

NEW ISSUES
SERIAL BONDS

RATING: Moody's:

In the opinion of Rogut McCarthy LLC, Bond Counsel to the City, assuming compliance by the City 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.

\$10,290,000
CITY OF GARFIELD
COUNTY OF BERGEN, NEW JERSEY
\$7,287,000 General Improvement Bonds
\$3,003,000 Water Utility Bonds
(Callable) (Not Bank-Qualified)
(Book-Entry Only)

Dated: October 15, 2013

Due: October 15, as shown below

The General Improvement Bonds and the Water Utility Bonds (collectively, the "Bonds") of the City of Garfield, in the County of Bergen, New Jersey (the "City"), 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 (except for one odd piece in excess of \$5,000 per issue). 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 October 15 of each of the years set forth below, and interest on the Bonds is payable on each April 15 and October 15, commencing April 15, 2014, in each year until maturity or prior redemption.

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

The Bonds are general obligations of the City and are secured by a pledge of the full faith and credit of the City for the payment of the principal thereof and the interest thereon. The City is authorized and required by law to levy *ad valorem* taxes upon all the taxable real property within the City 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>
2014	\$400,000	%	%	2022	\$735,000	%	%
2015	490,000			2023	750,000		
2016	550,000			2024	760,000		
2017	620,000			2025	785,000		
2018	670,000			2026	785,000		
2019	705,000			2027	800,000		
2020	720,000			2028	795,000		
2021	725,000						

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 October 15, 2013.

ELECTRONIC BIDS VIA PARITY AND
SEALED PROPOSALS WILL BE RECEIVED
UNTIL 11:00 O'CLOCK A.M. ON OCTOBER 8, 2013
AT THE CITY HALL
111 OUTWATER LANE
GARFIELD, NEW JERSEY 07026

This is a Preliminary Official Statement "deemed final" within the meaning of, and with the exception of certain information permitted to be omitted by, Rule 15c2-12 of the Securities and Exchange Commission, and the information contained herein is subject to completion or amendment in accordance with applicable law. The issuer will deliver a final Official Statement in compliance with Rule 15c2-12. This Preliminary Official Statement shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration, qualification or exemption under the securities laws of any such jurisdiction.

**CITY OF GARFIELD
BERGEN COUNTY
STATE OF NEW JERSEY**

MAYOR

Joseph Delaney

CITY COUNCIL

Tana M. Raymond
Frank J. Calandriello
Louis G. Aloia
Glenn A. Mati

CITY MANAGER

Thomas J. Duch

CITY CLERK/DEPUTY CITY MANAGER

Andrew J. Pavlica

INTERIM CHIEF FINANCIAL OFFICER

Roy Riggitano

CITY ATTORNEY

John J. Bruno, Jr., Esq.
Hackensack, New Jersey

CITY AUDITOR

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

BOND COUNSEL

Rogut McCarthy LLC
Cranford, New Jersey

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

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

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

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

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**OFFICIAL STATEMENT
OF THE CITY OF GARFIELD
IN THE COUNTY OF BERGEN, NEW JERSEY
relating to**

**\$10,290,000 BONDS
consisting of
\$7,287,000 General Improvement Bonds
and
\$3,003,000 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 City of Garfield (the "City"), in the County of Bergen (the "County"), State of New Jersey (the "State") in connection with the sale and issuance of its \$10,290,000 Bonds consisting of \$7,287,000 General Improvement Bonds (the "General Improvement Bonds") and \$3,003,000 Water Utility Bonds (the "Water Utility Bonds" and together with the General Improvement Bonds, the "Bonds") dated October 15, 2013. This Official Statement has been executed by and on behalf of the City by the Interim Chief Financial Officer 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 Underwriters 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 will be dated and bear interest from October 15, 2013 and will mature on October 15 in the years and in the principal amounts as set forth below. Interest on the Bonds is payable on each April 15 and October 15, commencing April 15, 2014 (each, an "Interest Payment Date"), in each year until maturity or prior redemption at the respective interest rates set forth on the cover page hereof. Principal of and interest on the Bonds will be paid to The Depository Trust Company, New York, New York ("DTC"), acting as securities depository, by the Interim Chief Financial Officer, as "Bond Registrar/Paying Agent". Interest on the Bonds will be credited to the DTC Participants (as hereinafter defined) as listed on the records of DTC as of the 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. Purchases of the Bonds will be made in book-entry form, in the principal amount of \$5,000 or any integral multiple thereof (except for one odd piece in excess of \$5,000 for each issue). Purchasers will not receive certificates representing their interest in Bonds purchased. So long as DTC or its nominee, Cede & Co. (or any successor or assign), is the registered owner of the Bonds, payments of the principal of and interest on the Bonds will be made by the Bond Registrar/Paying Agent directly to Cede & Co. (or any successor or assign), as nominee for DTC, which will remit such payments to the participants of DTC which will in turn remit such payments to the owners of beneficial interests in the Bonds. See "Book-Entry Only System" herein.

Maturity Schedule

<u>Year</u>	<u>General Improvement Bonds</u>	<u>Water Utility Bonds</u>	<u>Total</u>
2014	\$270,000	\$130,000	\$400,000
2015	350,000	140,000	490,000
2016	400,000	150,000	550,000
2017	460,000	160,000	620,000
2018	500,000	170,000	670,000
2019	525,000	180,000	705,000
2020	525,000	195,000	720,000
2021	525,000	200,000	725,000
2022	525,000	210,000	735,000
2023	530,000	220,000	750,000
2024	530,000	230,000	760,000
2025	535,000	250,000	785,000
2026	535,000	250,000	785,000
2027	540,000	260,000	800,000
2028	<u>537,000</u>	<u>258,000</u>	<u>795,000</u>
	<u>\$7,287,000</u>	<u>\$3,003,000</u>	<u>\$10,290,000</u>

Book-Entry Only System

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

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

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

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

Redemption proceeds and principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City 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 City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the paying agent, if any, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

Prior Redemption

The Bonds maturing on or before October 15, 2023 are not subject to redemption prior to their stated maturities. The Bonds maturing on or after October 15, 2024 are subject to redemption at the option of the City prior to maturity, in whole on any date or in part on any Interest Payment Date, on or after October 15, 2023, upon notice as hereinafter set forth at the redemption price of 100% of the principal amount being redeemed, plus accrued interest to the date fixed for redemption.

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

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

SECURITY AND SOURCE OF PAYMENT

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

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

AUTHORIZATION AND PURPOSE OF THE BONDS

The Bonds are authorized and are to be issued pursuant to the Local Bond Law of the State of New Jersey, N.J.S.A. 40A:2-1 et seq., as amended (the "Local Bond Law"). The Bonds also are authorized by various bond ordinances of the City set forth below and resolutions adopted by the City Council of the City on September 24, 2013.

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 City.

The proceeds of the Bonds will be used to currently refund \$10,290,000 aggregate principal amount of the City's outstanding bond anticipation notes maturing on October 15, 2013.

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

<u>Ordinance</u>	<u>Description</u>	<u>Amount</u>
<u>General Improvement Bonds</u>		
2524	Sanitary Sewer Rehab at Midland Ave. & other locations	\$ 161,086
2535	Improvements to Firehouse #2	56,324
2536	Police Station Improvements	452,202
2541	Various Improvements to Public Buildings	274,533
2561	Supplemental to Firehouse # 2	45,862
2564	Various Improvements to Palisade Ave.	176,426
2567	Various Improvements to 20th Century Field	595,310
2597	Acquisition of Trucks for DPW	412,730
2598	Construction of Passaic River Park & Bikeway Project	2,500,000
2602	Photovoltaic Solar Power System - Engineering	95,000
2604	Acquisition of Fire, Police & DPW Vehicles and Equipment	100,400
2617	Improvements to Lanza Ave., Midland Ave., & Passaic St.	242,600
2620	2011 Road Improvement Program	107,086
2632	New Loader Backhoe	104,700
2633	Joint City/BOE Improvements	849,141
2640	Improvements to Pistol Range	166,600
2667	New Ladder Fire Truck	947,000
	Total General Improvement Bonds	7,287,000

Water Utility Bonds

2400	Repair and Replacement of Blvd. Booster Pumping Station and Storage Tanks	576,620
2518	Supplemental to Blvd. Boosters Pumping Station & Storage Tanks	389,273
2526	Supplemental to Blvd. Boosters Pumping Station & Storage Tanks	292,202
2544	Elmwood Park Well Field	468,968
2546	Rehabilitation of Water Lines	140,192
2562	Supplemental to Rehab of Lanza Ave. Water Main	220,556
2563	Palisade Ave. Water Project	375,189
2615	Replacement of Well No. 8R & Improvements to Elmwood Park Wellfields	240,000
2627	Rehabilitation of Water Lines	300,000
		<hr/>
	Total Water Utility Bonds	3,003,000
		<hr/>
		\$ 10,290,000

NO DEFAULT

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

MARKET PROTECTION – BOND AND NOTE FINANCING

The City does not plan to issue additional bonds during 2013. The City will issue \$3,304,000 of bond anticipation notes to be dated October 15, 2013. This Note will be used to renew \$1,143,000 of its outstanding bond anticipation notes maturing in October and to issue \$2,161,000 for new money borrowing. In addition, the City will renew all or a portion of its outstanding bond anticipation notes maturing in December and may issue bond anticipation notes for any new money borrowing during 2013.

CERTAIN STATUTORY PROVISIONS FOR THE PROTECTION OF GENERAL OBLIGATION DEBT

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

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

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

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

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

Debt Limits

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

The City has not exceeded its statutory debt limit. On September 1, 2013 (Unaudited) the statutory net debt as a percentage of average equalized valuation was 1.30%. As noted above, the statutory limit is 3.50%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
General Purposes	\$29,731,850	\$780,036	\$28,951,814
Utility Purposes	<u>10,174,732</u>	<u>10,174,732</u>	<u>-0-</u>
	<u>\$39,906,582</u>	<u>\$10,954,768</u>	<u>\$28,951,814</u>

Exceptions to Debt Limits - Extensions of Credit

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

Short-Term Financing

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

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

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

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

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

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

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

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

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

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

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

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

Investment of Municipal Funds

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

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

The City has no investments in derivatives.

MUNICIPAL BUDGET

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

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

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

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

Limitations on Municipal Appropriations and Tax Levy

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

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

For municipalities, the levy cap is in addition to the existing appropriation cap; both cap laws must be met. Neither cap law limits the obligation of the City to levy *ad valorem* taxes upon all taxable real property within the City 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 City) reducing the tax levy cap to 2% and limiting the exclusions to amounts required to be raised by taxation for debt service as defined by law, certain pension contributions and health care costs in excess of 2% and extraordinary costs directly related to a declared emergency. Voter approval may be requested to increase the amount to be raised by taxation by more than the allowable adjusted tax levy. Chapter 44 eliminated the process for obtaining waivers for additional spending under the tax levy limitation.

The City's appropriation and tax levy increases for 2011 to 2013, inclusive, were within the limits allowed under the CAP Law, taking into account applicable adjustments and without conducting a referendum to exceed the cap limits.

Miscellaneous Revenues

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

excess amount will actually be realized in cash during the fiscal year and shall certify such determination, in writing, to the local unit."

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

Real Estate Taxes

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

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

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

The reserve requirement is calculated as follows:

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

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

Deferral of Current Expenses

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

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

Budget Transfers

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

Operation of Utilities

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

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

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

Fiscal Year

The City's fiscal year is the calendar year. Chapter 75 of the Pamphlet Laws of 1991 of New Jersey required municipalities with populations in excess of 35,000 or which received Municipal Revitalization Aid from the State in 1990 or 1991 to change their fiscal year from the calendar year to the State fiscal year (July 1 to June 30), unless an exemption is granted. Municipalities not meeting the criteria for a mandatory change have the option to choose to change to the State fiscal year. The City 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 City's budget process lies with the City 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 City 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 City may approve emergency temporary appropriations for any purpose for which appropriations may lawfully be made.

Capital Budget

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

ASSESSMENT AND COLLECTION OF TAXES

Tax Collection Procedure

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

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 of Local Government Services.

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

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 City 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 City has covenanted, to the extent permitted by the Constitution and the laws of the State, to do and perform all acts and things permitted by law and necessary to assure that interest paid on the Bonds be and remain excluded from gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Code. The City'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 City, in executing the Tax Certificate, will certify to the effect that the City 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 City, assuming compliance by the City 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.

Bank-Qualification

The Bonds are **not** "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code.

Additional Federal Income Tax Consequences

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

Proposals for Tax Changes

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

cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted thereby.

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

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

STATEMENT OF LITIGATION

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

LEGALITY FOR INVESTMENT

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

RATING

Moody's Investors Service ("Moody's") has assigned a rating of “__” to the Bonds.

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 City furnished Moody's with certain information and materials concerning the Bonds and the City. 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 City for resale by the following purchasers (the "Underwriters"):

DOCUMENTS ACCOMPANYING DELIVERY OF THE BONDS

Absence of Litigation

Upon delivery of the Bonds, the City shall furnish a certificate of the City 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 City wherein an adverse judgment or ruling could have a material adverse impact on the financial condition of the City, or adversely affect the power of the City 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 City, 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 City 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 City is authorized and required by law to levy on all real property taxable by the City such *ad valorem* taxes as may be necessary to pay the Bonds and the interest thereon, without limitation as to rate or amount.

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

Certificates of City Officials

The original purchasers of the Bonds shall also receive a certificate, dated as of the date of delivery of the Bonds and signed by the Interim Chief Financial Officer that (a) as of the date of the Official Statement furnished by the City 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 City is not guaranteed as to accuracy, completeness or fairness, such officer has no reason to believe and does not believe that such information is materially inaccurate or misleading, and (b) to the knowledge of such officer, 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 City and no material adverse change in the general

affairs of the City or in its financial condition as shown in said Official Statement, other than as disclosed in or contemplated by said Official Statement, provided such certificate shall not include consideration of information supplied by, or that should have been supplied by, the successful bidders for the Bonds. In addition, the original purchasers of the Bonds shall also receive certificates in form satisfactory to Rogut McCarthy LLC, Bond Counsel, evidencing the proper execution and delivery of the Bonds and receipt of payment therefor and a certificate, dated as of the date of delivery of the Bonds and signed by the officers who signed the Bonds, stating that no litigation is then pending or, to the knowledge of such officers, threatened to restrain or enjoin the issuance or delivery of the Bonds or the levy or collection of taxes to pay the Bonds or the interest thereon, or questioning the validity of the statutes or the proceedings under which the Bonds are issued, and that neither the corporate existence or boundaries of the City, nor the title of the said officers to their respective offices, is being contested.

SECONDARY MARKET DISCLOSURE

The City has agreed, pursuant to a resolution adopted on September 24, 2013, 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 City 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 City's fiscal year (presently December 31), commencing with the report for the year ending December 31, 2013, provide or cause to be provided, annual financial information with respect to the City 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 City and (ii) certain financial information and operating data consisting of (a) information concerning the City's debt, overlapping indebtedness, tax rate, levy and collection data, property valuation and fund balance of the type contained under the headings "Budget Information", "Financial Information" and "Debt Information" in Appendix A hereof and (b) the City'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 City (the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the City 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 City, 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 City);

- (13) The consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, 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 City 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 City 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 City 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 City 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 City 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 City 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 City, 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 City has never failed to provide required annual financial information.

PREPARATION OF OFFICIAL STATEMENT

The firm of Lerch, Vinci & Higgins, LLP, Fair Lawn, New Jersey, Certified Public Accountants, takes responsibility for the financial statements to the extent specified in the Independent Auditor's Report.

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

APPROVAL OF OFFICIAL STATEMENT

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

ADDITIONAL INFORMATION

Inquiries regarding this Official Statement, including requests for information additional to that contained herein, may be directed to the City of Garfield, 111 Outwater Lane, Garfield, New Jersey, Roy Riggitano, Interim Chief Financial Officer, (973) 340-2196.

MISCELLANEOUS

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

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

**CITY OF GARFIELD, IN THE
COUNTY OF BERGEN, NEW JERSEY**

By: /s/ _____
Roy Riggitano
Interim Chief Financial Officer

Dated:

APPENDIX A
ECONOMIC AND DEMOGRAPHIC INFORMATION
RELATING TO THE CITY OF GARFIELD

GENERAL INFORMATION REGARDING THE CITY

Size and Geographical Location

The City of Garfield is located in the southwestern part of Bergen County and encompasses an area of approximately 2.08 square miles. Neighboring communities include the Boroughs of Elmwood Park, Lodi and Wallington, the Cities of Clifton and Passaic and the Township of Saddle Brook.

Garfield is primarily a residential area with some commercial and light industry development. The City's light industry includes manufacturing, public storage and distribution.

