

NEW ISSUES
SERIAL BONDS

RATING: Moody's:

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

\$3,957,000
BOROUGH OF HO-HO-KUS
COUNTY OF BERGEN, NEW JERSEY
\$3,215,000 General Improvement Bonds
\$742,000 Water Utility Bonds
(Non-Callable) (Bank-Qualified)
(Book-Entry Only)

Dated: July 15, 2011

Due: July 15, as shown below

The General Improvement Bonds and the Water Utility Bonds (collectively, the "Bonds") of the Borough of Ho-Ho-Kus, in the County of Bergen, New Jersey (the "Borough"), will be issued as fully registered bonds registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), as registered owner of the Bonds, with the Bonds immobilized in the custody of DTC. Owners of beneficial interests in the Bonds will not receive physical delivery of bond certificates, but are to receive statements or other evidence of such ownership of beneficial interests from sources from which such interests were purchased. Investors may purchase beneficial interests in the Bonds in book-entry form in the denomination of \$5,000 or any integral multiple thereof. See "THE BONDS – Book-Entry Only System" herein. So long as DTC or its nominee, Cede & Co., is the registered owner of the Bonds, payments of principal of and interest on the Bonds will be made directly to DTC or its nominee, Cede & Co., which will remit such payments to the DTC Participants, which will, in turn, remit such payments to the owners of beneficial interests in the Bonds. Principal of the Bonds is payable on July 15 of each of the years set forth below, and interest on the Bonds is payable on each January 15 and July 15, commencing January 15, 2012, in each year until maturity. The Bonds are not subject to redemption prior to their stated maturities.

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

COMBINED MATURITY SCHEDULE, INTEREST RATES AND YIELDS OR PRICES

<u>Year</u>	<u>Amount</u> <u>Maturing</u>	<u>Interest</u> <u>Rate</u>	<u>Yield or</u> <u>Price</u>	<u>Year</u>	<u>Amount</u> <u>Maturing</u>	<u>Interest</u> <u>Rate</u>	<u>Yield or</u> <u>Price</u>
2012	\$265,000	%	%	2017	\$425,000	%	%
2013	275,000			2018	450,000		
2014	320,000			2019	465,000		
2015	370,000			2020	485,000		
2016	405,000			2021	497,000		

(plus accrued interest from July 15, 2011)

The Bonds are offered for sale upon the terms of the notice of sale and subject to the final approving opinion of Rogut McCarthy LLC, Cranford, New Jersey, Bond Counsel. It is anticipated that the Bonds in definitive form will be available for delivery to DTC in New York, New York, on or about July 22, 2011.

ELECTRONIC BIDS VIA PARITY AND
SEALED PROPOSALS WILL BE RECEIVED
UNTIL 11:00 O'CLOCK A.M. ON JULY 12, 2011
IN THE BOROUGH HALL,
333 WARREN AVENUE
HO-HO-KUS, NEW JERSEY 07423

**BOROUGH OF HO-HO-KUS,
IN THE COUNTY OF BERGEN, NEW JERSEY**

Mayor

Thomas W. Randall

Borough Council

MaryEllen Lennon
John R. Mongelli
Kevin R. Crossley
Douglas K. Troast
Philip Rorty
Kevin Shea

Borough Clerk

Laura P. Borchers

Chief Financial Officer

Joseph Citro

Borough Attorney

David B. Bole, Esq.
Paramus, New Jersey

Borough Auditor

Garbarini & Co. P.C. CPA's
Carlstadt, New Jersey

Bond Counsel

Rogut McCarthy LLC
Cranford, New Jersey

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

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

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

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**OFFICIAL STATEMENT
OF
BOROUGH OF HO-HO-KUS
IN THE COUNTY OF BERGEN, NEW JERSEY
RELATING TO**

**\$3,957,000 BONDS
Consisting of
\$3,215,000 General Improvement Bonds
and
\$742,000 Water Utility Bonds**

INTRODUCTION

This Official Statement (the "Official Statement") which includes the cover page and the Appendices attached hereto, has been prepared by the Borough of Ho-Ho-Kus (the "Borough"), in the County of Bergen (the "County"), State of New Jersey (the "State") in connection with the sale and issuance of its \$3,957,000 Bonds consisting of \$3,215,000 General Improvement Bonds (the "General Improvement Bonds"), and \$742,000 Water Utility Bonds (the "Water Utility Bonds" and together with the General Improvement Bonds, the "Bonds"), dated July 15, 2011. This Official Statement has been executed by and on behalf of the Borough by the Chief Financial Officer and the Borough Clerk and may be distributed in connection with the Bonds.

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

THE BONDS

General Description

The Bonds shall be dated July 15th and shall mature on July 15th, in the years and in the principal amounts as set forth on the next page. The Bonds shall bear interest from their dated date, payable on each January 15th and July 15th, (each, an "Interest Payment Date"), commencing January 15, 2012, in each year until maturity at the interest rates shown 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"), acting as securities depository, by the Chief Financial Officer, 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 last business day of the month preceding the month in which such Interest Payment Date occurs (the "Record Dates" for the payment of interest on the Bonds).

The Bonds are issuable as fully registered book-entry bonds in the form of one certificate for each maturity of each issue and in the principal amount of such maturity. The Bonds will be issued in book-entry form only. Investors may purchase beneficial interests in the Bonds in the denomination of \$5,000 or integral multiples 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 Bond Registrar/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.

Maturity Schedule:**Principal:**

Year	General	Water Utility	Combined
2012	\$ 215,000	\$ 50,000	\$ 265,000
2013	220,000	55,000	275,000
2014	260,000	60,000	320,000
2015	305,000	65,000	370,000
2016	335,000	70,000	405,000
2017	350,000	75,000	425,000
2018	365,000	85,000	450,000
2019	375,000	90,000	465,000
2020	390,000	95,000	485,000
2021	400,000	97,000	497,000
Total:	<u>\$ 3,215,000</u>	<u>\$ 742,000</u>	<u>\$ 3,957,000</u>

Prior Redemption

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

Book-Entry Only System

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

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

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

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

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

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

Security for the Bonds

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

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 laws 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, Division of Local Government Services, New Jersey Department of Community Affairs (the "Local Finance Board")).

Authorization and Purpose of the Bonds

The Bonds have been authorized and are issued pursuant to the laws of the State, including the Local Bond Law, N.J.S.A. 40A:2-1 et seq. (the "Local Bond Law"). The Bonds are authorized by various bond ordinances of the Borough set forth below and resolutions adopted by the Borough Council of the Borough on June 28, 2011.

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

The proceeds of the General Improvement Bonds will be used (i) for a current refunding of \$2,381,100 of the Borough's outstanding bond anticipation notes and (ii) to provide \$833,900 to fund the unfinanced portion of various capital projects of the Borough.

The proceeds of the Water Utility Bonds will be used (i) for a current refunding of \$667,800 of the Borough's outstanding bond anticipation notes and (ii) to provide \$74,200 to fund the unfinanced portion of various capital projects of the Borough.

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

Ord. #	Improvement Description	Date of Ordinance	Amount
<u>General Improvement Bonds</u>			
887	General Improvements - 2004	05/25/04	\$ 132,901.00
898	General Improvements - 2005	05/24/05	295,637.59
912,935	General Improvements - 2006	05/23/06,05/27/08	397,773.00
922	General Improvements - 2007	01/23/07	135,392.42
928	Improvements & Equipment - 2007	06/26/07	520,971.99
940	Improvements & Equipment - 2008	09/23/08	382,646.00
941	Streetscape Improvements - 2008	09/23/08	180,000.00
955	Various Improvements - 2009	08/18/09	335,778.00
967	General Improvements and Equipment - 2010	07/27/10	570,800.00
991	General Improvements and Equipment - 2011	05/24/11	263,100.00
Total General Improvement Bonds			\$ 3,215,000.00
<u>Water Utility Bonds</u>			
913	General Improvements	05/23/06	216,946.00
929	Various Improvements & Acquisition of Equipment	06/26/07	93,102.00
942	Various Improvements & Acquisition of Equipment	09/23/08	226,648.00
954	Various Public Improvements	08/18/09	131,104.00
968	Acquisition of Machinery & Equip.	07/27/10	74,200.00
Total Water Utility Bonds			\$ 742,000.00
Total Bonds			\$ 3,957,000.00

QUALIFIED TAX-EXEMPT OBLIGATIONS

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

NO DEFAULT

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.

MARKET PROTECTION - BOND AND NOTE FINANCING

The Borough does not intend to issue additional bonds, bond anticipation notes or tax anticipation notes during the remainder of 2011.

CERTAIN STATUTORY PROVISIONS FOR THE PROTECTION OF GENERAL OBLIGATION DEBT

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

The Local Bond Law governs the issuance of bonds and notes to finance certain 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 to be appropriated for the financing of expenditures for municipal purposes for which bonds are authorized.

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

This law regulates the non-budgetary financial activities of local governments. An annual, independent audit of the local unit's accounts for the previous year must be performed by a licensed Registered Municipal Accountant. The audit, conforming to the Division of Local Government Services "Requirements of Audit," includes recommendations for improvement of the local unit's financial procedures and must be filed with the Director within six months after the close of the fiscal year. A synopsis of the audit report, together with all recommendations made, must be published in a local newspaper within 30 days of its completion. The annual audit report is filed with the Borough Clerk and is available for review during business hours.

The chief financial officer of every local unit must file annually with the Director a verified statement of financial condition of the local unit and all constituent boards, agencies or commissions.

Debt Limits

The authorized bonded indebtedness of a municipality in the State of New Jersey is limited by statute, subject to the exceptions noted below, to an amount equal to 3-1/2% of its equalized valuation basis. The equalized valuation basis of the municipality 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. Certain categories of debt are permitted by statute to be deducted for purposes of computing the statutory debt limit. On December 31, 2010, the Borough's percentage of statutory net debt was 0.386% and was compromised of the following:

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
School	\$ 10,498,000	\$10,498,000	\$ 0
General	5,283,056	0	5,283,056
Water Utility	<u>1,483,952</u>	<u>1,483,952</u>	<u>0</u>
	<u>\$17,265,008</u>	<u>\$11,981,952</u>	<u>\$5,283,056</u>

Exceptions to Debt Limits-Extensions of Credit

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

Short-Term Financing

The Borough may issue bond anticipation notes to temporarily finance capital improvements. Bond anticipation notes, which are general obligations of the Borough, may be issued for a period not exceeding one year and may be renewed annually for one-year periods. Generally, bond anticipation notes may not be outstanding longer than 10 years. Additionally, beginning in the third year and continuing in each year that the notes are outstanding, the amount of notes that may be issued is decreased by the minimum amount required for the first year principal payment of bonds in anticipation of which such notes are issued.

School Debt Subject to Voter Approval

State Law permits the school district, upon approval of the voters, to authorize school district debt, including debt in excess of its independent debt limit of 3% of the equalized valuation basis, by using the available borrowing capacity of the Borough. If such debt is in excess of the school district debt limit, the State Commissioner of Education and the Local Finance Board must approve the proposed debt authorization before it is submitted to the voters.

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

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

Any holder of bonds or notes which are in default for over sixty (60) days (for payment of principal or interest) may bring action against such municipality in the Superior Court of New Jersey. Any municipality may declare itself

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unable to meet its obligations and bring action in such court. In either case, the court's determination that the municipality is in default or unable to meet its obligations causes the "Municipal Finance Commission" to become operative in that community.

The "Municipal Finance Commission" exercises direct supervision over the finances and accounts of any local unit under its jurisdiction. Such commission is authorized to appoint an auditor to examine and approve all claims against the municipality and to serve as comptroller for that community. The commission is also directed to supervise tax collections and assessments, to approve the funding of municipal school district indebtedness, the adjustment or composition of the claims of creditors, and the readjustment of debts under the Federal Municipal Bankruptcy Act. Such Act was substantially revised in 1976 so as to permit municipalities to have access to bankruptcy court for protection against suits by bondholders and without prior warranty for creditors' approvals in cases of impending default.

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

INVESTMENT OF MUNICIPAL FUNDS

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

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

The Borough has no investments in derivatives.

GENERAL INFORMATION REGARDING THE BOROUGH

DEMOGRAPHIC AND ECONOMIC FACTORS

Geographical Location and Area

The Borough, incorporated in 1908, is located in northwest Bergen County, approximately 20 miles northwest of New York City. The Borough is bordered by the Village of Ridgewood, the Township of Washington and the Boroughs of Waldwick, Saddle River and Hillsdale. The Borough is predominantly a residential, suburban community with most residences being owner-occupied, single family dwellings. The Borough has two light industrial parks and a downtown business area. Some Borough residents are employed in nearby communities, while most commute to employment in New York City and other parts of the metropolitan area. New Jersey Highway Route No. 17 and the Garden State Parkway provide access to and from the Borough. There are a total of 1,154 acres, or 1.8 square miles, within the Borough.

Form of Government

Ho-Ho-Kus was organized in 1908 under the borough form of government. There is a Mayor and Council, composed of six members. The Mayor and Council are assisted by an appointed Administrator responsible for implementation of policies established by the governing body and for the coordination of the various Borough departments.

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

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

The Borough Clerk is appointed by the Mayor and Council. The Clerk's office prepares official minutes of Council meetings, advertises and records ordinances and resolutions, issues licenses as required by State statutes and local ordinances and conducts all phases of municipal elections and voter registrations.

PUBLIC FACILITIES

Municipal Building

The first Borough Hall was located on East Franklin Turnpike and was formerly the first Ho-Ho-Kus schoolhouse. Over the years, the building was altered to house the Police and Fire Departments. In 1962, the Fire Department moved to newly built quarters on Sheridan Avenue. A new police and ambulance facility was constructed on Sycamore Avenue behind the Fire Department building in 1983. As time passed, the Borough Hall outlived its usefulness. In 1992, the Borough deemed it prudent to build a new Borough Hall between the Fire House and Police Station locations. The new addition on Warren Avenue completed the Municipal Complex with the Borough Hall in the center, the Fire Department to the West and the Police and Ambulance Department to the East. All of the Borough's Administration offices are located in this building – the Borough Administrator, Borough Clerk, Treasurer, Tax Collector, Municipal Court, Water Registrar, Tax Assessor, Construction Department, Board of Health and the Mayor and Council chambers. There are 21 municipal employees in Administration.

