>Total</b>
1794-2000, as amended by 1807-2000	Various Improvements	\$153,390.78
1862-2001, as amended by 1884-2001	Various Improvements	1,278,261.43
1922-2002	Various Improvements	361,904.38
1929-2002	Various Improvements	1,384,615.69
1941-2003	Various Improvements	1,855,386.42
1953-2003	Various Improvements	276,322.01
1965-2003	Various Improvements	1,094,549.48
1992-2004	Various Improvements	1,077,407.11
2017-2005	Various Improvements	586,059.79
2030-2005	Various Improvements	660,833.33
2053-2006	Various Improvements	1,666,269.58
2074-2007	Various Improvements	1,520,000.00
2090-2007	Various Improvements	80,000.00
2122-2008	Various Improvements	1,420,000.00
<b>TOTAL</b>		<b>\$13,415,000.00</b>

**Water Utility Capital**

<b>Ordinance Number</b>	<b>Purpose</b>	<b>Total</b>
1756-1999	Well Rehabilitations	\$70,525.76
1771-1999	Equipment Improvements	39,103.34
1810-2000	Various Improvements	243,344.00
1846-2001	Various Improvements	224,177.22
1863-2001	Various Improvements	81,818.18
1930-2002	Various Improvements	198,948.47
1942-2003	Various Improvements	706,680.39
1993-2004	Various Improvements	519,761.64
2031-2005	Various Improvements	114,641.00
2054-2006	Various Improvements	46,000.00
<b>TOTAL</b>		<b>\$2,245,000.00</b>
<b>TOTAL GENERAL AND WATER CAPITAL</b>		<b>\$15,660,000.00</b>



## **SECURITY FOR THE BONDS**

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

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

## **MARKET PROTECTION**

The Borough does not expect to issue additional bonds during the remainder of 2010. The Borough may issue bond anticipation notes as may be necessary during the remainder of 2010.

## **NO DEFAULT**

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

## **PROVISIONS FOR THE PROTECTION OF GENERAL OBLIGATION DEBT**

### **Legal Framework**

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

### **Debt Limits**

The authorized bonded indebtedness of the Borough is limited by statute, subject to exceptions noted below, to an amount equal to 3 1/2% of its State equalized valuation basis. The equalized valuation basis of the Borough is set by statute as the average for the last three years of the equalized value of all taxable real property and improvements, and certain Class II railroad property within its boundaries as annually determined by the State Board of Taxation. The Borough is within its 3 1/2% debt limit.

### **Exceptions to Debt Limit**

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

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

## **School Debt Limit**

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

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

A local governmental unit may issue bond anticipation notes to temporarily finance a capital improvement or project in anticipation of the issuance of bonds, if the bond ordinance or resolution so provides. Any such note is designated a "bond anticipation note". Bond anticipation notes for capital improvements may be issued in an aggregate amount not exceeding the amount specified in the ordinance, as the same may be amended and supplemented, creating such capital expenditures. Bond anticipation notes, which are full faith and credit obligations of the issuer, may be issued for a period not exceeding one year and may be renewed from time to time for a period that does not exceed one year. Such notes shall mature and be paid not later than the first day of the fifth month following the close of the tenth fiscal year following the date of the original note, provided, however, no such notes shall be renewed beyond the third anniversary date of the original notes unless an amount of such notes at least equal to the first legally payable installment of the bonds in anticipation of which these notes are issued, is paid and retired on or before each subsequent anniversary date beyond which such notes are renewed from funds other than the proceeds of obligations.

## **Assessment Bonds**

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

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

Refunding bonds may be issued pursuant to the Local Bond Law for the purpose of paying, funding or refunding outstanding bonds, including emergency appropriations, the actuarial liabilities of a non-State administered public employee pension system, amounts owing to others for taxes levied and for paying the cost of issuance of refunding bonds. The Board must consent to the authorization for the issuance of refunding bonds and approve the maturity schedule thereof, provided, however, that the issuance of refunding bonds to realize debt service savings on outstanding obligations does not require Board approval when authorized by conditions set forth in rules and regulations of the Board and upon a resolution adopted by a two-thirds vote of the full membership of the governing body of the local unit.

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

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

## **APPROPRIATION NOT REQUIRED FOR PAYMENTS ON DEBT**

It is not necessary to have an appropriation in order to release money for debt service on obligations. N.J.S.A. 40A:4-57 says "No officer, board, body or commission shall, during any fiscal year, expend money (except to pay notes, bonds or interest thereon), incur any liability, or enter into any contract which by its terms involves the expenditure of money for any purpose for which no appropriation is provided, or in excess of the amount appropriated for such purpose". N.J.S.A. 40A:2-4 states "The power and obligation of a local governmental unit to pay any and all bonds and notes issued by it pursuant to this Chapter, or any act of which this Chapter is a revision, shall be unlimited..."

## **STATUTORY REQUIREMENTS**

Set forth below is a summary of various statutory requirements relevant to the Borough's budget process. This summary does not purport to be complete, and reference should be made to the statutes referred to for a complete statement of the provisions thereof.

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

Under N.J.S.A. 40A:4-1 et seq., every local unit must adopt an operating budget in the form required by the New Jersey Division of Local Government Services. Items of revenue and appropriation are regulated by law and must be certified by the Director of the Division ("Director of Local Government Services") prior to final adoption of the budget. The Local Budget Law requires each local unit to appropriate sufficient funds for payment of current debt service, and the Director of Local Government Services is required to review the adequacy of such appropriations. Among other restrictions, the Director of Local Government Services must examine the budget with reference to all estimates of revenue and the following appropriations: (a) payment of interest and debt redemption charges, (b) deferred charges and statutory expenditures, (c) cash deficit of the preceding year, (d) reserve for uncollected taxes, and (e) other reserves and nondisbursement items. Anticipated tax revenue is limited to the same proportion as actual cash collections or to the total levy in the previous year, and the reserve amount must be factored into the budget to make up for the expected shortfall in actual collections. Anticipated nontax revenue is limited to the amount actually realized the previous year; the Director of Local Government Services is empowered to permit higher levels of anticipation, should there be sufficient statutory or other evidence to substantiate that such anticipation is reasonable.

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

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

The Borough is required to forward to the County Board of Taxation (the "County Board") a certified copy of its operating budget, as adopted, not later than April 10 of the then current fiscal year. In the event the County Board has not received a copy of the budget resolution or other evidence showing the amount to be raised by taxation for the purposes of a taxing district, the Director of Local Government Services shall transmit to the County Board a certificate setting forth the amount required for the operation of the Borough for that fiscal year. The operating budget of the preceding year shall constitute and limit the appropriations for the then current year with suitable adjustments for debt service, other mandatory charges, and changes in revenue, but excluding the amount to be raised by taxes for school purposes where required to be included in the Borough budget.

The certificate shall be prepared by using the revenue and appropriations appearing in the adopted budget of the preceding year with suitable adjustments to include, without limitation: (a) any amounts required for principal and interest of indebtedness falling due in the fiscal year, and (b) any deferred charges, including a deficit, if any, or statutory expenditures required to be raised in the fiscal year.

### **Appropriation "Caps"**

Chapter 89 of the Pamphlet Laws of 1990 of New Jersey, extended and amended Chapter 203 of the Pamphlet Laws of 1986 of New Jersey and Chapter 68 of the Pamphlet Laws of 1976, of New Jersey (N.J.S.A. §40A:4-45.3), commonly referred to as the "CAP Law". The CAP Law places limits on county tax levies and municipal expenditures. This limitation is commonly referred to as a "CAP". The actual calculation of the "CAP" is somewhat complex and the actual "CAP" computations are prepared by the Division and distributed to each municipality. In addition to the "CAP" increase in expenditures, other increases allowable include increases funded by increased service fees, proceeds from the sale of municipal assets and increased expenditures mandated by State and federal laws. Appropriations for items excluded from the "CAP" computation, including debt service requirements, may be set at any necessary level and are not subject to the "CAP". The "CAP" may be exceeded if approved by referendum of the voters of the municipality.

In summary, in determining the "CAP" for each budget year, the prior year's total general appropriations are reduced by certain statutory-type appropriations with the resulting balance multiplied by 2.5% or the cost-of-living adjustment (the rate of annual percentage increase, rounded to the nearest half-percent, in the Implicit Price Deflator for State and Local Government Purchases of Goods and Services, computed and published quarterly by the United States Department of Commerce)(the "Cost-of-Living Adjustment"), whichever is less, thereby producing the basic "CAP", which then may be increased by certain known increases in revenues and State or federal expenditures mandated after August 18, 1976. A municipality may, by the adoption of an ordinance, elect to increase its final appropriations by a percentage up to, but not to exceed 3.5%. A municipality may, by referendum, increase its final appropriations by a higher percentage rate.

The Cost-of-Living Adjustment applicable to 2010 budgets is 0%.

## **Property Tax Levy Cap**

Chapter 44 of the Pamphlet Laws of 2010 imposed restrictions upon the allowable annual increase in the tax levy. In general, starting with Fiscal 2011 budgets, municipalities will have their tax levies limited to a two percent (2%) increase. The tax levy is subject to certain adjustments, including the sum of new ratables. In addition, the following exclusions are added to the calculation of the adjusted tax levy: increases in amounts required to be raised by taxation for capital expenditures, including debt service as defined by law; increases in pension contributions and accrued liability for pension contributions in excess of 2%; increases in health care costs equal to that portion of the actual increase in total health care costs for the budget year that is in excess of 2% of the total health care costs in the prior year, but is not in excess of the product of the total health care costs in the prior year and the average percentage increase of the State Health Benefits Program, as annually determined by the Division of Pensions and Benefits in the Department of the Treasury; and extraordinary costs incurred by a local unit directly related to a declared emergency, as defined by regulation promulgated by the Commissioner of the Department of Community Affairs, in consultation with the Commissioner of Education, as appropriate. The law also authorizes a municipality to submit public questions to the voters for approval (by affirmative vote of at least fifty percent (50%)) to increase the amount to be raised by taxation by more than the allowable adjusted tax levy.

## **Miscellaneous Revenues**

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

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

## **Real Estate Taxes**

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

N.J.S.A. 40A:4-41 provides with regard to current taxes that: "Receipts from the collection of taxes levied or to be levied in a municipality and payable in a fiscal year, shall be anticipated in an amount which is not in excess of the percentage of taxes levied and payable during the next preceding fiscal year which was received in cash by December 31 of such preceding fiscal year."

This provision requires that an additional amount (the "reserve for uncollected taxes") be added to the tax levy to balance the budget so that when the percentage of the prior year's tax collection is applied to the combined total, the product will be at least equal to the tax levy required to balance the budget. The reserve requirement is calculated as follows:

The levy required to balance the budget, divided by the prior year's percentage of current tax collection (or lesser percent) levied, will equal the total taxes to be levied for the current Fiscal Year.

## **Deferral of Current Expenses**

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

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

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

## **Budget Transfers**

Budget transfers provide a degree of flexibility and afford a control mechanism over expenditure needs. Transfers between major appropriation accounts are prohibited by N.J.S.A. 40A:4-58, until the last two months of the year. However, no transfers may be made under this section from appropriations for contingent expenses, deferred charges, cash deficit of the preceding year, reserve for uncollected taxes, down payments, the capital improvement fund, or interest and redemption charges. Although budget transfers among subaccounts (line items) within an appropriation are not subject to the same year-end transfer restriction, they are subject to internal review and approval.

Municipal public utilities are supported by the revenues generated by the respective operations of the utilities in addition to the general taxing power upon real property. For each utility, there is established a separate budget. The anticipated revenues and appropriations for each utility are set forth in the separate budget. The budget is required to be balanced and to provide fully for debt service. The regulations regarding anticipation of revenues and deferral of charges apply equally to the budgets of the utilities. Deficits or anticipated deficits in utility operations which cannot be provided for from utility surplus, if any, are required to be raised in the "Current" or operating budget.

## **Local Fiscal Affairs Law**

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

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

## **Capital Budget**

In accordance with the Local Budget Law, each local governmental unit must adopt and annually revise a six-year capital program budget. The capital budget, when adopted, does not constitute the approval or appropriation of funds, but sets forth a plan of the possible capital expenditures which the local governmental unit may contemplate over the next six years. Expenditures for capital purposes may be made either by ordinances adopted by the governing body setting forth the items and the method of financing or from the annual operating budget if the items were detailed.

# **FINANCIAL OPERATIONS**

## **Basis of Accounting**

The accounting policies of the Borough conform to the accounting principals applicable to local governmental units which have been prescribed by the Division. The following is a summary of the significant policies:

**Basis of Accounting** - A modified accrual basis of accounting is followed, with minor exceptions. Revenues are recorded as received in cash except for certain amounts which may be due from the State of New Jersey. Expenditures are recorded on the accrual basis. Appropriation reserves covering unexpended appropriation balances are automatically created on December 31 of each year and recorded as liabilities, except for amounts which may be cancelled by the governing body. Appropriation reserves are available, until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred or entered into during the preceding fiscal year. Lapsed appropriation reserves are recorded as income.

**Interfunds** - Interfund receivables in the Current Fund are recorded with offsetting reserves. Income is recognized in the year the receivables are liquidated. Interfund receivables in the other funds are not offset by reserves.

**Fixed Assets** - Property and equipment purchased throughout the Current and the General Capital Funds are recorded as expenditures at the time of purchase and are not capitalized.

## **Current Fund**

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

## **General Expenditures**

Expenditures are comprised of those made for general Borough purposes, certain expenditures made from restricted Federal, State and private grants, certain Federal or State mandated expenditures, deferred charges, debt service and capital improvements. Budgeted expenditures for general Borough purposes include payments made primarily in support of the Borough's various departments.

## **Tax Collection Procedure**

A local governmental unit is the entity responsible for the levying and collection of taxes on all taxable property within its borders, including the tax levies for the county and the school district. The levying of taxes is for a fiscal year, which starts July 1 and ends June 30. The collection of taxes to support a local governmental unit's current budget requirement is based upon a calendar year, January 1 to December 31.

Property taxes are based on a municipality's assessor's valuation of real property, as confirmed by the tax board of the county in which a municipality is situated. The taxes for municipal, local and regional school districts and a county cover the current calendar year. Turnover of the tax monies by a municipality to a school district are based on school needs and are generally made on a periodic basis throughout the year. A municipality remits 100% of the county taxes, payable quarterly on the 15th days of February, May, August and November.

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

## **MUNICIPAL BANKRUPTCY**

The undertakings of the Borough should be considered with reference to Chapter IX of the Bankruptcy Act, 11 U.S.C. Section 401, et seq., as amended by Public Law 94-260, approved April 8, 1976, 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 by the Bankruptcy Reform Act of 1994, effective October 22, 1994 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 a 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 provided such entity is so authorized by applicable State law; directs such a petitioner to file with the court a list of a 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 of New Jersey has been obtained. The powers of the Municipal Finance Commission have been vested in the 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.

The above references to the Bankruptcy Code are not to be construed as an indication that the Borough expects to resort to the provisions of such Bankruptcy Code or that, if it did, such action would be approved by the Board, or that any proposed plan would include a dilution of the source of payment of and security for the Bonds.

## **LITIGATION**

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

## **TAX MATTERS**

### **Opinion of Bond Counsel**

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the Borough, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and (ii) interest on the Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code and is not included in the adjusted current earnings of corporations for purposes of calculating the alternative minimum tax. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Borough in connection with the Bonds, and Bond Counsel has assumed compliance by the Borough with certain provisions and procedures set forth in the Arbitrage and Use of Proceeds Certificate of the Borough to be delivered in connection with the issuance of the Bonds. The provisions of the American Recovery and Reinvestment Act of 2009 relating to the treatment of interest on certain tax-exempt bonds apply to the Bonds.

In addition, in the opinion of Bond Counsel to the Borough, under existing statutes, interest on the Bonds is not included in gross income under the New Jersey Gross Income Tax Act. See "Miscellaneous" below for a discussion of certain litigation that may relate to this New Jersey tax exemption.

Bond Counsel expresses no opinion regarding any other federal or state tax consequences with respect to the Bonds. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update its opinion after the issue date to reflect any future action, fact or circumstance, or change in law or interpretation, or otherwise. Bond Counsel expresses no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for federal income tax purposes of interest on the Bonds, or under state and local tax law.

### **Certain Ongoing Federal Tax Requirements and Covenants**

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

### **Certain Collateral Federal Tax Consequences**

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

The Bonds are not taken into account (subject to certain limitations) in determining the portion of a financial institution's interest expense subject to the pro rata interest disallowance rule of Section 265(b) of the Code for costs of indebtedness incurred or continued to purchase or carry certain tax-exempt obligations. The Bonds, however, are taken into account in the calculation of the amount of a financial institution's preference items under Section 291 of the Code.

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

### **Information Reporting and Backup Withholding**

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

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

### **Bond Premium**

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

### **Miscellaneous**

Tax legislation, administrative actions taken by tax authorities, and court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under federal or state law and could affect the market price or marketability of the Bonds. There can be no assurance that any such legislation, actions or decisions, if ever enacted, taken or rendered following the issuance of the Bonds, will not have an adverse effect on the tax-exempt status, market price or marketability of the Bonds.