Form of Government

The City was incorporated in 1917. The current City government was reorganized under a Council-Manager form of government providing for the appointment of a professionally-trained City Manager to administer the operation of the municipality under the guidance of an elected City Council. The City provides full municipal services to its residents and employs 160 full-time personnel to perform these functions. Under this form of government, the City Manager is the chief executive officer. He is appointed by the City Council and serves at its pleasure.

The City Manager attends all meetings of the governing body and is obligated to implement all of its policy decisions.

The City Charter provides for an elected body of five members serving a four-year term. This Council selects a Mayor from among its members.

The City Council is the policy-making body of the government. It has the power to do all things necessary to promote and maintain the health, safety, comfort, welfare and peace of the City. Council meetings, which are open to the public, are held in the City Hall Council Chambers.

The election of the City Council members is non-partisan, with the Council members elected at-large and representing the City as a whole. The Mayor has no veto power over the actions of the City Council. He does, however, have additional honorary responsibilities.

Transportation

The City is twelve miles west of New York City. Residents have access to all parts of New Jersey and New York via nearby highways, Routes 4, 17, 20, 46, 80, 208 and 287 and the Garden State Parkway. New Jersey Transit bus service is available to neighboring communities and to New York City. New Jersey Transit also provides passenger rail service, which is easily accessible at the station located in the City.

Protection

Garfield is served by a police department consisting of 57 full-time police officers including full-time detectives, who operate 18 patrol cars, two patrol SUV's, one traffic pick-up truck, one traffic truck, one Community Policing SUV, one Emergency Services Unit Truck, eight unmarked sedans, two trailer mounted message boards, a speed alert trailer, 12' boat, three traffic barricade trailers, three portable generators with light towers, a juvenile I.D. system and a live scan fingerprinting system. The department participates in many community programs such as DARE, Community Policing, Juvenile Fingerprinting, Juvenile Safety, Hand of Safety, and Senior Citizen Fraud.

Its fire department includes approximately 130 volunteers and operates four front-line pumpers, one ladder truck, five chief's vehicles, three rescue boats, one mobile air cascade unit, one hazardous materials unit, one 3,500 gallon foam tender, three hazardous materials response trailers and two water rescue support units.

Ambulance service is provided on a 24-hour basis by Hackensack University Medical Center. Two ambulances are readily available at all times.

Sanitation

Garbage collection is provided for residents on a twice-weekly basis. Commingled and paper recycling pick-up is provided every other week. For both of these services, the City contracts with a private vendor. Payment for such garbage and recycling collection is part of the general property tax levy.

Utilities

Electricity and gas are supplied to the municipality by Public Service Electric and Gas Company. The City owns and operates its own Water Utility, which provides water to City residents. The City is a member of the Passaic Valley Sewerage Commissioners ("PVSC"), and is responsible for payment of the costs of the maintenance, repair and operation, including debt service, of PVSC based on the City's proportionate share of sewerage discharged into the PVSC system. The City's obligation is provided for in full in the municipal budget.

Education

The City's school district, coterminous with the boundaries of the City, is a type II school district, and is an independent legal entity administered by a nine member Board of Education elected by the voters of the school district. The school district is not part of a regional or consolidated school district, but is considered a "special needs" district for purposes of State aid. The school system is comprised of one pre-school with three satellite campuses, seven elementary schools (grades Pre K-5), one middle school (grades 6-8) and one high school (grades 9-12).

Population

Population trends for the City, County and the State of New Jersey since 1970 are shown below:

<u>Area</u>	<u>1970</u>	<u>1980</u>	<u>1990</u>	<u>2000</u>	<u>2011</u>
City of Garfield	30,797	26,803	26,727	29,786	30,687
County of Bergen	897,148	845,385	825,380	884,118	911,004
State of New Jersey	7,171,112	7,365,011	7,730,188	8,414,350	8,821,155

Source: U.S. Census Reports

Income as of 2010

	<u>Median Household Income</u>	<u>Median Family Income</u>	<u>Per Capita Income</u>
City of Garfield	\$ 51,407	\$ 56,701	\$ 24,022
County of Bergen	81,708	100,310	42,006
State of New Jersey	69,811	84,904	34,858

Source: U.S. Census Bureau, 2006-2010 American Community Survey

ECONOMIC AND DEMOGRAPHIC INFORMATION

Labor Force, Employment and Unemployment

For the years 2008 to 2012, the New Jersey Department of Labor reported the following annual average employment information for the City of Garfield, the County of Bergen and the State of New Jersey:

	<u>Total Labor Force</u>	<u>Employed Labor Force</u>	<u>Total Unemployed</u>	<u>Unemployment Rate</u>
<u>City of Garfield</u>				
2012	16,900	14,700	2,200	13.0%
2011	16,695	14,606	2,089	12.5%
2010	16,036	13,950	2,086	13.0%
2009	16,183	14,079	2,104	13.0%
2008	15,867	14,600	1,267	8.0%
<u>County of Bergen</u>				
2012	483,100	444,000	39,100	8.1%
2011	479,131	441,277	37,854	7.9%
2010	477,342	438,688	38,654	8.1%
2009	480,483	442,452	38,031	7.9%
2008	476,981	455,619	21,362	4.5%
<u>State of New Jersey</u>				
2012	4,595,500	4,159,300	436,200	9.5%
2011	4,556,200	4,131,800	424,400	9.3%
2010	4,502,400	4,076,700	425,700	9.5%
2009	4,536,700	4,118,400	418,300	9.2%
2008	4,496,700	4,251,200	245,500	5.5%

Source: State of NJ Data Center

BUDGET INFORMATION
Current Fund
(As Adopted)

CURRENT FUND

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Revenues					
Surplus Anticipated	\$ 2,200,000	\$ 2,200,000	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000
Miscellaneous Revenues	6,283,983	6,352,868	6,895,572	7,062,887	5,954,249
Receipts from Delinquent Taxes	1,000,000	900,000	900,000	900,000	900,000
Amount to be Raised by Taxes for Support of Municipal Budget	<u>23,266,381</u>	<u>22,776,361</u>	<u>22,369,864</u>	<u>21,528,050</u>	<u>20,281,439</u>
	<u>\$ 32,750,364</u>	<u>\$ 32,229,229</u>	<u>\$ 32,165,436</u>	<u>\$ 31,490,937</u>	<u>\$ 29,135,688</u>
Expenditures					
Salaries and Wages	\$ 12,246,198	\$ 11,587,986	\$ 12,174,874	\$ 11,878,125	\$ 11,486,096
Other Expenses	13,303,110	13,624,624	13,161,023	13,004,124	12,215,357
Deferred Charges and Statutory Expenditures	2,936,056	2,971,727	2,910,039	2,557,088	1,513,235
Capital Improvement Fund	100,000	100,000	100,000	100,000	100,000
Municipal Debt Service	2,365,000	2,144,892	2,019,500	2,219,100	2,121,000
Reserve for Uncollected Taxes	<u>1,800,000</u>	<u>1,800,000</u>	<u>1,800,000</u>	<u>1,732,500</u>	<u>1,700,000</u>
	<u>\$ 32,750,364</u>	<u>\$ 32,229,229</u>	<u>\$ 32,165,436</u>	<u>\$ 31,490,937</u>	<u>\$ 29,135,688</u>

Source: City of Garfield

Capital Budget

In accordance with the Local Budget Law, each local unit should adopt and annually revise a multi-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 unit may contemplate over the next six years.

The following is a summary of the funding sources for the adopted capital budget for the year 2013.

Proposed Sources of Funding

Bonds and Notes – General	<u>\$1,200,000</u>
---------------------------	--------------------

Source: 2013 Adopted Municipal Budget of the City of Garfield.

FINANCIAL INFORMATION

Fund Balances and Amounts Utilized in Succeeding Year's Budget

<u>Year</u>	<u>Fund Balance</u>	<u>Utilized in Budget of Succeeding Year</u>
2012	\$ 4,354,309	2,200,000
2011	4,223,776	2,200,000
2010	3,930,135	2,000,000
2009	3,072,878	2,000,000
2008	2,335,232	2,000,000

Source: City of Garfield Audit Reports and Adopted 2013 Budget.

Current Tax Collections

<u>Year</u>	<u>Tax Levy</u>	<u>Collection During Year of Levy</u>	
		<u>Amount</u>	<u>Percent</u>
2012	\$ 51,781,006	\$ 50,167,614	96.88%
2011	50,914,027	49,581,636	97.38%
2010	49,668,539	48,321,506	97.28%
2009	48,128,908	46,973,013	97.59%
2008	46,521,283	45,148,521	97.04%

Source: City of Garfield Audit Reports

Delinquent Taxes and Tax Title Liens

<u>Year</u>	<u>Tax Title Liens</u>	<u>Delinquent Taxes</u>	<u>Total Delinquent</u>	<u>Percentage of Levy</u>
2012	\$ 200,266	\$ 1,447,863	\$ 1,648,129	3.18%
2011	147,556	1,282,909	1,430,465	2.81%
2010	83,569	1,302,130	1,385,699	2.78%
2009	3,571	1,208,852	1,212,423	2.52%
2008	64	1,272,045	1,272,109	2.73%

Source: City of Garfield Audit Reports

**Assessed Valuation of Property Owned by
the City Acquired for Taxes**

<u>Year</u>	<u>Amount</u>
2012	\$ 436,870
2011	436,870
2010	436,870
2009	436,870
2008	436,870

Source: City of Garfield Audit Reports

Ten Largest Taxpayers

The ten largest taxpayers in the City and their 2013 assessed valuations are listed below:

<u>Taxpayer</u>	<u>2013 Assessment</u>
Central Bergen Properties	\$ 47,348,700
New Bridgeland Warehouses, LLC	30,005,800
Pulte Homes of NJ	13,800,000
Castega Realty Corp	7,419,400
Somerset Realty Corp	7,369,100
Crystal Holdings, LLC	7,303,600
W.S.P. Corp	6,483,600
75 River Road LLC	6,000,000
Safeguard Storage	5,500,000
YMCA Rose Garfield	5,385,400
	<u>\$ 136,615,600</u>

Source: Tax Assessor.

**Assessed Valuation
Land Improvements by Class**

<u>Year</u>	<u>Vacant Land</u>	<u>Residential</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Apartment</u>	<u>Total</u>
2013	\$ 26,970,400	\$ 1,549,713,000	\$ 299,339,900	\$ 116,609,500	\$ 84,918,100	\$2,077,550,900
2012	28,781,900	1,545,590,500	306,310,600	130,717,000	85,240,900	2,096,640,900
2011 (1)	31,480,600	1,536,572,900	315,272,400	132,173,100	85,388,800	2,100,887,800
2010	20,274,100	895,729,300	148,000,900	62,813,100	47,713,600	1,174,531,000
2009	19,736,200	894,999,100	148,413,900	61,133,800	48,084,200	1,172,367,200

(1) The City underwent a revaluation of real property in 2011.

Source: Tax Duplicate.

**Assessed Valuations
Net Valuation Taxable**

<u>Year</u>	<u>Real Property</u>	<u>Business Personal Property</u>	<u>Net Valuation Taxable</u>	<u>Ratio of Assessed Value to True Value of Real Property</u>	<u>Total True Value of Assessed Property</u>
2013	\$ 2,077,550,900	\$ 24,595,108	\$ 2,102,146,008	98.83%	\$ 2,122,574,471
2012	2,096,640,900	3,442,375	2,100,083,275	95.56%	2,218,546,804
2011 (1)	2,100,887,800	3,798,783	2,104,686,583	94.14%	2,261,396,327
2010	1,174,531,000	2,457,760	1,176,988,760	45.46%	2,613,864,651
2009	1,172,367,200	826,517	1,173,193,717	42.85%	2,765,915,044

(1) The City underwent a revaluation of real property in 2011.

Source: Tax Duplicate and Abstract of Ratables of Bergen County

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

<u>Year</u>	<u>Total</u>	<u>Municipal</u>	<u>Local School</u>	<u>County (2)</u>
2013	\$ 2.522	\$ 1.119	\$ 1.169	\$ 0.234
2012	2.461	1.084	1.145	0.232
2011 (1)	2.418	1.062	1.133	0.223
2010	4.206	1.829	1.941	0.436
2009	4.096	1.728	1.918	0.450

Source: Tax Collector

(1) The City underwent a revaluation of real property in 2011

(2) Includes County Open Space Tax

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

<u>Year</u>	<u>Total</u>	<u>Municipal</u>	<u>Local School</u>	<u>County (1)</u>
2013	\$ 52,386,684	\$ 23,266,381	\$ 24,280,190	\$ 4,840,113
2012	51,781,006	22,871,441	24,039,792	4,869,773
2011	50,914,027	22,398,779	23,840,873	4,674,375
2010	49,668,539	21,679,695	22,853,339	5,135,505
2009	48,128,908	20,348,535	22,506,019	5,274,354

Source: Tax Collector

(1) Includes County Open Space Tax

DEBT INFORMATION

Debt Statements

The City 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 City 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 City 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, 2012

Municipal	
Equalized Valuation Basis (last 3 years average)	\$ 2,220,977,846
3 1/2% Borrowing Margin	77,734,225
Net Debt Issued, Outstanding and Authorized	27,817,148
Remaining Municipal Borrowing Capacity	49,917,077
Local School	
4% Borrowing Margin	88,839,114
Debt, Issued, Outstanding and Authorized	-
Remaining School Borrowing Capacity	88,839,114

Gross and Statutory Net Debt as of December 31,

<u>Year</u>	<u>Gross Debt</u>	<u>Statutory Net Debt</u>	
	<u>Amount</u>	<u>Amount</u>	<u>Percentage</u>
2012	\$ 39,413,910	\$ 27,817,148	1.25%
2011	42,193,693	26,479,846	1.12%
2010	41,692,635	27,872,809	1.09%
2009	34,720,064	22,413,395	0.83%
2008	33,288,395	20,203,043	0.75%

Source: City of Garfield Audit Reports

**Statement of Indebtedness
As of September 1, 2013 (Unaudited)**

GENERAL PURPOSES

Bonds Issued and Outstanding	\$ 12,837,000	
Loans	533,910	
Notes	14,125,000	
Authorized but Not Issued	2,235,940	
		29,731,850

UTILITY PURPOSES

Bonds Issued and Outstanding	2,252,000	
Loans	3,878,975	
Notes	2,729,000	
Authorized but Not Issued	1,314,757	
		10,174,732

TOTAL GROSS DEBT 39,906,582

STATUTORY DEDUCTIONS

Municipal Purpose	780,036	
Self Liquidating	10,174,732	
		10,954,768

TOTAL NET DEBT \$ 28,951,814

OVERLAPPING DEBT

County of Bergen (Note (1))	\$ 9,115,789	
Passaic Valley Sewer Commission (Note (2))	4,618,048	
		\$ 13,733,837

GROSS DEBT

Per Capita (2010 Census - 30,487)	\$	1,309
Percent of Net Valuation Taxable (2013-\$2,102,146,008)		1.90%
Percent of Estimated True Value of Real Property (2013- \$2,122,574,471)		1.88%

NET MUNICIPAL DEBT

Per Capita (2010 Census - 30,487)	\$	950
Percent of Net Valuation Taxable (2013-\$2,102,146,008)		1.38%
Percent of Estimated True Value of Real Property (2013- \$2,122,574,471)		1.36%

OVERALL DEBT (Gross and Overlapping Debt)

Per Capita (2010 Census - 30,487)	\$	1,759
Percent of Net Valuation Taxable (2013-\$2,102,146,008)		2.55%
Percent of Estimated True Value of Real Property (2013- \$2,122,574,471)		2.53%

Note (1) Overlapping debt was computed based upon the real property ratio of equalized valuations of the municipality to all municipalities within the County as provided in the 2012 Bergen County Abstract of Ratables published by the Bergen County Board of Taxation.

Note (2) Overlapping debt was computed based upon usage.

Source: City of Garfield.

APPENDIX B

**INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
OF THE CITY OF GARFIELD,
IN THE COUNTY OF BERGEN, STATE OF NEW JERSEY**

LVH LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

DIETER P. LERCH, CPA, RMA, PSA
GARY J. VINCI, CPA, RMA, PSA
GARY W. HIGGINS, CPA, RMA, PSA
JEFFREY C. BLISS, CPA, RMA, PSA
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EDWARD N. KERE, CPA
LORI T. MANUKIAN, CPA, PSA
MARK SACO, CPA

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members
of the City Council
City of Garfield
Garfield, New Jersey

Report on the Financial Statements

We have audited the accompanying balance sheets - regulatory basis of the various funds and account group of the City of Garfield, as of December 31, 2012 and 2011, and the related statements of operations and changes in fund balance - regulatory basis for the years then ended, and the related statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the various funds for the year ended December 31, 2012 and 2011, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

As described in Note 1 of the financial statements, the financial statements are prepared and presented by the City of Garfield on the basis of financial accounting and reporting principles and practices that demonstrate compliance with the regulatory basis of accounting and budget laws prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the State of New Jersey for municipal government entities.

