

PRELIMINARY OFFICIAL STATEMENT DATED MAY 2, 2012

NEW ISSUE

SERIAL BONDS

Rating: See "RATINGS" herein

In the opinion of Bond Counsel, under existing statutes, regulations, administrative pronouncements and judicial decisions, and in reliance on the representations, certifications of fact, and statements of reasonable expectation made by the Borough (as defined herein) in the Tax Certificate (as defined herein) and assuming compliance by the Borough with its ongoing covenants in the Tax Certificate, interest on the Bonds (as defined herein) is not included in the gross income of the owners thereof for federal income tax purposes pursuant to Section 103(a) of the Code and is not an item of tax preference to be included in calculating alternative minimum taxable income under the Code for purposes of the alternative minimum tax imposed with respect to individuals and corporations. Interest on the Bonds held by a corporate taxpayer is included in the relevant income computation for calculation of the federal alternative minimum tax as a result of the inclusion of interest on the Bonds included in "adjusted current earnings." No opinion is expressed regarding other federal tax consequences arising with respect to the Bonds. Further, in the opinion of Bond Counsel, interest on the Bonds and any gain on the sale thereof is not includable as gross income under the New Jersey Gross Income Tax Act. See "TAX MATTERS" herein.

**BOROUGH OF NEW PROVIDENCE,
In the County of Union, New Jersey**

**\$8,910,000 GENERAL IMPROVEMENT BONDS
(Book-Entry Issue)
(Bank Qualified)
(Callable)**

Dated Date: Date of Delivery

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

The \$8,910,000 General Improvement Bonds (the "Bonds") of the Borough of New Providence, in the County of Union, New Jersey (the "Borough") will be issued in the form of one certificate for the aggregate principal amount of the Bonds maturing in each year and when issued will be registered in the name of CEDE & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as a Securities Depository". See "THE BONDS - Book-Entry Only System" herein.

Interest on the Bonds will be payable semiannually on the fifteenth day of May and November in each year until maturity, commencing November 15, 2012. The principal of and the interest on the Bonds will be paid to DTC by the Borough as paying agent. Interest on the Bonds will be credited to the Participants (as defined herein) of DTC as listed on the records of DTC as of each next preceding May 1 and November 1 (the "Record Dates" for the payment of interest on the Bonds).

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

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

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

The Bonds will be offered when, as and if issued and delivered to the Underwriter (as defined herein), subject to prior sale, to withdrawal or modification of the offer without notice and to approval of legality by the law firm of McManimon & Scotland, L.L.C., Newark, New Jersey and certain other conditions described herein. Delivery is anticipated to be at the offices of the Borough's bond counsel, McManimon & Scotland, L.L.C., Newark, New Jersey or at such other place as agreed to with the Underwriter on or about May 24, 2012.

**BID PROPOSALS WILL BE ACCEPTED ONLY BY ELECTRONIC SUBMISSION
VIA THE MUNIAUCTION WEBSITE WWW.GRANTSTREET.COM
(OPEN AUCTION) ON THURSDAY, MAY 10, 2012 FROM 11:00 A.M. TO 11:15 A.M.
FOR MORE DETAILS ON HOW TO BID ELECTRONICALLY,
VISIT THE WEBSITE LISTED ABOVE**

**BOROUGH OF NEW PROVIDENCE,
In the County of Union, New Jersey**

\$8,910,000 GENERAL IMPROVEMENT BONDS

**(Book-Entry Issue)
(Not Bank Qualified)
(Callable)**

MATURITIES, INTEREST RATES, YIELDS OR PRICES AND CUSIP NUMBERS

<u>Year</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield or Price</u>	<u>CUSIP Number*</u>
2013	\$310,000	%	%	
2014	610,000			
2015	610,000			
2016	610,000			
2017	610,000			
2018	610,000			
2019	610,000			
2020	610,000			
2021	610,000			
2022	620,000			
2023	620,000			
2024	620,000			
2025	620,000			
2026	620,000			
2027	620,000			

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

**BOROUGH OF NEW PROVIDENCE
IN THE COUNTY OF UNION
NEW JERSEY**

MAYOR

J. Brooke Hern

COUNCIL MEMBERS

Michael Gennaro
James A. Cucco
Armand Galluccio
Alan Lesnewich
Robert Munoz
Robert T. Robinson

BOROUGH ADMINISTRATOR

Douglas Marvin

BOROUGH CLERK

Wendi B. Barry

CHIEF FINANCIAL OFFICER

Kenneth DeRoberts

BOROUGH ATTORNEY

Carella, Byrne, Cecchi, Olstein, Brody & Agnello, P.C.
Roseland, New Jersey

INDEPENDENT ACCOUNTANT

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

BOND COUNSEL

McManimon & Scotland, L.L.C.
Newark, 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 information or representations must not be relied upon as having been authorized by the foregoing. The information contained herein has been provided by the Borough and other sources deemed reliable; however, no representation or warranty is made as to its accuracy or completeness and such information is not to be construed as a representation or warranty by the Underwriter or, as to information from sources other than itself, by the Borough. The information and the expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale hereunder under any circumstances shall create any implication that there has been no change in any of the information herein since the date hereof or since the date as of which such information is given, if earlier.

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

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

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

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**OFFICIAL STATEMENT
Relating to**

\$8,910,000 GENERAL IMPROVEMENT BONDS

of the

**BOROUGH OF NEW PROVIDENCE
IN THE COUNTY OF UNION, NEW JERSEY**

INTRODUCTION

This Official Statement, which includes the cover page, the inside front cover page and the appendices attached hereto, has been prepared by the Borough of New Providence (the "Borough"), in the County of Union (the "County"), New Jersey (the "State") in connection with the sale and the issuance of \$8,910,000 General Improvement Bonds (the "Bonds"). This Official Statement has been executed by and on behalf of the Borough by its Chief Financial Officer and may be distributed in connection with the sale of the Bonds described herein.

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

THE BONDS

General Description

The Bonds shall be dated their date of issuance and will mature on May 15, in the years and in the principal amounts as set forth on the inside front cover page hereof. The Bonds shall bear interest from their date, payable semiannually on each May 15 and November 15 (each, an "Interest Payment Date"), commencing November 15, 2012, in each year until maturity, at the interest rates shown on the inside front cover page hereof. Interest on the Bonds shall be computed on a 30-day month/360-day year basis.

The Bonds are issuable as fully registered book-entry bonds in the form of one certificate for each maturity of Bonds and in the principal amount of such maturity. The Bonds may be purchased in book-entry only form in the amount of any integral multiple of \$1,000 with a minimum purchase of \$5,000 required (or a necessary odd denomination) through book-entries made on the books and records of The Depository Trust Company, New York, New York ("DTC") and its participants. So long as DTC or its nominee, CEDE & Co. (or any successor or assign), is the registered owner for the Bonds, payments of the principal of and interest on the Bonds will be made by the Borough directly to CEDE & Co. (or any successor or assign), as nominee for DTC. Interest on the Bonds will be credited to the participants of DTC as listed on the records of DTC as of each next preceding May 1 and November 1 (the "Record Dates" for the payment of interest on the Bonds). See "Book-Entry Only System" herein.

Redemption

The Bonds of this issue maturing prior to May 15, 2023, are not subject to redemption prior to their stated maturities. The Bonds of this issue maturing on or after May 15, 2023 are redeemable at the option of the Borough in whole or in part on any date on or after May 15, 2022 at a redemption price equal to 100% of the principal amount thereof, plus accrued interest 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 the Bonds not less than thirty (30) days, nor more than sixty (60) days prior to the date fixed for redemption. Such mailing shall be to the owners of such Bonds at their respective addresses as they last appear on the registration books kept for that purpose by the Borough or a duly appointed Bond Registrar. Any failure of the depository to advise any of its participants or any failure of any participant to notify any beneficial owner of any Notice of Redemption shall not affect the validity of the redemption proceedings. If the Borough determines to redeem a portion of the Bonds prior to maturity, the Bonds to be redeemed shall be selected by the Borough; the Bonds to be redeemed having the same maturity shall be selected by the Securities Depository in accordance with its regulations.

So long as Cede & Co., as nominee of DTC, is the registered owner of the Bonds, the Borough shall send redemption notices only to Cede & Co. See "Book-Entry Only System" herein for further information regarding conveyance of notices and Beneficial Owners.

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

Book-Entry Only System

The description which follows of the procedures and recordkeeping with respect to beneficial ownership interest in the Bonds, payment of principal and interest and other payments on the Bonds to Direct and Indirect Participants (each as defined below) or Beneficial Owners (defined below), confirmation and transfer of beneficial ownership interests in the Bonds and other related transactions by and between DTC, Direct Participants and Beneficial Owners, is based on certain information furnished by DTC to the Borough.

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: AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

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

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

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

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

Neither DTC nor CEDE & CO. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Borough as soon as possible after the Record Date. The Omnibus Proxy assigns CEDE & CO.'s consenting or

voting rights to those Direct Participants to whose accounts the Bonds are credited on the Record Date (identified in a listing attached to the Omnibus Proxy).

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

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Borough or the paying agent, if any. Under such circumstances, in the event that a successor depository is not obtained, bond certificates are required to be printed and delivered.

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

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

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

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

Discontinuation of Book-Entry Only System

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

SECURITY AND SOURCE OF PAYMENT

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

AUTHORIZATION AND PURPOSE OF THE BONDS

The Bonds are issued pursuant to the Local Bond Law of the State of New Jersey, N.J.S.A. 40A:2-1 *et seq.*, the various bond ordinances of the Borough set forth below and a resolution of the Borough duly adopted on April 23, 2012 (the "Resolution"):

Principal Amount of Bonds	Number of Ordinance	Description of Improvement and Date of Adoption of Ordinance
\$498,638	#2005-06	Various capital improvements, finally adopted May 23, 2005.
\$50,222	#2005-17	Acquisition of emergency communications equipment, finally adopted November 21, 2005.
\$475,000	#2006-04	Sidewalk and streetscape improvements, finally adopted April 14, 2006.
\$210,919	#2006-11	Various capital improvements, finally adopted May 22, 2006.
\$340,325	#2006-14	Sidewalk and streetscape improvements, finally adopted July 24, 2006.
\$110,044	#2006-15	Road resurfacing project, finally adopted July 24, 2006.
\$664,900	#2006-16	Construction of a new rescue squad building, finally adopted August 7, 2006, supplementing Section 3(f) of bond ordinance 2003-06 and Section 3(f) of bond ordinance 2006-11, finally adopted June 9, 2003, May 22, 2006 and superseding bond ordinance #2012-03, finally adopted March 12, 2012, respectively.
\$2,095,439	#2007-08	Various capital improvements, finally adopted April 23, 2007.
\$157,900	#2007-13	Downtown streetscape project, finally adopted June 11, 2007.
\$516,500	#2007-18	Stream bank restoration, finally adopted August 20, 2007.
\$1,354,171	#2008-07	Various capital improvements, finally adopted May 27, 2008.

Principal Amount of Bonds	Number of Ordinance	Description of Improvement and Date of Adoption of Ordinance
\$166,250	#2008-12	Reconstruction of Academy Street and parking lot, finally adopted July 28, 2008, supplementing bond ordinance 2007-08, finally adopted April 23, 2007 and superseding bond ordinance #2012-03, finally adopted March 12, 2012.
\$47,500	#2008-13	Sidewalk and streetscape improvements within the Special Improvement District, finally adopted July 28, 2008, supplementing bond ordinance 2006-04, bond ordinance 2006-14 and bond ordinance 2007-13, finally adopted April 17, 2006, July 24, 2006 and June 11, 2007 and superseding bond ordinance #2012-03, finally adopted March 12, 2012, respectively.
\$483,977	#2009-13	Various capital improvements, finally adopted September 8, 2009.
\$632,700	#2010-13	Various capital improvements, finally adopted September 13, 2010 and superseding bond ordinance #2012-03, finally adopted March 12, 2012.
\$1,105,515	#2011-17	Various capital improvements, finally adopted June 13, 2011.

The proceeds from the sale and issuance of the Bonds will be used by the Borough to (i) currently refund and redeem \$5,481,171 of the Borough's maturing \$5,548,240 Bond Anticipation Note, dated and issued on January 26, 2012 and maturing on May 25, 2012 (together with \$66,775 in [cash on hand] and \$294 from the 2012 budget), (ii) provide \$3,428,829 in new money to finance the projects listed above and (ii) provide for costs incurred in connection with the authorization, sale and issuance of the Bonds.

MUNICIPAL FINANCE - FINANCIAL REGULATION OF COUNTIES AND MUNICIPALITIES

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

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

The authorized bonded indebtedness of the Borough for municipal purposes is limited by statute, subject to the exceptions noted below, to an amount equal to 3½% of its average equalized valuation basis. The average for the last three years of the equalized value of all taxable real property and improvements and certain Class II railroad property within the boundaries of Borough, as annually determined by the State Director of Taxation is \$2,550,757,762.00.

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

The Borough has not exceeded its statutory debt limit. As of December 31, 2011, the statutory net debt as a percentage of average equalized valuation was 0.60%. As noted above, the statutory limit is 3½%.

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

The Borough may sell short-term "bond anticipation notes" to temporarily finance a capital improvement or project in anticipation of the issuance of bonds if the bond ordinance or a subsequent resolution so provides. Bond anticipation notes for capital improvements may be issued in an aggregate amount not exceeding the amount specified in the ordinance creating such capital expenditure, as it may be amended and supplemented. A local unit's bond anticipation notes may be issued for periods not greater than one year. Generally, bond anticipation notes may not be outstanding for longer than ten years. An additional period may be available following the tenth anniversary date equal to the period from the notes' maturity to the end of the tenth fiscal year in which the notes mature plus 4 months (May 1) in the next following fiscal year from the date of original issuance. Beginning in the third year, the amount of notes that may be issued is decreased by the minimum amount required for the first year's principal payment for a bond issue.

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

The foundation of the New Jersey local finance system is the annual cash basis budget. Every local unit must adopt a budget in the form required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (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.

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

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

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

The cash basis budgets of local units must be in balance, i.e., the total of anticipated revenues must equal the total of appropriations (N.J.S.A. 40A:4-22). If in any year a local unit's expenditures exceed its realized revenues for that year, then such excess must be raised in the succeeding year's budget.

The Local Budget Law (N.J.S.A. 40A:4-26) provides that no miscellaneous revenues from any source may be included as an anticipated revenue in the budget in an amount in excess of the amount actually realized in cash from the same source during the next preceding fiscal year, unless the Director determines that the facts clearly warrant the expectation that such excess amount will actually be realized in cash during the fiscal year and certifies that determination to the local unit.

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

The same general principle that revenue cannot be anticipated in a budget in excess of that realized in the preceding year applies to property taxes. The maximum amount of delinquent taxes that may be anticipated is limited by a statutory formula, which allows the unit to anticipate collection at the same rate realized for the collection of delinquent taxes in the previous year. Also the local unit is required to make an appropriation for a "reserve for uncollected taxes" in accordance with a statutory formula to provide for a tax collection in an amount that does not exceed the percentage of taxes levied and payable in the preceding fiscal year that was received in cash by December 31 of that year. The budget also must provide for any cash deficits of the prior year.

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

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

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

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

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

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

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

Tax Assessment and Collection Procedure

Property valuations (assessments) are determined on true values as arrived at by a cost approach, market data approach and capitalization of net income where appropriate. Current assessments are the results of new assessments on a like basis with established comparable properties for newly assessed or purchased properties. This method assures equitable treatment to like property owners. But it often results in a divergence of the assessment ratio to true value. Because of the changes in property resale values, annual adjustments could not keep pace with the changing values. A re-evaluation of all property in the Borough was last completed in 1999.

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

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

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

Tax Appeals

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

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

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

An independent examination of each local unit's accounts must be performed annually by a licensed registered municipal accountant. The audit, conforming to the Division of Local Government Services' "Requirements of Audit", includes recommendations for improvement of the local unit's financial procedures and must be filed with the report, together with all recommendations made, and must be published in a local newspaper within 30 days of its submission. The entire annual audit report for the year ended December 31, 2011 for the Borough is on file with the Clerk and is available for review during business hours.

TAX MATTERS

General

Section 103(a) of the Internal Revenue Code of 1986, as amended (the "Code") provides that interest on obligations such as the Bonds is not included in gross income for federal income tax purposes only if certain requirements are met. In its Certificate as to Arbitrage and Compliance with the Code (the "Tax Certificate"), which will be delivered in connection with the issuance of the Bonds, the Borough will make certain representations, certifications of fact, and statements of reasonable expectation in connection with the issuance of the Bonds and certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of the interest on the Bonds from gross income under Section 103(a) of the Code.

