PRELIMINARY OFFICIAL STATEMENT DATED AUGUST 17, 2016

NEW ISSUE - BOOK-ENTRY ONLY **RATING: Moody's: Aa2**

In the opinion of Gibbons P.C., Bond Counsel to the Borough, assuming continuing compliance by the Borough with certain tax covenants described herein, based upon existing law, interest on the Bonds (as defined herein) is excluded from the gross income of the owners of the Bonds for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and interest on the Bonds is not an item of tax preference under Section 57 of the Code for purposes of computing alternative minimum tax. In the case of certain corporate holders of the Bonds, interest on the Bonds will be included in the calculation of the alternative minimum tax as a result of the inclusion of interest on the Bonds in "adjusted current earnings" of certain corporations. Under existing law, interest on the Bonds and net gains from the sale of the Bonds are exempt from the tax imposed by the New Jersey Gross Income Tax Act. See "TAX MATTERS" herein.

$6,240,000
BOROUGH OF FANWOOD
COUNTY OF UNION, NEW JERSEY
GENERAL OBLIGATION BONDS, SERIES 2016
(BANK-QUALIFIED) (CALLABLE)

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

The $6,240,000 General Obligation Bonds, Series 2016 (the "Bonds"), will be issued by the Borough of Fanwood, New Jersey (the "Borough") in fully registered form and, when issued, the Bonds will be registered in the name of Cede & Co. ("Cede"), as nominee for The Depository Trust Company, New York, New York ("DTC"), an automated depository for securities and clearinghouse transactions, which will act as securities depository for the Bonds. Individual purchases will be made in book-entry form (without certificates) through DTC Participants, as hereinafter defined, in the denominations of $5,000 each or integral multiples thereof. Purchasers will not receive certificates representing their ownership interest in the Bonds. Provided DTC or its nominee Cede is the registered owner of the Bonds, principal of, redemption premium, if any, and interest (payable semi-annually beginning on January 15, 2017 and on each July 15 and January 15 thereafter until maturity or prior optional redemption to the registered owners of the Bonds, as of the next preceding January 1 and July 1) on the Bonds will be paid to DTC or its nominee which is obligated to remit such principal, redemption premium, if any, and interest to DTC Participants, as defined herein. DTC Participants and Indirect Participants, as defined herein, will be responsible for remitting such payments to the Beneficial Owners of the Bonds. See "DESCRIPTION OF THE BONDS" herein.

The Bonds are being issued pursuant to the Local Bond Law of New Jersey, constituting Chapter 2 of Title 40A of the New Jersey Statutes, as amended, various ordinances and a resolution of the Borough, to permanently finance certain general improvements of the Borough.

The full faith and credit of the Borough are irrevocably pledged for the payment of the principal of, redemption premium, if any, and interest on the Bonds. The Bonds will be valid and binding general obligations of the Borough, payable as to principal, redemption premium, if any, and interest from the levy of *ad valorem* taxes upon all taxable property within the Borough, without limitation as to rate or amount.

The Bonds are subject to redemption prior to their stated maturities as described herein. See "OPTIONAL REDEMPTION PROVISIONS" herein.

Maturities, Principal Amounts, Interest Rates and Yields

Year	Principal Amount	Interest Rate	Yield	Year	Principal Amount	Interest Rate	Yield
2017	$250,000	%	%	2026	$410,000	%	%
2018	250,000			2027	425,000		
2019	250,000			2028	425,000		
2020	250,000			2029	430,000		
2021	250,000			2030	435,000		
2022	250,000			2031	475,000		
2023	250,000			2032	500,000		
2024	440,000			2033	500,000		
2025	450,000						

The Bonds are offered when, as and if issued and delivered to the Underwriter, subject to prior sale, to withdrawal or modification of the offer without notice and to approval of legality by the law firm of Gibbons P.C., Newark, New Jersey, and certain other conditions described herein. NW Financial Group, LLC, Hoboken, New Jersey, has served as Financial Advisor to the Borough in connection with the issuance of the Bonds. It is anticipated that the Bonds will be available for delivery through the facilities of DTC on or about September 14, 2016 in New York, New York, or at such other place and time as may be agreed to by the Borough.

ELECTRONIC BIDS VIA BIDCOMP/PARITY
WILL BE RECEIVED UNTIL 11:00 A.M. ON AUGUST 24, 2016

BOROUGH OF FANWOOD

COUNTY OF UNION, NEW JERSEY

MAYOR

COLLEEN M. MAHR

BOROUGH COUNCIL

KATHERINE MITCHELL, PRESIDENT
ERIN MCELROY BARKER
KEVIN BORIS
TOM KRANZ
RUSSELL HUEGEL
JACK MOLENAAR

BOROUGH CLERK/ADMINISTRATOR

ELEANOR MCGOVERN

CHIEF FINANCIAL OFFICER

FREDERICK J. TOMKINS

BOROUGH ATTORNEY

DANIEL MCCARTHY, ESQ.

AUDITORS

SUPLEE, CLOONEY & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS
WESTFIELD, NEW JERSEY

BOND COUNSEL

GIBBONS P.C.
NEWARK, NEW JERSEY

FINANCIAL ADVISOR

NW FINANCIAL GROUP, LLC
HOBOKEN, NEW JERSEY

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

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

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

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OFFICIAL STATEMENT
OF THE BOROUGH OF FANWOOD
IN THE COUNTY OF UNION, NEW JERSEY

$6,240,000 GENERAL OBLIGATION BONDS, SERIES 2016

INTRODUCTION

This Official Statement (the "Official Statement") which includes the cover page and the appendices attached hereto, has been prepared by the Borough of Fanwood (the "Borough") in the County of Union (the "County"), State of New Jersey (the "State") in connection with the sale and issuance of its $6,240,000 General Obligation Bonds, Series 2016 dated the date of delivery (the “Bonds”). This Official Statement has been executed by and on behalf of the Borough by the Chief Financial Officer and the Borough Clerk/Administrator.

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

DESCRIPTION OF THE BONDS

General Description

The Bonds shall be dated the date of delivery and will mature on July 15 of each year shown on the front cover page. The Bonds shall bear interest from their date, payable on each January 15 and July 15, commencing January 15, 2017 (each, an "Interest Payment Date"), in each year until maturity or optional redemption at the rates shown on the front cover page hereof. Interest on the Bonds shall be calculated on the basis of a 360-day year of twelve 30-day calendar months. Principal of and interest on the Bonds will be paid to The Depository Trust Company, New York, New York ("DTC"), acting as Securities Depository, by the Chief Financial Officer, acting as "Bond Registrar/Paying Agent". Interest on the Bonds will be credited to the participants of DTC as listed on the records of DTC as of each next preceding January 1 and July 1 (the "Record Dates" for the payment of interest on the Bonds).

DESCRIPTION OF THE BONDS (CONTINUED)

The Bonds are issuable as fully registered book-entry bonds in the form of one certificate for each maturity and in the principal amount of each such maturity. The Bonds will be issued in book-entry form only. Investors may purchase beneficial interests in the Bonds in the denomination of $5,000 each or integral multiples thereof. So long as DTC or its nominee, Cede & Co. (or any successor or assign), is the registered owner for the Bonds, payments of the principal of and interest on the Bonds will be made by the Paying Agent directly to Cede & Co., (or any successor or assign), as nominee for DTC. Disbursement of such payments to the participants of DTC is the responsibility of DTC. Disbursement of such payments to the beneficial owners is the responsibility of the DTC participants. See "Book-Entry Only System" below.

OPTIONAL REDEMPTION PROVISIONS

The Bonds maturing on or prior to July 15, 2026 shall not be subject to redemption prior to their respective maturity dates. The Bonds maturing on or after July 15, 2027 shall be subject to redemption prior to their respective maturity dates, on or after July 15, 2026 at the option of the Borough, either in whole or in part at any time in any order of maturity at one hundred percent (100%) of the principal amount of the Bonds being redeemed (the "Redemption Price"), plus in each case accrued interest thereon to the date fixed for redemption.

Notice of Redemption shall be given by mailing by first class mail in a sealed envelope with postage prepaid to the registered owners of such Bonds at their respective addresses as they last appear on the registration books kept for that purpose by the Borough, at least thirty (30) but not more than sixty (60) days before the date fixed for redemption. However, so long as DTC (or any successor thereto) acts as Securities Depository for the Bonds, Notices of Redemption shall be sent to such depository and shall not be sent to the beneficial owners of the Bonds, and will be done in accordance with DTC procedures. Any failure of such depository to advise any of its participants or any failure of any participant to notify any beneficial owner of any Notice of Redemption shall not affect the validity of the redemption proceedings. If the Borough determines to redeem a portion of the Bonds of a maturity, such Bonds shall be selected by the Borough by lot. If Notice of Redemption has been given as described herein, the Bonds, or the portion thereof called for redemption, shall be due and payable on the date fixed for redemption at the Redemption Price, together with accrued interest to the date fixed for redemption. Payment shall be made upon surrender of the Bonds redeemed.

BOOK-ENTRY-ONLY SYSTEM

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

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

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

Conveyances 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. Beneficial Owners of the Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue 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 Borough, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Borough or the paying agent, if any, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants. DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Borough or the paying agent, if any. Under such circumstances, in the event that a successor depository is not obtained, bond certificates are required to be printed and delivered.

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

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

BOOK-ENTRY-ONLY SYSTEM (CONTINUED)

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

AUTHORIZATION

The Bonds have been authorized and are to be issued pursuant to the laws of the State, including the Local Bond Law (Chapter 2 of Title 40A of the New Jersey Statutes, as amended, the "Local Bond Law"). The Bonds are authorized by various bond ordinances adopted by the Borough Council of the Borough and a resolution adopted by the Borough Council of the Borough on July 18, 2016.

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 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 all persons shall be estopped from questioning the sale or the execution or the delivery of the Bonds by the Borough.

PURPOSE OF FINANCING

The proceeds of the Bonds will be used to refund, on a current basis, $5,738,976 of the Borough's outstanding bond anticipation notes and to fund $501,024 of the unfinanced portion of various other capital projects.

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

ORDINANCE NUMBER	DESCRIPTION		GENERAL IMPROVEMENT AMOUNT
#10-04-S	Various Capital Improvements	$	510,634
#11-08-S	Various Capital Improvements		812,276
#12-11-S	Various Capital Improvements		1,391,066
#13-12-S	Various Capital Improvements		1,375,000
#14-06-S	Various Capital Improvements		900,000
#15-04-S	Various Capital Improvements		925,000
#15-08-S	Acquisition of Easement		75,000
#16-01-S	Various Capital Improvements		251,024
		$	6,240,000

PAYMENT OF AND SECURITY FOR THE BONDS

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

Enforcement of a claim for payment of principal of or interest on bonds and notes of the Borough is subject to applicable provisions of Federal bankruptcy laws and to the provisions of statutes, if any, hereafter enacted by the Congress of the United States or the Legislature of the State, providing extension for 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.

NO DEFAULT

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

MARKET PROTECTION

The Borough does not anticipate issuing tax anticipation notes or additional bonds during the remainder of 2016. The Borough may, however, issue bond anticipation notes as necessary.

GENERAL INFORMATION

Location and Area

The Borough is a suburban community located approximately 20 miles from the Lincoln Tunnel leading into New York City. It is located in the western section of Union County and covers an area of slightly more than 1 square mile. It is bounded on the north, west and east by the Township of Scotch Plains and on the south by the City of Plainfield.

The established character of the Borough is that of an almost fully-developed, well-maintained, single-family, residential community. Commercial uses, servicing the immediate area, are concentrated near the train station.

Transportation to and from the Borough is facilitated by State Highway Route 28, which crosses the community. Interstate Highway 78, U. S. Route 22 and the Garden State Parkway are all within convenient access.

Form of Government

The form of government found in the Borough is that of a mayor and council composed of seven members. The mayor is elected for a four year term, council members are elected to three year terms. A full time municipal administrator handles day-to-day operations.

Fanwood's Downtown Economic Development

Fanwood Crossing has been completed in 3 phases all of which are open and fully rented. There are a total of 80 Residential units, including 4 COAH approved units. There is also commercial space in Phases 1 and 2, some of which are rented.

There are 3 other projects in the Redevelopment Area that are in the approval process:

> Jobar Realty has received Planning Board approval for 2,900 square feet of commercial space along with 3 residential units.
>
> Station Square is before the Planning Board for approval of 35 rental units, 7 of which are COAH approved.
>
> Franks Auto Body has submitted plans for an addition and expansion of its facility, which were approved at the July Planning Board meeting.

Outside the Redevelopment Area:

> Lightbridge Academy has leased a vacant property at 15 South Avenue for reuse as a preschool and child care facility. Site plan approval has been received.
>
> 264-268 South Avenue at the corner of Martine Avenue has submitted plans for renovation and expansion of its facility. Preliminary plans have been submitted for a reuse of a building at 1 South Avenue that includes 26 residential units.
>
> The Borough has entered into a memorandum of understanding with Habitat for Humanity to rehabilitate 2 houses that the Borough intends to gain control over through the purchase of tax liens. The process is being funded by a HOME Grant from HUD.

GENERAL INFORMATION (CONTINUED)

In 2016, the Borough of Fanwood authorized the establishment of new zoning criteria along South Avenue. Three commercial zone areas were created: West, Central and East. The zoning is intended to increase the unity of Fanwood's primary commercial area and to encourage development and investment in the South Avenue commercial corridor.

POPULATION

Census Year	Population
1970	8,920
1980	7,767
1990	7,115
2000	7,174
2010	7,318

MUNICIPAL SERVICES

Transportation

Bus lines to Newark, Somerville, Westfield and New York City run through the Borough.

New Jersey Transit provides commuter rail service to Newark and New York City from central Fanwood.

Public Library

The Borough operates a small community library in a two story building with approximately 37,000 volumes.

Recreation

The Borough operates two newly renovated parks maintained by Borough employees covering approximately 15.1 acres.

Police

The Fanwood Police Department exists to protect and serve the citizens of the Borough by providing 24-hour emergency services while safe guarding the constitutional rights of all peoples. The duties of the department include: enforcing local ordinances, controlling traffic, preventing violations, providing medical assistance, arresting violators, and keeping the peace. The department was formally organized in 1895. The department consists of seventeen (17) sworn officers and one (1) civilian employee. Richard Trigo has served as Chief of Police since 2010. To better serve the community, the department and staff are broken up into six sub-departments each with different roles and responsibilities. These areas include a patrol division, a detective bureau, a traffic division, a bike unit patrol, communications, and a records bureau. The department is located at the Borough Hall.

MUNICIPAL SERVICES (CONTINUED)

Churches

There are two churches and one synagogue in the Borough.

Protection to Persons and Property

The Borough has 17 paid policemen, an approximately 24 volunteer member Rescue Squad and approximately 40 volunteer firemen; one fire house and three pieces of fire fighting apparatus.

Streets

There are approximately 32.5 miles of permanently improved streets in the Borough including State and County roads.

Sewerage

There are about 35 miles of sanitary sewers in the Borough providing service to approximately 98% of the Borough. Treatment of sewerage is provided by the Plainfield Area Regional Sewerage Authority.

Ash, Rubbish and Garbage

Private contractors, regulated by the State Board of Public Utilities, provide collection service to the residents of the Borough on a twice a week basis.

Shared Service Agreements

The Borough has entered into a shared services agreement with Garwood by which Fanwood provides our Public Works Director to direct the Garwood Public Works Department.

The Borough has entered into another shared services agreement with the Plainfield Municipal Utilities Authority to do curbside pickup of recyclables. That is scheduled to begin on October, 2016.

Payments in Lieu of Taxes (Pilots)

The Borough has entered into 3 long term tax abatements for the 3 phases of Fanwood Crossing. In 2015 they generated $174,474.00 of payments; the amount anticipated in the 2016 budget is $214,000.00. If the exempted improvements were included in the Net Valuations Taxable the amount would have increased by approximated $2,815,000.00 in the current year.

MISCELLANEOUS

Financial History

The Borough has never defaulted on the payment of principal or interest on any of its obligations and meets payrolls, bills and claims when due. The Borough has always operated on a "pay as you go" basis and has never had to resort to any mandatory law to effect such types of operation.