GENERAL INFORMATION REGARDING THE BOROUGH

PUBLIC FACILITIES (cont'd)

Police Department

The origin of the Police Department dates back to 1905. A formal Police Department was organized in 1920 with its location being in the first schoolhouse on East Franklin Turnpike. The growing Department moved to its new facility at the Borough Hall.

Currently, the Department includes 14 full-time officers, consisting of 1 Chief, 1 Lieutenant, 4 Sergeants, 8 Patrolmen, and 12 part-time civilian dispatchers and crossing guards. There are 10 radio patrol cars, 9 marked and 1 unmarked. Bicycles are available for police patrols in the business district and at the public school, for special details and anywhere else that they can promote public safety.

Through the use of modern equipment, the Department keeps abreast of the latest developments in crime prevention and detection. Every member of the force is given the opportunity to improve his/her professional police skills by attending schools on both County and State levels. As a result, members of the Police Department are qualified to handle any phase of police work faced by their counterparts in a large city.

The "Enhanced 911 Emergency System" has been in operation since March 1995. The Borough has renewed its FCC license to use frequency 158.94. All of the communications equipment utilized by the Office of Emergency Management, Police Department, Department of Public Works, Fire Department and Volunteer Ambulance Corps has been updated to use the high band frequency.

Fire Department

In 1911, the Ho-Ho-Kus Volunteer Fire Department was organized. The Department moved to its present location on Sheridan Avenue in 1962. This firehouse has three bay areas, shops, a radio room, a storage area, and a large meeting room. In 1993, the building was modernized to provide additional office space and to bring it up to State and federal codes.

The Department presently operates one "Class A" pumper, which is rated at 1,000 gallons per minute, a 75-foot LTI ladder truck, a fire rescue diesel pumper rated at 1,500 gallons per minute and a fourth reserve pumper rated at 1,000 gallons per minute.

The Fire Department members are all volunteers. They include, on average, forty-four senior members and junior members ranging in age from 16 to 18 years old.

Ambulance Corps

The Ho-Ho-Kus Memorial Volunteer Ambulance Corps was incorporated in 1955 under the auspices of the local Veterans of Foreign Wars ("VFW") Post 192. Through the years, the Ambulance Corps has had three locations. It is presently located at the Municipal Complex on Sycamore Avenue.

The Ambulance Corps utilizes two late model ambulances that are completely equipped with defibrillators for coronary care patients. There are 24 active members who provide twenty-four hour coverage for emergencies. In addition, the Ambulance Corps supplies non-emergency transportation to all Borough residents and loans them, free of charge, equipment such as crutches, walkers, and wheelchairs. Frequently, mutual aid is provided to neighboring towns.

GENERAL INFORMATION REGARDING THE BOROUGH

PUBLIC FACILITIES (cont'd)

Department of Public Works

The Department of Public Works ("DPW"), as it is now known, was officially established in 1970. Currently, the DPW is located in a modern-two story facility built in 1993 on the old Street Department building site on the west end of Hollywood Avenue. It consists of administrative offices, storage areas and an equipment maintenance garage.

The DPW is responsible for the maintenance of Borough buildings, streets, parks, sidewalks, storm drains, sanitary sewers, shade trees, snow removal, water service and leaf recycling. In 1988, the DPW designed and developed a recycling center across from its headquarters.

Railroad Station

The present railroad station on First Street and Brookside Avenue was built in 1908 by a Ho-Ho-Kus resident who was contracted by the Erie Railroad. The station is a one-story Richardsonian Boulder-style building. It consists of two waiting rooms separated by a ticket office with a baggage room on the north end.

A new concrete building with canopies and a platform was added on the east-bound side by the Erie Railroad Company in 1953, and the Borough took ownership of the Main Station in 1964. Maintenance of the platforms and right-of-way are the responsibility of New Jersey Transit Rail. The baggage office houses the Borough's audible Fire Alarm System.

Library

The library is located on the corner of North Franklin Turnpike and Warren Avenue. The library was donated to the Borough by Caroline Mildreth Pinkham and was dedicated as the Worth-Pinkham Memorial Public Library in 1988.

Recreation Facilities

Active

The two active recreation areas in the Borough total seventeen acres. One is the Public School grounds on Lloyd Road and the other is the North Field on Hollywood Avenue. Both areas are owned and maintained by the Ho-Ho-Kus Board of Education. The Borough has a Recreation Commission, which oversees all field usage and sports and recreation programs.

Passive

There are 11 passive recreation, conservation and open space areas totaling 43 acres as follows:

- The Saddle River/East Park picnic and nature area above and below Hollywood Avenue
- The Ackerman-Nagle Park east of Route 17 and north of Hollywood Avenue (a nature conservation and wildlife preserve with various trails and paths for recreation and exercise)
- The land below the relocated Hollywood Avenue east of Route 17
- The Ho-Ho-Kus Park on North Franklin Turnpike, a scenic and nature area
- The Ho-Ho-Kus Brook Ravine, a scenic nature area with steep slopes
- Woodland Park on Hollywood and Sheridan Avenues
- The old Borough Hall location on East Franklin Turnpike
- Memorial Park east of the old library
- "The Green" on Sycamore Avenue where the Borough Gazebo is located
- The old Hopper-Zabriskie grave yard on First Street
- The Hermitage acreage, a National Historic Landmark, on North Franklin Turnpike

GENERAL INFORMATION REGARDING THE BOROUGH

UTILITIES

Water Department

A water distribution system to serve Ho-Ho-Kus was constructed in 1906. The water supply was obtained through connections with the Village of Ridgewood and the Borough of Waldwick. In June 1954, Ho-Ho-Kus completed construction of its own two wells because Ridgewood and Waldwick could no longer adequately serve the Borough's needs.

The present supply system is owned by the Borough and operated by its Water Department, which maintains above-ground tank reservoirs at the end of Bridle Way in the northeast section of the Borough. The tank capacities are 1,000,000, 500,000 and 250,000 gallons. The Borough's water is supplied from five artesian rock wells.

Solid Waste

The Solid Waste Utility and Commission was implemented on April 1, 1998. Bids are solicited from private contractors for full service handling and disposal. The Borough bills the residential units on a per-unit basis with a two-tier pricing system.

Sanitary Sewers

Sanitary sewer lines were installed throughout the Borough between 1969 and 1972. After construction, the system was connected to the Northwest Bergen County Sewer Plant in Waldwick. The DPW is responsible for the service, maintenance and repairs of all municipal lines and pump stations located within the Borough.

Gas and Electric

Both services are supplied by Public Service Electric and Gas Company ("PSE&G").

Telephone Service

Verizon has built an underground fiber optics complex behind the Borough Hall to provide this type of telephone service. The new fiber optics system began operation in June 1995.

Cellular Phone Tower

A cellular transmission tower is installed at the west end of the Borough-owned Recycling Center on Hollywood Avenue. The purpose of the tower is to improve cellular coverage and to eliminate "dead spots" in Ho-Ho-Kus.

The Borough Council has adopted a cellular tower ordinance that gives guidance and protection to Borough citizens regarding future installations.

GENERAL INFORMATION REGARDING THE BOROUGH

UTILITIES (cont'd)

Cable Television

The entire Borough is wired for cable television. Installation and services are provided by Cablevision. The cable system has recently undergone a system upgrade, which enables the provision of Internet service, digital television and telephone service.

BUILDING PERMITS

<u>Year</u>	<u>Permit</u>	<u>Value</u>
2010	354	\$ 6,931,715
2009	291	9,149,501
2008	384	8,190,302
2007	399	13,959,223
2006	382	8,824,609

Source: Borough of Ho-Ho-Kus Building Department

EDUCATION

The Borough's school district is a Type II school district, an independent legal entity administered by a five-member Board of Education elected by the voters of the school district. The school district is authorized by law to issue debt for school purposes upon vote of the electorate.

The school district operates one elementary school (grades K through 8). The school building was constructed in 1937, with additions in 1950, 1952, 1955, 1958, 1979 and 2001. The school district is a "sending district" for high school students. The Borough sends its high school students to Northern Highlands Regional High School, which receives payment from the Borough's school district for each student attending the High School.

<u>School Year</u>	<u>Enrollment</u>
2010-2011	659
2009-2010	677
2008-2009	663
2007-2008	669
2006-2007	664

Source: Ho-Ho-Kus Board of Education

GENERAL INFORMATION REGARDING THE BOROUGH

PER CAPITA INCOME

New Jersey is one of the wealthiest states in the United States of America, with a per capita income of \$207,006 (2000) and a personal per capita income of \$40,427 (2003). Its median household income is \$55,146 (2000), ranked first in the country, and its median family income is \$65,370 (2000), the second highest in the country. The median value of an owner-occupied housing unit is \$170,800 (2000), ranked fourth in the country. New Jersey has the highest percentage of millionaire residents in the country with 7.12% of New Jersey households having \$1 million or more liquid or investible assets, not including equity in homes.

New Jersey's close proximity to the metropolitan giants of New York and Philadelphia greatly influences its wealth. A vast majority of the state consists of suburbs of these two cities, an explanation for much of the state's high incomes. Approximately 76% of New Jersey places have per capita incomes above the national average; however, 8.5% of the population lives below the poverty line. Northern New Jersey, part of the New York metropolitan area, is by far the wealthiest area of New Jersey. It lies in the middle of a wealth corridor that runs from the suburbs of Washington, D.C., all the way into Southern New Hampshire. Many of New Jersey's richest towns are located in the northern portion of Bergen County. The County is ranked number 4 in the State and number 21 nationally. It has a per capita income of \$33,638 and median household income of \$65,241. 4.3% of New Jersey households have annual incomes of or over \$200,000 and 21.4% have incomes of \$100,000 or more.

Source: 2000 Census

Population

Years	Borough of Ho-Ho-Kus	County of Bergen
2010	4,078	905,116
2000	4,060	884,118
1990	3,935	825,380
1980	4,192	845,385
1970	4,348	897,148

Source: New Jersey Department of Labor and Workforce Development

Employment and Unemployment Data

Borough of Ho-Ho-Kus	Total Labor Force	Employed Labor Force	Total Unemployment	Unemployment Rate
2009	1,966	1,944	22	1.1%
2008	2,024	2,011	13	0.6%
2007	2,020	2,011	10	0.5%
County of Bergen				
2009	478,553	441,266	37,287	7.8%
2008	477,810	456,399	21,411	4.5%
2007	473,012	456,667	16,344	3.5%
State of New Jersey				
2009	4,527,800	4,075,300	452,500	10.0%
2008	4,496,700	4,251,200	245,500	5.5%
2007	4,466,300	4,276,600	189,700	4.2%

Source: New Jersey Department of Labor, Division of Planning and Research

MUNICIPAL BUDGET

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

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

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

The Director has no authority over individual operating appropriations, unless a specific amount is required by law, but the review functions focusing on anticipated revenues serve to protect the solvency of all local units. Local budgets, by law and regulation, must be in balance on a "cash basis". No budget or amendment thereof shall be adopted unless the Director shall have previously certified his approval thereof (N.J.S.A. 40A:4-10).

The principal sources of Borough revenues are real estate taxes and miscellaneous revenues, including State Aid.

In any year, the municipality may authorize, by resolution, the issuance of tax anticipation notes which may be issued in anticipation of the collection of taxes for such year. Tax anticipation notes, are limited in amount by law and must be paid off in full by a municipality within one hundred twenty (120) days after the close of the fiscal year.

Real Estate Taxes

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

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

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

Levy required to Balance Budget

Prior Year's Percentage of Current = Total Taxes to be Levied
Tax Collections (or lesser %)

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

Miscellaneous Revenues

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

No budget or amendment thereof shall be adopted unless the Director shall have previously certified his approval thereof. (N.J.S.A. 40A:4-10). The exception to this is the inclusion of categorical grants-in-aid contracts for their face amount with an offsetting appropriation. The fiscal years for such grants rarely coincide with the municipality's calendar fiscal year.

Limitations on Municipal Appropriations and Tax Levy

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

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

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

On July 13, 2010, P.L. 2010, C.44 was approved, effective for budget years following enactment (the 2011 budget for the Borough) reducing the CAP on the property tax levy from 4% to 2% and limiting the exclusions to amounts required to be raised by taxation for debt service as defined by law, certain pension contributions and health care costs in excess of 2% and extraordinary costs directly related to a declared emergency. Voter approval may be requested to increase the amount to be raised by taxation by more than the allowable adjusted tax levy.

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

Board. The Borough's 2011 Budget is in compliance with both "CAPS" taking into account applicable adjustments and without conducting a referendum to exceed the cap limits.

Deferral of Current Expense

Emergency appropriations, *i.e.*, those made after the adoption of the budget and determination of the tax rate, may be authorized by the governing body of the municipality. With minor exceptions, however, such appropriations must be included in full in the following year's budget. When such appropriations exceed 3% of the adopted operating budget, consent of the Director must be obtained.

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

Budget Transfers

Budget transfers provide a degree of flexibility and afford a control mechanism. Transfers between major appropriation accounts are prohibited until the last two months of the year and, although sub-accounts within an appropriation are not subject to the same year-end transfer restriction, they are subject to internal review.

Fiscal Year

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

Budget Process

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

Capital Budget

In accordance with the Local Budget Law, each local governmental unit shall revise annually a one to 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 one to six years.

**Summary of Borough of Ho-Ho-Kus's Current Fund Budgets
(As Adopted)**

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Revenues					
Surplus Anticipated	\$130,000	\$466,100	\$786,500	\$786,000	\$746,000
Miscellaneous Revenues	865,540	957,855	1,115,130	1,221,266	1,254,972
Receipts from Delinquent Taxes	150,000	167,900	75,000	90,000	135,000
Amount to be Raised by					
Taxation for Municipal Purposes	<u>6,509,548</u>	<u>6,298,538</u>	<u>5,913,836</u>	<u>5,607,519</u>	<u>5,241,934</u>
	<u>\$7,655,088</u>	<u>\$7,890,393</u>	<u>\$7,890,466</u>	<u>\$7,704,785</u>	<u>\$7,377,906</u>
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Expenditures					
Salaries and Wages	\$3,047,600	\$3,421,150	\$3,480,800	\$3,401,835	\$3,090,370
Other Expenses	3,013,309	2,947,983	2,845,440	3,220,848	3,144,819
Deferred Charges and					
Statutory Expenditures	651,829	631,677	695,521	184,341	165,952
Capital Improvement Fund	25,000	15,000	30,000	46,000	44,700
Municipal Debt Service	717,350	682,583	588,705	601,761	682,065
Reserve for Uncollected Taxes	<u>200,000</u>	<u>192,000</u>	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>
	<u>\$7,655,088</u>	<u>\$7,890,393</u>	<u>\$7,890,466</u>	<u>\$7,704,785</u>	<u>\$7,377,906</u>

Source: Borough of Ho-Ho-Kus 2011 Budget as adopted and Audit Reports for the years ended December 31, 2010-2007.