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the requirement that the City of Garfield prepare and present its financial statements on the regulatory basis of accounting as discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph above, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the City of Garfield as of December 31, 2012 and 2011, or changes in financial position, or, where applicable, cash flows for the years then ended.

Basis for Qualified Opinion on Regulatory Basis of Accounting

As discussed in Note 15 of the financial statements, the financial statements – regulatory basis of the Length of Service Awards Program (LOSAP) Trust Fund have not been audited, and we were not required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, to audit nor were we engaged to audit the LOSAP Trust Fund financial statements as part of our audit of the City's financial statements as of and for the years ended December 31, 2012 and 2011. The LOSAP Trust Fund financial activities are included in the City's Trust Funds, and represent 19 percent and 19 percent of the assets and liabilities, respectively, of the City's Trust Funds as of December 31, 2012 and 2011.

The notes to the City of Garfield's financial statements do not disclose the other post employment benefit obligations related to post-retirement medical benefits provided to its eligible retirees and their dependents as required by Government Accounting Standards Board Statement Number 45 and the Division of Local Government Services, Department of Community Affairs, State of New Jersey. In our opinion, disclosure of that information is required to conform with the regulatory basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had the LOSAP Trust Fund financial statements been audited and except for the omission of the note disclosure regarding the other post employment benefit obligations, as described in the “Basis for Qualified Opinion on Regulatory Basis of Accounting” paragraph above, the financial statements – regulatory basis referred to above present fairly, in all material respects, the financial position – regulatory basis of the various funds and account group of the City of Garfield as of December 31, 2012 and 2011, and the results of operations and changes in fund balance – regulatory basis of such funds for the years then ended and the revenues – regulatory basis and expenditures – regulatory basis of the various funds for the year ended December 31, 2012 and 2011 in accordance with the basis of financial accounting and reporting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

Other Matters

Required Supplementary Information

The City has not presented a management’s discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. A management discussion and analysis is not required by the financial accounting and reporting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey to supplement the regulatory basis financial statements and therefore it has not been presented by management. Our opinion on the financial statements – regulatory basis is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated July 29, 2013 on our consideration of the City of Garfield’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Garfield’s internal control over financial reporting and compliance.

LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Registered Municipal Accountants

Fair Lawn, New Jersey
July 29, 2013

CITY OF GARFIELD
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS - CURRENT FUND
AS OF DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Cash	\$ 8,612,219	\$ 7,629,069
Cash - Change Fund	100	100
Grants Receivable	<u>19,540</u>	<u>155,440</u>
	<u>8,631,859</u>	<u>7,784,609</u>
Receivables with Full Reserves		
Delinquent Property Taxes Receivable	1,447,863	1,282,909
Tax Title Liens Receivable	200,266	147,556
Property Acquired for Taxes	436,870	436,870
Revenue Accounts Receivable	272,116	232,236
Due from Garfield Redevelopment Agency		9,693
Interfunds Receivable:		
Other Trust Fund	87,081	
Animal Control Fund	<u>18,847</u>	<u>24,373</u>
	<u>2,463,043</u>	<u>2,133,637</u>
Deferred Charge		
Special Emergency Authorization (N.J.S. 40A:4-53)	<u>270,000</u>	<u>360,000</u>
Total Assets	<u>\$ 11,364,902</u>	<u>\$ 10,278,246</u>

CITY OF GARFIELD
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS -CURRENT FUND
AS OF DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
LIABILITIES, RESERVES AND FUND BALANCE		
Appropriation Reserves	\$ 1,796,124	\$ 1,871,097
Encumbrances Payable	1,083,292	570,510
Accounts Payable	53,481	76,686
Prepaid Taxes	235,109	223,580
Interfunds Payable:		
Due to Other Trust Fund		300,102
Due to LOSAP Trust Fund	57,500	70,150
Due to General Capital Fund	179,349	157,259
Due to Water Utility Operating Fund		15,849
Due to State of New Jersey:		
Senior Citizens' and Veterans' Deductions	21,852	17,282
Construction Code Fees Payable	3,050	3,447
Marriage Licenses Payable	1,494	1,504
Reserve for Tax Appeals Pending	674,484	374,484
Reserve for Revaluation		14,715
Miscellaneous Reserves	303,305	
Unappropriated Grant Reserves	41,006	57,505
Appropriated Grant Reserves	<u>97,504</u>	<u>166,663</u>
	4,547,550	3,920,833
Reserve for Receivables	2,463,043	2,133,637
Fund Balance	<u>4,354,309</u>	<u>4,223,776</u>
Total Liabilities, Reserves and Fund Balance	<u>\$ 11,364,902</u>	<u>\$ 10,278,246</u>

CITY OF GARFIELD
COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE
REGULATORY BASIS - CURRENT FUND
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
REVENUE AND OTHER INCOME REALIZED		
Fund Balance Utilized	\$ 2,200,000	\$ 2,000,000
Miscellaneous Revenue Anticipated	6,558,966	6,917,178
Receipts from Delinquent Taxes	1,158,568	1,197,566
Receipts from Current Taxes	49,867,614	49,481,636
Non-Budget Revenues	800,388	589,942
Other Credits to Income		
Unexpended Balance of Appropriation Reserves	1,764,247	1,054,607
Statutory Excess - Animal Control Trust Fund	8,240	10,607
Cancellation of Appropriated Grant Reserves	71,727	35,510
Cancellation of Reserve for LOSAP	-	15,891
	<u>62,429,750</u>	<u>61,302,937</u>
Total Income		
Expenditures		
Budget Appropriations		
Salaries and Wages	11,875,301	12,191,546
Other Expenses	13,382,877	13,053,342
Deferred Charges and Statutory Expenditures	2,975,927	2,902,739
Capital Improvements	100,000	100,000
Municipal Debt Service	2,144,892	2,017,545
Local District School Tax	24,039,792	23,840,873
County Taxes	4,860,598	4,674,476
Amount Due County for Added and Omitted Taxes	9,175	2,094
Disallowed Prior Year Senior Citizens and Veterans Deductions	4,320	2,000
Interfunds Advanced	71,862	19,210
Cancellation of Grants Receivable	117,619	
Refund of Prior Year Revenues and Taxes	516,854	205,471
	<u>60,099,217</u>	<u>59,009,296</u>
Total Expenditures		
Statutory Excess to Fund Balance	2,330,533	2,293,641
Fund Balance, January 1	<u>4,223,776</u>	<u>3,930,135</u>
	6,554,309	6,223,776
Decreased by Utilization as Anticipated Revenue	<u>2,200,000</u>	<u>2,000,000</u>
Fund Balance, December 31	<u>\$ 4,354,309</u>	<u>\$ 4,223,776</u>

See Accompanying Notes to Financial Statements

CITY OF GARFIELD
STATEMENT OF REVENUES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2012 AND 2011

	<u>2012</u>		<u>2011</u>	
	<u>Budget After</u> <u>Modification</u>	<u>Realized</u>	<u>Budget After</u> <u>Modification</u>	<u>Realized</u>
Surplus Anticipated	\$ 2,200,000	\$ 2,200,000	\$ 2,000,000	\$ 2,000,000
Miscellaneous Revenues				
Licenses				
Alcoholic Beverages	40,000	39,570	48,000	\$ 40,830
Other	33,000	33,850	25,000	44,220
Fees and Permits	300,000	310,113	300,000	300,905
Fines and Costs - Municipal Court	1,200,000	1,125,302	1,200,000	1,237,335
Interest and Costs on Taxes	232,000	276,175	232,000	270,836
Anticipated Surplus - Water Utility	300,000	300,000	400,000	400,000
Consolidated Municipal Property Tax Aid	763,304	664,439	814,858	814,858
Energy Receipts Tax	1,917,679	2,016,544	1,866,125	1,866,125
Uniform Construction Code Fees	200,000	344,566	200,000	277,525
Public and Private Programs				
Alcohol Education and Rehabilitation	8,360	\$ 8,360	3,249	3,249
Public Health Priority Funding			17,786	17,786
Over the Limit, Under Arrest	5,000	5,000	10,000	10,000
Begen County 200 Club - Fire Department			1,268	1,268
Amerigroup Corporation - Health Promotions Program Grant	3,500	\$ 3,500	1,500	1,500
Emergency Management Grant			5,000	5,000
Recycling Tonnage Grant	42,525	42,525	45,083	45,083
Business Stimulus Grant			7,000	7,000
Green Communities Grant	3,000	3,000		
Hepatitis B Inoculation	5,000	5,000	5,000	5,000
Drive Sober or Get Pulled Over	9,400	9,400		
Emergency Management	5,000	5,000		
Clean Communities	36,261	36,261	36,840	36,840
Body Armor	12,066	12,066		
Other Special Items				
Uniform Fire Safety Act Fees	50,000	52,587	50,000	55,632
Reserve for Terminal Pay			100,000	100,000
Garfield Housing Authority _ Payment in Lieu of			110,000	
Sewer Trunk Charges			90,000	
Sewer Charges	1,186,812	1,194,776	1,200,000	1,186,812
Host Community Fees (BCUA)	55,000	52,744	95,000	55,820
Reserve for Payment of Debt	18,188	18,188	133,554	133,554
Total Miscellaneous Revenues	<u>6,426,095</u>	<u>6,558,966</u>	<u>6,997,263</u>	<u>6,917,178</u>
Receipts from Delinquent Taxes	<u>900,000</u>	<u>1,158,568</u>	<u>900,000</u>	<u>1,197,566</u>
Amount to be Raised by Taxes for Support of Municipal Budget:				
Local Tax for Municipal Purposes	22,042,262	22,023,950	21,588,055	21,982,384
Minimum Library Tax	734,099	734,099	781,809	781,809
Total Amount to be Raised by Taxes for Support of Municipal Budget	<u>22,776,361</u>	<u>22,758,049</u>	<u>22,369,864</u>	<u>22,764,193</u>
Budget Totals	<u>\$ 32,302,456</u>	<u>\$ 32,675,583</u>	<u>\$ 32,267,127</u>	<u>\$ 32,878,937</u>
Non-Budget Revenues		<u>800,388</u>		<u>589,942</u>
		<u>\$ 33,475,971</u>		<u>\$ 33,468,879</u>

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**2012 STATEMENT OF EXPENDITURES
CURRENT FUND**

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CITY OF GARFIELD
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Appropriation</u>		<u>Expended</u>		<u>Unexpended Balances Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
OPERATIONS - WITHIN "CAPS"					
General Government					
General Administration					
Salaries & Wages	\$ 219,152	\$ 234,152	\$ 225,864	\$ 8,288	
Other Expenses	40,000	40,000	20,441	19,559	
Mayor and Council					
Salaries & Wages	38,408	38,408	32,844	5,564	
Municipal Clerk's Office					
Salaries & Wages	207,993	214,993	214,104	889	
Other Expenses	50,000	70,000	66,326	3,674	
Elections					
Other Expenses	50,000	50,000	47,171	2,829	
Financial Administration					
Salaries & Wages	200,825	210,825	210,824	1	
Other Expenses	80,000	60,000	50,605	9,395	
Annual Audit	33,000	73,000	66,513	6,487	
ADP Services	35,000	35,000	28,901	6,099	
Tax Assessment Administration					
Salaries & Wages	86,277	92,777	85,627	7,150	
Other Expenses	45,000	45,000	44,784	216	
Revenue Administration					
Salaries & Wages	164,000	171,001	164,000	7,001	
Other Expenses	90,000	65,000	56,756	8,244	
Legal Services					
Salaries & Wages	123,660	123,660	123,660		
Other Expenses	35,000	20,000	15,540	4,460	
Engineering Services					
Salaries & Wages	28,763	29,963	29,374	589	
Other Expenses	26,000	26,000	22,351	3,649	
Public Buildings & Grounds					
Salaries & Wages	50,703	60,703	52,588	8,115	
Other Expenses	90,000	70,000	59,541	10,459	
Municipal Land Use Law (NJS 40:55-1)					
Planning Board					
Other Expenses	25,000	25,000	17,956	7,044	
Zoning Board					
Salaries & Wages	12,398	12,399	12,155	244	
Other Expenses	10,000	10,000	4,800	5,200	

CITY OF GARFIELD
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Appropriation</u>		<u>Expended</u>		<u>Unexpended Balances Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
OPERATIONS - WITHIN "CAPS" (Cont'd)					
Public Safety					
Fire					
Other Expenses	\$ 200,000	\$ 340,000	\$ 326,066	\$ 13,934	
Aid to Ambulance Corps					
Salaries & Wages	72,000	72,000	3,891	68,109	
Other Expenses	45,000	45,000	26,824	18,176	
Emergency Management					
Salaries & Wages	3,060	3,060	3,060		
Other Expenses	25,000	73,100	72,258	842	
Police					
Salaries & Wages	7,638,310	7,592,810	7,307,083	285,727	
Other Expenses	190,000	225,000	200,417	24,583	
Purchase of Vehicles	90,000	95,500	89,350	6,150	
Traffic Division	20,000	20,000	4,714	15,286	
Uniform Fire Safety Fire Inspection Act					
Salaries & Wages	201,668	186,668	168,669	17,999	
Other Expenses	30,000	30,000	24,539	5,461	
Streets & Roads					
Road Repairs & Maintenance					
Salaries & Wages	1,344,134	1,284,134	1,184,302	99,832	
Other Expenses	260,000	320,000	319,436	564	
Snow Removal	80,000	80,000	50,000	30,000	
Health & Welfare					
Board of Health					
Salaries & Wages	233,794	237,794	237,175	619	
Other Expenses	40,000	47,500	36,425	11,075	
Health Officer					
Other Expenses	35,000	35,000	31,840	3,160	
Recreation & Education					
Parks & Playgrounds					
Salaries & Wages	716,728	716,728	630,960	85,768	
Other Expenses	220,000	220,000	186,401	33,599	
Celebration of Public Events					
Anniversary & Holiday					
Other Expenses	40,000	23,848	500	23,348	
Housing Inspection					
Salaries & Wages	52,875	53,875	51,579	2,296	
Other Expenses	15,000	15,000	7,475	7,525	

CITY OF GARFIELD
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Appropriation</u>		<u>Expended</u>		<u>Unexpended Balances Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
OPERATIONS - WITHIN "CAPS" (Cont'd)					
Insurance					
General Liability	\$ 1,155,000	\$ 1,096,000	\$ 1,077,524	\$ 18,476	
Employee Group	3,965,000	3,890,000	3,480,982	409,018	
Health Benefit Waiver	35,000	53,750	53,750		
Recycling Program					
Other Expenses	10,000	10,000	9,792	208	
Garbage & Trash Removal					
Other Expenses	2,200,000	1,957,000	1,800,434	156,566	
Animal Control					
Other Expenses	35,000	35,000	21,234		\$ 13,766
Contribution to Redevelopment Agency	45,000	45,000	35,307		9,693
Municipal Court					
Salaries and Wages	267,209	297,209	281,223	15,986	
Other Expenses	55,000	55,000	43,372	11,628	
Public Defender					
Salaries and Wages	4,260	6,260	4,276	1,984	
Prosecutor					
Salaries & Wages	42,644	42,644	41,483	1,161	
Utilities					
Electricity	399,640	399,640	288,068	111,572	
Telephone	130,000	55,000	15,703	39,297	
Street Lighting	242,050	242,050	241,307	743	
Communications	160,000	320,000	306,836	13,164	
Gasoline	183,750	203,750	188,354	15,396	
Uniform Construction Code - Appropriations Offset by Dedicated Revenues (N.J.A.C. 5:23-4.17) State Uniform Construction Code Building Inspections					
Salaries & Wages	193,238	193,238	189,422	3,816	
Other Expenses	20,000	40,000	16,653	23,347	-
Total Operations Within "CAPS"	<u>22,436,539</u>	<u>22,436,439</u>	<u>20,711,409</u>	<u>1,701,571</u>	<u>23,459</u>
Total Operations Including Contingent - Within "CAPS"	<u>22,436,539</u>	<u>22,436,439</u>	<u>20,711,409</u>	<u>1,701,571</u>	<u>23,459</u>
Detail:					
Salaries & Wages	11,902,099	11,875,301	11,254,163	621,138	-
Other Expenses (Including Contingent)	<u>10,534,440</u>	<u>10,561,138</u>	<u>9,457,246</u>	<u>1,080,433</u>	<u>23,459</u>