In the opinion of Bond Counsel, under existing statutes, regulations, administrative pronouncements and judicial decisions, and in reliance on the representations, certifications of fact, and statements of reasonable expectation made by the Borough in the Tax Certificate and assuming compliance by the Borough with its ongoing covenants in the Tax Certificate, interest on the Bonds is not included in the gross income of the owners thereof for federal income tax purposes pursuant to the Section 103(a) of the Code and is not an item of tax preference to be included in calculating alternative minimum taxable income under the Code for purposes of the alternative minimum tax imposed with respect to individuals and corporations. Interest on the Bonds held by corporate taxpayers is included in the relevant income computation for calculation of the federal alternative minimum tax imposed on corporations as a result of interest on the Bonds being included in "adjusted current earnings."

Certain Federal Tax Consequences Relating to the Bonds

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

There can be no assurance that legislation will not be introduced or enacted after the issuance and delivery of the Bonds so as to affect adversely the exclusion from gross income for federal income tax purposes of interest on the Bonds. Each purchaser of the Bonds should consult his or her own advisor regarding any changes in the status of pending or proposed federal tax legislation.

Bank Qualification

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

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

IRS Circular 230 Disclosure

To ensure compliance with requirements imposed by the Internal Revenue Service, any purchaser of a Bond is hereby informed that (i) any U.S. federal tax advice contained in this offering material (including any attachments) is not intended or written by Bond Counsel to the Borough to be used, and that it cannot be used by any taxpayer, for the purpose of avoiding penalties that may be imposed on the taxpayer under the Code; (ii) such advice is written to support the promotion or marketing of the transaction(s) or matter(s) addressed by the written advice; and (iii) the taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.

New Jersey Gross Income Tax

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

Proposals for Legislative Change

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Bonds or otherwise prevent holders of the Bonds from realizing the full benefit of the tax exemption of interest on the Bonds. Further, such proposals may impact the marketability or market value of the Bonds simply by being proposed. One such proposal is the American Jobs Act of 2011 (S.1549) (the "Jobs Bill") which was introduced in the Senate on September 13, 2011 at the request of the President. If enacted in its current form, the Jobs Bill could adversely impact the marketability and market value of the Bonds and prevent certain bondholders (depending on the financial and tax circumstances of the particular bondholder) from realizing the full benefit of the tax exemption of interest on the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted thereby.

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

expressed as of any date subsequent thereto or with respect to any proposed or pending legislation, regulatory initiatives or litigation.

Future Events

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

EACH PURCHASER OF THE BONDS SHOULD CONSULT HIS OR HER OWN ADVISOR REGARDING ANY CHANGES IN THE STATUS OF PENDING OR PROPOSED FEDERAL OR NEW JERSEY STATE TAX LEGISLATION, ADMINISTRATIVE ACTION TAKEN BY TAX AUTHORITIES, OR COURT DECISIONS.

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

LITIGATION

To the knowledge of the Borough Attorney, Carl R. Woodward, III, Esq. of Carella, Byrne, Cecchi, Olstein, Brody & Agnello, P.C., Roseland, New Jersey, there is no litigation of any nature now pending or threatened, restraining or enjoining the issuance or the delivery of the Bonds, or the levy or the collection of any taxes to pay the principal of or the interest on the Bonds, or in any manner questioning the authority or the proceedings for the issuance of the Bonds or for the levy or the collection of taxes, or contesting the corporate existence or the boundaries of the Borough or the title of any of the present officers. Moreover, to the knowledge of the Borough Attorney, no litigation is presently pending or threatened that, in the opinion of the Borough Attorney, would have a material adverse impact on the financial condition of the Borough if adversely decided.

SECONDARY MARKET DISCLOSURE

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

(a) On or prior to 270 days from the end of each fiscal year, beginning with the fiscal year ending December 31 of each year in which such series of Bonds is issued, to the Municipal Securities Rulemaking Board through the Electronic Municipal Market Access Data Port (the "MSRB"), annual financial information with respect to the Borough consisting of the audited financial statements (or unaudited financial statements if audited financial statements are not then available, which audited financial statements will be delivered when and if available) of the Borough and certain financial information and operating data consisting of (i) the Borough and overlapping indebtedness including a schedule of outstanding debt issued by the Borough, (ii) the Borough's most current adopted budget, (iii) property valuation information, and (iv) tax rate, levy and collection data. The audited financial information will be prepared in accordance with modified cash accounting as mandated by State of New Jersey statutory principles in effect

from time to time or with generally accepted accounting principles as modified by governmental accounting standards as may be required by New Jersey law and shall be filed electronically and accompanied by identifying information with the MSRB;

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

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

For the purposes of the event identified in subparagraph (12) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

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

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

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

The Borough has never failed to comply with its undertakings pursuant to the Rule.

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

MUNICIPAL BANKRUPTCY

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

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

APPROVAL OF LEGAL PROCEEDINGS

All legal matters incident to the authorization, the issuance, the sale, and the delivery of the Bonds are subject to the approval of McManimon & Scotland, L.L.C., Newark, New Jersey, Bond Counsel to the Borough, whose approving legal opinion will be delivered with the Bonds substantially in the form set forth as Appendix "D". Certain legal matters will be passed on for the Borough by its Counsel, Carl R. Woodward, III, Esq. of Carella, Byrne, Cecchi, Olstein, Brody & Agnello, P.C.

UNDERWRITING

The Bonds have been purchased from the Borough at a public sale by _____, Incorporated (the "Underwriter") at a price of \$_____ (consisting of the par amount of the Bonds plus an original issue premium of \$______). The Underwriter has purchased the Bonds in accordance with the Notice of Sale. The Bonds are being offered for sale at the yields or prices set forth on the inside front cover of this Official Statement.

RATING

Fitch Ratings and Standard & Poor's (the "Rating Agencies"), have assigned a rating of "_____" and "_____", respectively, to the Bonds.

The rating reflects only the views of the Rating Agencies and an explanation of the significance of such rating may only be obtained from the Rating Agencies. There can be no assurance that the rating will be maintained for any given period of time or that they may not be raised, lowered or withdrawn entirely if, in the Rating Agencies' judgment, circumstances so warrant. Any downward change in, or withdrawal of such rating, may have an adverse effect on the marketability or market price of the Bonds.

PREPARATION OF OFFICIAL STATEMENT

The Borough hereby states that the descriptions and statements herein, including financial statements, are true and correct in all material respects and it will confirm to the purchasers of the Bonds, by certificates signed by the Chief Financial Officer of the Borough, that to her knowledge such descriptions and statements, as of the date of this Official Statement, are true and correct in all material respects and do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements herein, in light of the circumstances under which they were made, not misleading.

Ferraioli, Wielkotz, Cerullo & Cuva, P.A., assisted in the preparation of information contained in this Official Statement and takes responsibility for the audited financial statements to the extent specified in their Independent Auditor's Report.

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

McManimon & Scotland, L.L.C. has not participated in the preparation of the financial or statistical information contained in this official statement, nor have they verified the accuracy, completeness or fairness thereof and, accordingly, expresses no opinion with respect thereto.

ADDITIONAL INFORMATION

Inquiries regarding this Official Statement, including information additional to that contained herein, may be directed to Kenneth DeRoberts, the Borough's Chief Financial Officer, at 360 Elwood Avenue, New Providence, New Jersey 07974-1838, telephone (908) 665-1400 or by email Kenneth.deroberts@newprov.org.

MISCELLANEOUS

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 contained herein are subject to change without notice and neither the delivery of this Official Statement nor any sale of Bonds made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Borough since the date hereof. The information contained in the Official Statement is not guaranteed as to accuracy or completeness.

BOROUGH OF NEW PROVIDENCE

By: /s/

Kenneth DeRoberts,
Chief Financial Officer

Dated: May __, 2012

APPENDIX A
CERTAIN ECONOMIC AND DEMOGRAPHIC INFORMATION
ABOUT THE BOROUGH OF NEW PROVIDENCE

APPENDIX A
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THE BOROUGH OF NEW PROVIDENCE

General Information

The history of New Providence can be first traced back to 1664 when James, Duke of York and brother to King Charles II, purchased the land from Native Americans. Its first settlers were a Puritan colony that came to the area in 1720. The abundance of large flocks of wild turkeys led to the initial name for the area of "Turkey." By 1737, the Presbyterian Church was formed and was the center of life in the small settlement. In 1759, a crowded church balcony collapsed. It was considered a miracle that no one was seriously injured in the disaster. The miracle was soon referred to as a divine act of "providence." The small town thereafter became known as "New Providence" and included present-day Summit and Berkeley Heights.

In 1869 Summit seceded from New Providence Township over disagreement with town management, as well as its rapid increase in population and businesses due to its railroad facilities. New Providence Borough was formed in 1899 and present-day Berkeley Heights retained the name New Providence Township until 1952. The Borough covers 3.6 square miles in northwestern Union County. The Borough is nestled in the Watchung Mountains, approximately fifteen miles from downtown Newark and twenty-eight miles from New York City.

The Borough is easily accessible by all modes of transportation, with railroad passenger service provided by New Jersey Transit. There are two passenger stations in the Borough providing direct service to Newark (Broad Street), Allied Junction (Secaucus Transfer), Hoboken and midtown Manhattan. Bus service is available locally, providing interstate as well as intrastate services. The Borough also provides quick and easy access to Newark Liberty International Airport, with the interchange to I-78 being located less than a mile away. The Garden State Parkway, Route 287, Route 24 and the New Jersey Turnpike are less than a 15 minute drive.

New Providence is a predominately residential community of owner occupied, single-family dwellings. There are also garden apartments and condominiums within walking distance of the train stations. The Murray Hill Inn provides accommodations and meeting facilities for guests.

The Borough's vibrant retail business in the downtown area has recently undergone a major streetscape renovation, funded through a Special Improvement District. A nearly absent vacancy rate underscores the strength and energy of this important business segment.

The majority of residents in the community serve in executive, managerial and professional specialty positions, with a median family income of \$145,000. The Borough is operating under an updated Master Plan adopted in 1978, reexamined in 1982, 1988, 1995 and then updated in 2003.

Municipal Government

The Borough of New Providence is governed by a Mayor and six Council members who are elected at large. The term of office for the Mayor is four years, while Council members serve three years. New Providence has been governed by a mayor and council since it was incorporated as an independent, self-governing municipality on March 14, 1899. To strengthen the executive arm of borough government, the position of borough administrator was created by local ordinance in 1962.

The local government provides services for the residents, and in turn collects taxes which pay for those services. Portions of the tax also go to the county and public schools. The schools are administered independently of the Borough government by an elected board of education.

The municipal services include planning and zoning, police protection, public health and welfare, road maintenance, garbage and recycling collection, sewage and storm drainage systems, the public library, and recreational parks and facilities.

Volunteer groups who operate under governmental direction give fire protection, ambulance service, and disaster relief. Private utilities are responsible for furnishing gas, water, electricity, and transportation.

The Municipal Center, located at 360 Elkwood Avenue, houses the Borough administrative offices, including the Borough Administrator, Borough Clerk, Tax Collector, Tax Assessor, Engineering Department, and Building Department, as well as the Borough Nurse, Recreation Department, Municipal Court, and Police Department. The Board of Education is also located within the building.

Corporate Residents

The corporate community of New Providence is comprised of companies with worldwide reputations in their respective sectors. Among them are:

Accenture: A global management consulting, technology services and outsourcing company, with more than 244,000 people serving clients in more than 120 countries.

Alcatel Lucent Technologies: An international manufacturer and supplier of communications equipment. Their Murray Hill location, partially located in New Providence, is the global headquarters for the world-renown Bell Laboratories.

Baxter Pharmaceutical: A global, diversified healthcare company, Baxter applies a unique combination of expertise in medical devices, pharmaceuticals and biotechnology to create products that advance patient care worldwide. Baxter had 2011 sales of \$13.9 billion and has approximately 48,500 employees. New Providence is headquarters for Baxter Pharmaceutical.

C.R. Bard: Headquartered in New Providence, C.R. Bard is a leading multinational developer, manufacturer, and marketer of innovative, life-enhancing medical technologies. Annual global sales total approximately \$2.7 billion.

Lexis Nexis: One of the world's leading publishing and information companies, local subsidiaries in their New Providence campus include *Martindale-Hubbell*, *R.R. Bowker* and *Marquis Who's Who*.

Linde: New Providence is the North American headquarters for this major supplier of industrial gases and air products.

NJ Sharing Network: A non-profit, federally-certified, state-approved organ procurement organization, headquartered in New Providence, responsible for the recovery of organs and tissue for the 4,700 New Jersey residents currently awaiting transplantation. It is also part of the national recovery system, which is in place for the over 110,000 people on waiting lists.

Panasonic Electric Works Corporation of America: The Consumer Electronics subsidiary of this major international electronics giant is based in New Providence.

Unisys: Located in the Murray Hill Technology Center, this office provides sales and marketing to key business verticals including financial services, public sector and communications.

Several banking institutions serve the financial needs of the business community, as well as local residents. Banking institutions located in the Borough include branches of:

TD Bank
Bank of America
Wachovia
Investor Savings Bank
PNC Bank
Provident Bank
Hilltop Community Bank

The Borough also boasts numerous professional offices representing the medical, legal, veterinary, accounting and consulting sectors.

Fiber Optics

The Borough's commercial districts are equipped with fiber optic lines running through Central Avenue, Floral Avenue and South Street, providing easy connectivity for commercial tenants. The Borough also has proprietary fiber optic lines running the entire length of South and Passaic Streets.

In 2011 the Borough capitalized on this infrastructure, equipping Borough Council Chambers with a wireless internet connection so that council members could access and review documents, ordinances, and other important information during council meetings, thereby increasing efficiency of meetings and achieving considerable savings for the Borough by eliminating paper meeting packets.

Protection

The New Providence Police Department consists of 23 uniformed officers on a twenty-four hour a day call, and 4 civilian dispatchers. There are eight police cars, four of which patrol the Borough on a continuous basis.

Animal Control services are under contract with Animal Control Solutions, LLC, an organization specializing in nuisance animal removal, wildlife trapping, wildlife management, and animal control.

New Providence has a volunteer Fire Department comprised of approximately 40 members and six pieces of fire-fighting equipment. The Borough owns all the fire equipment and annually provides the necessary funds for the normal operating expenses of the department. The Borough is committed to a program to maintain modern equipment. In 2005 a new aerial ladder truck was purchased.

Two modern fully equipped ambulances operated by the New Providence Rescue Squad, a volunteer organization, are available at all times. A new ambulance was delivered in 2004.

Public Works

The Borough's expanded secondary waste water treatment plant became operational in 1972, with partial funding being provided by a federal demonstration grant. Under an agreement with the City of Summit, the Borough pumps residual sludge to the facilities of that city, which is a member of the Joint Meeting of Union and Essex Counties. The Joint Meeting apportions the costs for this service annually based on industrial and domestic flows. In June 1991 the Borough of New Providence entered into a Consent Order with the New Jersey Department of Environmental Protection and Energy to update its Waste Water Treatment Plant, as required to meet the more stringent mandated effluent limits being imposed on all waste water infrastructure facilities. In 2011, Summit and New Providence entered into an agreement where New Providence employees perform daily inspections and maintenance of the Summit Wastewater Pump Stations. In addition, the licensed wastewater operator from New Providence oversees the Summit wastewater collection system. Previously, Summit engaged the services of a private contractor to perform these services. This agreement provides a superior level of service for Summit at a comparable cost, while creating a source of revenue for New Providence.

The Borough has 52 miles of paved or hard surfaced streets, 54 miles of sewers, 49 miles of gas mains, and 50.5 miles of water mains. Gas, electric and water services are provided by privately owned utility corporations.

Garbage collections are made once each week under a contract between the Borough and a private contractor. The existing contract requires one clean-up week a year. Recycling collections are made every two weeks, under a contract between the Borough and a private contractor.

Recreation

The Borough conducts a year round recreation program under the supervision of a seven member commission. Members, appointed by the Mayor, are not salaried and serve five year terms. Facilities include three playgrounds, an ice skating rink, eight ball fields and eight public tennis courts. There are two swimming pools of approximate Olympic size under the supervision of the New Providence Community Pool Corporation. This corporation is a volunteer citizens' group and operates the swimming pool facility on land leased from the Borough.