Comparative Schedule of Current Fund Balances

<u>Year</u>	<u>Fund Balance December 31,</u>	<u>Utilized Surplus in Budget of Succeeding Year</u>
2010	\$514,347	\$130,000
2009	937,752	466,100
2008	1,281,866	786,500
2007	1,589,067	786,000

Source: Borough of Ho-Ho-Kus Annual Audit Reports.

TAX INFORMATION OF THE BOROUGH

Tax Collection Procedures

Real property taxes are assessed locally, based upon assessed value. The tax bill includes a levy for Borough, County and School purposes. Tax bills are normally mailed annually in June. Taxes are payable in four quarterly installments on February 1, May 1, August 1 and November 1. If unpaid on these dates, the amount due becomes delinquent and subject to interest at 8% per annum, or 18% on any delinquency amount in excess of \$1,500. A penalty of up to 6% of the delinquency may be imposed on a taxpayer with a delinquency in excess of \$10,000 who fails to pay that delinquency prior to the end of the fiscal year in which the charges become delinquent. The school levy is turned over to the Board of Education as expenditures are incurred, and the balance, if any, transferred as of June 30 of each fiscal year. County taxes are paid quarterly on February 15, May 15, August 15 and November 15 to the County by the Borough. Annually, the properties with unpaid taxes for the previous year are placed in a tax sale in accordance with New Jersey statutes. Annual *in rem* tax foreclosure proceedings are instituted to enforce tax collection procedures or the acquisition of title to the property by the Borough.

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

Tax Appeals

New Jersey statutes provide a taxpayer with remedial procedures for appealing an assessment deemed excessive. The taxpayer has a right to petition the County Board of Taxation on or before the first day of April of the current tax year for review. The County Board of Taxation has the authority after a hearing to decrease or reject the appeal petition. These adjustments are usually concluded within the current tax year and reductions are shown as cancelled or remitted taxes for that year. If the taxpayer feels his petition was unsatisfactorily reviewed by the County Board of Taxation, appeal may be made to the State Department of Taxation, Division of Tax Appeals, for a further hearing. State tax appeals tend to take several years prior to settlement and any losses in tax collections from prior years are charged directly to operations or, with the permission of the Local Finance Board, may be financed, generally, over a three- to five-year period.

Current Tax Collections

Borough of Ho-Ho-Kus

<u>Year</u>	<u>Total Levy</u>	<u>Collection During</u> <u>Year of Levy</u>	
		<u>Amount</u>	<u>Percentage</u>
2010	\$20,790,977	\$20,568,847	98.93%
2009	19,789,506	19,611,270	99.10
2008	19,018,223	18,880,279	99.27
2007	18,211,543	18,137,385	99.59
2006	17,282,796	17,122,524	99.07

Source: Borough of Ho-Ho-Kus Annual Audit Reports.

Delinquent Taxes

<u>Year</u>	<u>Delinquent Taxes</u>	<u>Total</u>	<u>Percentage of Levy</u>
2010	\$165,143	\$165,143	.79%
2009	167,916	167,916	.85%
2008	118,431	118,431	.62%
2007	98,831	98,831	.54%
2006	142,620	142,620	.83%

Source: Borough of Ho-Ho-Kus Annual Audit Reports.

Property Acquired by the Borough by tax title lien liquidation

<u>Year</u>	<u>At December 31</u>
2010	\$20,100
2009	20,100
2008	20,100
2007	20,100
2006	20,100

Source: Borough of Ho-Ho-Kus Annual Audit Reports.

Largest Taxpayers

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

<u>Taxpayer</u>	<u>2010 Assessment</u>
ESS PRISA LLC	\$18,142,200
MELONE, THOMAS & JOAN ELLEN	6,500,000
DALEBROOK PARK LTD, L.P.	5,673,200
MUSCIO, EVE C/O MILADY BRIDALS, INC.	4,740,600
SANZARI, J&D C/O J M SANZARI, INC.	4,045,700
EAST FRANKLIN TURNPIKE, LLC	3,730,700
CASEY, JAMES P. & PATRICIA P.	3,558,500
HEREMIAN, BRYAN & SUZANNE	3,489,800
ROLL, WILLIAM & EMILIA NACCARATO	3,278,000
STRAUSS, LEO JR. & SYLVIA N.	3,191,400
GILIBERTI, ANTHONY M.	3,181,300
IANELLI, BRUCE M. & MARGARET	3,018,400
DUBE, GREGORY R. & JEANNE MARIE	2,970,900

Source: Tax Assessor

Assessed Valuations/Land and Improvements by Class

Year	Vacant Land	Residential	Farm	Commercial	Total
2011	\$ 13,258,500	\$ 1,283,832,600	\$ -	\$ 59,395,600	\$ 1,356,486,700
2010	12,546,200	1,300,365,800	-	58,830,900	1,371,742,900
2009	12,546,200	1,298,026,500	-	59,395,600	1,369,968,300
2008	15,088,500	1,287,431,000	-	59,395,600	1,361,915,100
2007	15,391,100	1,283,535,800	-	59,395,600	1,358,322,500

Source: Tax Collector

Assessed Valuations/Net Valuation Taxable

Year	Real Property	Business Personal Property	Net Valuation Taxable	Ratio of Assessed Value to True Value of Real Property	Total True Value of Assessed Property
2010	\$ 1,371,742,900	\$ 867,045	\$ 1,372,609,945	97.87%	\$ 1,404,817,986
2009	1,369,968,300	924,266	1,370,892,566	98.89%	1,388,697,255
2008	1,361,915,100	798,679	1,362,713,779	99.35%	1,374,092,940
2007	1,358,322,500	746,932	1,359,069,432	101.40%	1,342,630,405
2006	1,356,486,900	536,287	1,357,023,187	114.10%	1,191,582,228

Source: Tax Duplicate and Abstract of Ratables of Bergen County

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

Calendar Year	Total	Municipal	Local School	County Taxes	County Open Space	Library
2011	\$1.853	\$0.529	\$1.038	\$0.243	\$0.003	\$0.040
2010	1.510	0.425	0.850	0.198	0.003	0.034
2009	1.441	0.398	0.815	0.184	0.010	0.034
2008	1.388	0.378	0.791	0.176	0.010	0.033

Source: Tax Collector

Apportionment of Tax Levy Including School and County Purposes

Fiscal Year	Total	Municipal	Added Taxes	Local School	County (1)
2010	\$20,790,977	\$6,298,538	\$68,962	\$11,663,689	\$2,759,788
2009	19,789,506	5,913,836	32,765	11,175,138	2,667,767
2008	19,018,223	5,607,519	76,829	10,785,520	2,548,356
2007	18,251,157	5,241,934	142,095	10,424,388	2,442,740
2006	17,282,796	5,040,500	122,997	9,882,798	2,236,501

Source: Tax Collector

(1) Includes Open Space tax and Added taxes

DEBT INFORMATION OF THE BOROUGH

Debt Statements

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

Debt Incurring Capacity As of December 31, 2010

Municipal:	
Equalized Valuation Basis (last 3 years average)	<u>\$ 1,368,216,726</u>
3 1/2% Borrowing Margin	\$ 47,887,585
Net Debt Issued, Outstanding and Authorized	<u>5,283,056</u>
Remaining Municipal Borrowing Capacity	\$ 42,604,529
Local School:	
3% Borrowing Margin	\$ 41,046,502
Debt Issued, Outstanding and Authorized	<u>10,498,000</u>
Remaining School Borrowing Capacity	\$ 30,548,502

Gross and Statutory Net Debt as of December 31,

<u>Year</u>	Equalized Valuation Basis (3 Year Average)	<u>Statutory Net Debt</u>	
		<u>Amount</u>	<u>Percentage</u>
2010	\$ 1,368,216,726	\$ 5,283,056	0.386 %
2009	1,381,398,366	5,301,039	0.384
2008	1,360,723,229	5,409,029	0.398
2007	1,290,574,867	4,998,160	0.387
2006	1,190,705,123	4,883,070	0.410

Source: Borough of Ho-Ho-Kus

**Summary of Municipal Debt
As of December 31, 2010**

		<u>Direct Debt</u>	<u>Overlapping Debt</u>
School purposes	Bonds and notes	\$ 10,498,000	
General purposes	Bonds and notes	4,712,256	
General purposes	Authorized but not issued	570,800	
Water Utility	Bonds and notes	1,409,752	
Water Utility	Authorized but not issued	74,200	
	Gross Debt	<u>17,265,008</u>	
Less:			
	Statutory deduction	<u>11,981,952</u>	
	TOTAL NET DEBT PER ANNUAL DEBT STATEMENT	5,283,056	
OVERLAPPING DEBT			
	Bergen County (1)		\$ 5,714,324
	Northwest Bergen Utilities Authority (2)		<u>2,328,740</u>
	TOTAL OVERLAPPING DEBT		<u><u>8,043,064</u></u>
GROSS DEBT			
	Per Capita (2010 Census - 4,078)	4,234	
	Percent of Net Valuation Taxable (2010 - \$1,372,609,945)	1.26%	
NET MUNICIPAL DEBT			
	Per Capita (2010 Census - 4,078)	1,296	
	Percent of Net Valuation Taxable (2010 - \$1,372,609,945)	0.38%	
OVERLAPPING DEBT			
	Per Capita (2010 Census - 4,078)		1,972
	Percent of Net Valuation Taxable (2010 - \$1,372,609,945)		0.59%
OVERALL DEBT (Gross and Overlapping Debt)			
	Per Capita (2010 Census - 4,078)	6,206	
	Percent of Net Valuation Taxable (2010 - \$1,372,609,945)	1.84%	

(1) The County has \$730,825,490 in net long-term and temporary debt. The Borough's net share is obtained by dividing the Borough's 2010 equalized valuation by the County's 2010 total equalized valuation as obtained from the County's abstract of ratables.

(2) The NBUA has \$23,287,395 in net long-term and temporary debt. The Borough's net share is obtained by dividing the ten (10) member municipalities.

TAX MATTERS

Federal Income Taxes

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

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

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

Tax Opinions

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

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

Additional Federal Income Tax Consequences

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

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

STATEMENT OF LITIGATION

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

LEGALITY FOR INVESTMENT

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

RATING

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

An explanation of the significance of such credit rating may be obtained from Moody's, 7 World Trade Center, 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 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 such rating may have an adverse effect on the marketability or market price of the Bonds.

UNDERWRITING

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

DOCUMENTS ACCOMPANYING DELIVERY OF THE BONDS

Absence of Litigation

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

Legal Matters

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

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

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

Certificates of Borough Officials

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

then pending or, to the knowledge of such officers, threatened to restrain or enjoin the issuance or delivery of the Bonds or the levy or collection of taxes to pay the Bonds or the interest thereon, or questioning the validity of the statutes or the proceedings under which the Bonds are issued, and that neither the corporate existence or boundaries of the Borough, nor the title of the said officers to their respective offices, is being contested.

SECONDARY MARKET DISCLOSURE

The Borough has agreed, pursuant to a resolution adopted on June 28, 2011, to undertake for the benefit of the Bondholders and the beneficial owners of the Bonds to provide certain secondary market disclosure information pursuant to Rule 15c2-12 to the Municipal Securities Rulemaking Board (the "MSRB") in an electronic format, as prescribed by the MSRB. Specifically, the Borough will do the following for the benefit of the holders of the Bonds and the beneficial owners thereof:

(A) Not later than seven months after the end of the Borough's fiscal year (presently December 31), commencing with the report for the fiscal year ending December 31, 2011, provide or cause to be provided, annual financial information with respect to the Borough consisting of (i) audited financial statements (or unaudited financial statements if audited financial statements are not then available by the date of filing, which audited financial statements will be delivered when and if available) of the Borough and (ii) certain financial information and operating data consisting of (a) information concerning the Borough's debt, overlapping indebtedness, tax rate, levy and collection data and property valuation of the type contained under the headings "Municipal Budget", "Tax Information of the Borough" and "Debt Information of the Borough" herein, and (b) the Borough's most recent adopted budget. The audited financial statements will be prepared in accordance with mandated State statutory accounting principles, as in effect from time to time. Audited financial statements if not available by the filing date will be submitted separately when available.

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

- (1) Principal or interest payment delinquencies;
- (2) Non-payment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (7) Modifications to the rights of Bondholders, if material;
- (8) Bond calls, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution or sale of property which secures the repayment of the Bonds, if material;
- (11) Rating changes;

- (12) Bankruptcy, insolvency, receivership or similar event of the Borough (the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Borough in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Borough, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Borough);
- (13) The consummation of a merger, consolidation, or acquisition involving the Borough or the sale of all or substantially all of the assets of the Borough, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

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

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

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

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

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

The Borough has never failed to provide required annual financial information

PREPARATION OF OFFICIAL STATEMENT

The firm of Garbarini & Co. P.C. CPAs Registered Municipal Accountants issued an opinion on the financial statements specified in the Independent Auditors' Report.

The firm of Garbarini & Co. P.C. CPAs Registered Municipal Accountants assisted in the preparation of information contained in this Official Statement and information has been obtained from sources which Garbarini & Co. P.C. CPAs considers to be reliable but they make no warranty, guarantee or other representation with respect to the accuracy and completeness of such information.

APPROVAL OF OFFICIAL STATEMENT

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

ADDITIONAL INFORMATION

Inquiries regarding this Official Statement including information additional to that contained herein may be directed to Joseph Citro, Chief Financial Officer, Borough of Ho-Ho-Kus, 333 Warren Avenue, Ho-Ho-Kus, New Jersey, 07423, (201) 652-4400.