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



## QUALIFIED TAX-EXEMPT OBLIGATIONS

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

## RATING

The Borough has applied for a rating on the Bonds from Moody's Investors Service ("Moody's").

An explanation of the significance of such credit rating may be obtained from Moody's at 7 World Trade Center at 250 Greenwich Street, New York, New York 10007. The Borough furnished Moody's with certain information and materials concerning the Bonds and the Borough. Generally, Moody's bases its ratings on such information and materials and also on such investigations, studies and assumptions that it may undertake independently. The rating is not a recommendation to buy, sell or hold the Bonds and there can be no assurance that any such rating will be maintained for any given period of time or that such rating may not be raised, lowered or withdrawn entirely if, in Moody's judgment, circumstances so warrant. Any downward change in or withdrawal of any such rating may have an adverse effect on the marketability or market price of the Bonds.

## SECONDARY MARKET DISCLOSURE

In order to assist the purchaser in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission ("Rule 15c2-12"), the Borough has undertaken to provide, on or before 240 days after each of its fiscal years while the Bonds are outstanding, for filing with each Nationally Recognized Municipal Securities Information Repository (a "Repository"), and if and when established, to the New Jersey State Information Depository, on an annual basis, financial and operating information of the type hereinafter described and included in this Official Statement, which is referred to herein as "Annual Information," together with the annual financial statements of the Borough prepared in accordance with the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey and audited by a registered municipal accountant or an independent certified public accountant in accordance with auditing standards applicable to the Borough. In addition, the Borough has undertaken, for the benefit of the holders of the Bonds, to provide to each Repository or to the Municipal Securities Rulemaking Board (the "MSRB"), and to the New Jersey State Information Depository, in a timely manner not in excess of ten (10) business days after the occurrence of the specified event, the notices required to be provided by Rule 15c2-12 and described below (the "Notices").

The Notices include notices of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Bonds, or other material events affecting the tax-exempt status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) bond calls (other than mandatory sinking fund redemptions), if material and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the Borough; (13) the consummation of a merger, consolidation, or acquisition involving the Borough or the sale of all or substantially all of the assets of the Borough, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) appointment of a successor or additional trustee or the change of name of a trustee, if material. In addition, the Borough will undertake, for the benefit of the holders of the Bonds, to provide to each Repository or the MSRB and to the New Jersey State Information Depository, in a timely manner, notice of any failure by the Borough to provide the Annual Information and annual financial statements by the date required in the undertaking of the Borough described above.

Any filing may be made (i) solely by transmitting such filing to the Texas Municipal Advisory Council (the "MAC") unless the United States Securities and Exchange Commission (the "SEC") has withdrawn the interpretive advice in its letter to the MAC dated September 7, 2004, or (ii) by filing the same with any dissemination agent or conduit, including any "central post office" or similar entity, assuming or charged with responsibility for accepting notices, documents or information for transmission to each nationally recognized municipal securities information repository and the New Jersey State Information Depository, to the extent permitted by the SEC or SEC staff or required by the SEC.

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

The foregoing undertaking is intended to set forth a general description of the type of financial information and operating data that will be provided; the descriptions are not intended to state more than general categories of financial information and operating data; and where an undertaking calls for information that no longer can be generated because the operations to which it related have been materially changed or discontinued, a statement to that effect will be provided. The undertaking, however, may be amended or modified without consent of the holders of the Bonds under certain circumstances set forth in the undertaking. Copies of the undertaking when executed by the Borough upon the delivery of the Bonds will be on file at the office of the Borough Clerk.

In the previous five (5) years, the Borough has not failed to comply in any material respect with any previous undertaking in a written contract or agreement specified in paragraph (b)(5)(i) of Rule 15c2-12.

### **PREPARATION OF OFFICIAL STATEMENT**

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

Ferraioli, Wielkotz, Cerullo & Cuva, P.A. takes responsibility for the audited financial statements to the extent specified in the Independent Auditor's Report.

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

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

### **LEGAL MATTERS**

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

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

### **CLOSING CERTIFICATES**

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

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

### ADDITIONAL INFORMATION

Inquiries regarding this Preliminary Official Statement, including information additional to that contained therein, may be directed to Karen Palermo, Chief Financial Officer, telephone (201) 794-5351, Borough Hall, 8-01 Fair Lawn Avenue, Fair Lawn, New Jersey 07410.

### MISCELLANEOUS

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

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

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

The Borough of Fair Lawn,  
in the County of Bergen, New Jersey

By: /s/

Karen Palermo, CPA, RMA  
Chief Financial Officer

**APPENDIX A**

**DESCRIPTION OF  
THE BOROUGH OF FAIR LAWN  
TOGETHER WITH  
CERTAIN ECONOMIC, DEMOGRAPHIC AND DEBT INFORMATION**

**APPENDIX A**  
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## **GENERAL INFORMATION**

### **The Municipality**

The Borough of Fair Lawn (the "Borough"), in the County of Bergen (the "County"), State of New Jersey (the "State"), is located in the west central section of the County, approximately nine miles west of the George Washington Bridge on Route No. 4. It occupies a 5.3 square mile area and is adjacent to Ridgewood, Glen Rock, Hawthorne, Elmwood Park, Saddle Brook and Paramus and lies across the Passaic River from the City of Paterson. The Borough is easily accessible from all parts of the State and New York City via the Garden state Parkway, Routes 80, 4, 17 and 208, the New Jersey Turnpike and the George Washington Bridge. The area now known as the Borough was settled more than 300 years ago and although known by various names over this period, it became the Borough when it seceded from the Township of Saddle River in 1924 and, in 1933, the spelling of the Borough name was established as The Borough of Fair Lawn.

### **Transportation**

The Borough is accessible by excellent highways, two of which run through the Borough. State Highway No. 4 connects the Borough with New York City via the George Washington Bridge. State Highway No. 208, which originates in the Borough, leads to suburban communities of Bergen and Passaic Counties. Connections to the Garden State Parkway, Route 80 and the New Jersey Turnpike are just a short distance from the Borough and provide north-south and east-west access to the State and other major highways.

The Borough also has excellent suburban bus and rail commuter services, which link the Borough to its suburban neighbors as well as to the New York-New Jersey Metropolitan Area. These services are provided by Fair Lawn Transportation Bus Route 26, New Jersey Transit, Conrail, Fair Lawn Mini Bus Services (within the Borough), Bergen County Senior Citizen Bus Service (within the county) and private limousines and taxis.

### **Housing**

The majority of the Borough's residents occupy single family dwellings; however, the Borough also has two family homes, apartments and townhouses. Housing is well maintained in all areas of the Borough. While older Cape Cod style homes sell for over \$300,000, new ranch, split level and colonial style homes, are selling in the \$400,000-\$550,000 price range.

The Radburn section of the Borough, developed before the Second World War, is still considered a model of innovative community planning, combining individual homes, row houses and garden apartments with common areas and recreational facilities maintained by a private cooperative association.

### **Shopping Areas**

The Borough's four main shopping areas, located on River Road, Broadway, in Radburn and on Maple Avenue, are thriving established commercial centers convenient to all sections of the Borough. There are also neighborhood shopping areas on Saddle River Road, Marlot Avenue and in the Columbia Heights section.

Six savings and commercial banks, each with a number of branches, serve the Borough's community.

### **Industry**

The attractive 173 acre Industrial Park ("Park") in the Borough has often been referred to as the "fabulous mile". The Park, established in 1955, contributes substantial tax revenue but because of its location, does not affect the residential character of the Borough. Light industry plants are located in other thoughtfully zoned areas.

Among the prime occupants of the Borough's industrial area are such well known industry giants as Nabisco, Eastman Kodak, Lea and Perrine, Sandoz, Columbia Macaroni, Columbia Bank and others.

The Borough's excellent location in the New York-New Jersey metropolitan area, the availability of convenient transportation, the favorable municipal tax structure and the multitude of social, educational and cultural services, have created a desirable atmosphere for attracting industry to locate within its borders.

## **Municipal Government**

The Borough is governed by a five member Borough Council, which elects the Mayor and Deputy Mayor from among its members. Day-to-day administration of the municipal government is performed by the Borough Manager, who is appointed by the Council and who services as the Chief Executive and Administrative Official of the Borough. The Manager administers the Council's directives and policies in the conduct of municipal affairs. He attends all meetings of the Borough Council, may participate in its discussions, but does not have the right to vote.

A skilled and professional staff responsible for the operation of the various Borough departments and offices support the Borough Manager in the conduct of the affairs of the Borough.

## **Water Utility**

The Borough operates a water supply and distribution system under its Municipal Water Utility to serve the water needs of its approximately 32,000 residents. Water is supplied for residential, commercial, industrial and fire protection needs within the Borough service area. Potable water is obtained from Borough wells, the Passaic Valley Water Commission ("PVWC") and the Hackensack Water Company ("HWC").

Historically, the quality of the water supplied to Borough users has been good and continues to be adequate, consistently meeting federal and state standards.

## **Water Treatment (Sewer) System**

The Borough is served by a sanitary sewer system whereby the direction of the sewerage flows through the Passaic Valley Sewer Commission System.

Operating costs and debt service associated with the Sewer System are included in the general budget of the Borough and, as such, are included in the real property tax rate to the extent not offset by user charges anticipated as general budget revenue.

## **Community Planning**

The Planning Board is responsible for the orderly growth of the Borough under the Master Plan and Zoning Code (the "Zoning Code"). The Zoning Board of Adjustment considers and acts upon applications for variances from the Zoning Code and hears appeals from decisions of the Zoning Code Enforcement Officials.

## **Fire and Police Protection**

### **Fire Department:**

The Fair Lawn Fire Department is comprised of four fire companies located in various parts of the Borough, staffed by approximately 120 unpaid volunteers. Each company is under the direction of a Chief, Deputy Chief and four Captains. In addition to discharging their fire fighting responsibilities, the volunteers devote hundreds of hours in the area of Fire Prevention. In 1985, the Borough adopted the New Jersey State Uniform Fire Code, part of which mandates a Fire Prevention bureau with paid fire inspectors and a paid Fire Prevention Chief. State registration and inspection fees are charged under the Code Provisions.

### **Police Department:**

A full service, 60 member Police Department, provides law enforcement and community services in noncriminal matters for the residents of the Borough. The Department is one of the few agencies of its size to have its own Training Center and was among the first in the County to provide a professional growth plan for its officers. The Fair Lawn Police Reserves, a volunteer organization of approximately 18 dedicated and concerned residents, augments the regular police force in all duties except records and investigations.

## **Fair Lawn Volunteer Ambulance Corps**

The Fair Lawn Volunteer Ambulance Corps is an autonomous group of Borough residents whose purpose is to provide first aid and ambulance service when and where needed. The Corps maintains 25 modern, fully equipped ambulances and emergencies are serviced 24 hours a day, 7 days a week. Transport to and from hospitals for nonemergency patients is available by prearrangement. All members are State Certified and members of the N.J. State First Aid Council. The Corps loans on a temporary basis (60 days) walkers, canes, crutches, wheelchairs, etc., distributed through the Health Department. All services are free and the Fair Lawn Ambulance Corps is supported by Public Donations.

## **Education**

### **The Borough's School System:**

The Board of Education of the Borough of Fair Lawn (the "Board of Education") is composed of nine members elected for three year terms, with three of the offices expiring each year. The system, educating 4,000 students, is made up of six elementary schools, one school for grades 7 and 8, a high school and a school for special education. Many innovative programs have evolved here. Students are offered instruction emphasizing skills in Mathematics and Communication and there are advanced placement courses in English, Math, Science and Language.

Other Programs are along vocational and technical lines, special classes for the handicapped, remedial reading through Title I funds - also - bedside and supplementary instruction. Extensive foreign language courses are offered in grades 7-12 as well as a class in English as a second language. There is a program for academically talented students as well as ever expanding courses in Computer Science and Technology.

Outdoor education is correlated to 8<sup>th</sup> grade and there is a working Planetarium used in many programs. Students enjoy a wide spectrum of athletic activities and summer school offers cultural enrichment and new credit as well as make-up courses.

### **Fair Lawn Opportunity Center:**

The Fair Lawn Opportunity Center, operating from its own 18 room facility, provides educational and training services for developmentally disabled and multiple handicapped young adults.

### **St. Anne's School:**

St. Anne's School is a fully accredited K-8 elementary school under the auspices of the Archdiocese of Newark, with an enrollment of approximately 350 students. Opportunity for attendance is available to both Catholic and non-Catholic students, with bus transportation provided where required.

### **Other Schools:**

Fair Lawn students also attend Bergen County Vocational High School in Hackensack, St. Catherine's School in Glen Rock, Paramus Catholic High School in Paramus, Yavneh Academy and the Frisch School in Paramus, as well as several other parochial and private schools in the area.

### **Fair Lawn Community School:**

The Fair Lawn Community School is a nonprofit community enterprise operated under the auspices of the Board of Education, which offers a wide variety of courses for all age groups. Hundreds of classes are scheduled each semester at nominal fees in the fields of Art, Business, Home and Family, Fitness and Sports, Health and Safety, Technology and Special Interests.



## **Public Library**

The Maurice M. Pine Free Public Library is an outstanding municipal facility located adjacent to the Borough Hall in a modern, five level building. In addition to the strong core collection of over 186,000 books, the Library offers a wide range of material, from ancient literature through music, records, tapes, cassettes, framed works of art, sculptures, programs, shows and more than 450 magazine and newspaper titles. Additional services include a bookmobile, telephone reference, story hours, seasonal and summer programs, microcomputers and a video center. The Maurice M. Pine Free Public Library is well deserving of its reputation as one of the finest in the State.

## **Health Services**

The Borough's Health Department provides numerous health related services to residents in all age groups. In addition to performing the Vital Statistics licensing function and Retail Food Establishment Inspections in compliance with the N.J. State Sanitary Code, the Health Department provides ongoing programs such as Health Consultation Services, Child Health Conference, Diet and Nutrition, Blood Pressure Screening, Breast Self-Examination Educational Seminars, S.M.A.C., Flu Shots, Medical Equipment, Community Blood Bank, Microwave Oven Testing, Hearing Screening, Health Education, Rabies Control, Eye Screening and Occupational Health Safety.

The Health Advisory Board, comprised of residents appointed by the Borough Council, advises and consults with the Health Officer with respect to Public Health needs and programs. Innovative programs, such as "Vial of Life" and "Life Gard" are sponsored by the Health Advisory Board and made available to Borough residents at no charge.

## **Human Services and Welfare**

The Municipal Department of Human Services provides aid to residents of the Borough with personal or family problems, regardless of financial status. A full-time director and staff offer a variety of social service programs directed primarily toward senior citizens and the disabled. Among the many programs and services offered are Municipal Mini Bus Service, Senior Citizen Helpers, Meals on Wheels, Food Stamp Distribution, Emergency Food Service and an Information and Referral Service.

The Fair Lawn Mental Health Center is a publicly and privately funded clinic housed in its own building, providing services to patients of all ages, in the promotion of sound mental health, including classes for emotionally disturbed youngsters and a program for senior citizens.

The Senior Citizens Center is housed in a modern facility and is available to all Borough residents aged 60 years or over. The center offers a variety of programs and informal social activities and provides wholesome meals at a minimal suggested donation. Access to residents is by the free Borough Mini Bus.

## **Recreation and Parks**

The Fair Lawn Recreation Department is responsible for the development and maintenance of indoor and outdoor facilities which support a comprehensive community recreation program. Approximately 100 athletic, physical and cultural programs and activities are available for youth, adult and senior citizens groups.

Some of the major facilities and programs are the Memorial and Walsh Pools (large community beach and swimming facilities with a nominal membership fee), eight Summer Playgrounds, three Day Camps, Tennis Courts at six different locations, sponsorship of Athletic Leagues, Summer Concerts, Art Association, Community Theatre, Holiday Events, Parades, Contests and Fireworks Display, as well as a variety of smaller athletic, cultural and hobby programs. The Borough, together with the Fair Lwn Recreation Center, Inc. (a 501(c)(3) not-for-profit organization), is currently constructing a performing arts center which will take the place of the former Youth Center and Old Library Theatre.

## **Religious Facilities**

The Borough is served by 20 houses of worship, which include Eastern Orthodox (Non-Chalcedonian), Protestant and Roman Catholic Churches and Synagogues with Conservative, Orthodox and Reform affiliation.

## Population

1950 Census .....	23,885
1960 Census .....	36,421
1970 Census .....	37,975
1980 Census .....	32,229
1990 Census .....	30,548
2000 Census .....	31,637

## RETIREMENT SYSTEMS

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

## COLLECTIVE BARGAINING REPRESENTATION

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

<u>Unit</u>	<u>Date</u>
Police	December 31, 2014
Department of Public Works	December 31, 2009
Clerical/Administrative	December 31, 2009
Supervisors Group	December 31, 2008
Department Head Group	December 31, 2012

Source: The Borough.