Cultural-Social

The Public Library began in 1921 with a group of interested citizens who formed a Library Committee. In 1942 it became a branch of the municipal government and the Library Committee gave way to a Board of Trustees appointed by the Mayor. The original red brick structure on Elkwood Avenue was completed in 1950, and enlarged in 1958 and 1964, with a major expansion and renovation completed in 2006. Presently, the library houses approximately 70,000 volumes and over 120 periodical titles. The library also has collections of books and music on CD and provides access to eBooks through ListenNJ for a variety of devices, such as Kindles, iPods, Nooks, MP3 players, Sony eReaders, Androids, BlackBerrys and iPads. In addition, there is a large and varied video collection. Circulation is in excess of 100,000 annually. The library's catalog was automated in 1995, and internet access was added in 1998. Currently, there are five workstations available to the public for internet. The library is a member of MUF (Morris Union Federation), a consortium of nine area libraries sharing holdings of over 800,000 books, 50,000 media items, and 2,200 magazines and newspapers. MUF libraries include Bernardsville, Berkeley Heights, Bernards Township, The Chathams, Long Hill Township, Madison, Morristown / Morris Township, New Providence, and Summit. A card from a MUF Library may be used at all nine libraries. ILL (Interlibrary Loan) is available for materials not in the library. A full range of children's programming is offered year-round for various age groups.

A Senior Citizen Center has been in operation since 1979. The Senior Citizen Center is recognized as one of the finest facilities of its kind in Union County. Building a structure to house the Senior Citizen bus and developing a parking lot were accomplished through funds received from a Community Development Block Grant. A grant was also received from the State of New Jersey which provided all the furniture in the complex. C.R. Bard, one of the major corporations in New Providence, donated a new 40 passenger bus for use by the Center. This bus provides transportation for Senior Citizens to shopping malls twice weekly and to the Center for meetings and other social events. Over 350 senior citizens utilize this facility, which is manned by a professional staff. Regular cultural, recreational and health programs are conducted each day in addition to unorganized events, such as playing cards, sewing, reading, playing pool, etc.

An attractive park, designated "Centennial Park" and funded by grants and donations, was developed at the Municipal Complex. Also, a park designated "Veterans Memorial Park," is adjacent to the Central Business District and was developed in 1976 with matching Green Acres funding. In the center of both parks is the central business district, which was recently redesigned to be more pedestrian and shopper friendly. Funding for these improvements has been made possible through several grant programs and the formation of a Special Improvement District.

The School System

New Providence enjoys a long tradition of educational excellence, with an ongoing commitment to academics, the arts, athletics, community service, and character education. The school district has earned recognition at the national, state, county, and local levels for the achievements of students and staff. A seven member Board of Education, elected to three year terms of office administers the New Providence School District, a type II school district. School budgets and referenda on bond issues are submitted to the voters for approval. Approximately 2,300 students are enrolled in the two K-6 schools, one middle school and one high school (the middle and high schools share the same building and some of the same facilities) that comprise the school district. These three buildings with adjacent grounds are well maintained and available for both school and community functions. New Providence has one parochial elementary school with a total enrollment of approximately 250 children.

New Providence High School was recently ranked 5th overall of high schools in New Jersey by *New Jersey Monthly*. New Providence High School was also nominated, as one of nine outstanding schools from New Jersey, for the 2011 Blue Ribbon School Award of Excellence by United States Department of Education, the highest award an American school can receive. Salt Brook Elementary School was recognized as a 2011 National School of Character, based on their outstanding work in encouraging the ethical, social, and academic growth of their students through effective character education. Salt Brook School is now a model for other schools across the nation.

Municipal Complex

In 1980, due to declining enrollment, the Board of Education was required to close the Lincoln Elementary School facility. With knowledge of municipal space needs, the Board deeded the entire complex to the Borough. The Mayor and Council immediately hired an architect, ultimately authorized Bond Anticipation Notes in the amount of \$1.4 million and completely renovated the existing two and one-half story school building. New construction was required to meet the needs of the Recreation Commission, provide facilities for the volunteer Rescue Squad, provide Police garages, including a "Sally Port" and storage space, as well as meeting the requirements for the handicapped. In 1997 the interior courtyard and office area was renovated to house the Board of Education Administrative Offices and Special Services office. Since these additions and renovations, all Borough offices are now "under one roof" eliminating previously off-site facilities. The Borough believes it has solved its space problem and does not anticipate requiring any future needs.

The Borough is considered stable, attractive and from a real estate investment aspect indications are that it will continue to prosper within the foreseeable future. It is considered to be a well administered town with a stable tax rate and base.

MAJOR REAL PROPERTY TAXPAYERS

The B.O.C. Group, Inc.	\$21,085,800
41 Spring Street, LLC	17,143,400
Martindale-Hubbell, Inc.	14,678,385
N Providence, LLC	14,272,800
C.R. Bard, Inc.	11,500,000
HT Mountain Avenue Associates, LLC	11,352,600
Tower Management Financing PTSP	10,775,800
Murray Hill Apartments Company, LLC	8,700,000
Lucent Technologies, Inc.	8,178,300
New Providence Gardens Company, LLC	<u>6,542,000</u>
Total 2011 Assessed Valuation	<u>\$124,229,085</u>

Percent of Borough's Total Taxable
Real Property Assessed Valuation for 2011 (\$1,300,519,201) 9.55%

Source: The Borough's 2011 tax duplicate.

NET ASSESSED PROPERTY VALUATIONS

Classification	2011	2010	2009	2008	2007
Residential	\$1,051,812,000	\$1,049,774,700	\$1,043,640,800	\$1,036,356,200	\$1,031,995,100
Commercial	132,378,685	129,133,185	129,258,885	131,263,985	133,726,485
Industrial	64,632,580	63,908,880	72,083,280	74,811,180	75,783,380
Vacant	12,654,100	12,391,700	12,908,400	13,388,000	15,147,200
Apartment	<u>35,969,200</u>	<u>35,969,200</u>	<u>36,149,200</u>	<u>38,253,500</u>	<u>34,291,100</u>
Total Real Property	<u>\$1,297,446,565</u>	<u>\$1,291,177,665</u>	<u>\$1,294,040,565</u>	<u>\$1,294,072,865</u>	<u>\$1,290,943,265</u>

Source: The Borough's tax duplicates for years shown.

Net Taxable Assessed Valuation - Real & Personal Tangible Property Comparisons

	2011	2010	2009	2008	2007
Real Property	\$1,297,446,565	\$1,291,177,665	\$1,294,040,565	\$1,294,072,865	\$1,290,943,265
Personal Tangible Property	<u>3,072,636</u>	<u>3,190,323</u>	<u>3,103,372</u>	<u>3,067,767</u>	<u>3,210,229</u>
Total Assessed Valuation	<u>\$1,300,519,201</u>	<u>\$1,294,367,988</u>	<u>\$1,297,143,937</u>	<u>\$1,297,140,632</u>	<u>\$1,294,153,494</u>
Percent Increase/(Decrease) Over Previous Year	0.48%	(0.21)%	0.00%	0.23%	(0.77)%

Source: The Borough's tax duplicates for the year's shown.

LEVY AND COLLECTION OF TAXES
As of December 31 for Years Shown

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

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

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

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

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

Tax Rate Apportionment
(Per \$100 of Assessed Valuation)

Year	Municipal	Municipal Open Space	Municipal Library	County	County Open Space	Local School	Tax Rate
2011	0.851	0.002	0.065	0.805	0.030	2.456	4.209
2010	0.890	0.002		0.739	0.030	2.421	4.082
2009	0.856	0.002		0.687	0.030	2.328	3.903
2008	0.815	0.010		0.632	0.029	2.253	3.739
2007	0.750	0.010		0.618	0.028	2.176	4.920

Source: The Borough and audited financial statements of the Borough.

Tax Levy Apportionment

Year	Municipal	County(1)	County Open Space(1)	Local School(1)	Municipal Open Space	Municipal Library	Tax Levy
2011	\$11,064,597	\$10,471,278	\$384,104	\$31,936,573	\$32,513	\$845,964	\$54,735,029
2010	11,520,744	9,567,095	390,527	31,325,234	32,430		52,836,030
2009	11,096,662	8,911,219	396,455	30,186,948	32,606		50,623,890
2008	10,567,594	8,192,617	384,166	29,224,297	129,715		48,498,389
2007	9,705,064	7,993,827	360,352	28,166,803	129,415		46,355,461

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

Tax Collection Experience

Current Tax Levy Collected			
Year	Tax Levy(1)	Amount	Percent
2011	\$54,946,874	\$54,632,372	99.43%
2010	53,062,717	52,856,697	99.61
2009	51,026,149	50,690,570	99.34
2008	48,714,651	48,441,643	99.43
2007	46,622,627	46,390,618	99.50

(1) Includes Added Taxes and Special Improvement District Taxes.

Source: Audited financial statements of the Borough.

Tax Title Liens and Delinquent Taxes

Year	Tax Title Liens	Delinquent Taxes	Total Delinquent	Percent of Tax Levy
2011	\$139,003	\$260,939	\$399,942	.73%
2010	127,569	157,580	285,149	.54
2009	116,481	256,293	372,774	.73
2008	105,272	215,533	320,805	.65
2007	95,723	214,291	310,014	.66

Source: Audited financial statements of the Borough.

Foreclosed Property

<u>Year</u>	<u>Balance December 31</u>
2011	\$11,955
2010	11,955
2009	11,955
2008	11,955
2007	11,955

Source: Audited and unaudited financial statements of the Borough.

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

<u>Year</u>	<u>Balance December 31</u>	<u>Utilized in Budget of Succeeding Year</u>	
		<u>Amount</u>	<u>Percent</u>
2011	\$2,461,742	\$2,000,000(1)	81.24%
2010	2,791,058	2,117,000	75.85
2009	2,324,184	1,900,000	81.75
2008	2,441,874	1,971,000	80.72
2007	1,903,898	1,310,000	68.81

(1) Introduced Budget.

Source: Audited financial statements of the Borough.

STATE AID

<u>Year</u>	<u>Energy & Supp. Energy Receipts Tax(1)</u>	<u>Consolidated Municipal Property Tax Relief</u>	<u>Other Aid Received</u>	<u>Total</u>
2011	\$1,195,393	\$108,426		\$1,303,819
2010	1,169,972	133,847		1,303,819
2009	1,382,652	287,840		1,670,492
2008	1,311,340	401,986	70,000	1,783,326
2007	1,239,977	483,305	50,054	1,773,336

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

**COMPARISON OF MUNICIPAL TAX LEVY
TO
ANNUAL DEBT SERVICE REQUIREMENT**

Year	Municipal Purpose Tax Levy	Debt Service Requirement	Percent of Debt Service To Tax Levy
2011	\$11,064,597	\$1,872,046	16.92%
2010	11,520,744	2,137,897	18.56
2009	11,096,662	1,836,561	16.55
2008	10,567,594	1,798,078	17.01
2007	9,705,064	1,600,848	16.49

DEBT INFORMATION

General Information

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

A municipality's debt incurring power is limited by State statute to 3.50% of the equalized valuation, determined annually by the State, of all taxable real property within a local governmental unit (see "Statutory Borrowing Power"). A local governmental unit's general purpose bonds must be issued in serial form, with the first principal payment to occur within one year of an issue's date and the final maturity not to exceed \$1,000 above or be less than the principal amount of a bond issue. Refunding bonds may be sold on a negotiated basis with the approval of the New Jersey Local Finance Board. Notes may be sold on a competitive or on a negotiated, or private sale, basis for a period of one year, and may be renewed annually but the final maturity may not exceed the first day of the fifth month immediately following the end of the tenth fiscal year following the original date of issuance.

Appropriation Not Required for Payments on Debt

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

The following schedules set forth information on the amounts of debt authorized but unissued, debt issued and outstanding, the remaining borrowing capacity, and overlapping debt. The debt information and statistics noted on the following pages may vary from the figures shown because of either a reduction or an increase in the amounts of debt for each of the political entities noted after the respective dates shown.

**STATUTORY DEBT INFORMATION
AS OF DECEMBER 31, 2011**

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
School Purpose:			
Local School District			
Bonds Issued	\$13,125,000		
Regional School District(1)			
Bonds Issued			
Less Deductions		\$13,125,000	
Net Debt for School Purposes			\$-0-
Municipal Purpose:			
Bonds and Loans Issued	5,850,353		
Notes Issued	5,823,240		
Authorized/Unissued Debt	3,639,245		
Less Deductions		78,661	
Net Debt for Municipal Purpose			15,234,177
Total Gross Statutory Debt	<u>\$28,437,838</u>		
Total Statutory Deductions		<u>\$13,203,661</u>	
Total Net Statutory Debt			<u>\$15,234,177</u>

(1) Represents 15.75% of \$-0- debt outstanding.

**STATUTORY BORROWING POWER(1)
AS OF DECEMBER 31, 2011**

Statutory Equalized Valuation(1)	\$2,550,757,762	
Statutory Borrowing Power(2)	\$89,276,522	
Statutory Net Debt	<u>15,234,177</u>	
Remaining Statutory Borrowing Power	<u>\$74,042,345</u>	
Net Debt to Statutory Equalized Valuation	0.60%	

(1) Average of the immediately preceding three years (2011, 2010, 2009).

(2) 3.50% of the statutory equalized valuation.

Source: The Borough and the local school districts.

TREND OF STATUTORY REMAINING BORROWING POWER

<u>Year</u>	<u>Statutory Equalized Valuation(1)</u>	<u>Borrowing Capacity(2)</u>	<u>Bonds & Notes Outstanding</u>	<u>Less Deductions</u>	<u>Net Debt Outstanding(3)</u>	<u>Authorized Unissued Debt</u>	<u>Remaining Borrowing Power</u>
2011	\$2,550,757,762	\$89,276,522	\$11,673,593	\$78,661	\$11,594,932	\$3,639,245	\$74,042,345
2010	2,586,052,392	90,511,834	12,694,192	190,572	12,503,620	3,045,580	74,962,634
2009	2,588,060,339	90,582,112	13,336,542		13,336,542	3,363,068	73,882,502
2008	2,524,791,154	88,367,690	14,778,275		14,778,275	2,895,668	70,693,747
2007	2,383,727,006	83,430,445	13,162,067		13,162,067	4,307,783	65,960,595

(1) Average of the immediately preceding three years as calculated by the State.

(2) 3 1/2% of the Statutory Equalized Valuation.

(3) Authorized Unissued Debt is not combined here; listed separately in next column.

Source: The Borough's audited and unaudited financial statements for years shown.

PERMANENT BONDED DEBT ISSUED AND OUTSTANDING AS OF DECEMBER 31, 2011

<u>Purpose</u>	<u>Interest Rate</u>	<u>Original Issue Date</u>	<u>Final Maturity Date</u>	<u>Amount Outstanding</u>
General:				
General Improvement Bonds of 2001	Var. 4.250-4.625%	07-15-2001	07-15-2015	\$765,000
Refunding Bonds of 2003	Var. 3.50-4.00%	12-01-2003	10-15-2013	875,000
General Improvement Bonds of 2006	Var. 4.125-4.250%	08-01-2006	08-01-2021	3,360,000
Total Permanent Debt Issued and Outstanding				<u>\$5,000,000</u>

Source: The Borough.

ANNUAL DEBT SERVICE SCHEDULE FOR BONDED DEBT ISSUED & OUTSTANDING AS OF DECEMBER 31, 2011

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$1,050,000.00	\$205,318.76	\$1,255,318.76
2013	880,000.00	164,912.50	1,044,912.50
2014	540,000.00	129,137.50	669,137.50
2015	530,000.00	106,112.50	636,112.50
2016	340,000.00	83,300.00	423,300.00
2017	340,000.00	69,275.00	409,275.00
2018	340,000.00	55,250.00	395,250.00
2019	340,000.00	41,225.00	381,225.00
2020	340,000.00	27,200.00	367,200.00
2021	300,000.00	12,750.00	312,750.00
Total	<u>\$5,000,000.00</u>	<u>\$894,481.26</u>	<u>\$5,894,481.26</u>

**WASTE WATER TREATMENT LOAN
ISSUED AND OUTSTANDING
AS OF DECEMBER 31, 2011**

Loans payable in the amount of \$850,353 are detailed as follows:

<u>Calendar Year</u>	<u>Series 1994A Fund Loan</u>	<u>Series 1998F Trust Loan</u>				<u>Total Debt Service</u>
	<u>Principal</u>	<u>Interest</u>	<u>Less Credits</u>	<u>Net Payments</u>		
2013	\$85,353	\$240,000	\$41,925	(\$37,172)	\$244,753	\$330,106
2014		255,000	25,837	(36,784)	244,053	244,053
2015		270,000	8,775	(36,791)	241,984	241,984
	<u>\$85,353</u>	<u>\$765,000</u>	<u>\$76,537</u>	<u>(\$110,747)</u>	<u>\$730,790</u>	<u>\$816,143</u>

Installment payments of principal and interest on the above described Waste Water Treatment Loans are due March 1 and September 1 of each year.