MISCELLANEOUS

All quotations from summaries and explanations of the provisions of the laws of the State herein do not purport to be complete and are qualified in their entirety by reference to the official compilation thereof.

This Official Statement is not to be construed as a contract or agreement between the Borough and the purchasers or holders of any of the Bonds. Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as opinions and not as representations of fact. The information and expressions of opinion 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 have been no changes in the affairs in the Borough, the State or any of their agencies or authorities, since the date hereof.

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

BOROUGH OF HO-HO-KUS

By:/s/

Joseph Citro
Chief Financial Officer

By:/s/

Laura P. Borchers
Borough Clerk

Dated: _____, 2011

APPENDIX A

**INDEPENDENT AUDITORS' REPORT
AND FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2010 AND 2009**

BOROUGH OF HO-HO-KUS
BERGEN COUNTY, NEW JERSEY

COMPARATIVE FINANCIAL STATEMENTS

FOR THE YEARS ENDED
DECEMBER 31, 2010 AND 2009

BOROUGH OF HO-HO-KUS
BERGEN COUNTY, NEW JERSEY

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BOROUGH OF HO-HO-KUS
BERGEN COUNTY, NEW JERSEY

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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Members
of the Borough Council
Borough of Ho-Ho-Kus, New Jersey

We have audited the accompanying statements of assets, liabilities, reserves and fund balance-regulatory basis of the various funds of the Borough of Ho-Ho-Kus (the "Borough"), State of New Jersey as of December 31, 2010 and 2009, and the related statements of operations and changes in fund balance-regulatory basis for the years then ended, and the related statements of revenues-regulatory basis and statement of expenditures-regulatory basis for the year ended December 31, 2010. These financial statements are the responsibility of the Borough's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As described in Note 1, the financial statements previously referred to have been prepared in conformity with accounting practices prescribed by the *Division of Local Government Services, Department of Community Affairs, State of New Jersey*, which differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects on the financial statements of the requirement that the Borough prepare its financial statements in accordance with the accounting practices 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 Ho-Ho-Kus, State of New Jersey as of December 31, 2010 and 2009, or the results of its operations and changes in fund balance for the years then ended.

Furthermore, in our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, reserves and fund balance-regulatory basis of the various funds of the Borough of Ho-Ho-Kus, State of New Jersey, as of December 31, 2010 and 2009, and the results of its operations and the changes in fund balance of such funds-regulatory basis for the years then ended, the revenues-regulatory basis and expenditures-regulatory basis of the various funds for the year ended December 31, 2010 in conformity with accounting principles and practices prescribed by the *Division of Local Government Services, Department of Community Affairs, State of New Jersey* as described in Note 1.

In accordance with Government Auditing Standards, we have also issued a report dated March 11, 2011 on our consideration of the Borough of Ho-Ho-Kus, State of New Jersey's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Borough's basic financial statements. The accompanying schedules of expenditures of federal awards and state financial assistance programs and the supplementary financial statements presented for the various funds are presented for purposes of additional analysis as required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements of each of the respective individual funds taken as a whole.

Paul C. Garbarini

Paul C. Garbarini, CPA
Registered Municipal Accountant

No. 120

Garbarini & Co., P.C.

Garbarini & Co. P.C. CPAs
Registered Municipal Accountants

March 11, 2011
Carlstadt, New Jersey

BOROUGH OF HO-HO-KUS, NJ
CURRENT FUND

**COMPARATIVE STATEMENTS OF ASSETS, LIABILITIES, RESERVES AND
FUND BALANCE - REGULATORY BASIS**

A

	At December 31,	
	2010	2009
ASSETS		
Cash	\$ 1,777,980.75	\$ 2,297,207.78
Cash - Change Fund	230.00	230.00
	<u>1,778,210.75</u>	<u>2,297,437.78</u>
Receivable and Other Assets with		
Full Reserves:		
Delinquent Property Taxes Receivable	165,143.49	167,916.34
Property Acquired for Taxes - Assessed Valuation	20,100.00	20,100.00
Revenue Accounts Receivable	4,222.50	5,960.35
Due from Other Funds:		
Other Trust Fund	78,077.21	6,044.82
Unemployment Compensation Account	697.08	697.08
Recreation Commission	860.49	860.49
Grant Fund	23,957.32	3,408.28
Developers Escrow Fund	696.23	433.29
Animal License Fund		1,039.39
Public Assistance Fund I	5.04	5.04
Public Assistance Fund II	-	20.94
Due from Local School	4,506.15	4,506.15
	<u>298,265.51</u>	<u>210,992.17</u>
Deferred Charges		
Overexpenditure of Appropriation Reserves		5,533.75
Total Deferred Charges	<u>0.00</u>	<u>5,533.75</u>
TOTAL ASSETS	<u><u>\$ 2,076,476.26</u></u>	<u><u>\$ 2,513,963.70</u></u>

See Accompanying Notes to Financial Statements.

BOROUGH OF HO-HO-KUS, NJ
CURRENT FUND

**COMPARATIVE STATEMENTS OF ASSETS, LIABILITIES, RESERVES AND
FUND BALANCE - REGULATORY BASIS**

A

	At December 31,	
	<u>2010</u>	<u>2009</u>
LIABILITIES, RESERVES AND FUND BALANCE:		
Liabilities:		
Encumbrance Payable	\$ 101,862.54	\$ 167,591.05
Appropriation Reserve	426,021.78	486,556.81
Appropriation Reserve Committed	30,000.00	30,000.00
Prepaid Taxes	187,120.70	163,944.14
County Taxes Payable	8,322.87	4,728.61
Reserve for Revaluation	5,283.74	38,483.74
Reserve for Construction Official Fees	25,703.32	25,703.32
Tax Overpayments Payable	15,021.38	3,591.96
Due to Capital Fund	61,400.80	77,425.80
Prepaid Municipal Rents	4,737.32	-
Prepaid Parking Permits	23,000.00	-
Reserve for Tax Appeals Pending	51,361.84	58,863.28
Reserve for DCA Fees - Construction	9,005.65	9,233.65
Hurricane Floyd Reserve	175,596.98	175,596.98
Accounts Payable	24,856.42	10,880.52
Reserve for Codification	19,077.50	19,077.50
Due to Animal License Fund	636.41	-
Due to Water Utility	20,944.62	20,944.62
Due to Water Capital	433.38	-
Due to State of NJ - Seniors and Veterans	1,492.32	1,242.32
Due to Solid Waste Utility	1,321.59	692.39
Due to COAH	628.68	628.48
Due to State of NJ - Unemployment Assessment Liability	50,677.97	50,677.97
Due to Library - State Aid	19,356.00	19,356.00
	<u>1,263,863.81</u>	<u>1,365,219.14</u>
 Reserve for Receivable	 298,265.51	 210,992.17
 Fund Balance	 <u>514,346.94</u>	 <u>937,752.39</u>
TOTAL LIABILITIES, RESERVES AND FUND BALANCE	<u><u>\$ 2,076,476.26</u></u>	<u><u>\$ 2,513,963.70</u></u>

See Accompanying Notes to Financial Statements.

BOROUGH OF HO-HO-KUS, NJ
CURRENT FUND

COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGE IN FUND BALANCE - REGULATORY BASIS

A-1

For the Years Ended December 31,

2010

2009

REVENUE AND OTHER INCOME REALIZED

Fund Balance Utilized	\$ 466,100.00	\$ 786,500.00
Miscellaneous Revenue Anticipated	902,833.98	1,028,317.51
Receipts from Delinquent Taxes	167,916.34	118,422.03
Receipts from Current Taxes	20,564,875.17	19,611,270.49
Non-Budget Revenues	100,858.34	184,550.78
Other Credits to Income:		
Unexpended Balance of Appropriation Reserves	69,253.18	198,861.06
Appropriation Balance Canceled	204.60	0.48
Payroll Adjustments		8,788.16
Canceled School Taxes	0.02	
Interfund Returned		14,276.59
	<hr/>	<hr/>
Total Income	22,272,041.63	21,950,987.10

EXPENDITURES

Budget Appropriations	7,698,392.77	7,640,466.23
General County	2,716,344.99	2,667,767.00
County- Open Space Preservation	35,120.45	
Due County for Added Taxes	8,322.87	
Local District School Tax	11,663,688.50	11,175,138.00
Adjustment to Payroll Account	16,117.84	
Bank Service Charge		25,229.19
Interfund Advance	91,359.66	
	<hr/>	<hr/>
Total Expenditures	22,229,347.08	21,508,600.42
	<hr/>	<hr/>
Excess in Revenue	42,694.55	442,386.68
Fund Balance January 1	937,752.39	1,281,865.71
	<hr/>	<hr/>
	980,446.94	1,724,252.39
Less: Amount of Fund Balance Utilized as Revenue	466,100.00	786,500.00
	<hr/>	<hr/>
Fund Balance December 31	\$ 514,346.94	\$ 937,752.39

See Accompanying Notes to Financial Statements.

BOROUGH OF HO-HO-KUS, NJ
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2010

STATEMENT OF REVENUES - REGULATORY BASIS

A-2

	Adopted Budget	Realized	Excess or (Deficit)
Fund Balance Anticipated	\$ 466,100.00	\$ 466,100.00	\$ -
Miscellaneous Revenues:			
Licenses:			
Alcoholic Beverages	4,500.00	4,475.00	(25.00)
Fees and Permits	12,500.00	11,421.10	(1,078.90)
Municipal Court	108,000.00	83,520.92	(24,479.08)
Interest and Costs on Taxes	35,000.00	42,873.59	7,873.59
Parking Meters	100,000.00	77,317.20	(22,682.80)
Interest on Investments and Deposits	25,000.00	39,260.38	14,260.38
Rent - Municipal Property	159,000.00	147,844.09	(11,155.91)
Uniform Fire Safety Act	13,900.00	11,407.09	(2,492.91)
Consolidated Municipal Property Tax Relief			0.00
Energy Receipts Tax (P.L. 1998, Chapters 162 & 167)	295,884.00	295,884.00	0.00
Homeland Security			0.00
Uniform Construction Code Fees	115,000.00	103,040.00	(11,960.00)
Interlocal - Court Borough of Allendale	29,800.00	26,519.60	(3,280.40)
Municipal Alliance	10,000.00	10,000.00	0.00
Police Vest Grant			0.00
Storm Water Grant	2,928.00	2,928.00	0.00
Alcohol Education and Rehabilitation	603.32	603.32	0.00
Clean Communities Grant	7,579.93	7,579.93	0.00
Drunk Driving Enforcement	3,371.76	3,371.76	0.00
Library Aid	3,763.00	3,763.00	0.00
Bond Anticipation Note Sale Premium	31,025.00	31,025.00	0.00
Total Miscellaneous Revenues	957,855.01	902,833.98	(55,021.03)
Receipts from Delinquent Taxes	167,900.00	167,916.34	16.34
Amount to be Raised for Support of Municipal Budget:			
Local Tax for Municipal Purposes	6,298,537.76	6,333,398.36	34,860.60
Budget Totals	<u>\$7,890,392.77</u>	7,870,248.68	<u>(\$20,144.09)</u>
Non-Budget Revenues		<u>100,858.34</u>	
		<u>\$7,971,107.02</u>	

See Accompanying Notes to Financial Statements.

BOROUGH OF HO-HO-KUS, NJ
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2010

STATEMENT OF REVENUES - REGULATORY BASIS (Continued)

A-2

ANALYSIS OF REALIZED REVENUES

Allocation of Current Tax Collections:

Revenue from Collections and State Share
of Senior Citizens and Veterans Deductions

\$20,564,875.17

Allocated to:

School Taxes

\$ 11,663,688.50

County Taxes

2,759,788.31

14,423,476.81

Balance for Support of Municipal Budget Appropriations

6,141,398.36

Add: Appropriation - "Reserve for Uncollected Taxes"

192,000.00

Amount for Support of Muni. Budget Appropriations

\$ 6,333,398.36

MISCELLANEOUS REVENUES

Cash - Collected - Treasurer

\$843,562.97

Due From Capital Account- BAN Premium

31,025.00

Due from Grant Fund - Unappropriated

10,666.08

Grant Receivable

17,579.93

\$ 902,833.98

See Accompanying Notes to Financial Statements.

BOROUGH OF HO-HO-KUS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2010

STATEMENT OF REVENUES - REGULATORY BASIS (Continued)

A-2

Analysis of Realized Revenues

Miscellaneous Revenue Not Anticipated

Miscellaneous Reimbursements	\$ 693.45
Cable Franchise Fees	49,814.01
Recycling Revenues	3,866.60
Letters, Copies and Lists	1,188.65
Cancel Trust Account Reserve Balances	
Construction Fines	500.00
Police Fees	1,114.25
Zoning Ordinances	70.00
FEMA- Reimbursements for PY Expenditures	40,811.38
Administrative Fee - Seniors and Veterans	745.00
Street Opening Permits	345.00
Polling Rent	240.00
Real Estate Sign Permits	1,470.00
	<hr/>
Total	\$ 100,858.34
	<hr/> <hr/>
Cash Treasurer	60,046.96
Due from Trust Fund	40,811.38
	<hr/>
	\$ 100,858.34
	<hr/> <hr/>

See Accompanying Notes To Financial Statements.