## TREND OF NEW CONSTRUCTION

### Number of Permits

<u>Year</u>	<u>Total</u>	<u>Construction Value</u>
2009	2,504	\$23,775,605
2008	2,824	27,073,926
2007	3,078	27,317,164
2006	3,121	35,468,494
2005	3,408	62,033,956

Source: Borough of Fair Lawn Building Department.

**MAJOR EMPLOYERS**

Year 2010

**Larger Non-Governmental Employers**

<u>Employer</u>	<u>Nature of Business</u>	<u>Number of Employees</u>
National Biscuit Co.	Baking Distribution/Research	2,000
Fairburn Park Associates	Apartments	N/A
N.J. Bell Telephone Co.	Tangible Personal Property	N/A
Sandvik Steel	Manufacturing and Distribution of High Grade Cutting Steel	272
Sandoz	Chemical Manufacturing	130
Einson Freeman (Unif. Data)	Business Forms	100
F.L. Industrial Park Adv. Tech S.	Computer Design Research	250
Eastman Kodak	Film Processing	400
Fair Lawn McBride Assoc.	Office Building	496
Zerega-Broadway F.L. Comp.	Manufacturing of Perfume	N/A
Lea Perrins	Manufacturing of Worcesterhire Sauce	100
Knollcroft Gardens	Apartments	N/A
Maple Avenue Corporation	Shopping Center	N/A
McBride (Haband Co.)	Mail Order Distribution Center	150
Fair Lawn Manor Nursing Home	Nursing Home	180
Fischer Scientific	Chemical Materials	250

Source: The Borough.

**MAJOR REAL PROPERTY TAXPAYERS**

<u>Taxpayers</u>	<u>Type of Business</u>	<u>2010 Assessed Valuation</u>
Fair Lawn Estates Assoc., LLC	Apartments	\$46,515,900
Fair Lawn Associates c/o Affiliated Management	Apartments	33,754,400
Nabisco	Baking/Distribution	30,000,000
17-17 Realty Associates	Office Building	20,199,400
Columbia Savings Bank	Bank/Office	25,439,000
Bon Marc Realty Co., LLC	Shopping Center	21,497,000
Prime Hospitality Corp.	Hotel	17,500,000
Fair Lawn Industries, LP	Manufacturing	18,364,200
CK Bergen Holdings, LLC	Industrial/Office	14,821,800
Bernard Oster, Inc.	Shopping Center	14,628,400

\* Fair Lawn Industries is comprised of 11 properties located on Wagaraw Road.

Source: The Borough's Assessor and the Borough's tax duplicates for 2010.

## NET ASSESSED AND EQUALIZED PROPERTY VALUATIONS

### Real Property Net Assessed Valuation by Classification

<u>Classification</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007(1)</u>	<u>2006</u>
Apartment	\$135,219,700	\$139,681,900	\$144,874,700	\$144,874,700	\$57,888,800
Residential	4,198,049,100	4,190,550,300	4,174,425,200	4,171,669,200	1,874,824,800
Commercial	480,255,300	497,681,000	501,403,300	498,913,900	230,957,100
Industrial	216,482,000	223,275,200	218,628,700	220,147,700	119,077,800
Vacant Land	<u>28,929,200</u>	<u>29,188,500</u>	<u>30,140,600</u>	<u>30,195,800</u>	<u>11,363,700</u>
Subtotal	5,058,935,300	5,080,376,900	5,069,472,500	5,065,801,300	2,294,112,200
Public Utilities	<u>11,397,254</u>	<u>10,886,928</u>	<u>9,782,801</u>	<u>8,318,373</u>	<u>4,335,095</u>
Total	<u>\$5,070,332,554</u>	<u>\$5,091,263,828</u>	<u>\$5,079,255,301</u>	<u>\$5,074,119,673</u>	<u>\$2,298,447,295</u>

Source: County of Bergen Abstract Ratables for years shown, and Borough's Tax Duplicates for years shown.

(1) Revaluation

### **LEVY AND COLLECTION OF TAXES**

The levy and collection of taxes are based upon a calendar year. The Borough is the political entity responsible for the levying and collection of taxes on all taxable real property within its borders, including the tax levies for the County and the local School District.

Property taxes are based on an assessor's valuation of real property. The taxes for Municipal, Local School District and County purposes are combined into one tax levy which is apportioned on the tax bill by rate and amount for taxpayer information only. Taxes levied for the purpose of the Local School District cover the current calendar year. Turnover of tax monies by the Borough to a school district is based on school needs and are generally made on a periodic basis throughout the year. The Borough remits 100% of the County taxes, payable quarterly on the 15th days of February, May, August and November.

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

The last all-inclusive tax sale of unpaid delinquent taxes and assessments was held by the Borough on June 3, 2008.

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

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

#### **Tax Rate Apportionment**

(Per \$100 of Assessed Valuation)

<u>Year</u>	<u>Municipal</u>	<u>County</u>	<u>Local School</u>	<u>Tax Rate</u>
2010	.657	.200	1.426	2.283
2009	.585	.204	1.364	2.153
2008	.588	.196	1.319	2.103
2007*	.577	.181	1.272	2.03
2006	1.231	.362	2.667	4.26

Source: The Borough.

\*Revaluation

#### **Tax Levy Apportionment**

<u>Year</u>	<u>Municipal</u>	<u>County</u>	<u>Local School (1)</u>	<u>Tax Rate</u>
2010	\$33,328,862	\$10,095,383	\$72,306,304	\$115,730,549
2009	29,816,204	10,328,021	69,461,810	109,606,035
2008	29,561,950	9,924,931	66,978,432	106,465,313
2007	28,997,125	9,172,177	64,546,304	102,715,606
2006	27,857,931	8,537,751	61,304,693	97,700,375

(1) The Borough is required, under State statutes, to remit to the County and the School Districts 100% of the respective tax levies.

Source: The Borough.

#### **Tax Collection Experience**

<u>Year</u>	<u>Tax Levy (1)</u>	<u>Current Tax Levy Collected</u>	
		<u>Amount</u>	<u>Percent</u>
2009	\$110,139,698	\$108,730,126	98.72%
2008	107,149,925	106,155,968	99.07
2007	103,227,821	102,183,039	98.99
2006	98,444,012	97,519,673	99.06
2005	89,814,196	88,973,790	99.06

(1) Includes added and omitted taxes.

Source: The Borough.

## Tax Title Liens and Delinquent Taxes

<u>Year</u>	<u>Tax Title Liens</u>	<u>Delinquent Taxes</u>	<u>Total Delinquent</u>	<u>Percent of Tax Levy</u>
2009	\$19,438	\$988,929	\$1,008,367	.92%
2008	15,896	985,196	1,001,092	.93
2007	15,606	923,547	939,153	.91
2006	15,326	862,289	877,615	.89
2005	15,241	835,971	851,212	.95

Source: The Borough.

## Assessed Valuation and Tax Rates

<u>Year</u>	<u>Net Taxable Value Real and Personal Property*</u>	<u>Tax Rate Per \$100</u>	<u>Real Property Assessed Valuation Percentage of True Value</u>
2010	\$5,070,332,554	2.283	98.97
2009	5,091,263,828	2.153	95.08
2008	5,079,255,301	2.103	95.16
2007	5,074,119,673	2.03	101.25
2006	2,298,447,295	4.26	50.67

\* Consists of machinery and equipment of telephone, telegraph and messenger system companies (Chapter 38, P.L. 1966).

Source: The Borough.

## Foreclosed Property

<u>Year</u>	<u>Balance December 31</u>
2009	\$73,260
2008	73,260
2007	73,260
2006	73,260
2005	73,260

Source: The Borough.

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

<u>Year</u>	<u>Balance December 31</u>	<u>Amount Utilized In Succeeding Year's Budget</u>
2009	\$6,920,899	\$5,000,000
2008	9,250,265	5,014,214
2007	9,952,337	5,469,420
2006	7,560,961	3,400,500
2005	5,079,205	2,814,500

Source: The Borough.

# STATE AID

<u>Year</u>	<u>Energy Receipts Tax Received(1)</u>	<u>Consolidated Municipal Property Tax Relief</u>	<u>Other Aid Received</u>	<u>Total</u>
2009	\$3,755,807	\$788,595	\$162,742	\$4,707,144
2008	3,876,503	788,595	162,742	4,827,840
2007	3,829,406	1,017,965	370,976	5,218,347
2006	3,473,463	1,373,908	273,668	5,121,039
2005	3,473,463	1,373,908	623,668	5,471,039

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

## DEBT INFORMATION

### General Information

The State has enacted certain laws and statutes regulating the authorization and issuance of debt by tax levying local governmental units of the State. The statutory gross debt must include all debt authorized plus all debt issued which remains outstanding. Debt which has been refunded, and payment for which is made from escrowed U.S. Treasury securities or other permitted investments, is considered outstanding under State statutes until such outstanding debt has matured or has been called for redemption. However, any debt which is self-supporting or which is payable from other sources or debt issued for refunding purposes may be deducted from the statutory gross debt to arrive at the amount of statutory net debt. The statutory net debt figure is the amount used to determine if a local governmental unit is within the limit of its statutory borrowing power. The debt incurring capacity is limited by statute to 3.50% of a local governmental unit's statutory equalized valuation. The Borough's statutory net debt as of December 31, 2009 was .73%.

### STATUTORY DEBT INFORMATION

As of December 31, 2009

School Purpose:	
Bonds Issued	\$22,742,332
Authorized/Unissued Debt	-
Total Gross Debt	22,742,332
Deductions	<u>22,742,332</u>
Net Debt for School Purposes	-
Self Liquidating	
Bonds Issued	966,000
Notes Issued	2,248,699
Authorized/Unissued Debt	<u>1,854,351</u>
Total Gross Debt	5,069,050
Deductions	-
Net Debt for Self Liquidating Purposes	<u>5,069,050</u>
Municipal Purpose:	
Bonds Issued	9,555,000
Notes Issued	13,416,301
Authorized/Unissued Debt	<u>10,642,769</u>
Total Gross Debt	33,614,070
Deduction	<u>26,139</u>
Net Debt for Municipal Purpose	<u>33,587,931</u>
Total Gross Statutory Debt	61,155,452
Total Statutory Deductions	<u>22,498,471</u>
Total Net Statutory Debt	<u>\$38,656,981</u>

**STATUTORY BORROWING POWER**  
As of December 31, 2009

Statutory Equalized Valuation(1)	\$5,262,834,292
Statutory Borrowing Power(2)	184,199,200
Statutory Net Debt	<u>38,656,981</u>
Remaining Statutory Borrowing Power	<u>\$145,542,219</u>
Net Debt to Statutory Equalized Valuation	.73%

- (1) Average of the immediately preceding three years (2009, 2008 and 2007) as calculated by the State.  
(2) 3 1/2% of the State's equalized valuation.  
Source: The Borough.

**TREND OF STATUTORY REMAINING BORROWING POWER**  
FOR YEARS ENDING DECEMBER 31, 2009 - 2005

<u>Year</u>	<u>Statutory Equalized Valuation(1)</u>	<u>Borrowing Capacity(2)</u>	<u>Bonds, Notes and Loans Outstanding</u>	<u>Less Deductions</u>	<u>Net Debt Outstanding</u>	<u>Authorized Unissued Debt</u>	<u>Remaining Borrowing Power</u>
2009	\$5,262,834,292	\$184,199,200	\$26,186,000	\$26,139	\$26,159,861	\$12,497,120	\$145,542,219
2008	5,213,067,847	182,457,375	27,160,000	26,139	27,133,861	9,637,620	145,685,894
2007	4,943,418,815	173,019,659	29,981,000	26,139	29,954,861	7,233,242	135,831,556
2006	4,500,306,270	157,510,719	29,885,000	26,139	29,858,861	7,153,641	120,498,217
2005	4,040,824,903	141,428,872	29,638,000	3,704,139	25,978,861	4,793,191	110,656,820

- (1) Average of the immediately preceding three years as calculated by the State.  
(2) 3 1/2% of the statutory equalized valuation.  
Source: The Borough's audited financial statements for years shown.

**PERMANENT DEBT ISSUED AND OUTSTANDING**  
AS OF DECEMBER 31, 2009

<u>Purpose</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Final Maturity Date</u>	<u>Amount Outstanding</u>
General Obligations	4.0-4.625%	December 2000	December 2016	\$8,305,000
General Obligations	4.7	August, 1997	August, 2012	1,250,000
Water Utility Improvements	4.25-4.70%	December 2000	December 2016	400,000
Water Utility Improvements	4.7	August, 1987	August, 2012	<u>566,000</u>
				<u>\$10,521,000</u>

Source: The Borough.



**COMBINED ANNUAL DEBT SERVICE SCHEDULE  
FOR  
DEBT OUTSTANDING**

<u>Year</u>	<u>Total</u>	<u>General Capital</u>		<u>Water Utility Capital</u>	
		<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2010	\$3,076,263	\$2,350,000	\$426,731	\$255,000	\$44,532
2011	1,914,443	1,200,000	426,731	255,000	32,712
2012	1,768,123	1,200,000	321,231	226,000	20,892
2013	1,540,681	1,200,000	270,231	60,000	10,450
2014	1,487,041	1,200,000	219,231	60,000	7,810
2015-2016	<u>2,854,654</u>	<u>2,405,000</u>	<u>332,194</u>	<u>110,000</u>	<u>7,460</u>
	<u>\$12,641,205</u>	<u>\$9,555,000</u>	<u>\$1,996,349</u>	<u>\$966,000</u>	<u>\$123,856</u>

**DIRECT AND OVERLAPPING DEBT  
ISSUED AND OUTSTANDING  
AS OF DECEMBER 31, 2009**

	<u>Direct Debt</u>	<u>Overlapping Debt</u>
Direct Debt (including Water Utility):		
Bonds	\$10,521,000	
Notes (Includes authorized but not issued)	15,665,000	
Overlapping Debt:		
Local School District		\$22,472,332
Bergen County (1)		19,600,777
Total Direct Debt:		
Gross	26,186,000	
Deductions	26,139	
Net	<u>\$26,159,861</u>	
Total Overlapping Debt:		
Gross		42,073,109
Deductions		22,472,332
Net		<u>\$19,600,777</u>

(1) The County has \$630,661,565 in net long-term and temporary debt. The Borough's net share is obtained by dividing the Borough's 2009 equalized valuation by the County's 2009 total equalized valuation as obtained from the County's abstract of ratables.

Source: The political entities shown.

**DEBT RATIOS**

	<u>Direct Debt</u>		<u>Overlapping Debt</u>	
	<u>Gross</u>	<u>Net</u>	<u>Gross</u>	<u>Net</u>
Per Capita (1)	\$828	\$827	\$1,330	\$620
Equalized Valuation	.50%	.50%	.80%	.37%

(1) 2000 Census 31,637.

**APPENDIX B**

**EXCERPTS FROM  
AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
DECEMBER 31, 2009  
AND  
SELECTED FINANCIAL INFORMATION  
FOR THE YEARS ENDED  
DECEMBER 31, 2005-2009**

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

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## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and  
Members of the Borough Council  
Borough of Fair Lawn  
County of Bergen, New Jersey

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

Except as discussed below, we conducted our audits 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, 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 includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Borough's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

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

As described in Note 1, these financial statements were prepared in conformity with the accounting practices prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, that demonstrates compliance with the modified accrual basis, with certain exceptions, and the budget laws of New Jersey, which practices differ from accounting principles generally accepted in the United States of America. The affect on the financial statements of the variances between the prescribed basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.




In our opinion, because of the Borough of Fair Lawn's policy to prepare its financial statements on the basis of accounting discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Borough of Fair Lawn, New Jersey as of December 31, 2009 and 2008 or the results of its operations for the years then ended.


The Borough did not implement the requirements of Governmental Accounting Standards Board (GASB), Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. State of New Jersey Local Finance Notice 2007-15 also dictates that municipalities implement this GASB.

However, in our opinion, the financial statements referred to above, with the exception of the Length of Services Awards Program and the effect described in the preceding paragraph, present fairly, in all material respects, the financial position-regulatory basis of the various funds and account group of the Borough of Fair Lawn at December 31, 2009 and 2008, and the results of its operations and the changes in fund balance-regulatory basis of such funds for the years then ended and the statement of revenues-regulatory basis, and statement of expenditures-regulatory basis for the year ended December 31, 2009, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated August 17, 2010 on our consideration of the Borough of Fair Lawn's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the internal control over financial reporting or compliance. That report is an integral part of our audit performed in accordance with Government Auditing Standards and should be considered in assessing results of our audit.

Our audit was for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplementary information, schedules and exhibits listed in the table of contents are not required parts of the financial statements, but are presented as additional analytical data, as required by the Division of Local Government Services. This information has been subjected to the tests and other auditing procedures applied in the audit of the financial statements mentioned above and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole, on the basis of accounting described in Note 1.