FINANCIAL INSTITUTIONS

The following financial institutions service the financial needs of the Borough:

TD Bank
Provident Bank
PNC Bank
Unity Bank
Two Rivers Community Bank

UNEMPLOYMENT RATES

The 2015 annual average unemployment rate data follows:

Borough of Fanwood	3.6%
County of Union	5.9
State of New Jersey	5.6

LARGEST TAXPAYERS OF THE BOROUGH

Taxpayer	Type of Business	2015 Assessed Valuation
HCRI NY-NJ Properties	Assisted Living Facility	$2,464,900
Fanwood Crossing II Urban Renewal	Mixed Retail/Residential	1,255,800
Partners Profit Fanwood	Mixed	943,500
250 South Ave., Urban Renewal	Retail/Residential	860,000
Fanwood Plaza Partners	Office Condos	827,000
Fanwood Plaza Partners	Mixed	669,200
150 South Avenue, LLC	A&P/Out of Business	600,000
222 South Ave, LLC	Retail/Residential	523,600
Enchantments	Retail/Residential	500,000
Celtic Capital	Children's Facility	475,000

FINANCIAL INFORMATION

DEBT STATEMENTS

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

DEBT INCURRING CAPACITY
AS OF DECEMBER 31, 2015

Municipal:	
1. Equalized Valuations (Last Three Years Average)	$1,107,885,109
2. 3-1/2% Borrowing Margin	38,775,979
3. Net Debt	15,370,923
4. Excess School Borrowing	-0-
5. Total Charges to Borrowing Margin	15,370,373
6. Remaining Municipal Borrowing (Line 2 Minus Line 5) Capacity	23,405,056

STATEMENT OF INDEBTEDNESS
AS OF DECEMBER 31, 2015

Gross Debt:		
Regional School District Debt:		
Serial Bonds Issued and Outstanding	$1,721,783	
Serial Bond Authorized But Not Issued	-0-	
		$ 1,721,783
Municipal Debt:		
Issued and Outstanding:		
Serial Bonds	$7,085,000	
Bond Anticipation Notes	5,693,793(1)	
E.I.T. Loans	1,265,200	
Authorized But Not Issued	1,638,112	
		15,682,105
Total Gross Debt		$ 17,403,888
Less:		
Statutory Deductions:		
School Debt	$1,721,783	
Municipal Debt	311,182	
		2,032,965
Statutory Net Debt		$ 15,370,923
Average Equalized Valuation of Real Property (Years 2013, 2014, 2015)		$ 1,107,885,109
Statutory Net Debt Percentage		1.387%

(1) To Be Paid From:	
Proceeds of Proposed Issue	$5,363,976
Cash on Hand/Budget	329,817
	$5,693,793

STATISTICS ON DEBT AS OF DECEMBER 31, 2015

Gross Debt (Municipal and School)	$ 17,403,888.00
Overlapping Debt:	
County of Union	11,379,103.00
Plainfield Area Sewerage Authority	61,904.00
Gross Debt	$ 28,884,895.00
Statutory Debt	15,370,923.00
Net Debt and Overlapping Debt	26,811,930.00
Gross Debt per Capita (Based on 2010 Population)	3,941.64
Net Debt and Overlapping Debt Per Capita (Also Based on 2010 Population)	3,663.83
Average Equalized Valuations	1,107,885,109.00
Gross Debt:	
As a Percentage of Net Valuations Taxable for 2015	12.624%
Net Debt Statutory Percentage	1.387%

OVERLAPPING DEBT
AS OF DECEMBER 31, 2015

The Overlapping Debt of the Borough was as follows:

	GROSS DEBT	BOROUGH'S SHARE	AMOUNT
County of Union	$672,126,574.00	1.693%	$11,379,103.00
Plainfield Area Sewerage Authority	1,547,592.00	4.000	61,904.00

GROSS AND STATUTORY NET DEBT
AS OF DECEMBER 31

	(EXCLUSIVE OF OVERLAPPING DEBT)			
	GROSS DEBT		STATUTORY NET DEBT	
YEAR	AMOUNT	PERCENTAGE*	AMOUNT	PERCENTAGE*
2015	$17,403,888.00	1.57	$15,370,923.00	1.39
2014	18,470,055.00	1.69	16,115,257.00	1.47
2013	18,422,210.00	1.66	16,078,224.00	1.45
2012	17,442,815.00	1.54	14,834,492.00	1.31
2011	14,446,912.00	1.23	11,470,882.00	0.98

*OF AVERAGE EQUALIZED VALUATIONS

SCHEDULE OFANNUAL MUNICIPAL DEBT REQUIREMENTS
FOR PRINCIPAL AND INTEREST FOR OBLIGATIONS ISSUED AND OUTSTANDING

GENERAL OBLIGATION BONDS

	OUTSTANDING BONDS			NEW ISSUE
YEAR	PRINCIPAL	INTEREST	TOTAL	PRINCIPAL
2016	$ 605,000.00	$ 281,543.75	$ 886,543.75	$
2017	465,000.00	259,168.75	724,168.75	250,000.00
2018	470,000.00	241,262.50	711,262.50	250,000.00
2019	470,000.00	222,987.50	692,987.50	250,000.00
2020	475,000.00	204,712.50	679,712.50	250,000.00
2021	530,000.00	186,275.00	716,275.00	250,000.00
2022	535,000.00	165,200.00	700,200.00	250,000.00
2023	545,000.00	143,325.00	688,325.00	250,000.00
2024	200,000.00	121,100.00	321,100.00	440,000.00
2025	205,000.00	114,100.00	319,100.00	450,000.00
2026	215,000.00	106,925.00	321,925.00	410,000.00
2027	220,000.00	99,400.00	319,400.00	425,000.00
2028	230,000.00	91,425.00	321425.00	425,000.00
2029	240,000.00	82,800.00	322,800.00	430,000.00
2030	240,000.00	73,200.00	313,200.00	435,000.00
2031	240,000.00	63,300.00	303,300.00	475,000.00
2032	240,000.00	53,100.00	293,100.00	500,000.00
2033	240,000.00	42,900.00	282,900.00	500,000.00
2034	240,000.00	32,400.00	272,400.00	
2035	240,000.00	21,600.00	261,600.00	
2036	240,000.00	10,800.00	250,800.00	
	$ 7,085,000.00	$ 2,617,525.00	$ 9,702,525.00	$ 6,240,000.00

SCHEDULE OF ANNUAL MUNICIPAL DEBT REQUIREMENTS
FOR PRINCIPAL AND INTEREST FOR OBLIGATIONS ISSUED AND OUTSTANDING

NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST LOANS

YEAR	PRINCIPAL	INTEREST	TOTAL
2016	$ 62,233.34	$ 12,343.76	$ 74,577.10
2017	67,233.34	12,343.76	79,277.10
2018	67,233.34	11,293.76	78,527.10
2019	67,233.34	10,543.76	77,777.10
2020	67,233.34	9,793.76	77,027.10
2021	67,233.34	9,043.76	76,277.10
2022	67,233.34	8,293.76	75,527.10
2023	67,233.34	7,593.76	74,777.10
2024	72,233.34	6,793.76	79,027.10
2025	72,233.34	5,793.76	78,027.10
2026	72,233.34	5,193.76	77,427.10
2027	72,233.34	4,593.76	76,827.10
2028	72,233.34	3,993.76	76,227.10
2029	72,233.34	3,393.76	75,627.10
2030	72,233.34	2,793.76	75,027.10
2031	72,233.34	2,193.76	74,427.10
2032	77,233.34	1,593.76	78,827.10
2033	77,233.15	812.5	78,045.65
	$ 1,265,199.93	$ 118,056.42	$ 1,383,256.35

ASSESSED VALUATIONS - LAND AND IMPROVEMENTS BY CLASS

YEAR	VACANT LAND	RESIDENTIAL	COMMERCIAL	INDUSTRIAL	TOTAL
2015	$ 1,700,600	$ 209,937,400	$ 14,485,000	$ 2,269,700	$ 228,392,700
2014	1,438,300	209,793,300	14,568,900	2,269,700	228,279,800
2013	1,294,100	210,204,400	14,798,200	2,269,700	228,207,100
2012	1,342,300	210,195,800	14,547,000	2,284,100	228,369,200
2011	1,438,300	210,103,900	14,620,900	2,284,100	228,447,200

ASSESSED VALUATIONS - NET VALUATIONS TAXABLE

YEAR	REAL ESTATE LAND AND IMPROVEMENTS	BUSINESS PERSONAL PROPERTY	NET VALUATION TAXABLE	RATIO TO TRUE VALUE	AGGREGATE TRUE VALUE
2015	$ 228,392,700	$ 95,240	$ 228,487,940	$ 19.77	$ 1,143,679,019
2014	228,279,800	94,804	228,374,604	20.93	1,090,682,274
2013	228,207,100	117,488	228,324,588	20.95	1,089,294,033
2012	228,369,200	101,515	228,470,715	20.77	1,099,514,685
2011	228,447,200	88,274	228,535,474	20.05	1,139,387,531

CURRENT TAX COLLECTIONS

YEAR	TOTAL LEVY	COLLECTION DURING YEAR OF LEVY AMOUNT	COLLECTION DURING YEAR OF LEVY PERCENTAGE
2015	$ 30,359,403	$ 30,164,874	99.36%
2014	29,958,864	29,721,987	99.21
2013	28,985,680	28,626,120	98.76
2012	28,228,944	27,864,235	98.71
2011	27,875,160	27,484,903	98.60

TOTAL TAX REQUIREMENTS INCLUDING SCHOOL AND COUNTY PURPOSES

YEAR	TOTAL TAX REQUIREMENTS	LOCAL PURPOSES	LOCAL SCHOOL	COUNTY
2016	$ 31,666,772	$ 6,380,287	$ 19,081,374	$ 6,205,111
2015	30,359,403	6,447,912	18,027,754	5,883,737
2014	29,958,864	6,324,563	17,887,677	5,746,624
2013	28,985,680	6,171,855	17,312,563	5,501,262
2012	28,228,944	6,031,567	16,956,163	5,241,214
2011	27,875,160	6,017,148	16,932,647	4,925,365

DELINQUENT TAXES AND TAX TITLE LIENS

DECEMBER 31

YEAR	TAX TITLE LIENS	DELINQUENT TAXES	TOTAL	PERCENTAGE OF LEVY
2015	$ 25,070	$ 162,169	$ 187,239	0.62%
2014	20,129	208,858	228,987	0.76
2013	12,081	289,789	308,870	1.07
2012	22,761	291,223	313,984	1.11
2011	21,429	329,830	351,259	1.26

ASSESSED VALUATIONS OF PROPERTY OWNED BY THE BOROUGH - ACQUIRED FOR TAXES

YEAR	
2015	$ 12,279
2014	12,279
2013	12,279
2012	12,279
2011	12,279

COMPONENTS OF REAL ESTATE TAX RATE
(PER $100. OF ASSESSMENT)

YEAR		TOTAL		MUNICIPAL		REGIONAL SCHOOL		COUNTY
2016	$	13.814	$	2.783	$	8.324	$	2.707
2015		13.242		2.786		7.890		2.566
2014		13.097		2.751		7.833		2.513
2013		13.672		2.684		7.583		2.405
2012		12.334		2.622		7.422		2.290
2011		12.176		2.615		7.410		2.151

COMPARATIVE SCHEDULE OF FUND BALANCES

	CURRENT FUND			
YEAR		FUND BALANCE DECEMBER 31		UTILIZED IN BUDGET OF SUCCEEDING YEAR
2015	$	1,005,533	$	784,200
2014		1,132,523		690,000
2013		971,600		515,433
2012		691,473		215,000
2011		463,136		215,000

2016 MUNICIPAL BUDGET

CURRENT FUND

Anticipated Revenues:		
Fund Balance	$	784,200
Miscellaneous Revenues:		
State and Federal Aid		755,288
Other		1,871,405
Receipts From Delinquent Taxes		160,000
Amount to be Raised by Taxation for Municipal Purposes		6,380,287
Total Anticipated Revenues	$	9,951,180

Appropriations:		
Within "Caps":		
Operations	$	6,474,773
Pensions, Social Security, Unemployment Contributions		857,092
Excluded From "CAPS":		
State and Federal Programs		20,052
Capital Improvements		5,000
Municipal Debt Service		1,165,400
Deferred Charges		23,500
Operations		928,7647
Interlocal Agreement		40,333
Reserve for Uncollected Taxes		400,000
Total Appropriations	$	9,951,180

EDUCATIONAL SERVICES

General

The Regional School District, serving the Borough and the Township of Scotch Plains, was formed pursuant to Chapter 13 of Title 18A of the New Jersey Statutes.

The School District is geographically coterminous with the Borough and the Township of Scotch Plains. It provides a comprehensive program for students in kindergarten through grade 12.

Facilities

The School District operates the following eight schools:

Name of School	Grades
Brunner	K-5
Coles	K-5
Evergreen	K-5
McGinn	K-5
School One	K-5
Terrill Middle	6-8
Park Middle	6-8
High School	9-12

Organization and Staffing

The Superintendent is the chief administrative officer of the School District. The Assistant Superintendent for Business oversees the School District's business functions and reports through the Superintendent to the Board of Education. As Board Secretary, he reports directly to the Board.

The business function includes purchasing, accounting and reporting which are integrated by automated business systems. It also includes the School District's support services, food service, transportation, school maintenance and custodial operations.

There are approximately 721 full and part-time employees of the School District, 566 of which are teaching professionals. The balance are administrative, maintenance, transportation and clerical personnel.

EDUCATIONAL SERVICES (CONTINUED)

Curriculum

Elementary (K-5)	Reading with a whole-language approach, language arts including process writing, mathematics, science, social studies, art, instrumental and vocal music, physical education, and health with chemical dependency education. Computer instruction focuses on the use and application of computers across the curriculum.
Middle (6-8)	English including process writing; reading with a whole-language approach, mathematics, science, social studies, foreign languages, including grade 6 exposure to French, German, Italian, and Spanish; art; home economics; industrial arts, keyboarding; music; physical education; health with chemical dependency education, and typing. Computer instruction in computer labs focuses on the use and application of computers across the curriculum.
High (9-12)	English including process writing, mathematics, science, social studies, foreign languages (French, German, Italian, Latin, Russian and Spanish) computer studies, art, business, home economics, industrial arts, music, physical education and health with chemical dependency education. There is also an Air Force Junior ROTC program for interested students in grades 9-12. Special facilities include computer labs, reading labs, subject resource centers, resource room for the handicapped, college and career resource center, and a media center housing audio-video broadcasting and recording capabilities. Scotch Plains-Fanwood High School operates its own Suburban Cable Channel 34 for the community.

Pupil Enrollments

The average daily enrollments for pupils enrollment in the grade K-12 for the school year 2014-2015 was 5,427.

Raising of Revenues from Constituent Municipalities

The amounts to be raised for school district purpose, including amounts raised for debt service, must be proportioned among the municipalities included within the regional school district in the tax levy for such municipalities. The apportionment is based upon each municipality’s equalized valuation allocated among the regional and constituent districts in proportion to the number of pupils in each of them.

Every board of education is required by State statute to provide an annual audit of the district's accounts and financial transactions. The audit must be performed by a licensed public school accountant within four months of the end of the school fiscal year. This audit, in conformity with statutory requirements, must be filed with the State Commissioner of Education. Additionally, the audit must be summarized and discussed at a regular public meeting of the local board of education within 40 days of its completion.

PROVISIONS OF CERTAIN STATUTES WITH RESPECT TO GENERAL OBLIGATION DEBT

Local Bond Law (N.J.S. 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.

Debt Limits

The authorized bonded indebtedness of the municipality is limited by statute, subject to the exceptions noted below, to an amount equal to 3-1/2% of its equalized valuation basis. The equalized valuation basis of the municipality is set by statute as the average for the last three years of the equalized value of all taxable real property and improvements and certain Class II railroad property within its boundaries as annually determined by the State Board of Taxation. Certain categories of debt are permitted by statute to be deducted for purposes of computing the statutory debt limit. Pursuant to law, the Borough has deducted its proportionate share of the full amount of authorized School Debt. The Borough's statutory net debt as of December 31, 2015 is 1.387% compared to a statutory limit of 3.5%.

Exceptions to Debt Limits - Extensions of Credit

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

Short-Term Financing

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

School Debt Subject to Voter Approval

State law permits local school districts, upon approval of the voters, to authorize school district debt, including debt in excess of its independent debt limitation by using the municipality's share of available borrowing capacity. If such debt be in excess of school district debt limit and the remaining borrowing capacity of the municipality, the State Commissioner of Education and the Local Finance Board must approve the proposed authorization before it is submitted to the voters.

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 the efforts of 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 Bankruptcy Act. Such Act has been substantially revised in 1976 so as to permit municipalities to have access to bankruptcy court for protection against suits by bondholders and without prior warranty for creditor's approvals in cases of impending default.

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

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

Investment of Municipal Funds

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

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

The Borough has no investments in derivatives.

The Local Budget Law (N.J.S. 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 an operating budget in the form required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, (the "Division"). Certain items of revenue and appropriation are regulated by law and the proposed budget must be certified by the Director of the Division ("Director") prior to final adoption. The Local Budget Law requires each local unit to appropriate sufficient funds for payment of current debt service, and the Director is required to review the adequacy of such appropriations.

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

CAP Limitations

Chapter 68 of the Pamphlet Laws of 1976 (N.J.S.A. 40A:4-45.1 *et seq.*), as amended and supplemented by P.L. 1983, c.49, P.L. 1990, c.289, and by P.L. 2004, c.74 (the "CAP Law"), imposes restrictions which limit the allowable increase in Borough appropriations over the previous year's appropriations to the lesser of 2.5% or the increase in the Implicit Price Deflator for State and Local Government Purchases of Goods and Services as published by the United States Department of Commerce (the "Cost-of-Living Adjustment"). If the Cost-of-Living Adjustment is less than or equal to 2.5%, an increase up to 3.5% will be permitted by adoption of an ordinance. If the Cost-of-Living Adjustment is greater than 2.5%, an increase in any amount above 2.5% will be permitted upon passage of a referendum. This limitation is subject to the following exceptions among others: (i) all debt service payments; (ii) the amount of revenue generated by the increase in valuations within the Borough based solely on applying the preceding year's Borough tax rate to the apportionment valuation of new construction or improvements within the Borough and such increase shall be levied in direct proportion to said valuation; (iii) capital expenditures funded by any source; (iv) an increase involving certain defined categories of emergency appropriations as approved by the Director in certain cases; (v) amounts required to be paid pursuant to any contract between the Borough and any political subdivision or public body in connection with the provision and/or financing of projects for certain public purposes such as water, sewer, parking, senior citizens' housing or any similar purpose; or (vi) that portion of the Borough tax levy which represents funding to participate in any Federal or State aid program and amounts received or to be received from Federal, State or other funds in reimbursement for local expenditures.

Additionally, the Legislature of the State has previously enacted P.L. 2007, c. 62 (the "Property Tax Act") effective April 3, 2007, which imposed a 4% cap on the tax levy of a municipality, county, fire district, school district or solid waste collection district, with certain exceptions and subject to a number of adjustments. The Property Tax Act has now been amended by the provisions of P.L. 2010, c.44 effective June 13, 2010 (the "Amendment") and applicable to the next budget year following enactment. The Amendment reduces the tax levy cap to 2% from 4%, limits exclusions only to capital expenditures, including debt service, certain increases in pension contributions and accrued liability for pension contributions in excess of 2%, certain healthcare cost increases in excess of 2% and extraordinary costs directly related to a declared emergency. Waivers from the Division or the Local Finance Board are no longer available under the Amendment.

For municipalities, the levy cap is in addition to the existing appropriation cap; both cap laws must be met.

PROVISIONS OF CERTAIN STATUTES WITH RESPECT TO GENERAL OBLIGATION DEBT (CONTINUED)

Miscellaneous Revenues

Section 26 of the Local Budget Law 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 thereof with the exception of inclusion of categorical grants-in-aid contracts for their face amount with an offsetting appropriation. The fiscal years for such grants rarely coincide with the municipality's fiscal year. Grant revenue is generally not realized, however, 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.40A:4-29 delineates anticipation of delinquent tax collections: "The maximum which may be anticipated is the sum produced by the multiplication of the amount of delinquent taxes unpaid and owing to the local unit on the first day of the current fiscal year by the percentage of collection of delinquent taxes for the year immediately preceding the current fiscal year."