BOROUGH OF HO-HO-KUS, NJ
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2010

STATEMENT OF EXPENDITURES - REGULATORY BASIS

A-3

	APPROPRIATIONS		EXPENDED		Unexpended Balance Canceled/ (Overexpended)
	Budget	Budget After Modification	Paid or Charged	Reserved	
OPERATIONS-WITHIN "CAPS"					
GENERAL GOVERNMENT					
Administrative and Executive					
Salaries and Wages	\$ 120,000.00	\$ 147,000.00	\$ 147,000.00	\$ -	\$
Other Expenses	24,000.00	25,000.00	24,918.73	81.27	
Borough Clerk					
Salaries and Wages	51,000.00	51,000.00	51,000.00	-	
Other Expenses	3,000.00	3,000.00	2,884.19	115.81	
Election Costs	8,000.00	8,000.00	4,097.41	3,902.59	
Financial Administration					
Salaries and Wages	73,000.00	63,000.00	52,104.55	10,895.45	
Other Expenses	12,000.00	12,000.00	8,441.61	3,558.39	
Audit Services	18,000.00	18,000.00	13,050.00	4,950.00	
Assessment of Taxes					
Salaries and Wages	19,500.00	19,800.00	19,725.00	75.00	
Other Expenses	21,000.00	24,000.00	23,418.71	581.29	
Collection of Taxes					
Salaries and Wages	59,000.00	56,000.00	54,873.99	1,126.01	
Other Expenses	4,500.00	4,500.00	4,500.00	-	
Legal Services and Costs					
Other Expenses	45,000.00	50,000.00	46,957.25	3,042.75	
Municipal Prosecutor					
Salaries and Wages	10,500.00	10,500.00	10,097.04	402.96	
Engineering Services and Costs					
Other Expenses	4,000.00	4,500.00	4,157.50	342.50	
Public Buildings and Grounds					
Salaries and Wages	66,000.00	66,000.00	64,293.41	1,706.59	
Other Expenses	56,000.00	56,000.00	50,607.03	5,392.97	
Planning Board					
Salaries and Wages	25,000.00	25,000.00	18,478.14	6,521.86	
Other Expenses	16,000.00	16,000.00	13,967.67	2,032.33	
Board of Adjustment					
Salaries and Wages	25,000.00	25,000.00	25,000.00	-	
Other Expenses	5,000.00	5,000.00	3,700.25	1,299.75	
Shade Tree Commission					
Salaries and Wages	100.00	100.00	100.00	-	
Other Expenses	15,000.00	15,000.00	15,000.00	-	
Insurance					
Employee Group Health	491,800.00	491,800.00	491,800.00	-	
General Liability	190,000.00	190,000.00	185,029.13	4,970.87	

(Continued - Next Page)

See Accompanying Notes to Financial Statements.

BOROUGH OF HO-HO-KUS, NJ
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2010

STATEMENT OF EXPENDITURES - REGULATORY BASIS

A-3

	APPROPRIATIONS		EXPENDED		Unexpended Balance Canceled/ (Overexpended)
	Budget	Budget After Modification	Paid or Charged	Reserved	
OPERATIONS-WITHIN "CAPS" - Continued					
PUBLIC SAFETY					
Fire - Other Expenses					
Fire Hydrant	\$ 22,000.00	\$ 22,000.00	\$ 21,500.00	\$ 500.00	\$ -
Miscellaneous and Other Expenses	23,450.00	23,450.00	16,180.44	7,269.56	
Police					
Salaries and Wages	2,139,850.00	2,151,850.00	2,134,666.95	17,183.05	
Other Expenses	70,000.00	70,000.00	67,628.33	2,371.67	
Police Cars	28,000.00	28,000.00	27,908.96	91.04	
Parking Meter Maintenance					
Other Expenses	7,000.00	7,000.00	5,947.52	1,052.48	
Aid to Volunteer Ambulance Corps.	9,000.00	9,000.00	8,867.91	132.09	
Zoning official:					
Salaries and Wages	22,000.00	22,000.00	19,717.82	2,282.18	
Other Expenses	1,000.00	1,000.00	209.44	790.56	
Public Defender					
Other Expenses	800.00	1,000.00	1,000.00	-	
PEOSHA					
Other Expenses	13,000.00	13,000.00	10,326.36	2,673.64	
Uniform Fire Safety Act Chapter 383-83					
Fire Prevention Code Official					
Salaries and Wages	17,000.00	17,000.00	9,647.10	7,352.90	
Other Expenses	1,100.00	1,100.00	1,031.80	68.20	
Emergency Management Services					
Salaries and Wages	4,200.00	4,200.00	4,180.00	20.00	
Other Expenses	10,000.00	10,000.00	9,091.24	908.76	
STREETS AND ROADS					
Road Repairs and Maintenance					
Salaries and Wages	390,000.00	361,000.00	337,977.31	23,022.69	
Other Expenses	35,000.00	35,000.00	21,009.09	13,990.91	
Street Lighting and Traffic Lights	45,000.00	45,000.00	43,914.29	1,085.71	
SANITATION					
Sewer System					
Salaries and Wages	125,000.00	125,000.00	117,582.40	7,417.60	
Other Expenses	16,000.00	16,000.00	13,203.27	2,796.73	
HEALTH AND WELFARE					
Board of Health					
Salaries and Wages	18,000.00	18,000.00	16,179.00	1,821.00	
Other Expenses	14,000.00	14,000.00	13,763.03	236.97	
Chief Construction Official					
Salaries and Wages	80,000.00	81,500.00	81,355.80	144.20	
Other Expenses	24,000.00	24,000.00	23,779.87	220.13	

(Continued - Next Page)

See Accompanying Notes to Financial Statements.

BOROUGH OF HO-HO-KUS, NJ
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2010

STATEMENT OF EXPENDITURES - REGULATORY BASIS

A-3

	APPROPRIATIONS		EXPENDED		Unexpended Balance Canceled/ (Overexpended)
	Budget	Budget After Modification	Paid or Charged	Reserved	
OPERATIONS-WITHIN "CAPS" - Continued					
MUNICIPAL COURT					
Salaries and Wages	\$ 65,000.00	\$ 65,000.00	\$ 39,372.16	\$ 25,627.84	\$ -
Other Expenses	28,000.00	28,000.00	22,786.25	5,213.75	
UNCLASSIFIED					
Public Assistance					
Other Expenses	2,000.00	-	-	-	
Recreation					
Salaries and Wages	26,000.00	26,000.00	26,000.00	-	
Other Expenses	22,000.00	23,000.00	22,601.17	398.83	
Utilities	100,000.00	100,000.00	98,918.68	1,081.32	
Recycling Expense					
Salaries and Wages	64,000.00	41,500.00	30,309.34	11,190.66	
Other Expenses	45,000.00	45,000.00	37,016.11	7,983.89	
Vehicle Maintenance	130,000.00	130,000.00	128,761.85	1,238.15	
Total Operations {Item 8(A)} Within "CAPS"	4,959,800.00	4,944,800.00	4,747,635.10	197,164.90	-
CONTINGENT					
TOTAL OPERATIONS INCLUDING					
CONTINGENT WITHIN "CAPS"	\$ 4,959,800.00	\$ 4,944,800.00	\$ 4,747,635.10	\$ 197,164.90	\$ -
Detail:					
Salaries and Wages	\$ 3,400,150.00	\$ 3,376,450.00	\$ 3,259,660.01	\$ 116,789.99	\$ -
Other Expenses	1,559,650.00	1,568,350.00	1,487,975.09	80,374.91	-
DEFERRED CHARGES AND STATUTORY					
EXPENDITURES-MUNICIPAL WITHIN "CAPS"					
Deferred Charges					
Expenditures Without Appropriation Reserves	5,533.75	5,533.75	5,533.75		
Cash Overexpenditure in Animal License Fund	638.81	638.81	638.81		
Deficit in Animal License Fund	1,688.20	1,688.20	1,688.20		
Statutory Expenditures:					
Contribution to:					
PERS	127,816.00	127,816.00	127,816.00	-	
PFRS	376,000.00	376,000.00	375,676.00	324.00	
Social Security System (O.A.S.I.)	120,000.00	135,000.00	134,470.54	529.46	
TOTAL DEFERRED CHARGES AND STATUTORY					
EXPENDITURES-MUNICIPAL WITHIN "CAPS"	631,676.76	646,676.76	645,823.30	853.46	
TOTAL GENERAL APPROPRIATIONS FOR					
MUNICIPAL PURPOSES WITHIN "CAPS"	\$ 5,591,476.76	\$ 5,591,476.76	\$ 5,393,458.40	\$ 198,018.36	\$ -

(Continued - Next Page)

See Accompanying Notes to Financial Statements.

BOROUGH OF HO-HO-KUS, NJ
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2010

STATEMENT OF EXPENDITURES - REGULATORY BASIS

A-3

	APPROPRIATIONS		EXPENDED		Unexpended Balance Canceled/ (Overexpended)
	Budget	Budget After Modification	Paid or Charged	Reserved	
OPERATIONS EXCLUDED FROM "CAPS"					
Sewer Authority Share of Costs	\$ 747,500.00	\$ 747,500.00	\$ 747,491.96	\$ 8.04	\$ -
Maintenance of Free Public Library (Chapter. 82 & 541, P.L. 1985)	466,903.00	466,903.00	327,282.37	139,620.63	
Insurance (N.J.S.A. 40A:4-45.3(00)) Employee Group Health	53,200.00	53,200.00	31,606.25	21,593.75	
P.E.R.S.	12,684.00	12,684.00	12,403.00	281.00	
Volunteer Incentive Program	66,000.00	66,000.00	-	66,000.00	
Storm Water Management	500.00	500.00		500.00	
Interlocal Municipal Service Agreements					
Municipal Court					
Salaries and Wages	21,000.00	21,000.00	21,000.00	-	
Other Expenses	8,800.00	8,800.00	8,800.00	-	
PUBLIC AND PRIVATE PROGRAMS					
OFF-SET BY REVENUES					
Matching Funds for Grants - Other Expenses	4,500.00	4,500.00	4,500.00	-	
Municipal Alliance Grant	10,000.00	10,000.00	10,000.00	-	
Storm Water	2,928.00	2,928.00	2,928.00	-	
Alcohol Education and Rehabilitation	603.32	603.32	603.32	-	
Clean Communities	7,579.93	7,579.93	7,579.93	-	
Drunk Driving Enforcement Act	3,371.76	3,371.76	3,371.76	-	
Library Aid	3,763.00	3,763.00	3,763.00	-	
TOTAL OPERATIONS					
- EXCLUDED FROM "CAPS"	<u>\$ 1,409,333.01</u>	<u>\$ 1,409,333.01</u>	<u>\$ 1,181,329.59</u>	<u>\$ 228,003.42</u>	<u>\$ -</u>
Detail:					
Salaries and Wages	\$ 21,000.00	\$ 21,000.00	\$ 21,000.00	\$ -	\$ -
Other Expenses	<u>1,388,333.01</u>	<u>1,388,333.01</u>	<u>1,160,329.59</u>	<u>228,003.42</u>	<u>-</u>

(Continued - Next Page)

See Accompanying Notes to Financial Statements.

BOROUGH OF HO-HO-KUS, NJ
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2010

STATEMENT OF EXPENDITURES - REGULATORY BASIS

A-3

		APPROPRIATIONS		EXPENDED		Unexpended
		Budget	Budget After Modification	Paid or Charged	Reserved	Balance Canceled/ (Overexpended)
OPERATIONS EXCLUDED FROM "CAPS" - Continued						
Capital Improvement Fund		\$ 15,000.00	\$ 15,000.00	\$ 15,000.00	\$ -	\$
TOTAL CAPITAL IMPROVEMENTS EXCLUDED FROM "CAPS"		<u>\$ 15,000.00</u>	<u>\$ 15,000.00</u>	<u>\$ 15,000.00</u>	<u>\$ -</u>	<u>\$</u>
MUNICIPAL DEBT SERVICE EXCLUDED FROM "CAPS"						
Payment of Bond Principal		\$ 475,000.00	\$ 475,000.00	\$ 475,000.00	\$	\$
Payment of Bond Anticipation Notes and Capital Notes		113,783.00	113,783.00	113,783.00		-
Interest on Bonds		51,700.00	51,700.00	51,639.75		60.25
Interest on Notes		42,100.00	42,100.00	41,955.65		144.35
TOTAL MUNICIPAL DEBT SERVICE EXCLUDED FROM "CAPS"		<u>\$ 682,583.00</u>	<u>\$ 682,583.00</u>	<u>\$ 682,378.40</u>	<u>\$</u>	<u>\$ 204.60</u>
DEFERRED CHARGES:						
Special Emergency Authorizations - 5 Years (N.J.S.40A:4-55)		\$ -	\$ -	\$ -	\$	\$
TOTAL MUNICIPAL DEFERRED CHARGES EXCLUDED FROM "CAPS"		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$</u>	<u>\$</u>
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES-EXCLUDED FROM "CAPS"		<u>\$ 2,106,916.01</u>	<u>\$ 2,106,916.01</u>	<u>\$ 1,878,707.99</u>	<u>\$ 228,003.42</u>	<u>\$ 204.60</u>
Sub-Total General Appropriations	A-1	\$ 7,698,392.77	\$ 7,698,392.77	\$ 7,272,166.39	\$ 426,021.78	\$ 204.60
Reserve for Uncollected Taxes		192,000.00	192,000.00	192,000.00		
Total General Appropriations		<u>\$ 7,890,392.77</u>	<u>\$ 7,890,392.77</u>	<u>\$ 7,464,166.39</u>	<u>\$ 426,021.78</u>	<u>\$ 204.60</u>
	Reference	A-2	Below	Below	A	A-1
		Reference				
Budget Adopted		A-2	\$ 7,890,392.77			
		A-2,Above	<u>\$ 7,890,392.77</u>			
Encumbrance Payable		A-22		\$ 101,862.54		
Reserve for Uncollected Taxes		A-2		192,000.00		
Budget Offsets		A-4		(70,021.13)		
Disbursements		A-4		7,202,915.74		
Deferred Charges - Overexpenditure of Appropriation Reserves		A		5,533.75		
Deferred Charges - Deficit in Animal License		B-4		1,688.20		
Due to Capital Fund - Capital Improvement Fund		C-6		15,000.00		
Due to Grant Fund - Unexpended Current Year Grants		G-5		15,187.29		
		Above		<u>\$ 7,464,166.39</u>		

See Accompanying Notes to Financial Statements.