**DIRECT AND OVERLAPPING DEBT
ISSUED AND OUTSTANDING
AS OF DECEMBER 31, 2011**

	<u>Direct Debt</u>	<u>Overlapping Debt</u>
Direct Debt:		
Bonds and Loans	\$5,850,353	
Notes (including authorized but not issued)	9,462,485	
Overlapping Debt:		
Local School District		\$13,125,000
Union County(1)		20,159,987
Total Direct Debt:		
Gross	15,312,838	
Deductions	<u>78,661</u>	
Net	<u>\$15,234,177</u>	
Total Overlapping Debt:		
Gross	33,284,987	
Deductions	<u>13,125,000</u>	
Net	<u>\$20,159,987</u>	

(1) The County has outstanding \$653,487,692 in short and long-term gross debt and \$559,371,968 in net debt. The Borough's share (3.6040395%) is obtained by dividing the Borough's 2011 equalized valuation (\$2,560,690,119) by the County's 2011 equalized valuation (\$71,050,555,996), both valuations as calculated by the County.

Source: The political entities noted above.

DEBT RATIOS

	Direct Debt		Overlapping Debt	
	<u>Gross</u>	<u>Net</u>	<u>Gross</u>	<u>Net</u>
Per Capita(1)	\$1,258	\$1,252	\$2,735	\$1,656
Equalized Valuation(2)	.60%	.60%	1.31%	.79%

(1) 12,171 population (2010 Census)

(2) \$2,550,757,762 (2011 Equalized Valuation)

**APPENDIX B
SUMMARY OF 2012 ADOPTED BUDGET**

**BOROUGH OF NEW PROVIDENCE
SUMMARY OF CURRENT FUND
2012 ADOPTED BUDGET**

Summary of General Revenues Anticipated:	
Surplus	<u>\$2,000,000</u>
Miscellaneous Revenues:	
Local Revenues	831,006
State Aid Without Offsetting Appropriations	1,303,819
Dedicated Uniform Construction Code Fees	
Offset With Appropriations	275,000
Special Items of General Revenue Anticipated	
With Prior Consent of Director of Local Government Services:	
Public and Private Revenues	211,928
Other Special Items	<u>581,500</u>
Total Miscellaneous Revenues	<u>3,203,253</u>
Delinquent Taxes Receipts	<u>220,000</u>
Sub-total General Revenues	<u>5,423,253</u>
Amount to be Raised for Support of Municipal Budget,	
Including Reserve for Uncollected Taxes	11,351,858
Minimum Library Tax	<u>841,938</u>
Total Amount to be Raised by Taxes for Support of Municipal Budget	<u>12,193,796</u>
Total General Revenues	<u>\$17,617,049</u>
Summary of General Appropriations:	
Operations:	
Salaries and Wages	5,623,305
Other Expenses	6,491,414
Deferred Charges, Statutory Expenditures and Judgments	1,382,780
Capital Improvements	315,000
Municipal Debt Service	<u>2,054,550</u>
Sub-total General Appropriations	15,867,049
Reserve for Uncollected Taxes	<u>1,750,000</u>
Total General Appropriations	<u>\$17,617,049</u>

Source: The Borough's 2012 Adopted Budget.

**APPENDIX C
AUDITED FINANCIAL STATEMENTS**

APPENDIX C

**EXCERPTS FROM
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2011
AND
SELECTED FINANCIAL INFORMATION
FOR THE YEARS ENDED
DECEMBER 31, 2007-2011**

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

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INDEPENDENT AUDITOR'S REPORT

March 29, 2012

The Honorable Mayor and
Members of the Borough Council
Borough of New Providence
New Providence, NJ 07974

We have audited the accompanying balance sheets-regulatory basis of the various funds and account group of the Borough of New Providence in the County of Union, as of and for the year ended December 31, 2011, and the related statements of operations and changes in fund balance-regulatory basis for the year then ended, and the related statement of revenues-regulatory basis and statement of expenditures-regulatory basis of the various funds for the year ended December 31, 2011. The financial statements for the year ended December 31, 2010 were audited by other auditors whose report dated March 28, 2011 expressed a qualified opinion. The opinion was qualified because the financial statements were prepared on a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Borough of New Providence's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed below, 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, and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Borough's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.



Honorable Mayor and
Members of the Borough Council
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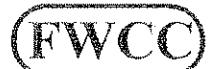
The Length of Service Awards Program of the Borough of New Providence has not been audited, and we were not engaged to audit The Length of Service Awards Program financial statements as part of our audit of the Borough's financial statements.

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

In our opinion, because of the Borough of New Providence's policy to prepare its financial statements on the basis of accounting discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Borough of New Providence, New Jersey as of December 31, 2011 or the results of its operations for the year then ended.

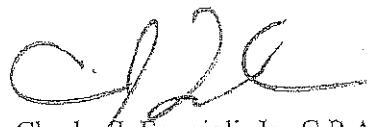
However, in our opinion, the financial statements referred to above, with the exception of the Length of Services Awards Program, present fairly, in all material respects, the financial position-regulatory basis of the various funds and account group of the Borough of New Providence, New Jersey at December 31, 2011, and the results of its operations and the changes in fund balance-regulatory basis of such funds for the year then ended and the statement of revenues-regulatory basis, and statement of expenditures-regulatory basis for the year ended December 31, 2011, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated March 29, 2012 on our consideration of the Borough of New Providence's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of our audit performed in accordance with Government Auditing Standards and should be considered in assessing results of our audit.



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



Charles J. Ferraioli, Jr., C.P.A.
Registered Municipal Accountant
No. 388



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

March 29, 2012



Borough of New Providence, N.J.

Comparative Balance Sheet - Regulatory Basis

Current Fund

December 31,

	<u>Ref.</u>	<u>2011</u>	<u>2010</u>
<u>Assets</u>			
Current Fund:			
Cash	A-4	4,398,494.96	4,409,966.11
Change Fund	A-5	150.00	150.00
Due from State of New Jersey:			
Senior Citizen and Veteran Deductions	A-7	1,718.58	
		<u>4,400,363.54</u>	<u>4,410,116.11</u>
Receivables and Other Assets with Full Reserves:			
Delinquent Taxes Receivable	A-8	260,939.00	157,580.10
Tax Title Liens	A-9	139,002.80	127,569.26
Property Acquired for Taxes -			
Assessed Valuation	A-10	11,955.00	11,955.00
Revenue Accounts Receivable	A-11	52,317.20	56,421.67
Other Accounts Receivable	A-12	6,669.00	1,909.26
Due from:			
Other Trust Fund	A-13	2.90	152.95
General Capital Fund	A-13	190,501.09	
Federal and State Grant Fund	A-13	2,963.16	
Recreation Trust Fund	A-13	10,000.00	
		<u>674,350.15</u>	<u>355,588.24</u>
		<u>5,074,713.69</u>	<u>4,765,704.35</u>
Federal and State Grant Fund:			
Cash	A-4	65,842.20	28,703.80
Grants Receivable	A-22	854,461.41	924,043.69
Interfund - Current Fund	A-25		3,025.80
		<u>920,303.61</u>	<u>955,773.29</u>
Total Assets		<u>5,995,017.30</u>	<u>5,721,477.64</u>

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

Borough of New Providence, N.J.

Comparative Balance Sheet - Regulatory Basis

Current Fund

December 31,

	Ref.	2011	2010
<u>Liabilities, Reserves and Fund Balance</u>			
Current Fund:			
Appropriation Reserves	A-3/A-14	820,443.98	700,043.49
Due to:			
Federal and State Grant Fund	A-13		3,025.80
Assessment Trust Fund	A-13	790.40	592.80
Municipal Open Space Trust	A-13	39.67	
General Capital Fund	A-13		2,526.94
Encumbrances Payable	A-15	266,919.16	193,643.17
Prepaid Taxes	A-16	272,207.63	192,740.99
Due to Special Improvement District	A-17	3,331.20	3,331.20
County Tax Payable	A-20	18,337.70	24,298.94
Tax Overpayments	A-21		57.56
Prepaid Revenue	A-21	109,675.00	104,675.00
Due to State of New Jersey:			
Senior Citizen and Veteran Deductions	A-7		1,935.53
Reserve for:			
Sale of Borough Property	A-21	84,141.92	84,141.92
Tax Appeals	A-21	362,734.47	308,045.08
		1,938,621.13	1,619,058.42
Reserve for Receivables	Contra	674,350.15	355,588.24
Fund Balance	A-1	2,461,742.41	2,791,057.69
		5,074,713.69	4,765,704.35
 Federal and State Grant Fund:			
Appropriated Reserve for Grants	A-23	914,795.47	955,773.29
Unappropriated Reserve for Grants	A-24	2,544.98	
Interfund - Current Fund	A-25	2,963.16	
		920,303.61	955,773.29
Total Liabilities, Reserves and Fund Balance		5,995,017.30	5,721,477.64

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

Borough of New Providence, N.J.

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

Current Fund

Year Ended December 31,

	<u>Ref.</u>	<u>2011</u>	<u>2010</u>
Revenues and Other Income:			
Fund Balance Utilized	A-2	2,117,000.00	1,900,000.00
Miscellaneous Revenue Anticipated	A-2	3,323,844.05	4,296,843.39
Receipts from Delinquent Taxes	A-2	157,580.10	264,450.64
Receipts from Current Taxes	A-2	54,632,371.81	52,716,696.58
Non-Budget Revenue	A-2	204,009.65	180,395.11
Other Credits to Income:			
Interfunds Returned	A-13	152.95	15,443.27
Unexpended Balance of Appropriation Reserves	A-14	335,242.04	369,647.98
Canceled Grant Reserves	A-23	2,798.87	886.69
 Total Revenues and Other Income		<u>60,772,999.47</u>	<u>59,744,363.66</u>
Expenditures:			
Budget and Emergency Appropriations:			
Operations:			
Salaries and Wages	A-3	5,547,038.00	5,419,662.00
Other Expenses	A-3	6,716,706.00	7,148,630.89
Capital Improvement Fund	A-3	240,000.00	
Municipal Debt Service	A-3	1,872,046.03	2,137,896.81
Deferred Charges and Statutory Expenditures -			
Municipal	A-3	1,445,878.00	1,222,086.77
Refund of Prior Year's Revenue	A-4	1,586.20	2,634.17
Interfund Advances	A-13	203,467.15	
Special Improvement District Taxes	A-17	114,927.00	105,587.84
Municipal Open Space Tax	A-18	32,552.67	32,493.64
Local District School Tax	A-19	31,936,573.00	31,325,234.00
County Taxes including Added Taxes	A-20	10,873,719.44	9,981,921.41
Canceled Grants Receivable	A-22	821.26	1,342.74
 Total Expenditures		<u>58,985,314.75</u>	<u>57,377,490.27</u>

Borough of New Providence, N.J.

Exhibit A-1

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

Current Fund

Year Ended December 31,

	Ref.	2011	2010
Excess (Deficit) Revenue Over Expenditures		1,787,684.72	2,366,873.39
Adjustment to Income Before Fund Balance - Expenditures			
Included above Which are by Statute Deferred			
Charges to Budget of Succeeding Year			
Statutory Excess to Fund Balance		1,787,684.72	2,366,873.39
Fund Balance, January 1,	A	<u>2,791,057.69</u>	<u>2,324,184.30</u>
		4,578,742.41	4,691,057.69
Decreased by:			
Fund Balance Utilized as Budget Revenue		<u>2,117,000.00</u>	<u>1,900,000.00</u>
Fund Balance, December 31,	A	<u>2,461,742.41</u>	<u>2,791,057.69</u>

Statement of Revenues - Regulatory Basis

Current Fund				
Year Ended December 31, 2011				Excess or (Deficit)
	Ref	Budget	Realized	
Fund Balance Anticipated	A-1	2,117,000.00	2,117,000.00	
Miscellaneous Revenues:				
Licenses:				
Alcoholic Beverages	A-11	7,000.00	7,740.00	740.00
Other	A-2	18,000.00	19,332.00	1,332.00
Fees and Permits	A-2	47,500.00	56,652.87	9,152.87
Fines and Costs:				
Municipal Court	A-11	140,000.00	128,851.69	(11,148.31)
Interest and Costs on Taxes	A-4	55,000.00	45,165.39	(9,834.61)
Parking Meters	A-11	20,000.00	17,345.40	(2,654.60)
Sewer Rentals	A-11	175,000.00	194,420.00	19,420.00
Cat Licenses	A-11	1,300.00	1,430.00	130.00
Parking Permits	A-11	150,000.00	135,880.00	(14,120.00)
Rental of Municipal Ownded Property	A-11	64,400.00	65,444.37	1,044.37
Cable Television Franchise Fees	A-11	154,331.38	154,331.38	
Energy Receipts Tax	A-11	1,195,393.00	1,195,393.00	
Consolidated Municipal Property Tax Relief Aid	A-11	108,426.00	108,426.00	
Uniform Construction Code Fees	A-11	250,000.00	290,061.00	40,061.00
Public and Private Revenues:				
Drunk Driving Enforcement Fund	A-22	4,968.99	4,968.99	
Clean Communities	A-22	19,357.48	19,357.48	
Alcohol Education and Rehab Grant	A-22	431.48	431.48	
Recycling Tonnage Grant	A-22	68,571.65	68,571.65	
NJ Transportation Trust	A-22	190,000.00	190,000.00	
Bulletproof Vest Partnership	A-22	3,174.40	3,174.40	
Summit Area Public Foundation	A-22	7,600.00	7,600.00	
NJDEP Trails Grant	A-22	9,000.00	9,000.00	
Drive Sober or Get Pulled Over	A-22	5,000.00	5,000.00	
Over the Limit Under Arrest	A-22	4,400.00	4,400.00	
CDBG - Senior Citizen High Risk Health Services	A-22	6,522.00	6,522.00	
CDBG - Senior Exercise, Arts and Crafts	A-22	5,701.00	5,701.00	
CDBG - Senior Citizen Transportation	A-22	5,018.00	5,018.00	
CDBG - Senior Citizen Facility Improvements	A-22	38,000.00	38,000.00	
Municipal Alliance on Alcoholism and Drug Abuse	A-22	17,583.00	17,583.00	
Contribution from New Providence Athletic Foundation	A-11	65,000.00	65,000.00	
Contribution from Recreation Trust Fund	A-11	10,000.00	10,000.00	
Other Special Items:				
False Alarm Revenue	A-11	1,100.00	1,059.00	(41.00)
Smoke Detector Certificate Fee	A-11	14,000.00	5,550.00	(8,450.00)
New Providence DID - Contribution for BAN P&I	A-21	95,000.00	95,000.00	
Library Reimbursement	A-11	63,000.00	66,000.00	3,000.00
Leaf Collection Revenue	A-11	40,000.00	53,121.00	13,121.00
General Capital Fund Balance	A-11	175,000.00	175,000.00	
Berkeley Heights Shared Court	A-11	24,000.00	24,000.00	
Uniform Fire Safety Act	A-11	14,000.00	23,312.95	9,312.95
Total Miscellaneous Revenues	A-1	3,272,778.38	3,323,844.05	51,065.67
Receipts from Delinquent Taxes	A-1/A-2	230,000.00	157,580.10	(72,419.90)
Subtotal General Revenues		5,619,778.38	5,598,424.15	(21,354.23)

Statement of Revenues - Regulatory Basis

Current Fund

Year Ended December 31, 2011

Amount to be Raised by Taxes for Support of

Municipal Budget - Local Tax for Municipal Purposes Including Reserve for Uncollected Taxes		11,064,597.26	12,528,635.70	1,464,038.44
Minimum Library Tax		845,964.00	845,964.00	
Total Amt. to be Raised by Taxes for Support of Budget	A-2	<u>11,910,561.26</u>	<u>13,374,599.70</u>	<u>1,464,038.44</u>
Budget Totals		17,530,339.64	18,973,023.85	1,442,684.21
Non-Budget Revenue	A-1/A-2		<u>204,009.65</u>	<u>204,009.65</u>
		<u>17,530,339.64</u>	<u>19,177,033.50</u>	<u>1,646,693.86</u>
			A-3	
Adopted Budget	A-3	17,414,033.08		
Appropriated by (N.J.S. 40A:4-87)	A-3	<u>116,306.56</u>		
		<u>17,530,339.64</u>		

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

Analysis of Realized Revenues

	Ref.	
Revenue from Collections	A-1/A-8	54,632,371.81
Allocated to School and County Taxes	A-8	<u>42,957,772.11</u>
Balance for Support of Municipal Budget Appropriations		11,674,599.70
Add : Appropriation - Reserve for Uncollected Taxes	A-3	<u>1,700,000.00</u>
Amount for Support of Municipal Budget Appropriations	A-2	<u>13,374,599.70</u>
Receipts from Delinquent Taxes:		
Delinquent Taxes	A-8	<u>157,580.10</u>
	A-2	<u>157,580.10</u>
Licenses - Other:		
Clerk	A-11	4,175.00
Registrar	A-11	132.00
Board of Health	A-11	<u>15,025.00</u>
	A-2	<u>19,332.00</u>

Statement of Revenues - Regulatory Basis

Current Fund

Year Ended December 31, 2011

Fees and Permits - Other:

Clerk	A-11	8,231.60
Building Inspector Other	A-11	1,065.00
Police	A-11	4,581.02
Engineering Department	A-11	16,894.00
Registrar	A-11	2,121.25
Board of Adjustment	A-11	19,440.00
Planning Board	A-11	4,320.00

A-2	<u>56,652.87</u>
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Analysis of Non-budget Revenues

	Ref.	
Other Accounts Receivable	A-12	1,909.26
Hotel Tax		74,606.61
Insurance and Workers' Compensation Refunds		41,881.91
State DMV		1,350.00
Board of Education Utility Reimbursement		4,391.97
Outside Police Duty Administrative Fee		43,520.00
Senior Citizens & Veterans Administration Fee		2,106.92
Scrap Metal		999.98
Interest on Investments		2,937.78
Donations		2,000.00
Pump Station		16,538.99
Miscellaneous Reimbursements	A-4	<u>11,766.23</u>
		<u>202,100.39</u>
	A-2	<u>204,009.65</u>

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

Borough of New Providence, N.J.