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

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

$$\frac{\text{Levy required to balance budget}}{\text{Prior year's percentage of current tax collections (or lesser \%)}} = \text{Total taxes to be levied}$$

Deferral of Current Expenses

Emergency appropriations, those made after the adoption of the budget and determination of the tax rate, may be authorized by the governing body of the municipality. With minor exceptions, however, such appropriations must be included in full in the following year's budget. All emergency appropriations must be approved by the Director of the Division of Local Government Services.

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

APPROPRIATIONS DEFERRED TO SUBSEQUENT YEARS

FISCAL YEAR	DEFERRED TO FOLLOWING YEAR	DEFERRED MORE THAN ONE YEAR
2015	$12,500	$ -0-
2014	-0-	-0-
2013	-0-	-0-
2012	111,000	444,000
2011	49,353	-0-

Budget Transfers

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

Fiscal Year

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

Budget Process

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

CAPITAL BUDGET AND CAPITAL IMPROVEMENT PROGRAM

This material is included with the Annual Budget pursuant to Sections 5:30-4 et. seq. of the New Jersey Administrative Code. It does not in itself confer any authorization to raise or expend funds. Rather, it is a document used as part of the local unit's planning and management program. Specific authorization to expend funds for purposes described in this section must be granted elsewhere, by a separate bond ordinance, by inclusion of a line item in the Capital Improvement Section of the budget, by an ordinance taking the money from the Capital Improvement Fund, or other lawful means.

Summary of the Adopted Capital Budget

2016 Capital Program:

Total Estimated Project Costs		$920,000.00
Planned Funding:		
Capital Improvement Fund	$ 46,000.00	
Debt to be Authorized	874,000.00	
2013 Capital Program		$920,000.00

Total Estimated Project Costs:

2016	$ 920,000.00	
2017	730,000.00	
2018	1,245,000.00	
2019	455,000.00	
2020	445,000.00	
2021	485,000.00	
		$4,280,000.00

Planned Funding:		
Capital Improvement Fund	$ 214,000.00	
Grants in Aid	1,250,000.00	
Debt to be Authorized	2,816,000.00	
		$2,280,000.00

ASSESSMENT AND COLLECTION OF TAXES

Tax Collection Procedure

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

The last all-inclusive tax sale of unpaid delinquent taxes and assessments was held on June 16, 2016.

Tax Appeals

The New Jersey Statutes provide a taxpayer with remedial procedures for appealing an assessment deemed excessive. The taxpayer has a right to petition the Union County Tax Board on or before the first day of April of the current tax year for review unless there was a municipal-wide revaluation or reassessment; then the taxpayer has until the first day of May to petition. The County Board of Taxation has the authority after a hearing to decrease or reject the appeal petition. These adjustments are usually concluded within the current tax year and reductions are shown as canceled or remitted taxes for that year. If the taxpayer feels his petition was unsatisfactorily reviewed by the County Board of Taxation, appeal may be made to the Tax Court of New Jersey, for 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.

THE LOCAL FISCAL AFFAIRS LAW (N.J.S. 40A:5-1 et seq.)

This law regulates the non-budgetary financial activities of local governments. The governing body of every local unit must cause an annual, independent audit of the local unit's accounts for the previous year, to be performed by a licensed Registered Municipal Accountant. The audit, conforming to the Division of Local Government Services "Requirements of Audit", includes recommendations for improvement of the local unit's financial procedures and must be filed with the Director within six months after the close of the fiscal year. A synopsis of the audit report, together with all recommendations made, must be published at least once in a local newspaper within 30 days after the clerk of the local unit shall have received the audit. (The entire annual audit report is filed with the Municipal Clerk and is available for review during business hours.)

The chief financial officer of every local unit must file annually with the Director, a verified statement of the financial condition of the local unit as of the close of each fiscal year.

SECONDARY MARKET DISCLOSURE

The Securities and Exchange Commission (the "SEC") pursuant to the Securities Exchange Act of 1934, as amended and supplemented (the "Securities Exchange Act") has adopted amendments to its Rule 15c2-12 effective July 3, 1995 which generally prohibits a broker, dealer, or municipal securities dealer ("Participating Underwriter") from purchasing or selling municipal securities such as the Bonds, unless the Participating Underwriter has reasonably determined that an issuer of municipal securities or an obligated person has undertaken in a written agreement or contract for the benefit of holders of such securities to provide certain annual financial information and event notices to the Municipal Securities Rulemaking Board (the "MSRB") (the "Continuing Disclosure Requirements").

On the date of delivery the Bonds, the Borough will enter into a Continuing Disclosure Certificate ("the Continuing Disclosure Certificate") containing the Continuing Disclosure Requirements for the benefit of the beneficial holders of the Bonds pursuant to which the Borough will agree to comply on a continuing basis with the Continuing Disclosure Requirements of Rule 15c2-12. Specifically, the Borough will covenant in the Continuing Disclosure Certificate to provide certain financial information and operating data relating to the Borough by not later than October 1 of each fiscal year of the Borough commencing with the first Fiscal Year of the Borough ending December 31, 2016 (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events. Notwithstanding the foregoing if the fiscal year is not a calendar year, then the Borough shall provide certain financial information and operating data relating to the Borough by no later than the first day of the tenth month of each fiscal year. The Annual Report will be filed by the Borough with the MSRB. The notices of enumerated events will be filed by the Borough with the MSRB. The specific nature of the information to be contained in the Annual Report or the notices of enumerated events is set forth in "Appendix B - Form of Continuing Disclosure Certificate." These covenants have been made in order to assist the Underwriter in complying with Rule 15c2-12.

The Borough has entered into prior undertakings to provide continuing disclosure for certain outstanding bond issues. In connection with such bond issues, the Borough failed to timely file its Annual Report for the Fiscal Year ended December 31, 2013. In addition, the Borough failed to timely file a notice with respect to such late filing and event notices with respect to certain rating changes. The Borough has retained Digital Assurance Certification, LLC, as dissemination agent, in connection with its continuing disclosure obligations.

TAX MATTERS

Exclusion of Interest on the Bonds from Gross Income for Federal Income Tax Purposes

The Internal Revenue Code of 1986, as amended (the "Code"), imposes certain requirements which must be met on the date of issuance and on a continuing basis subsequent to the issuance of the Bonds in order to assure that interest on the Bonds will be excluded from gross income for Federal income tax purposes under Section 103 of the Code. Failure of the Borough to comply with such requirements may cause interest on the Bonds to lose the exclusion from gross income for Federal income tax purposes, retroactive to the date of the issuance of the Bonds. The Borough will make certain representations in its tax certificate, which will be executed on the date of issuance of the Bonds, as to various tax requirements. The Borough has covenanted to comply with the provisions of the Code applicable to the Bonds and has covenanted not to take any action or fail to take any action that would cause the interest on the Bonds to lose the exclusion from gross income under Section 103 of the Code or cause interest on the Bonds to be treated as an item of tax preference under Section 57 of the Code. Gibbons P.C., Bond Counsel to the Borough, has relied upon the representations of the Borough made in the tax certificate and has assumed continuing compliance by the Borough with the above covenants in rendering its federal income tax opinions with respect to the exclusion of interest on the Bonds from gross income for federal income tax purposes and with respect to the treatment of interest on the Bonds for the purposes of alternative minimum tax.

Assuming the Borough observes its covenants with respect to compliance with the Code, Gibbons P.C., Bond Counsel to the Borough, is of the opinion that, under existing law, interest on the Bonds is excluded from the gross income of the owners of the Bonds for Federal income tax purposes pursuant to Section 103 of the Code and interest on the Bonds is not an item of tax preference under Section 57 of the Code for purposes of computing the alternative minimum tax.

Additional Federal Income Tax Consequences

In the case of certain corporate holders of the Bonds, interest on such Bonds will be included in the calculation of the alternative minimum tax as a result of the inclusion of interest on the Bonds in "adjusted current earnings" of certain corporations.

Prospective purchasers of the Bonds should be aware that ownership of, accrual of, receipt of, interest on, or disposition of, tax-exempt obligations, such as the Bonds, may have additional Federal income tax consequences for certain taxpayers, including without limitation, taxpayers eligible for the earned income credit, recipients of certain Social Security and certain Railroad Retirement benefits, taxpayers that may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, financial institutions, property and casualty companies, foreign corporations and certain S corporations. Prospective purchasers of the Bonds should consult with their tax advisors with respect to the need to furnish certain taxpayer information in order to avoid backup withholding.

The Bonds have been designated by the Borough as "Qualified Tax-Exempt Obligations" for purposes of Section 265(b)(3) of the Code. The Borough intends that, by such designation of the Bonds, the Bonds will not be subject to Section 265(b)(1) of the Code, which relates to the complete disallowance of deduction for interest expense of certain financial institutions that is allocable to interest on certain tax-exempt obligations acquired by a financial institution after August 7, 1986. The interest expense of certain financial institutions allocable to Qualified Tax-Exempt Obligations is subject to Sections 291(a)(3) and 291(e)(1)(B) of the Code, relation to the non-deductibility of twenty (20) percent of the interest expense allocable to such tax-exempt obligations.

TAX MATTERS (CONTINUED)

Bond Counsel expresses no opinion regarding any Federal tax consequences other than its opinions with regard to the exclusion of interest on the Bonds from gross income pursuant to Section 103 of the Code and interest on the Bonds not constituting an item of tax preference under Section 57 of the Code. Prospective purchasers of the Bonds should consult their tax advisors with respect to all other tax consequences (including, but not limited to, those listed above) of holding the Bonds.

State Taxation

Bond Counsel to the Borough is of the opinion that, under existing law, interest on the Bonds and net gains from the sale of the Bonds are exempt from the tax imposed by the New Jersey Gross Income Tax Act.

Miscellaneous

Amendments to federal and state tax laws are proposed from time to time and could be enacted, and court decisions and administrative interpretations may be rendered, in the future. There can be no assurance that any such future amendments or actions will not adversely affect the value of the Bonds, the exclusion of interest on the Bonds from gross income, alternative minimum taxable income, state taxable income, or any combination from the date of issuance of the Bonds or any other date, or that such changes will not result in other adverse federal or state tax consequences.

ALL POTENTIAL PURCHASERS OF THE BONDS SHOULD CONSULT WITH THEIR TAX ADVISORS WITH RESPECT TO THE FEDERAL, STATE AND LOCAL TAX CONSEQUENCES (INCLUDING BUT NOT LIMITED TO THOSE LISTED ABOVE) OF THE OWNERSHIP OF THE BONDS.

STATEMENT OF LITIGATION

There is at present no single action pending or threatened against the Borough which would impose an undue financial burden on the Borough. In New Jersey's courts of general jurisdiction, unliquidated money damages are pleaded generally without specifying a dollar amount. The Borough is a party-defendant in certain law suits, none of a kind unusual for a municipality of its size, and none of which, in the opinion of the Borough Attorney, would adversely impair the Borough's ability to pay its bondholders. All of the Borough's tort actions are being defended by an insurance company as well as by the insurance underwriters. Pending municipal real estate appeals are limited in number and, based upon the Borough's prior experience in tax appeals, and assuming that such tax appeals are resolved adversely to the interest of the Borough, such resolution would not in any way endanger the Borough's ability to pay its bondholders.

LEGALITY FOR INVESTMENT

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

RATING

Moody's Investors Services, Inc. ("Moody's) has assigned a rating to the Bonds of "Aa2". An explanation of the significance of such rating may be obtained from Moody's at 7 World Trade Center at 250 Greenwich Street, New York, New York 10007. The Borough has furnished the rating agency with certain information and materials relating to the Bonds and the Borough. The rating is not a recommendation to buy, sell or hold the Bonds and there is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by Moody's if, in its judgement, circumstances so warrant. Any such downward revision or withdrawal of such rating by Moody's may have an adverse effect on the market price of the Bonds.

UNDERWRITING

_______________________________ (the "Underwriter") has agreed, subject to certain customary conditions to closing, to purchase all of the Bonds, if any such Bonds are purchased, at a price of $__________________. The Underwriter has purchased the Bonds in accordance with the Notice of Sale. The Bonds may be reoffered by the Underwriter to certain dealers and investment accounts at yields differing from the initial public offering yields set forth on the front cover page hereof, and the initial public offering yields of the Bonds may be changed from time to time by the Underwriter.

DOCUMENTS ACCOMPANYING DELIVERY OF THE BONDS

Absence of Litigation

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

Legal Matters

The legality of the Bonds will be subject to the final approving opinion of Gibbons P.C., New Jersey. Such opinion will be to the effect that the Bonds are valid and legally binding obligations of the Borough, and the Borough has the power and is obligated to levy *ad valorem* tax upon all the taxable property within the Borough for the payment of the Bonds and the interest thereon, without limitation as to rate or amount.

DOCUMENTS ACCOMPANYING DELIVERY OF THE BONDS (CONTINUED)

Certificates of Borough Officials

Upon the delivery of the Bonds, the original purchaser shall receive a certificate, in form satisfactory to Gibbons P.C. and signed by a proper official of the Borough, stating to the best knowledge of said official, that this Official Statement as of its date did not contain any untrue statement of a material fact, or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; and stating, to the best knowledge of said official, that there has been no material adverse change in the condition, financial or otherwise of the Borough from that set forth in or contemplated by this Official Statement. In addition, the original purchaser of the Bonds shall also receive certificates in the form satisfactory to Gibbons P.C. evidencing the proper execution and delivery of the Bonds and receipt of payment therefore, and a certificate dated as of the date of the delivery of the Bonds, and signed by the officers who signed the Bonds, stating that no litigation is then pending or, to the knowledge of such officers, threatened to restrain or enjoin the issuance or delivery of the Bonds or the levy or collection of taxes to pay the Bonds or the interest, thereon, or questioning the validity of the statutes or the proceedings under which the Bonds are issued, and that neither the corporate existence or boundaries of the Borough, nor the title of any of the said officers to the respective offices, is being contested.

MISCELLANEOUS

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

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

ADDITIONAL INFORMATION

Additional information may be obtained on request from the office of the Borough Clerk/Administrator, Borough Hall, 75 N. Martine Avenue, Fanwood, New Jersey 07023, telephone (908) 322-8236.

PREPARATION OF OFFICIAL STATEMENT

Suplee, Clooney & Company assisted in the preparation of information contained in this Official Statement and takes responsibility for the audited financial statements to the extent specified in the Independent Auditor's Report.

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

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

APPROVAL OF OFFICIAL STATEMENT

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

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

Borough of Fanwood

By: ____________________________
Eleanor McGovern
Borough Clerk/Administrator

By: ____________________________
Frederick J. Tomkins
Chief Financial Officer

Dated: August __, 2016

APPENDIX A

FINANCIAL SECTION

SUPLEE, CLOONEY & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
308 East Broad Street, Westfield, New Jersey 07090-2122
Telephone 908-789-9300 Fax 908-789-8535
E-mail info@scnco.com

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Members
of the Borough Council
Borough of Fanwood
County of Union
Fanwood, New Jersey 07023

Report on the Financial Statements

We have audited the accompanying balance sheets - regulatory basis of the various individual funds of the Borough of Fanwood, as of December 31, 2015 and 2014, the related statements of operations and changes in fund balance - regulatory basis for the years then ended, and the related notes to the financial statements, which collectively comprise the Borough's regulatory financial statements as listed in the table of contents

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these regulatory financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"), and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States Those standards and provisions 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 regulatory 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 Borough of Fanwood'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 Borough of Fanwood'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 regulatory 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 regulatory financial statements, the regulatory financial statements are prepared by the Borough of Fanwood on the basis of the financial reporting provisions prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of New Jersey.

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S Generally Accepted Accounting Principles" paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the various individual funds and of the Borough of Fanwood as of December 31, 2015 and 2014, or the results of its operations and changes in fund balance for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the regulatory financial statements referred to above present fairly, in all material respects, the regulatory basis balances sheets of the various individual funds as of December 31, 2015 and 2014, the regulatory basis statement of operations and changes in fund balance for the years then ended in accordance with the basis of financial reporting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 2, 2016 on our consideration of the Borough of Fanwood'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 Borough of Fanwood's internal control over financial reporting and compliance.

SUPLEE, CLOONEY & COMPANY
Certified Public Accountants

/s/ Robert B. Cagnassola
Robert B. Cagnassola, C.P.A., R.M.A.

May 2, 2016

BOROUGH OF FANWOOD

CURRENT FUND

BALANCE SHEETS - REGULATORY BASIS

A S S E T S		BALANCE DECEMBER 31, 2015		BALANCE DECEMBER 31, 2014
Cash	$	1,904,957.50	$	2,068,862.90
Cash - Change Funds		350.00		350.00
Due from State of New Jersey-Senior Citizens Deductions		8,535.85		5,644.75
State Aid Receivable		815,047.19		381,447.28
	$	2,728,890.54	$	2,456,304.93
Receivables With Full Reserves:				
Delinquent Property Taxes Receivable	$	162,169.64	$	208,858.68
Tax Title Liens Receivable		25,069.83		20,128.80
Property Acquired for Taxes-Assessed Valuation		12,279.00		12,279.00
Revenue Accounts Receivable		17,675.56		15,169.16
Sewer Charges Receivable				200.40
Interfunds Receivable		49,489.20		23,057.44
Prepaid Regional School Tax		87,060.27		87,059.77
	$	353,743.50	$	366,753.25
Deferred Charges:				
Emergency Appropriation 40A:4-53	$	22,000.00	$	33,000.00
Overexpenditure of Appropriation		36,383.09		36,383.09
Emergency Appropriation 40A:4-46		12,500.00		
Emergency Appropriation 40A:4-55				83,271.82
	$	70,883.09	$	152,654.91
	$	3,153,517.13	$	2,975,713.09

The accompanying Notes to the Financial Statements are an integral part of this statement.