BOROUGH OF HO-HO-KUS, NJ
TRUST FUND

**COMPARATIVE STATEMENTS OF ASSETS, LIABILITIES, RESERVES
AND FUND BALANCE - REGULATORY BASIS**

B

	<u>At December 31,</u>	
	<u>2010</u>	<u>2009</u>
<u>ASSETS</u>		
<u>Animal License Fund</u>		
Cash and Cash Equivalents	\$ 340.00	\$ (638.81)
Due from Current Fund	636.41	-
Deficit in Animal License Fund	-	1,688.20
	<u>976.41</u>	<u>1,049.39</u>
<u>Other Trust Fund</u>		
Cash and Cash Equivalents	<u>691,743.17</u>	<u>304,430.21</u>
<u>Developers Escrow Fund</u>		
Cash and Cash Equivalents	<u>696.23</u>	<u>433.29</u>
<u>COAH Fund</u>		
Cash and Cash Equivalents	157,168.85	141,989.41
Due from Current Fund	628.68	628.48
	<u>157,797.53</u>	<u>142,617.89</u>
<u>Unemployment Compensation Fund</u>		
Cash and Cash Equivalents	5.02	16,217.05
Due from Other Trust Fund	692.06	-
	<u>697.08</u>	<u>16,217.05</u>
<u>Recreation Fund</u>		
Cash and Cash Equivalents	<u>45,560.33</u>	<u>39,370.51</u>
TOTAL ASSETS	<u><u>\$ 897,470.75</u></u>	<u><u>\$ 504,118.34</u></u>

See Accompanying Notes to Financial Statements.

BOROUGH OF HO-HO-KUS, NJ
GENERAL CAPITAL FUND

**COMPARATIVE STATEMENTS OF ASSETS, LIABILITIES, RESERVES
AND FUND BALANCE - REGULATORY BASIS**

C

	At December 31,	
	2010	2009
ASSETS		
Cash and Cash Equivalents :		
Cash	\$ 424,604.27	\$ 378,600.53
Deferred Charges to Future Taxation:		
Funded	1,513,000.00	1,988,000.00
Unfunded	3,770,056.00	3,313,039.00
Due from Water Trust Fund	1,516.71	1,516.71
Due from Current Fund	61,400.80	77,425.80
Grant Receivable	291,453.00	291,453.00
	<hr/>	<hr/>
TOTAL ASSETS	\$ 6,062,030.78	\$ 6,050,035.04
	<hr/>	<hr/>
LIABILITIES, RESERVES AND FUND BALANCE		
General Serial Bonds	\$ 1,513,000.00	\$ 1,988,000.00
Bond Anticipation Notes Payable	3,199,256.00	2,104,539.00
Improvement Authorizations:		
Funded	152,053.50	320,638.18
Unfunded	1,018,021.80	1,373,998.33
Encumbrances Payable	22,353.57	60,288.62
Capital Improvement Fund	1,303.39	15,503.39
Reserve for Open Space Grant Receivable	155,203.00	155,203.00
Reserve for Premium on BANs	-	31,025.00
Fund Balance	839.52	839.52
	<hr/>	<hr/>
TOTAL LIABILITIES, RESERVES AND FUND BALANCE	\$ 6,062,030.78	\$ 6,050,035.04
	<hr/>	<hr/>

There were bonds and notes authorized but not issued
of \$570,800.00 on December 31, 2010 (C-13).

STATEMENT OF FUND BALANCE

C-1

Balance December 31, 2009	<hr/>
	\$ 839.52
Balance December 31, 2010	<hr/>
	\$ 839.52
	<hr/>

See Accompanying Notes to Financial Statements.

BOROUGH OF HO-HO-KUS, NJ
WATER UTILITY FUND

**COMPARATIVE STATEMENTS OF ASSETS, LIABILITIES, RESERVES
AND FUND BALANCE - REGULATORY BASIS**

D

	December 31 ,	
	2010	2009
ASSETS		
Operating Fund:		
Cash	\$ 320,458.24	\$ 51,635.26
Deferred Charge - Deficit in Operations	-	128,796.19
Deferred Charge - Overexpenditure of Appropriation	7,560.42	-
Deferred Charge - Overex. of Appropriation Reserves	-	5,783.65
Receivable with Full Reserves:		
Consumer Accounts Receivable	135,773.74	86,910.47
Due from Current Fund	20,944.62	20,944.62
Total Operating Fund	484,737.02	294,070.19
Capital Fund:		
Cash	497,579.18	193,927.98
Due from Utility Operating Fund	20,459.37	20,892.75
Due from Current Fund	433.38	-
Fixed Capital	4,702,812.24	4,638,843.50
Fixed Capital: Authorized and Uncompleted	543,442.40	529,411.14
Total Capital Fund	5,764,726.57	5,383,075.37
TOTAL ASSETS	\$ 6,249,463.59	\$ 5,677,145.56
LIABILITIES, RESERVES AND FUND BALANCE		
Operating Fund:		
Liabilities		
Appropriation Reserve	\$ 12,112.82	\$ 29,526.35
Encumbrance Payable	1,560.00	4,079.37
Storm Damage Reserve	130,000.00	130,000.00
Water Rent Overpayment	2,337.63	1,585.61
Accrued Interest on BANs	2,966.20	1,594.79
Accrued Interest on Bonds	13,904.16	15,881.99
Due to Water Capital Fund	20,459.37	20,892.75
Due to General Capital Fund	1,516.71	1,516.71
Reserve for Receivable	135,773.74	86,910.47
Fund Balance	164,106.39	2,082.15
Total Operating Fund	484,737.02	294,070.19
Capital Fund:		
Bonds Payable	725,000.00	835,000.00
Bond Anticipation Notes	684,752.00	323,388.00
Improvement Authorizations:		
Funded	116,294.10	119,083.65
Unfunded	427,148.30	410,327.49
Encumbrances Payable	-	380.06
Capital Improvement Fund	44,536.85	48,336.85
Reserve for Amortization	3,727,502.64	3,610,866.64
Reserve for Deferred Amortization	31,550.00	27,750.00
Fund Balance	7,942.68	7,942.68
Total Capital Fund	5,764,726.57	5,383,075.37
TOTAL LIABILITIES, RESERVES AND FUND BALANCE	\$ 6,249,463.59	\$ 5,677,145.56

There were bonds and notes authorized but not issued on December 31, 2010 and December 31, 2009
in the amount of \$74,200 and \$368,000, respectively. (Schedule D-15)

See Accompanying Notes to Financial Statements.

BOROUGH OF HO-HO-KUS, NJ
WATER UTILITY FUND

**COMPARATIVE STATEMENTS OF OPERATIONS AND
CHANGES IN FUND BALANCE - OPERATING
(REGULATORY BASIS)**

D-1

	<u>For the Years Ended December 31:</u>	
	<u>2010</u>	<u>2009</u>
REVENUE AND OTHER INCOME REALIZED		
Operating Fund Balance Utilized	\$ -	\$ -
Rents	812,364.08	671,330.43
Fire Hydrant Service	21,500.00	21,500.00
Miscellaneous	4,921.20	2,159.85
Other Credits to Income:		
Appropriation Canceled	2,340.33	1,639.62
Unexpended Balance of Appropriation Reserves	15,798.63	16,331.10
Overpayments Canceled	-	3.09
	<hr/>	<hr/>
Total Income	856,924.24	712,964.09
	<hr/>	<hr/>
EXPENDITURES		
Operating	400,589.91	568,000.00
Capital Improvements	-	40,000.00
Debt Service	159,730.25	163,762.00
Deferred Charges	134,579.84	38,998.28
Statutory Expenditures	-	31,000.00
	<hr/>	<hr/>
Total Expenditures	694,900.00	841,760.28
	<hr/>	<hr/>
EXCESS / (DEFICIT) IN REVENUES	162,024.24	(128,796.19)
Adjustments to Income Before Fund Balance:		
Deficit in Operations - which are by statute deferred to budget of succeeding year:	<hr/> -	<hr/> 128,796.19
Statutory Excess to Fund Balance:	-	-
Fund Balance - Operating - January 1	<hr/> 2,082.15	<hr/> 2,082.15
	164,106.39	2,082.15
	<hr/>	<hr/>
FUND BALANCE-OPERATING-DECEMBER 31	<u><u>\$ 164,106.39</u></u>	<u><u>\$ 2,082.15</u></u>

See Accompanying Notes to Financial Statements.

BOROUGH OF HO-HO-KUS, NJ
WATER UTILITY FUND
FOR THE YEAR ENDED DECEMBER 31, 2010

STATEMENT OF CAPITAL FUND BALANCE

D-2

Balance December 31, 2009	<u>\$ 7,942.68</u>
Balance December 31, 2010	<u><u>\$ 7,942.68</u></u>

STATEMENT OF REVENUES - REGULATORY BASIS

D-3

	<u>Anticipated Budget</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
Rents	\$ 671,300.00	\$ 812,364.08	\$ 141,064.08
Fire Hydrant Service	21,500.00	21,500.00	-
Miscellaneous	2,100.00	4,921.20	2,821.20
TOTAL	<u><u>\$ 694,900.00</u></u>	<u><u>\$ 838,785.28</u></u>	<u><u>\$ 143,885.28</u></u>
Reference	D-4	D-1,Below	

Analysis of Revenue

	Reference	
Cash Receipts	D-5	\$ 832,063.39
Interest Income - Operating	D-5	847.36
Investment Interest - Capital	D-8	4,206.34
Overpayments Applied	D-6	-
Prior Year Void Checks		<u>82.58</u>
TOTAL	Above	<u><u>\$ 837,199.67</u></u>

See Accompanying Notes to Financial Statements.

BOROUGH OF HO-HO-KUS, NJ
WATER UTILITY FUND
FOR THE YEAR ENDED DECEMBER 31, 2010
STATEMENT OF EXPENDITURES - REGULATORY BASIS

D-4

	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Over- expended</u>	<u>Reserved</u>	<u>Unexpended Balance Lapsed</u>
Operating:						
Salaries and Wages	\$ 206,000.00	\$ 191,000.00	\$ 187,146.87	\$ -	\$ 3,853.13	\$ -
Other Expenses	190,000.00	205,000.00	196,740.31	-	8,259.69	-
Group Health Insurance	4,589.91	4,589.91	4,589.91	-	-	-
Total Operating	<u>400,589.91</u>	<u>400,589.91</u>	<u>388,477.09</u>	<u>-</u>	<u>12,112.82</u>	<u>-</u>
Capital Improvements:						
Capital Improvement Fund	-	-	-	-	-	-
Capital Outlay	-	-	6,189.01	(6,189.01)	-	-
Total Capital Improvements	<u>-</u>	<u>-</u>	<u>6,189.01</u>	<u>(6,189.01)</u>	<u>-</u>	<u>-</u>
Debt Service:						
Payment of BAN Principal	6,636.00	6,636.00	6,636.00	-	-	-
Payment of BAN Interest	6,468.00	6,468.00	7,839.41	(1,371.41)	-	-
Payment of Bond Principal	110,000.00	110,000.00	110,000.00	-	-	-
Interest on Bonds	36,626.25	36,626.25	34,285.92	-	-	2,340.33
Total Debt Service	<u>159,730.25</u>	<u>159,730.25</u>	<u>158,761.33</u>	<u>(1,371.41)</u>	<u>-</u>	<u>2,340.33</u>
Deferred Charges:						
Overexpenditure Appropriation Reserves	5,783.65	5,783.65	5,783.65	-	-	-
Overexpenditure Appropriation	-	-	-	-	-	-
Deficit Operations	128,796.19	128,796.19	128,796.19	-	-	-
Total Deferred Charges	<u>134,579.84</u>	<u>134,579.84</u>	<u>134,579.84</u>	<u>-</u>	<u>-</u>	<u>-</u>
Statutory Expenditures to:						
Public Employees Retirement System	-	-	-	-	-	-
Social Security System (O.A.S.I.)	-	-	-	-	-	-
Unemployment (N.J.S.A. 43: 21-3 et. seq.)	-	-	-	-	-	-
Total Statutory Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL WATER UTILITY APPROPRIATIONS	<u><u>\$ 694,900.00</u></u>	<u><u>\$ 694,900.00</u></u>	<u><u>\$ 688,007.27</u></u>	<u><u>\$ (7,560.42)</u></u>	<u><u>\$ 12,112.82</u></u>	<u><u>\$ 2,340.33</u></u>
Disbursements			\$ 552,473.85			
Decrease in Accrued Interest on Bonds and BAN's			(606.42)			
Encumbrances Payable			1,560.00			
Deferred Charges			134,579.84			
			<u><u>\$ 688,007.27</u></u>			

See Accompanying Notes to Financial Statements.

BOROUGH OF HO-HO-KUS, NJ
PUBLIC ASSISTANCE FUND

**COMPARATIVE STATEMENTS OF ASSETS, LIABILITIES, RESERVES
AND FUND BALANCE - REGULATORY BASIS**

E

	<u>At December 31,</u>	
	<u>2010</u>	<u>2009</u>
P.A.T.F. #1		
ASSETS		
Cash	\$ 6,018.62	\$ 6,140.40
Due from P.A.T.F. II	<u>-</u>	<u>3,000.00</u>
TOTAL ASSETS	<u><u>\$ 6,018.62</u></u>	<u><u>\$ 9,140.40</u></u>
 LIABILITIES AND RESERVES		
Due to Current Fund	\$ 5.04	\$ 5.04
Reserve for Public Assistance	<u>6,013.58</u>	<u>9,135.36</u>
TOTAL LIABILITIES AND RESERVES	<u><u>\$ 6,018.62</u></u>	<u><u>\$ 9,140.40</u></u>
 P.A.T.F. # 2		
ASSETS		
Cash	<u>\$ -</u>	<u>\$ 25,550.15</u>
	<u><u>\$ -</u></u>	<u><u>\$ 25,550.15</u></u>
 LIABILITIES AND RESERVES		
Due to P.A.T.F. I	\$ -	\$ 3,000.00
Due to Current Fund	-	20.94
Reserve for Public Assistance	<u>-</u>	<u>22,529.21</u>
TOTAL LIABILITIES AND RESERVES	<u><u>\$ -</u></u>	<u><u>\$ 25,550.15</u></u>

See Accompanying Notes to Financial Statements.

BOROUGH OF HO-HO-KUS, NJ
GENERAL FIXED ASSETS ACCOUNT GROUP
AT DECEMBER 31, 2010

COMPARATIVE STATEMENT OF GENERAL FIXED ASSETS - "UNAUDITED"

F

	<u>2010</u>	<u>2009</u>
General Fixed Assets		
Land (as per assessed valuation)	\$ 16,366,600.00	\$ 16,354,700.00
Buildings (as per assessed valuation)	3,962,400.00	4,488,200.00
Machinery and Equipment	<u>5,116,888.93</u>	<u>3,698,955.15</u>
Total General Fixed Assets	<u>\$ 25,445,888.93</u>	<u>\$ 24,541,855.15</u>
Investment in General Fixed Assets	<u>\$ 25,445,888.93</u>	<u>\$ 24,541,855.15</u>

See Accompanying Notes to Financial Statements.