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

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

August 17, 2010

BOROUGH OF FAIR LAWN, N.J.  
Comparative Balance Sheet - Regulatory Basis

Current Fund

December 31, 2009 and 2008

	<u>Ref.</u>	<u>2009</u>	<u>2008</u>
<u>Assets</u>			
Current Fund:			
Cash	A-4	\$ 13,282,038	14,380,580
Change Fund	A-5	<u>6,815</u>	<u>9,405</u>
		<u>13,288,853</u>	<u>14,389,985</u>
Receivables and Other Assets with Full Reserves:			
Delinquent Taxes Receivable	A-9	988,929	985,196
Tax Title Liens	A-10	19,438	15,896
Other Liens Receivable	A-11	275	275
Property Acquired for Taxes -			
Assessed Valuation	A-12	73,260	73,260
Revenue Accounts Receivable	A-13	384,965	323,613
Interfund Accounts Receivable	A-14	<u>249,213</u>	<u>31,360</u>
		<u>1,716,080</u>	<u>1,429,600</u>
Deferred Charges:			
Special Emergency Authorizations	A-15	<u></u>	<u>148,900</u>
		<u></u>	<u>148,900</u>
		<u>15,004,933</u>	<u>15,968,485</u>
Federal and State Grant Fund:			
Cash	A-4	352,210	264,371
Grants Receivable	A-28	<u>1,517,607</u>	<u>1,346,613</u>
		<u>1,869,817</u>	<u>1,610,984</u>
		<u>\$ 16,874,750</u>	<u>17,579,469</u>

## BOROUGH OF FAIR LAWN, N.J.

## Comparative Balance Sheet - Regulatory Basis

## Current Fund

December 31, 2009 and 2008

	<u>Ref.</u>	<u>2009</u>	<u>2008</u>
<u>Liabilities, Reserves and Fund Balance</u>			
Current Fund:			
Appropriation Reserves	A-3/A-16 \$	1,464,102	719,147
Encumbrances Payable	A-3/A-17	927,180	965,425
Interfund Accounts Payable	A-14	46,085	
Accounts Payable	A-18	51,116	25,306
Reserve for Other Expenditures	A-19	2,488,825	2,361,567
Reserve for Library Expenditures	A-20	77,091	58,956
Due to State of New Jersey:			
Senior Citizens and Veterans Deductions	A-7	151,688	134,107
Construction Training Fees	A-21	7,188	5,422
Tax Overpayments	A-22	37,558	24,854
Local School Taxes Payable	A-23	544,445	521,277
County Taxes Payable	A-24	20,710	31,265
Prepaid Revenue	A-26	43,069	40,731
SID Taxes Payable	A-25	412	
Prepaid Taxes	A-27	508,485	414,290
		<u>6,367,954</u>	<u>5,302,347</u>
Reserve for Receivables	Contra	1,716,080	1,429,600
Fund Balance	A-1	<u>6,920,899</u>	<u>9,236,538</u>
		<u>15,004,933</u>	<u>15,968,485</u>
Federal and State Grant Fund:			
Unappropriated Reserve for Grants	A-29	95,652	58,111
Appropriated Reserve for Grants	A-30	1,610,534	1,417,784
Encumbrances Payable	A-30	84,266	132,571
Due to Current Fund	A-8	<u>79,365</u>	<u>2,518</u>
		<u>1,869,817</u>	<u>1,610,984</u>
	\$	<u><u>16,874,750</u></u>	<u><u>17,579,469</u></u>

See accompanying notes to financial statements.

## BOROUGH OF FAIR LAWN, N.J.

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

## Current Fund

Years Ended December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Revenues and Other Income:		
Fund Balance Utilized	5,014,214	5,469,420
Miscellaneous Revenue Anticipated	9,379,118	8,707,961
Receipts from Delinquent Taxes	1,007,688	884,696
Receipts from Current Taxes	109,016,233	106,155,968
Non-Budget Revenue	357,996	895,336
Other Credits to Income:		
Unexpended Balance of Appropriation Reserves	587,170	360,778
Prior Year Interfunds Returned in 2009	1,252	92,910
Accounts Payable Canceled		1,368
Total Revenues and Other Income	<u>125,363,671</u>	<u>122,568,437</u>
Expenditures:		
Budget and Emergency Appropriations:		
Operations:		
Salaries and Wages	16,896,408	16,384,146
Other Expenses	16,952,853	17,172,240
Capital Improvement Fund	277,000	119,500
Municipal Debt Service	4,567,307	4,710,267
Deferred Charges and Statutory Expenditures -		
Municipal	3,238,156	1,962,235
Prior Year Revenue Refunded		165
Tax Refunds	168,060	223,056
Prior Year Tax Deductions Disallowed		33,990
Interfund Charges	236,087	11,540
Local District School Tax	69,461,810	66,978,432
County Taxes including Added Taxes	10,348,731	9,956,045
Municipal Open Space Tax	255,072	
Special Improvement District Taxes	263,612	263,200
Total Expenditures	<u>122,665,096</u>	<u>117,814,816</u>
Statutory Excess to Surplus	2,698,575	4,753,621
Fund Balance, January 1,	<u>9,236,538</u>	<u>9,952,337</u>
	11,935,113	14,705,958
Decreased by:		
Fund Balance Utilized as Budget Revenue	<u>5,014,214</u>	<u>5,469,420</u>
Fund Balance, December 31,	<u><u>6,920,899</u></u>	<u><u>9,236,538</u></u>

See accompanying notes to the financial statements.

## BOROUGH OF FAIR LAWN, N.J.

## Statement of Revenues - Regulatory Basis

## Current Fund

Year Ended December 31, 2009

	<u>Budget</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
Fund Balance Anticipated	\$ 5,014,214	5,014,214	
Miscellaneous Revenues:			
Licenses:			
Alcoholic Beverages	43,140	41,303	(1,837)
Other	62,328	48,009	(14,319)
Fees and Permits	279,000	245,602	(33,398)
Fines and Costs:			
Municipal Court	744,240	502,426	(241,814)
Interest and Costs on Taxes	167,790	201,947	34,157
Interest on Investments and Deposits	373,260	306,926	(66,334)
Tax and Assessment Searches	20	10	(10)
Memorial Pool	259,000	232,288	(26,712)
Sewer User Charges	83,750	29,921	(53,829)
Cable Television Fees	93,135	93,135	
Uniform Fire Safety Act	192,860	214,125	21,265
Hotel Tax	149,260	105,385	(43,875)
Consolidated Municipal Property Tax Relief Aid	788,595	788,595	
Energy Receipts Tax	3,876,503	3,755,807	(120,696)
Supplemental Energy Receipts Tax	162,742	162,742	
Uniform Construction Code Fees	571,600	595,207	23,607
Public Health Priority Funding - 1987	17,152	17,152	
Drunk Driving Enforcement Fund	9,845	9,845	
Clean Communities Program	36,025	36,025	
Municipal Court Alcohol Education and Rehabilitation	16,765	16,765	
Criminal Justice Grant	3,547	3,547	
Cops in Shops Grant	3,667	3,667	
Under Age Drinking	4,977	4,977	
Drunk Driving Enforcement Fund	13,498	13,498	
NJDEP - Clean Communities Program	9,936	9,936	
Emergency Preparedness Funding	2,500	2,500	
Smart Growth Planning Program	7,000	7,000	
Over the Limit Under Arrest	6,000	6,000	
Click It or Ticket 2009	4,000	4,000	
Municipal Alcohol Education	1,253	1,253	
New Jersey Highway Safety Grant	10,000	10,000	
Over the Limit Grant	4,540	4,540	
Highway Safety - 2009 Cell Phone Crackdown Grant	4,000	4,000	
Body Armor Grant	5,196	5,196	
Emergency Management Assistant Funding	5,000	5,000	
Drunk Driving Enforcement Fund - Bergen County	28,228	28,228	
GDL Education & Enforcement Grant	2,000	2,000	
Under Age Drinking Laws Program	1,177	1,177	
Drunk Driving Enforcement Fund	9,068	9,068	
Edward Byrne Memorial Justice Assis. Grant	20,916	20,916	
Over the Limit Under Arrest	5,000	5,000	
Health Emergency Response - H1N1 Grant	147,022	147,022	
Cops in Shops Grant	3,323	3,323	
Reserve for Pension Costs	79,874	79,874	
Capital Surplus	1,357,926	1,357,926	
Cable Television Fees	236,254	236,254	
Total Miscellaneous Revenues	9,902,912	9,379,117	(523,795)



## BOROUGH OF FAIR LAWN, N.J.

## Statement of Revenues - Regulatory Basis

## Current Fund

Year Ended December 31, 2009

Receipts from Delinquent Taxes	<u>884,690</u>	<u>1,007,688</u>	<u>122,998</u>
Subtotal General Revenues	<u>15,801,816</u>	<u>15,401,019</u>	<u>(400,797)</u>
Amount to be Raised by Taxes for Support of Municipal Budget - Local Tax for Municipal Purposes Including Reserve for Uncollected Taxes	<u>29,561,641</u>	<u>32,256,120</u>	<u>2,694,479</u>
Budget Totals	<u>45,363,457</u>	<u>47,657,139</u>	<u>2,293,682</u>
Non-Budget Revenue	<u>                    </u>	<u>357,996</u>	<u>357,996</u>
	<u>\$ 45,363,457</u>	<u>48,015,135</u>	<u>2,651,678</u>

Analysis of Realized Revenues

Revenue from Current Tax Collections	\$ 109,016,233
Allocated to School and County Taxes	\$ 79,810,541
Special District Taxes	<u>263,612</u>
	<u>80,074,153</u>
Balance for Support of Municipal Budget Appropriations	28,942,080
Add : Appropriation - Reserve for Uncollected Taxes	<u>3,314,040</u>
Amount for Support of Municipal Budget Appropriations	<u>\$ 32,256,120</u>
Receipts from Delinquent Taxes:	
Delinquent Taxes	<u>1,007,688</u>
	<u>\$ 1,007,688</u>

BOROUGH OF FAIR LAWN, N.J.  
Statement of Revenues - Regulatory Basis

Current Fund

Year Ended December 31, 2009

Analysis of Non-budget Revenues

Recreation Fees	\$ 136,883
Copies, Maps, Plans, Specs, Ordinances	11,489
Visa	640
Police Fees	11,455
Traffic Lights	934
Dumpster	1,280
List of Property Owners	930
Med B Adm Charge	56
Jury Duty	173
Bad Check Charge	195
Café License	800
Cell Tower Revenue	47,946
Hep B Shots and Flu Shots	1,652
ATM Revenue	1,055
Tax Sale Fee	1,825
Meals on Wheels	11,716
Medicare Prescription Drug Reimb	100,881
Property Rental	2,500
Board of Education Reimbursements	5,000
Vending Machines	698
Bus Shelter Revenue	5,400
Flu Shots	7,469
Miscellaneous	<u>7,019</u>
	\$ <u><u>357,996</u></u>

See accompanying notes to the financial statements.

## BOROUGH OF FAIRLAWN, N.J.

## Statement of Expenditures - Regulatory Basis

## Current Fund

Year Ended December 31, 2009

	<u>Budget</u>	<u>Budget after Modification and Transfer</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Canceled</u>
General Government:					
Administration:					
Salaries and Wages	\$ 301,800	231,800	218,408	13,392	
Other Expenses	74,250	76,750	73,471	3,279	
Human Resources:					
Other Expenses	60,000	80,000	63,005	16,995	
Mayor and Council:					
Salaries and Wages	10,000	10,000	10,000		
Other Expenses	252,400	272,400	261,727	10,673	
Municipal Clerk:					
Salaries and Wages	214,700	205,700	197,072	8,628	
Other Expenses	61,350	64,050	63,384	666	
Financial Administration:					
Salaries and Wages	405,300	405,300	396,574	8,726	
Other Expenses	17,700	17,700	13,382	4,318	
Audit Services	31,700	31,700	31,500	200	
Assessment of Taxes:					
Salaries and Wages	237,000	237,000	236,747	253	
Other Expenses	45,700	45,700	43,884	1,816	
Collection of Taxes:					
Salaries and Wages	153,000	153,000	152,804	196	
Other Expenses	27,300	27,300	24,331	2,969	
Legal Services and Cost:					
Other Expenses	131,300	131,300	106,639	24,661	
Engineering Services and Costs:					
Salaries and Wages	246,100	246,100	245,102	998	
Other Expenses	13,600	8,600	7,553	1,047	

## BOROUGH OF FAIRLAWN, N.J.

## Statement of Expenditures - Regulatory Basis

## Current Fund

Year Ended December 31, 2009

	Budget	Budget after Modification and Transfer	Paid or Charged	Reserved	Unexpended Balance Canceled
Municipal Land Use Law (N.J.S.A. 40:55D-1 et seq.)					
Planning Board:					
Salaries and Wages	16,000	16,000	15,830	170	
Other Expenses	69,200	54,200	41,857	12,343	
Zoning Board of Adjustment:					
Salaries and Wages	6,000	6,000	5,954	46	
Other Expenses	35,900	45,300	45,110	190	
Insurance:					
Self Insurance Program					
Liability Insurance (N.J.S.A. 40:10-12)	328,000	328,000	328,000		
Workers Compensation Insurance					
(N.J.S.A. 40:10-12)	578,606	578,606	578,606		
Group Insurance Plan for Employee's:					
Hospital Service Insurance	5,147,000	4,920,000	4,913,755	6,245	
Other Insurance Premiums	62,000	62,000	54,602	7,398	
Unemployment Compensation Insurance					
(N.J.S.A. 43:21-3)	45,000	45,000	45,000		
Public Safety:					
Police:					
Salaries and Wages	7,439,000	7,439,000	6,979,385	459,615	
Other Expenses	236,940	236,940	230,172	6,768	
Acquisition of Police Cars	85,600	85,600	84,846	754	
Police Dispatch:					
Salaries and Wages	441,000	441,000	412,553	28,447	
Emergency Management:					
Salaries and Wages	71,000	71,000	70,834	166	
Other Expenses	88,150	88,150	84,698	3,452	
Fire:					
Other Expenses	218,250	218,250	212,419	5,831	
Ambulance:					
Other Expenses	55,000	55,000	52,023	2,977	

## BOROUGH OF FAIRLAWN, N.J.

## Statement of Expenditures - Regulatory Basis

## Current Fund

Year Ended December 31, 2009

	Budget	Budget after Modification and Transfer	Paid or Charged	Reserved	Unexpended Balance Canceled
Uniform Fire Safety Act. (P.L. 1983 Chap. 383)					
Salaries and Wages	190,200	198,000	195,185	2,815	
Other Expenses	19,300	19,300	12,972	6,328	
Municipal Prosecutor:					
Salaries and Wages	19,900	19,900	19,900		
Municipal Court					
Salaries and Wages	330,500	330,500	322,567	7,933	
Other Expenses	25,100	25,100	16,793	8,307	
Public Works:					
Road Repairs and Maintenance:					
Salaries and Wages	653,500	673,500	637,453	36,047	
Other Expenses	49,500	54,500	48,779	5,721	
Shade Tree:					
Salaries and Wages	419,000	435,500	430,519	4,981	
Other Expenses	86,800	84,800	77,261	7,539	
Electrical Services:					
Salaries and Wages	103,000	103,000	69,848	33,152	
Other Expenses	6,500	6,500	3,649	2,851	
Public Buildings and Grounds:					
Salaries and Wages	400,700	400,700	390,361	10,339	
Other Expenses	117,400	130,200	125,051	5,149	
Maintenance Garage:					
Salaries and Wages	254,100	254,100	236,642	17,458	
Other Expenses	200,800	217,800	206,767	11,033	
Community Services Act:					
Other Expenses	47,000	47,000	7,887	39,113	
Administration of Public Works:					
Salaries and Wages	189,000	189,000	188,153	847	
Other Expenses	2,300	2,300	2,081	219	

## BOROUGH OF FAIRLAWN, N.J.

## Statement of Expenditures - Regulatory Basis

## Current Fund

Year Ended December 31, 2009

	<u>Budget</u>	<u>Budget after Modification and Transfer</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Canceled</u>
Sanitation:					
Sewer System:					
Salaries and Wages	491,000	516,000	509,228	6,772	
Other Expenses	84,100	84,100	83,355	745	
Recycling:					
Salaries and Wages	853,600	1,044,100	857,786	186,314	
Other Expenses	27,000	27,000	26,490	510	
Health and Human Services:					
Health Department:					
Salaries and Wages	484,400	484,400	466,517	17,883	
Other Expenses	115,500	65,500	64,519	981	
Administration of Social Services:					
Salaries and Wages	111,900	115,200	115,067	133	
Other Expenses	12,900	14,400	14,296	104	
Mental Health Program (N.J.S.A. 40:5-9):					
Contractual	32,200	32,200	32,200		
Recreation and Parks:					
Recreation:					
Salaries and Wages	1,228,000	1,228,000	1,194,465	33,535	
Other Expenses	111,200	111,200	99,739	11,461	
Parks and Playgrounds:					
Salaries and Wages	549,700	549,700	537,220	12,480	
Other Expenses	69,500	69,500	69,110	390	
Celebration of Public Events:					
Other Expenses	13,000	13,000	12,236	764	
Garretson House Historical Site	2,000	2,000	2,000		
Cadmus House Historical Site	4,000	4,000	2,417	1,583	
Aid to Health Care Facility (N.J.S.A. 44:5-2):					
Aid to the Opportunity Center	5,000	5,000	5,000		
Aid to Cerebral Palsy Center Bergen County	2,500	2,500	2,500		
Veterans' Service Bureau:					
Other Expenses	4,000	4,000	4,000		