BOROUGH OF FANWOOD

CURRENT FUND

BALANCE SHEETS - REGULATORY BASIS

		BALANCE DECEMBER 31, 2015		BALANCE DECEMBER 31, 2014
LIABILITIES, RESERVES AND FUND BALANCE				
Liabilities:				
Appropriation Reserves	$	332,047.57	$	269,904.94
Encumbrances Payable		616,838.06		409,094.24
Prepaid Taxes		66,228.78		123,805.41
Tax Overpayments		30,416.58		23,393.26
Interfunds Payable		63,693.21		8,643.26
County Taxes Payable		20,972.72		1,615.02
Emergency Note Payable				83,271.82
Reserve for:				
Due State of New Jersey:				
Marriage License Fees				50.00
State Training Fees		1,411.54		1,954.54
Burial Permits		35.00		35.00
Emergency Note				42,282.69
Tax Appeals				33,697.47
Library		4,905.76		4,905.76
Sale of Municipal Assets		125.00		125.00
Grants - Appropriated		540,601.21		374,693.80
Grants - Unappropriated		1,357.50		1,357.50
Lawsuit		74,003.65		25,000.00
Police Cars				42,582.50
Fire Fines and Penalties		25.00		25.00
Snow Removal		29,684.35		25,000.00
Salary Increases		5,000.00		5,000.00
	$	1,787,345.93	$	1,476,437.21
Reserve for Receivables and Other Assets		353,743.50		366,753.25
Fund Balance		1,012,427.70		1,132,522.63
	$	3,153,517.13	$	2,975,713.09

The accompanying Notes to the Financial Statements are an integral part of this statement.

BOROUGH OF FANWOOD

CURRENT FUND

STATEMENTS OF OPERATIONS AND
CHANGE IN FUND BALANCE - REGULATORY BASIS

		YEAR ENDED DECEMBER 31, 2015		YEAR ENDED DECEMBER 31, 2014
REVENUE AND OTHER INCOME				
Fund Balance Utilized	$	690,000.00	$	642,733.00
Miscellaneous Revenue Anticipated		3,144,334.10		2,606,354.07
Receipts From Delinquent Taxes		208,858.68		289,788.76
Receipts From Current Taxes		30,164,874.16		29,721,987.38
Non-Budget Revenue		44,681.02		96,971.41
Other Credits to Income:				
Unexpended Balance of Appropriation Reserves		130,463.67		93,060.44
Grants Canceled				13,529.51
Maintenance Lien				766.38
Tax Overpayments Canceled		297.14		12,551.35
TOTAL INCOME	$	34,383,508.77	$	33,477,742.30
EXPENDITURES				
Budget Appropriations:				
Operations Within "CAPS":				
Operating	$	6,374,350.70	$	6,291,375.99
Deferred Charges and Statutory Expenditures		832,832.65		705,808.74
Operations Excluded From "CAPS":				
Other Operations		1,520,143.15		1,129,477.64
Capital Improvement Fund		50,000.00		100,000.00
Deferred Charges		94,503.69		84,671.00
Municipal Debt Service		1,084,372.87		999,427.74
Regional School Tax		17,957,715.50		17,600,120.00
County Taxes		5,864,379.18		5,737,920.80
County Share of Added Taxes		19,357.70		8,703.40
Interfunds Advanced		26,431.76		6,663.89
Reserve for Tax Appeals				25,000.00
Refund of Prior Year Revenue		2,016.00		17,300.00
Senior Citizens and Veterans Adjustment				4,000.00
Prepaid School Tax		0.50		1.00
TOTAL EXPENDITURES	$	33,826,103.70	$	32,710,470.20
Excess in Revenue	$	557,405.07	$	767,272.10
Adjustment to Income Before Fund Balance:				
Expenditures Included above which are by Statute				
Deferred Charges to Budgets of Succeeding Years		12,500.00		36,383.09
Statutory Excess to Fund Balance	$	569,905.07	$	803,655.19
Fund Balance				
Balance, January 1		1,132,522.63		971,600.44
	$	1,702,427.70	$	1,775,255.63
Decreased by:				
Utilized as Anticipated Revenue		690,000.00		642,733.00
Balance, December 31	$	1,012,427.70	$	1,132,522.63

The accompanying Notes to the Financial Statements are an integral part of this statement.

BOROUGH OF FANWOOD

TRUST FUND

BALANCE SHEETS-REGULATORY BASIS

		BALANCE DECEMBER 31, 2015		BALANCE DECEMBER 31, 2014
A S S E T S				
Assessment Trust Fund:				
Assessment Liens	$	318.56	$	318.56
	$	318.56	$	318.56
Animal Control Trust Fund:				
Cash	$	1,673.88	$	9.86
Due Current Fund		5.39		5.39
	$	1,679.27	$	15.25
Other Trust Funds:				
Cash	$	922,397.46	$	744,994.34
Due County of Union - Community Development Block Grant		11,800.00		14,300.00
	$	934,197.46	$	759,294.34
	$	936,195.29	$	759,628.15
LIABILITIES, RESERVES AND FUND BALANCE				
Assessment Trust Fund:				
Due Current Fund	$	318.56	$	318.56
	$	318.56	$	318.56
Animal Control Trust Fund:				
Reserve for Animal Control Fund Expenditures	$	1,679.27	$	15.25
	$	1,679.27	$	15.25
Other Trust Funds:				
Due Current Fund	$	49,170.64	$	23,377.92
Reserve For:				
Unemployment Compensation Insurance		3,367.43		231.12
Community Development Block Grant		4,992.13		6,340.85
Builders Escrow		97,435.35		87,664.92
Zoning Escrow Trust		23,079.49		30,597.58
Redevelopers Escrow		6,035.84		5,896.45
Recreation Trust		63,446.73		71,987.94
Law Enforcement Trust		13,039.15		12,943.22
Developers Housing Escrow		79,609.93		43,217.05
Library Fund		51,311.89		57,950.33
In Lieu of Construction		40,796.81		40,489.60
Fanny Wood Trust				16,614.94
Tax Sale Premiums and Redemptions		293,200.00		143,317.62
Cell Tower Deposits		18,781.35		18,639.27
Payroll Deductions		28,937.35		34,393.43
Police Off-Duty Pay		74,662.73		37,159.63
PSEG Project		9,338.00		36,338.00
Miscellaneous Trust Deposits		76,992.64		92,134.47
	$	934,197.46	$	759,294.34
	$	936,195.29	$	759,628.15

The accompanying Notes to the Financial Statements are an integral part of this statement.

BOROUGH OF FANWOOD

GENERAL CAPITAL FUND

BALANCE SHEETS-REGULATORY BASIS

		BALANCE DECEMBER 31, 2015		BALANCE DECEMBER 31, 2014
A S S E T S				
Cash	$	1,499,961.50	$	1,406,195.32
Grants Receivable		247,807.58		186,557.58
Due Scotch Plains-Fanwood Board of Education		6,000.00		6,000.00
Due Current Fund		55,213.16		163.21
NJEIT Loan Proceeds Receivable		91,001.00		132,570.00
Deferred Charges to Future Taxation:				
Funded		8,350,199.93		9,007,433.27
Unfunded		7,331,905.00		7,323,484.70
	$	17,582,088.17	$	18,062,404.08
LIABILITIES, RESERVES AND FUND BALANCE				
General Serial Bonds	$	7,085,000.00	$	7,680,000.00
Bond Anticipation Note		5,693,793.00		4,870,000.00
NJEIT Loan Payable		1,265,199.93		1,327,433.27
Improvement Authorizations-Funded		453,143.51		512,456.68
Improvement Authorizations-Unfunded		1,688,344.89		2,674,834.18
Contracts Payable		1,085,648.33		835,706.04
Capital Improvement Fund		81,718.72		68,763.50
Reserve for Debt Service		220,180.50		83,409.12
Fund Balance		9,059.29		9,801.29
	$	17,582,088.17	$	18,062,404.08

The accompanying Notes to the Financial Statements are an integral part of this statement.

BOROUGH OF FANWOOD

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015 AND 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Borough of Fanwood is an instrumentality of the State of New Jersey, established to function as a municipality. The Borough Council consists of elected officials and is responsible for the fiscal control of the Borough.

Except as noted below, the financial statements of the Borough of Fanwood include every board, body, officer or commission supported and maintained wholly or in part by funds appropriated by the Borough of Fanwood, as required by N.J.S.A. 40A:5-5. Accordingly, the financial statements of the Borough of Fanwood do not include the operations of the regional school district, inasmuch as its activities are administered by a separate board.

B. Description of Funds

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. GASB codification establishes three fund types and two account groups to be used by general purpose governmental units when reporting financial position and results of operations in accordance with U.S. Generally Accepted Accounting Principles (GAAP).

The accounting policies of the Borough of Fanwood conform to the accounting principles applicable to municipalities which have been prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. Under this method of accounting, the financial transactions and accounts of the Borough of Fanwood are organized on the basis of funds and an account group which is different from the fund structure required by GAAP. A fund or account group is an accounting entity with a separate set of self-balancing accounts established to record the financial position and results of operation of a specific government activity. As required by the Division of Local Government Services, the Borough accounts for its financial transactions through the following individual funds and account groups:

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Description of Funds (Continued)

Current Fund - resources and expenditures for governmental operations of a general nature, including federal and state grant funds

Trust Fund - receipts, custodianship and disbursements of funds in accordance with the purpose for which each reserve was created

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

General Fixed Assets Account Group - utilized to account for property, land, buildings and equipment that have been acquired by other governmental funds

C. Basis of Accounting

The accounting principles and practices prescribed for municipalities by the State of New Jersey differ in certain respects from generally accepted accounting principles applicable to local governmental units. The more significant accounting polices and differences in the State of New Jersey are as follows:

A modified accrual basis of accounting is followed with minor exceptions.

Revenues - are recorded when received in cash except for certain amounts which are due from other governmental units. Operating grants are realized as revenue when anticipated in the Borough's budget. Receivables for property taxes are recorded with offsetting reserves on the balance sheet of the Borough's Current Fund; accordingly, such amounts are not recorded as revenue until collected. Other amounts that are due the Borough, which are susceptible to accrual, are also recorded as receivables with offsetting reserves and recorded as revenue when received. GAAP requires revenues to be recognized in the accounting period when they become susceptible to accrual, reduced by an allowance for doubtful accounts.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

Expenditures - are recorded on the "budgetary" basis of accounting. Generally expenditures are recorded when an amount is encumbered for goods or services through the issuances of a purchase order in conjunction with the Encumbrance Accounting System. Outstanding encumbrances, at December 31, are reported as a cash liability in the financial statements and constitute part of the Borough's statutory Appropriation Reserve balance. Appropriation reserves covering unexpended appropriation balances are automatically created at December 31st of each year and recorded as liabilities, except for amounts which may be canceled by the governing body. Appropriation reserves are available, until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred during the preceding fiscal year. Lapsed appropriation reserves are recorded as income. Appropriations for principal payments on outstanding general capital and utility bonds and notes are provided on the cash basis; interest on general capital indebtedness is on the cash basis, whereas interest on utility indebtedness is on the accrual basis.

Encumbrances - Contractual orders, at December 31, are reported as expenditures through the establishment of encumbrances payable. Under, GAAP, encumbrances outstanding at year end are reported as reservations of fund balance because they do not constitute expenditures or liabilities.

Foreclosed Property - 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 in the General Fixed Assets Account Group at its market value.

Sale of Municipal Assets - The proceeds from the sale of municipal assets can be held in a reserve until anticipated as a revenue in a future budget. GAAP requires such proceeds to be recorded as a revenue in the year of sale.

Interfunds - Interfunds 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

General Fixed Assets - N.J.A.C. 5:30-5.6, Accounting for Governmental Fixed Assets, as promulgated by the Division of Local Government Services, which differs in certain respects from generally accepted accounting principles, requires the inclusion of a statement of general fixed assets of the Borough as part of its basic financial statements. General fixed assets are defined as nonexpendable personal property having a physical existence, a useful life of more than one year and an acquisition cost of $1,000.00 or more per unit. Public domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings, such as roads, bridges, curbs and gutters, streets and sidewalks and drainage systems are not capitalized.

Property and equipment acquired by the Current and General Capital Funds are recorded as expenditures at the time of purchase and are not capitalized in their own respective funds.

The General Fixed Assets that have been acquired and that are utilized in the Current and General Capital Funds are instead accounted for in the General Fixed Asset Account Group. No depreciation has been provided on general fixed assets or reported in the financial statements.

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

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

Inventories of Supplies - The cost of inventories of supplies for all funds are recorded as expenditures at the time individual items are purchased. The cost of inventories is not included on the various balance sheets. GAAP requires the cost of inventories to be reported as a current asset and equally offset by a fund balance reserve.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

Accounting and Financial Reporting for Pensions - In June 2012, the Governmental Accounting Standards Board (GASB) approved Statement No. 68 Accounting and financial reporting for pensions administered by state and local government employers. This Statement improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local government employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirement of Statement No. 27, *Accounting for Pension by State and Local Governmental Employers,* as well as the requirements of Statement No. 50, *Pension Disclosures,* as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement. This statement is effective for periods beginning after June 15, 2014.

In November of 2013, GASB approved Statement 71, Pension Transition for Contributions made Subsequent to the Measurement Date-an amendment to GASB No. 68. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, Accounting and Financial Reporting for Pensions. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

Statement 68 requires a state or local government employer (or non-employer contributing entity in a special funding situation) to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. If a state or local government employer or non-employer contributing entity makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, Statement 68 requires that the government recognize its contribution as a deferred outflow of resources.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

Accounting and Financial Reporting for Pensions (Continued) - In addition, Statement 68 requires recognition of deferred outflows of resources and deferred inflows of resources for changes in the net pension liability of a state or local government employer or non-employer contributing entity that arise from other types of events.

At transition to Statement 68, if it is not practical for an employer or non-employer contributing entity to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, paragraph 137 of Statement 68 required that beginning balances for deferred outflows of resources and deferred inflows of resources not be reported. Consequently, if it is not practical to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, contributions made after the measurement date of the beginning net pension liability could not have been reported as deferred outflows of resources at transition. This could have resulted in a significant understatement of an employer or non-employer contributing entity's beginning net position and expense in the initial period of implementation.

This Statement amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

Under GAAP, municipalities are required to recognize the pension liability in Statements of Revenues, Expenses, Changes in Net Assets (balance sheets) and Notes to the Financial Statements in accordance with GASB 68. The liability required to be displayed by GASB 68 is displayed as a separate line item in the Unrestricted Net Assets area of the balance sheet.

New Jersey’s municipalities and counties do not follow GAAP accounting principles and, as such, do not follow GASB requirements with respect to recording the net pension liability as a liability on their balance sheets. However, N.J.A.C. 5:30 6.1(c)(2) requires municipalities to disclose GASB 68 information in the Notes to the Financial Statements. The disclosure must meet the requirements of GASB 68.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basic Financial Statements

The GASB codification also defines the financial statements of a governmental unit to be presented in the general purpose financial statements to be in accordance with GAAP. The Borough presents the financial statements listed in the table of contents of the "Requirements of Audit and Accounting Revision of 1987" as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey and which differ from the financial statements required by GAAP.

NOTE 2: CASH AND CASH EQUIVALENTS

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

A. Deposits

New Jersey statutes permit the deposit of public funds in institutions which are located in New Jersey and which meet the requirements for the Governmental Unit Deposit Protection Act (GUDPA) or the State of New Jersey Cash Management Fund. GUDPA requires a bank that accepts public funds to be a public depository. A public depository is defined as a state bank, a national bank, or a savings bank, which is located in the State of New Jersey, the deposits of which are insured by the Federal Deposit Insurance Corporation. The statutes also require public depositories to maintain collateral for deposits of public funds that exceed certain insurance limits. All collateral must be deposited with the Federal Reserve Bank or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than $25,000,000.00.

The Borough of Fanwood had the following cash and cash equivalents at December 31, 2015:

	Bank	Reconciling Items		Reconciled
Fund Type	Balance	Additions	Deletions	Balance
Current Fund	$ 1,877,542.69	$ 83,207.76	$ 55,792.95	$ 1,904,957.50
Animal Control Trust Fund	1,673.88			1,673.88
Trust Other Fund	931,051.21		8,653.75	922,397.46
General Capital Fund	1,612,906.01		112,944.51	1,499,961.50
Total December 31, 2015	$ 4,423,173.79	$ 83,207.76	$ 177,391.21	$ 4,328,990.34

NOTE 2: CASH AND CASH EQUIVALENTS

A. Deposits

Custodial Credit Risk - Deposits - Custodial credit risk is the risk that in the event of a bank failure, the deposits may not be returned. The Borough does not have a specific deposit policy for custodial credit risk other than those policies that adhere to the requirements of statute. As of December 31, 2015, based upon the coverage provided by FDIC and NJGUDPA, no amount of the bank balance was exposed to custodial credit risk. Of the cash on balance in the bank, $379,516.47 was covered by Federal Depository Insurance and $4,043,657.32 was covered under the provisions of NJGUDPA.

B. Investments

The purchase of investments by the Borough is strictly limited by the express authority of the New Jersey Local Fiscal Affairs Law, N.J.S.A. 40A:5-15.1. Permitted investments include any of the following types of securities:

1. Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;

2. Government money market mutual funds which are purchased from an investment company or investment trust which is registered with the Securities and Exchange Commission under the "Investment Company Act of 1940," 15 U.S.C. 80a-1 et seq., and operated in accordance with 17 C.F.R. § 270.2a-7 and which portfolio is limited to U.S. Government securities that meet the definition of an eligible security pursuant to 17 C.F.R. § 270.2a-7 and repurchase agreements that are collateralized by such U.S. Government securities in which direct investment may be made pursuant to paragraphs (1) and (3) of N.J.S.A. 5-15.1. These funds are also required to be rated by a nationally recognized statistical rating organization.

3. Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;

4. Bonds or other obligations of the Local Unit or bonds or other obligations of school districts of which the Local Unit is a part or within which the school district is located.