BOROUGH OF HO-HO-KUS, NJ
GRANT FUND

**COMPARATIVE STATEMENTS OF ASSETS, LIABILITIES, RESERVES
AND FUND BALANCE - REGULATORY BASIS**

G

	<u>At December 31,</u>	
	<u>2010</u>	<u>2009</u>
ASSETS		
Cash	\$ 77,518.46	\$ 66,963.14
Municipal Alliance Grant Receivable	17,746.16	17,254.06
Due from Trust Fund	2,500.00	-
TOTAL ASSETS	<u><u>\$ 97,764.62</u></u>	<u><u>\$ 84,217.20</u></u>
 LIABILITIES		
Unappropriated Reserves	\$ 10,296.20	\$ 10,666.08
Appropriated Reserves	63,511.10	70,142.84
Due to Current Fund	23,957.32	3,408.28
TOTAL LIABILITIES	<u><u>\$ 97,764.62</u></u>	<u><u>\$ 84,217.20</u></u>

See Accompanying Notes to Financial Statements.

BOROUGH OF HO-HO-KUS, NJ
SOLID WASTE UTILITY FUND

**COMPARATIVE STATEMENTS OF ASSETS, LIABILITIES, RESERVES
AND FUND BALANCE - REGULATORY BASIS**

H

	At December 31	
	<u>2010</u>	<u>2009</u>
ASSETS		
Cash	\$ 711,118.52	\$ 619,136.15
Consumer Accounts Receivable	25,149.81	22,661.12
Due From Current Fund	1,321.59	692.39
	<hr/>	<hr/>
TOTAL ASSETS	<u><u>\$ 737,589.92</u></u>	<u><u>\$ 642,489.66</u></u>
 LIABILITIES, RESERVES AND FUND BALANCE		
Encumbrance Payable	\$ 54,051.53	\$ 48,390.75
Appropriations Reserves	255,283.77	176,526.21
Utility Rents Overpaid	6,504.14	5,919.63
Appropriations Reserve Committed	46,166.66	46,166.66
	<hr/>	<hr/>
	362,006.10	277,003.25
Reserve for Receivable	25,149.81	22,661.12
Fund Balance	350,434.01	342,825.29
	<hr/>	<hr/>
TOTAL LIABILITIES, RESERVES AND FUND BALANCE	<u><u>\$ 737,589.92</u></u>	<u><u>\$ 642,489.66</u></u>

See Accompanying Notes to Financial Statements.

BOROUGH OF HO-HO-KUS, NJ
SOLID WASTE UTILITY FUND

**COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN OPERATING FUND BALANCE
- REGULATORY BASIS**

H-1

	<u>For the Years Ended</u>	
	<u>Dec. 31, 2010</u>	<u>Dec. 31, 2009</u>
REVENUE AND OTHER INCOME REALIZED		
Operating Surplus	\$ 158,000.00	\$ 90,000.00
Fees	775,601.34	772,115.79
Interest Income	6,834.99	4,788.84
Delinquent Interest	2,394.18	2,222.14
Appropriation Reserve Canceled	156,778.21	60,226.13
Overpayments Canceled	-	18.30
	<hr/>	<hr/>
Total Income	1,099,608.72	929,371.20
	<hr/>	<hr/>
EXPENDITURES		
Operating	925,000.00	890,000.00
Statutory Expenditures	9,000.00	7,000.00
	<hr/>	<hr/>
Total Expenditures	934,000.00	897,000.00
	<hr/>	<hr/>
EXCESS IN REVENUES	165,608.72	32,371.20
Fund Balance - Operating - January 1	342,825.29	400,454.09
	<hr/>	<hr/>
	508,434.01	432,825.29
Surplus Utilized	158,000.00	90,000.00
	<hr/>	<hr/>
FUND BALANCE - OPERATING - DECEMBER 31	<u>\$ 350,434.01</u>	<u>\$ 342,825.29</u>

See Accompanying Notes to Financial Statements.

BOROUGH OF HO-HO-KUS, NJ
SOLID WASTE UTILITY FUND
FOR THE YEAR ENDED DECEMBER 31, 2010

STATEMENT OF REVENUE - REGULATORY BASIS

H-2

	Anticipated <u>Budget</u>	<u>Realized</u>	Excess or <u>(Deficit)</u>
Surplus Anticipated	\$ 158,000.00	\$ 158,000.00	\$ -
Solid Waste Fees	772,000.00	775,601.34	3,601.34
Interest on Investments	4,000.00	6,834.99	2,834.99
Delinquent Interest		2,394.18	2,394.18
	<u>\$ 934,000.00</u>	<u>\$ 942,830.51</u>	<u>\$ 8,830.51</u>

Surplus Anticipated	\$ 158,000.00
Receipts	769,681.71
Delinquent Interest	2,394.18
Interest Income	6,834.99
Overpayment Applied	5,919.63
	<u>\$ 942,830.51</u>

STATEMENT OF EXPENDITURES - REGULATORY BASIS

H-3

	<u>Budget</u>	Budget After <u>Modification</u>	Expended <u>Paid or Charged</u>	<u>Reserved</u>
Operating				
Salaries & Wages	\$ 135,000.00	\$ 210,000.00	\$ 111,837.69	\$ 98,162.31
Other Expenses	790,000.00	715,000.00	562,878.54	152,121.46
	<u>925,000.00</u>	<u>925,000.00</u>	<u>674,716.23</u>	<u>250,283.77</u>
Statutory Expenditures				
Public Employees Retirement System	5,000.00	5,000.00	-	5,000.00
Social Security System	4,000.00	4,000.00	4,000.00	-
Unemployment Compensation Insurance	-	-	-	-
	<u>9,000.00</u>	<u>9,000.00</u>	<u>4,000.00</u>	<u>5,000.00</u>
Total Solid Waste Utility Appropriations	<u>\$ 934,000.00</u>	<u>\$ 934,000.00</u>	<u>\$ 678,716.23</u>	<u>\$ 255,283.77</u>

Reference

Encumbrances	\$ 54,051.53
Disbursements	624,664.70
	<u>\$ 678,716.23</u>

See Accompanying Notes to Financial Statements.

BOROUGH OF HO-HO-KUS, NJ
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009

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 generally accepted accounting principles (GAAP).

The financial statements of the Borough of Ho-Ho-Kus (the "Borough") 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 operates under an elected Mayor/Council form of government. The Borough's major operations include public safety, road repair and maintenance, sanitation, fire protection, recreation and parks, health services, and general administrative services.

GASB 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 issue 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 "friends of the municipal library," volunteer fire department or volunteer ambulance squad, which are component units under GAAP.

B. Fund Accounting

The accounting policies of the Borough conform to the accounting principles applicable to municipalities, which have been prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. 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. The accounts of the Borough are organized on the basis of funds or account groups, each of which is considered to be a separate accounting entity. The operations of each fund or account group are summarized by providing a separate set of self-balancing accounts, which include its assets, liabilities, fund equity, revenues, and expenses or expenditures.

BOROUGH OF HO-HO-KUS, NJ
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009
(Continued)

1. Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (Continued)

The following funds and groups of accounts are used by the Borough:

Current Fund - Resources and expenditures for governmental operations of a general nature.

Trust Fund - Receipts, custodianship and disbursement of funds in accordance with the purpose for which each reserve was created. The Division of Local Government Services regulates the accounting for these funds.

General Capital Fund - receipt and disbursement of funds for the acquisition of general capital facilities other than those acquired in the Current Fund.

Water Utility Fund – revenues and expenditures for the operation of the Borough’s water utility and the assets and liabilities relative to such activities. Acquisition or improvement of capital facilities for the water utility are accounted for in the capital section of the fund.

Public Assistance Fund - receipt and disbursement of funds that provide assistance to certain residents of the Borough pursuant to Title 44 of New Jersey statutes.

General Fixed Assets Account Group - the General Fixed Assets Account Group is used to account for fixed assets used in governmental fund type operations for control purposes. All fixed assets are valued at historical cost or insurable cost if the actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date of donation. No depreciation is recorded on general fixed assets.

Grant Fund - receipt and disbursement of funds from Federal, State, and County Grants.

Solid Waste Utility Fund - receipt and disbursement of funds for solid waste operations.

C. Basis of Accounting

A modified accrual basis of accounting is followed by the Borough of Ho-Ho-Kus. Under this method of accounting, revenues, except for State, County, and 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 GAAP applicable to local government units. The more significant differences are as follows:

Revenues - are recorded when received in cash except for certain amounts, which are due from other governmental units. Receipts from Federal, State, and County grants are realized as revenue when anticipated in the municipal budget. Receivables for property taxes are recorded with offsetting reserves on the balance sheet of the municipality's Current Fund. Accordingly, such amounts are not recorded as revenue until collected. Other amounts that are due to the municipality, which are susceptible to accrual, are also recorded as receivables with offsetting reserves and are recorded as revenue when received.

BOROUGH OF HO-HO-KUS
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009
(Continued)

1. Summary of Significant Accounting Policies (Continued)

C. Basis of Accounting (Continued)

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

Utility Rents - utility charges are levied based on water meter readings. Revenues from these sources are recognized on a cash basis. Receivables that are susceptible to accrual are recorded with offsetting reserves on the balance sheet of the Borough's Water Utility Operating Fund. GAAP requires such revenues to be recognized in the accounting period when they become susceptible to accrual and not to be reduced by an allowance for doubtful accounts.

Grant Revenues - Federal, State, and County 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. 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. Transfers can be made during the last two months and the first three months of the following year. The budget may also be amended by emergency appropriation, which must be raised in the succeeding year's budget. Special items of revenue and corresponding expenditure may be added to the budget with special written consent from the Division of Local Government Services (Chapter 159).

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

Trust Funds
General Capital Fund
Public Assistance Fund

Expenditures - Expenditures are recorded in 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. Except for unmatured interest on general long-term debt which should be recognized when due, GAAP requires expenditures, if measurable, to be recognized in the accounting period in which the fund liability is incurred.

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.

BOROUGH OF HO-HO-KUS
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009
(Continued)

1. Summary of Significant Accounting Policies (Continued)

C. Basis of Accounting (Continued)

Appropriation Reserves – 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 - 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.

Self-Insurance Contributions - Payments to self-insurance funds are charged to current budget appropriations. GAAP requires payments to be accounted for as an operating transfer and not as an expenditure.

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

Cash and Investments - Cash includes amounts in demand deposits, as well as short-term investments, with a maturity date within one year of the date acquired by the government. Investments are stated at cost and are limited by N.J.S.A. 40A:5-15.1 to bonds or obligations of the Federal Government and bonds or other obligations of Federal or local units having a maturity date not more than twelve months from the date of purchase.

Incurred But Not Reported (IBNR) Reserves- The Borough has not created a reserve for any potential occurrences and the Borough has not received potential notice of any such claims. Additionally, the Borough has not recorded a liability for those claims, which have been filed but have not yet been paid. GAAP requires the establishment of reserves for such potential claims.

BOROUGH OF HO-HO-KUS
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009
(Continued)

1. Summary of Significant Accounting Policies (Continued)

C. Basis of Accounting (Continued)

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

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.

Use of Estimates - The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the 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. Actual results could differ from these estimates.

General Fixed Assets – N.J.A.C. 5:30-5.6 codifies fixed asset accounting, the Technical Accounting Directive No. 86-2 (the “TAD”) took affect in 1986. This TAD required local units to create and maintain a fixed asset accounting system for their physical assets. The requirement has now been codified as N.J.A.C. 5:30-5.6. The regulation continues the requirement of the local units to:

- i. Place a value of all fixed assets put into service
- ii. Have a subsidiary ledger of detailed records of fixed assets
- iii. Provide property management standards to control fixed assets
- iv. Provide a statement of fixed assets in the annual audit.

GAAP requires that fixed assets be capitalized at historical cost or at estimated historical cost if actual historical cost is not available. Depreciation on utility fixed assets should also be recorded. Schedule F of the Financial Statement will disclose the major classes of Fixed Assets as of December 31, 2010 and December 31, 2009, no depreciation has been provided for in the financial statements.

Fixed Assets purchased after December 31, 1989 are stated at cost. Fixed Assets purchased prior to December 31, 1989 are stated as follows:

Land and Buildings	Estimated Market Value / Insurance Value
Machinery and Equipment	Estimated Market Value

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

BOROUGH OF HO-HO-KUS
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009
(Continued)

1. Summary of Significant Accounting Policies (Continued)

C. Basis of Accounting (Continued)

Accounting for utility fund “fixed capital” remains unchanged under the Requirements of Technical Accounting Directive No. 85-2. Property and equipment purchased by the Utility Fund are recorded in the capital account at cost and are adjusted for disposition and abandonment. The amounts shown do not purport to represent reproduction costs or current value. Contributions in aid of construction are not capitalized. The balance in the Reserve for Amortization and Deferred Reserve for Amortization accounts in the Utility Capital Fund represent charges to operations for the costs of acquisition of property, equipment and improvements. The Utility does not record depreciation on fixed assets.

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

Foreclosed Property - Foreclosed property is recorded in the Current Fund valuation when such property was acquired and fully reserved.

D. Basic Financial Statements

The GASB Codification also defines the financial statements of a governmental unit to be presented 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.

2. Cash, Cash Equivalents and Investments

Cash and Cash Equivalents

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, 2010, \$0 of the Borough’s bank balance of \$4,816,013.08 was exposed to custodial credit risk.

BOROUGH OF HO-HO-KUS
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009
(Continued)

2. Cash and Cash Equivalents (Continued)

Investments

Interest Rate Risk. The Borough does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. 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 allowable investments are Bonds of the United States of America or of the local unit or school districts of which the local unit is a part of: 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.

As of December 31, 2010, the Borough did not have any investments.

