

New Issue

Ratings: Moody's: "Aaa"  
Fitch: "AAA"  
(CIFG Insured)

*In the opinion of McManimon & Scotland, L.L.C., Bond Counsel, assuming continuing compliance by the Borough (as defined herein) with certain covenants described herein, interest on the Bonds (as defined herein) is not includable in gross income for federal income tax purposes under current law, and is not an item of tax preference under Section 57 of the Internal Revenue Code of 1986, as amended (the "Code"), for purposes of computing the federal alternative minimum tax; however, interest on the Bonds held by corporate taxpayers 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 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 EXEMPTION" herein.*

**BOROUGH OF NEW PROVIDENCE,  
IN THE COUNTY OF UNION, NEW JERSEY  
\$4,165,000 GENERAL IMPROVEMENT BONDS**

**Book-Entry Issue  
Bank Qualified  
(Non-Callable)**

**Dated: July 15, 2006**

**Due: August 1, as shown below**

The \$4,165,000 General Improvement Bonds (the "Bonds") will be issued by the Borough of New Providence, in the County of Union, State of New Jersey (the "Borough"), in the form of one certificate for the aggregate principal amount of Bonds maturing in each year and, when issued, will be registered in the name of CEDE and Co., as nominee of The Depository Trust Company, New York, New York ("DTC" or the "Securities Depository"), which will act as securities depository. See "DESCRIPTION OF THE BONDS - Book-Entry Only System" herein.

Interest on the Bonds will be payable semiannually on the first day of February and August in each year until maturity, commencing February 1, 2007. Principal of and interest on the Bonds will be paid to DTC by the Borough or its designated paying agent. Interest on the Bonds will be credited to the participants of DTC as listed on the records of DTC as of each next preceding January 15 and July 15 (the "Record Dates" for the payment of interest on the Bonds).

The Bonds shall not be subject to redemption prior to their stated maturities.

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

Year	Principal Amount	Interest Rate	Yield	Year	Principal Amount	Interest Rate	Yield
2008	\$150,000	4.125%	3.60%	2015	\$340,000	4.125%	3.95%
2009	170,000	4.125	3.65	2016	340,000	4.125	4.00
2010	225,000	4.125	3.70	2017	340,000	4.125	4.05
2011	260,000	4.125	3.75	2018	340,000	4.125	4.10
2012	340,000	4.125	3.80	2019	340,000	4.125	4.15
2013	340,000	4.125	3.85	2020	340,000	4.250	4.20
2014	340,000	4.125	3.90	2021	300,000	4.250	4.25

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by CIFG Assurance North America, Inc.. See "Bond Insurance" herein.



The Bonds are 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 July 28, 2006.

**CITIGROUP**

July 20, 2006

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

**MAYOR**

Allen Morgan

**BOROUGH COUNCIL PRESIDENT**

Terri Keller

**BOROUGH COUNCIL MEMBERS**

J. Brooke Hern  
Julia MacDermott  
Dr. Bob Robinson  
John Thoms  
Stephen Vengrow

**BOROUGH ADMINISTRATOR**

Douglas Marvin

**CHIEF FINANCIAL OFFICER**

Kenneth DeRoberts

**BOROUGH CLERK**

Wendi B. Barry

**BOROUGH ATTORNEY**

Carl R. Woodward, III, Esq.  
New Providence, New Jersey

**BOROUGH AUDITOR**

Samuel Klein and Company  
Newark, 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 of New Providence, in the County of Union, New Jersey (the "Borough") to give any information or to make any representations with respect to the \$4,165,000 General Improvement Bonds (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 (as defined herein) or, as to information from sources other than itself, by the Borough. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in any of the information herein since the date hereof, or the date as of which such information is given, if earlier.

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

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

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**OFFICIAL STATEMENT**  
**\$4,165,000 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 and the appendices attached hereto, has been prepared by the Borough of New Providence (the "Borough"), in the County of Union (the "County"), State of New Jersey (the "State"), in connection with the sale and issuance of \$4,165,000 General Improvement Bonds. This Official Statement has been executed by and on behalf of the Borough by its Chief Financial Officer.

**DESCRIPTION OF THE BONDS**

**General**

The Bonds are dated, will mature on the dates and in the amounts and will bear interest payable at the rates as set forth on the cover page hereof. The Bonds may be purchased in book-entry only form in the amount of \$1,000 or any integral multiple thereof (with a minimum of \$5,000 required) through book-entries made on the books of The Depository Trust Company, New York, New York ("DTC" or the "Securities Depository") and its participants.

The principal of and interest due on the Bonds will be paid to the Securities Depository by the Borough or its designated paying agent (the "Paying Agent"). Principal and interest on the Bonds will be credited to the Participants of DTC as listed on the records of DTC as of the close of business on January 15 and July 15 (the "Record Date" for the payment of interest on the Bonds).

**Redemption**

The bonds of this issue will not be subject to redemption prior to their maturity.

**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 (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. Accordingly, the Borough does not make any representations as to the completeness or accuracy of such information.

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 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 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, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC,

GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to 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 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Borough as Paying Agent, on 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 nor its nominee, the Paying Agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Borough as Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

### **Discontinuation of Book-Entry Only System**

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

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

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

THE BOROUGH AS PAYING AGENT 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 NOTEHOLDERS OR REGISTERED OWNERS OF THE BONDS (OTHER THAN UNDER THE CAPTION "TAX EXEMPTION") SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE BONDS.

### **SECURITY AND SOURCE OF PAYMENT**

The Bonds are 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 "Local Bond Law"), and the various bond ordinances of the Borough set forth below, and a resolution of the Borough Council adopted July 10, 2006. Proceeds from the sale of the Bonds will be used to (i) current refund and redeem on July 28, 2006, \$2,981,200 of the Borough's \$3,100,200 aggregate price of Bond Anticipation Notes, dated July 28, 2005 and maturing on July 28, 2006, and (ii) provide \$1,183,800 in new money to finance the projects issued below. Proceeds from the original Bond Anticipation Notes were used to fund the projects issued below.