CITY OF GARFIELD
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Appropriation</u>		<u>Expended</u>		<u>Unexpended</u>
	<u>Budget</u>	<u>Budget After</u>	<u>Paid or</u>	<u>Reserved</u>	<u>Balances</u>
		<u>Modification</u>	<u>Charged</u>		<u>Cancelled</u>
DEFERRED CHARGES AND STATUTORY EXPENDITURES					
Statutory Expenditures					
Contribution to:					
Social Security System (O.A.S.I.)	\$ 469,200	\$ 469,200	\$ 418,912	\$ 50,288	
State Unemployment Insurance Fund	105,000	105,000	105,000		
Pension Adjustment Fund	15,000	15,000		15,000	
Police Officer's Dependents	4,200	4,200	2,400	1,800	
Police and Fireman's Retirement System	1,698,054	1,698,054	1,698,054		
Public Employees Retirement System	<u>565,277</u>	<u>565,277</u>	<u>565,277</u>	-	-
Total Deferred Charges and Statutory expenditures -					
Municipal Within "CAPS"	<u>2,856,731</u>	<u>2,856,731</u>	<u>2,789,643</u>	<u>67,088</u>	<u>-</u>
Total General Appropriations within "CAPS"	<u>25,293,270</u>	<u>25,293,170</u>	<u>23,501,052</u>	<u>1,768,659</u>	<u>\$ 23,459</u>
OPERATIONS - EXCLUDED FROM "CAPS"					
Other Operations					
Passaic Valley Sewer Commission	1,749,986	1,750,086	1,750,055	31	
Maintenance of Free Public Library	885,000	885,000	885,000		
LOSAP	<u>80,000</u>	<u>80,000</u>	<u>57,500</u>	<u>22,500</u>	<u>-</u>
Total Other Operations-Excluded from CAPS	<u>2,714,986</u>	<u>2,715,086</u>	<u>2,692,555</u>	<u>22,531</u>	<u>-</u>
Additional Appropriations Offset by					
Revenues (N.J.S. 40A:4-45.3h)					
Public Health Priority Funding					
Over the Limit, Under Arrest	5,000	5,000	5,000		
Alcohol Education and Rehabilitation Fund	8,360	8,360	8,360		
Amerigroup Health Department Grant	1,000	3,500	3,500		
Green Communities		3,000	3,000		
Hepatitis B Inoculation Fund		5,000	5,000		
Drive Sober or Get Pulled Over		9,400	9,400		
Recycling Tonnage	42,525	42,525	42,525		
Emergency Management		5,000	5,000		
Clean Communities		36,261	36,261		
Body Armor		12,066	12,066		

**CITY OF GARFIELD
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Appropriation</u>		<u>Expended</u>		<u>Unexpended</u>
	<u>Budget</u>	<u>Budget After</u>	<u>Paid or</u>	<u>Reserved</u>	<u>Balances</u>
		<u>Modification</u>	<u>Charged</u>		<u>Cancelled</u>
OPERATIONS - EXCLUDED FROM "CAPS" (con't.)					
Total Appropriations Offset by Revenues (N.J.S. 40A:4-45.3h)	\$ 56,885	\$ 130,112	\$ 130,112	-	-
Total Operations - Excluded from "CAPS"	<u>2,771,871</u>	<u>2,845,198</u>	<u>2,822,667</u>	\$ 22,531	-
Detail:					
Salaries & Wages	-	-	-	-	-
Other Expenses	<u>2,771,871</u>	<u>2,845,198</u>	<u>2,822,667</u>	22,531	-
CAPITAL IMPROVEMENTS - EXCLUDED FROM "CAPS"					
Capital Improvement Fund	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	-	-
Total Capital Improvements	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	-	-
MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"					
Payment of Bond Principal	1,280,000	1,280,000	1,280,000		
Payment of Bond Anticipation Note Principal	105,000	105,000	105,000		
Interest on Bonds	608,006	608,006	603,649	4,357	
Interest on Notes	87,500	87,500	86,923	577	
Green Trust Loan Program:					
Loan Repayments for Principal and Interest	<u>64,386</u>	<u>64,386</u>	<u>64,386</u>	-	-
Total Municipal Debt Service - Excluded from "CAPS"	<u>2,144,892</u>	<u>2,144,892</u>	<u>2,139,958</u>	4,934	-
DEFERRED CHARGES EXCLUDED FROM "CAPS"					
Special Emergency Appropriation	90,000	90,000	90,000		
Cancelled General Capital Fund Grants	<u>29,196</u>	<u>29,196</u>	<u>29,196</u>	-	-
Deferred Charges-Excluded from "CAPS"	<u>119,196</u>	<u>119,196</u>	<u>119,196</u>	-	-
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	<u>5,135,959</u>	<u>5,209,286</u>	<u>5,181,821</u>	27,465	-
Subtotal General Appropriations	30,429,229	30,502,456	28,682,873	1,796,124	\$ 23,459
Reserve for Uncollected Taxes	<u>1,800,000</u>	<u>1,800,000</u>	<u>1,800,000</u>	-	-
Total General Appropriations	<u>\$ 32,229,229</u>	<u>\$ 32,302,456</u>	<u>\$ 30,482,873</u>	\$ 1,796,124	\$ 23,459

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**2011 STATEMENT OF EXPENDITURES
CURRENT FUND**

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CITY OF GARFIELD
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Appropriation</u>		<u>Expended</u>		<u>Unexpended Balances Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
OPERATIONS - WITHIN "CAPS"					
General Government					
General Administration					
Salaries & Wages	\$ 267,431	\$ 287,431	\$ 280,265	\$ 7,166	
Other Expenses	40,000	20,000	14,622	5,378	
Mayor and Council					
Salaries & Wages	37,500	32,500	29,957	2,543	
Municipal Clerk's Office					
Salaries & Wages	202,524	207,524	204,165	3,359	
Other Expenses	50,000	37,260	36,561	699	
Elections					
Other Expenses	50,000	50,000	17,323	32,677	
Financial Administration					
Salaries & Wages	196,841	196,841	196,013	828	
Other Expenses	80,000	82,740	81,315	1,425	
Annual Audit	32,000	67,000	54,440	12,560	
ADP Services	35,000	35,000	27,037	7,963	
Tax Assessment Administration					
Salaries & Wages	67,085	92,085	83,303	8,782	
Other Expenses	45,000	45,000	43,750	1,250	
Revenue Administration					
Salaries & Wages	160,785	160,786	160,785	1	
Other Expenses	90,000	75,000	61,179	13,821	
Legal Services					
Salaries & Wages	123,000	123,000	121,128	1,872	
Other Expenses	35,000	15,000	4,430	10,570	
Engineering Services					
Salaries & Wages	28,199	28,899	28,787	112	
Other Expenses	26,000	21,800	18,000	3,800	
Public Buildings & Grounds					
Salaries & Wages	49,709	49,709	47,473	2,236	
Other Expenses	90,000	80,000	61,388	18,612	
Municipal Land Use Law (NJS 40:55-1)					
Planning Board					
Salaries & Wages	12,707	707		707	
Other Expenses	25,000	20,000	15,133	4,867	
Zoning Board					
Salaries & Wages	12,155	12,155	12,155		
Other Expenses	10,000	10,000	6,150	3,850	

CITY OF GARFIELD
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Appropriation</u>		<u>Expended</u>		<u>Unexpended Balances Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
OPERATIONS - WITHIN "CAPS" (Cont'd)					
Public Safety					
Fire					
Other Expenses	\$ 280,000	\$ 339,816	\$ 317,892	\$ 21,924	
Aid to Ambulance Corps					
Salaries & Wages	45,000	15,184	10,362	4,822	
Other Expenses	45,000	75,000	69,250	5,750	
Emergency Management					
Salaries & Wages	5,000	5,000	2,469	2,531	
Other Expenses	25,000	25,000	24,582	418	
Police					
Salaries & Wages	8,051,370	8,001,370	7,652,417	348,953	
Other Expenses	270,000	285,000	275,929	9,071	
Purchase of Vehicles	90,000	100,500	99,215	1,285	
Traffic Division	20,000	20,000	19,830	170	
Uniform Fire Safety Fire Inspection Act					
Salaries & Wages	188,132	188,132	162,934	25,198	
Other Expenses	30,000	30,000	19,541	10,459	
Streets & Roads					
Road Repairs & Maintenance					
Salaries & Wages	1,323,561	1,323,561	1,201,844	121,717	
Other Expenses	260,000	260,000	210,295	49,705	
Snow Removal	80,000	95,000	91,480	3,520	
Health & Welfare					
Board of Health					
Salaries & Wages	225,531	225,531	180,945	44,586	
Other Expenses	40,000	40,000	28,066	11,934	
Health Officer					
Other Expenses	35,000	35,000	30,186	4,814	
Recreation & Education					
Parks & Playgrounds					
Salaries & Wages	689,265	689,265	612,775	76,490	
Other Expenses	220,000	220,000	208,423	11,577	
Celebration of Public Events					
Anniversary & Holiday					
Other Expenses	40,000	22,518		22,518	
Housing Inspection					
Salaries & Wages	48,105	48,105	47,300	805	
Other Expenses	15,000	11,000	7,847	3,153	

CITY OF GARFIELD
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Appropriation</u>		<u>Expended</u>		<u>Unexpended Balances Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
OPERATIONS - WITHIN "CAPS" (Cont'd)					
Insurance					
General Liability	\$ 1,065,000	\$ 1,005,000	\$ 785,586	\$ 219,414	
Employee Group	3,910,000	3,910,650	3,671,694	238,956	
Health Benefit Waiver	35,000	35,000	35,000		
Recycling Program					
Other Expenses	10,000	10,000	3,118	6,882	
Garbage & Trash Removal					
Other Expenses	2,290,000	2,245,000	1,793,987	251,013	\$ 200,000
Animal Control					
Other Expenses	35,000	35,000	35,000		
Contribution to Redevelopment Agency	45,000	45,000	45,000		
Municipal Court					
Salaries and Wages	253,310	253,310	230,788	22,522	
Other Expenses	55,000	55,000	45,123	9,877	
Public Defender					
Salaries and Wages	4,322	4,322	4,176	146	
Prosecutor					
Salaries & Wages	43,296	43,296	41,307	1,989	
Utilities					
Electricity	388,000	388,000	312,160	75,840	
Telephone	130,000	130,000	124,755	5,245	
Street Lighting	235,000	245,000	216,896	28,104	
Gasoline	175,000	200,000	190,068	9,932	
Uniform Construction Code - Appropriations Offset by Dedicated Revenues (N.J.A.C. 5:23-4.17) State Uniform Construction Code Building Inspections					
Salaries & Wages	140,046	185,047	182,843	2,204	
Other Expenses	20,000	30,830	10,006	20,824	-
Total Operations Within "CAPS"	<u>22,625,874</u>	<u>22,625,874</u>	<u>20,606,448</u>	<u>1,819,426</u>	<u>200,000</u>
Total Operations Including Contingent - Within "CAPS"	<u>22,625,874</u>	<u>22,625,874</u>	<u>20,606,448</u>	<u>1,819,426</u>	<u>200,000</u>
Detail:					
Salaries & Wages	12,174,874	12,173,760	11,494,191	679,569	-
Other Expenses (Including Contingent)	<u>10,451,000</u>	<u>10,452,114</u>	<u>9,112,257</u>	<u>1,139,857</u>	<u>200,000</u>

CITY OF GARFIELD
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Appropriation</u>		<u>Expended</u>		<u>Unexpended</u>
	<u>Budget</u>	<u>Budget After</u>	<u>Paid or</u>	<u>Reserved</u>	<u>Balances</u>
		<u>Modification</u>	<u>Charged</u>		<u>Cancelled</u>
DEFERRED CHARGES AND STATUTORY EXPENDITURES					
Deferred Charges					
Deficit in Street Bond Trust	\$ 2,500	\$ 2,500	\$ 2,500		
Deficit in Dedicated Penalty Trust	1,858	1,858	1,858		
Statutory Expenditures					
Contribution to:					
Social Security System (O.A.S.I.)	460,000	448,500	423,688	\$ 24,812	
State Unemployment Insurance Fund	100,000	100,000	100,000		
Pension Adjustment Fund	15,000	15,000		15,000	
Police Officer's Dependents	4,200	4,200	2,400	1,800	
Police and Fireman's Retirement System	1,651,713	1,651,713	1,651,713		
Public Employees Retirement System	<u>559,772</u>	<u>559,772</u>	<u>559,772</u>	-	-
Total Deferred Charges and Statutory expenditures -					
Municipal Within "CAPS"	<u>2,795,043</u>	<u>2,783,543</u>	<u>2,741,931</u>	<u>41,612</u>	-
Total General Appropriations within "CAPS" <u>25,420,917</u> <u>25,409,417</u> <u>23,348,379</u> <u>1,861,038</u> <u>\$ 200,000</u>					
OPERATIONS - EXCLUDED FROM "CAPS"					
Other Operations					
Passaic Valley Sewer Commission	1,709,788	1,709,788	1,709,788		
Maintenance of Free Public Library	885,000	896,500	896,291	209	
LOSAP	<u>80,000</u>	<u>80,000</u>	<u>70,150</u>	<u>9,850</u>	-
Total Other Operations-Excluded from CAPS <u>2,674,788</u> <u>2,686,288</u> <u>2,676,229</u> <u>10,059</u> <u>-</u>					
Additional Appropriations Offset by					
Revenues (N.J.S. 40A:4-45.3h)					
Public Health Priority Funding	17,786	17,786	17,786		
Over the Limit, Under Arrest	10,000	10,000	10,000		
Alcohol Education and Rehabilitation Fund	3,249	3,249	3,249		
Bergen County 200 Club		1,268	1,268		
Amerigroup Corporation - Health Promotion		1,500	1,500		
Emergency Management		5,000	5,000		
Clean Communities		36,840	36,840		
Recycling Tonnage		45,083	45,083		
Business Stimulus		7,000	7,000		
Communicable Disease - Hepatitis B		5,000	5,000		

CITY OF GARFIELD
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

	Appropriation		Expended		Unexpended Balances Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
OPERATIONS - EXCLUDED FROM "CAPS" (con't.)					
Total Appropriations Offset by Revenues (N.J.S. 40A:4-45.3h)	\$ 31,035	\$ 132,726	\$ 132,726	-	-
Total Operations - Excluded from "CAPS"	<u>2,705,823</u>	<u>2,819,014</u>	<u>2,808,955</u>	<u>\$ 10,059</u>	<u>-</u>
Detail:					
Salaries & Wages	17,786	17,786	17,786	-	-
Other Expenses	<u>2,688,037</u>	<u>2,801,228</u>	<u>2,791,169</u>	<u>10,059</u>	<u>-</u>
CAPITAL IMPROVEMENTS - EXCLUDED FROM "CAPS"					
Capital Improvement Fund	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>-</u>	<u>-</u>
Total Capital Improvements	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>-</u>	<u>-</u>
MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"					
Payment of Bond Principal	1,225,000	1,225,000	1,225,000		
Payment of Bond Anticipation Note Principal	44,500	44,500	44,423		\$ 77
Interest on Bonds	658,000	658,000	657,233		767
Interest on Notes	27,000	27,000	26,503		497
Green Trust Loan Program:					
Loan Repayments for Principal and Interest	<u>65,000</u>	<u>65,000</u>	<u>64,386</u>	<u>-</u>	<u>614</u>
Total Municipal Debt Service - Excluded from "CAPS"	<u>2,019,500</u>	<u>2,019,500</u>	<u>2,017,545</u>	<u>-</u>	<u>1,955</u>
DEFERRED CHARGES EXCLUDED FROM "CAPS"					
Special Emergency Appropriation	90,000	90,000	90,000		
Cancelled General Capital Fund Grants	<u>29,196</u>	<u>29,196</u>	<u>29,196</u>	<u>-</u>	<u>-</u>
Deferred Charges-Excluded from "CAPS"	<u>119,196</u>	<u>119,196</u>	<u>119,196</u>	<u>-</u>	<u>-</u>
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	<u>4,944,519</u>	<u>5,057,710</u>	<u>5,045,696</u>	<u>10,059</u>	<u>1,955</u>
Subtotal General Appropriations	30,365,436	30,467,127	28,394,075	1,871,097	201,955
Reserve for Uncollected Taxes	<u>1,800,000</u>	<u>1,800,000</u>	<u>1,800,000</u>	<u>-</u>	<u>-</u>
Total General Appropriations	<u>\$ 32,165,436</u>	<u>\$ 32,267,127</u>	<u>\$ 30,194,075</u>	<u>\$ 1,871,097</u>	<u>\$ 201,955</u>

CITY OF GARFIELD
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS - TRUST FUND
AS OF DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Animal Control Fund		
Cash	\$ 32,140	\$ 34,793
	<u>32,140</u>	<u>34,793</u>
Other Trust Fund		
Cash	2,826,567	2,249,043
Due from Current Fund	<u>-</u>	<u>300,102</u>
	<u>2,826,567</u>	<u>2,549,145</u>
Length of Service Award Program Fund (UNAUDITED)		
Investments	605,010	534,045
Due from Current Fund	<u>57,500</u>	<u>70,150</u>
	<u>662,510</u>	<u>604,195</u>
Total Assets	<u>\$ 3,521,217</u>	<u>\$ 3,188,133</u>
LIABILITIES, RESERVES AND FUND BALANCES		
Animal Control Fund		
Reserve for Animal Control Expenditures	\$ 13,293	\$ 10,420
Due to Current Fund	<u>18,847</u>	<u>24,373</u>
	<u>32,140</u>	<u>34,793</u>
Other Trust Fund		
N.J. Unemployment Compensation Insurance	185,163	127,773
Escrow Deposits	124,536	116,946
Miscellaneous Reserves	2,153,800	1,960,563
Payroll Deductions	274,609	338,418
Due to Current Fund	87,081	
Due to State of New Jersey	<u>1,378</u>	<u>5,445</u>
	<u>2,826,567</u>	<u>2,549,145</u>
Length of Service Award Program Fund (UNAUDITED)		
Reserve for LOSAP Benefits	<u>662,510</u>	<u>604,195</u>
Total Liabilities, Reserves and Fund Balance	<u>\$ 3,521,217</u>	<u>\$ 3,188,133</u>