## BOROUGH OF FAIRLAWN, N.J.

## Statement of Expenditures - Regulatory Basis

## Current Fund

Year Ended December 31, 2009

	Budget	Budget after Modification and Transfer	Paid or Charged	Reserved	Unexpended Balance Canceled
Unclassified:					
Terminal Leave:					
Salaries and Wages	21,208	21,208	21,208		
Postage:					
Other Expenses	68,000	70,000	69,439	561	
Utility Expenses and Bulk Purchases					
Electricity	499,000	519,000	518,991	9	
Street Lighting	322,000	334,000	331,382	2,618	
Telephone	107,000	127,000	104,052	22,948	
Gas	99,400	99,400	79,772	19,628	
Fuel Oil	20,000	20,000	10,748	9,252	
Gasoline	372,400	342,400	269,193	73,207	
Landfill and Solid Waste Disposal Costs					
Garbage and Trash Removal:					
Contractual	898,000	898,000	897,600	400	
Other Expenses	1,155,000	1,155,000	1,101,854	53,146	
Uniform Construction Code:					
Construction Code Official:					
Salaries and Wages	866,500	866,500	847,152	19,348	
Other Expenses	13,000	13,000	10,588	2,412	
Public Defender					
Salaries and Wages	5,200	5,200	5,200		
Total Operations within "CAPS"	28,968,654	28,968,654	27,658,419	1,310,235	
B. Contingent					
	2,000	2,000		2,000	
Total Operations Including Contingent-within "CAPS"	28,970,654	28,970,654	27,658,419	1,312,235	
Detail:					
Salaries & Wages	16,712,308	16,896,408	15,985,734	910,674	
Other Expenses (Including Contingent)	12,258,346	12,074,246	11,672,685	401,561	

## BOROUGH OF FAIRLAWN, N.J.

## Statement of Expenditures - Regulatory Basis

## Current Fund

Year Ended December 31, 2009

	Budget	Budget after Modification and Transfer	Paid or Charged	Reserved	Unexpended Balance Canceled
(E) Deferred Charges and Statutory Expenditures- Municipal within "CAPS"					
(1) DEFERRED CHARGES					
Deficit in Worker's Compensation Fund	1,394	1,394	1,394		
(2) STATUTORY EXPENDITURES:					
Contribution to:					
Public Employees' Retirement System	874,012	874,012	769,697	104,315	
Social Security System (O.A.S.I.)	871,000	871,000	851,657	19,343	
Consolidated Police and Firemen's Pension	37,850	37,850	37,818	32	
Police and Firemen's Retirement System of N.J.	1,305,000	1,305,000	1,304,973	27	
Total Deferred Charged and Statutory Expenditures-Municipal within "CAPS"	3,089,256	3,089,256	2,965,539	123,717	
Total General Appropriations for Municipal Purposes within "CAPS"	32,059,910	32,059,910	30,623,958	1,435,952	
Passaic Valley Sewer Commission:					
Share of Costs	1,870,000	1,870,000	1,869,227	773	
Maintenance of Free Public Library	2,476,932	2,476,932	2,476,428	504	
LOSAP Program	91,000	91,000	75,499	15,501	
Contribution	36,000	36,000	35,225	775	
Recycling Tax Appropriation					
Total Other Operations - Excluded from "CAPS"	4,473,932	4,473,932	4,456,379	17,553	



## BOROUGH OF FAIRLAWN, N.J.

## Statement of Expenditures - Regulatory Basis

## Current Fund

Year Ended December 31, 2009

	<u>Budget</u>	<u>Budget after Modification and Transfer</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Canceled</u>
Public and Private Programs Offset by Revenues					
Municipal Alliance Against Alcohol and Drug Abuse	16,765	16,765	16,765		
Other Expenses					
Matching Funds for Grants:					
Municipal Alliance Against alcohol and Drug Abuse	4,191	4,191	4,191		
Public Health Priority Funding:					
Other Expenses					
Clean Communities Grant (N.J.S.A. 13:1e-99.2)	17,152	17,152	17,152		
Cops in Shops Grant	36,025	36,025	36,025		
Drunk Driving Enforcement Fund	3,323	3,323	3,323		
NJDEP - Clean Communities Program	13,498	13,498	13,498		
Emergency Preparedness Funding	9,936	9,936	9,936		
Smart Growth Planning Program	2,500	2,500	2,500		
Matching Funds for Grants:	7,000	7,000	7,000		
Smart Growth Planning Program	8,250	8,250	8,250		
Over the Limit Under Arrest Grant	6,000	6,000	6,000		
Click It or Ticket 2009	4,000	4,000	4,000		
Municipal Alcohol Education	1,253	1,253	1,253		
GDL Education & Education Grant	2,000	2,000	2,000		
Underage Drinking Laws Program	1,177	1,177	1,177		
Drunk Driving Enforcement Fund	9,068	9,068	9,068		
Edward Byrne Memorial Justice Assistance Grant	20,916	20,916	20,916		
Over the Limit Under Arrest Grant	5,000	5,000	5,000		
Health Emergency Response - H1N1 Grant	147,022	147,022	147,022		
Body Armor Grant	5,196	5,196	5,196		
Over the Limit Under Arrest Grant	4,540	4,540	4,540		
Criminal Justice	3,547	3,547	3,547		
Cops in Shops Grant	3,667	3,667	3,667		
Highway Safety Grant	10,000	10,000	10,000		
Drunk Driving Enforcement Fund	9,845	9,845	9,845		
Highway Safety - 2009 Cell Phone Crackdown	4,000	4,000	4,000		
Drunk Driving Enforcement Fund - Bergen County	28,229	28,229	28,229		

## BOROUGH OF FAIRLAWN, N.J.

## Statement of Expenditures - Regulatory Basis

## Current Fund

Year Ended December 31, 2009

	Budget	Budget after Modification and Transfer	Paid or Charged	Reserved	Unexpended Balance Canceled
Underage Drinking Laws Program	4,978	4,978	4,978		
Matching Funds for Grants	10,597	10,597		10,597	
Emergency Management Assistance Funding	5,000	5,000	5,000		
Total Public and Private Programs Offset by Revenues	404,675	404,675	394,078	10,597	
Total Operations-Excluded from "CAPS"	4,878,607	4,878,607	4,850,457	28,150	
Detail:					
Salaries and Wages	4,878,607	4,878,607	4,850,457	28,150	
Other Expenses					
Capital Improvement Fund	277,000	277,000	277,000		
Total Capital Improvements Excluded from "CAPS"	277,000	277,000	277,000		
Municipal Debt Service - Excluded from "CAPS"					
Payment of Bond Principal	2,350,000	2,350,000	2,350,000		6,656
Payment of Note Principal	360,000	360,000	353,344		144
Interest on Bonds	531,000	531,000	530,856		97,460
Interest on Notes	366,000	366,000	268,540		
Green Trust Loan Program:					
Payment of Bond Principal	433,000	433,000	432,629		371
Interest on Bonds	645,000	645,000	631,938		13,062
Total Municipal Debt Service-Excluded from "CAPS"	4,685,000	4,685,000	4,567,307		117,693

## BOROUGH OF FAIRLAWN, N.J.

## Statement of Expenditures - Regulatory Basis

## Current Fund

Year Ended December 31, 2009

	Budget	Budget after Modification and Transfer	Paid or Charged	Reserved	Unexpended Balance Canceled
Deferred Charges and Statutory Expenditures - Municipal excluded from "CAPS"					
(1) DEFERRED CHARGES:					
Special Emergency Authorization - 5 Years (N.J.S. 40A:4-55)	148,900	148,900	148,900		
Total Deferred Charged and Statutory Expenditures-Municipal excluded from "CAPS"	148,900	148,900	148,900		
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	9,989,507	9,989,507	9,843,664	28,150	117,693
Subtotal General Appropriations	42,049,417	42,049,417	40,467,622	1,464,102	117,693
Reserve for Uncollected Taxes	3,314,040	3,314,040	3,314,040		
Total General Appropriations	\$ 45,363,457	45,363,457	43,781,662	1,464,102	117,693
Adopted Budget \$	45,130,764				
Appropriation by 40:A4-87	232,693				
	\$ 45,363,457				
Reserve for Uncollected Taxes \$	3,314,040				
Federal and State Grants	381,635				
Encumbrances	927,180				
Interfunds	968,995				
Reserve for Terminal Leave	164,447				
Cash	38,025,365				
	\$ 43,781,662				

See accompanying notes to the financial statements.

## BOROUGH OF FAIR LAWN, N.J.

## Comparative Balance Sheet - Regulatory Basis

## Trust Funds

December 31, 2009 and 2008

	<u>Ref.</u>	<u>2009</u>	<u>2008</u>
<u>Assets</u>			
Animal Trust Fund:			
Cash	B-1	<u>45,898</u>	<u>39,071</u>
Other Trust Funds:			
Cash	B-1	<u>713,901</u>	<u>646,590</u>
Unemployment Compensation Insurance Trust Fund:			
Cash	B-1	<u>59,088</u>	<u>111,747</u>
Interfund Accounts Receivable	B-6	<u>48,551</u>	<u>3,551</u>
		<u>107,639</u>	<u>115,298</u>
Self-Insurance Trust Fund:			
Cash	B-1	<u>365,786</u>	<u>220,086</u>
Deficit in Reserve for Workers' Compensation Insurance Expenditures	B-2	<u>                    </u>	<u>1,394</u>
		<u>365,786</u>	<u>221,480</u>
Free Public Library Trust Fund:			
Cash	B-1	<u>112,325</u>	<u>112,709</u>
Cafeteria Plan Trust Fund:			
Cash	B-1	<u>7,642</u>	<u>7,973</u>
Emergency Services Volunteer Length of Services Award Program (Unaudited):			
Cash in Plan	B-1	<u>484,401</u>	<u>342,562</u>
Service Award Contributions Receivable	B-17	<u>72,709</u>	<u>65,518</u>
		<u>557,110</u>	<u>408,080</u>
		<u>\$ 1,910,301</u>	<u>1,551,201</u>

## BOROUGH OF FAIR LAWN, N.J.

## Comparative Balance Sheet - Regulatory Basis

## Trust Funds

December 31, 2009 and 2008

	<u>Ref.</u>	<u>2009</u>	<u>2008</u>
<u>Liabilities, Reserves &amp; Fund Balance</u>			
Animal Trust Fund:			
Prepaid Licenses	B-3	1,498	1,286
Animal Trap Deposits	B-4	5,928	5,912
Due to State of New Jersey	B-5	379	373
Interfund Accounts Payable	B-6	11,896	11,704
Accounts Payable			465
Reserve for Animal Trust Fund Expenditures	B-10	26,197	19,331
		<u>45,898</u>	<u>39,071</u>
Other Trust Fund:			
Due to State of New Jersey	B-5	570	1,435
Interfund Accounts Payable	B-6	53,988	2,726
Sundry Reserve and Deposits	B-7	190,690	100,826
Escrow Reserves and Deposits	B-8	396,021	471,495
Donation Reserves and Deposits	B-9	72,632	70,108
		<u>713,901</u>	<u>646,590</u>
Unemployment Compensation Insurance Trust Fund:			
Due to State of New Jersey	B-5	6,952	622
Reserve for Unemployment Compensation Insurance Expenditures	B-11	100,687	114,676
		<u>107,639</u>	<u>115,298</u>
Self-Insurance Trust Fund:			
Interfund Accounts Payable	B-6		8,258
Reserve for:			
Worker's Compensation Expenditures	B-12	236,252	
Self-Insurance Expenditures	B-13	129,534	213,222
		<u>365,786</u>	<u>221,480</u>
Free Public Library Trust Fund:			
Reserve for Library Trust Expenditures	B-14	19,854	102,709
Reserve for Restricted Trust Expenditures	B-15	92,471	10,000
		<u>112,325</u>	<u>112,709</u>
Cafeteria Plan Trust Fund:			
Interfund Accounts Payable	B-6	186	
Reserve for Cafeteria Plan Expenditures	B-16	7,456	7,973
		<u>7,642</u>	<u>7,973</u>

## BOROUGH OF FAIR LAWN, N.J.

## Comparative Balance Sheet - Regulatory Basis

## Trust Funds

December 31, 2009 and 2008

	<u>Ref.</u>	<u>2009</u>	<u>2008</u>
<u>Liabilities, Reserves &amp; Fund Balance (Cont...)</u>			
Emergency Services Volunteer Length of Services Award Program (Unaudited):			
Net Assets Available for Benefits	B-18	<u>557,110</u>	<u>408,080</u>
		<u>\$ 1,910,301</u>	<u>1,551,201</u>

See accompanying notes to financial statements.

## BOROUGH OF FAIR LAWN, N.J.

## Comparative Balance Sheet - Regulatory Basis

## General Capital Fund

December 31, 2009 and 2008

	<u>Ref.</u>	<u>2009</u>	<u>2008</u>
<u>Assets</u>			
Cash	C-2/C-3	\$ 2,809,961	2,883,077
Grants Receivable:			
State and County Grants	C-4	390,848	699,348
Community Development Block Grant	C-5	194,699	244,699
Interfunds Receivable:			
Assessment Trust Fund	C-17		
Deferred Charges to Future Taxation:			
Funded	C-6	21,145,000	23,765,000
Unfunded	C-7	24,059,070	19,802,914
		<u>\$ 48,599,578</u>	<u>47,395,038</u>
<u>Liabilities, Reserves and Fund Balance</u>			
General Serial Bonds	C-8	\$ 9,555,000	11,905,000
Capital Leases Payable	C-9	11,590,000	11,860,000
Encumbrances Payable	C-10	659,568	764,001
Bond Anticipation Notes Payable	C-11	13,416,301	11,739,645
Reserve for Payment of Debt	C-12	26,139	26,139
Improvement Authorizations:			
Funded	C-13	1,174,179	1,304,464
Unfunded	C-13	10,542,861	7,104,527
Public Works Employment Act of 1976	C-14	1,750	1,750
Reserve for Unappropriated State Grant	C-15	15,464	15,464
Capital Improvement Fund	C-16	64,076	18,076
Interfunds	C-17	4,690	3,817
Reserve for Grants Receivable	C-18	18,243	20,143
Fund Balance	C-1	<u>1,531,307</u>	<u>2,632,012</u>
		<u>\$ 48,599,578</u>	<u>47,395,038</u>

There were \$10,642,769 and \$8,063,269 of Bonds and Notes Authorized But Not Issued on December 31, 2009 and 2008 respectively (Exhibit C-19).

See accompanying notes to the financial statements.

## BOROUGH OF FAIR LAWN, N.J.

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

## General Capital Fund

For the Years Ended December 31, 2009 and 2008

Balance - December 31, 2008	\$ 2,632,012
Increased by:	
Bond Anticipation Note Proceeds	<u>257,220</u>
	2,889,232
Decreased by:	
Budgeted Capital Surplus	<u>1,357,925</u>
Balance - December 31, 2009	\$ <u><u>1,531,307</u></u>

See accompanying notes to the financial statements.



## BOROUGH OF FAIR LAWN, N.J.

## Comparative Balance Sheet - Regulatory Basis

## Water Utility Fund

December 31, 2009 and 2008

	<u>Ref.</u>	<u>2009</u>	<u>2008</u>
<u>Assets</u>			
Water Utility Operating Fund:			
Cash - Treasurer	D-5	\$ <u>407,031</u>	<u>342,230</u>
Receivables with Full Reserves:			
Consumers' Accounts Receivable	D-9	340,802	374,326
Inventory - Materials and Supplies	D-10	<u>85,929</u>	<u>70,000</u>
		<u>426,731</u>	<u>444,326</u>
Interfund Accounts Receivable	D-7	<u>4,690</u>	<u>190</u>
Deferred Charges:			
Deficit in Operations	D-8	<u>253,269</u>	<u>220,152</u>
		<u>253,269</u>	<u>220,152</u>
Total Water Utility Operating Fund		<u>1,091,721</u>	<u>1,006,898</u>
Capital Fund:			
Cash - Treasurer	D-5,D-6	5,187	659,588
Fixed Capital	D-11	11,898,999	11,898,999
Fixed Capital Authorized and Uncompleted	D-12	6,270,825	5,976,825
Interfund Receivable - Water Utility Operating	D-19	<u>162,151</u>	
Total Capital Fund		<u>18,337,162</u>	<u>18,535,412</u>
		\$ <u>19,428,883</u>	<u>19,542,310</u>

## BOROUGH OF FAIR LAWN, N.J.

## Comparative Balance Sheet - Regulatory Basis

## Water Utility Fund

December 31, 2009 and 2008

	<u>Ref.</u>	<u>2009</u>	<u>2008</u>
<u>Liabilities, Reserves and Fund Balance</u>			
Water Utility Operating Fund:			
Appropriation Reserves	D-4,D-13	102,953	193,989
Reserve for Encumbrances	D-4	163,274	155,997
Interfund Accounts Payable	D-7	187,777	
Accounts Payable	D-14	3,234	3,234
Water Rent Overpayments	D-15	5,281	2,670
Accrued Interest on Bonds	D-16	14,928	19,139
		477,447	375,029
Reserve for Receivables	Contra	426,731	444,326
Fund Balance	D-1	187,543	187,543
Total Water Utility Operating Fund		1,091,721	1,006,898
Capital Fund:			
Due to Water Utility Operating Fund	D-19		190
Serial Bonds Payable	D-23	966,000	1,221,000
Bond anticipation notes payable	D-24	2,248,699	2,294,355
Improvement authorization:			
Encumbrances	D-17	50,194	74,682
Funded	D-18	6,170	372,112
Unfunded	D-18	1,540,878	1,433,650
Capital Improvement Fund	D-20	5,500	5,500
Reserve for:			
Amortization	D-21	12,231,444	11,976,444
Deferred Amortization	D-22	913,262	853,606
Fund Balance	D-2	375,015	303,873
Total Capital Fund		18,337,162	18,535,412
		<u>\$ 19,428,883</u>	<u>19,542,310</u>

There were \$1,854,351 and \$1,574,351 of Bonds and Notes Authorized But Not Issued on December 31, 2009 and 2008 respectively (Exhibit D-25).