<u>Aggregate Amount of Bonds</u>	<u>Ordinance Number</u>	<u>Description of Obligation and Date of Adoption of Ordinance</u>
\$ 462,000	2002-01 as amended by 2005-01	Additions and renovations to the New Providence Memorial Library, finally adopted February 25, 2002, as amended February 7, 2005.
135,000	2002-06	Various Capital Improvements, finally adopted July 15, 2002.
71,250	2003-05	UST site remediation at the Public Works Complex, finally adopted June 9, 2003.
1,008,979	2003-06	Various capital improvements, finally adopted June 9, 2003.
1,362,164	2004-04	Various capital improvements, finally adopted May 24, 2004.
490,250	2005-06	Various capital improvements, finally adopted May, 23, 2005.
635,357	2006-11	Various capital improvements, finally adopted May 22, 2006.

### **THE BOND INSURER AND THE FINANCIAL GUARANTY INSURANCE POLICY**

#### **CIFG Assurance North America, Inc.**

The information set forth in the following paragraphs has been provided by CIFG Assurance North America, Inc., referred to in this Official Statement as the Insurer or CIFG, for inclusion in this Official Statement.

## General

CIFG Assurance North America, Inc. is a monoline financial guaranty insurance company incorporated under the laws of the State of New York (the “Insurer”). The address of the principal executive offices of the Insurer is 825 Third Avenue, Sixth Floor, New York, New York 10022; its toll-free telephone number is (866) CIFG-212 and its general telephone number is (212) 909-3939.

The Insurer is a member of the CIFG Group of financial guaranty companies, which also includes CIFG Europe, a French insurance company licensed to do business in twenty member countries of the European Union, and CIFG Guaranty, a dedicated French reinsurance corporation. In addition to its capital and surplus as set forth below, the Insurer is supported by a net worth maintenance agreement from CIFG Guaranty, which provides that CIFG Guaranty will maintain the Insurer’s New York statutory capital and surplus at no less than \$80 million, and may cede a substantial portion (not to exceed 90%) of its exposure on each transaction to CIFG Guaranty through a facultative reinsurance agreement.

Each of the Insurer, CIFG Europe and CIFG Guaranty has received an insurer financial strength rating of “AAA” from Fitch, an insurer financial strength rating of “Aaa” from Moody’s, and an insurer financial enhancement rating of “AAA” from Standard and Poor’s, the highest rating assigned by each rating agency. Each such rating should be evaluated independently. The ratings reflect the respective rating agency’s current assessment of each company’s capacity to pay claims on a timely basis and are not recommendations to buy, sell or hold the Bonds. Such ratings may be subject to revision or withdrawal at any time.

The Insurer is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York, its state of domicile, and is licensed to do business in 46 jurisdictions. The Insurer is subject to Article 69 of the New York Insurance Law which, among other things, limits the business of such insurers to financial guaranty insurance and related lines, requires that such insurers maintain a minimum surplus to policyholders, establishes contingency, loss and unearned premium reserve requirements for such insurers, and limits the size of individual transactions and the volume of transactions that may be underwritten by such insurers. Other provisions of the New York Insurance Law applicable to non-life insurance companies such as the Insurer regulate, among other things, permitted investments, payment of dividends, transactions with affiliates, mergers, consolidations, acquisitions or sales of assets and incurrence of liabilities for borrowings.

## Capitalization

The following tables set forth the capitalization of the Insurer on the basis of accounting practices prescribed or permitted by the New York State Insurance Department (“statutory accounting practices”).

	<b>Statutory Accounting Practices</b> <b>December 31, 2005</b> <b>(in thousands of US dollars)</b> <b>Unaudited</b>
Admitted Assets .....	\$ 175,333
Liabilities .....	\$ 66,758
Capital and Surplus .....	\$ 108,575

The following table sets forth the capitalization of CIFG Guaranty on the basis of accounting principles generally accepted in France (“French GAAP”).

	<b>French GAAP</b> <b>December 31, 2005</b> <b>Unaudited</b>	
	(in thousands of euros)	(in thousands of US dollars) (1)
Assets .....	€ 745,839	\$ 883,036
Liabilities .....	€ 158,672	\$ 187,860
Shareholder’s Equity .....	€ 587,167	\$ 695,176

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(1) The translation of euros to U.S. dollars is presented solely for the convenience of the reader, using the observed exchange rate at December 31, 2005 of \$1.18395 to €1.00. The convenience translation should not be construed as representation that the euro amounts have been, could have been, or in the future could be, converted into U.S. dollars at this or any rate of exchange.

For further information concerning the Insurer and CIFG Guaranty, see the audited financial statements of both companies, including the respective notes thereto, prepared on the basis of statutory accounting practices in the case of the Insurer and in accordance with French GAAP in the case of CIFG Guaranty, as of December 31, 2004 and 2003 and for each of the two years in the period ended December 31, 2004, which are available on the CIFG Group's website at [www.cifg.com](http://www.cifg.com). Copies of prior audited annual financial statements of the Insurer prepared in accordance with statutory accounting practices are also available on the website. Copies of all such financial statements may be obtained, without charge, upon request to the Insurer at its address above, Attention: Finance Department

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

### **Local Bond Law**

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.

### **Debt Limits**

The authorized bonded indebtedness of the Borough 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 its boundaries, as annually determined by the State Director of Taxation.

Certain categories of debt are permitted by statute to be deducted for purposes of computing the statutory debt limit.

The Borough has not exceeded its statutory debt limit. At December 31, 2005 the statutory net debt as a percentage of average equalized valuation was 0.667%. As noted above, the statutory limit is 3½%.

### **Exception to Debt Limit; Extension of Credit**

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 make 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 2/3rds of the amount budgeted in such fiscal year for the retirement of outstanding Obligations (exclusive of utility and assessment Obligations).

### **Short-Term Financing**

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 subsequent resolution so provides. Bond anticipation notes for capital improvements may be issued in an aggregate amount not exceeding the amount specified in the ordinance, as may be amended and supplemented, creating such capital expenditure. 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.