5. Bonds or other obligations, having a maturity date not more than 397 days from date of purchase, approved by the Division of Investment of the Dept. of Treasury for investment by Local Units;

NOTE 2: CASH AND CASH EQUIVALENTS (CONTINUED)

B. Investments

6. Local government investment pools that are fully invested in U.S. Government securities that meet the definition of eligible security pursuant to 17 C.F.R. § 270a-7 and repurchase agreements that are collateralized by such U.S. Government securities in which direct investment may be made pursuant to paragraphs (1) and (3) of N.J.S.A. 5-15.1. This type of investment is also required to be rated in the highest category by a nationally recognized statistical rating organization.

7. Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C. 52:18A-90.4); or

8. Agreements for the repurchase of fully collateralized securities if:

   a. the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this subsection;

   b. the custody of collateral is transferred to a third party;

   c. the maturity of the agreement is not more than 30 days;

   d. the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c.236 (C. 17:19-41); and

   e. a master repurchase agreement providing for the custody and security of collateral is executed.

The Borough of Fanwood had no investments outstanding as of December 31, 2015.

Based upon the limitations set forth by New Jersey Statutes 40A:5-15.1 and existing investment practices, the Borough is generally not exposed to credit risks, custodial credit risks, concentration of credit risks and interest rate risk for its investments nor is it exposed to foreign currency risk for its deposits and investments.

NOTE 3: MUNICIPAL DEBT

The Local Bond Law, Chapter 40A:2, governs the issuance of bonds to finance general municipal capital expenditures. All bonds are retired in annual installments within the statutory period of usefulness. All bonds issued by the Borough are general obligation bonds, backed by the full faith and credit of the Borough. Bond Anticipation Notes, which are issued to temporarily finance capital projects, shall mature and be paid off within ten years or financed by the issuance of bonds. A summary of bond and note transactions for the year ended December 31, 2015 are detailed on Exhibits “C-11” and “C-12”.

SUMMARY OF MUNICIPAL DEBT (EXCLUDING CURRENT OPERATING DEBT AND TYPE II SCHOOL DEBT)

	YEAR 2015	YEAR 2014	YEAR 2013
Issued:			
General:			
Bonds, Notes and Loans	$ 14,043,992.93	$ 13,877,433.27	$ 10,165,146.00
Net Debt Issued	14,043,992.93	13,877,433.27	10,165,146.00
Less: Cash on Hand to Pay Debt		150,000.00	
Less: Accounts Receivable	91,001.00	132,570.00	
Less: Reserve to Pay Bonds	220,180.50	83,409.12	62,164.12
	$ 13,732,811.43	$ 13,511,454.15	$ 10,102,981.88
Authorized But Not Issued			
General:			
Bonds and Notes	1,637,793.44	2,603,484.70	5,974,923.20
Assessment Trust:			
Bonds and Notes	318.56	318.56	318.56
Total Authorized But Not Issued	1,638,112.00	2,603,803.26	5,975,241.76
Net Bonds and Notes Issued and and Authorized But Not Issued	$ 15,370,923.43	$ 16,115,257.41	$ 16,078,223.64

NOTE 3: MUNICIPAL DEBT (CONTINUED)

SUMMARY OF STATUTORY DEBT CONDITION (ANNUAL DEBT STATEMENT)

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the Annual Debt Statement as amended and indicates a statutory net debt of 1.39%.

		GROSS DEBT		DEDUCTIONS		NET DEBT
Local School District Debt	$	$1,721,782.53	$	$1,721,782.53	$	-0-
General Debt		15,682,104.93		311,181.50		15,370,923.43
	$	$17,403,887.46	$	$2,032,964.03	$	15,370,923.43

NET DEBT $15,370,923.43 DIVIDED BY EQUALIZED VALUATION BASIS PER N.J.S.40A:2-2, AS AMENDED, $1,107,885,108.67 EQUALS 1.39%.

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

Equalized Valuation Basis* - December 31, 2015	$1,107,885,108.67
3-1/2 of Equalized Valuation Basis	38,775,978.80
Net Debt	15,370,923.43
Remaining Borrowing Power	$23,405,055.37

*Equalized Valuation Basis is the average of the equalized valuation of real estate, including improvements, and the assessed valuation of Class II Railroad Property of the Borough for the last three (3) preceding years.

NOTE 3: MUNICIPAL DEBT (CONTINUED)

LONG-TERM DEBT – ISSUED

General Serial Bonds:

	OUTSTANDING BALANCE DECEMBER 31, 2015
$2,690,000.00 2003 Bonds due in a remaining installment of $250,000.00 through December 2016 at an interest rate of 3.500%.	$250,000.00
$3,200,000.00 2008 Bonds due in annual remaining installments of $225,000.00 to $350,000.00 through July 2023 at interest rates between 4.250% and 4.400%.	2,475,000.00
$4,600,000.00 2013 Bonds due in annual remaining installments of $130,000.00 to $240,000.00 through August 2036 at interest rates between 3.125% and 4.500%.	4,360,000.00
	$7,085,000.00

Environmental Infrastructure Loans:

$350,000.00 2014 Loan due in annual remaining installments of $10,000.00 to $25,000.00 through August 2033 at interest rates between 3.00% and 5.00%.	$325,000.00
$1,027,255.50 2004 Interest Free Loan due in annual remaining installments of between $52,233.34 to $52,233.65 through August 2033	940,199.93
	$1,265,199.93

NOTE 3: MUNICIPAL DEBT (CONTINUED)

BONDS AND NOTES AUTHORIZED BUT NOT ISSUED

At December 31, 2015, the Borough has authorized but not issued bonds and notes as follows:

General Capital Fund	$1,637,793.44
Assessment Trust Fund	$ 318.56

BOND ANTICIPATION NOTE

	Interest Rate	Issue and Maturity Dates	Amount
General Capital Fund	1.00%	9/15/15 to 3/1/16	$5,693,793.00

SCHEDULE OF ANNUAL DEBT SERVICE FOR PRINCIPAL AND INTEREST FOR BONDED DEBT ISSUED AND OUTSTANDING AS OF DECEMBER 31, 2015

	GENERAL CAPITAL		
YEAR	PRINCIPAL	INTEREST	TOTAL
2016	$605,000.00	$281,543.75	$886,543.75
2017	465,000.00	259,168.75	724,168.75
2018	470,000.00	241,262.50	711,262.50
2019	470,000.00	222,987.50	692,987.50
2020	475,000.00	204,712.50	679,712.50
2021-2025	2,015,000.00	730,000.00	2,745,000.00
2026-2030	1,145,000.00	453,750.00	1,598,750.00
2031-2035	1,200,000.00	213,300.00	1,413,300.00
2036	240,000.00	10,800.00	250,800.00
	$7,085,000.00	$2,617,525.00	$9,702,525.00

NOTE 3: MUNICIPAL DEBT (CONTINUED)

SCHEDULE OF ANNUAL DEBT SERVICE FOR PRINCIPAL AND INTEREST
FOR ENVIRONMENTAL INFRASTRUCTURE LOAN DEBT ISSUED AND
OUTSTANDING AS OF DECEMBER 31, 2015

CALENDAR YEAR	TOTAL	TRUST LOAN PRINCIPAL	TRUST LOAN INTEREST	FUND LOAN PRINCIPAL
2016	$74,577.10	$10,000.00	$12,343.76	$52,233.34
2017	79,277.10	15,000.00	12,043.76	52,233.34
2018	78,527.10	15,000.00	11,293.76	52,233.34
2019	77,777.10	15,000.00	10,543.76	52,233.34
2020	77,027.10	15,000.00	9,793.76	52,233.34
2021-2024	305,608.40	65,000.00	31,675.04	208,933.36
2025-2029	384,135.50	100,000.00	22,968.80	261,166.70
2030-2033	306,326.95	90,000.00	7,393.78	208,933.17
	$1,383,256.35	$325,000.00	$118,056.42	$940,199.93

NOTE 4: FUND BALANCES APPROPRIATED

Fund Balance at December 31, 2015, which was appropriated and included as anticipated revenue in its own respective fund for the year ending December 31, 2016, was as follows:

Current Fund	$784,200.00

NOTE 5: PROPERTY TAXES

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied based on the final adoption of the current year municipal budget, and are payable in four installments on February 1, May 1, August 1 and November 1. The Borough bills and collects its own property taxes and also the taxes for the County and the Regional School District. The collections and remittance of county and school taxes are accounted for in the Current Fund. Borough property tax revenues are recognized when collected in cash and any receivables are recorded with offsetting reserves on the balance sheet of the Borough's Current Fund.

Taxes Collected in Advance - Taxes collected in advance and recorded as cash liabilities in the financial statements are as follows:

	BALANCE DECEMBER 31, 2015	BALANCE DECEMBER 31, 2014
Prepaid Taxes	$66,228.78	$123,805.41

NOTE 6: PENSION PLANS

Substantially all eligible employees participate in the Public Employees' Retirement System (PERS), or the Police, Firemen's Retirement System (PFRS) or the Defined Contribution Retirement System (DCRP), which have been established by state statute and are administered by the New Jersey Division of Pensions and Benefits. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees Retirement System, Police and Fireman's Retirement System and Consolidated Police and Firemen’s Pension Fund. These reports may be obtained by writing to the Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey, 08625 or are available online at www.nj.gov/treasury/pensions/annrprts.shtml.

NOTE 6: PENSION PLANS

Plan Descriptions

Public Employees' Retirement System *(PERS)* - The Public Employees' Retirement System (PERS) was established as of January 1, 1955, under the provisions of N.J.S.A. 43:15A, to provide retirement, death, disability and medical benefits to certain qualified members. The PERS is a cost-sharing multiple employer plan. Membership is mandatory for substantially, all full-time employees of the State of New Jersey or any county, municipality, school district or public agency, provided the employee is not required to be a member of another state-administered retirement system or other state pension fund or local jurisdiction's pension fund.

Police and Fireman's Retirement System (PFRS) - The Police and Fireman's Retirement System (PFRS) was established as of July 1, 1944, under the provisions of N.J.S.A. 43:16A. to provide retirement, death, and disability benefits to its members. The PFRS is a cost-sharing multiple-employer plan. Membership is mandatory for substantially, all full-time county and municipal police or firemen or officer employees with police powers appointed after June 30, 1944.

Defined Contribution Retirement Program (DCRP) - The Defined Contribution Retirement Program (DCRP) was established July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L 2007, and was expanded under the provisions of Chapter 89, P.L. 2009. The DCRP provides eligible employees and their beneficiaries with a tax-sheltered, defined contribution retirement benefit, along with life insurance coverage and disability coverage.

Vesting and Benefit Provisions

The vesting and benefit provisions for PERS are set by N.J.S.A. 43:15A and 43:36. All benefits vest after ten years of service. Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after achieving ten years of service credit, In which case, benefits would begin the first day of the month after the member attains normal retirement age.

The vesting and benefit provisions for PFRS are set by N.J.S.A. 43:16A and 43:36. All benefits vest after ten years of service, except for disability benefits, which vest after four years of service. Retirement benefits for age and service are available at age 55. Members may seek special retirement after achieving 25 years of creditable service or they may elect deferred retirement after achieving ten years of service.

NOTE 6: PENSION PLANS

Vesting and Benefit Provisions (Continued)

Newly elected or appointed officials that have an existing DCRP account, or are a member of another State-administered retirement system are immediately invested in the DCRP. For newly elected or appointed officials that do not qualify for immediate vesting in the DCRP. Employee and employer contributions are held during the initial year of membership. Upon commencing the second year of DCRP membership, the member is fully invested. However, if a member is not eligible to continue in the DCRP for a second year of membership, the member may apply for a refund of the employee contributions from the DCRP, while the employer contributions will revert back to the employer. Employees are required to contribute 5.5% of their base salary and employers contribute 3.0%.

Funding Policy

The contribution policy is set by New Jersey State Statutes and contributions are required by active members and contributing employers. Plan members and employer contributions may be amended by State of New Jersey legislation. During 2015 PERS provides for employee contributions of 7.06% of employees' annual compensation. Employers are required to contribute at an actuarially determined rate. The actuarially determined contribution includes funding for cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums.

The contribution policy for PFRS is set by N.J.S.A. 43: 16A and requires contributions by active members and contributing employers. Plan member and employer contributions *may* be amended by Slate of New Jersey legislation. Employers are required to contribute at an actuarially determined rate. The annual employer contribution includes funding for basic retirement allowances, cost-of-living adjustments and noncontributory death benefits. During 2015, members contributed at a uniform rate of 10.00% of base salary.

Certain portions of the costs are contributed by the employees. The Borough's share of pension costs, which is based upon the annual billings received from the State, amounted to $620,102.00 for 2015, $523,435.00 for 2014 and $596,016.00 for 2013.

Certain Borough employees are also covered by Federal Insurance Contribution Act.

Information as to the comparison of the actuarially computed value of vested benefits with the system's assets is not available from the State Retirement System and, therefore, is not presented.

NOTE 6: PENSION PLANS

Accounting and Financial Reporting for Pensions – GASB #68

The Governmental Accounting Standards Board (GASB) has issued Statement No. 68 "Accounting and Financial Reporting for Public Employees Pensions" and is effective for fiscal years beginning after June 15, 2014. This statement requires the State of New Jersey to calculate and allocate, for note disclosure purposes only, the unfunded net pension liability of Public Employees Retirement System (PERS) and the Police and Firemen's Retirement System (PFRS) of the participating municipality as of December 31, 2015. The statement does not alter the amounts of funds that must be budgeted for pension payments under existing state law.

Under accounting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, any unfunded net pension liability of the municipality, allocated by the State of New Jersey, is not required to be reported in the financial statements as presented and any pension contributions required to be paid are raised in that year's budget and no liability is accrued at December 31, 2015.

Public Employees Retirement System (PERS)

At June 30, 2015, the State reported a net pension liability of $5,058,354.00 for the Borough of Fanwood's proportionate share of the total net pension liability. The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014, which was rolled forward to June 30, 2015. The Borough's proportion of the net pension liability was based on a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2015, the Borough's proportion was 0.0225336552 percent, which was an increase of 0.0005569243 percent from its proportion measured as of June 30, 2014.

NOTE 6: PENSION PLANS (CONTINUED)

Accounting and Financial Reporting for Pensions - GASB 68 (Continued)

Public Employees Retirement System (PERS) (Continued)

For the year ended June 30, 2015, the State recognized an actuarially determined pension expense of $360,130.00 for the Borough of Fanwood's proportionate share of the total pension expense. The pension expense recognized in the Borough's financial statement based on the April 1, 2015 billing was $181,173.00.

At June 30, 2015, the State reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	Deferred Inflow of Resources	Deferred Outflow of Resources
Differences between expected and actual experience		$120,675.00
Changes of assumptions		543,227.00
Net difference between projected and actual earnings on pension plan investments	$81,329.00	
Changes in proportion and differences between borough contributions and proportionate share of contributions		113,929.00
	$81,329.00	$777,831.00

Other local amounts reported by the State as the Borough's proportionate share of deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in the State's actuarially calculated pension expense as follows:

Year Ended June 30	Amount
2016	$130,320.00
2017	$130,320.00
2018	$130,320.00
2019	$191,623.00
2020	$113,919.00

NOTE 6: PENSION PLANS (CONTINUED)

Accounting and Financial Reporting for Pensions - GASB 68 (Continued)

Public Employees Retirement System (PERS) (Continued)

Additional Information

Collective balances at June 30, 2015 and 2014 are as follows:

	6/30/2015	6/30/2014
Collective deferred outflows of resources	$5,086,138,484	$1,032,618,058
Collective deferred inflows of resources	478,031,236	1,726,631,532
Collective net pension liability - local	22,447,996,119	18,722,735,003
Borough's Proportion	0.0225336552%	0.0219767309%

Actuarial Assumptions

The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014, which rolled forward to June 30, 2015. The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of July 1, 2013. These actuarial valuations used the following assumptions:

	June 30, 2014	June 30, 2015
Inflation	3.01 Percent	3.04 Percent
Salary Increases (based on age)		
2012-2021	2.15-4.40 Percent	2.15-4.40 Percent
Thereafter	3.15-5.40 Percent	3.15-5.40 Percent
Investment Rate of Return	7.90 Percent	7.90 percent

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirement and beneficiaries of former members with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA. The RP-2000 Disabled Mortality Tables (setback 3 years for males and setback 1 year for females) are used to value disabled retirees.

NOTE 6: PENSION PLANS (CONTINUED)

Accounting and Financial Reporting for Pensions - GASB 68 (Continued)

Public Employees Retirement System (PERS) (Continued)

Actuarial Assumptions (Continued)

The actuarial assumptions used were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

Long-Term Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2014 and June 30, 2015 are summarized in the following table:

	June 30, 2015		June 30, 2014	
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
Cash	5.00%	1.04%	6.00%	0.80%
Core Bond			1.00%	2.49%
Intermediate Term Bonds			11.20%	2.26%
Mortgages	2.10%	1.62%	2.50%	2.17%
High Yield Bonds	2.00%	4.03%	5.50%	4.82%
Inflation Indexed Bonds	1.50%	3.25%	2.50%	3.51%
Broad U.S. Equities	27.25%	8.52%	25.90%	8.22%
Developed Foreign Markets	12.00%	6.88%	12.70%	8.12%
Emerging Market Equities	6.40%	10.00%	6.50%	9.91%
Private Equity	9.25%	12.41%	8.25%	13.02%
Hedge Funds/Absolute Returns	12.00%	4.72%	12.25%	4.92%
Real Estate (Property)	2.00%	6.83%	3.20%	5.80%
Commodities	1.00%	5.32%	2.50%	5.35%
U.S. Treasuries	1.75%	1.64%		
Investment Grade Credit	10.00%	1.79%		
Global Debt ex US	3.50%	(0.40)%		
REIT	4.25%	5.12%		
	100.00%		100.00%	

NOTE 6: PENSION PLANS (CONTINUED)

Accounting and Financial Reporting for Pensions - GASB 68 (Continued)

Public Employees Retirement System (PERS) (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 4.90% and 5.39% as of June 30, 2015 and 2014, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9%, and a municipal bond rate of 4.30% and 4.29% as of June 30, 2015 and 2014, respectively, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years of contributions made in relation to the last five years of recommended contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the collective net pension liability to changes in the discount rate.