See accompanying notes to financial statements.

## BOROUGH OF FAIR LAWN, N.J.

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

## Water Utility Operating Fund

For the Years ended December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Revenue and other income:		
Water rents	\$ 4,613,454	5,013,181
Miscellaneous Revenue	10,742	27,605
Budgeted Water Capital Surplus	300,000	
Accrued Interest on Bonds	41,455	1,385
Unexpended balance appropriation reserve	<u>165,818</u>	<u>5,673</u>
Total revenue and other income	<u>5,131,469</u>	<u>5,047,844</u>
Expenditures:		
Operating	4,465,600	4,407,642
Capital improvements	14,000	5,000
Debt service	454,000	439,646
Deferred charges and statutory expenditures	230,986	379,667
Deficit in Operations in Prior Year	<u>220,152</u>	<u>36,041</u>
Total expenditures	<u>5,384,738</u>	<u>5,267,996</u>
Operating Deficit to be Raised in Budget of Succeeding Year	<u>(253,269)</u>	<u>(220,152)</u>
Fund balance, January 1	<u>187,543</u>	<u>187,543</u>
	187,543	187,543
Balance, December 31	<u>\$ 187,543</u>	<u>187,543</u>

See accompanying notes to financial statements.

## BOROUGH OF FAIR LAWN, N.J.

## Comparative Schedule of Fund Balance - Regulatory Basis

## Water Utility Capital Fund

For the Years Ended December 31, 2009 and 2008

Balance, December 31, 2008	\$ 303,873
Increased by:	
Improvement Authorizations Cancelled	<u>371,142</u>
	675,015
Decreased by:	
Budget Revenue	<u>300,000</u>
Balance, December 31, 2009	<u><u>\$ 375,015</u></u>

See accompanying notes to financial statements.

## BOROUGH OF FAIR LAWN, N.J.

## Statement of Revenues - Regulatory Basis

## Water Utility Operating Fund

Year ended December 31, 2009

	<u>Anticipated</u>	<u>Realized</u>	<u>Excess (deficit)</u>
Rents	\$ 5,013,181	4,469,383	(543,798)
Miscellaneous	27,600	10,742	(16,858)
Rents - Additional	144,071	144,071	
Water Capital Surplus	<u>300,000</u>	<u>300,000</u>	
	<u>\$ 5,484,852</u>	<u>4,924,196</u>	<u>(560,656)</u>

Analysis of Realized Revenue

Rents	\$ 4,613,454
Water Capital Surplus	<u>300,000</u>
	<u>4,913,454</u>
Interest on Investments	3,718
Due from Water Capital Fund - Interest on investments	659
Other miscellaneous	<u>6,365</u>
	<u>\$ 10,742</u>

See accompanying notes to financial statements.

## BOROUGH OF FAIR LAWN, N.J.

## Statement of Expenditures - Regulatory Basis

## Water Utility Operating Fund

Year ended December 31, 2009

	Appropriations				
	Budget	Budget after modifi- cation	Paid or charged	Reserved	Cancelled
Operating:					
Salaries and Wages	\$ 2,189,900	2,189,900	2,158,999	30,901	
Other Expenses	2,375,700	2,375,700	2,203,648	72,052	100,000
Total Operating	4,565,600	4,565,600	4,362,647	102,953	100,000
Capital Improvements:					
Capital Improvement Fund	14,000	14,000	14,000		
Total Capital Improvements	14,000	14,000	14,000		
Debt Service:					
Payment of Bond Principal	255,000	255,000	255,000		
Payment of Bond Anticipation Note Principal	48,000	48,000	48,000		
Interest on Bonds	57,000	57,000	57,000		
Interest on Bond Anticipation Notes	94,000	94,000	94,000		
Total Debt Service	454,000	454,000	454,000		
Deferred Charges and Statutory Expenditures:					
Statutory Expenditures - Contribution to:					
Public Employee's Retirement System	63,100	63,100	63,100		
Social Security System (O.A.S.I.)	168,000	168,000	168,000		
Total Deferred Charges and Statutory Expenditures	231,100	231,100	231,100		
	\$ 5,264,700	5,264,700	5,061,747	102,953	100,000
			Cash Disbursed \$ 4,464,687		
			Reserve for Encumbrances 163,274		
			Interfunds 268,786		
			Accrued Interest on Bonds 151,000		
			Capital Improvement Fund 14,000		
			\$ 5,061,747		

See accompanying notes to financial statements.

## BOROUGH OF FAIR LAWN, N.J.

## Comparative Statement of General Fixed Assets - Regulatory Basis

December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
<u>General Fixed Assets:</u>		
Land	\$ 11,169,750	11,169,750
Buildings	41,230,799	41,230,799
Machinery and Equipment	<u>12,605,784</u>	<u>12,302,661</u>
	\$ <u>65,006,333</u>	<u>64,703,210</u>
 Investment in Fixed Assets	 \$ <u>65,006,333</u>	 <u>64,703,210</u>

See accompanying notes to financial statements.

## BOROUGH OF FAIR LAWN, N.J.

## Comparative Statement of Net Payroll and Withholdings Payable

December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
<u>Assets</u>		
Cash		
Net Payroll	\$ 1,465	
Due from Current Fund	1,085	
Deficit in Payroll Account	<u>1,001</u>	<u>7,745</u>
	<u>\$ 3,551</u>	<u>7,745</u>
 <u>Liabilities:</u>		
Deficit in Net Payroll - Cash	\$	2,943
Due to Current Fund		1,251
Due to Unemployment		
Compensation Trust Fund	<u>3,551</u>	<u>3,551</u>
	<u>\$ 3,551</u>	<u>7,745</u>

See accompanying notes to financial statements.



**BOROUGH OF FAIR LAWN**  
**Notes to Financial Statements**  
**Years Ended December 31, 2009 and 2008**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

**A. Reporting Entity**

The Borough of Fair Lawn (the "Fair Lawn") is organized as a Council-Manager municipality under the provisions of N.J.S.40:69A-81 et seq. The Borough is "governed by an elected Council and by an appointed Municipal Manager and by such other officers and employees as may be duly appointed. The Council shall consist of five members elected at large by voters of the municipality and shall serve for a term of four years beginning on the first day of January next following their election and that the Mayor shall be elected by the members of the Council".

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

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

**BOROUGH OF FAIR LAWN**  
**Notes to Financial Statements**  
**Years Ended December 31, 2009 and 2008**  
**(continued)**

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

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

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

The Borough has the following funds and account group:

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

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

- Other Trust Funds - This fund is established to account for the assets and resources which are also held by the Borough as a trustee or agent for individuals, private organizations, other governments and/or other funds.
- Animal Trust Fund - This fund is used to account for fees collected from animal licenses and expenditures which are regulated by NJS 4:19-15.11.
- Library Trust Fund - This fund is used to account for the activities of the Library.
- Assessment Trust Fund - This fund is used to account for assessments for improvements levied against the improved properties.
- Self Insurance Trust Fund - This fund is used to account for worker's compensation and property and general liability claims and premiums.
- Unemployment Compensation Trust Fund - This fund is used to account for all unemployment compensation receipts and disbursements.
- Payroll Trust Fund - This fund is used to account for net payroll and payroll withholdings payable to other agencies.

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 Utility Operating Fund - This fund is used to account for all revenues and expenditures applicable to the operations of the water department.

**BOROUGH OF FAIR LAWN**  
**Notes to Financial Statements**  
**Years Ended December 31, 2009 and 2008**  
**(continued)**

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

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

Water Utility Capital Fund – This fund is used to account for financial resources to be used for the acquisition or improvement of water capital facilities. The major resources are derived from the issuance of debt.

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

Basis of Accounting

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

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

**BOROUGH OF FAIR LAWN**  
**Notes to Financial Statements**  
**Years Ended December 31, 2009 and 2008**  
**(continued)**

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

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

Basis of Accounting, (continued)

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

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

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

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

- General Capital Fund
- Trust Funds
- Public Assistance Fund
- Water Utility Capital Fund

The governing body shall introduce and approve the annual budget not later than February 10, of the fiscal year. The budget shall be adopted not later than March 20, and prior to adoption must be certified by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The Director of the Division of Local Government Services, with the approval of the Local Finance Board may extend the introduction and approval and adoption dates of the municipal budget. The budget is prepared by fund, function, activity and line item (salary or other expense) and includes information on the previous year. The legal level of control for appropriations is exercised at the individual line item level for all operating budgets adopted. Emergency appropriations, those made after the adoption of the budget and determination of the tax rate, may be authorized by the governing body of the municipality. During the last two months of the fiscal year, the governing body may, by a 2/3 vote, amend the budget through line item transfers. Management has no authority to amend the budget without the approval of the Governing Body. Expenditures may not legally exceed budgeted appropriations at the line item level. During 2009, the Mayor and Council approved additional revenues and appropriations of \$232,693 in accordance with N.J.S.A. 40A:4-87. In addition, several budget transfers were approved by the governing body.

BOROUGH OF FAIR LAWN  
Notes to Financial Statements  
Years Ended December 31, 2009 and 2008  
(continued)

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

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

Basis of Accounting, (continued)

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

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

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

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 only included on the Water Utility Operating Fund balance sheets.

**BOROUGH OF FAIR LAWN**  
**Notes to Financial Statements**  
**Years Ended December 31, 2009 and 2008**  
**(continued)**

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

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

**Basis of Accounting, (continued)**

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

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

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

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

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

No depreciation has been provided for in the financial statements.

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

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

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

**BOROUGH OF FAIR LAWN**  
**Notes to Financial Statements**  
**Years Ended December 31, 2009 and 2008**  
**(continued)**

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

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

Basis of Accounting, (continued)

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

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

**C. Basic Financial Statements**

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

**NOTE 2. PENSION PLANS**

Description of Systems:

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

**BOROUGH OF FAIR LAWN**  
**Notes to Financial Statements**  
**Years Ended December 31, 2009 and 2008**  
**(continued)**

**NOTE 2. PENSION PLANS, (continued)**

Description of Systems, (continued)

*Public Employees' Retirement System (PERS)*

The Public Employees' Retirement System was established in January, 1955 under the provisions of N.J.S.A. 43:15A to provide coverage including post-retirement health care to substantially all full time employees of the State or any county, municipality, school district or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees and vesting occurs after 8-10 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 1/60th 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. Anyone who retires early and is under age 55 receives retirement benefits as calculated in the above mentioned formula but at a reduced rate (one quarter of one percent for each month the member lacks of attaining age 55). 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.

*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 average compensation for each year of service up to 30 years, plus 1% of each year of creditable service over 30 years or 1/60 of final average compensation multiplied by the number of years of creditable service, whichever is greater. 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.

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.



**BOROUGH OF FAIR LAWN**  
**Notes to Financial Statements**  
**Years Ended December 31, 2009 and 2008**  
**(continued)**

**NOTE 2. PENSION PLANS, (continued)**

Description of Systems, (continued)

Significant Legislation

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

The Borough of Fair Lawn did not opt for this deferral.

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 5.0% for PERS and 8.5% for PFRS of the employee's annual compensation, as defined through June 30, 2007. Under Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, the PERS and employee contribution rate will increase to 5.5 percent effective July 1, 2007. Employers are required to contribute at an actuarially determined rate in all Funds except the SACT. The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits in the PERS and PFRS. In the PERS and PFRS, the employer contribution includes funding for post-retirement medical premiums.

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

<u>Year</u>	<u>PERS</u>	<u>PFRS</u>
December 31, 2009	\$874,012	\$1,304,973
December 31, 2008	680,463	1,178,672
December 31, 2007	304,168	817,721

**BOROUGH OF FAIR LAWN**  
**Notes to Financial Statements**  
**Years Ended December 31, 2009 and 2008**  
**(continued)**

**NOTE 2. PENSION PLANS, (continued)**

Description of Systems, (continued)

Defined Contribution Retirement Program

The Defined Contribution Retirement Program (DCRP) was established on July 1, 2007 for certain public employees under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007. The program provides eligible members, with a minimum base salary of \$1,500 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 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 join or remain in PERS.

BOROUGH OF FAIR LAWN  
Notes to Financial Statements  
Years Ended December 31, 2009 and 2008  
(continued)

**NOTE 3. MUNICIPAL DEBT**

Long-term debt as of December 31, 2009 consisted of the following:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Bonds Payable:					
General Obligation Debt	\$11,905,000	\$	\$2,350,000	\$9,555,000	\$2,350,000
Water Utility Obligation Debt	<u>1,221,000</u>	<u>          </u>	<u>255,000</u>	<u>966,000</u>	<u>200,000</u>
Total Bonds Payable	<u>13,126,000</u>	<u>          </u>	<u>2,605,000</u>	<u>10,521,000</u>	<u>2,550,000</u>
Other Liabilities:					
Capital Leases Payable	11,860,000		270,000	11,590,000	275,000
Compensated Absences Payable	<u>1,594,321</u>	<u>128,085</u>	<u>76,785</u>	<u>1,645,621</u>	<u>          </u>
Total Other Liabilities	<u>13,454,321</u>	<u>128,085</u>	<u>346,785</u>	<u>13,235,621</u>	<u>275,000</u>
	<u>\$26,580,321</u>	<u>\$128,085</u>	<u>\$2,951,785</u>	<u>\$23,756,621</u>	<u>\$2,825,000</u>

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

The Borough's debt is summarized as follows:

Summary of Municipal Debt (Excluding Current Operating Debt)

	<u>Year 2009</u>	<u>Year 2008</u>	<u>Year 2007</u>
Issued:			
General Bonds and Notes	\$22,971,301	\$23,644,645	\$26,172,000
Water Utility Bonds and Notes	<u>3,214,699</u>	<u>3,515,355</u>	<u>3,809,000</u>
	<u>26,186,000</u>	<u>27,160,000</u>	<u>29,981,000</u>
Authorized But Not Issued:			
General Bonds and Notes	10,642,769	8,063,269	5,746,791
Water Utility Bonds and Notes	<u>1,854,351</u>	<u>1,574,351</u>	<u>1,486,451</u>
	<u>12,497,120</u>	<u>9,637,620</u>	<u>7,233,242</u>
Total Bonds and Notes	38,683,120	36,797,620	37,214,242
Less deductions	<u>26,139</u>	<u>26,139</u>	<u>26,139</u>
Net Bonds and Notes Issued and Authorized But Not Issued	<u>\$38,656,981</u>	<u>\$36,771,481</u>	<u>\$37,188,103</u>

BOROUGH OF FAIR LAWN  
Notes to Financial Statements  
Years Ended December 31, 2009 and 2008  
(continued)

NOTE 3. MUNICIPAL DEBT, (continued)

Summary of Statutory Debt Condition - Annual Debt Statement

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of .73%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School Debt	\$22,472,332	\$22,472,332	\$0
Water Utility	5,069,050		5,069,050
General Debt	<u>33,614,070</u>	<u>26,139</u>	<u>33,587,931</u>
	<u>\$61,155,452</u>	<u>\$22,498,471</u>	<u>\$38,656,981</u>

Net debt of \$38,656,981 divided by equalized valuation basis per N.J.S.A. 40A:2-2 as amended of \$5,262,834,292 equals .73%.