## **School Debt Subject to Voter Approval**

State law permits the school district upon approval of the voters, to authorize school district debt, including debt in excess of its independent debt limit of 4% of the equalized evaluation basis, by using the available borrowing capacity of the Borough. If such debt is in excess of the school district debt limit and the remaining borrowing capacity of the Borough, the State Commissioner of Education and the Local Finance Board must approve the proposed debt authorization before it is submitted to the voters.

## **Local Budget Law**

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 (the "Director") prior to final adoption. The Local Budget Law of the State of New Jersey, N.J.S.A. 40A:4-1 *et seq.* (the "Local Budget Law") requires each local unit to appropriate sufficient funds for payment of current debt service, and the Director is required to review the adequacy of such appropriations.

Tax Anticipation Notes are limited in amount by law and must be paid off 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.

## **Appropriation "CAPS"**

A Statute passed in 1976, as amended (N.J.S.A. 40A:4-45.1 *et seq.*), commonly known as the "Cap Law", imposed limitations on increases in municipal appropriations subject to various exceptions. On August 20, 1990, the Governor signed into law P.L. 1990, c. 89, which revised and made permanent the "Cap Law". While the revised "Cap Law" is more restrictive on the ability of a municipality to increase its overall appropriations, the payment of debt service is an exception from this limitation. The Cap formula is somewhat complex, but basically, it permits a municipality to increase its overall appropriations by 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 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. The "Cap Law" does not limit the Obligation of the Borough to levy ad valorem taxes upon all taxable real property within the Borough to pay debt service on the Bonds.

## **Miscellaneous Revenues**

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

No budget or amendment thereof shall be adopted unless the Director shall have previously certified his approval of such anticipated revenues except that categorical grants-in-aid contracts may be included for their face amount with an offsetting appropriation. 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.

## **Real Estate Taxes**

The same general principle that revenue cannot be anticipated in a budget in excess of that realized in the preceding year applies to property taxes. N.J.S.A. 40A:4-29 governs anticipation of delinquent tax collections: "The

maximum which may be anticipated is the sum produced by multiplication of the amount of delinquent taxes unpaid and owing to the local unit on the first day of the current fiscal year by the percentage of collection of delinquent taxes for the year immediately preceding the current fiscal year."

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

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

Levy required to balance budget  
----- = Total Taxes to be Levied  
Prior Year's Percentage of Borough's  
Current Tax Collection  
(or lesser %)

### **Deferral of Current Expenses**

Emergency appropriations (those made after the adoption of the budget and the determination of the tax rate) may be authorized by the Borough Council. 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 preparations, and drainage map preparation for flood control purposes which may be amortized over five years. Of course, emergency appropriations for capital projects may be financed through the adoption of a bond ordinance and amortized over the useful life of the project.

### **Budget Transfers**

Budget transfers provide a degree of flexibility and afford a control mechanism. Transfers between major appropriation accounts are prohibited, except for: (i) during the first three (3) months of a current fiscal year, appropriation reserves may be transferred to the immediately preceding fiscal year's budget; and (ii) transfers between major appropriation accounts are permitted during the last two (2) months of a current fiscal year. Such transfers must be approved by two-thirds of the full membership of the governing body of a local governmental unit. Although sub-accounts within an appropriation account are not subject to the same year-end transfer restriction, they are subject to internal review and approval.

### **Capital Budget**

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.

### **Local Fiscal Affairs Law**

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 accounts must be performed annually by a licensed registered municipal accountant. The audit, conforming to the Division of Local Government Services' "Requirements of Audit", includes recommendations for improvement of the Local Units financial procedures and must be filed with the 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, 2004 is on file with the Clerk and is available for review during business hours.

## **TAX EXEMPTION**

The Borough has covenanted to comply with any continuing requirements that may be necessary to preserve the exclusion from gross income for purposes of federal income taxation of interest on the Bonds under the Code (as defined herein). Failure to comply with certain requirements of the Code could cause interest on the Bonds to be includable in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. In the opinion of McManimon & Scotland, L.L.C., Bond Counsel, to be delivered at the time of original issuance of the Bonds, assuming continuing compliance by the Borough with certain covenants described herein, interest on the Bonds is not includable in gross income for federal income tax purposes under current law, and is not an item of tax preference under Section 57 of the Internal Revenue Code of 1986, as amended (the "Code"), for purposes of computing the federal alternative minimum tax; however, interest on the Bonds held by corporate taxpayers 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 in "adjusted current earnings" (see discussion below). No opinion is expressed regarding other federal tax consequences or other federal taxes arising with respect to the Bonds.

The Code imposes certain significant ongoing requirements that must be met after the issuance and delivery of the Bonds in order to assure that the interest on the Bonds will be and remain excludable from gross income for federal income tax purposes. These requirements include, but are not limited to, requirements relating to use and expenditure of proceeds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on investments of gross proceeds of the Bonds be rebated to the federal government. Noncompliance with such requirements may cause interest on the Bonds to become subject to federal income taxation retroactive to their date of issuance, regardless of the date on which such noncompliance occurs or is discovered. The Borough has covenanted that it shall do and perform all acts permitted by law that are necessary or desirable to assure that interest on the Bonds will be and will remain excluded from gross income for federal income tax purposes. The Borough will deliver its Arbitrage and Tax Certificate concurrently with the issuance of the Bonds, which will contain provisions relating to compliance with the requirements of the Code, including certain covenants in that regard by the Borough. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Borough in connection with the Bonds, and Bond Counsel has assumed compliance by the Borough with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Bonds from gross income under Section 103 of the Code. Bond Counsel is rendering its opinion under existing law as of the issue date, and assumes no obligation to update its opinion after the issue date to reflect any future action, fact or circumstance, or change in law or interpretation, or otherwise. Bond Counsel expresses no opinion on the effect of any action taken after the date of the opinion or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for federal income tax purposes of interest on the Bonds.

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.

*Alternative Minimum Tax.* Section 55 of the Code provides that an alternative minimum tax is imposed on corporations at a rate of 20 percent. For purposes of the corporate alternative minimum tax, the Code includes an increase adjustment for computation of the alternative minimum tax consisting generally of seventy-five percent of the amount by which "adjusted current earnings" exceeds alternative minimum taxable income (computed without regard to this adjustment and the alternative tax net operating loss deduction). Thus, to the extent that interest on the Bonds is a component of a corporate holder's "adjusted current earnings", a portion of that interest may be subject to an alternative minimum tax.