The following presents the collective net pension liability of the participating employers as of June 30, 2015 respectively, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	June 30, 2015		
	1% Decrease 3.90%	At Current Discount Rate 4.90%	1% Increase 5.90%
Borough's proportionate share of the pension liability	$6,286,915.00	$5,058,354.00	$4,028,337.00

Pension plan fiduciary net position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued Financial Report for the State of New Jersey Public Employees Retirement System (PERS).

NOTE 6: PENSION PLANS (CONTINUED)

Accounting and Financial Reporting for Pensions - GASB 68 (Continued)

Police and Firemen's Retirement System (PFRS)

At June 30, 2015, the State reported a net pension liability of $9,299,954.00 for the Borough of Fanwood's proportionate share of the total PFRS net pension liability. The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014, which was rolled forward to June 30, 2015. The Borough's proportion of the net pension liability was based on a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2015, the Borough's proportion was 0.0558337367 percent, which was a increase of 0.0032615114 percent from its proportion measured as of June 30, 2014.

For the year ended June 30, 2015, the State recognized an actuarially determined pension expense of $1,085,910.00. The pension expense recognized in the Borough's financial statement based on the April 1, 2015 billing was $453,845.00.

At June 30, 2015, the State reported deferred outflows of resources and deferred inflows of resources related to PFRS from the following sources:

	Deferred Inflow of Resources	Deferred Outflow of Resources
Differences between expected and actual experience	$80,215.00	
Changes of assumptions		$1,717,003.00
Net difference between projected and actual earnings on pension plan investments	161,858.00	
Changes in proportion and differences between the borough's contributions and proportionate share of contributions		1,080,435.00
	$242,073.00	$2,797,438.00

NOTE 6: PENSION PLANS (CONTINUED)

Accounting and Financial Reporting for Pensions - GASB 68 (Continued)

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

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30	Amount
2016	$532,032.00
2017	$532,032.00
2018	$532,032.00
2019	$700,743.00
2020	$258,526.00

Additional Information

Collective balances at June 30, 2015 and 2014 are as follows

	6/30/2015	6/30/2014
Collective deferred outflows of resources	$3,527,123,787	$456,706,121
Collective deferred inflows of resources	466,113,435	1,283,652,103
Collective net pension liability - local	16,656,514,197	12,579,072,492
Borough's Proportion	0.0558337367%	0.0525722253%

NOTE 6: PENSION PLANS (CONTINUED)

Accounting and Financial Reporting for Pensions - GASB 68 (Continued)

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

Actuarial Assumptions

The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014, which rolled forward to June 30, 2015. The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of July 1, 2013. This actuarial valuation used the following assumptions:

Inflation	3.04 Percent	3.01 Percent
Salary Increases (based on age)		
2012-2021	2.60-9.48 Percent	3.95-8.62 Percent
Thereafter	3.60-10.48 Percent	4.95-9.62 Percent
Investment Rate of Return	7.90 Percent	7.90 Percent

Mortality rates used for the July 1, 2014 valuation were based on the RP-2000 Combined Healthy Mortality Tables projected one year using Projection Scale AA and one year using Projection Scale BB for male service retirements with adjustments for mortality improvements from the base year based on Projection Scale BB. Mortality rates were based on the RP-2000 Combined Healthy Mortality Tables projected fourteen years using Projection Scale BB for female service retirements and beneficiaries with adjustments for mortality improvements from the base year of 2014 based on Projection Scale BB.

Mortality rates used for the July 1, 2013 valuation were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback one year for females) with adjustments for mortality improvements from the base year of 2011 based on Projection Scale AA.

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2013

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2007 to June 30, 2010.

NOTE 6: PENSION PLANS (CONTINUED)

Accounting and Financial Reporting for Pensions - GASB 68 (Continued)

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

Actuarial Assumptions (Continued)

In accordance with State statute, the long-term expected rate of return on plan investments (7.90% at June 30, 2015) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PFRS's target asset allocation as of June 30, 2015 are summarized in the following table:

	June 30,2015		June 30,2014	
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
Cash	5.00%	1.04%	6.00%	0.80%
Core Bonds			1.00%	2.49%
Intermediate- Term Bonds			11.20%	2.26%
Mortgages	2.10%	1.62%	2.50%	2.17%
High Yield Bonds	2.00%	4.03%	5.50%	4.82%
Inflation-Indexed Bonds	1.50%	3.25%	2.50%	3.51%
Broad US Equities	27.25%	8.52%	25.90%	8.22%
Developed Foreign Equities	12.00%	6.88%	12.70%	8.12%
Emerging Market Equities	6.40%	10.00%	6.50%	9.91%
Private Equity	9.25%	12.41%	8.25%	13.02%
Hedge Funds Absolute Return	12.00%	4.72%	12.25%	4.92%
Real Estate (Property)	2.00%	6.83%	3.20%	5.80%
Commodities	1.00%	5.32%	2.50%	5.35%
Global Debt ex US	3.50%	(0.40)%		
REIT	4.25%	5.12%		
US Treasuries	1.75%	1.64%		
Investment Grade Credit	10.00%	1.79%		
	100.00%		100.00%	

NOTE 6: PENSION PLANS (CONTINUED)

Accounting and Financial Reporting for Pensions - GASB 68 (Continued)

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

Discount Rate

The discount rate used to measure the total pension liability was 5.79% and 6.32% as of June 30, 2015 and 2014, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.90%, and a municipal bond rate of 3.80% and 4.29% as of June 30, 2015 and 2014, respectively, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years of contributions made in relation to the last five years of recommended contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2045. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2045, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the collective net pension liability to changes in the discount rate.

The following presents the collective net pension liability of the participating employers as of June 30, 2015 respectively, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	June 30, 2015		
	1% Decrease 4.79%	At Current Discount Rate 5.79%	1% Increase 6.79%
Borough's proportionate share of the PFRS pension liability	$12,260,292.00	$9,299,954.00	$6,886,063.00

Pension plan fiduciary net position.

Detailed information about the pension plan's fiduciary net position is available in the separately issued Financial Report for the State of New Jersey Police and Firemen's Retirement System (PFRS).

NOTE 7: LITIGATION

The Borough Attorney's letter did not indicate any litigation, claims or contingent liabilities that are not covered by the Borough's insurance carrier or would have a material financial impact on the Borough.

NOTE 8: SCHOOL TAXES

Regional School Taxes have been raised and liabilities deferred by statute, resulting in the school taxes prepaid set forth in the Current Fund as follows:

	REGIONAL SCHOOL TAX	
	BALANCE DECEMBER 31, 2015	BALANCE DECEMBER 31, 2014
Balance of Tax	$8,926,816.73	$8,856,778.73
Deferred	9,013,877.00	8,943,838.50
Tax Payable(Prepaid)	($87,060.27)	($87,059.77)

NOTE 9: TERMINATION BENEFITS

Under existing contracts and policies of the Borough, employees, upon attaining retirement, accumulate benefits which may be taken as time off or paid in a lump sum. The accumulated cost of such unpaid termination compensation is not required to be reported in the financial statements as presented. The Borough has estimated its liability to be $139,154.34. The Borough annually appropriates the amounts that are required to be paid in that year's budget and no liability is accrued at December 31, 2015.

NOTE 10: CONTINGENT LIABILITIES

The Borough participates in several federal and state financial assistance grant programs. Entitlement to the funds is generally conditional upon compliance with terms and conditions of the grant agreements and applicable regulations, including the expenditure of funds for eligible purposes. These programs are subject to compliance and financial audits by the grantors or their representatives. As of December 31, 2015, the Borough does not believe that any material liabilities will result from such audits.

NOTE 11: RISK MANAGEMENT

The Borough is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Borough participates in a self insurance program through the Garden State Joint Insurance Fund covering each of those risks of loss. The Fund is operated in accordance with regulations of the New Jersey Department of Insurance and the Division of Local Government Services of the Department of Community Affairs. The Borough's contribution to the Fund for claim payments is based on actuarial assumption determined by the Fund's actuary. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Borough.

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

Year	Borough Contributions and Interest	Employee Contributions	Amount Reimbursed	Ending Balance
2015	$ 21.99	$ 5,149.46	$ 2,035.14	$ 3,366.53
2014	29.24	5,884.99	7,426.50	230.22
2013	31.21	5,002.67	5,544.20	1,743.39

NOTE 12: INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances remained on the balance sheet at December 31, 2015:

Fund	Interfund Receivable	Interfund Payable
Current Fund	$49,489.20	$63,693.21
Assessment Trust Fund		318.56
Animal Control Fund	5.39	
Trust Other Fund	68,258.81	117,429.45
General Capital Fund	55,213.16	
Net Payroll Account	8,474.66	
	$181,441.22	$181,441.22

All balances resulted from the time lag between the dates that payments between the funds are made.

NOTE 13: DEFERRED COMPENSATION PLAN

The Borough offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Borough employees, permits them to defer a portion of their salaries until future years. The Borough does not make any contribution to the plan. The deferred compensation is not available to employees until retirement, death, disability, termination or financial hardships.

In accordance with the requirements of the Small Business Job Protection Act of 1996 and the funding requirements of Internal Revenue Code Section 457(g), the Borough's Plan was amended to require that all amounts of compensation deferred under the Plan are held for the exclusive benefits of plan participants and beneficiaries. All assets and income under the Plan are held in trust, in annuity contracts or custodial accounts.

All assets of the plan are held by an independent administrator, the Lincoln National Life Insurance Company.

NOTE 14: LENGTH OF SERVICE AWARDS PROGRAM

During 2002, the Borough of Fanwood adopted an ordinance establishing a Length of Service Awards Program for the members of the Fanwood Volunteer Fire Department and the Fanwood Volunteer First Aid Squad pursuant to N.J.S.A. 40A:14-183 et seq.

Under this program, each volunteer that performs the minimum amount of service will have an annual amount of $600.00 deposited into a tax deferred income account that will earn interest for the volunteer. The cost will be budgeted annually in the budget of the Borough and is anticipated to be $30,756.00 per year. The accompanying financial statements do not include the Borough's Length of Service Awards Program's activities. The Borough's Length of Service Awards Program's financial statements are contained in a separate review report, as required by State regulations.

NOTE 15: GASB 45: OTHER POST-EMPLOYMENT BENEFITS

The Governmental Accounting Standards Board (GASB) has issued Statement No. 45, "Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pension." This statement requires the municipality to disclose in the notes to the financial statements the present value of the estimated future cost of the other post employment benefits (OPEB). OPEB obligations are non-pension benefits that the municipality has contractually or otherwise agreed to provide employees once they have retired and in most instances, will be for retirement health, prescription and dental insurance coverage.

Under current New Jersey budget and financial reporting requirements, the municipality is not required to fund any amounts in excess of their current costs on a pay-as-you-go basis or required to accrue funds, create a trust or issue debt to finance their other post-employment benefit liability. Additionally, the municipality is not required to recognize any long-term obligations resulting from OPEB on their balance sheets; however, OPEB obligations are required to be disclosed in the notes.

For employers with over 200 employees the valuations should be conducted at least every two years.

Plan Description. The Borough contributes to the State Health Benefits Program (SHBP) a cost-sharing, multiple-employer defined benefit postemployment healthcare plan administered by the State of New Jersey Division of Pensions and Benefits. SHBP was established in 1961 under N.J.S.A. 52:14-17.25 *et seq.* to provide health benefits to State employees, retirees, and their dependents. The SHBP was extended to employees, retirees, and dependents of participating local public employers in 1964. Local employers must adopt a resolution to participate in the SHBP. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. SHBP provides medical, prescription drugs, mental health/substance abuse, and Medicare Part B reimbursement to retirees and their covered dependents. The State Health Benefits Commission is the executive body established by statute to be responsible for the operation of the SHBP. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for the SHBP. That report may be obtained by writing to: State of New Jersey Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295 or by visiting their website at http://www.state.nj.us/treasury/pensions.

NOTE 15: GASB 45: OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Funding Policy. Contributions to pay for the health premiums of participating employees in the SHBP are billed to the Borough on a monthly basis. The Borough opted to defer the initial first two months payments which will only be payable upon the Borough opting out of the SHBP. A liability has been set up for the costs. Participating employers are contractually required to contribute based on the amount of premiums attributable to their retirees. In accordance with Chapter 62, P.L. 1994, post-retirement medical benefits have been funded on a pay-as-you-go basis since 1994. Prior to 1994, medical benefits were funded on an actuarial basis. The Borough's contributions to SHBP for the years ended December 31, 2015, 2014 and 2013 were $512,571.72, $450,846.63 and $436,067.04 respectively, which equaled the required contributions for each year.

NOTE 16: DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

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

	BALANCE DECEMBER 31, 2015	2016 BUDGET APPROPRIATION	BALANCE TO SUCCEEDING YEARS
Current Fund:			
Emergency Appropriations-40A:4-53	$22,000.00	$11,000.00	$11,000.00
Overexpenditure of Appropriations	36,383.09	36,383.09	
Emergency Appropriations-40A:4-46	12,500.00	12,500.00	
	$70,883.09	$59,883.09	$11,000.00

NOTE 17: TAX APPEALS

There are several tax appeals filed requesting a reduction of assessments for the year 2015. Any reduction in assessed valuation will result in a refund of prior years' taxes in the year of settlement, which may be funded from tax revenues through the establishment of a reserve or by the issuance of refunding bonds per N.J.S.A. 40A:2-51.

NOTE 18: SUBSEQUENT EVENT

The Borough has evaluated subsequent events occurring after the financial statement date through May 2, 2016 which is the date the financial statements were available to be issued. Based upon this evaluation, the Borough has determined that there are no subsequent events needed to be disclosed.

APPENDIX B

CONTINUING DISCLOSURE CERTIFICATE

CONTINUING DISCLOSURE CERTIFICATE

THIS CONTINUING DISCLOSURE CERTIFICATE is made as of September 1, 2016 by the Borough of Fanwood, New Jersey, a political subdivision duly organized under the laws of the State of New Jersey (the "Issuer").

W I T N E S S E T H:

WHEREAS, the Issuer is issuing its General Obligation Bonds, Series 2016, dated their date of delivery in the aggregate principal amount of $6,240,000 (the "Bonds") on the date hereof; and

WHEREAS, the Bonds are being issued pursuant to bond ordinances and a resolution adopted by the Issuer and a certificate signed by the Issuer on August __, 2016; and

WHEREAS, the Securities and Exchange Commission (the "SEC") pursuant to the Securities Exchange Act of 1934, as amended and supplemented (codified on the date hereof at 15 U.S.C. 77 et seq.) (the "Securities Exchange Act") has adopted amendments to its Rule 15c2-12 (codified at 17 C.F.R. § 240.15c2-12) ("Rule 15c2-12") effective July 3, 1995 which generally prohibit a broker, dealer, or municipal securities dealer from purchasing or selling municipal securities, such as the Bonds, unless such broker, dealer or municipal securities dealer has reasonably determined that an issuer of municipal securities or an obligated person has undertaken in a written agreement or contract for the benefit of holders of such securities to provide certain annual financial information and event notices to the Municipal Securities Rulemaking Board; and

WHEREAS, the Issuer represented in its Notice of Sale dated August __, 2016 (the "Notice of Sale") that it would deliver on the closing date for the Bonds a "Continuing Disclosure Certificate" pursuant to which the Issuer will agree to provide certain financial and operating data, and timely notice of certain enumerated events required to be disclosed on a continual basis pursuant to Rule 15c2-12; and

WHEREAS, on August __, 2016, the Issuer accepted the bid of ___________________, on behalf of itself and each of the original underwriters for the Bonds (each, a "Participating Underwriter") for the purchase of the Bonds; and

WHEREAS, the execution and delivery of this Certificate has been duly authorized by the Issuer and all conditions, acts and things necessary and required to exist, to have happened, or to have been performed precedent to and in the execution and delivery of this Certificate, do exist, have happened and have been performed in regular form, time and manner; and

WHEREAS, the Issuer is executing this Certificate for the benefit of the Holders of the Bonds.

NOW, THEREFORE, for and in consideration of the premises and of the mutual representations, covenants and agreements herein set forth, the Issuer, its successors and assigns, do mutually promise, covenant and agree as follows:

ARTICLE I
DEFINITIONS

Section 1.1 Terms Defined in Recitals. The following terms shall have the meanings set forth in the recitals hereto:

Bonds	Rule 15c2-12
Issuer	SEC
Notice of Sale	Securities Exchange Act
Participating Underwriter	

Section 1.2 Additional Definitions. The following additional terms shall have the meanings specified below:

"Annual Report" means Financial Statements and Operating Data provided at least annually.

"Bondholder" or "holder" or any similar term, when used with reference to a Bond or Bonds, means any person who shall be the registered owner of any outstanding Bond, including holders of beneficial interests in the Bonds.

"Business Day" means any day other than (a) a Saturday or Sunday, (b) a day on which commercial banks in New York, New York or in Newark, New Jersey are authorized or required by law to close or (c) a day on which the New York Stock Exchange is closed.

"Disclosure Event" means any event described in subsection 2.1(d) of this Certificate.

"Disclosure Event Notice" means the notice to the MSRB as provided in subsection 2.4(a).

"Disclosure Representative" means the Chief Financial Officer of the Issuer or his or her designee, or such other officer or employee as the Issuer shall designate from time to time.

"Dissemination Agent" means an entity acting in such capacity under this Certificate or any other successor entity designated in writing by the Issuer and which has filed a written acceptance of such designation.

"Final Official Statement" means the final Official Statement of the Issuer dated August __, 2016 pertaining to the Bonds.

“Financial Statements” means the audited financial statements of the Issuer for each Fiscal Year and includes balance sheets, statements of changes in fund balances and statements of current funds, revenues, expenditures and other charges or statements which convey similar information.

“Fiscal Year” means the fiscal year of the Issuer. As of the date of this Certificate, the Fiscal Year of the Issuer begins on January 1 and closes on December 31 of each calendar year.

“GAAS” means generally accepted auditing standards as in effect from time to time, consistently applied.

“MSRB” means the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at *http://emma.msrb.org*.

“Operating Data” means the financial and statistical information of the Issuer of the type included in the Final Official Statement under the heading “Financial Information.”

“State” means the State of New Jersey.