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

3 1/2% of Equalized Valuation Basis (Municipal)	\$184,199,200
Net Debt	<u>38,656,981</u>
Remaining Borrowing Power	<u>\$145,542,219</u>

Calculation of "Self-Liquidating Purpose", Water Utility Per N.J.S.A. 40A:2-45

Cash receipts from fees, rents or other charges for year		\$4,965,651
Deductions:		
Operating and Maintenance Cost	\$4,696,700	
Debt Service per Water Account	<u>454,000</u>	
Total Deductions		<u>5,150,700</u>
Deficit In Revenue		<u>\$185,049</u>

**BOROUGH OF FAIR LAWN**  
**Notes to Financial Statements**  
**Years Ended December 31, 2009 and 2008**  
**(continued)**

**NOTE 3. MUNICIPAL DEBT, (continued)**

The Borough's long-term debt consisted of the following at December 31, 2009:

Paid by Current Fund:

General Obligation Bonds

\$13,300,000 1997 Bonds due in annual installments  
of \$625,000.00 to \$1,250,000 through August, 2010,  
interest at 4.7% \$1,250,000

\$15,225,000 Bonds due in annual installments of  
\$675,000 to \$1,205,000 through June 2017,  
interest at 4.00% to 4.625% 8,305,000

\$9,555,000

Paid by Water Utility Operating Fund:

Water Utility Bonds

\$2,621,000, 1997 Bonds due in annual installments  
of \$110,000 to \$166,000 through August, 2012,  
interest at 4.70% \$566,000

\$715,000 2001 Bonds due in annual installments of  
\$35,000 to \$60,000 through June 2017, interest at  
4.250% to 4.700% 400,000

\$966,000

Aggregate debt service requirements are as follows:

<u>Year</u>	<u>Total</u>	<u>General Capital</u>		<u>Water Utility Capital</u>	
		<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2010	\$3,076,263	\$2,350,000	\$426,731	\$255,000	\$44,532
2011	1,914,443	1,200,000	426,731	255,000	32,712
2012	1,768,123	1,200,000	321,231	226,000	20,892
2013	1,540,681	1,200,000	270,231	60,000	10,450
2014	1,487,041	1,200,000	219,231	60,000	7,810
2015-2016	<u>2,854,654</u>	<u>2,405,000</u>	<u>332,194</u>	<u>110,000</u>	<u>7,460</u>
	<u>\$12,641,205</u>	<u>\$9,555,000</u>	<u>\$1,996,349</u>	<u>\$966,000</u>	<u>\$123,856</u>

BOROUGH OF FAIR LAWN  
Notes to Financial Statements  
Years Ended December 31, 2009 and 2008  
(continued)

NOTE 3. MUNICIPAL DEBT, (continued)

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

At December 31, 2009 the Borough had authorized but not issued debt as follows:

General Capital Fund	\$10,642,769
Water Utility Capital Fund	1,854,351

NOTE 4. CAPITAL LEASES PAYABLE

The Borough is leasing the Recreation Center Project under capital leases. The capital lease is a term of thirty years. The following is a schedule of the future minimum lease payments under the capital lease, and the present value of the net minimum lease payments at December 31, 2009.

<u>Year</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2010	\$803,863	\$275,000	\$528,863
2011	805,613	285,000	520,613
2012	807,063	295,000	512,063
2013	807,475	305,000	502,475
2014	807,181	315,000	492,181
2015-2019	4,026,595	1,755,000	2,271,595
2020-2024	4,023,375	2,150,000	1,873,375
2025-2029	4,022,500	2,730,000	1,292,500
2030-2034	<u>4,019,000</u>	<u>3,480,000</u>	<u>539,000</u>
	<u>\$20,122,665</u>	<u>\$11,590,000</u>	<u>\$8,532,665</u>

**BOROUGH OF FAIR LAWN**  
**Notes to Financial Statements**  
**Years Ended December 31, 2009 and 2008**  
**(continued)**

**NOTE 5. OPERATING LEASES**

The Borough has commitments to lease a generator, utility trucks, plows, mini bus, tactical raid vests, police car graphics, police cars, light bars and trunk box weapon lockers, a pulverizer and two heavy duty mowers, various departmental vehicles, and other equipment under operating leases that expire in 2015. Total operating lease payments made during the year ended December 31, 2009 were \$162,629. Future minimum lease payments are as follows:

<u>Year ending December 30,</u>	<u>Amount</u>
2010	\$205,604
2011	205,604
2012	205,604
2013	205,604
2014	205,604
2015	<u>93,373</u>
Total minimum lease payments	1,121,393
Less: Accumulated interest	<u>117,898</u>
Present value of minimum lease payments	<u><u>\$1,003,495</u></u>

**NOTE 6. BOND ANTICIPATION NOTES**

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

As of December 31, 2009, the Borough had \$13,416,301 in General Capital and \$2,248,699 in Water Capital bond anticipation notes outstanding at a rate of 2.0% due on December 16, 2010.

**BOROUGH OF FAIR LAWN**  
**Notes to Financial Statements**  
**Years Ended December 31, 2009 and 2008**  
**(continued)**

**NOTE 6. BOND ANTICIPATION NOTES, (continued)**

The following activity related to bond anticipation notes occurred during the calendar year ended December 31, 2009.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Notes Payable:				
Commerce Capital Markets, Inc.	\$14,034,000	\$	\$14,034,000	\$0
Jefferies & Company	<u>                    </u>	<u>15,665,000</u>	<u>                    </u>	<u>15,665,000</u>
Total Notes Payable	<u>\$14,034,000</u>	<u>\$15,665,000</u>	<u>\$14,034,000</u>	<u>\$15,665,000</u>

**NOTE 7. FUND BALANCE APPROPRIATED**

The fund balances at December 31, 2009 which have been appropriated as revenue in the 2010 budgets are as follows:

Current Fund	\$5,000,000
Water Utility Operating Fund	-0-

**NOTE 8. ACCRUED SICK AND VACATION BENEFITS**

The Borough permits employees to accrue (with certain restrictions) unused vacation and sick pay, which may be taken as time off or paid at a later date at an agreed-upon rate. It is estimated that the current cost of such unpaid compensation would approximate \$1,645,621 as of December 31, 2009. This amount is not reported either as an expenditure or liability. A reserve was established in prior years for purposes of paying terminal leave benefits and is reflected herein on Exhibit A-19. The reserve balance as of December 31, 2009 was the sum of \$1,062,922.



**BOROUGH OF FAIR LAWN**  
**Notes to Financial Statements**  
**Years Ended December 31, 2009 and 2008**  
**(continued)**

**NOTE 9. CASH, CASH EQUIVALENTS AND INVESTMENTS**

**Cash**

**Custodial Credit Risk - Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Borough's policy is based on New Jersey Statutes requiring cash be deposited only in New Jersey based banking institutions that participate in New Jersey Governmental Depository Protection Act (GUDPA) or in qualified investments established in New Jersey Statutes 40A:5-15.1(a) that are treated as cash equivalents. As of December 31, 2009, \$-0- of the Borough's bank balance of \$18,451,981 was exposed to custodial credit risk.

**Investments**

**Investment Rate Risk**

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

**Credit Risk**

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

**Concentration of Credit Risk**

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

**Unaudited Investments**

As more fully described in Note 16, the Borough has created a Length of Service Award Program (LOSAP) for emergency service volunteers. The LOSAP investments are similar to those allowed in a deferred compensation program as specified in NJSA 43:15B-1 et. seq. except that all investments are retained in the name of the Borough. All investments are valued at fair value. In accordance with NJAC 5:30-14.37, the investments are maintained by Variable Annuity Life Insurance Company (VALIC), which is an authorized provider approved by the Division of Local Government Services. The balance in the account on December 31, 2009 and 2008 amounted to \$484,401 and \$342,562, respectively.

**BOROUGH OF FAIR LAWN**  
**Notes to Financial Statements**  
**Years Ended December 31, 2009 and 2008**  
**(continued)**

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

The following investments represent 5% or more of the total invested with VALIC on December 31, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Fixed Account Plus	\$37,809	\$27,658
Health Sciences Fund	23,023	
Mid Cap Value Fund	33,162	22,231
Money Market I Fund	108,752	79,718
Vanguard Lifestrategy - Growth	91,669	64,723
Vanguard Lifestrategy Modera	25,049	18,809
All Others	<u>164,937</u>	<u>129,423</u>
Total	<u>\$484,401</u>	<u>\$342,562</u>

**NOTE 10. LITIGATION**

The Borough is a defendant in various legal proceedings. These cases, if decided against the Borough, would either be funded by insurance or raised by future taxation. The Borough expects such amounts, if any, to be immaterial, except for the following case:

“On January 22, 2008, a Complaint and Jury Demand was filed against the Borough and Police Chief Eric Rose by Police Sergeant Michael Messina. Sergeant Messina alleged that he sought a “desk audit” of his police duties with the New Jersey Department of Personnel on July 19, 2006. In sum, Sergeant Messina alleged that he was performing the duties of a Lieutenant while being compensated as a Sergeant. This desk audit ultimately failed, and plaintiff attributed the blame for this failure to Chief Rose. Plaintiff further alleged that as a result of his filing of the desk audit, he suffered various adverse employment actions. The adverse employment actions alleged by the plaintiff consist of alleged derogatory comments by Chief Rose, removal from the Detective Bureau and reassignment to Patrol Bureau, and initiation of allegedly meritless disciplinary charges against the Plaintiff.

This matter was tried before a jury from February 22, 2010 through March 4, 2010. The jury returned a verdict against the Borough for compensatory damages of \$419,000.00 and punitive damages of \$126,548.00. Additionally, the court, in the order for judgment, awarded Plaintiff’s attorneys fees of \$160,941.29, a mark up for negative tax consequences of \$73,971.00 pre-judgment interest of \$34,864.35. The total award to the Plaintiff is \$815,324.67. Under the Borough’s MEL coverage, the verdict award for the economic damages portion of the compensatory damages claim in the amount of \$100,000.00 and plaintiff’s attorneys fees of \$160,941.29 are insured claims. The Borough’s uninsured liability is \$554,383.38. The Borough and MEL have elected to appeal these verdicts and the matter is currently pending before the Appellate Division.”

**BOROUGH OF FAIR LAWN**  
**Notes to Financial Statements**  
**Years Ended December 31, 2009 and 2008**  
**(continued)**

**NOTE 11. FIXED ASSETS**

The following is a summary of changes in the General Fixed Assets Account Group as of December 31, 2009.

	<u>Balance</u> <u>Dec. 31, 2008</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>Dec. 31, 2009</u>
Land	\$11,169,750	\$	\$	\$11,169,750
Buildings and Building Improvement	41,230,799			41,230,799
Machinery and Equipment	<u>12,302,661</u>	<u>519,336</u>	<u>216,213</u>	<u>12,605,784</u>
	<u>\$64,703,210</u>	<u>\$519,336</u>	<u>\$216,213</u>	<u>\$65,006,333</u>

**NOTE 12. INTERFUND BALANCES AND ACTIVITY**

Balances due to/from other funds at December 31, 2009 consist of the following:

\$79,365	Due to the Current Fund from the Federal and State Grant Fund for interest earned on investments.
11,896	Due to the Current Fund from the Animal Trust Fund for interest earned on investments and statutory excess.
53,988	Due to the Current Fund from the Other Trust Fund for interest earned on investments and reimbursement for expenditures paid.
186	Due to the Current Fund from the Cafeteria Plan Trust Fund for interest earned on investments.
45,000	Due to the Unemployment Compensation Insurance Fund from the Current Fund for current year budget appropriations.
25,626	Due to the Water Utility Operating Fund from the Current Fund for reimbursement for expenditures paid.
1,085	Due to the Payroll Account from the Current Fund to eliminate deficit.
77,882	Due to the Current Fund from the Claims Fund for interest earned on investments.
162,151	Due to the Water Utility Capital Fund from the Water Utility Operating Fund for current year budget appropriation less advances.
3,551	Due to Unemployment Compensation Insurance Fund from the Payroll Fund for employee share of contributions.
<u>4,690</u>	Due to the Water Utility Operating Fund from the Capital Fund for reimbursement for expenditures paid.
<u>\$465,420</u>	

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

**BOROUGH OF FAIR LAWN**  
**Notes to Financial Statements**  
**Years Ended December 31, 2009 and 2008**  
**(continued)**

**NOTE 13. DEFERRED CHARGES**

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2009 the following deferred charges are shown on the balance sheet of the various funds:

	<u>Balance</u> <u>Dec. 31, 2009</u>	<u>2010 Budget</u> <u>Appropriation</u>	<u>Balance to</u> <u>Succeeding</u> <u>Year's Budget</u>
Water Utility Fund:			
Deficit in Operations	\$253,269	\$253,269	\$ -0-
Other Funds:			
Deficit in Payroll Fund	<u>1,001</u> <u>\$254,270</u>	<u>1,001</u> <u>\$254,270</u>	<u>-0-</u> <u>\$ -0-</u>

**NOTE 14. RISK MANAGEMENT**

The Borough maintains self-insurance programs for general liability and workers' compensation with the following provision as to losses:

**Workers' Compensation:**

The Borough can pay no more than \$100,000 for any one accident or occurrence. Above that amount, insurance coverage in the Municipal Excess Liability Fund and the Bergen County Municipal Joint Insurance Fund will pay further benefits to the extent of \$9,900,000.

Processing of workers' compensation claims are administered by Sedgwick of New Jersey, Inc.

**General Liability:**

The Borough can pay no more than \$100,000 for one accident or occurrence. Above that amount, insurance coverage in the Municipal Excess Liability Fund and the Bergen County Municipal Joint Insurance Fund will pay further benefits to the extent of \$9,900,000.

Processing of general liability claims are administered by Sedgwick of New Jersey, Inc.

Claims were tested only to the extent of amounts of payment. Accuracy of the claims are necessarily placed on the reliance of Borough personnel.

There has been no provisions included in the financial statements for claims incurred but not reported as of December 31, 2009.

BOROUGH OF FAIR LAWN  
Notes to Financial Statements  
Years Ended December 31, 2009 and 2008  
(continued)

NOTE 14. RISK MANAGEMENT, (continued)

An unaudited summary of the general liability and workers' compensation fund held by the insurance agent is detailed as follows:

	Workers' Compensation <u>Trust Fund</u>	Self-Insurance <u>Trust Fund</u>
Balance - December 31, 2008	(\$1,394)	\$213,222
Receipts	<u>650,266</u>	<u>433,855</u>
	648,872	647,077
Disbursements	<u>412,620</u>	<u>517,543</u>
Balance - December 31, 2009	<u>\$236,252</u>	<u>\$129,534</u>

NOTE 15. TAXES COLLECTED IN ADVANCE

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

	Balance <u>Dec 31, 2009</u>	Balance <u>Dec 31, 2008</u>
Prepaid Taxes	<u>\$508,485</u>	<u>\$414,290</u>
Cash Liability for Taxes Collected in Advance	<u>\$508,485</u>	<u>\$414,290</u>

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

On November 11, 2001, the Division of Local Government Services approved the Borough's LOSAP plan, provided by Variable Annuity Life Insurance Company. The purpose of this plan is to enhance the Borough's ability to retain and recruit volunteer firefighters and volunteer members of emergency service squads.

BOROUGH OF FAIR LAWN  
Notes to Financial Statements  
Years Ended December 31, 2009 and 2008  
(continued)

**NOTE 16. EMERGENCY SERVICES VOLUNTEER LENGTH OF SERVICE AWARD PLAN (LOSAP) (UNAUDITED), (continued)**

The Variable Annuity Life Insurance Company will provide for the benefit of participants, a multi-fund variable annuity contract as its funding vehicle. The plan shall provide for a fixed annual contribution of \$600 to each eligible volunteer who accumulates a minimum of 100 service points based on criteria established by Borough Ordinance No. 1817-00. In addition, the ordinance provides for service credits of \$100 per year for up to five prior years of eligible volunteer service. The amount of the LOSAP award cannot exceed \$600 annually, subject to periodic increases as permitted by N.J.A.C. 5:30-14.9. The Borough's contribution shall be included in the current years budget.

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

We have reviewed the plan for the year ended December 31, 2009 in accordance with the American Institute of Certified Public Accountants (AICPA) Statement on Standards for Accounting and Review Services.

## **APPENDIX B**

### **SELECTED FINANCIAL INFORMATION FOR YEARS ENDED DECEMBER 31, 2005-2009**

The selected data presented on pages B-53 to B-60 under the section "Selected Financial Information" as of and for each of the years in the five year periods ended December 31, 2009 are derived from the financial statements of the Borough of Fair Lawn. The excerpts from the financial statements as of December 31, 2009 and the Independent Auditor's Report thereon are included in the previous section.