See Accompanying Notes to Financial Statements

CITY OF GARFIELD
COMPARATIVE STATEMENTS OF CHANGES IN FUND BALANCE
REGULATORY BASIS - OTHER TRUST FUND
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
Balance, January 1	\$ -	\$ 15,282
Decreased by:		
Realized as Current Fund Revenue	<u>-</u>	<u>15,282</u>
Balance, December 31	<u>\$ -</u>	<u>\$ -</u>

CITY OF GARFIELD
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
GENERAL CAPITAL FUND
AS OF DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Cash	\$ 3,232,753	\$ 3,765,079
Due from Current Fund	179,349	157,259
Green Acres Loan Receivable	231,800	231,800
Grants Receivable	4,531,885	6,136,556
Amount to be Raised - Cancelled Grants	29,195	58,391
Deferred Charges to Future Taxation		
Funded	14,357,244	15,689,441
Unfunded	<u>14,339,940</u>	<u>11,776,489</u>
 Total Assets	 <u>\$ 36,902,166</u>	 <u>\$ 37,815,015</u>
 LIABILITIES, RESERVES AND FUND BALANCE		
 Serial Bonds Payable	 \$ 13,787,000	 \$ 15,067,000
Green Acres Loan Payable	570,244	622,441
Bond Anticipation Notes Payable	12,291,000	9,042,000
Improvement Authorizations:		
Funded	361,398	397,119
Unfunded	1,220,327	725,395
Contracts Payable	3,020,350	5,231,345
Capital Improvement Fund	247,898	209,598
Reserve for Loans Receivable	231,800	231,800
Reserve for Grants Receivable	4,431,885	6,036,556
Reserve for Payment of Debt	190,036	196,084
Reserve for Sewer System	10,491	10,491
Reserve for Future Improvements	350,000	
Fund Balance	<u>189,737</u>	<u>45,186</u>
 Total Liabilities, Reserves and Fund Balance	 <u>\$ 36,902,166</u>	 <u>\$ 37,815,015</u>

Bonds and Notes Authorized But Not Issued at December 31, 2012 and 2011 were \$2,142,381 and \$3,883,930 respectively.

CITY OF GARFIELD
COMPARATIVE STATEMENTS OF CHANGES IN FUND BALANCE
REGULATORY BASIS - GENERAL CAPITAL FUND
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
Balance, January 1	\$ 45,186	\$ 27,436
Increased by:		
Premium on Sale of Bonds and Notes	<u>144,551</u>	<u>17,750</u>
Balance, December 31	<u>\$ 189,737</u>	<u>\$ 45,186</u>

CITY OF GARFIELD
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS - WATER UTILITY FUND
AS OF DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Operating Fund		
Cash	\$ 3,143,738	\$ 2,477,463
Cash - Change Fund	100	100
Due From Current Fund		15,849
Due From Water Utility Capital Fund	<u>-</u>	<u>5,995</u>
	<u>3,143,838</u>	<u>2,499,407</u>
Receivables and Other Assets With Full Reserves		
Consumer Accounts Receivable	<u>395,116</u>	<u>392,994</u>
	<u>395,116</u>	<u>392,994</u>
Total Operating Fund	<u>3,538,954</u>	<u>2,892,401</u>
Capital Fund		
Cash	1,673,888	1,952,513
Loan Receivable - NJ Environmental Infrastructure	27,397	27,397
Due from Water Utility Operating Fund	9,929	
Fixed Capital	19,282,585	19,102,585
Fixed Capital Authorized and Uncompleted	<u>2,491,097</u>	<u>2,371,097</u>
Total Capital Fund	<u>23,484,896</u>	<u>23,453,592</u>
Total Assets	<u>\$ 27,023,850</u>	<u>\$ 26,345,993</u>

CITY OF GARFIELD
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS - WATER UTILITY FUND
AS OF DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
LIABILITIES, RESERVES AND FUND BALANCE		
Operating Fund		
Appropriation Reserves	\$ 39,341	\$ 51,066
Encumbrances Payable	201,368	125,130
Accounts Payable		46,648
Due to Water Utility Capital Fund	9,929	
Water Rent Overpayments	15,139	17,674
Accrued Interest on Bonds, Notes and Loans	<u>94,206</u>	<u>90,374</u>
	359,983	330,892
Reserve for Receivables	395,116	392,994
Fund Balance	<u>2,783,855</u>	<u>2,168,515</u>
Total Operating Fund	<u>3,538,954</u>	<u>2,892,401</u>
Capital Fund		
Serial Bonds Payable	2,392,000	2,532,000
Intergovernmental Loan Payable	4,187,528	4,483,945
Bond Anticipation Notes	2,729,000	2,631,000
Improvement Authorizations		
Funded	19,035	22,893
Unfunded	835,891	750,322
Contracts Payable	136,761	296,173
Capital Improvement Fund	8,400	8,400
Due to Water Utility Operating Fund		5,995
Reserve for:		
Amortization	8,829,689	8,376,272
Deferred Amortization	2,320,708	2,320,708
Payment of Debt	167,655	167,655
Preliminary Engineering Expenses	10,000	10,000
Infrastructure and Rate Stabilization	1,790,000	1,790,000
Fund Balance	<u>58,229</u>	<u>58,229</u>
Total Capital Fund	<u>23,484,896</u>	<u>23,453,592</u>
Total Liabilities, Reserves and Fund Balance	<u>\$ 27,023,850</u>	<u>\$ 26,345,993</u>

Bonds and notes authorized but not issued at December 31, 2012 and 2011 were \$1,314,757 and \$1,831,377, respectively.

CITY OF GARFIELD
COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE
REGULATORY BASIS - WATER UTILITY OPERATING FUND
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
Revenue and Other Income Realized		
Rents	\$ 3,252,116	\$ 3,203,467
Other Credits to Income		
Non-Budget Revenue	26,430	26,857
Cancellation of Prior Year Accounts Payable	46,648	
Unexpended Balance of Appropriation Reserves	<u>78,146</u>	<u>112,401</u>
	<u>3,403,340</u>	<u>3,342,725</u>
Expenditures		
Operating	1,790,000	1,759,800
Capital Improvements		25,000
Debt Service	687,000	721,581
Deferred Charges and Statutory Expenditures	11,000	10,200
Surplus (General Budget)	<u>300,000</u>	<u>400,000</u>
	<u>2,788,000</u>	<u>2,916,581</u>
Excess of Revenue Over Expenditures	615,340	426,144
Fund Balance, January 1	<u>2,168,515</u>	<u>1,742,371</u>
Fund Balance, December 31	<u>\$ 2,783,855</u>	<u>\$ 2,168,515</u>

CITY OF GARFIELD
COMPARATIVE STATEMENTS OF CHANGES IN FUND BALANCE
REGULATORY BASIS - WATER UTILITY CAPITAL FUND
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
Balance, January 1	\$ <u>58,229</u>	\$ <u>58,229</u>
Balance, December 31	\$ <u>58,229</u>	\$ <u>58,229</u>

STATEMENT OF REVENUES - REGULATORY BASIS
WATER UTILITY OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2012 AND 2011

	<u>2012</u>		<u>2011</u>	
	<u>Anticipated</u>	<u>Realized</u>	<u>Anticipated</u>	<u>Realized</u>
Rents	\$ <u>2,788,000</u>	\$ <u>3,252,116</u>	\$ <u>2,957,000</u>	\$ <u>3,203,467</u>
	<u>\$ 2,788,000</u>	3,252,116	<u>\$ 2,957,000</u>	3,203,467
Non-Budget		<u>26,430</u>		<u>26,857</u>
		<u>\$ 3,278,546</u>		<u>\$ 3,230,324</u>
Analysis of Non-Budget Revenue				
Cash Receipts		\$ 17,480		\$ 18,983
Due from Water Utility Capital Fund		<u>8,950</u>		<u>7,874</u>
		<u>\$ 26,430</u>		<u>\$ 26,857</u>

CITY OF GARFIELD
STATEMENT OF EXPENDITURES - REGULATORY BASIS
WATER UTILITY OPERATING FUND
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2012

	<u>Appropriation</u>		<u>Expended</u>		
	<u>Budget</u>	Budget After <u>Modification</u>	Paid or <u>Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
Operating					
Salaries and Wages	\$ 120,000	\$ 120,000	\$ 117,854	\$ 2,146	
Other Expenses	1,625,000	1,625,000	1,588,672	36,328	
Employee Group Insurance	45,000	45,000	45,000		
Debt Service					
Bond Principal	140,000	140,000	140,000		
Interest on Bonds	104,000	105,000	105,000		
Payment of Bond Anticipation Notes	17,000	17,000	17,000		
Interest on Notes	16,000	16,000	16,000		
2004 EIT Loan	410,000	409,000	409,000		
Statutory Expenditures					
Social Security System (O.A.S.I.)	11,000	11,000	10,133	867	
Surplus (General Budget)	<u>300,000</u>	<u>300,000</u>	<u>300,000</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,788,000</u>	<u>\$ 2,788,000</u>	<u>\$ 2,748,659</u>	<u>\$ 39,341</u>	<u>\$ -</u>

CITY OF GARFIELD
STATEMENT OF EXPENDITURES - REGULATORY BASIS
WATER UTILITY OPERATING FUND
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011

	<u>Appropriation</u>		<u>Expended</u>		
	<u>Budget</u>	Budget After <u>Modification</u>	Paid or <u>Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
Operating					
Salaries and Wages	\$ 115,800	\$ 119,800	\$ 118,497	\$ 1,303	
Other Expenses	1,600,000	1,596,000	1,572,429	23,571	
Employee Group Insurance	44,000	44,000	44,000		
Capital Improvements					
Capital Outlay	25,000	25,000		25,000	
Debt Service					
Bond Principal	115,000	115,000	115,000		
Interest on Bonds	109,000	109,000	106,792		\$ 2,208
Interest on Notes	50,000	50,000	18,646		31,354
1981 Water Supply Loans	78,000	78,000	77,825		175
2004 EIT Loan	410,000	410,000	403,318		6,682
Statutory Expenditures					
Social Security System (O.A.S.I.)	10,200	10,200	9,008	1,192	
Surplus (General Budget)	<u>400,000</u>	<u>400,000</u>	<u>400,000</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,957,000</u>	<u>\$ 2,957,000</u>	<u>\$ 2,865,515</u>	<u>\$ 51,066</u>	<u>\$ 40,419</u>

CITY OF GARFIELD
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
GENERAL FIXED ASSETS ACCOUNT GROUP
AS OF DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Land	\$ 20,552,800	\$ 20,552,800
Buildings and Building Improvements	9,557,450	9,557,450
Machinery and Equipment	<u>7,529,984</u>	<u>7,372,357</u>
Total Assets	<u>\$ 37,640,234</u>	<u>\$ 37,482,607</u>
 LIABILITIES AND RESERVES		
Investment in General Fixed Assets	<u>\$ 37,640,234</u>	<u>\$ 37,482,607</u>

NOTES TO FINANCIAL STATEMENTS

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**CITY OF GARFIELD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Regulatory Basis of Accounting

The financial statements of the City of Garfield have been prepared on a basis of accounting in conformity with accounting principles and practices prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division") which is a regulatory basis of accounting other than accounting principles generally accepted in the United States of America (GAAP). 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 City accounts for its financial transactions through separate funds, which differ from the fund structure required by GAAP.

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. GASB has adopted accounting statements to be used by governmental units when reporting financial position and results of operations in accordance with accounting principles generally accepted in the United States of America. (GAAP). The municipalities in the State of New Jersey do not prepare financial statements in accordance with GAAP and thus do not comply with all of the GASB pronouncements.

B. Reporting Entity

The City of Garfield (the "City") was incorporated in 1917 and operates under an elected Commission form of government. The City's major operations include public safety, road repair and maintenance, sanitation, fire protection, recreation and parks, health services, and general administrative services.

GASB requires the financial reporting entity to include both the primary government and component units. Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the City in that the City approves the budget, the issuance of debt or the levying of taxes. The City is not includable in any other reporting entity as a component unit.

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 City do not include the municipal library, volunteer fire department, volunteer ambulance squad, or redevelopment agency, which are considered component units under GAAP. Complete financial statements of the above component units can be obtained by contacting the Treasurer of the respective entity.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

**CITY OF GARFIELD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

The City has the following funds and account group:

Current Fund – This fund is used to account for the revenues and expenditures for governmental operations of a general nature and the assets and liabilities related to such activities, including Federal and State grants not accounted for in another fund.

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

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

Other Trust Fund - This fund is established to account for the assets and resources, which are held by the City as a trustee or agent for individuals, private organizations, other governments and/or other funds. These funds include dedicated fees/proceeds collected, developer deposits, payroll related deposits and funds deposited with the City as collateral.

Length of Service Awards Program Fund (LOSAP) – This fund is established to account for the tax-deferred income benefits to active volunteer members of emergency service organizations of the City.

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

Water Utility Fund - This fund is used to account for the revenues and expenditures for the operation of the City's water utility and the assets and liabilities relative to such activities. Acquisition or improvement of capital facilities and other capital assets for the water utility is accounted for in the capital section of the fund.

General Fixed Assets Account Group - This account group is used to account for all general fixed assets of the City, other than those accounted for in the water utility fund. The City's infrastructure is not reported in the account group.

The accounting and financial reporting treatment is determined by the accounting principles and practices prescribed by the Division in accordance with the regulatory basis of accounting. Measurement focus indicates the type of resources being measured. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

**CITY OF GARFIELD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

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

Miscellaneous Revenues - Miscellaneous revenues are recognized on a cash basis. Receivables for the miscellaneous items that are susceptible to accrual are recorded with offsetting reserves on the balance sheet of the City's Current Fund. GAAP requires such revenues to be recognized in the accounting period when they become susceptible to accrual (i.e., when they are both measurable and available).

Utility Rents - Utility charges are levied quarterly based upon a flat service charge and if applicable, an excess consumption or usage charge. 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 City's water utility operating fund. GAAP requires such revenues to be recognized in the accounting period when they become susceptible to accrual, reduced by an allowance for doubtful accounts.

Grant and Similar Award Revenues - Federal and State grants, entitlements or shared revenues received for purposes normally financed through the Current Fund are recognized when anticipated in the City's budget. GAAP requires such revenues to be recognized as soon as all eligibility requirements imposed by the grantor or provider have been met.

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 City and approved by the State Division of Local Government Services per N.J.S.A. 40A:4 et seq.

**CITY OF GARFIELD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

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

Trust Funds
General Capital Fund
Water Utility Capital Fund

The governing body is required to introduce and approve the annual budget no later than February 10, of the fiscal year. The budget is required to be adopted no later than March 20, and prior to adoption must be certified by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The Director of the Division of Local Government Services, with the approval of the Local Finance Board may extend the introduction and approval and adoption dates of the municipal budget. The budget is prepared by fund, function, activity and line item (salary or other expense) and includes information on the previous year. The legal level of control for appropriations is exercised at the individual line item level for all operating budgets adopted. The governing body of the municipality may authorize emergency appropriations and the inclusion of certain special items of revenue to the budget after its adoption and determination of the tax rate. During the last two months of the fiscal year, the governing body may, by a 2/3 vote; amend the budget through line item transfers. Management has no authority to amend the budget without the approval of the Governing Body. Expenditures may not legally exceed budgeted appropriations at the line item level. During 2012 and 2011 the City Council increased the original current fund budget by \$73,227 and \$101,691. The increases for both 2012 and 2011 were funded by additional aid allotted to the City. In addition, the governing body approved several budget transfers during 2012 and 2011.

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

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

Appropriation Reserves – Appropriation reserves are recorded as liabilities and 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.

**CITY OF GARFIELD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Compensated Absences - Expenditures relating to obligations for unused vested accumulated vacation and sick leave are not recorded until paid; however, municipalities may establish and budget reserve funds subject to NJSA 40A:4-39 for the future payment of compensated absences. 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 are recorded as a long-term obligation in the government-wide financial statements.

Property Acquired for Taxes - Property acquired for taxes is recorded in the Current Fund at the assessed valuation when such property was acquired, and is fully reserved. GAAP requires such property to be recorded as a capital asset in the government-wide financial statements at fair value on the date of acquisition.