Section 1.3 Interpretation. Words of masculine gender include correlative words of the feminine and neuter genders. Unless the context shall otherwise indicate, words importing the singular include the plural and vice versa, and words importing persons include corporations, associations, partnerships (including limited partnerships), trusts, firms and other legal entities, including public bodies, as well as natural persons. Articles and Sections referred to by number mean the corresponding Articles and Sections of this Certificate. The terms “hereby”, “hereof”, “hereto”, “herein”, “hereunder” and any similar terms as used in this Certificate, refer to this Certificate as a whole unless otherwise expressly stated.

As the context shall require, the disjunctive term “or” shall be interpreted conjunctively as required to insure that the Issuer performs any obligations, mentioned in the passage in which such term appears.

The headings of this Certificate are for convenience only and shall not defined or limit the provisions hereof.

ARTICLE II
CONTINUING DISCLOSURE COVENANTS AND REPRESENTATIONS

Section 2.1 Continuing Disclosure Covenants of the Issuer. The Issuer agrees that it will provide, or shall cause the Dissemination Agent to provide:

(a) Not later than October 1 of each Fiscal Year, commencing with the Fiscal Year of the Issuer ending December 31, 2016, an Annual Report to the MSRB; Notwithstanding the foregoing, if the fiscal year is not a calendar year then the Issuer shall provide the Annual Report by not later than the first day of the tenth month of each fiscal year;

(b) Not later than fifteen (15) days prior to the date of each year specified in subsection 2.1(a), a copy of the Annual Report to the Dissemination Agent, if the Issuer has appointed or engaged a Dissemination Agent;

(c) If audited Financial Statements are not submitted as part of the filing as set forth in subsection 2.1(a), the Issuer will submit unaudited financial statements with such filing, and will subsequently submit audited Financial Statements when and if available, to the MSRB;

(d) In a timely manner not in excess of ten business days following the occurrence of any of the Disclosure Events (hereinafter defined), to the MSRB, notice of any of the following events with respect to the Bonds (each, a "Disclosure Event");

(i) principal and interest delinquencies;

(ii) non-payment related defaults, if material;

(iii) unscheduled draws on debt service reserves reflecting financial difficulties;

(iv) unscheduled draws on credit enhancements reflecting financial difficulties;

(v) substitution of credit or liquidity providers, or their failure to perform;

(vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;

(vii) modifications to rights of Bondholders; if material;

(viii) Bond calls, if material, and tender offers;

(ix) defeasances;

(x) release, substitution, or sale of property securing repayment of the Bonds, if material;

(xi) rating changes;

(xii) bankruptcy, insolvency, receivership or similar event of the Issuer;

(xiii) the consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, 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

(xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material.

(e) In a timely manner, to the MSRB, notice of a failure by the Issuer to provide the Annual Report within the period described in subsection 2.1(a) hereof.

Section 2.2 Continuing Disclosure Representations. The Issuer represents and warrants that:

(a) Financial Statements shall be prepared according to principles prescribed by the Division of Local Government Services in the Department of Community Affairs of the State of New Jersey Pursuant to Chapter 5 of Title 40 of the New Jersey Statutes as in effect from time to time.

(b) Financial Statements prepared annually shall be audited in accordance with GAAS.

Section 2.3 Form of Annual Report.

(a) The Annual Report may be submitted as a single document or as separate documents comprising a package.

(b) Any or all of the items which must be included in the Annual Report may be incorporated by reference from other documents, including official statements of the Issuer or related public entities which have been submitted the MSRB or filed with the SEC. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The Issuer shall clearly identify each such other document so incorporated by reference.

(c) The audited Financial Statements of the Issuer, if any, may be submitted separately from the balance of the Annual Report.

Section 2.4 Responsibilities, Duties, Immunities and Liabilities of the Dissemination Agent.

(a) If the Issuer or the Dissemination Agent (if one has been appointed or engaged by the Issuer) has determined it necessary to report the occurrence of a Disclosure Event, the Issuer or Dissemination Agent (if one has been appointed or engaged by the Issuer) shall file a notice of such occurrence with the MSRB (the "Disclosure Event Notice") in the form provided by the Issuer.

(b) The Issuer and/or the Dissemination Agent (if one has been appointed or engaged by the Issuer) shall file a written report with the Issuer certifying that the Annual Report has been provided pursuant to this Certificate and stating the date it was provided.

Section 2.5 Appointment, Removal and Resignation of the Dissemination Agent.

(a) The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. If at any time there is not any other designated Dissemination Agent, the Issuer shall be the Dissemination Agent.

(b) The Dissemination Agent shall have only such duties as are specifically set forth in this Certificate, and the Issuer agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents harmless against any loss, expense and liability which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the Issuer under this subsection shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

(c) The Dissemination Agent, or any successor thereto, may at any time resign and be discharged of its duties and obligations hereunder by giving not less than thirty (30) days written notice to the Issuer. Such resignation shall take effect on the date specified in such notice.

ARTICLE III
DISCLOSURE DEFAULT AND REMEDIES

Section 3.1 Disclosure Default. The occurrence and continuation of a failure or refusal by the Issuer to observe, perform or comply with any covenant, condition or agreement on its part to be observed or performed in this Certificate and such failure or refusal shall remain uncured for a period of thirty (30) days shall constitute a Disclosure Default hereunder.

Section 3.2 Remedies on Default.

(a) Any Bondholder, for the equal benefit and protection of all Bondholders similarly situated, may take whatever action at law or in equity against the Issuer and of the officers, agents and employees of the Issuer which is necessary or desirable to enforce the specific performance and observance of any obligation, agreement or covenant of the Issuer under this Certificate and may compel the Issuer or any such officers, agents, or employees, except of the Dissemination Agent, to perform and carry out their duties under this Certificate; provided, that no person or entity shall be entitled to recover monetary damages hereunder under any circumstances.

(b) In case any Bondholder shall have proceeded to enforce its rights under this Certificate and such proceedings shall have been discontinued or abandoned for any reason or shall have been determined adversely to any Bondholder, then and in every such case the Issuer and any Bondholder shall be restored respectively to their several positions and rights hereunder, and all rights, remedies and powers of the Issuer and any Bondholder shall continue as though no such proceeding had been taken.

(c) A default under this Certificate shall not be deemed a default under the Bonds, and the sole remedy under this Certificate in the event of any failure or refusal by the Issuer to comply with this Certificate shall be as set forth in subsection 3.2(a) of this Certificate.

ARTICLE IV
MISCELLANEOUS

Section 4.1 Purposes of the Continuing Disclosure Certificate. This Certificate is being executed and delivered by the Issuer for the benefit of the Bondholders and in order to assist the Participating Underwriters in complying with clause (b)(5) of Rule 15c2-12.

Section 4.2 Additional Information. Nothing in this Certificate shall be deemed to prevent the Issuer from (a) disseminating any other information, using the means of dissemination set forth in this Certificate or any other means of communication, or (b) including any other information in any Annual Report or any Disclosure Event Notice, in addition to that which is required by this Certificate. If the Issuer chooses to include information in any Annual Report or any Disclosure Event Notice in addition to that which is specifically required by this Certificate, the Issuer shall have no obligation under this Certificate, the Issuer shall have no obligation under this Certificate to update such information or include it in any future Annual Report or any future Disclosure Event Notice.

Section 4.3 Notices. All notices required to be given or authorized shall be in writing and shall be sent by registered or certified mail to the Issuer, Municipal Building, 75 North Martine Avenue, Fanwood, New Jersey 07023 Attention: Borough Clerk.

Section 4.4 Severability. If any provision of this Certificate shall be held or deemed to be or shall, in fact, be illegal, inoperative or unenforceable, the same shall not affect any other provision or provisions herein contained or render the same invalid, inoperative or unenforceable to any extent whatever.

Section 4.5 Amendments, Changes and Modifications.

(a) Without the consent of any Bondholders, the Issuer at any time and from time to time may enter into any amendments or modifications to this Certificate for any of the following purposes:

(i) to add to covenants and agreements of the Issuer hereunder for the benefit of the Bondholders, or to surrender any right or power conferred upon the Issuer by this Certificate;

(ii) to modify the contents, presentation and format of the Annual Report from time to time to conform to changes in accounting or disclosure principles or practices and legal requirements followed by or applicable to the Issuer or to reflect changes in the identity, nature or status of the Issuer or in the business, structure or operations of the Issuer or any mergers, consolidations, acquisitions or dispositions made by or affecting the Issuer; provided that any such modification shall comply with the requirements of Rule 15c2-12 as then in effect at the time of such modification; or

(iii) to cure any ambiguity, to correct or supplement any provision hereof which may be inconsistent with any other provision hereof, or to include any other provisions with respect to matters or questions arising under this Certificate which, in each case, comply with Rule 15c2-12 as then in effect at the time of such modification.

provided, that prior to approving any such amendment or modification, the Issuer determines that such amendment or modifications does not adversely affect the interests of the Holders of the Bonds in any material respect.

(b) Upon entering into any amendment or modification required or permitted by this Certificate, the Issuer shall deliver, or cause the dissemination Agent to deliver, to the MSRB written notice of any such amendment or modification.

(c) The Issuer shall be entitled to rely exclusively upon an opinion of counsel nationally recognized as expert in federal securities law acceptable to the Issuer to the effect that such amendments or modifications comply with the conditions and provisions of this Section 4.5.

Section 4.6 Amendments Required by Rule 15c2-12. The Issuer recognizes that the provisions of this Certificate are intended to enable the participating Underwriters to comply with Rule 15c2-12. If, as a result of a change in Rule 15c2-12 or in the interpretation thereof, a change in this Certificate shall be permitted or necessary to assure continued compliance with Rule 15c2-12 and upon delivery by any Participating Underwriter of an opinion of counsel nationally recognized as expert in federal securities law acceptable to the Issuer to the effect that such amendment shall be permitted or necessary to assure continued compliance by the Participating Underwriter with Rule 15c2-12 as so amended or interpreted, then the Issuer shall amend this Certificate to comply with and be bound by any such amendment to this Certificate to the extent necessary or desirable to assure compliance with the provisions of Rule 15c2-12 and provide the written notice of such amendment as required by subsection 4.5(b) hereof.

Section 4.7 Governing Law. This Certificate shall be governed exclusively by and construed in accordance with the applicable laws of the State of New Jersey.

Section 4.8 Termination of Issuer's Continuing Disclosure Obligations. The continuing obligation of the Issuer under Section 2.1 hereof to provide the Annual Report and any Disclosure Event Notice and to comply with the other requirements of said Section shall terminate if and when either (a) the Bonds are no longer outstanding or (b) the Issuer no longer remains an "obligated person" (as defined in Rule 15c2-12(f)(10) with respect to the Bonds in either event, only after the Issuer delivers, or causes the Dissemination Agent to deliver, to the MSRB written notice to such effect. This Certificate shall be in full force and effect from the date hereof and shall continue in effect so long as any Bonds are Outstanding.

Section 4.9 Binding Effect. This Certificate shall inure to the benefit of and shall be binding upon the Issuer and its successors and assigns.

IN WITNESS WHEREOF, THE BOROUGH OF FANWOOD, NEW JERSEY has caused this Certificate to be executed in its name and its corporate seal to be hereunto affixed and attested by its duly authorized officers, all as of the date first above written.

[SEAL] **BOROUGH OF FANWOOD, NEW JERSEY**

ATTEST: **By:______________________________________**

Frederick J. Tomkins, Chief Financial Officer

APPENDIX C

NOTICE OF SALE

BOROUGH OF FANWOOD,
IN THE COUNTY OF UNION,
NEW JERSEY

NOTICE OF SALE OF
$6,240,000
GENERAL OBLIGATION BONDS, SERIES 2016
(BOOK-ENTRY BONDS) (CALLABLE) (BANK-QUALIFIED)

ELECTRONIC PROPOSALS (the "Proposals"), via BiDCOMP/PARITY Competitive Bidding System ("PARITY") only, will be received by the Chief Financial Officer of the Borough of Fanwood in the County of Union, New Jersey (the "Borough"), on August 24, 2016 until 11:00 a.m., New York City time, at which time they will be announced, for the purchase of all, but not less than all, of the Borough's General Obligation Bonds, Series 2016 (the "Bonds"). Bidders are required to submit their Proposal for the purchase of the Bonds in accordance with the terms of the Notice of Sale.

Principal Amortization

Principal of the Bonds will be paid annually, subject to prior optional redemption, on the fifteenth day of July in the following years and in the following aggregate amounts:

Year	**Principal Amount**	**Year**	**Principal Amount**
2017	$250,000	2026	$410,000
2018	250,000	2027	425,000
2019	250,000	2028	425,000
2020	250,000	2029	430,000
2021	250,000	2030	435,000
2022	250,000	2031	475,000
2023	250,000	2032	500,000
2024	440,000	2033	500,000
2025	450,000		

Interest Payment Dates

The Bonds will be dated the date of delivery (which is expected to be September 14, 2016) and will bear interest at the rate per annum specified by the successful bidder therefor in accordance herewith, payable on January 15, 2017 and semi-annually thereafter on the fifteenth day of July and January in each year until maturity or prior optional redemption. Interest on the Bonds shall be calculated on the basis of a 360-day year of twelve 30-day calendar months.

Optional Redemption Provisions

The Bonds maturing on or prior to July 15, 2026 shall not be subject to redemption prior to their respective maturity dates. The Bonds maturing on or after July 15, 2027 shall be subject to redemption prior to their respective maturity dates, on or after July 15, 2026 at the option of the Borough, either in whole or in part at any time in any order of maturity at one hundred percent (100%) of the principal amount of the Bonds being redeemed (the "Redemption Price"), plus in each case accrued interest thereon to the date fixed for redemption.

Notice of Redemption shall be given by mailing by first class mail in a sealed envelope with postage prepaid to the registered owners of such Bonds at their respective addresses as they last appear on the registration books kept for that purpose by the Borough, at least thirty (30) but not more than sixty (60) days before the date fixed for redemption. However, so long as DTC (or any successor thereto) acts as Securities Depository for the Bonds, Notices of Redemption shall be sent to such depository and shall not be sent to the beneficial owners of the Bonds, and will be done in accordance with DTC procedures. Any failure of such depository to advise any of its participants or any failure of any participant to notify any beneficial owner of any Notice of Redemption shall not affect the validity of the redemption proceedings. If the Borough determines to redeem a portion of the Bonds of a maturity, such Bonds shall be selected by lot. If Notice of Redemption has been given as described herein, the Bonds, or the portion thereof called for redemption, shall be due and payable on the date fixed for redemption at the Redemption Price, together with accrued interest to the date fixed for redemption. Payment shall be made upon surrender of the Bonds redeemed.

Book-Entry-Only System

As long as DTC or its nominee, Cede & Co., is the registered owner of the Bonds, payments of the principal of and interest on the Bonds will be made directly to Cede & Co., as nominee of DTC, which will credit payments of principal of and interest on the Bonds to the DTC participants as listed in the records of DTC as of each next preceding January 1 and July 1, respectively (the "Record Dates" for payment of interest on the Bonds), which participants will in turn credit such payments to the beneficial owners of the Bonds.

All bidders of the Bonds must be participants of The Depository Trust Company, New York, New York ("DTC") or affiliated with its participants. The Bonds will be issued in fully registered form, and when issued will be registered in the name of and held by Cede & Co., as the registered owner thereof and nominee for DTC, an automated depository for securities and clearinghouse for securities transactions.

Individual purchases of beneficial ownership interests in the Bonds will be made in book-entry form (without certificates) in the denomination of $5,000 each or integral multiples thereof. It shall be the obligation of the successful bidder to furnish to DTC an underwriter's questionnaire and the denomination of the Bonds not less than seventy-two (72) hours prior to the delivery of the Bonds.

In the event that either DTC determines not to continue to act as securities depository for the Bonds or the Borough determines that the beneficial owners of the Bonds be able to obtain bond certificates, the Borough will appoint a paying agent and will issue and deliver replacement Bonds in the form of fully registered certificates.

Electronic Bidding Procedures

Bids may be submitted electronically via PARITY in accordance with this Notice of Sale, until 11:00 a.m., New York City time, on August 24, 2016, but no bid will be received after the time for receiving bids specified above. To the extent any instructions or directions set forth in PARITY conflict with this Notice of Sale, the terms of this Notice of Sale shall control. For further information about PARITY, potential bidders may contact PARITY at (212) 849-5021. In the event that a bid for the Bonds is submitted via PARITY, the bidder further agrees that:

1. The Borough may regard the electronic transmission of the bid through PARITY (including information about the purchase price of the Bonds, the interest rate or rates to be borne by the various maturities of the Bonds, the initial public offering price of each maturity and any other information included in such transmission) as though the same information were submitted directly to the Borough and executed by a duly authorized signatory of the bidder. If a bid submitted electronically by PARITY is accepted by the Borough, the terms of the Proposal for Bonds and this Notice of Sale and the information that is electronically transmitted through PARITY shall form a contract, and the successful bidder shall be bound by the terms of such contract.

2. PARITY is not an agent of the Borough, and the Borough shall have no liability whatsoever based on any bidder's use of PARITY, including but not limited to any failure by PARITY to correctly or timely transmit information provided by the Borough or information provided by the bidder.

3. The Borough may choose to discontinue use of electronic bidding via PARITY by issuing a notification to such effect via TM3 News Services, or by other available means, no later than 3:00 p.m. (New York City Time) on the last business date prior to the bid date set forth above.

4. Once the bids are communicated electronically via PARITY to the Borough as described above, each bid will constitute a Proposal for Bonds and shall be deemed to be an irrevocable offer to purchase the Bonds on the terms provided in this Notice of Sale. For purposes of submitting all Proposal for Bonds, whether by hand delivery or electronically via Parity, the time as maintained on PARITY shall constitute the official time.

5. Each bidder choosing to bid electronically shall be solely responsible to make necessary arrangements to access PARITY for purposes of submitting its bid in a timely manner and in compliance with the requirements of this Notice of Sale. Neither the Borough nor Parity shall have any duty or obligation to undertake such registration to bid for any prospective bidder or to provide or assure access to any qualified prospective bidder, and neither the Borough nor

Parity shall be responsible for the proper operation of, or have any liability for any delays or interruptions of, or any damages caused by PARITY. The Borough is using PARITY as a communication mechanism, and not as the Borough's agent, to conduct the electronic bidding for the Bonds. By using PARITY, each bidder agrees to hold the Borough harmless for any harm or damages caused to such bidder in connection with its use of PARITY for bidding on the Bonds.