**BOROUGH OF FAIR LAWN  
COUNTY OF BERGEN, NEW JERSEY  
CURRENT FUND**

**COMPARATIVE BALANCE SHEET**

	Balance Dec. 31, 2009	Balance Dec. 31, 2008	Audited Balance Dec. 31, 2007	Balance Dec. 31, 2006	Balance Dec. 31, 2005
<b>ASSETS AND DEFERRED CHARGES</b>					
<u>Regular Fund</u>					
Cash and Investments	13,288,853	14,389,985	13,623,480	11,245,189	8,374,768
	<u>13,288,853</u>	<u>14,389,985</u>	<u>13,623,480</u>	<u>11,245,189</u>	<u>8,374,768</u>
Receivables and Other Assets with Full Reserves:					
Delinquent Taxes	988,929	985,196	923,547	862,289	835,971
Tax Title Liens	19,438	15,896	15,606	15,326	15,241
Other Liens Receivable	275	275	462	462	462
Prepaid School Taxes					2
Property Acquired for Taxes at Assessed Valuations	73,260	73,260	73,260	73,260	73,260
Revenue Accounts Receivable and Other Receivable	384,965	323,613	139,874	140,066	477,596
Interfund Accounts Receivable	249,213	31,360	126,200	277,759	374,846
	<u>1,716,080</u>	<u>1,429,600</u>	<u>1,278,949</u>	<u>1,369,162</u>	<u>1,777,378</u>
Deferred Charges:					
Emergency Authorization		148,900	297,800	446,700	100,000
Special Emergency Authorizations (N.J.S. 40A:4-55)	0	148,900	297,800	446,700	595,600
	<u>15,004,933</u>	<u>15,968,485</u>	<u>15,200,229</u>	<u>13,061,051</u>	<u>695,600</u>
					<u>10,847,746</u>
<u>Federal Land State Grant Fund</u>					
Cash and Investments	352,210	264,371	375,273	234,175	379,865
Due From Current Fund	1,517,607	1,346,613	964,865	202,374	24,943
State Grant Receivable	1,869,817	1,610,984	1,340,138	436,549	135,922
	<u>16,874,750</u>	<u>17,579,469</u>	<u>16,540,367</u>	<u>13,497,600</u>	<u>540,730</u>
					<u>11,388,476</u>



## COMPARATIVE BALANCE SHEET

B-54

**BOROUGH OF FAIR LAWN  
COUNTY OF BERGEN, NEW JERSEY  
CURRENT FUND**

**COMPARATIVE STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCE**

	Balance Dec. 31, 2008	Balance Dec. 31, 2008	Audited Balance Dec. 31, 2007	Balance Dec. 31, 2008	Balance Dec. 31, 2005
<u>Revenue and Other Income</u>					
Fund Balance Utilized	5,014,214	5,469,420	3,400,500	2,814,500	2,395,000
Receipts from Current Taxes	109,016,233	106,155,968	102,183,039	97,519,673	88,973,790
Receipts from Delinquent Taxes	1,007,688	884,696	563,089	824,440	682,995
Receipts from Special Improvement District Taxes					
Miscellaneous Revenue Anticipated	9,379,118	8,707,961	10,770,449	9,127,046	8,524,647
Nonbudget Revenue	357,996	895,336	589,893	343,331	329,518
Other Credits to Income	588,422	455,056	1,170,401	1,143,151	1,935,705
	<u>125,363,671</u>	<u>122,568,437</u>	<u>118,677,371</u>	<u>111,772,141</u>	<u>102,841,655</u>
<u>Expenditures</u>					
Budget Appropriations	41,931,724	40,348,388	38,761,404	36,140,897	32,713,914
Local School District Tax	69,461,810	66,978,432	64,546,304	61,304,693	56,845,238
County Taxes	10,348,731	9,956,045	9,192,073	8,563,876	8,095,922
Special Improvement District Taxes	263,612	263,200	263,200	353,122	188,500
Municipal Open Space Tax	255,072				
Miscellaneous Other Expenditures	404,147	288,751	110,005	125,806	796,381
	<u>122,665,096</u>	<u>117,814,816</u>	<u>112,872,986</u>	<u>106,488,394</u>	<u>98,639,955</u>
Excess in Revenue	2,698,575	4,753,621	5,804,385	5,283,747	4,201,700
Adjustments to Income before Fund Balance:					
Expenditure Included Above Which are by Statute Deferred					100,000
Charges to Budget of Succeeding Year					
Statutory Excess to Fund Balance	2,698,575	4,753,621	5,804,385	5,283,747	4,301,700
<u>Fund Balance</u>					
Balance January 1	9,236,538	9,952,337	7,548,452	5,079,205	3,172,505
	11,935,113	14,705,958	13,352,837	10,362,952	7,474,205
Decreased by:					
Utilized as Anticipated Revenue	5,014,214	5,469,420	3,400,500	2,814,500	2,395,000
Balance December 31	<u>6,920,899</u>	<u>9,236,538</u>	<u>9,952,337</u>	<u>7,548,452</u>	<u>5,079,205</u>

### COMPARATIVE BALANCE SHEET

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**BOROUGH OF FAIR LAWN  
COUNTY OF BERGEN, NEW JERSEY  
GENERAL CAPITAL FUND**

**COMPARATIVE BALANCE SHEET**

	Audited			
	Balance Dec. 31, 2009	Balance Dec. 31, 2008	Balance Dec. 31, 2007	Balance Dec. 31, 2006
				Balance Dec. 31, 2005
<b>ASSETS AND DEFERRED CHARGES</b>				
Cash and Investments	2,809,951	2,883,077	4,745,082	4,829,782
State Grants Receivable	390,848	699,348	282,684	580,502
Community Development Block Grant Receivable	194,699	244,699	179,699	215,071
Interfund Accounts Receivable			33,624	39,411
Deferred Charges to Future Taxation:				
Funded	21,145,000	23,765,000	26,275,000	28,780,000
Unfunded	24,059,070	19,802,914	17,763,791	15,083,191
	<u>48,599,578</u>	<u>47,395,038</u>	<u>49,279,880</u>	<u>49,527,957</u>
				<u>48,705,101</u>
<b>LIABILITIES, RESERVES AND FUND BALANCE</b>				
General Serial Bonds	9,555,000	11,905,000	14,155,000	16,405,000
Bond Anticipation Notes	13,416,301	11,739,645	12,017,000	9,629,000
Capital Leases Payable	11,590,000	11,860,000	12,120,000	12,375,000
Capital Improvement Fund	64,076	18,076	24,576	13,605
Interfund Accounts Payable	4,690	3,817	24,634	49,749
Public Works Employment Act of 1976	1,750	1,750	1,750	1,750
Reserve for Payment of Debt	26,139	26,139	26,139	26,139
Reserve for Grants Receivable	18,243	20,143	20,143	14,988
Reserve for Unappropriated State Grant	15,464	15,464	15,464	15,464
Improvement Authorizations:				
Funded	1,174,179	1,304,464	1,032,001	1,083,876
Unfunded	10,542,861	7,104,527	6,215,598	5,793,859
Encumbered	659,568	764,001	1,166,200	1,814,744
Fund Balance	<u>1,531,307</u>	<u>2,632,012</u>	<u>2,461,375</u>	<u>2,394,783</u>
	<u>48,599,578</u>	<u>47,395,038</u>	<u>49,279,880</u>	<u>49,527,957</u>
				<u>48,705,101</u>
Bonds and Notes Authorized but Not Issued	<u>10,642,769</u>	<u>8,063,269</u>	<u>5,746,791</u>	<u>5,454,191</u>
				<u>4,793,191</u>

**BOROUGH OF FAIR LAWN  
COUNTY OF BERGEN, NEW JERSEY  
WATER UTILITY FUND**

**COMPARATIVE BALANCE SHEET**

	Balance Dec. 31, 2009	Balance Dec. 31, 2008	Audited Balance Dec. 31, 2007	Balance Dec. 31, 2006	Balance Dec. 31, 2005
<b>ASSETS AND DEFERRED CHARGES</b>					
Operating Fund					
Cash and Investments	407,031	342,230	732,739	164,413	426,960
Interfund Accounts Receivable	4,680	190	233	2,557	
	<u>411,721</u>	<u>342,420</u>	<u>732,972</u>	<u>166,970</u>	<u>426,960</u>
Assets with Full Reserves:					
Consumer Accounts Receivable and Water Utility Liens	340,802	374,326	408,876	391,668	319,946
Inventory - Materials and Supplies	85,929	70,000	70,000	36,474	31,159
	<u>426,731</u>	<u>444,326</u>	<u>478,876</u>	<u>428,142</u>	<u>351,105</u>
Deferred Charges:					
Deficit in Operations	253,269	220,152	35,934	394,343	
Overexpenditures			43,867		200,000
Emergency Appropriation			125,000		
	<u>1,091,721</u>	<u>1,006,898</u>	<u>1,416,649</u>	<u>989,455</u>	<u>978,065</u>
Capital Fund					
Cash and Investments	5,187	659,588	266,079	811,210	842,617
Fixed Capital	11,898,999	11,898,999	11,898,999	11,898,999	11,898,999
Fixed Capital Authorized and Uncompleted	6,270,825	5,976,825	5,884,425	5,884,425	5,510,625
Interfund Accounts Receivable	162,151		540,400		28,849
	<u>18,337,162</u>	<u>18,535,412</u>	<u>18,589,903</u>	<u>18,594,634</u>	<u>18,281,090</u>
	<u>19,428,883</u>	<u>19,542,310</u>	<u>20,006,552</u>	<u>19,584,089</u>	<u>19,259,155</u>

**BOROUGH OF FAIR LAWN  
COUNTY OF BERGEN, NEW JERSEY  
WATER UTILITY FUND**

**COMPARATIVE BALANCE SHEET**

	Audited			
	Balance Dec. 31, 2009	Balance Dec. 31, 2008	Balance Dec. 31, 2007	Balance Dec. 31, 2006
				Balance Dec. 31, 2005
<b>Operating Fund</b>				
<b>Liabilities:</b>				
Interfund Payable	187,777		540,400	34,733
Appropriation Reserves	266,227	349,986	179,309	333,899
Accounts Payable	3,234	3,234	3,234	167,131
Accrued Interest on Bonds	14,928	19,139	24,214	3,234
Water Rent Overpayments	5,281	2,670	3,073	28,213
				2,637
				3,117
	477,447	375,029	750,230	239,417
	426,731	444,326	478,876	428,142
	187,543	187,543	187,543	351,105
				387,543
	1,091,721	1,006,898	1,416,649	989,455
				978,065
	966,000	1,221,000	1,476,000	1,731,000
	2,248,699	2,294,355	2,333,000	1,692,000
	6,170	372,112	371,142	380,546
	1,540,878	1,433,650	1,469,790	1,698,190
	50,194	74,682	130,377	125,667
		190		2,557
	5,500	5,500	5,000	
	12,231,444	11,976,444	11,721,444	11,466,444
	913,262	853,606	810,461	810,461
	375,015	303,873	272,689	259,769
				250,792
	18,337,162	18,535,412	18,589,903	18,594,634
				18,281,090
	19,428,883	19,542,310	20,006,552	19,584,089
				19,259,155
	1,854,351	1,574,351	1,486,451	1,699,451
				1,771,451

**LIABILITIES, RESERVES AND FUND BALANCE**

**Operating Fund**

**Liabilities:**

Interfund Payable  
Appropriation Reserves  
Accounts Payable  
Accrued Interest on Bonds  
Water Rent Overpayments

Reserve for Receivables and Inventory  
Fund Balance

**Capital Fund**

Serial Bonds  
Bond Anticipation Notes  
Improvement Authorizations:

Funded

Unfunded

Encumbered

Interfund Accounts Payable

Capital Improvement Fund

Reserve for Amortization

Reserve for Deferred Amortization

Fund Balance

Bonds and Notes Authorized but Not Issued

**BOROUGH OF FAIR LAWN  
COUNTY OF BERGEN, NEW JERSEY  
WATER UTILITY FUND**

**COMPARATIVE STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE**

	Balance Dec. 31, 2009	Balance Dec. 31, 2008	Audited Balance Dec. 31, 2007	Balance Dec. 31, 2006	Balance Dec. 31, 2005
<u>Revenue and Other Income</u>					
Fund Balance Utilized	300,000			200,000	179,800
Water Rents and Liens	4,613,454	5,013,181	4,694,292	4,121,741	4,143,588
Miscellaneous Revenue Anticipated	10,742	27,605	45,393	43,349	27,027
Other Credits to Income:					
Unexpended Balance of Appropriation Reserves	165,818	5,673	210,774	39,900	127,814
Liability Canceled	41,455	1,385		10,998	3,220
	<u>5,131,469</u>	<u>5,047,844</u>	<u>4,950,459</u>	<u>4,415,988</u>	<u>4,481,449</u>
<u>Expenditures</u>					
Budget Appropriations:					
Operating	4,465,600	4,407,842	4,164,917	3,984,800	3,769,756
Capital Improvements	14,000	5,000	5,000	13,000	27,700
Debt Service	454,000	439,646	420,000	412,200	359,000
Deferred Charges and Statutory Expenditures	451,138	415,708	565,343	400,331	142,000
	<u>5,384,738</u>	<u>5,267,996</u>	<u>5,155,260</u>	<u>4,810,331</u>	<u>4,298,456</u>
Excess/(Deficit) in Revenue	(253,269)	(220,152)	(204,801)	(394,343)	182,993
Adjustment to Income Before Fund Balance:					
Expenditures Included Above Which are by Statute					
Deferred Charges to Budget of Succeeding Year					200,000
Statutory Excess to Fund Balance					382,993
Balance, January,	<u>187,543</u>	<u>187,543</u>	<u>187,543</u>	<u>387,543</u>	<u>184,350</u>
Decreased by:					
Utilized as Anticipated Revenue	<u>187,543</u>	<u>187,543</u>	<u>187,543</u>	<u>387,543</u>	<u>567,343</u>
Balance, December 31,	<u>187,543</u>	<u>187,543</u>	<u>187,543</u>	<u>200,000</u>	<u>179,800</u>
				<u>187,543</u>	<u>387,543</u>

**APPENDIX C**  
**FORM OF**  
**BOND COUNSEL'S OPINION**



# Hawkins Delafield & Wood LLP

A NEW YORK LIMITED LIABILITY PARTNERSHIP

December 15, 2010

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SACRAMENTO  
SAN FRANCISCO

C. STEVEN DONOVAN  
ROBERT H. BEINFELD  
KRISTINE L. PERLA  
ERIC J. SAPIR  
CHARLES G. TOTO  
PATRICIA A. GOINS  
CHRISTOPHER M. WATERMAN

Borough Council of the  
Borough of Fair Lawn, in the  
County of Bergen, New Jersey

Ladies and Gentlemen:

We have examined a record of proceedings relating to the issuance of \$13,415,000 General Bonds of 2010 and \$2,245,000 Water Bonds of 2010 (collectively, the "Bonds") of the Borough of Fair Lawn, situate in the County of Bergen, a municipal corporation of the State of New Jersey (the "Borough"). The Bonds are issued pursuant to the Local Bond Law of the State of New Jersey, and as provided by (i) with respect to the General Bonds, a resolution of the Borough Council of the Borough, entitled: "Resolution providing for the combination of certain issues of bonds of the Borough of Fair Lawn, in the County of Bergen, New Jersey, into a single issue of General Bonds aggregating \$13,415,000 in principal amount", adopted November 23, 2010 and the bond ordinances referred to therein, and (ii) with respect to the Water Bonds, a resolution of the Borough Council of the Borough, entitled: "Resolution providing for the combination of certain issues of bonds of the Borough of Fair Lawn, in the County of Bergen, New Jersey, into a single issue of Water Bonds aggregating \$2,245,000 in principal amount", adopted November 23, 2010 and the bond ordinances referred to therein.

The Bonds are dated December 15, 2010, and bear interest from their dated date at the rates per annum (payable semi-annually on each June 15 and December 15 until maturity or earlier redemption, commencing June 15, 2011) and mature on December 15 in the years and in the respective principal amounts set forth below:

## General Bonds

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2011	\$550,000		2019	\$ 920,000	
2012	550,000		2020	935,000	
2013	575,000		2021	950,000	
2014	650,000		2022	965,000	
2014	725,000		2023	980,000	
2016	785,000		2024	995,000	
2017	880,000		2025	1,025,000	
2018	905,000		2026	1,025,000	

Water Bonds

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2011	\$105,000		2017	\$200,000	
2012	140,000		2018	200,000	
2013	200,000		2019	200,000	
2014	200,000		2020	200,000	
2015	200,000		2021	200,000	
2016	200,000		2022	200,000	

The Bonds maturing prior to December 15, 2021, are not subject to redemption prior to maturity at the option of the Borough. The Bonds of each series maturing on or after December 15, 2021, are subject to redemption prior to maturity at the option of the Borough in whole or in part, in any order of maturity and by lot within a maturity if less than all the Bonds of such maturity are to be redeemed, on any date on or after December 15, 2020, at a redemption price equal to 100% of the principal amount thereof, together with interest accrued, if any, to the date fixed for redemption.

The Internal Revenue Code of 1986, as amended (the "Code") establishes certain requirements to be met subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds be and remain excluded from gross income under Section 103 of the Code. We have examined the Arbitrage and Use of Proceeds Certificate of the Borough delivered in connection with the issuance of the Bonds which contains provisions and procedures regarding compliance with the requirements of the Code. By said Arbitrage and Use of Proceeds Certificate, the Borough has certified that, to the extent it is empowered and allowed under applicable law, it will comply with the provisions and procedures set forth therein and that it will do and perform all acts and things necessary or desirable to assure that interest paid on the Bonds is excludable from gross income under Section 103 of the Code. In rendering this opinion we have assumed that the Borough will comply with the provisions and procedures set forth in its Arbitrage and Use of Proceeds Certificate.

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

Borough Council of the  
Borough of Fair Lawn, in the  
County of Bergen, New Jersey

3.

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

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

We express no opinion regarding any other federal or state consequences with respect to the Bonds. We render our opinion under existing statutes and court decisions as of the issue date, and assume no obligation to update this opinion after the issue date to reflect any future action, fact or circumstance, or change in law or interpretation, or otherwise. We express no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for federal income tax purposes of interest on the Bonds, or under state and local tax law.

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

Very truly yours,