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

Inventories - The costs of inventories of supplies for all funds are recorded as expenditures at the time individual items are purchased. The costs of inventories are not included on the various balance sheets. GAAP requires inventories to be recorded as assets in proprietary-type funds.

Cash and Investments - Cash includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the government. Investments are reported at cost and are limited by N.J.S.A. 40A:5-15.1 et seq. with the exception of LOSAP Trust Fund investments which are reported at fair value and are limited by N.J.A.C. 5:30-14.19. GAAP requires that all investments be reported at fair value.

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; however, municipalities may establish reserves transferred from tax collections or by budget appropriation for future payments of tax appeal losses. GAAP requires such amounts to be recorded when it is probable that a loss has been incurred and the amount of such loss can be reasonably estimated.

General Fixed Assets - In accordance with NJAC 5:30-5.6, Accounting for Governmental Fixed Assets, the City of Garfield has developed a fixed assets accounting and reporting system. Fixed assets are defined by the City as assets with an initial, individual cost of \$2,000 and an estimated useful life in excess of two years.

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

Fixed assets purchased after December 31, 2008 are stated as cost. Donated fixed assets are recorded at estimated fair market value at the date of donation.

**CITY OF GARFIELD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

General Fixed Assets (Continued)

Fixed Assets purchased prior to December 31, 2008 are stated as follows:

Land and Buildings	Assessed Value
Machinery and Equipment	Replacement Cost

No depreciation has been provided for in the financial statements.

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

Accounting for utility fund "fixed capital" remains unchanged under NJAC 5:30-5.6.

Property and equipment purchased by the water utility fund is 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 represents charges to operations for the costs of acquisitions of property, equipment and improvements. The utility does not record depreciation on fixed assets.

GAAP requires that capital assets be recorded in proprietary-type funds as well as the government-wide financial statement at historical or estimated historical cost if actual historical cost is not available. In addition, GAAP requires depreciation on capital assets to be recorded in proprietary-type funds as well as in the government-wide financial statements.

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

Reclassifications - Certain reclassifications have been made to the December 31, 2011 balances to conform to the December 31, 2012 presentation.

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

**CITY OF GARFIELD
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Financial Statements – Regulatory Basis

The GASB Codification also requires the financial statements of a governmental unit to be presented in the basic financial statements in accordance with GAAP. The City presents the regulatory basic financial statements listed in the table of contents which are required by the Division and which differ from the basic financial statements required by GAAP. In addition, the Division requires the regulatory basis financial statements listed in the table of contents to be referenced to the supplementary schedules. This practice differs from reporting requirements under GAAP.

NOTE 2 DEPOSITS AND INVESTMENTS

The City considers petty cash, change funds, cash in banks, certificates of deposit and deposits with the New Jersey Cash Management Fund as cash and cash equivalents.

Deposits

The City’s deposits are insured through either the Federal Deposit Insurance Corporation (FDIC), Securities Investor Protection Corporation (SIPC) or New Jersey’s Governmental Unit Deposit Protection Act (GUDPA). The City is required to deposit their funds in a depository which is protecting such funds pursuant to GUDPA. The New Jersey Governmental Unit Deposit Protection Act requires all banks doing business in the State of New Jersey to pledge collateral equal to at least 5% of the average amount of its public deposits and 100% of the average amount of its public funds in excess of the lesser of 75% of its capital funds or \$200 million for all deposits not covered by the FDIC.

Bank balances for interest bearing accounts are insured up to \$250,000 in the aggregate by the FDIC for each bank. Under the Dodd-Frank Wall Street Reform and Consumer Protection Act, temporary unlimited deposit insurance coverage was provided for non-interest bearing accounts from December 31, 2010 through December 31, 2012. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At December 31, 2012 and 2011, the book value of the City’s deposits were \$19,521,505 and \$18,108,160 and bank and brokerage firm balances of the City’s deposits amounted to \$19,943,248 and \$18,631,524, respectively. The City’s deposits which are displayed on the various fund balance sheets as "cash" are categorized as:

<u>Depository Account</u>	<u>Bank Balance</u>	
	<u>2012</u>	<u>2011</u>
Insured	<u>\$ 19,943,248</u>	<u>\$ 18,631,524</u>

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 City does not have a formal policy for custodial credit risk. As of December 31, 2012 and 2011, the City’s bank balances were not exposed to custodial credit risk.

**CITY OF GARFIELD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 2 DEPOSITS AND INVESTMENTS (Continued)

Investments

The City is permitted to invest public funds in accordance with the types of securities authorized by N.J.S.A. 40A:5-15.1. Investments include bonds or other obligations of the United States or obligations guaranteed by the United States of America, Government Money Market Mutual Funds, bonds or other obligations of the City or bonds or other obligations of the school districts which are a part of the City or school districts located within the City, Local Government investment pools, and agreements for the repurchase of fully collateralized securities, if transacted in accordance with NJSA 40A:5-15.1 (8a-8e). In addition, the City is permitted to invest LOSAP Funds with the types of eligible investments authorized in NJAC 5:30-14.19. LOSAP investments include interest bearing accounts or securities, in which savings banks of New Jersey are authorized to invest their funds, New Jersey Cash Management Fund, fixed and variable individual or group annuity contracts, mutual fund shares or fixed and variable life insurance contracts.

As of December 31, 2012 and 2011, the City had the following investments:

	<u>Fair Value</u>	
	<u>2012</u>	<u>2011</u>
Investment:		
Length of Service Award Program Fund (LOSAP)	<u>\$ 605,010</u>	<u>\$ 534,045</u>

Custodial Credit Risk – Investments – For an investment, this is the risk, that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are held by an outside party. The City does not have a policy for custodial risk. As of December 31, 2012 and 2011, \$605,010 and \$534,045 of the City’s investments were exposed to custodial credit risk as follows:

	<u>Fair Value (LOSAP)</u>	
	<u>2012</u>	<u>2011</u>
Uninsured and Collateralized:		
Collateral held by pledging financial institution's trust department but not in the City's name (Unaudited)	<u>\$ 605,010</u>	<u>\$ 534,045</u>

Interest Rate Risk – The City 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.

Credit Risk – State law limits investments as noted above (N.J.S.A. 40A:5-15.1). The City does not have an investment policy that would further limit its investment choices. As of December 31, 2012 and 2011, the City’s investment in Lincoln Financial Group was rated Baa2 by Moody’s Investor Services.

**CITY OF GARFIELD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 2 DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Concentration of Credit Risk – The City places no limit in the amount the City may invest in any one issuer. More than five (5) percent of the City’s investments are in Lincoln Financial Group. These investments are 100% of the City’s total investments.

The fair value of the above-listed investments were based on quoted market prices.

Interest earned in the General Capital Fund, Animal Control Fund and certain Other Trust Funds are assigned to the Current Fund in accordance with the regulatory basis of accounting. Interest earned in the Water Utility Capital Fund is assigned to the Water Utility Operating Fund in accordance with the regulatory basis of accounting.

NOTE 3 TAXES AND UTILITY RENTS RECEIVABLE

Receivables at December 31, 2012 consisted of the following:

	<u>Current</u>	<u>Water Utility</u>	<u>Total</u>
<u>2012</u>			
Property Taxes	\$ 1,447,863		\$ 1,447,863
Tax Title Liens	200,266		200,266
Utility Rents	-	\$ 395,116	395,116
	<u>\$ 1,648,129</u>	<u>\$ 395,116</u>	<u>\$ 2,043,245</u>

In 2012, the City collected \$1,158,568 and \$392,994 from delinquent taxes and utility rents, which represented 81% and 100% of the delinquent tax and water charges receivable at December 31, 2011.

Receivables at December 31, 2011 consisted of the following:

	<u>Current</u>	<u>Water Utility</u>	<u>Total</u>
<u>2011</u>			
Property Taxes	\$ 1,282,909		\$ 1,282,909
Tax Title Liens	147,556		147,556
Utility Rents	-	\$ 392,994	392,994
	<u>\$ 1,430,465</u>	<u>\$ 392,994</u>	<u>\$ 1,823,459</u>

In 2011, the City collected \$1,197,566 and \$319,550 from delinquent taxes and utility rents, which represented 86% and 100% of the delinquent tax and water charges receivable at December 31, 2010.

CITY OF GARFIELD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011

NOTE 4 MUNICIPAL DEBT

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

The City's debt is summarized as follows:

	<u>2012</u>	<u>2011</u>
Issued		
General		
Bonds, Notes and Loans	\$ 26,648,244	\$ 24,731,441
Water Utility		
Bonds, Notes and Loans	<u>9,308,528</u>	<u>9,646,945</u>
	35,956,772	34,378,386
Less Funds Temporarily Held to Pay Bonds and Notes	<u>451,132</u>	<u>2,214,800</u>
Net Debt Issued	35,505,640	32,163,586
Authorized But Not Issued		
General		
Bonds and Notes	2,142,381	3,883,930
Water Utility		
Bonds and Notes	<u>1,314,757</u>	<u>1,831,377</u>
Net Bonds and Notes Issued and Authorized But Not Issued	<u>\$ 38,962,778</u>	<u>\$ 37,878,893</u>

Statutory Net Debt

The statement of debt condition that follows is extracted from the City's Annual Debt Statement and indicates a statutory net debt of 1.25% and 1.12% at December 31, 2012 and 2011, respectively.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u>2012</u>			
General Debt	\$ 28,790,625	\$ 973,477	\$ 27,817,148
Utility Debt	<u>10,623,285</u>	<u>10,623,285</u>	<u>-</u>
Total	<u>\$ 39,413,910</u>	<u>\$ 11,596,762</u>	<u>\$ 27,817,148</u>

**CITY OF GARFIELD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 4 MUNICIPAL DEBT (Continued)

Statutory Net Debt (Continued)

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u>2011</u>			
General Debt	\$ 28,615,371	\$ 2,135,525	\$ 26,479,846
Utility Debt	<u>11,478,322</u>	<u>11,478,322</u>	<u>-</u>
Total	<u>\$ 40,093,693</u>	<u>\$ 13,613,847</u>	<u>\$ 26,479,846</u>

Statutory Borrowing Power

The City's remaining borrowing power under N.J.S. 40A:2-6, as amended, at December 31, was as follows:

	<u>2012</u>	<u>2011</u>
3-1/2% of Equalized Valuation Basis (Municipal) Net Debt	\$ 77,734,225 <u>27,817,148</u>	\$ 83,070,982 <u>26,479,846</u>
Remaining Borrowing Power	<u>\$ 49,917,077</u>	<u>\$ 56,591,136</u>

Long-Term Debt

The City's long-term debt consisted of the following at December 31:

General Obligation Bonds

The City levies ad valorem taxes to pay debt service on general obligation bonds. General obligation bonds outstanding at December 31 are as follows:

	<u>2012</u>	<u>2011</u>
\$4,125,000, 2001 Bonds, due in annual installments of \$350,000 through November 1, 2014, interest at 4.00% to 4.25%	\$ 700,000	\$ 1,050,000
\$1,425,000, 2003 Pension Refunding Bonds, due in annual installments of \$100,000 to \$130,000 through March 15, 2018, interest at 4.80%	690,000	790,000
\$3,420,000, 2003 Refunding Bonds, due in annual installments of \$255,000 to \$280,000 through December 1, 2016, interest at 3.80% to 4.00%	1,075,000	1,355,000

**CITY OF GARFIELD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 4 MUNICIPAL DEBT (Continued)

Long-Term Debt (Continued)

General Obligation Bonds (Continued)

	<u>2012</u>	<u>2011</u>
\$5,440,000, 2006 Bonds, due in annual installments of \$375,000 to \$865,000 through July 15, 2018, interest at 4.25%	\$ 3,890,000	\$ 4,240,000
\$7,957,000, 2008 Bonds, due in annual installments of \$200,000 to \$957,000 through March 1, 2024, interest at 4.00%	<u>7,432,000</u>	<u>7,632,000</u>
	<u>\$ 13,787,000</u>	<u>\$ 15,067,000</u>

General Intergovernmental Loans Payable

The City has entered into loan agreements with the State of New Jersey for the financing relating to the 20th Century Field and Passaic River Historic Parks projects. The City levies ad valorem taxes to pay debt service on general intergovernmental loans issued. General intergovernmental loans outstanding at December 31 are as follows:

	<u>2012</u>	<u>2011</u>
\$600,000, 1999 Loan due in Semi-annual installments of \$16,745 to \$18,868 through June 30, 2019, interest at 2.0%	\$ 231,231	\$ 264,225
\$422,500, 2007 Loan due in Semi-annual installments of \$9,746 to \$13,006 through October 4, 2027, interest at 2.0%	<u>339,013</u>	<u>358,216</u>
	<u>\$ 570,244</u>	<u>\$ 622,441</u>

Water Utility Bonds

The City pledges revenue from operations to pay debt service on utility bonds issued. The water utility bonds outstanding at December 31 are as follows:

	<u>2012</u>	<u>2011</u>
\$1,174,000, 2006 Bonds, due in annual installments of \$65,000 to \$70,000 through July 15, 2026, interest at 4.250% to 4.375%	\$ 939,000	\$ 1,004,000
\$1,603,000, 2008 Bonds, due in annual installments of \$75,000 to \$153,000 through March 1, 2028, interest at 4.00% to 4.125%	<u>1,453,000</u>	<u>1,528,000</u>
	<u>\$ 2,392,000</u>	<u>\$ 2,532,000</u>

**CITY OF GARFIELD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 4 MUNICIPAL DEBT (Continued)

Long-Term Debt (Continued)

Water Utility Intergovernmental Loans Payable

The City has entered into loan agreements with the State of New Jersey for the financing relating to the rehabilitation of the City's water supply system. The City pledges revenue from operations to pay debt service on utility intergovernmental loans issued. Utility intergovernmental loans outstanding of the water utility at December 31 are as follows:

	<u>2012</u>	<u>2011</u>
\$3,075,000, 2004 Environmental Infrastructure Trust Loan due in annual installments of \$135,000 to \$235,000 through September, 2024, interest at 3.0% to 5.0%	\$ 2,235,000	\$ 2,370,000
\$3,050,000, 2004 Environmental Infrastructure Fund Loan due in semi-annual installments of \$3,379 to \$157,825 through September, 2024, interest free.	<u>1,952,528</u>	<u>2,113,945</u>
	<u>\$ 4,187,528</u>	<u>\$ 4,483,945</u>

The City's principal and interest for long-term debt issued and outstanding as of December 31, 2012 is as follows:

Calendar Year	General Bonds		General Loans		Water Utility Bonds		Water Utility Loans		Total
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2013	\$ 1,300,000	\$ 555,231	\$ 53,247	\$ 11,140	\$ 140,000	\$ 97,744	\$ 308,553	\$ 103,856	\$ 2,569,771
2014	1,330,000	501,299	54,316	10,070	140,000	91,980	312,074	96,606	2,536,345
2015	1,380,000	443,772	55,408	8,978	140,000	86,218	316,417	90,606	2,521,399
2016	1,375,000	386,138	56,522	7,865	140,000	80,456	328,915	84,406	2,459,302
2017	1,375,000	331,408	57,658	6,728	140,000	74,693	332,863	77,806	2,396,156
2018-2022	5,120,000	879,782	168,679	19,854	710,000	286,729	1,798,163	252,281	9,235,488
2023-2027	1,907,000	76,420	124,414	6,945	829,000	126,790	790,543	30,338	3,891,450
2028	-	-	-	-	153,000	3,156	-	-	156,156
	<u>\$ 13,787,000</u>	<u>\$ 3,174,050</u>	<u>\$ 570,244</u>	<u>\$ 71,580</u>	<u>\$ 2,392,000</u>	<u>\$ 847,766</u>	<u>\$ 4,187,528</u>	<u>\$ 735,899</u>	<u>\$ 25,766,067</u>

**CITY OF GARFIELD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 4 MUNICIPAL DEBT (Continued)

Changes in Long-Term Municipal Debt

The City's long-term capital debt activity for the years 2012 and 2011 were as follows:

	Balance, December 31, <u>2011</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2012</u>	Due Within One Year
<u>2012</u>					
General Capital Fund					
Bonds Payable	\$ 15,067,000		\$ 1,280,000	\$ 13,787,000	\$ 1,300,000
Intergovernmental Loans	<u>622,441</u>	<u>-</u>	<u>52,197</u>	<u>570,244</u>	<u>53,247</u>
General Capital Fund Long-Term Liabilities	<u>\$ 15,689,441</u>	<u>\$ -</u>	<u>\$ 1,332,197</u>	<u>\$ 14,357,244</u>	<u>\$ 1,353,247</u>
Water Utility Capital Fund					
Bonds Payable	\$ 2,532,000		\$ 140,000	\$ 2,392,000	\$ 140,000
Intergovernmental Loans	<u>4,483,945</u>	<u>-</u>	<u>296,417</u>	<u>4,187,528</u>	<u>308,553</u>
Water Utility Capital Fund Long Term Liabilities	<u>\$ 7,015,945</u>	<u>\$ -</u>	<u>\$ 436,417</u>	<u>\$ 6,579,528</u>	<u>\$ 448,553</u>
	Balance, December 31, <u>2010</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2011</u>	Due Within One Year
<u>2011</u>					
General Capital Fund					
Bonds Payable	\$ 16,292,000		\$ 1,225,000	\$ 15,067,000	\$ 1,280,000
Intergovernmental Loans	<u>673,610</u>	<u>-</u>	<u>51,169</u>	<u>622,441</u>	<u>52,197</u>
General Capital Fund Long-Term Liabilities	<u>\$ 16,965,610</u>	<u>\$ -</u>	<u>\$ 1,276,169</u>	<u>\$ 15,689,441</u>	<u>\$ 1,332,197</u>
Water Utility Capital Fund					
Bonds Payable	\$ 2,647,000		\$ 115,000	\$ 2,532,000	\$ 140,000
Intergovernmental Loans	<u>4,853,027</u>	<u>-</u>	<u>369,082</u>	<u>4,483,945</u>	<u>296,417</u>
Water Utility Capital Fund Long Term Liabilities	<u>\$ 7,500,027</u>	<u>\$ -</u>	<u>\$ 484,082</u>	<u>\$ 7,015,945</u>	<u>\$ 436,417</u>

**CITY OF GARFIELD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 4 MUNICIPAL DEBT (Continued)

Short-Term Debt

The City's short-term capital debt activity for the years ended December 31, 2012 and 2011 was as follows:

Bond Anticipation Notes

	Rate (%)	Maturity Date	Balance, December 31, <u>2011</u>	Renewed/ Issued	Retired/ Redeemed	Balance, December 31, <u>2012</u>
<u>2012</u>						
<u>General Capital Fund</u>						
Redevelopment Agency Loan	2%	3/1/2013	\$ 102,847	\$ 95,950	\$ 102,847	\$ 95,950
2007 Road Improvements	1%	3/2/2012	455,000		455,000	
Sanitary Sewer Rehabilitation	2%	3/1/2013	257,000	164,340	257,000	164,340
River Drive Roadway and Bikeway	2%	3/1/2013	435,700	410,136	435,700	410,136
Improvements to Firehouse #2	2%	3/1/2013	111,700	107,762	111,700	107,762
Police Station Improvements	2%	3/1/2013	485,700	468,951	485,700	468,951
Various Improvements to Public Buildings	2%	3/1/2013	294,847	284,690	294,847	284,690
Various Improvements to Palisade Ave.	2%	3/1/2013	233,206	205,000	233,206	205,000
Improvements to 20th Century Field	2%	3/1/2013	1,238,000	638,000	1,238,000	638,000
Acquisition of DPW Trucks	2%	3/1/2013	428,000	412,730	428,000	412,730
Passaic River Park and Bikeway	2%	3/1/2013		2,500,000		2,500,000
Passaic River Park and Bikeway	1%	12/6/2013	5,000,000	5,695,000	5,000,000	5,695,000
Photovoltaic Solar Power System	2%	3/1/2013		95,000		95,000
Acquisition of Vehicles and Equipment	2%	3/1/2013		100,400		100,400
Improvements to Lansa Ave., Midland Ave. and Passaic St.	2%	3/1/2013		496,600		496,600
2011 Road Improvement Program	2%	3/1/2013		523,000		523,000
DPW Salt Shed and Police Pistol Range	2%	3/1/2013	-	93,441	-	93,441
Total General Capital Fund			<u>9,042,000</u>	<u>12,291,000</u>	<u>9,042,000</u>	<u>12,291,000</u>
<u>Water Utility Capital Fund</u>						
Pumping Stations and Water Tanks	2%	3/1/2013	700,000	1,267,595	700,000	1,267,595
Lanza Ave. Water Main	2%	3/1/2013	934,000	224,405	934,000	224,405
Elmwood Park Well Field	2%	3/1/2013	475,000	475,000	475,000	475,000
Rehabilitation of Water Lines	2%	3/1/2013	142,000	142,000	142,000	142,000
Palisade Ave. Water Project	2%	3/1/2013	380,000	380,000	380,000	380,000
Well 812 and Other Improvements	2%	3/1/2013	-	240,000	-	240,000
Total Water Utility Capital Fund			<u>2,631,000</u>	<u>2,729,000</u>	<u>2,631,000</u>	<u>2,729,000</u>
Total Bond Anticipation Notes			<u>\$ 11,673,000</u>	<u>\$ 15,020,000</u>	<u>\$ 11,673,000</u>	<u>\$ 15,020,000</u>

**CITY OF GARFIELD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 4 MUNICIPAL DEBT (Continued)

Short-Term Debt (Continued)

Bond Anticipation Notes (Continued)

	Rate (%)	Maturity Date	Balance, December 31, 2010	Renewed/ Issued	Retired/ Redeemed	Balance, December 31, 2011
<u>2011</u>						
<u>General Capital Fund</u>						
Redevelopment Agency Loan	0.60%	3/2/2012	\$ 109,847	\$ 102,847	\$ 109,847	\$ 102,847
2007 Road Improvements	0.60%	3/2/2012	495,000	455,000	495,000	455,000
Sanitary Sewer Rehabilitation	0.60%	3/2/2012	257,000	257,000	257,000	257,000
River Drive Roadway and Bikeway	0.60%	3/2/2012	485,700	435,700	485,700	435,700
Improvements to Firehouse #2	0.60%	3/2/2012	161,700	111,700	161,700	111,700
Police Station Improvements	0.60%	3/2/2012	485,700	485,700	485,700	485,700
Various Improvements to Public Buildings	0.60%	3/2/2012	294,553	294,847	294,553	294,847
Various Improvements to Palisade Ave.	0.60%	3/2/2012	525,000	233,206	525,000	233,206
Improvements to 20th Century Field	0.60%	3/2/2012	1,238,000	1,238,000	1,238,000	1,238,000
Acquisition of DPW Trucks	0.60%	3/2/2012		428,000		428,000
Passaic River Park and Bikeway	0.87%	12/7/2012	-	5,000,000	-	5,000,000
Total General Capital Fund			<u>4,052,500</u>	<u>9,042,000</u>	<u>4,052,500</u>	<u>9,042,000</u>
<u>Water Utility Capital Fund</u>						
Pumping Stations and Water Tanks	2%	3/1/2013	700,000	700,000	700,000	700,000
Lanza Ave. Water Main	2%	3/1/2013	934,000	934,000	934,000	934,000
Elmwood Park Well Field	2%	3/1/2013	475,000	475,000	475,000	475,000
Rehabilitation of Water Lines	2%	3/1/2013	142,800	142,000	142,800	142,000
Palisade Ave. Water Project	2%	3/1/2013	<u>380,000</u>	<u>380,000</u>	<u>380,000</u>	<u>380,000</u>
Total Water Utility Capital Fund			<u>2,631,800</u>	<u>2,631,000</u>	<u>2,631,800</u>	<u>2,631,000</u>
Total Bond Anticipation Notes			<u>\$ 6,684,300</u>	<u>\$ 11,673,000</u>	<u>\$ 6,684,300</u>	<u>\$ 11,673,000</u>

State law requires that notes are to be issued for a period not exceeding one year and may be renewed from time to time for additional periods, none of which shall exceed one year. All bond anticipation notes, including renewals, shall mature and be paid not later than the first day of the fifth month following the close of the tenth fiscal year following the date of the original notes. In addition any note renewed beyond the third anniversary date of the original note, requires one legally payable installment to be paid.

**CITY OF GARFIELD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 5 FIXED ASSETS

General Fixed Assets

The following is a summary of changes in the general fixed assets account group for the years ending December 31, 2012 and 2011.

	Balance, December 31, <u>2011</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2012</u>
<u>2012</u>				
Land	\$ 20,552,800			\$ 20,552,800
Buildings and Building Improvements	9,557,450			9,557,450
Machinery and Equipment	<u>7,372,357</u>	\$ <u>157,627</u>	\$ -	<u>7,529,984</u>
	<u>\$ 37,482,607</u>	<u>\$ 157,627</u>	<u>\$ -</u>	<u>\$ 37,640,234</u>
	Balance, December 31, <u>2010</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2011</u>
<u>2011</u>				
Land	\$ 20,552,800			\$ 20,552,800
Buildings and Building Improvements	9,557,450			9,557,450
Machinery and Equipment	<u>6,992,886</u>	\$ <u>379,471</u>	-	<u>7,372,357</u>
	<u>\$ 37,103,136</u>	<u>\$ 379,471</u>	<u>\$ -</u>	<u>\$ 37,482,607</u>

**CITY OF GARFIELD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 5 FIXED ASSETS (Continued)

Water Utility Fund Fixed Assets

The following is a summary of changes in the utility fund fixed assets for the years 2012 and 2011.

	Balance, December 31, <u>2011</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2012</u>
Water Utility Fund				
<u>2012</u>				
Fixed Capital				
System and System Improvements	\$ 11,937,038	\$ 150,000		\$ 12,087,038
Building and Building Improvements	240,648			240,648
Vehicles and Equipment	224,899			224,899
Replacement of Pumping Station and Water Storage Tanks	<u>6,700,000</u>	<u>30,000</u>	<u>-</u>	<u>6,730,000</u>
	<u>\$ 19,102,585</u>	<u>\$ 180,000</u>	<u>\$ -</u>	<u>\$ 19,282,585</u>
	Balance, December 31, <u>2010</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2011</u>
Water Utility Fund				
<u>2011</u>				
Fixed Capital				
System and System Improvements	\$ 10,987,038	\$ 950,000		\$ 11,937,038
Building and Building Improvements	240,648			240,648
Vehicles and Equipment	224,899			224,899
Replacement of Pumping Station and Water Storage Tanks	<u>6,700,000</u>	<u>-</u>	<u>-</u>	<u>6,700,000</u>
	<u>\$ 18,152,585</u>	<u>\$ 950,000</u>	<u>\$ -</u>	<u>\$ 19,102,585</u>

**CITY OF GARFIELD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 6 DUE TO/FROM OTHER FUNDS

As of December 31, interfund receivables and payables that resulted from various interfund transactions were as follows:

	<u>2012</u>		<u>2011</u>	
	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Current Fund	\$ 105,928	\$ 236,849	\$ 24,373	\$ 543,360
Trust Fund:				
Animal Control		18,847		24,373
LOSAP	57,500		70,150	
Other Trust		87,081	300,102	
General Capital Fund	179,349		157,259	
Water Utility Fund:				
Operating		9,929	21,844	
Capital	<u>9,929</u>	<u>-</u>	<u>-</u>	<u>5,995</u>
 Total	 <u>\$ 352,706</u>	 <u>\$ 352,706</u>	 <u>\$ 573,728</u>	 <u>\$ 573,728</u>

The above balances are the result of expenditures being paid by one fund on behalf of another and the result of receipts being deposited into one fund which are for and due to another fund.

The City expects all interfund balances to be liquidated within one year.

**CITY OF GARFIELD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 7 FUND BALANCES APPROPRIATED

Under the regulatory basis of accounting, fund balances in the Current Fund and Utility Operating Fund are comprised of cash surplus (fund balance) and non-cash surplus (fund balance). All or part of cash surplus as of December 31 may be anticipated in the subsequent year's budget. The non-cash surplus portion of fund balance may be utilized in the subsequent year's budget with the prior written consent of the Director of the Division of Local Government Services if certain guidelines are met as to its availability. Fund balances at December 31, which were appropriated and included as anticipated revenue in their own respective fund's budget for the succeeding year were as follows:

	Fund Balance December 31, <u>2012</u>	Utilized in Subsequent Year's Budget	Fund Balance December 31, <u>2011</u>	Utilized in Subsequent Year's Budget
Current Fund				
Cash Surplus	\$ 4,064,769	\$ 2,200,000	\$ 3,708,336	\$ 2,200,000
Non-Cash Surplus	<u>289,540</u>	<u>-</u>	<u>515,440</u>	<u>-</u>
	<u>\$ 4,354,309</u>	<u>\$ 2,200,000</u>	<u>\$ 4,223,776</u>	<u>\$ 2,200,000</u>
Water Utility Operating Fund				
Cash Surplus	\$ 2,783,855		\$ 2,168,515	
Non-Cash Surplus	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,783,855</u>	<u>\$ -</u>	<u>\$ 2,168,515</u>	<u>\$ -</u>

NOTE 8 DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

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

	Balance <u>December 31,</u>	Subsequent Year Budget <u>Appropriation</u>	Balance to Succeeding <u>Budgets</u>
<u>2012</u>			
Current Fund			
Special Emergency Authorizations (40A:4-55)	<u>\$ 270,000</u>	<u>\$ 90,000</u>	<u>\$ 180,000</u>
General Capital Fund			
Cancelled Grants	<u>\$ 29,195</u>	<u>\$ 29,195</u>	<u>\$ -</u>

**CITY OF GARFIELD
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 8 DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS (Continued)

	<u>Balance</u> <u>December 31,</u>	<u>Subsequent Year</u> <u>Budget</u> <u>Appropriation</u>	<u>Balance to</u> <u>Succeeding</u> <u>Budgets</u>
<u>2011</u>			
Current Fund			
Special Emergency Authorizations (40A:4-55)	\$ 360,000	\$ 90,000	\$ 270,000
General Capital Fund			
Cancelled Grants	\$ 58,391	\$ 29,196	\$ 29,195

NOTE 9 COMPENSATED ABSENCES

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

It is estimated that the current cost of such unpaid compensation and salary related payments would approximate \$2,656,852 and \$2,545,917 at December 31, 2012 and 2011, respectively. These amounts which is are considered material to the financial statements, are not reported either as an expenditure or liability.

As of December 31, 2012 and 2011, the City has reserved in the Other Trust Fund \$567,942 and \$667,942, respectively to fund compensated absences in accordance with NJSA 40A:4-39.

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS

The State of New Jersey sponsors and administers the following contributory defined benefit public employee retirement systems (retirement systems) covering substantially all state and local government employees which includes those City employees who are eligible for pension coverage.

Consolidated Police and Firemen’s Pension fund (CPFPF) – established in January 1952, under the provisions of N.J.S.A. 43:16 to provide coverage to municipal police and firemen who were appointed prior to July 1, 1944. The fund is a closed system with no active members.

Police and Firemen’s Retirement System (PFRS) – established in July 1944, under the provisions of N.J.S.A. 43:16A to provide coverage to substantially all full time county and municipal police or firemen and State firemen appointed after June 30, 1944. Membership is mandatory for such employees with vesting occurring after 10 years of membership.

**CITY OF GARFIELD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Public Employees' Retirement System (PERS) – established in January 1955, under the provisions of N.J.S.A. 43:15A to provide coverage, including post-retirement healthcare for those eligible employees whose local employers elected to do so, to substantially all full-time employees of the State or any county, municipality, school district, or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees and vesting occurs after 10 years of service for pension benefits and, if applicable, 25 years for post-retirement healthcare coverage.

The State of New Jersey sponsors and administers the following defined contribution public employee retirement program covering certain state and local government employees which include those City employees who are eligible for pension coverage.

Defined Contribution Retirement Program (DCRP) – established under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2008 to provide coverage to elected and certain appointed officials, effective July 1, 2007. Membership is mandatory for such individuals with vesting occurring after one (1) year of membership.

Other Pension Funds

The state established and administers a Supplemental Annuity Collective Trust Fund (SACT) which is available to active members of the State-administered retirement systems to purchase annuities to supplement the guaranteed benefits provided by their retirement system. The state or local governmental employers do not appropriate funds to SACT.

The State also administers the Pensions Adjustment Fund (PAF). Prior to the adoption of pension reform legislation, P.L. 2011, C.78, it provided cost of living increases equal to 60 percent of the change in the average consumer price index, to eligible retirees in some State-sponsored pension systems which includes the CPFPPF. Cost-of-living increases provided under the State's pension adjustment program are currently suspended as a result of the reform legislation. This benefit is funded by the State as benefit allowances become payable.

The cost of living increase for PFRS and PERS are funded directly by each of the respective systems, but are currently suspended as a result of reform legislation.

According to state law, all obligations of each retirement system will be assumed by the State of New Jersey should any retirement system be terminated.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of each of the above systems, funds, and trust. The financial reports may be accessed via the New Jersey, Division of Pensions and Benefits website at www.state.nj.us/treasury/pensions.

Basis of Accounting

The financial statements of the retirement systems are prepared on the accrual basis of accounting. Employer contributions are recognized when payable to the retirement systems. Benefits or refunds are recognized when due and payable in accordance with the terms of the retirement systems.

**CITY OF GARFIELD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Significant Legislation

P.L. 2011, c.78, effective June 28, 2011, made various changes to the manner in which PERS and PFRS operate and to the benefit provisions of those systems.