Bid Specifications

Each Proposal submitted must name the rate or rates of interest per annum to be borne by the Bonds bid for and the rate or rates named must be multiples of one-eighth or one-twentieth of one per centum. Not more than one rate may be named for Bonds of the same maturity. There is no limitation on the rates that may be named. The difference between the highest and lowest rates of interest named in the Proposal shall not exceed three percent (3%). Each Proposal submitted must be for all of the Bonds and the purchase price specified in the proposal must be not less than 100% of the aggregate par value of the Bonds or for more than 102% of the aggregate par value of the Bonds.

Award, Delivery And Payment

The Bonds will be awarded to the bidder on whose bid the total loan may be made at the lowest true interest cost. Such true interest cost shall be computed, as to each bid, by doubling the semiannual interest rate (compounded semiannually) necessary to discount the debt service payments from the payment dates to the date of the Bonds and the price bid, excluding accrued interest to the delivery date. No Proposal shall be considered that offers to pay an amount less than the principal amount of Bonds offered for sale or under which the total loan is made at an interest cost higher than the lowest true interest cost to the Borough under any legally acceptable proposal. If two or more such bidders offer to pay the lowest true interest cost, then the Bonds will be sold to one of such bidders selected by lot from among all such bidders. The bidder to which the Bonds are awarded (in the manner specified above) is herein referred to as the "Successful Bidder."

It is expected that delivery of the Bonds to DTC and payment for the Bonds will take place on or about, September 14, 2016 at the offices of Gibbons P.C., bond counsel to the Borough ("Bond Counsel"), in Newark, New Jersey or at such other place as may be agreed upon with the Successful Bidder. The Bonds will be delivered to DTC in single denominations for each maturity of each type of bond. PAYMENT FOR THE BONDS AT THE TIME OF ORIGINAL ISSUANCE AND DELIVERY SHALL BE IN IMMEDIATELY AVAILABLE FUNDS.

Change of Bid Date and Closing Date

The Borough reserves the right to postpone, from time to time, the date established for the receipt of bids and will undertake to notify registered prospective bidders via notification published on Thomson Municipal Market Monitor ("TM3") (www.tm3.com). Prospective bidders may request notification by facsimile transmission of any such changes in the date or time for the receipt of bids by so advising, and furnishing their telecopier numbers to the Chief

Financial Officer of the Borough at (908) 322-8236, by 12:00 Noon, New York City time, on the day prior to the announced date for receipt of bids. In addition, the Borough reserves the right to make changes to this Notice of Sale. Such changes will be announced on the TM3.

A postponement of the bid date will be announced via TM3 not later than 11:00 a.m., New York City time, on the last business day prior to any announced date for receipt of bids, and an alternative sale date and time will be announced via TM3 by Noon, New York City time, not less than forty-eight (48) hours prior to such alternative date for receipt of bids.

On any such alternative date and time for receipt of bids, the Borough will accept electronic bids for the purchase of the Bonds, such bids to conform in all respects to the provisions of this Notice of Sale, except for the changes in the date and time for receipt of bids and any other changes announced via TM3 at the time the date and time for receipt of bids are announced.

Right To Reject Bids; Waive Irregularities

The right is reserved to reject all bids, and any bid not complying with the terms of this Notice of Sale will be rejected. The Borough reserves the right to reject any or all Proposals and so far as permitted by law, to waive any irregularity or informality in any or all Proposals.

Good Faith Deposit

A good faith deposit (the "Deposit"), in the form of an electronic transfer of immediately available federal funds in accordance with the wiring instructions contained in the immediately succeeding paragraph, in the amount of $124,800 is required for each bid for the Bonds to be considered. A bidder shall transmit such funds to the following:

Unity Bank, Scotch Plains, New Jersey
ABA No.: 021210057
Account No.: 1230407808
Account Name: Borough of Fanwood Capital Fund
Contact: Frederick J. Tomkins, Chief Financial Officer
Phone: (908) 322-8236

Such funds must be received in the account identified immediately above no later than 11:00 a.m. New York City time on the date for receipt of bids, and must be accompanied by detailed wiring instructions for the return thereof in the event that such bidder is not the Successful Bidder. Please note that the contact information provided immediately above should be used by bidders for the purposes of confirming receipt of electronic transfer of funds and the transmittal of instructions for the return of such electronic transfers of funds in the event such bidder is not the Successful Bidder. Electronic transfers of funds of unsuccessful bidders for the Bonds will be returned upon award of the Bonds. It is the intent of the Borough that electronic transfers of funds will be returned via wire transfer to the unsuccessful bidders not later than 5:00 p.m. on the date for receipt of bids, provided that wiring instructions have been provided by such unsuccessful bidder at the time of transmission of the Deposit to the Borough. The Borough shall not bear any liability for any delay that may occur in the return of an electronic transfer of the Deposit to an unsuccessful bidder. Interest earned on the Deposit will be credited to the Borough and will not be available to the Successful Bidder for the Bonds.

The Deposit of the Successful Bidder will be collected and the proceeds thereof retained by the Borough to be applied in partial payment for the Bonds and no interest will be allowed or paid upon the amount thereof, but in the event the Successful Bidder shall fail to comply with the terms of its respective bid, the proceeds thereof will be retained as and for full liquidated damages. Award of the Bonds to the Successful Bidder or rejection of all bids is expected to be made within five hours after opening of the bids, but such Successful Bidder may not withdraw its Proposal for Bonds until after 5:00 p.m. of the day of such bid-opening and then only if such award has not been made prior to the withdrawal.

Bond Insurance

If the Bonds qualify for issuance of any policy of municipal bond insurance, any purchase of such policy shall be at the sole option and expense of the Successful Bidder. If the Bonds are to be insured, the Successful Bidder shall pay the premium therefor prior to the delivery of the Bonds. Any failure of the Bonds to be so insured or of any such policy of insurance to be issued shall not in any way relieve the Successful Bidder of its contractual obligations arising from the acceptance of its Proposal for Bonds for the purchase of the Bonds.

CUSIP Numbers

It is anticipated that CUSIP identification numbers will be printed on the Bonds, but neither the failure to print such number on any Bond nor any error with respect thereto shall constitute cause for the failure or refusal of the Successful Bidder to accept delivery of and pay for the Bonds. The CUSIP Service Bureau charges for the assignment of CUSIP numbers on the Bonds shall be the responsibility of and shall be paid for by the Successful Bidder.

Undertakings of the Successful Bidder

THE SUCCESSFUL BIDDER SHALL MAKE A BONA FIDE PUBLIC OFFERING OF THE BONDS AT THEIR RESPECTIVE INITIAL REOFFERING PRICES AND SHALL PROVIDE THE RELATED CERTIFICATION DESCRIBED BELOW.

The successful bidder shall within thirty (30) minutes after being notified of the award of the Bonds, advise the Borough in writing (via facsimile transmission) of the initial reoffering prices to the public of each maturity of the Bonds (the “Initial Reoffering Prices”). The successful bidder must, by facsimile transmission or delivery received by the Borough within twenty-four (24) hours after notification of the award, furnish the following information to the Borough to complete the Official Statement in final form, as described below:

A. Selling compensation (aggregate total anticipated compensation to the underwriters expressed in dollars, based on the expectation that all the Bonds are sold at the prices or yields at which the successful bidder advised the Borough that the Bonds were initially offered to the public).

B. The identity of the underwriters if the successful bidder is part of a group or syndicate.

C. Any other material information that the Borough determines is necessary to complete the Official Statement in final form.

After the award of the bonds, the Borough will prepare copies of the final Official Statement and will include therein such additional information concerning the reoffering of the bonds as the successful bidder may reasonably request. The successful bidder will be responsible to the Borough in all aspects for the accuracy and completeness of information provided by such successful bidder with respect to such reoffering.

SIMULTANEOUSLY WITH OR BEFORE DELIVERY OF THE BONDS, THE SUCCESSFUL BIDDER SHALL FURNISH TO THE BOROUGH A CERTIFICATE ACCEPTABLE TO BOND COUNSEL (A COPY OF THE FORM OF SUCH CERTIFICATION IS AVAILABLE UPON REQUEST FROM BOND COUNSEL AT TELEPHONE NO. (973) 596-4777) TO THE EFFECT THAT (I) THE SUCCESSFUL BIDDER HAS MADE A BONA FIDE PUBLIC OFFERING OF THE BONDS AT THE INITIAL REOFFERING PRICES, (II) AS OF THE DATE OF THE SALE OF THE BONDS THE SUCCESSFUL BIDDER REASONABLY EXPECTED TO SELL A SUBSTANTIAL AMOUNT OF THE BONDS TO THE PUBLIC (EXCLUDING BOND HOUSES, BROKERS AND OTHER INTERMEDIARIES) AT THEIR RESPECTIVE INITIAL REOFFERING PRICES, AND (III) SUBSTANTIAL AMOUNTS OF THE BONDS WERE SOLD TO THE PUBLIC (EXCLUDING BOND HOUSES, BROKERS AND OTHER INTERMEDIARIES) AT THEIR RESPECTIVE INITIAL REOFFERING PRICES. Bond counsel advises that (i) such certificate must be made on the best knowledge, information and belief of the successful bidder, (ii) the sale to the public of 10% or more in par amount of the bonds of each maturity at the initial reoffering prices would be sufficient to certify as to the sale of a substantial amount of the bonds, and (iii) reliance on other facts as a basis for such certification would require evaluation by bond counsel to assure compliance with the statutory requirement to avoid the establishment of an artificial price for the Bonds.

Legal Opinions

The obligations hereunder to pay for and to accept delivery of the Bonds shall be conditioned on the availability and the delivery at the time of delivery of the Bonds of the approving opinion of the law firm of Gibbons P.C., Newark, New Jersey, bond counsel to the Borough, which will be furnished without cost to the Successful Bidder, substantially in the form set forth in the Official Statement distributed in preliminary form in connection with the sale of the Bonds. Such opinion shall state to the effect that the Bonds are valid and legally binding obligations of the Borough, and that all the taxable property therein will be subject to the levy of ad valorem taxes, without limitation as to rate or amount, to pay the principal of the Bonds and the interest thereon; and will also state that under existing law, interest on the Bonds is excluded from gross income for purposes of Federal income taxation. The obligations hereunder to pay for and to accept delivery of the Bonds shall be further conditioned on the availability and delivery to the Successful Bidder, at the time of delivery of the Bonds, of (i) certificates from the Borough Chief Financial Officer in form satisfactory to Bond Counsel evidencing the proper execution and delivery of the Bonds, the receipt of payment therefor and the fact the Bonds will not be arbitrage obligations within the meaning of the Code; (ii) a certificate from the Borough Attorney, in form and tenor satisfactory to Bond Counsel and dated as of the date of such delivery, to the effect that there is no litigation pending or (to the knowledge of the signer or signers thereof) threatened affecting the validity of the Bonds; and (iii) a certificate from the Borough Chief Financial Officer, in form and tenor satisfactory to Bond Counsel and dated as of the date of such delivery, to the effect that to the best of his knowledge of such and belief, and after reasonable investigation: (1) neither the Official Statement relating to the Bonds nor any amendment, or supplement thereto contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements therein, in the light of the circumstances in which they were made, not misleading; (2) since the date of the Official Statement (or the date of the most recent amendment or supplement thereto) no event has occurred which would make the statements therein untrue or, in the light of the circumstances in which they were made, misleading, and (3) there has not been any material adverse change in the operation or financial affairs of the Borough since the date of such Official Statement.

Bank Qualified

The Bonds will be designated as “qualified tax-exempt obligations” for purposes of Section 265(b)(3) of the Code.

Concerning The Preliminary Official Statement

The Borough has issued an Official Statement with respect to the sale of the Bonds in preliminary form (the “Preliminary Official Statement”) which the Borough has deemed final as of its date for purposes of paragraph (b)(1) of Rule 15c2-12 under the Securities Exchange Act of 1934 (“Rule 15c2-12”), except for certain omissions permitted thereunder and except for changes permitted by other applicable law.

The Preliminary Official Statement may be accessed via the Internet at www.i-dealprospectus.com. A printed version is also available upon request made to the Chief Financial Officer of the Borough at the Municipal Building, 75 North Martine Avenue, Fanwood, New Jersey 07023 (telephone (908) 322-8236) or NW Financial Group, LLC, the Financial Advisor, at (201) 656-0115.

Official Statement

The Borough agrees to provide the successful bidder with up to fifty (50) copies of the final Official Statement adopted by the Borough in relation to the sale by the Borough of the Bonds within the period of time allowed under Rule 15c2-12, at the sole cost and expense of the Borough, with any additional copies which the successful bidder shall reasonably request to be provided at the sole cost and expense of the successful bidder.

Continuing Disclosure

In order to assist the successful bidder in complying with Rule 15c2-12, the Borough agrees to deliver on the Closing Date a Continuing Disclosure Certificate to be dated as of the Closing Date pursuant to which the Borough shall agree to provide at the times and to the information repositories and other persons described in Rule 15c2-12 the financial or operating data required to be disclosed on a continuing basis pursuant to Rule 15c2-12.

Frederick J. Tomkins
Chief Financial Officer

Dated: August 11, 2016

APPENDIX D

PROPOSED FORM OF BOND COUNSEL OPINION

[FORM OF OPINION OF GIBBONS P.C.]

September __, 2016

Borough of Fanwood
75 N. Martine Avenue
Fanwood, New Jersey 07023

Dear Mayor and Council Members:

We have examined certified copies of the proceedings of the Council of the Borough of Fanwood, in the County of Union, State of New Jersey (the "Borough"), including ordinances, affidavits and certificates delivered by officials of the Borough, and other proofs submitted to us relative to the issuance and sale by the Borough of its $6,240,000 General Obligation Bonds, Series 2016, dated the date of delivery (the "Bonds").

The Bonds are issued pursuant to the Local Bond Law, constituting Chapter 2 of Title 40A of the New Jersey Statutes, as amended (the "Local Bond Law"), a resolution of the Borough adopted July 18, 2016 (the "Resolution") and bond ordinances of the Borough in all respects duly adopted by the Council of the Borough (the "Bond Ordinances").

Each of the Bonds is dated the date of the delivery, bears interest at the interest rate set forth on the cover page of the Official Statement relating to the Bonds and matures on the dates and in the principal amounts as set forth below:

July 15	Principal Amount	July 15	Principal Amount
2017	$250,000	2026	$410,000
2018	250,000	2027	425,000
2019	250,000	2028	425,000
2020	250,000	2029	430,000
2021	250,000	2030	435,000
2022	250,000	2031	475,000
2023	250,000	2032	500,000
2024	440,000	2033	500,000
2025	450,000		

The Bonds are subject to redemption prior to maturity.

We have examined the Local Bond Law and such other laws and originals (or copies certified or otherwise identified to our satisfaction) of such instruments, certificates and documents as we deem necessary to render the opinions set forth herein. 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.

Based upon the foregoing and subject to the qualifications set forth herein, we are of the opinion that:

1. The aforementioned proceedings and proofs show lawful authority for the issuance and sale of the Bonds pursuant to the Local Bond Law and other applicable provisions of law, and that the Bonds have been duly authorized, executed and delivered and are valid and legally binding obligations of the Borough.

2. The Borough has the power and is obligated to levy *ad valorem* taxes upon all the taxable property within the Borough for the payment of the principal of and interest on the Bonds, without limitation as to rate or amount.

3. Under existing law, interest on the Bonds is excluded from the gross income of the owners of the Bonds for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and interest on the Bonds is not an item of tax preference under Section 57 of the Code for purposes of computing the alternative minimum tax. We express no opinion regarding any other Federal income tax consequences arising with respect to the Bonds.

4. Under existing law, interest on the Bonds and net gains on the sale thereof are exempt from the tax imposed by the New Jersey Gross Income Tax Act.

With respect to our federal income tax opinion, we note that the Code imposes certain requirements that must be met on the date of issuance and on a continuing basis subsequent to the issuance of the Bonds in order for interest on the Bonds to be excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Code. The Borough has made certain representations and covenants in its tax certificate, which is executed on the date of issuance of the Bonds, as to various tax requirements. In addition, the Borough has covenanted to comply with the provisions of the Code applicable to the Bonds and has covenanted not to take any action or fail to take any action to be taken which would cause the interest on the Bonds to lose the exclusion from gross income for Federal income tax purposes under Section 103 of the Code or cause interest on the Bonds to be treated as an item of tax preference under Section 57 of the Code. With your permission, we have relied upon the representations made in the tax certificate and have assumed continuing compliance by the Borough with the above covenants in rendering our federal tax opinion with respect to the exclusion of interest on the Bonds from gross income for Federal income tax purposes and with respect to interest on the Bonds not constituting an item of tax preference.

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

Our opinion concerning the enforceability of the Bonds is subject to federal and state laws regarding bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights and remedies generally (including, without limitation, laws relating to fraudulent conveyance, and by general principles of law and equity (regardless of whether enforcement is considered or sought in proceedings at law or in equity) and by limitation on remedial rights under applicable law). Their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

The opinions expressed herein are based upon the laws and judicial decisions of the State of New Jersey and the federal laws and judicial decisions of the United States as of the date hereof and are subject to any amendment, repeal or other modification of the applicable laws or judicial decisions that served as the basis for our opinions, or laws or judicial decisions hereafter enacted or rendered. Our engagement by the Borough with respect to the opinions expressed herein does not require, and shall not be construed to constitute, a continuing obligation on our part to notify or otherwise inform the addressee hereof of the amendment, repeal or other modification of the applicable laws or judicial decisions that served as the basis for this opinion letter or of laws or judicial decisions hereafter enacted or rendered which impact on this opinion letter.

This opinion letter is rendered to you in connection with the above described transaction. This opinion letter may not be relied upon by you for any other purpose, or relied upon by, or furnished to, any other person, firm or corporation without our prior written consent. This is only an opinion letter and not a warranty or guaranty of the matters discussed herein.

Very truly yours,

Gibbons P.C.