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2011

General Appropriations <u>Ref.</u>	Budget <u>Budget</u>	Budget <u>After Modification</u>	Paid or <u>Charged</u>	Reserved	Unexpended Balance <u>Cancelled</u>
					Budget <u>After Modification</u>
Operations - within "CAPS"					
Administrative and Executive					
Salaries and Wages	298,400.00	280,600.00	280,536.58		63.42
Other Expenses	116,200.00	116,200.00	100,792.12		15,407.88
Human Resources (Personnel/Labor Attorney)					
Salaries and Wages	30,000.00	30,000.00	27,323.00		2,677.00
Other Expenses	45,900.00	60,900.00	51,037.76		9,862.24
Mayor and Council					
Salaries and Wages	33,000.00	33,000.00	32,891.13		108.87
Other Expenses	6,000.00	6,000.00	783.88		5,216.12
Municipal Clerk					
Salaries and Wages	99,000.00	103,630.00	103,600.22		29.78
Other Expenses	16,200.00	16,200.00	14,618.20		1,581.80
Financial Administration					
Salaries and Wages	46,400.00	47,250.00	47,250.00		
Other Expenses	52,000.00	52,000.00	35,980.46		16,019.54
Audit Services					
Other Expenses	39,000.00	39,000.00	38,337.00		663.00
Collection of Taxes					
Salaries and Wages	78,500.00	77,500.00	74,464.57		3,035.43
Other Expenses	2,150.00	2,150.00	1,608.41		541.59
Assessment of Taxes					
Salaries and Wages	91,800.00	91,800.00	88,433.68		3,366.32
Other Expenses	106,300.00	106,300.00	53,338.56		52,961.44

Borough of New Providence, N.J.

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 20xx

Ref.	Budget	Budget	Budget After Modification	Paid or Charged	Reserved	Unexpended Balance Cancelled	
Legal Services and Costs							
Salaries and Wages	40,000.00		40,000.00			40,000.00	
Other Expenses	42,000.00		52,000.00			52,000.00	
Engineering Services and Costs							
Other Expenses	92,000.00		82,000.00			11,864.71	
Planning Board							
Salaries and Wages	14,000.00		14,000.00			12,075.49	
Other Expenses	28,625.00		28,625.00			20,961.86	
Board of Adjustment							
Salaries and Wages	8,600.00		8,600.00			2,754.48	
Other Expenses	15,750.00		15,750.00			12,089.92	
Insurance:							
General Liability	165,000.00		165,000.00			123,141.00	
Workers' Compensation	260,000.00		260,000.00			258,864.00	
Employee Group Health	980,000.00		980,000.00			944,183.88	
Municipal Court:							
Salaries and Wages	110,300.00		112,400.00			111,906.13	
Other Expenses	5,300.00		5,300.00			2,068.62	
Public Defender							
Salaries and Wages	2,500.00		2,500.00			2,500.00	
Police							
Salaries and Wages	2,689,100.00		2,689,100.00			2,645,335.75	
Other Expenses	148,600.00		148,600.00			127,553.91	
							21,046.09

Borough of New Providence, N.J.

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2011

<u>General Appropriations</u>	<u>Ref.</u>	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Cancelled</u>
Police Dispatch/911		189,900.00	189,900.00			189,900.00
Salaries and Wages		3,000.00	3,000.00			2,467.95
Other Expenses						532.05
Emergency Management Services		3,500.00	3,500.00			2,727.45
Other Expenses						772.55
Fire		239,990.00	239,990.00			217,513.47
Other Expenses						22,476.53
Uniform Fire Safety Act (Ch. 383, P.L. 1983)		33,800.00	34,350.00			34,328.15
Salaries and Wages		4,000.00	4,000.00			2,765.69
Other Expenses						1,234.31
Road Repairs and Maintenance		243,500.00	243,500.00			219,308.53
Other Expenses						24,191.47
Public Works		1,050,700.00	1,050,700.00			930,400.59
Salaries and Wages		11,000.00	11,000.00			3,149.80
Other Expenses						7,850.20
Traffic Signal Maintenance		7,000.00	7,000.00			7,000.00
Other Expenses						
Public Buildings and Grounds		238,200.00	186,700.00			156,283.91
Other Expenses						30,416.09
Fleet Maintenance		79,450.00	81,950.00			81,271.73
Other Expenses						678.27
Solid Waste/Recycling Collections		540,300.00	540,300.00			539,990.95
Other Expenses						309.05

Borough of New Providence, N.J.

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2011

<u>General Appropriations</u>	<u>Ref.</u>	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpected Balance Cancelled</u>
Solid Waste Disposal Costs		372,066.00	381,066.00	366,758.06		14,307.94
Waste Water Treatment Plant						
Salaries and Wages		302,400.00	302,400.00	268,974.34		33,425.66
Other Expenses		61,500.00	61,500.00	53,686.81		7,813.19
Board of Health						
Salaries and Wages		2,000.00	2,000.00	758.31		1,241.69
Other Expenses		50,925.00	50,925.00	50,925.00		
Animal Control Services						
Salaries and Wages		29,000.00	29,000.00	29,000.00		
Other Expenses						
Health Services						
Salaries and Wages		46,338.00	46,338.00	45,962.23		375.77
Other Expenses		3,550.00	3,550.00	1,043.35		2,506.65
Community Activities						
Salaries and Wages		102,400.00	102,400.00	102,400.00		
Other Expenses		4,500.00	4,500.00	3,033.33		1,466.67
Senior Citizen Programs						
Salaries and Wages		51,400.00	51,400.00	47,965.45		3,434.55
Other Expenses		24,850.00	24,850.00	18,612.89		6,237.11
Tuition Reimbursement Program						
Other Expenses		2,500.00	2,500.00	794.00		1,706.00
Construction Code Official						
Salaries and Wages		220,000.00	230,670.00	230,630.37		39.63
Other Expenses		7,862.00	7,862.00	7,862.00		

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2011

General Appropriations <u>Ref.</u>	<u>Budget</u>	<u>Budget</u>	<u>Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	Unexpected Balance <u>Cancelled</u>	
						<u>Cancelled</u>	
Electricity	370,000.00		355,000.00	281,680.48		73,319.52	
Telephone and Telegraph	50,000.00		50,000.00	46,282.64		9,717.36	
Natural Gas	110,000.00		110,000.00	64,830.40		45,169.60	
Street Lighting	145,000.00		145,000.00	127,729.49		17,270.51	
Water	18,000.00		18,000.00	15,310.47		2,689.53	
Motor Supplies	98,000.00		138,000.00	133,774.21		4,225.79	
Contingent	500.00		500.00		500.00		
	<u>10,379,756.00</u>		<u>10,379,756.00</u>		<u>9,655,687.95</u>	<u>724,068.05</u>	
Total Operations within "CAPS"							
Detail:							
Salaries and Wages	A-1	5,540,538.00	5,540,538.00		5,320,390.47	220,147.53	
Other Expenses	A-1	4,839,218.00	4,839,218.00		4,335,297.48	503,920.52	
Deferred Charges and Statutory Expenditures - Municipal within "CAPS"							
Statutory Expenditures:							
Contribution to:							
Public Employees' Retirement System		338,372.00			338,372.00		
Social Security System (O.A.S.I.)		452,024.00			452,024.00	411,017.68	41,006.32
Police and Firemen's Retirement System of N.J.		655,482.00			655,482.00		
Total Deferred Charged and Statutory Expenditures - Municipal within "CAPS"	A-1	1,445,878.00		1,445,878.00		1,404,871.68	41,006.32

Borough of New Providence, N.J.

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2011

General Appropriations <u>Ref.</u>	<u>Budget</u>	<u>Budget</u>	<u>Modification</u>	<u>Reserved</u>	Unexpended Balance Cancelled	
					<u>Budget</u> After	<u>Paid or Charged</u>
Total General Appropriations for Municipal Purposes within "CAPS"						
	<u>11,825,634.00</u>	<u>11,825,634.00</u>				
Operations - Excluded from "CAPS"						
Maintenance of Free Public Library	845,964.00	845,964.00			845,964.00	
Sewer System	610,000.00	610,000.00			590,106.30	19,893.70
Joint Meeting Expenses	15,000.00	15,000.00			12,264.09	2,735.91
Berkley Heights Expenses	30,000.00	30,000.00			30,000.00	
Emergency Services Volunteer Length of Service Award Program	100,000.00	100,000.00			100,000.00	
Reserve for Tax Appeals						
Fair Housing Act of 1985						
Council on Affordable Housing						
Salaries and Wages	6,500.00	6,500.00			3,760.00	2,740.00
Public and Private Programs Offset by Revenues						
Drunk Driving Enforcement Fund	4,968.99	4,968.99			4,968.99	
Clean Communities	19,357.48	19,357.48			19,357.48	
Alcohol Education and Rehab Grant	431.48	431.48			431.48	
Recycling Tonnage Grant	68,571.65	68,571.65			68,571.65	
Bulletproof Vest Partnership	3,174.40	3,174.40			3,174.40	
Summit Area Public Foundation Background Checks	7,600.00	7,600.00			7,600.00	
NJDEP Trails Grant	9,000.00	9,000.00			9,000.00	
NJDEP Trails Grant - Local Share	1,800.00	1,800.00			1,800.00	
Over the Limit Under Arrest	4,400.00	4,400.00			4,400.00	

Borough of New Providence, N.J.

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2011

<u>General Appropriations</u>	<u>Ref.</u>	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpected Balance Cancelled</u>
Drive Sober or Get Pulled Over		5,000.00	5,000.00			5,000.00
CDBG - Senior Citizen High Risk Health Services		6,522.00	6,522.00			6,522.00
CDBG - Senior Exercise, Arts and Crafts		5,701.00	5,701.00			5,701.00
CDBG - Senior Citizen Transportation		5,018.00	5,018.00			5,018.00
CDBG - Senior Citizen Facility Improvements		38,000.00	38,000.00			38,000.00
Municipal Alliance on Alcoholism and Drug Abuse		17,583.00	17,583.00			17,583.00
Municipal Alliance on Alcoholism and Drug Abuse - Local Share		4,396.00	4,396.00			4,396.00
Contribution New Providence Athletic Foundation- Lieder Field Lights		75,000.00	75,000.00			75,000.00
Total Operations - Excluded from "CAPS"		1,883,988.00	1,883,988.00			1,824,858.39
Detail:						55,369.61
Salaries & Wages	A-1	6,500.00	6,500.00			3,760.00
Other Expenses	A-1	1,877,488.00	1,877,488.00			1,824,858.39
Capital Improvements:						
Capital Improvement Fund		50,000.00	50,000.00			50,000.00
NJ Transportation Trust Fund Authority Act		190,000.00	190,000.00			190,000.00
Total Capital Improvements Excluded from "CAPS"	A-1	240,000.00	240,000.00			240,000.00

Borough of New Providence, N.J.

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2011

General Appropriations Ref.	Budget	Budget	Budget	Paid or After Modification	Paid or Charged	Reserved	Unexpended Balance Cancelled
	General Appropriations	Ref.	General Appropriations	Ref.	General Appropriations	Ref.	General Appropriations
Municipal Debt Service:							
Payment of Bond Principal	970,000.00		970,000.00		970,000.00		
Payment of Bond Anticipation Notes and Capital Notes	161,000.00		145,500.00		145,500.00		
Interest on Bonds	244,881.26		244,881.26		244,881.26		
Interest on Notes	82,418.58		97,918.58		97,683.52		235.06
NJ Waste Water Treatment Loan							
Series 1994B Loan - Principal & Interest	164,599.86		164,599.86		164,599.86		
Series 1998F Loan - Principal & Interest	257,817.94		257,817.94		249,381.39		8,436.55
Total Municipal Debt Service-Excluded from "CAPS"	1,880,717.64	A-1	1,880,717.64		1,872,046.03		8,671.61
Total General Appropriations for Municipal Purposes Excluded from "CAPS"							
Subtotal General Appropriations	4,004,705.64		4,004,705.64		3,940,664.42		55,369.61
Reserve for Uncollected Taxes	15,830,339.64		15,830,339.64		15,001,224.05		820,443.98
Total General Appropriations	17,530,339.64		17,530,339.64		16,701,224.05		820,443.98
Adopted Budget	A-2						8,671.61
Appropriated by (N.J.S.A. 40A:4-87)	A-2						
							A
							17,414,033.08
							116,306.56
							17,530,339.64

Borough of New Providence, N.J.

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2011

General Appropriations Ref.	Budget	Paid or Charged	Reserved	Unexpended Balance Cancelled
	Budget After Modification	Charged		
<u>Analysis of Paid or Charged</u>				
Reserve for Uncollected Taxes	A-2			1,700,000.00
Cash Disbursed	A-4			14,242,780.89
Encumbrances Payable	A-16			266,919.16
Reserve for Tax Appeals	A-21			100,000.00
Reserve for Federal and State Grants	A-23			385,328.00
Matching Funds for Federal and State Grants	A-4,A-23			6,196.00
				<u>16,701,224.05</u>

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

Borough of New Providence, N.J.
 Comparative Balance Sheet - Regulatory Basis

Page 1 of 2

Trust Funds

December 31, 2011 and 2010

	<u>Ref.</u>	<u>2011</u>	<u>2010</u>
<u>Assets</u>			
Assessment Fund:			
Assessments Receivable	B-5	\$ 790.40	197.60
Due from Current Fund	B-6	<u>790.40</u>	<u>592.80</u>
		<u>790.40</u>	<u>790.40</u>
Animal License Fund:			
Cash	B-2	10,165.11	5,204.70
Cash - License Collector	B-4	<u>33.00</u>	<u>5,204.70</u>
		<u>10,198.11</u>	<u>5,204.70</u>
Other Trust Funds:			
Cash	B-2	1,628,884.66	1,237,269.77
Cash - Payroll	B-11	<u>43,993.27</u>	<u>39,116.68</u>
Due from Current Fund (Open Space)	B-6	<u>39.67</u>	<u>20,984.35</u>
Other Accounts Receivable	B-7	<u>9,210.93</u>	<u>1,297,370.80</u>
		<u>1,682,128.53</u>	<u>1,297,370.80</u>
Emergency Services Volunteer Length of Service Award Program: (Unaudited)			
Cash in Plan	B-2	217,044.16	199,558.98
Contributions Receivable	B-17	<u>20,500.00</u>	<u>18,000.00</u>
		<u>237,544.16</u>	<u>217,558.98</u>
Total Assets		<u>\$ 1,930,661.20</u>	<u>1,520,924.88</u>

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

Borough of New Providence, N.J.
 Comparative Balance Sheet - Regulatory Basis

Page 2 of 2

Trust Funds

December 31, 2011 and 2010

	Ref.	2011	2010
<u>Liabilities, Reserves & Fund Balance</u>			
Assessment Fund:			
Reserve for Assessments Receivable	B-8	\$ 790.40	197.60
Fund Balance	B-1	<u>790.40</u>	<u>592.80</u>
		<u>790.40</u>	<u>790.40</u>
Animal License Fund:			
Reserve for Dog Fund Expenditures	B-9	10,191.51	5,203.50
Due to State of New Jersey	B-10	<u>6.60</u>	<u>1.20</u>
		<u>10,198.11</u>	<u>5,204.70</u>
Other Trust Fund:			
Interfund - Current Fund (Other Trust)	B-6	2.90	152.95
Interfund - Current Fund (Recreation Trust)	B-6	10,000.00	
Various Other Trust Funds	B-11	473,193.75	411,399.26
Payroll Deductions	B-12	43,993.27	39,116.68
Reserve for:			
Construction and Other Deposits	B-13	501,173.47	432,028.22
Unemployment Insurance Trust Fund	B-14	3,761.61	48.55
Grant Expenditures	B-15		4,755.72
Municipal Open Space	B-16	<u>650,003.53</u>	<u>409,869.42</u>
		<u>1,682,128.53</u>	<u>1,297,370.80</u>
Emergency Services Volunteer Length of Service Award Program: (Unaudited)			
Net Assets Available for Benefits	B-18	237,544.16	217,558.98
		<u>237,544.16</u>	<u>217,558.98</u>
Total Liabilities, Reserves & Fund Balance		\$ 1,930,661.20	1,520,924.88

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

Exhibit B-1

Borough of New Providence, N.J.