- For new members of PERS hired on or after June 28, 2011 (Tier 5 members), the years of creditable service needed for early retirement benefits increased from 25 to 30 years and the early retirement age increased from 55 to 65.
- The eligibility age to qualify for a service retirement in the PERS increased from age 62 to 65 for Tier 5 members.
- The annual benefit under special retirement for new PFRS members enrolled after June 28, 2011 (Tier 3 members), decreased from 65 percent of final compensation to 60 percent of final compensation after 25 years of service and from 70 percent of final compensation to 65 percent of final compensation after 30 or more years of service.
- It increased the active member contribution rates as follows: PERS active member rates increase from 5.5 percent of annual compensation to 6.5 percent plus an additional 1 percent phased-in over 7 years; PFRS active member rates increase from 8.5 percent to 10 percent. For Fiscal Year 2012, the member contribution rates increase in October 2011. The phase-in of the additional incremental member contributions for PERS members will take place in July of each subsequent fiscal year.
- The payment of automatic cost-of-living adjustment (COLA) additional increases to current and future retirees and beneficiaries was suspended. COLA increases may be reactivated at a future date as permitted by this law.
- It changed the method for amortizing the pension systems' unfunded accrued liability (from a level percent of pay method to a level dollar of pay method).

Investment Valuation

Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. The fair value of real estate investments is based on independent appraisals. Investments that do not have an established market are reported at estimated fair values.

The State of New Jersey, Department of the Treasury, Division of Investment, issues publicly available financial reports that include the financial statements of the State of New Jersey Cash Management Fund, Common Pension Fund A, Common Pension Fund B, Common Pension Fund D and Common Pension Fund E. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Investment, P.O. Box 290, Trenton, New Jersey 08625-0290.

**CITY OF GARFIELD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Funded Status and Funding Progress

As of July 1, 2011, the most recent actuarial valuation date, the aggregate funded ratio for all the State administered retirement systems, including CPFPPF, PERS and PFRS, is 70.5 percent with an unfunded actuarial accrued liability of \$14.7 billion. The aggregate funded ratio and unfunded accrued liability for the State-funded systems is 60.8 percent and \$30.1 billion, and the aggregate funded ratio and unfunded accrued liability for local PERS and PFRS is 77.5 percent and \$11.6 billion, respectively.

The funded status and funding progress of the retirement systems includes actuarial valuations which involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the probability of future events.

Actuarial calculations reflect a long-term perspective and are based on the benefits provided under the terms of the retirement systems in effect at the time of each valuation and also consider the pattern of the sharing of costs between the employer and members at that point in time. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual limitations on the pattern of cost sharing between the employer and members in the future.

Actuarial Methods and Assumptions

In the July 1, 2011 actuarial valuation, the projected unit credit was used as the actuarial cost method, and the five year average of market value was used as the asset valuation method for the retirement systems. The actuarial assumptions included: (a) a revised investment rate of return for all the retirement systems from 8.25 percent to 7.95 percent except for CPFPPF (2 percent); and (b) revised projected salary increases which vary by fund (6.32% for PFRS and 4.52% for PERS).

Employer and Employee Pension Contributions

The contribution policy is set by laws of the State of New Jersey and contributions are required by active members and participating employers. Plan members and employer contributions may be amended by State of New Jersey legislation, with the amount of contributions by the State of New Jersey contingent upon the annual Appropriations Act. As defined, the various retirement systems require employee contributions based on 5.50% for PERS, 8.50% for PFRS and 5.50% for DCRP of employees' annual compensation.

**CITY OF GARFIELD
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Annual Pension Cost (APC)

Per the requirements of GASB Statement No. 27 for the year ended June 30, 2012 for CPFPPF, which is a cost sharing plan with special funding situations, the annual pension cost differs from the annual required contribution. For PFRS and PERS, which are cost sharing multi-employer defined benefit pension plans, annual pension cost equals contributions made. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution.

During the years ended December 31, 2012, 2011 and 2010, the City was required to contribute for normal cost pension contributions, accrued liability pension contributions, deferred pension obligation contributions, and non-contributory life insurance premiums the following amounts which equaled the required contributions for each respective year:

<u>Year Ended</u> <u>December 31</u>	<u>CPFPPF</u>	<u>PFRS</u>	<u>PERS</u>
2012	None	\$ 1,698,054	\$ 565,277
2011	None	1,651,713	559,772
2010	\$ 10,609	1,514,154	480,925

During the year ended December 31, 2009 the City elected to contribute 50% of its normal and accrued liability components of the PFRS and PERS obligations and deferred the remaining 50% in accordance with P.L. 2009, c.19. The deferred amount totaled \$868,088 and will be paid back with interest over 15 years beginning in the 2013 year. The City is permitted to pay off the deferred PFRS and PERS pension obligations at any time. It is estimated that the total deferred liability including accrued interest (at 8.25%) at December 31, 2012 and 2011 is \$1,096,664 and \$1,065,035, respectively.

NOTE 11 POST-RETIREMENT MEDICAL BENEFITS

Plan Description

The City provides a post-employment healthcare plan for its eligible retirees and their dependents. The plan is a single-employer defined benefit healthcare plan administered by the City. In accordance with City ordinances, contracts and/or policies, the City provides health and prescription benefits to retirees who meet the eligibility requirements of their respective contracts.

Funding Policy

The City funds its post-retirement medical benefits on a pay-as-you-go basis. For the years 2012, 2011 and 2010, the City paid \$1,294,624, \$1,283,709, and \$912,174, respectively, for post-retirement health coverage premiums for eligible retirees and their dependents.

**CITY OF GARFIELD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 11 POST-RETIREMENT MEDICAL BENEFITS (Continued)

Reporting Requirements

In July 2004, the Governmental Accounting Standards Board (GASB) adopted statement number 45, "Accounting and Financial Reporting by Employers for Post-Employment Benefits Other than Pensions". This statement will become effective for governmental entities on a phased in basis beginning with fiscal years beginning after December 15, 2006. The effective date of this statement for the City is the year beginning January 1, 2008. This statement requires Governmental entities to report the future cost of other post-employment benefits (OPEB) on a present value basis instead of the present "pay as you go" method. The City has not completed an actuarial calculation to determine its OPEB Obligation at December 31, 2012 in accordance with GASB Statement Number 45. The impact on the City's financial position or results of operations, if any, of this GASB Statement cannot be readily determined at this time.

NOTE 12 RISK MANAGEMENT

The City is exposed to various risks of loss related to general liability, automobile coverage, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; termination of employees and natural disasters. The City has obtained commercial insurance coverage to guard against these events to minimize the exposure to the City should they occur.

The City of Garfield is a member of the Suburban Essex Joint Insurance Fund (SEJIF) and Municipal Excess Liability Joint Insurance Fund (MEL). The joint insurance funds are both an insured and self-administered group of municipalities established for the purpose of insuring against property damage, general liability, motor vehicles and equipment liability and worker's compensation. The Funds are risk-sharing public entity pools. The SEJIF and MEL coverage amounts are on file with the City.

The relationship between the City and respective insurance funds is governed by a contract and by-laws that have been adopted by resolution of each unit's governing body. The City is contractually obligated to make all annual and supplementary contributions to the insurance funds, to report claims on a timely basis, to cooperate with the management of the funds, its claims administrator and attorneys in claims investigation and settlement, and to follow risk management procedures as outlined by the funds. Members have a contractual obligation to fund any deficit of the funds attributable to a membership year during which the municipality was a member.

**CITY OF GARFIELD
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 12 RISK MANAGEMENT (Continued)

The funds provide its members with risk management services, including the defense of and settlement of claims, and established reasonable and necessary loss reduction and prevention procedures to be followed by the members. Complete financial statements of the funds can be obtained by contacting the respective fund’s Treasurer.

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

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

<u>Year Ended December 31</u>	<u>City Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2012	\$ 105,000	\$ 45,610	\$ 185,163
2011	160,745	60,012	127,773
2010	110,000	87,229	27,040

NOTE 13 CONTINGENT LIABILITIES

The City is a party defendant in some lawsuits, none of a kind unusual for a municipality of its size and scope of operation. In the opinion of the City’s Attorney, the potential claims against the City not covered by insurance policies would not materially affect the financial condition of the City.

Pending Tax Appeals - Various tax appeal cases were pending in the New Jersey Tax Court at December 31, 2012 and 2011. Amounts claimed have not yet been determined. The City is vigorously defending its assessments in each case. Under the accounting principles prescribed by the Division of Local Government Services, Department of community Affairs, State of New Jersey, the City does not recognize a liability, if any, until these cases have been adjudicated. The City expects such amounts, if any, could be material. As of December 31, 2012 and 2011, the City reserved \$674,484 and \$374,484, respectively, in the Current Fund for tax appeals pending in the New Jersey Tax Court. Funding of any ultimate liability would be provided for in succeeding years’ budget or from fund balance.

Federal and State Awards - The City participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the City may be required to reimburse the grantor government. As of December 31, 2012 and 2011, significant amounts of grant expenditure have not been audited by the various grantor agencies but the City believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the City.

**CITY OF GARFIELD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 14 FEDERAL ARBITRAGE REGULATIONS

The City is subject to Section 148 of the Internal Revenue Code as it pertains to the arbitrage rebate on all tax-exempt obligations, both long and short-term debt. Under the 1986 Tax Reform Act, the Internal Revenue Service (IRS) required that all excess earnings from investment proceeds be rebated to the IRS. Arbitrage, for purposes of these regulations, is defined as the difference between the yield on the investment and the yield on the obligations issued. If there are excess earnings, this amount may be required to be rebated to the IRS. At December 31, 2012 and 2011, the City has not estimated its estimated arbitrage earnings due to the IRS, if any.

NOTE 15 LENGTH OF SERVICE AWARD PROGRAM (LOSAP)-UNAUDITED

The City of Garfield Length of Service Award Program (the Plan) was created by a City ordinance adopted in 2002 pursuant to 457 (e)(11)(13) of the Internal Service Code of 1986, as amended, except for provisions added by reason of the Length of Service Award Program as enacted into federal law in 1997. The voters of the City of Garfield approved the adoption of the Plan at the general election held on November 5, 2002.

The first year of eligibility for entrance into the Plan was calendar year 2003. The tax deferred income benefits for emergency services volunteers, consisting of the Volunteer Fire Department, come from contributions made solely by the City on behalf of those volunteers who meet the criteria of a plan created by the governing body.

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

The City of Garfield has contributed \$1,150 for 2012 and 2011, respectively, for each eligible volunteer fire department member into the Plan.

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

Lincoln National Financial Group is the administrator of the plan. The City's practical involvement in administering the plan is essentially limited to verifying the eligibility of each participant and remitting the funds to the plan administrator.

Vesting and Benefits

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

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

**CITY OF GARFIELD
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 15 LENGTH OF SERVICE AWARD PROGRAM (LOSAP)-UNAUDITED (Continued)

Reporting Requirements

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

NOTE 16 CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

As of December 31, the City had the following commitments with respect to unfinished capital projects:

<u>Capital Project</u>	<u>Estimated Outstanding Commitment</u>	<u>Date of Completion</u>
<u>2012</u>		
Road Improvements	\$ 247,233	2013
Improvements to Pistol Range	150,000	2013
Passaic River Park and Bikeway	599,892	2013
Acquisition of Pumper	947,227	2013
<u>Capital Project</u>	<u>Outstanding Commitment</u>	<u>Estimated Date of Completion</u>
<u>2011</u>		
Passaic River Park and Bikeway	\$3,791,247	2013
Replacement of Well 8R	141,623	2012
Lanza Avenue Improvements	178,016	2012
2011 Road Program	126,630	2012

NOTE 17 REDEVELOPMENT AGENCY

On July 22, 2002, the City of Garfield adopted a municipal ordinance which created the Garfield Redevelopment Agency (“the Agency”), a public body corporate and politic of the State of New Jersey. Created Pursuant to N.J.S.A. 40A:12A-1, et seq., the Agency is charged with carrying out the redevelopment plan for the City of Garfield. The Agency is empowered to exercise public and essential government functions, including the acquisition, condemnation, clearance, renovation and redevelopment of real property in designated blighted areas.

The Agency is governed by a Board of Commissioners consisting of seven members, who are appointed by the Mayor with the advice and consent of the Council. The Board of Commissioners determines policy actions, approves resolutions and selects an executive director to be responsible for the overall operation of the Agency.

Financial statements of the Garfield Redevelopment Agency may be obtained by contacting the Executive Director, care of City Hall, Garfield, N.J.

**CITY OF GARFIELD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 18 SUBSEQUENT EVENTS

Bond Anticipation Notes

On March 1, 2013, the City issued Bond Anticipation Notes in the amount of \$11,433,000 to temporarily finance expenditures related to various capital projects. The City has awarded the sale of said notes to Jefferies and Co. at an interest rate of 1.00%. These notes dated March 1, 2013 will mature on October 15, 2013.

Debt Authorized

During 2013 through the date of this report, the City has adopted various Bond Ordinances authorizing the issuance of a total of \$1,382,000 in Bonds or Bond Anticipation Notes to fund certain capital projects. As of the date of this report the City has not issued nor awarded the sale of said bonds or notes.

APPENDIX C

PROPOSED FORM OF BOND COUNSEL OPINION

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APPENDIX C

[Proposed Form of Bond Counsel Opinion]

October __, 2013

City Council
City of Garfield
County of Bergen, New Jersey

Dear Council Members:

We have acted as bond counsel in connection with the issuance of \$10,290,000 of bonds consisting of \$7,287,000 aggregate principal amount of General Improvement Bonds and \$3,003,000 aggregate principal amount of Water Utility Bonds (individually, the "General Improvement Bonds" or the "Water Utility Bonds"; collectively, the "Bonds") by the City of Garfield, in the County of Bergen, a municipal corporation of the State of New Jersey (the "City"). The Bonds are dated October 15, 2013 and comprise two issues of registered bonds. The Bonds bear interest from their date, payable on each April 15 and October 15, commencing April 15, 2014 (each, an "Interest Payment Date"), in each year until maturity or prior redemption.

The General Improvement Bonds are payable in annual installments on October 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>
2014	\$270,000	%	2022	\$525,000	%
2015	350,000		2023	530,000	
2016	400,000		2024	530,000	
2017	460,000		2025	535,000	
2018	500,000		2026	535,000	
2019	525,000		2027	540,000	
2020	525,000		2028	537,000	
2021	525,000				

The Water Utility Bonds are payable in annual installments on October 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>
2014	\$130,000	%	2022	\$210,000	%
2015	140,000		2023	220,000	
2016	150,000		2024	230,000	
2017	160,000		2025	250,000	
2018	170,000		2026	250,000	
2019	180,000		2027	260,000	
2020	195,000		2028	258,000	
2021	200,000				

The Bonds maturing on or before October 15, 2023 are not subject to redemption prior to their stated maturities. The Bonds maturing on or after October 15, 2024 are subject to redemption at the option of the City prior to maturity, in whole on any date or in part on any Interest Payment Date, on or after October 15, 2023, upon notice as set forth in the resolutions referred to below at the redemption price of 100% of the principal amount being redeemed, plus accrued interest to the date fixed for redemption.

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

The Bonds are issued pursuant to the Local Bond Law (Chapter 2 of Title 40A of the New Jersey Statutes, as amended). The General Improvement Bonds are also issued pursuant to seventeen bond ordinances adopted by the City Council of the City on June 10, 2008 (Ord. No. 2524), September 9, 2008 (two ordinances: Ord. Nos. 2535 and 2536), October 28, 2008 (Ord. No. 2541), August 18, 2009 (two ordinances: Ord. Nos. 2561 and 2564), October 13, 2009 (Ord. No. 2567), September 13, 2010 (Ord. No. 2597), October 12, 2010 (Ord. No. 2598), March 7, 2011 (Ord. No. 2602), April 11, 2011 (Ord. No. 2604), July 19, 2011 (Ord. No. 2617), October 18, 2011 (Ord. No. 2620), July 24, 2012 (two ordinances: Ord. Nos. 2632 and 2633), November 20, 2012 (Ord. No. 2640) and September 10, 2013 (Ord. No. 2667) and resolutions adopted by the City Council of the City on September 24, 2013. The Water Utility Bonds are also issued pursuant to nine bond ordinances adopted by the City Council of the City on July 27, 2004 (Ord. No. 2400), December 11, 2007 (Ord. No. 2518), June 10, 2008 (Ord. No. 2526), February 10, 2009 (Ord. No. 2544), February 24, 2009 (Ord. No. 2546), August 18, 2009 (two ordinances: Ord. Nos. 2562 and 2563), July 11, 2011 (Ord. No. 2615) and March 20, 2012 (Ord. No. 2627) and resolutions adopted by the City Council of the City on September 24, 2013.

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 City 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 City 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 City'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 City, in executing the Tax Certificate, will certify to the effect that the City 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 Interim Chief Financial Officer of the City 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 City in connection with the sale and issuance of the Bonds, or (ii) other documents of the City 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 City 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 City 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 City is authorized and required by law to levy on all real property taxable by the City 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 City 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