*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 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 must be so 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.

*Branch Profits Tax.* Section 884 of the Code imposes on foreign corporations a branch profits tax equal to 30 percent of the "dividend equivalent amount" for the taxable year, unless modified, reduced or eliminated by income tax treaty in certain instances. Interest on the Bonds received or accrued by a foreign corporation subject to the branch profits tax may be included in computing the "dividend equivalent amount" of such corporation for purposes of the branch profits tax.

*S Corporation Tax.* Section 1375 of the Code imposes a tax on the "excess net passive income" of certain S corporations with passive investment income in excess of 25 percent of gross receipts for a taxable year. The U.S. Department of Treasury has issued regulations indicating that interest on tax-exempt bonds, such as the Bonds, held by an S corporation would be included in the calculation of excess net passive income.

*Other Federal Tax Consequences.* Owners of the Bonds should be aware that the ownership of tax-exempt Obligations may result in other collateral federal income tax consequences to certain taxpayers, including property and casualty insurance companies, individual recipients of Social Security and Railroad Retirement benefits, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or to carry tax-exempt Obligations. Owners of each of the Bonds should consult their own tax advisors as to the applicability and the effect on their federal income taxes of the alternative minimum tax, the branch profits tax and the tax on S corporations, as well as the applicability and the effect of any other federal income tax consequences.

*Possible Government Action.* Legislation affecting municipal bonds is regularly under consideration by the United States Congress. In addition, the Internal Revenue Service ("IRS") has established an expanded audit program for tax-exempt bonds. There can be no assurance that legislation enacted or proposed or an audit initiated or concluded by the IRS after the issue date of the Bonds involving either the Bonds or other tax-exempt bonds will not have an adverse effect on the tax-exempt status or market price of the Bonds.

## **SECONDARY MARKET DISCLOSURE**

The Borough, pursuant to a resolution adopted July 10, 2006, 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) Within 270 days from the end of each fiscal year, commencing with the fiscal year ending December 31, 2006 file with each nationally recognized municipal securities information repository designated from time to time by the Securities and Exchange Commission ("National Repository"), and with the appropriate State information depository, if any (the "State Repository," and together with the National Repositories, the "Repositories"), 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 by the date of filing) of the Borough and certain financial information and operating data consisting of (i) 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 if required by New Jersey law. Audited financial statements if not available by the filing date will be submitted separately when available. If the Borough's fiscal year changes, it shall give notice of such change in the same manner as for an event described herein under paragraph (b).

(b) Provide as soon as practicable to each Repository or to the Municipal Securities Rule Making Board (the "MSRB") and to the State Repository notice of the occurrence of any of the following events with respect to the Bonds, if material:

- (1) Principal or interest payment delinquencies;
- (2) Non-payment related defaults;
- (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 or events affecting the tax-exempt status of the securities;
- (7) Modifications to the rights of security holders;
- (8) Bond calls
- (9) Defeasances;
- (10) Release, substitution or sale of property which secures the repayment of the securities; and
- (11) Rating changes.

(c) Provide in a timely manner to each Repository or to the MSRB and the State Repository notice of failure of the Borough to provide required annual financial information on or before the date specified above.

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.

## **LITIGATION**

To the knowledge of Carl Woodward, III, Esq., New Providence, New Jersey (the "Borough Attorney"), 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. A certificate to such effect will be executed by the Borough's Attorney and delivered to the Underwriter of the Bonds at the closing.

## **LEGALITY FOR INVESTMENT**

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

## **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, 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.

## RATINGS

Moody's Investor Services, ("Moody's") has assigned its rating of "Aaa" to the Bonds. Fitch Ratings ("Fitch") has assigned its rating of "AAA" to the Bonds. Both Moody's and Fitch have assigned their respective ratings with the understanding that upon delivery of the Bonds, a Municipal Bond Insurance Policy insuring the payment when due of the principal and interest on the Bonds will be issued by the Insurer, defined on page 3.

The ratings reflect only the views of the rating agencies and an explanation of the significance of such ratings may only be obtained by the rating agencies. There can be no assurance that the ratings 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 ratings, may have an adverse effect on the marketability or market price of the Bonds.

## UNDERWRITING

The Bonds are being purchased at a public sale from the Borough by Citigroup Global Markets Inc. (the "Underwriter") at a purchase price of \$4,165,000.00. The Underwriter intends to offer the Bonds to the public initially at the offering yields set forth on the cover page of this Official Statement, which may subsequently change without any requirement of prior notice. The Underwriter reserves the right to join with dealers and other underwriters in offering the Bonds to the public. The Underwriter may offer and sell Bonds to certain dealers (including dealers depositing Bonds into investment trusts) at yields higher than the public offering yield set forth on the cover page, and such public offering yields may be changed, from time to time, by the Underwriter without prior notice.

## 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 C. Certain legal matters will be passed on for the Borough by its Counsel, Carl R. Woodward, III, Esq., New Providence, New Jersey.

## APPENDICES

Appendix A to this Official Statement consists of certain demographic and financial information concerning the Borough which has been provided by the Borough from public documents of the Borough and from other public or official documents or publications which are referred to therein.

Appendix B to this Official Statement consists of excerpts from an audited financial statement of the Borough for the year ended 2005, prepared by Samuel Klein and Company, Newark, New Jersey, independent certified public accountants to the Borough.

Appendix C to this Official Statement consists of the proposed form of legal opinion of McManimon & Scotland, L.L.C., Bond Counsel to the Borough.

## **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, 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.

Samuel Klein and Company assisted in the preparation of information contained in this Official Statement and takes responsibility for the audited financial statements to the extent specified in their Independent Auditor's Report.

All other information has been obtained from sources which the 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, Chief Financial Officer, (908)-665-1400.