Statement of Fund Balance - Regulatory Basis

Assessment Trust Fund

Year Ended December 31, 2011

	<u>Ref.</u>	
Balance - December 31, 2010	B	\$ 592.80
 Increased by:		
Collection of Unpledged Assessments	B-8	<u>197.60</u>
Balance - December 31, 2011	B/B-3	<u>\$ 790.40</u>

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

Borough of New Providence, N.J.

Comparative Balance Sheet - Regulatory Basis

General Capital Fund

December 31, 2011 and 2010

	<u>Ref.</u>	<u>2011</u>	<u>2010</u>
<u>Assets</u>			
Cash	C-2/C-3	239,770.90	701,936.49
Interfund - Current Fund	C-7		2,526.94
Various Receivables	C-4	113,342.97	113,342.97
Deferred Charges to Future Taxation:			
Funded	C-5	5,850,352.54	7,209,952.40
Unfunded	C-6	9,440,217.86	8,492,052.86
		<u>15,643,684.27</u>	<u>16,519,811.66</u>
<u>Liabilities, Reserves and Fund Balance</u>			
Interfund - Current Fund	C-7	190,501.09	
NJEIT Trust/Loans Payable	C-8	850,352.54	1,239,952.40
General Serial Bonds	C-9	5,000,000.00	5,970,000.00
Bond Anticipation Notes	C-10	5,823,240.00	5,484,240.00
Improvement Authorizations:			
Funded	C-11	24,881.53	33,341.17
Unfunded	C-11	3,246,916.19	3,110,221.30
Capital Improvement Fund	C-12	5,984.13	69,169.13
Reserve for:			
Debt Service	C-13	44,544.00	
Voluntary Agreements	C-14	113,342.97	113,342.97
Fund Balance	C-1	343,921.82	499,544.69
		<u>15,643,684.27</u>	<u>16,519,811.66</u>

Footnote: There were \$3,639,245.00 and \$3,045,580 of Bonds and Notes Authorized But Not Issued per Exhibit C-15 on December 31, 2011 and 2010

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

Exhibit C-1

Borough of New Providence, N.J.

Statement of Changes in Fund Balance - Regulatory Basis

General Capital Fund

Year Ended December 31, 2011

	<u>Ref.</u>	
Balance - December 31, 2010	C	499,544.69
Increased by:		
Premium on Sale of Bond Anticipation Notes	C-2	<u>19,377.13</u>
		<u>518,921.82</u>
Decreased by:		
Appropriated to Current Year Budget Revenue	C-7	<u>175,000.00</u>
Balance - December 31, 2011	C,C-3	<u>343,921.82</u>

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

GENERAL FIXED ASSET ACCOUNT GROUP

Exhibit D

Borough of New Providence, N.J.

Comparative Statement of General Fixed Assets

December 31, 2011 and 2010

	2011	2010
<u>General Fixed Assets:</u>		
Buildings and Construction	\$ 11,406,253.59	\$ 11,406,253.59
Machinery and Equipment	4,747,847.24	4,747,847.24
Land Improvements	266,541.45	266,541.45
Underground Equipment & Utilities	<u>1,163,811.00</u>	<u>1,163,811.00</u>
	<u>\$ 17,584,453.28</u>	<u>\$ 17,584,453.28</u>
Investment in Fixed Assets	<u>\$ 17,584,453.28</u>	<u>\$ 17,584,453.28</u>

See accompanying notes to financial statements.

**BOROUGH OF NEW PROVIDENCE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

The Borough of New Providence (the "Borough") operates under a Mayor/Council form of government. There are six elected members on the Council. Each is elected to a three year term. The Mayor is elected in a general election for a four year term. The Mayor carries a legislative vote only if there is a tie amongst Council members. The Borough's major operations include public safety, road repair and maintenance, sanitation, fire protection, recreation and parks, health services, and general administrative services.

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

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

**BOROUGH OF NEW PROVIDENCE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(CONTINUED)**

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

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

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

The Borough has the following funds and account groups:

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

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

Assessment Trust - This fund deals with the hauling of special assessment levies against property for the cost of an improvement, the whole or a part of which costs are levied against the property receiving the benefit.

All Other Trust Funds - These funds are established to account for the assets and resources which are also held by the Borough as a trustee or agent for individuals, private organizations, other governments and/or other funds.

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

Emergency Services Volunteer Length of Service Awards Program - This fund is used to account for the cumulative payments to participant's in the emergency services volunteer length of service award program including any income, gains, losses or increases or decreases in market value attributable to the interest of the participant's length of service awards.

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

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

**BOROUGH OF NEW PROVIDENCE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(CONTINUED)**

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

Basis of Accounting

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

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

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

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

**BOROUGH OF NEW PROVIDENCE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(CONTINUED)**

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

Basis of Accounting, (continued)

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

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

General Capital Fund

Trust Funds

The governing body shall introduce and approve the annual budget not later than February 10, of the fiscal year. The budget shall be adopted not later than March 20, and prior to adoption must be certified by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The Director of the Division of Local Government Services, with the approval of the Local Finance Board may extend the introduction and approval and adoption dates of the municipal budget. The budget is prepared by fund, function, activity and line item (salary or other expense) and includes information on the previous year. The legal level of control for appropriations is exercised at the individual line item level for all operating budgets adopted. Emergency appropriations, those made after the adoption of the budget and determination of the tax rate, may be authorized by the governing body of the municipality. During the last two months of the fiscal year, the governing body may, by a 2/3 vote, amend the budget through line item transfers. Management has no authority to amend the budget without the approval of the Governing Body. Expenditures may not legally exceed budgeted appropriations at the line item level. During 2011, the Borough Council increased the original budget by \$116,306.56. The increase was funded by \$116,306.56 of additional aid allotted to the Borough. In addition, several budget transfers were approved by the governing body.

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

**BOROUGH OF NEW PROVIDENCE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(CONTINUED)**

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

Basis of Accounting, (continued)

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

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

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

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

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

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

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

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

**BOROUGH OF NEW PROVIDENCE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(CONTINUED)**

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

Basis of Accounting, (continued)

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

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

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available, except land which is valued at estimated market value.

No depreciation has been provided for in the financial statements.

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

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

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

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

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

**BOROUGH OF NEW PROVIDENCE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(CONTINUED)**

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

Basis of Accounting, (continued)

C. Basic Financial Statements

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

NOTE 2: CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Borough's policy is based on New Jersey Statutes requiring cash be deposited only in New Jersey based banking institutions that participate in New Jersey Governmental Depository Protection Act (GUDPA) or in qualified investments established in New Jersey Statutes 40A:5-15.1(a) that are treated as cash equivalents. As of December 31, 2011, \$-0- of the Borough's bank balance of \$6,684,777.26 was exposed to custodial credit risk.

Investments

Investment Rate Risk

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

Credit Risk

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

**BOROUGH OF NEW PROVIDENCE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(CONTINUED)**

NOTE 2: CASH, CASH EQUIVALENTS AND INVESTMENTS, (continued)

Concentration of Credit Risk

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

Unaudited Investments

As more fully described in Note 16, the Borough has created a Length of Service Award Program (LOSAP) for emergency service volunteers. The LOSAP investments are similar to those allowed in a deferred compensation program as specified in NJSA 43:15B-1 et. seq. except that all investments are retained in the name of the Borough. All investments are valued at fair value. In accordance with NJAC 5:30-14.37, the investments are maintained by Lincoln Financial Group, which is an authorized provider approved by the Division of Local Government Services. The balance in the account on December 31, 2011 and 2010 amounted to \$217,044.16 and \$199,558.98, respectively.

The following investments represent 5% or more of the total invested with Lincoln Financial Group on December 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Growth	\$98,049.32	\$95,290.24
Fixed Income	65,815.18	59,017.01
Income	14,368.29	
Growth and Income	11,149.58	10,036.75
All Others	<u>27,661.79</u>	<u>35,214.98</u>
Total	<u>\$217,044.16</u>	<u>\$199,558.98</u>

NOTE 3: MUNICIPAL DEBT

Long-term debt as of December 31, 2011 consisted of the following:

	<u>Balance Dec. 31, 2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Bonds Payable - General					
Obligation Debt	\$5,970,000.00	\$	\$970,000.00	\$5,000,000.00	\$1,050,000.00
Other Liabilities:					
N.J. Environmental Infrastructure:					
Trust	990,000.00		225,000.00	765,000.00	240,000.00
Loan	<u>249,952.40</u>		<u>164,599.86</u>	<u>85,352.54</u>	<u>85,352.54</u>
	<u>\$7,209,952.40</u>	<u>\$0.00</u>	<u>\$1,359,599.86</u>	<u>\$5,850,352.54</u>	<u>\$1,375,352.54</u>

**BOROUGH OF NEW PROVIDENCE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(CONTINUED)**

NOTE 3: MUNICIPAL DEBT, (continued)

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

The Borough's debt is summarized as follows:

	<u>Year 2011</u>	<u>Year 2010</u>	<u>Year 2009</u>
<u>Issued:</u>			
General:			
Bonds and Notes	\$10,823,240.00	\$11,454,240.00	\$11,722,698.00
Loans	<u>850,352.54</u>	<u>1,239,952.40</u>	<u>1,613,843.91</u>
Total Issued	<u>11,673,592.54</u>	<u>12,694,192.40</u>	<u>13,336,541.91</u>
<u>Authorized But Not Issued</u>			
General:			
Bonds and Notes	<u>3,639,245.00</u>	<u>3,045,580.00</u>	<u>3,363,067.60</u>
Net Bonds and Notes Issued and Authorized But Not Issued	<u>\$15,312,837.54</u>	<u>\$15,739,772.40</u>	<u>\$16,699,609.51</u>

SUMMARY OF STATUTORY DEBT CONDITION - ANNUAL DEBT STATEMENT

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of .60%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School District	\$13,125,000.00	\$13,125,000.00	\$0.00
General Debt	<u>15,312,837.54</u>	<u>78,661.14</u>	<u>15,234,176.40</u>
	<u>\$28,437,837.54</u>	<u>\$13,203,661.14</u>	<u>\$15,234,176.40</u>

Net Debt \$15,234,176.40 divided by equalized valuation basis per N.J.S. 40A:2-2 as amended, \$2,550,757,762.00 = .60%.

**BOROUGH OF NEW PROVIDENCE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(CONTINUED)**

NOTE 3: MUNICIPAL DEBT, (continued)

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

3 ½% of Equalized Valuation Basis (Municipal)	\$89,276,521.67
Net Debt	<u>15,234,176.40</u>
Remaining Borrowing Power	<u>\$74,042,345.27</u>

The Borough's bonded debt consisted of the following at December 31, 2011:

	<u>Amount Outstanding</u>
Paid by Current Fund:	
General Improvement Bonds - \$2,340,000.00 issued July 15, 2001 due through July 15, 2015 with variable interest rates of 4.25% to 4.625%	\$765,000.00
Refunding Bonds - \$4,600,000.00 issued December 1, 2003 due through October 15, 2013 with variable interest rates of 3.50% to 4.00%	875,000.00
General Improvement Bonds - \$4,165,000.00 issued August 1, 2006 due through August 1, 2021 with variable interest rates of 4.125% to 4.250%	<u>3,360,000.00</u>
	<u>\$5,000,000.00</u>

General Capital Serial Bonds are direct obligations of the Borough for which its full faith and credit are pledged and are payable from taxes levied on all taxable property located within the Borough.

SCHEDULE OF ANNUAL DEBT SERVICE FOR PRINCIPAL AND INTEREST BONDED DEBT ISSUED AND OUTSTANDING

<u>General</u>			
<u>Calendar</u>			
<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$1,050,000.00	\$205,318.76	\$1,255,318.76
2013	880,000.00	164,912.50	1,044,912.50
2014	540,000.00	129,137.50	669,137.50
2015	530,000.00	106,112.50	636,112.50
2016	340,000.00	83,300.00	423,300.00
2017	340,000.00	69,275.00	409,275.00
2018	340,000.00	55,250.00	395,250.00
2019	340,000.00	41,225.00	381,225.00
2020	340,000.00	27,200.00	367,200.00
2021	<u>300,000.00</u>	<u>12,750.00</u>	<u>312,750.00</u>
	<u>\$5,000,000.00</u>	<u>\$894,481.26</u>	<u>\$5,894,481.26</u>

**BOROUGH OF NEW PROVIDENCE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(CONTINUED)**

NOTE 3: MUNICIPAL DEBT, (continued)

At December 31, 2011, the Borough had authorized but not issued debt of \$3,639,245.00.

N.J. WASTEWATER TREATMENT FINANCING PROGRAM

The Borough of New Providence entered into two loan agreements, as evidenced by Resolution Number 94-134 adopted August 8, 1994, with the New Jersey Waste Water Treatment Trust (the "Trust Loan") and the State of New Jersey, acting by and through the Department of Environmental Protection and Energy (the "Fund Loan"). The purpose of these loans is to finance the construction of a Waste Water Treatment Facility.

The Borough made drawdowns against these loans for eligible expenditures as stated in the loan agreements after the expenditures had been incurred.

Loans payable in the amount of \$850,352.54 are detailed as follows:

Calendar Year	Series 1994A		Series 1998P Trust Loan			Total Debt Service
	Fund Loan Principal	Principal	Interest	Less Credits	Net Payments	
2013	\$85,352.54	\$240,000.00	\$41,925.00	(\$37,172.13)	\$244,752.87	\$330,105.41
2013		255,000.00	25,837.50	(36,784.52)	244,052.98	244,052.98
2014		270,000.00	8,775.00	(36,790.87)	241,984.13	241,984.13
	<u>\$85,352.54</u>	<u>\$765,000.00</u>	<u>\$76,537.50</u>	<u>(\$110,747.52)</u>	<u>\$730,789.98</u>	<u>\$816,142.52</u>

NOTE 4: BOND ANTICIPATION NOTES

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

On December 31, 2011, the Borough had \$5,823,240.00 in outstanding general capital bond anticipation notes that mature on January 27, 2012 at an interest rate of 1.00%. These notes were rolled over to mature on May 25, 2012.

**BOROUGH OF NEW PROVIDENCE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(CONTINUED)**

NOTE 4: BOND ANTICIPATION NOTES, (continued)

The following activity related to bond anticipation notes occurred during the calendar year ended December 31, 2011.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Notes Payable:				
Chase	\$4,019,100.00		\$4,019,100.00	\$0.00
PNC Bank	1,070,240.00		1,070,240.00	0.00
PNC Bank	394,900.00		394,900.00	0.00
Oppenheimer & Co.		4,253,000.00	4,253,000.00	0.00
TD Securities		<u>5,823,240.00</u>		<u>5,823,240.00</u>
	<u>\$5,484,240.00</u>	<u>\$10,076,240.00</u>	<u>\$9,737,240.00</u>	<u>\$5,823,240.00</u>

NOTE 5: DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2011, there were no deferred charges shown on the balance sheets of the various funds.

NOTE 6: SCHOOL TAXES

Regulations provide for the deferral of not more than 50% of the annual levy when school taxes are raised for a school year and have not been requisitioned by the school district. The Borough raises its share of local school district taxes on a calendar year basis; hence there is no deferral of school taxes.