3. Municipal Debt

Long-Term Debt

Long-term debt as of December 31, 2010 consisted of the following:

	Balance Dec.31, 2009	Additions	Reductions	Balance Dec.31, 2010	Due in One Year
Bonds Payable - General	\$ 1,988,000.00		\$ 475,000.00	\$1,513,000.00	\$ 475,000.00
Bonds Payable - Water Utility	835,000.00		110,000.00	725,000.00	110,000.00
	<u>\$ 2,823,000.00</u>	<u>\$ -</u>	<u>\$ 585,000.00</u>	<u>\$2,238,000.00</u>	<u>\$ 585,000.00</u>

As of December 31, 2010, all outstanding bonds are included in the general capital fund and water utility capital fund and interest and principal reductions are included in the operating budget of the Borough.

Long-term debt as of December 31, 2010 consisted of the following:

BOROUGH OF HO-HO-KUS, NJ
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009
(Continued)

3. Municipal Debt (Continued)

General Obligation Bonds

2003 Bonds, due in annual installments of \$475,000 due 5/1/2011, \$500,000 due 5/1/2012 and \$538,000 due 5/1/2013, interest at 2.95%	\$ 1,513,000.00
	<u>\$1,513,000.00</u>

Schedule of Annual Debt Service for Principal and Interest for Bonded Debt Issued and Outstanding

	<u>General</u>	
<u>Calendar Year</u>	<u>Principal</u>	<u>Interest</u>
2011	475,000.00	37,627.25
2012	500,000.00	23,246.00
2013	538,000.00	7,935.50
Total	<u>\$ 1,513,000.00</u>	<u>\$ 68,808.75</u>

1998 Bonds, due in annual installments of \$75,000 due 8/01/2010 to 2014, and \$80,000 due 8/01/2015 to 2018, interest at variable rates of 4.50% to 4.85%

\$620,000.00

2003 Bonds, due in annual installments of \$35,000 due 5/01/2010-2013, interest at 2.95%

105,000.00

\$725,000.00

Water Utility Debt

<u>Calendar Year</u>	<u>Principal</u>	<u>Interest</u>
2011	110,000.00	31,857.25
2012	110,000.00	27,411.75
2013	110,000.00	22,929.25
2014	75,000.00	18,925.00
2015	80,000.00	15,400.00
2016-18	240,000.00	23,240.00
Total	<u>\$725,000.00</u>	<u>\$139,763.25</u>

Total General Obligation and Water Utility Bonds \$2,238,000.00

BOROUGH OF HO-HO-KUS, NJ
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009
(Continued)

3. Municipal Debt (Continued)

Summary of Municipal Debt

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Bonds and Notes Issued			
General:			
Bonds and Notes	\$ 4,712,256	\$ 4,092,539	\$ 4,551,784
Water Utility Bonds and Notes	1,409,752	1,158,388	1,271,575
Total Bonds and Notes Issued	<u>6,122,008</u>	<u>5,250,927</u>	<u>5,823,359</u>
Authorized but not Issued			
General	570,800	1,208,500	857,245
Water Utility Bonds and Notes	74,200	368,000	238,250
Total Authorized But not Issued	<u>645,000</u>	<u>1,576,500</u>	<u>1,095,495</u>
Bonds and Notes Issued and Authorized but not Issued	<u>\$ 6,767,008</u>	<u>\$ 6,827,427</u>	<u>\$ 6,918,854</u>

Summary of Statutory Debt Condition – Annual Debt Statement

The following summarized statement of debt condition is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of 0.386%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Bonds and Notes for School Purposes	\$ 10,498,000	\$ 10,498,000	\$ -
General Debt			
Bonds	1,513,000		1,513,000
Bond Anticipation Notes	3,199,256		3,199,256
Notes Authorized but Not Issued	570,800		570,800
Water Utility Debt			
Bonds	725,000	725,000	-
Bond Anticipation Notes	684,752	684,752	-
Notes Authorized but Not Issued	74,200	74,200	-
	<u>\$ 17,265,008</u>	<u>\$ 11,981,952</u>	<u>\$ 5,283,056</u>

Net Debt \$5,283,056.00 divided by Equalized Valuation Basis
Per N.J.S.A.40A:2-2 as amended \$1,368,216,726 = .386%

BOROUGH OF HO-HO-KUS, NJ
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009
(Continued)

3. Municipal Debt (Continued)

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

3 1/2% of Equalized Valuation Basis (Municipal)	\$ 48,348,942.81
Net Debt	5,283,056.00
	<hr/>
Remaining Borrowing Power	<u>\$ 43,065,886.81</u>

Calculation of "Self-Liquidating Purpose"

	Water Utility	Solid Waste
Cash Receipts from Fees, Rents or Other Charges for Year	<u>\$ 856,924.24</u>	<u>\$1,099,608.72</u>
Deductions:		
Operating and Maintenance Cost	400,589.91	934,000.00
Debt Service	159,730.25	
Deferred Charges & Statutory Expenditures	134,579.84	
Total Deductions	<u>694,900.00</u>	<u>934,000.00</u>
Excess / (deficit) in Revenue	<u>\$ 162,024.24</u>	<u>\$ 165,608.72</u>

Note: If there is a deficit in revenue, then the utility debt is not deductible to the extent of twenty times such deficit amount.

4. Bond Anticipation Notes

On December 31, 2010, the Borough had \$3,884,008 in outstanding bond anticipation notes. It is the Borough's intention to renew this note in 2011 with required minimum pay down. The following activity related to bond anticipation notes occurred during the calendar year ended December 31, 2010:

	<u>2010 Balance</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>2009 Balance</u>
Notes Payable:				
Wachovia Bank	\$ 3,884,008.00	0.97%	7/22/2011	\$ 2,427,927.00

v. Capital Leases Payable

In 2008, the Borough entered into a lease agreement with Ford Motor Credit Company to purchase two 2008 Ford Crown Victoria for three years with \$27,908.96 annual payment, to be used by the Police Department. The following is a schedule of future lease payments for the years ended December 31:

2011	27,908.96
------	-----------

BOROUGH OF HO-HO-KUS, NJ
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009
(Continued)

6. Contingent Liabilities

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.

7. Claims and Judgments

The Borough participated in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Borough may be required to reimburse the grantor government. As of December 31, 2010, significant amounts of grant expenditures have not been audited by the various grantor agencies but the Borough believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the Borough.

8. Risk Management

The purpose of the fund Management is to administer employee life, health, property and liability, worker's compensation, unemployment, and disability insurance programs of the Borough on a cost – reimbursement basis. This fund accounts for the risk financing activities of the Borough but does not constitute a transfer of risk from the Borough. For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

9. Deferred Charges to be Raised in Succeeding Budgets

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2010, the following deferred charges were reported on balance sheets of various funds:

Water Utility Operating Fund:	
Overexpenditure of Appropriations	\$ 7,560.42
Total Water Utility Operating Fund:	<u>\$ 7,560.42</u>

BOROUGH OF HO-HO-KUS, NJ
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009
(Continued)

10. Taxes Collected in Advance

Taxes collected in advance and the amounts set forth as cash liabilities in the financial statement as follows:

	Balance <u>Dec. 31, 2010</u>	Balance <u>Dec. 31, 2009</u>
Prepaid Taxes	<u>\$ 187,120.70</u>	<u>\$ 163,944.14</u>

11. Local District School and County Taxes

The Borough collects school and county taxes and is responsible for the full amount of the levy. School and county taxes have been raised on the calendar year.

12. Compensated Absences and Post Employment Benefits

The Borough has permitted employees to accrue unused 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 \$1,483,308.06. This amount is not reported either as expenditure or as liability. As of December 31, 2010, \$170,802.16 has been accrued in the Trust Fund towards the estimated cost.

The Borough pays health insurance of \$1,500.00 each year for 10 years to employees who have retired after they have completed 25 years or more of service. Currently the Borough has 5 retired employees who receive this benefit. In 2010, the cost of these health insurance benefits totals \$7,500.00.

13. Retirement Plans

Pension Funds

Description of Plans

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). Those systems are sponsored and administered by the State of New Jersey and 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. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for PERS and PFRS. This report may be obtained by writing to the Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625.

BOROUGH OF HO-HO-KUS, NJ
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009
(Continued)

13. Retirement Plans (Continued)

Pension Funds (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 retirement, death, disability and medical benefits to certain qualified members. The Public Employees' Retirement System is a cost-sharing multiple-employer plan. Membership is mandatory for substantially all full time employees of the State or any county, municipality, school district or public agency provided the employee is not required to be a member of another State-administered retirement system or other state or local jurisdiction.

Police and Firemen's Retirement System (PFRS)

The Police and Firemen's 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.

Funding Policy

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 employees. Plan member and employer contributions may be amended by State of New Jersey legislation. The pension funds provide for employee contributions based on 5.5% for PERS and 8.5% for PFRS of the employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in PERS and PFRS. The Borough's contributions to PERS and PFRS were as follows:

Year Ended December 31,	PERS Amount	PFRS Amount
2010	\$ 140,219.00	\$ 375,676.00
2009	122,824.00	378,280.53
2008	89,692.60	321,391.00

Deferred Compensation Plan

The Borough maintains a Deferred Compensation Plan in accordance with Internal Revenue Code Section 457. Any employee of the Borough is eligible to participate in the Plan. Participation in the Plan is entirely voluntary on the part of each employee. The Borough does not and is not required to make contributions to the Plan. Nationwide Retirement Solutions and VALIC administrate the Plan.

BOROUGH OF HO-HO-KUS, NJ
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009
(Continued)

14. Leases

188 East Franklin Turnpike (Block 1016 Lot 6); Leased to Sanzari Building Corp.

Lease Term Ended	Minimum Rent
June 2014	\$ 30,517.42

The term of the lease is from 2009 to 2014 with a one five-year option through 2019. The rent is to be increased yearly, "triple net" with rent adjustment tied to the lesser of the CPI or a 3% increase. Security deposit of \$4,000.00 was posted.

1East Franklin Turnpike (Block 1009 Lot 1.01); Leased to Ho-Ho-Kus Inn & Tavern

Lease Term Ended	Minimum Rent
January 2011	76,006.14
January 2012	78,286.32
January 2013	80,634.91
January 2014	83,053.97
January 2015	85,545.58
January 2016	88,111.95

The term of the lease is from 2006 to 2016 with three five-year extension options. The rent is to be increased yearly, "triple net" with rent adjustment tied to the lesser of the CPI or a 3% increase. Security deposit of \$10,000.00 was posted.

The lease was transferred from Korbitz to the Ho-Ho-Kus Inn & Tavern in 2009.

Cellular Towers at DPW Building

The Borough received lease payments for two cellular towers. The payments were \$48,782.57 in 2010 and \$48,113.83 in 2009.

BOROUGH OF HO-HO-KUS, NJ
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009
(Continued)

15. Property Tax Calendar

The Borough's property taxes are due the first of February, May, August, and November upon certification of tax rate by the county. Liens are sold at a tax sale in the subsequent year.

16. Joint Ventures with Other Municipalities

The Borough participates in an interlocal agreement with the Borough of Allendale to share the services of a Municipal Court. The revenues received by the Borough are used to offset the expenses of the Court.

17. Interfund Receivable and Payables

Interfund receivables and payables at December 31, 2010 were as follows:

<u>Fund Type</u>	<u>Receivables</u>	<u>Payables</u>
Current	\$ 104,293.37	\$ 85,365.48
Trust	2,653.38	84,219.30
Capital	62,917.51	-
Solid Waste Utility	1,321.59	-
Water Utility	20,944.62	21,976.08
Water Capital	20,892.75	-
Grant	2,500.00	23,957.32
Public Assistance	-	5.04
Total Interfund Receivables/Payables	<u>\$ 215,523.22</u>	<u>\$ 215,523.22</u>

APPENDIX B

**PROPOSED FORM OF
BOND COUNSEL OPINION**

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APPENDIX B

[Proposed Form of Bond Counsel Opinion]

July ___, 2011

Borough Council
Borough of Ho-Ho-Kus
County of Bergen, New Jersey

Dear Council Members:

We have acted as bond counsel in connection with the issuance of \$3,957,000 of bonds consisting of \$3,215,000 aggregate principal amount of General Improvement Bonds and \$742,000 aggregate principal amount of Water Utility Bonds (individually, the "General Improvement Bonds" or the "Water Utility Bonds"; collectively, the "Bonds") by the Borough of Ho-Ho-Kus, in the County of Bergen, a municipal corporation of the State of New Jersey (the "Borough"). The Bonds are dated July 15, 2011 and comprise two issues of registered bonds. The Bonds bear interest from their date, payable on each January 15 and July 15, commencing January 15, 2012 (each, an "Interest Payment Date"), in each year until maturity.

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

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2012	\$215,000	%	2017	\$350,000	%
2013	220,000		2018	365,000	
2014	260,000		2019	375,000	
2015	305,000		2020	390,000	
2016	335,000		2021	400,000	

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

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2012	\$50,000	%	2017	\$75,000	%
2013	55,000		2018	85,000	
2014	60,000		2019	90,000	
2015	65,000		2020	95,000	
2016	70,000		2021	97,000	

The Bonds are issued pursuant to the Local Bond Law (Chapter 2 of Title 40A of the New Jersey Statutes, as amended). The General Improvement Bonds are also issued pursuant to ten bond ordinances adopted by the Borough Council of the Borough on May 25, 2004 (Ord. No. 887), May 24, 2005 (Ord. No. 898), May 23, 2006 (Ord. No. 912, as amended by Ord. No. 935 adopted on May 27, 2008), January 23, 2007 (Ord. No. 922), June 26, 2007 (Ord. No. 928), September 23, 2008 (two ordinances: Ord. Nos. 940 and 941), August 18, 2009 (Ord. No. 955), July 27, 2010 (Ord. No. 967) and May 24, 2011 (Ord. No. 991) and resolutions adopted by the Borough Council of the Borough on June 28, 2011. The Water Utility Bonds are also issued pursuant to five bond ordinances adopted by the Borough Council of the Borough on May 23, 2006 (Ord. No. 913), June 26, 2007 (Ord. No. 929), September 23, 2008 (Ord. No. 942), August 18, 2009 (Ord. No. 954) and July 27, 2010 (Ord. No. 968) and resolutions adopted by the Borough Council of the Borough on June 28, 2011.

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

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

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

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

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

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

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

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

Very truly yours,

Rogut McCarthy LLC