## **MISCELLANEOUS**

This Official Statement is not to be construed as a contract or agreement between the Borough and the purchasers of 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**

Dated: July 20, 2006

/s/ Kenneth DeRoberts  
Kenneth DeRoberts  
Chief Financial Officer

**APPENDIX A**  
**DESCRIPTION OF THE BOROUGH OF NEW PROVIDENCE**  
**WITH CERTAIN DEMOGRAPHIC, ECONOMIC AND FINANCIAL INFORMATION**

## 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 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 is currently undergoing a major streetscape renovation, funded through a recently formed 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 an average annual household income of over \$150,000.

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.

### Corporate Residents

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

**Accenture:** A world renowned consulting firm providing services to major corporate clients.

**Baxter Pharmaceutical:** New Providence is headquarters for the information technology services providing worldwide support to their many facilities in a variety of locations.

**BOC Group:** New Providence is the North American headquarters for BOC, a major supplier of industrial gases and air products.

**C.R. Bard:** A leading multinational developer, manufacturer and marketer of health care products with its headquarters in New Providence.

**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.**

**Lucent Technologies:** An international manufacturer and supplier of communications equipment. Their Murray Hill location partially located in New Providence is the world headquarters for the infamous Bell Laboratories. Lucent recently merged with Alcatel.

**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. The banking institutions located in the Borough include branches of Bank of America, Wachovia, Investor Savings Bank, PNC Bank, Provident Bank and the Borough's newest resident, 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 east connectivity for commercial tenants.

The Borough also has proprietary fiber optic lines running the entire length of South and Passaic Streets.

### **Protection**

The New Providence Police Department consists of 25 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 St. Hubert's Giralda, a non-profit organization dedicated to animal welfare.

New Providence has a volunteer Fire Department 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, who 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 required to meet the more stringent mandated effluent limits being imposed on all waste water infrastructure facilities. The Borough has successfully applied to the New Jersey Waste Water Treatment Trust, an independent state authority created by the New Jersey Legislature to provide low interest funding to local governments. In concert with Killam Associates, the Borough's Consulting Engineer on this project, New Providence has met all required steps in this application process. It should be noted while the loan application was for \$12 million, a less costly alternative study has been implemented with full concurrence of the New Jersey Department of Environmental Protection and Energy. A modern jet truck is used to clean and maintain the sanitary sewers.

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

## **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 is currently developing collections of books and music on CD and tape. 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. Through the library's memberships in MUF (Morris Union Federation) and MUTAL (Middlesex Union Reciprocal Associated Libraries) New Providence patrons can borrow directly from over 40 other libraries in the state with their library card. 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 the finest facility of its kind in Union County. A structure to house the Senior Citizen bus and development of a parking lot was 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," funded by grants and donations, was developed at the Municipal Complex. Also, a park designated "The Commons" is adjacent to the Central Business District developed in 1976 with matching Green Acres funding. In the center of both parks is the central business district which is being 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**

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 2,000 students are enrolled in the two K-8 schools and one high school 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.

### **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.

**Douglas Marvin,  
Borough Administrator**

BOROUGH OF NEW PROVIDENCE  
COUNTY OF UNION, NEW JERSEY

**DEBT STATEMENT AS OF DECEMBER 31, 2005**

**Gross Debt**

School Debt:

Local School District:

Serial Bonds Issued and Outstanding	\$ 3,870,000.00
Authorized but Not Issued	<u>13,615,000.00</u>
	<u>\$17,485,000.00</u>

Municipal Debt:

General Improvements:

Serial Bonds Issued and Outstanding	6,210,000.00
Bond Anticipation Notes Issued	3,100,200.00
Loans Payable	2,879,111.45
Authorized but Not Issued	<u>1,221,623.20</u>
	<u>13,410,934.65</u>

Total Gross Debt

30,895,934.65

**Statutory Deductions**

School Debt:

Local School District:

Minimum (4% of Average Equalized Valuations	\$80,381,541.67)
	<u>17,485,000.00</u>

Statutory Net Debt

\$13,410,934.65

Average Equalized Valuation of Real Property  
for 2003-2005

\$2,009,538.541.67

Net Debt Percentage (Statutory Debt Limit - 3.5%)

0.667%

**REMAINING STATUTORY BORROWING POWER**

3 1/2% of Equalized Valuation Basis

\$70,333,848.96

Less: Statutory Net Debt

13,410,934.65

Remaining Borrowing Power December 31, 2005

\$56,922,914.31

Gross Debt is the total financial obligation of the Municipality and its Subdivisions. Statutory deductions determine the Borrowing Power and Statutory Net Debt under the laws of the State of New Jersey.

BOROUGH OF NEW PROVIDENCE  
COUNTY OF UNION, NEW JERSEY

**OVERLAPPING DEBT**

<u>Dec. 31</u>	<u>New Providence</u>	<u>Tax Levy</u>	<u>Percent</u>	<u>Net Debt</u>	<u>Overlapping</u>
2000	\$6,178,234.16	\$150,132,767.00	0.0412	\$258,180,542.15	\$10,624,595.00
2001	6,481,049.12	159,932,767.00	0.0405	264,741,878.29	10,728,290.08
2002	7,035,818.82	173,832,767.00	0.0405	301,487,365.29	12,202,592.84
2003	7,590,160.75	191,332,767.00	0.0397	324,598,144.83	12,876,791.24
2004	7,932,812.73	203,832,767.00	0.0389	348,543,453.60	13,564,698.09
2005	7,800,323.96	216,332,767.00	0.0361	377,526,585.60	13,612,499.45

**GROSS DEBT COMPARED WITH TRUE VALUE**

	<u>Municipal Debt</u>	<u>Municipal Debt</u>	<u>Municipal Debt Including Apportioned Underlying Debt</u>
Gross Debt as of December 31, 2005		<u>\$13,410,934.65</u>	<u>\$27,023,434.10</u>
Aggregate Fair Value for 2005 - All Taxable Property - Assessed Valuation		<u>\$1,307,203,407.00</u>	
Amount Added for Equalization: Real Property Assessed at 61.30% of True Value		<u>833,151,428.00</u>	
Total - With Real Property at True Value		<u>\$2,140,354,835.00</u>	
Gross Debt as a Percentage of True Value		<u>.63%</u>	<u>1.26%</u>