NOTE 7: PENSION PLANS

Description of Systems:

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

BOROUGH OF NEW PROVIDENCE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(CONTINUED)

NOTE 7: PENSION PLANS, (continued)

Description of Systems, (continued)

Public Employees' Retirement System (PERS)

The Public Employees' Retirement System was established in January, 1955 under the provisions of N.J.S.A. 43:15A to provide coverage including post-retirement health care to certain qualified members. Membership is mandatory for substantially all full time employees of the State or any county, municipality, school district or public agency provided the employee is not required to be a member of another State-administered retirement system. Vesting occurs after 8-10 years of service and 25 years for health care coverage. Members are eligible for retirement at age 60 with an annual benefit generally determined to be 1/55th of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of creditable service. Early retirement is available to those under age 60 with 25 or more years of credited service. Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on contributions. In case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

Chapter 103, P.L. 2007 amended the early retirement reduction formula for members hired on or after July 1, 2007 and retiring with 25 years of service to be reduced by 1% for every year between age 55 and 60, plus 3% for every year under age 55.

Chapter 89, P.L. 2008 increased the PERS eligibility age for unreduced benefits from age 60 to age 62 for members hired on or after November 1, 2008; increased the minimum annual compensation required for membership eligibility for new members. Also, it amended the early retirement reduction formula for members hired on or after November 1, 2008 and retiring with 25 years of service to be reduced by 1% for every year between age 55 and 62, plus 3% for every year under age 55.

Chapter 1, P.L. 2010, effective May 21, 2010, changed the membership eligibility criteria for new members of PERS from the amount of compensation to the number of hours worked weekly. Also, it returned the benefit multiplier for new members of PERS to 1/60 from 1/55, and it provided that new members of PERS have the retirement allowance calculated using the average annual compensation for the last five years of service instead of the last three years of service. New members of PERS will no longer receive pension service credit from more than one employer. Pension service credit will be earned for the highest paid position only. This law also closed the Prosecutors Part of the PERS to new members and repealed the law for new members that provided a non-forfeitable right to receive a pension based on the laws of the retirement system in place at the time 5 years of pension service credit is attained. The law also requires the State to make its full pension contribution, defined as 1/7th of the required amount, beginning in fiscal year 2012.

**BOROUGH OF NEW PROVIDENCE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(CONTINUED)**

NOTE 7: PENSION PLANS, (continued)

Description of Systems, (continued)

Public Employees' Retirement System (PERS), (continued)

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

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

Police and Firemens' Retirement System (PFRS)

The Police and Firemens' Retirement System was established in July 1944 under the provisions of N.J.S.A. 43:16A to provide retirement, death and disability benefits to its members. Membership is mandatory for all full time county and municipal police and firemen, and state firemen or officer employees with police powers appointed after June 30, 1944.

Enrolled members of the Police and Firemens' Retirement System may retire at age 55 with no minimum service requirement. The annual allowance is equal to 2% of the members' final compensation for each year of service up to 30 years, plus 1% of each year of creditable service over 30 years. Final compensation equals the compensation for the final year of service prior to retirement. Special retirement is permitted to members who have 25 or more years of creditable service in the system. Benefits fully vest on reaching 10 years of service. Members are always fully vested for their own contributions. In the case of death before retirement, members' beneficiaries are entitled to full payment of members' contributions.

Chapter 1, P.L. 2010, effective May 21, 2010, eliminated the provision in PFRS that would permit a member to retire, at any age after 25 years of service credit, on a special retirement allowance of 70% of final compensation after the retirement system reaches a funded level of 104%. Also, for new members of PFRS, the law capped the maximum compensation that can be used to calculate a pension from the plan at the annual wage contribution base for Social Security, and requires the pension to be calculated using a three year average annual compensation instead of the last year's salary.

**BOROUGH OF NEW PROVIDENCE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(CONTINUED)**

NOTE 7: PENSION PLANS, (continued)

Description of Systems, (continued)

Police and Firemens' Retirement System (PFRS), (continued)

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information for PERS and PFRS. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Divisions of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295.

Contribution Requirements

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

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

<u>Year</u>	<u>PERS</u>	<u>PFRS</u>
2011	\$338,372.00	\$655,482.00
2010	265,953.00	538,189.00
2009	240,370.00	503,652.00

**BOROUGH OF NEW PROVIDENCE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(CONTINUED)**

NOTE 7: PENSION PLANS, (continued)

Defined Contribution Retirement Program

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

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

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

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

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

A Governor appointee with advice and consent of the Legislature or who serves at the pleasure of the Governor only during that Governor's term of office.

Other employees commencing service after July 1, 2007, pursuant to an appointment by an elected official or elected governing body which include the statutory untenured Chief Administrative Officer such as the Business Administrator, County Administrator, or Municipal or County Manager, Department Heads, Legal Counsel, Municipal or County Engineer, Municipal Prosecutor and the Municipal Court Judge.

Notwithstanding the foregoing requirements, other employees who hold a professional license or certificate or meet other exceptions are permitted to remain to join or remain in PERS.

Contributions made by employees for DCRP are currently at 5.5% of the base wages. Member contributions are matched by a 3.0% employer contribution.

BOROUGH OF NEW PROVIDENCE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(CONTINUED)

NOTE 8: FUND BALANCES APPROPRIATED

Fund balances at December 31, 2011 and 2010 which were appropriated and included as anticipated revenue in their own respective funds for the years ending December 31, 2012 and 2011 were as follows:

	<u>2012</u>	<u>2011</u>
Current Fund	<u>\$2,000,000.00</u>	<u>\$2,117,000.00</u>

NOTE 9: FIXED ASSETS

The following is a summary of changes in the general fixed asset account group for the year 2011.

	Balance <u>Dec. 31, 2010</u>	Additions	Deletions	Balance <u>Dec. 31, 2011</u>
Buildings	\$11,406,253.59	\$	\$	\$11,406,253.59
Machinery and Equipment	4,747,847.24			4,747,847.24
Land Improvements	266,541.45			266,541.45
Underground Equipment and Utilities	1,163,811.00			1,163,811.00
	<u>\$17,584,453.28</u>	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$17,584,453.28</u>

NOTE 10: TERMINAL LEAVE

Eligible employees who retire with a pension under PERS or PFRS shall be entitled to receive Terminal Leave. The number of Terminal Leave days will be based on the number of unused sick leave at the time of retirement. Retiring PERS employees will remain on the payroll of the Borough based on one day of base salary pay for every four days of accumulated unused sick leave up to 100 days; and 1 day base salary pay for every 3 days of accumulated sick leave beyond 100 days subject to a maximum payment. Retiring PFRS employees will remain on the payroll of the Borough based on 1 day of salary pay for every 4 days of accumulated unused sick leave if the total days are below 100 or 1 day base salary pay for every 3 days of accumulated unused sick leave if the total days are above 100, subject to a maximum payment. The maximum payment for employees who retire under PERS is \$12,000.00 and under PFRS is \$17,000.00

**BOROUGH OF NEW PROVIDENCE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(CONTINUED)**

NOTE 10: TERMINAL LEAVE, (continued)

It is estimated that the sum of \$110,568.00, computed internally at 2011 salary rates, would be payable to 10 officials and employees of the Borough of New Providence as of December 31, 2011 for accumulated sick days. This amount was not verified by audit.

Provisions for the above are not reflected on the Financial Statements of the Borough. It is expected that the cost of such unpaid compensation would be included in the Borough's operating budget in the year in which it is used.

NOTE 11: DUE TO/FROM OTHER FUNDS

Balances due to/from other funds at December 31, 2011 consist of the following:

\$790.00	Due to the Assessment Trust Fund from the Current Fund for Assessment receipts deposited in the Current Fund.
2.90	Due to the Current Fund from the Other Trust Fund for interest earnings.
39.67	Due to the Municipal Open Space Trust Fund from the Current Fund for added taxes.
2,963.16	Due to the Current Fund from the Federal and State Grant Fund for cancelled grants.
10,000.00	Due to the Current Fund from the Recreation Trust Fund for anticipated revenue not turned over.
<u>190,501.09</u>	Due to the Current Fund from the General Capital Fund for anticipated revenue interest on investments not turned over and capital bills paid by the Current Fund.
<u>\$204,296.82</u>	

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

**BOROUGH OF NEW PROVIDENCE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(CONTINUED)**

NOTE 12: RISK MANAGEMENT

The Borough is exposed to various risks of loss related to general liability, automobile coverage, damage and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Borough has obtained insurance coverage to guard against these events which will provide minimum exposure to the Borough should they occur. During the 2011 calendar year, the Borough did not incur claims in excess of their coverage and the amount of coverage did not significantly decrease.

NOTE 13: TAXES COLLECTED IN ADVANCE

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

	<u>Balance</u> <u>Dec 31, 2011</u>	<u>Balance</u> <u>Dec 31, 2010</u>
Prepaid Taxes	<u>\$272,209.63</u>	<u>\$192,740.99</u>
Cash Liability for Taxes Collected in Advance	<u>\$272,209.63</u>	<u>\$192,740.99</u>

NOTE 14: POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description

The Borough will provide for all non-bargaining personnel hospitalization upon retirement (as defined by PERS) in accordance with the following criteria. A combination of age at retirement and a minimum of fifteen (15) years service with the Borough, will be the basis for determining eligibility and length of coverage. Borough personnel who were originally hired as part time employees and subsequently become full time are eligible for consideration dependent upon date he/she joined PERS plan.

Age Determination

The number of points an employee earns for age will be calculated by year of retirement less year of birth up to a maximum of seventy points.

**BOROUGH OF NEW PROVIDENCE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(CONTINUED)**

NOTE 14: POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS, (continued)

Service Determination

The number of points an employee earns for service will be calculated as one per year for each year of service.

Physical Disability Retirement

In the event an employee retires due to physical disability, said employee could earn additional points for age up to a maximum of ten points or a total age points of seventy.

Length of Coverage

- (1) In the event an employee has earned one hundred points or more, lifetime hospitalization will be paid by the Borough for the employee and his/her eligible dependents, at a cost not to exceed \$15,000.00 per year. Upon death of the employee, coverage will continue for the surviving spouse until his/her 65th birthday. Upon the death of the employee if there is no surviving spouse, coverage will cease at that point.
- (2) In the event an employee has earned a minimum of eight points, the Borough will provide hospitalization up to a cumulative cost of \$10,000.00 per employee or for the employee and eligible dependents. These payments will be made in the form of monthly premium contributions or if the employee has been participating in the benefit waiver program in accordance with IRC-125, payments will be made on a quarterly basis in accordance with Borough policy.
- (3) In the event an employee has earned less than a minimum of eight points, the Borough will provide hospitalization up to a cumulative cost of \$5,000.00 per employee or for the employee and eligible dependents. These payments will be made in the form of monthly premium contributions or if the employee had been participating in the benefit waiver program in accordance with IRC-125, payments will be made on a quarterly basis in accordance with Borough policy.

Funding

The Borough contributes up to a maximum of \$15,000.00 per year for each plan member. For the year 2011, the Borough contributed \$17,564.00 to the plan for two individuals.

**BOROUGH OF NEW PROVIDENCE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(CONTINUED)**

NOTE 14: POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS, (continued)

Annual OPEB Cost and Net OPEB Obligation

The Borough's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The Borough has calculated the ARC and related information using the Projected Unit Credit method. Under this method, an actuarial accrued liability is determined as the actuarial present value of the portion of projected benefits which is allocated to service before the current plan year. In addition, a normal cost is determined as the actuarial present value of the portion of projected benefits which is allocated to service in the current plan year for each active participant under the assumed retirement age. The following table shows the components of the Borough's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Borough's net OPEB obligation to the Retiree Health Plan:

Annual Required Contribution	\$24,366.00
Annual OPEB Cost (Expense)	24,366.00
Contributions Made	<u>(17,564.00)</u>
Increase in Net OPEB Obligation	6,802.00
Net OPEB Obligation - Beginning of Year	<u>15,943.00</u>
Net OPEB Obligation - End of Year	<u><u>\$22,745.00</u></u>

The Borough's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year 2011 is as follows:

<u>Year Ending</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual Cost Contributed</u>	<u>Net OPEB Obligation</u>
12/31/10	\$24,366.00	100%	\$15,943.00

**BOROUGH OF NEW PROVIDENCE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(CONTINUED)**

NOTE 14: POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS, (continued)

Funding Status and Funding Progress

As of December 31, 2011, the municipality calculated that the accrued liability for benefits was \$1,510,711, all of which was unfunded.

The projection of future benefit payments for an ongoing plan involves estimated of the value or reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information presents multi year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and includes the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term prospective of the calculations.

The following simplifying assumptions were made:

Retirement age for active employees - 100% of Police Officers are assumed to retire at age 65 (which is mandated under New Jersey State law), regardless of service, 100% of the other union eligible employees are assumed to retire at age 65, regardless of service and under the Personnel Policy Handbook, the Borough will provide for all non-bargaining personnel hospitalization upon retirement (as defined by PERS) in accordance with the following criteria: A combination of age at retirement and a minimum of fifteen (15) years of service with the Borough with the cost not to exceed \$15,000.00, \$10,000.00 or \$5,000.00, the amount to be determined in accordance with the amount of points earned.

Mortality - Life expectancies were estimated until age eighty-five (85) or twenty (20) years of post retirement for health and disabled participants. No retirement death benefits were valued, specially the "in-the-line of duty" death benefit for police.

**BOROUGH OF NEW PROVIDENCE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(CONTINUED)**

NOTE 14: POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS, (continued)

Methods and Assumptions, (continued)

Benefits - The valuation projects the cost to the Borough of providing medical benefits to employees who remain in the medical plan after retirement. Future retirees are assumed to remain the same medical plan they were covered under while active.

Healthcare Cost Trend Rate - The expected rate of increase in healthcare insurance premiums was based on projections using a rate of 8%.

Health Insurance Premiums - 2011 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

The investment return assumption (discount rate) should be the estimated long-term investment yield on the investments that are expected to be used to finance the payments of benefits. The investments expected to be used to finance payments of benefits would be plan assets for funded plans, assets of the employer for pay-as-you-go plans or a proportionate combination of the two for plans that are being partially funded. A discount rate of 4.00% for purposes of developing the liabilities and Annual Required contribution on the basis that the Plan would not be funded. This rate is derived from the historical performance of the United States Treasury.

Schedule of Funding Progress for the Retiree Health Plan

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Simplified Entry Age	Unfunded AAL (UAAL)	Funded Ratio
12/31/11	\$ -0-	\$1,528,275.00	\$1,510,711.00	1.00%

NOTE 15: SPECIAL IMPROVEMENT DISTRICT

The Special Improvement District is a separate entity which was established in 2007. The Special Improvement District has a budget which is based on the assessed value of a number of designated property owners in the Borough. The rate for 2011 is \$0.319.

**BOROUGH OF NEW PROVIDENCE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(CONTINUED)**

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

On March 6, 2003, the Division of Local Government Services approved the Borough's LOSAP plan, provided by Lincoln Financial Group. The purpose of this plan is to enhance the Borough's ability to retain and recruit volunteer firefighters and volunteer members of emergency service squads.

The Lincoln Financial Group will provide for the benefit of participants, a multi-fund variable annuity contract as its funding vehicle. The plan shall provide for a fixed annual contribution of \$500.00 to each eligible volunteer who accumulates minimum service points based on criteria established by Borough Ordinance No. 2000-05. The amount of the LOSAP award cannot exceed \$500.00 annually. The Borough's contribution shall be included in the current years budget.

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

We have reviewed the plan for the year ended December 31, 2011 in accordance with the American Institute of Certified Public Accountants (AICPA) Statement on Standards for Accounting and Review Services.

NOTE 17: COMMITMENTS AND CONTINGENT LIABILITIES

Federal and State Awards

The Borough participates in several federal and state grant programs which are governed by various rules and regulations of the grantor agencies; therefore, to the extent that the Borough has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable at December 31, 2011 may be impaired. In the opinion of management, there are not significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provisions have been recorded in the accompanying statutory basis financial statements for such contingencies.

Tax Appeals

The Borough has established a Reserve for Tax Appeals Pending in the amount of \$362,734.47.

BOROUGH OF NEW PROVIDENCE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(CONTINUED)

NOTE 17: COMMITMENTS AND CONTINGENT LIABILITIES, (continued)

Litigation

The Borough of New Providence is a defendant in certain lawsuits, none of which is unusual for a municipality of its size. Additional liabilities, if not covered by insurance, would be funded from future taxation.

The Borough has established a Reserve for Tax Appeals Pending in the amount of \$18,497.97.

The Borough of New Providence is a defendant in certain lawsuits, none of which is unusual for a municipality of its size. Additional liabilities, if not covered by insurance would be funded from future taxation.

APPENDIX C

**SELECTED FINANCIAL INFORMATION
FOR YEARS ENDED DECEMBER 31, 2007-2011**

The selected data presented on pages C-51 to C-56 under the section "Selected Financial Information" as of and for each of the years in the five year period ended December 31, 2011 are derived from the financial statements of the Borough of New Providence. The excerpts from the financial statements as of December 31, 2011 and the Independent Auditor's Report thereon are included in the previous section.

Borough of New Providence, N.J.

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Comparative Balance Sheet

Current Fund

December 31,

	2011	2010	2009	2008	2007
Assets					
Current Fund:					
Cash	4,398,494.96	4,409,966.11	4,455,988.03	4,464,403.29	3,436,458.58
Change Fund	150.00	150.00	150.00	150.00	150.00
Due from State of New Jersey:					
Senior Citizen and Veteran Deductions	1,718.58				
	<u>4,400,363.54</u>	<u>4,410,116.11</u>	<u>4,456,138.03</u>	<u>4,464,553.29</u>	<u>3,436,608.58</u>
Receivables and Other Assets with Full Reserves:					
Delinquent Taxes Receivable	260,939.00	157,580.10	256,292.76	215,533.43	214,290.63
Tax Title Liens	139,002.80	127,569.26	116,481.10	105,272.00	95,722.59
Property Acquired for Taxes -					
Assessed Valuation	11,955.00	11,955.00	11,955.00	11,955.00	11,955.00
Revenue Accounts Receivable	52,317.20	56,421.67	95,170.12	139,757.06	97,488.20
Insurance Claims Receivable			27,772.50	27,772.50	
Other Accounts Receivable	6,669.00	1,909.26	4,610.19		
Interfund Receivables	203,467.15	152.95	15,596.22	21,037.99	101,395.09
	<u>674,350.15</u>	<u>355,588.24</u>	<u>527,877.89</u>	<u>521,327.98</u>	<u>520,851.51</u>
Deferred Charges:					
Emergency Authorizations					100,000.00
	<u>5,074,713.69</u>	<u>4,765,704.35</u>	<u>4,984,015.92</u>	<u>4,985,881.27</u>	<u>4,057,460.09</u>
Federal and State Grant Fund:					
Cash	65,842.20	28,703.80	39,258.73	67,551.14	
Grants Receivable	854,461.41	924,043.69	402,053.01	247,384.12	227,968.44
Interfunds Receivable		3,025.80	518.62	550.65	71,660.47
	<u>920,303.61</u>	<u>955,773.29</u>	<u>441,830.36</u>	<u>315,485.91</u>	<u>299,628.91</u>
Total Assets	<u>5,995,017.30</u>	<u>5,721,477.64</u>	<u>5,425,846.28</u>	<u>5,301,367.18</u>	<u>4,357,089.00</u>

Borough of New Providence, N.J.

Comparative Balance Sheet

Page 2 of 2

Current Fund

December 31,

	2011	2010	2009	2008	2007
Liabilities, Reserves and Fund Balance					
Current Fund:					
Appropriation Reserves	820,443.98	700,043.49	614,948.70	462,708.73	535,408.75
Encumbrances Payable	266,919.16	193,643.17	199,721.60	261,214.08	223,537.18
Prepaid Taxes	272,207.63	192,740.99	176,372.66	193,873.64	236,171.56
Due to State of New Jersey:					
Senior Citizen and Veteran Deductions		1,935.53	1,354.02	2,338.95	1,851.28
Interfunds Payable	830.07	6,145.54	52,285.35	748.25	130,027.64
Due to Special Improvement District	3,331.20	3,331.20			1,037.66
Deferred Revenue					36,000.00
Due to County Added Taxes	18,338	24,298.94	55,981.57	20,201.15	24,561.37
Tax Overpayments		57.56	3,272.92		
Prepaid Revenue	109,675.00	104,675.00			
Reserve for:					444,115.19
Dedicated Expenditures					
Sale of Borough Property	84,141.92	84,141.92	587,654.92	1,081,594.92	
Tax Appeals	362,734.47	308,045.08	440,361.99		
	1,938,621.13	1,619,058.42	2,131,953.73	2,022,679.72	1,632,710.63
Reserve for Receivables	674,350.15	355,588.24	527,877.89	521,327.98	520,851.51
Fund Balance	2,461,742.41	2,791,057.69	2,324,184.30	2,441,873.57	1,903,897.95
	5,074,713.69	4,765,704.35	4,984,015.92	4,985,881.27	4,057,460.09
Federal and State Grant Fund:					
Interfunds Payable	2,963.16		221.16		77,664.07
Appropriated Reserve for Grants	914,795.47	955,773.29	397,481.81	282,903.40	199,358.05
Unappropriated Reserve for Grants	2,544.98		44,127.39	32,582.51	22,606.79
	920,303.61	955,773.29	441,830.36	315,485.91	299,628.91
Total Liabilities, Reserves and Fund Balance	5,995,017.30	5,721,477.64	5,425,846.28	5,301,367.18	4,357,089.00

Borough of New Providence, N.J.

Comparative Statement of Operations and Changes in Fund Balance

	Current Fund				
	Year Ended December 31,				
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Revenues and Other Income:					
Fund Balance Utilized	2,117,000.00	1,900,000.00	1,971,000.00	1,310,000.00	2,265,406.00
Miscellaneous Revenue Anticipated	3,323,844.05	4,296,843.39	3,679,647.51	4,488,243.35	3,617,413.95
Receipts from Delinquent Taxes	157,580.10	264,450.64	224,609.22	214,870.08	185,791.13
Receipts from Current Taxes	54,632,371.81	52,716,696.58	50,690,570.28	48,441,643.27	46,390,617.98
Non-Budget Revenue	204,009.65	180,395.11	239,680.35	181,684.95	165,362.01
Other Credits to Income:					
Unexpended Balance of Appropriation Reserves	335,242.04	369,647.98	366,154.75	275,893.51	131,999.62
Due to Special Imp. District Cancelled				1,365.29	
Cancellation of Tax OverPayments				101.30	
Reserve for Grants Cancelled	2,798.87	886.69		12.98	
Interfunds Returned	152.95	15,443.27	5,441.77	80,357.10	
Total Revenues and Other Income	<u>60,772,999.47</u>	<u>59,744,363.66</u>	<u>57,177,103.88</u>	<u>54,994,171.83</u>	<u>52,756,590.69</u>
Expenditures:					
Budget and Emergency Appropriations:					
Operations :					
Salaries and Wages	5,547,038.00	5,419,662.00	5,475,429.00	5,492,952.00	5,242,580.00
Other Expenses	6,716,706.00	7,148,630.89	6,937,676.90	6,361,756.12	7,050,409.41
Deferred Charges and Statutory Expenditures -					
Municipal	1,445,878.00	1,222,086.77	1,178,660.00	1,198,550.40	410,000.00
Capital Improvement Fund	240,000.00		210,000.00	105,000.00	120,000.00
Municipal Debt Service	1,872,046.03	2,137,896.81	1,836,561.30	1,798,078.47	1,600,848.44
Special Improvement District Taxes	114,927.00	105,587.84	102,256.64	100,327.63	128,537.66
Municipal Open Space Taxes	32,552.67	32,493.64	32,606.00	130,020.79	129,415.35
Local District School Tax	31,936,573.00	31,325,234.00	30,186,948.00	29,224,297.00	28,166,803.00
County Taxes including Added Taxes	10,873,719.44	9,981,921.41	9,363,655.31	8,596,984.35	8,378,739.85
Refund of Prior Year's Revenue	1,586.20	2,634.17		109,953.95	1,304.11
Canceled Grants Receivable	821.26	1,342.74		503.00	
Reserve for Other Accounts Receivable				27,772.50	
Interfund Advances	203,467.15				<u>57,924.56</u>
Total Expenditures	<u>58,985,314.75</u>	<u>57,377,490.27</u>	<u>55,323,793.15</u>	<u>53,146,196.21</u>	<u>51,286,562.38</u>
Excess (Deficit) Revenue Over Expenditures	1,787,684.72	2,366,873.39	1,853,310.73	1,847,975.62	1,470,028.31
Adjustment to Income Before Fund Balance - Expenditures					
Included above Which are by Statute Deferred					
Charges to Budget of Succeeding Year					<u>100,000.00</u>
Statutory Excess to Fund Balance	1,787,684.72	2,366,873.39	1,853,310.73	1,847,975.62	1,570,028.31
Fund Balance, January 1,	<u>2,791,057.69</u>	<u>2,324,184.30</u>	<u>2,441,873.57</u>	<u>1,903,897.95</u>	<u>2,599,275.64</u>
	4,578,742.41	4,691,057.69	4,295,184.30	3,751,873.57	4,169,303.95
Decreased by:					
Fund Balance Utilized as Budget Revenue	2,117,000.00	1,900,000.00	1,971,000.00	1,310,000.00	2,265,406.00
Fund Balance, December 31,	<u>2,461,742.41</u>	<u>2,791,057.69</u>	<u>2,324,184.30</u>	<u>2,441,873.57</u>	<u>1,903,897.95</u>

Borough of New Providence, N.J.

Balance Sheet

Trust Funds

December 31,

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Assets					
Assessment Fund:					
Assessments Receivable		197.60	395.20	592.80	
Due from Current Fund	790.40	592.80	395.20	197.60	
	<u>790.40</u>	<u>592.80</u>	<u>395.20</u>	<u>197.60</u>	<u></u>
Animal License Fund:					
Cash	10,198.11	5,204.70	5,561.83	5,115.25	6,304.97
	<u>10,198.11</u>	<u>5,204.70</u>	<u>5,561.83</u>	<u>5,115.25</u>	<u>6,304.97</u>
Other Trust Funds:					
Cash	1,628,884.66	1,237,269.77	1,324,482.85	1,416,825.53	1,190,991.16
Cash - Payroll	43,993.27	39,116.68	41,136.41	44,010.21	37,074.60
Due from Current Fund (Open Space)	39.67				
Due from Current Fund (Trust Funds)					130,027.64
Other Accounts Receivable	9,210.93	20,984.35	1,040.24	13,696.37	13,293.28
	<u>1,682,128.53</u>	<u>1,297,370.80</u>	<u>1,366,659.50</u>	<u>1,474,532.11</u>	<u>1,371,386.68</u>
Total Assets	<u>1,693,117.04</u>	<u>1,303,365.90</u>	<u>1,373,011.73</u>	<u>1,480,437.76</u>	<u>1,377,691.65</u>
Liabilities, Reserves & Fund Balance					
Assessment Fund:					
Reserve for Assessments Receivable		197.60	395.20	592.80	
Fund Balance	790.40	592.80	395.20	197.60	
	<u>790.40</u>	<u>592.80</u>	<u>395.20</u>	<u>197.60</u>	<u></u>
Animal License Fund:					
Reserve for Dog Fund Expenditures	10,191.51	5,203.50	5,560.63	5,115.25	6,304.97
Due to State of New Jersey	6.60	1.20	1.20		
	<u>10,198.11</u>	<u>5,204.70</u>	<u>5,561.83</u>	<u>5,115.25</u>	<u>6,304.97</u>
Other Trust Fund:					
Interfund - Current Fund (Other Trust)	2.90	152.95	15,375.06	21,037.99	23,473.13
Interfund - Current Fund (Recreation Trust)	10,000.00				
Interfund - Federal & State Grant Fund		518.62			
Due to State of New Jersey		1,940.00	7,838.76	558.13	
Overpaid Police Escrow			260.00	624.55	
Various Other Trust Funds	473,193.75	411,399.26	362,173.68	461,135.66	403,376.11
Payroll Deductions	43,993.27	39,116.68	41,136.41	44,010.21	37,074.60
Reserve for:					
Construction and Other Deposits	501,173.47	432,028.22	559,844.42	547,399.33	334,753.89
Unemployment Insurance Trust Fund	3,761.61	48.55	100.05	11,344.31	24,910.84
Grant Expenditures		4,755.72	8,886.58	8,886.58	
Municipal Open Space	650,003.53	409,869.42	376,684.68	372,619.27	546,615.43
	<u>1,682,128.53</u>	<u>1,297,370.80</u>	<u>1,366,659.50</u>	<u>1,474,532.11</u>	<u>1,371,386.68</u>
Total Liabilities, Reserves & Fund Balance	<u>1,693,117.04</u>	<u>1,303,365.90</u>	<u>1,373,011.73</u>	<u>1,480,437.76</u>	<u>1,377,691.65</u>

Borough of New Providence, N.J.

Balance Sheet

General Capital Fund

December 31,

<u>Assets</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Cash	239,770.90	701,936.49	164,534.93	938,708.80	70,959.35
Interfunds Receivable		2,526.94	51,890.15		
Grants/Other Receivable	113,342.97	113,342.97	37,634.17	121,896.67	460,306.30
Deferred Charges to Future Taxation:					
Funded	5,850,352.54	7,209,952.40	8,528,843.91	9,799,408.30	11,026,222.24
Unfunded	9,440,217.86	8,492,052.86	8,170,765.60	7,874,534.60	6,443,627.60
Total Assets	15,643,684.27	16,519,811.66	16,953,668.76	18,734,548.37	18,001,115.49
<u>Liabilities, Reserves and Fund Balance</u>					
Interfunds Payable	190,501.09				71,918.36
General Serial Bonds	5,000,000.00	5,970,000.00	6,915,000.00	7,820,000.00	8,690,000.00
Waste Water Treatment Loans Payable	850,352.54	1,239,952.40	1,613,843.91	1,979,408.30	2,336,222.24
Bond Anticipation Notes	5,823,240.00	5,484,240.00	4,807,698.00	4,978,867.00	2,135,845.00
Improvement Authorizations:					
Funded	24,881.53	33,341.17	383,722.57	951,550.28	1,482,861.53
Unfunded	3,246,916.19	3,110,221.30	2,997,018.20	2,934,931.46	3,246,918.63
Capital Improvement Fund	5,984.13	69,169.13	53,469.13	54,769.13	35,084.13
Reserve for:					
Debt Service	44,544.00				
Grants/Other Receivables	113,342.97	113,342.97			
Fund Balance	343,921.82	499,544.69	182,916.95	15,022.20	2,265.60
Total Liabilities, Reserves & Fund Balance	15,643,684.27	16,519,811.66	16,953,668.76	18,734,548.37	18,001,115.49

Borough of New Providence, N.J.

Statement of Changes in Fund Balance

General Capital Fund

Year Ended December 31,

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Balance - January 1,	499,544.69	182,916.95	15,022.20	2,265.60	2,265.60
Increased by:					
Improvement Authorizations Canceled		461,139.09	130,690.15		
Premium on Sale of Bond Anticipation Notes	19,377.13	35,488.65	37,204.60	12,756.60	
Decreased by:					
Appropriated to Current Year Budget Revenue	175,000.00	180,000.00			
Balance - December 31,	<u>343,921.82</u>	<u>499,544.69</u>	<u>182,916.95</u>	<u>15,022.20</u>	<u>2,265.60</u>

APPENDIX D
FORM OF LEGAL OPINION

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Borough Council of the
Borough of New Providence, in the
County of Union, New Jersey

Dear Council Members:

We have acted as bond counsel to the Borough of New Providence, in the County of Union, New Jersey (the "Borough") in connection with the issuance by the Borough of \$8,910,000 General Improvement Bonds (the "Bonds"). In order to render the opinions herein, we have examined laws, documents and records of proceedings, or copies thereof, certified or otherwise identified to us, as we have deemed necessary.

The Bonds are issued pursuant to the Local Bond Law of the State of New Jersey, a resolution of the Borough adopted April 23, 2012 pursuant to N.J.S.A. 40A:2-26(f), in all respects duly approved, and the various bond ordinances referred to therein, each in all respects duly approved and published as required by law.

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

The Borough has covenanted to comply with continuing requirements that must be satisfied subsequent to the issuance of the Bonds in order to preserve tax exemption under the Internal Revenue Code of 1986, as amended (the "Code"). Failure to comply with certain requirements of the Code may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. In the event that the Borough continuously complies with its covenant and in reliance on representations, certifications of fact and statements of reasonable expectations made by the Borough, it is our opinion that interest on the Bonds is not included in gross income for federal income tax purposes and is not an item of tax preference for purposes of computing the federal alternative minimum tax imposed on individuals and corporations. Interest on the Bonds held by a corporate taxpayer is not included in the relevant income computation for calculation of the federal alternative minimum tax as a result of the inclusion of interest on the Bonds in "adjusted current earnings." We express no opinion regarding other federal tax consequences arising with respect to the Bonds. Further, in our opinion, interest on the Bonds and any gain on the sale thereof are not included in gross income under the New Jersey Gross Income Tax Act.

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

Very truly yours,