BOROUGH OF NEW PROVIDENCE  
COUNTY OF UNION, NEW JERSEY

**ASSESSED VALUATION AND TAX RATES**

<u>Year</u>	<u>Net Taxable Value Real Property</u>	<u>Net Taxable Value Real and *Personal Property</u>	<u>Tax Rate per \$100.00</u>	<u>Real Property Assessed Valuation Percentage of True Value</u>
2001	\$1,314,427,100.00	\$1,320,712,984.00	\$2.53	89.01 %
2002	1,300,737,900.00	1,327,075,631.00	2.64	83.76
2003	1,307,780,300.00	1,313,491,948.00	2.89	78.10
2004	1,308,693,800.00	1,313,619,220.00	3.09	64.49
2005	1,302,529,400.00	1,307,203,407.00	3.24	61.30

\*Consists of Machinery, Implements and Equipment of Telephone, Telegraph and Messenger Systems Companies (Chapter 38, P.L. 1966).

**COMPARISON OF COMPONENTS OF TAX RATE**

	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Tax Rate	<u>\$3.240</u>	<u>\$3.090</u>	<u>\$2.889</u>	<u>\$2.641</u>	<u>\$2.531</u>
Apportionment of Tax Rate:					
Local Municipal	\$ .675	\$ .649	\$ .629	\$ .575	\$ .575
Municipal Open Space	.010	.010			
County	.597	.604	.578	.530	.491
County Open Space	.024	.023	.021	.019	.009
Local District School	<u>1.934</u>	<u>1.804</u>	<u>1.661</u>	<u>1.517</u>	<u>1.456</u>

BOROUGH OF NEW PROVIDENCE  
COUNTY OF UNION, NEW JERSEY

**TAX COLLECTION EXPERIENCE**

Year	Tax Levy	Collections During Year of Levy		Added Taxes	Collections to Date Dec. 31, 2005		*Uncollected Dec. 31, 2005
		Amount	Percentage		Amount	Percentage	
2001	\$33,550,387.71	\$33,253,200.02	99.114 %	\$5,555.26	\$33,547,119.89	99.974 %	\$
2002	35,126,400.76	34,755,029.71	98.943	7,393.43	35,070,508.80	99.820	
2003	38,005,322.62	37,761,748.26	99.359	1,895.89	37,937,468.58	99.816	
2004	40,740,810.15	40,465,200.59	99.324	1,026.03	40,669,716.26	99.823	
2005	42,470,456.78	42,210,921.86	99.389				
							229,007.14

Property Acquired for Taxes at Assessed Valuation (Foreclosed Property)  
Tax Title Liens

\*Balances remaining after credits for remissions and transfers to tax title liens.

Tax Collection Procedure

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

Tax bills for the second half of the current year's 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 the months 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 April 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 the property.

BOROUGH OF NEW PROVIDENCE  
COUNTY OF UNION, NEW JERSEY

TWENTY-FIVE LARGEST TAXPAYERS

<u>Taxpayer</u>	<u>Description</u>	<u>2006 Assessed Valuation</u>
The B.O.C. Group, Inc.	Vacant Land, Office and Industrial	\$35,423,400
Martindale-Hubbell, Inc. (Reed Publishing, Inc.)	Office Buildings	22,484,800
N.J. Office Realty Holding Co.	Office and Labs	17,143,400
535 Mountain Avenue Reality, LLC	Office Building	14,888,700
CR Bard, Inc.	Office/Industrial	14,800,000
N Providence, LLC (Village Shopping Center)	Shopping Center	11,280,600
Murray Hill Apartments	Garden Apartments	9,249,000
Tower Management Financing Ptsp.	Garden Apartment and Vacant Land	9,111,100
Mack-Cali B Properties, LLC	Office Building	9,079,300
Lucent Technologies, Inc.	Vacant Land	8,178,300
New Providence Gardens Company, LLC	Garden Apartments	7,363,600
Murray Hill Inn Associates	Motel/Office Building	6,578,100
RC-Central Avenue Associates, LLC	Office Building	6,478,900
Murray Hill Office Center, LLC	Office Building	5,568,800
Kam Hing Realty - NJ, LLC	Office, Warehouse	5,507,880
Health Care & Retirement D/B/A Glenside Nursing Center	Nursing Home	4,800,000
New Providence Apartments Co., LLC	Apartments	3,875,600
Weill, Maurice M., Trustee	Office Building	3,558,500
New Providence 2004, LLC	Office and Industrial	3,532,000
Aromat Corporation	Office Building	3,400,000
Murray Hill Realty Investors, LLC	Industrial/Office	3,120,800
Reldus Associates (Floral Avenue Venturers)	Apartments	3,000,000
Davanne Realty, et al	Office Building	2,455,300
Pyramid Properties, LLC	Office Building	2,100,000
A1 Asset Acquisition Company, LLC	Office, Industrial	1,526,800
Pfaltz, Hugo M. Jr. & Marilyn M.	Apartments	1,007,600

BOROUGH OF NEW PROVIDENCE  
COUNTY OF UNION, NEW JERSEY

REAL PROPERTY CLASSIFICATION  
2001 - 2005 (ASSESSED VALUATION)

<u>Year</u>	<u>Vacant Land</u>	<u>Residential</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Apartments</u>	<u>Total Real Property</u>	<u>Business Personal Property</u>	<u>Net Valuation Taxable</u>
2001	\$12,846,900.00	\$ 999,179,300.00	\$147,114,100.00	\$117,929,900.00	\$37,356,900.00	\$1,314,427,100.00	\$6,285,884.00	\$1,320,712,984.00
2002	12,588,700.00	1,005,848,300.00	147,014,100.00	117,929,900.00	37,356,900.00	1,320,737,900.00	6,337,731.00	1,327,075,631.00
2003	13,817,100.00	1,008,673,100.00	161,544,200.00	86,759,400.00	36,986,500.00	1,307,780,300.00	5,711,648.00	1,313,491,948.00
2004	14,080,700.00	1,012,262,000.00	158,805,200.00	86,559,400.00	36,986,500.00	1,308,693,800.00	4,925,420.00	1,313,619,220.00
2005	13,958,800.00	1,017,117,000.00	154,948,500.00	79,518,600.00	36,986,500.00	1,302,529,400.00	4,674,007.00	1,307,203,407.00

BOROUGH OF NEW PROVIDENCE  
COUNTY OF UNION, NEW JERSEY

POPULATION

<u>Year</u>		<u>Population</u>
2000	Federal Census	11,907
1990	Federal Census	11,439
1980	Federal Census	12,426
1970	Federal Census	13,796
1960	Federal Census	10,243
1950	Federal Census	3,380

BOROUGH OF NEW PROVIDENCE  
COUNTY OF UNION, NEW JERSEY

ECONOMIC INFORMATION

Median Family Income - 2000				Per Capita Income			
Income Group	Borough of New Providence	County of Union	State of New Jersey	Year	Borough of New Providence	County of Union	State of New Jersey
\$ 0	\$ 5,000.00	29	3,065	48,848	1990	\$29,773.00	\$19,660.00
5,000.00	9,999.00	27	3,757	62,791	2000	42,995.00	26,995.00
10,000.00	14,999.00	9	5,474	83,084			27,006.00
15,000.00	24,999.00	119	13,530	218,106			
25,000.00	34,999.00	177	16,307	257,468			
35,000.00	49,999.00	471	25,755	404,683			
50,000.00	74,999.00	921	32,327	502,856			
75,000.00	99,999.00	521	15,531	237,358			
100,000.00	149,999.00	623	11,071	147,971			
150,000.00	Or More	365	5,589	74,622			
Total Families		3,262	132,406	2,037,787			
Median Family Income		\$70,618	\$48,862	\$ 47,589			

Source: 2000 Income Census, U.S. Bureau of the Census

Source: United States Department of Commerce  
Bureau of the Census

Covered Employment\*

	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>
Borough of New Providence	N/A	N/A	N/A	10,244	9,834
County of Union	202,267	206,488	209,558	205,560	203,820
State of New Jersey	3,288,906	3,314,092	3,352,822	3,283,702	3,192,494

\*Covered Employment Data shows the number of jobs subject to the New Jersey Unemployment Compensation Law. The quality of industrial and area summaries is dependent upon Employer input and comparability between years is affected by changes to coverage provisions and modifications to the S.I.C. Manual.

N/A - Not Available.

Source: New Jersey Covered Employment Trends, State of New Jersey, Department of Labor, Division of Planning and Research Office of Demographic and Economic Analysis

BOROUGH OF NEW PROVIDENCE  
COUNTY OF UNION, NEW JERSEY

**HOUSING CHARACTERISTICS - HOUSING UNITS - 2000**

	<u>Borough of New Providence</u>	<u>County of Union</u>	<u>State of New Jersey</u>
<b>Number of Units:</b>			
Owner Occupied	3,356	114,638	2,011,473
Renter Occupied	1,048	71,486	1,053,172
Vacant	<u>81</u>	<u>6,821</u>	<u>245,630</u>
Total	<u>4,485</u>	<u>192,897</u>	<u>3,310,275</u>
Median Value Owned	<u>\$317,100</u>	<u>\$188,800</u>	<u>\$170,800</u>

**Year Structure Built -**  
**All Year-Round Units**

1989 to March 1990	18	1,091	45,594
1985 to 1988	71	4,500	228,704
1980 to 1984	104	3,888	182,183
1970 to 1979	331	13,478	459,597
1960 to 1969	1,069	29,124	539,742
1950 to 1959	1,710	45,804	537,409
1940 to 1949	523	32,424	326,020
1939 or Earlier	499	56,724	756,061

Source: 2000 Census of Housing, U.S. Bureau of the Census

BOROUGH OF NEW PROVIDENCE  
COUNTY OF UNION, NEW JERSEY

**BUILDING PERMITS ISSUED**

**Borough of New Providence**

<u>Year</u>		<u>Total Value</u>	<u>Total Units</u>	<u>Single Family Units</u>	<u>Two Family Units</u>	<u>3 or 4 Family Units</u>	<u>5 or More Family Units</u>
2005	\$	2,300,419	15	13		2	
2004		1,159,000	6	6			
2003		1,619,000	7	7			
2002		261,000	2	2			
2001		725,000	3	3			

**County of Union**

<u>Year</u>		<u>Total Value</u>	<u>Total Units</u>	<u>Single Family Units</u>	<u>Two Family Units</u>	<u>3 or 4 Family Units</u>	<u>5 or More Family Units</u>
2005	\$	131,267,530	1,155	514	396	33	212
2004		116,828,671	1,399	411	706	41	241
2003		92,774,314	1,198	213	490	10	485
2002		51,477,412	681	247	232	9	193
2001		42,749,453	551	196	222	6	127

**State of New Jersey**

<u>Year</u>		<u>Total Value</u>	<u>Total Units</u>	<u>Single Family Units</u>	<u>Two Family Units</u>	<u>3 or 4 Family Units</u>	<u>5 or More Family Units</u>
2005	\$	4,967,479,605	38,481	21,892	3,180	1,447	11,962
2004		4,294,184,448	35,936	22,429	3,300	1,476	8,731
2003		3,781,901,877	32,984	22,163	2,870	912	7,039
2002		3,430,317,945	30,441	22,379	2,110	742	5,210
2001		3,012,189,700	28,267	21,503	1,827	779	4,158

BOROUGH OF NEW PROVIDENCE  
COUNTY OF UNION, NEW JERSEY

**LABOR FORCE ESTIMATES**

**Borough of New Providence**

<u>Year</u>	<u>Labor Force</u>	<u>Number Employed</u>	<u>Number Unemployed</u>	<u>Unemployment Rate</u>
2005	6,368	6,178	190	3.0 %
2004	6,373	6,195	178	2.8
2003	N/A	N/A	N/A	N/A
2002	6,733	6,540	193	2.9
2001	6,712	6,579	133	2.0

**County of Union**

<u>Year</u>	<u>Labor Force</u>	<u>Number Employed</u>	<u>Number Unemployed</u>	<u>Unemployment Rate</u>
2005	267,292	254,632	12,660	4.7 %
2004	265,925	252,236	13,689	5.1
2003	268,300	251,200	17,100	6.4
2002	276,228	258,504	17,724	6.4
2001	272,257	260,050	12,207	4.5

**State of New Jersey**

<u>Year</u>	<u>Labor Force</u>	<u>Number Employed</u>	<u>Number Unemployed</u>	<u>Unemployment Rate</u>
2005	4,430,400	4,235,900	194,400	4.4 %
2004	4,379,700	4,164,400	215,300	4.9
2003	4,371,000	4,115,100	255,900	5.9
2002	4,371,600	4,117,600	253,900	5.8
2001	4,295,800	4,111,500	184,200	4.3

Source: New Jersey Department of Labor, Division of Planning and Research,  
 Office of Demographics and Economic Analysis

**APPENDIX B**  
**BOROUGH OF NEW PROVIDENCE**  
**INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS**

**SAMUEL KLEIN AND COMPANY**  
CERTIFIED PUBLIC ACCOUNTANTS

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Freehold

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**INDEPENDENT AUDITOR'S REPORT**

We have audited the accompanying statutory basis financial statements of the various funds of the

**BOROUGH OF NEW PROVIDENCE  
COUNTY OF UNION**

as of and for the years ended December 31, 2005, 2004, 2003, 2002 and 2001. These statutory basis financial statements are the responsibility of the municipality's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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.

These statutory basis financial statements have been prepared in conformity with accounting practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey which 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. These practices differ in certain respects, which in some instances may be material, from accounting principles generally accepted in the United States of America applicable to local government units. The more significant of these practices are described in Note 1 to the financial statements.

These financial statements were prepared for the purpose of inclusion in an official statement for the issuance of General Improvement Bonds of the Borough of New Providence and were abstracted from audit reports issued under the periods referred to above as dated May 22, 2006, April 13, 2005, April 6, 2004, April 25, 2003 and April 22, 2002, respectively.

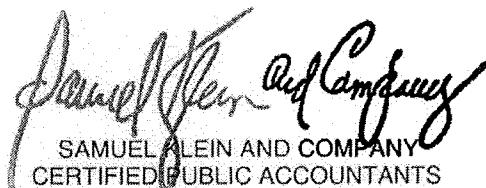
The following funds and account groups which were required to be the subject of our audit for the statutory basis financial statements of the Borough of New Providence are not required for this purpose and are not included in these special purpose financial statements:

Public Assistance Trust Fund  
Free Public Library  
Bond and Coupon Group of Accounts  
Fixed Asset Group of Accounts

The omission of these funds and account groups from the statements presented herein, do not materially affect the financial position of the Township.

In our opinion, because of the Municipality's policy to prepare its financial statements on the basis of accounting discussed in the third paragraph of this report, the financial statements referred to above do not presently fairly in conformity with accounting principles generally accepted in the United States of America, the financial position of the Borough of New Providence as of December 31, 2005, 2004, 2003, 2002 and 2001 or the results of its operations for the years then ended.

However, in our opinion, the statutory basis financial statements referred to above present fairly, in all material respects, the financial position of the Borough of New Providence in the County of Union, as of December 31, 2005, 2004, 2003, 2002 and 2001 and the results of operations of such funds for the years then ended, in accordance with accounting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey and described in Note 1 to the financial statements.



SAMUEL KLEIN AND COMPANY  
CERTIFIED PUBLIC ACCOUNTANTS

JOSEPH J. FACCONE, RMA, PA

Newark, New Jersey  
May 22, 2006

BOROUGH OF NEW PROVIDENCE  
COUNTY OF UNION, NEW JERSEY

COMPARATIVE BALANCE SHEET - CURRENT FUND

Sheet #1

<u>ASSETS AND DEFERRED CHARGES</u>	Balance Dec. 31, 2005	Balance Dec. 31, 2004	Balance Dec. 31, 2003	Balance Dec. 31, 2002	Balance Dec. 31, 2001
<u>Regular Fund</u>					
<u>Current Assets:</u>					
Cash	\$ 3,929,733.90	\$ 3,940,039.86	\$ 3,590,172.22	\$ 3,332,074.74	\$ 3,578,469.01
Cash - Change Funds	150.00	150.00	150.00	150.00	150.00
Senior Citizen and Veteran Exemptions					
Due from State of New Jersey					
	<u>3,929,883.90</u>	<u>3,940,189.86</u>	<u>3,590,322.22</u>	<u>3,332,580.31</u>	<u>3,578,619.01</u>
<u>Deferred Charges to Future Taxation:</u>					
Emergency Appropriation					
	<u>30,000.00</u>		<u>51,000.00</u>		
<u>Receivables and Other Assets with Full Reserves:</u>					
3. Delinquent Taxes Receivable	229,007.14	203,489.64	174,128.54	308,085.66	292,280.30
Tax Title Liens	78,635.87	70,279.91	62,310.80	54,860.06	48,048.92
Property Acquired for Taxes at Assessed					
4. Valuations	11,955.00	11,955.00	11,955.00	22,655.00	22,655.00
Revenue Accounts Receivable	52,931.84	74,315.60	83,661.37	63,529.27	51,826.28
Interfund Accounts Receivable	76,630.91	16,692.42	14,826.93	108,274.41	29,639.05
	<u>449,160.76</u>	<u>376,732.57</u>	<u>346,882.64</u>	<u>557,404.40</u>	<u>444,449.55</u>
	<u>4,409,044.66</u>	<u>4,316,922.43</u>	<u>3,988,204.86</u>	<u>3,889,984.71</u>	<u>4,023,068.56</u>
<u>Federal and State Grant Fund</u>					
<u>Current Assets:</u>					
Interfund Accounts Receivable					
Federal and State Grants Receivable	556,135.13	682,384.29	846,314.93	106,237.05	320,451.04
	<u>556,135.13</u>	<u>682,384.29</u>	<u>952,551.98</u>	<u>1,027,658.11</u>	<u>792,477.35</u>
	<u>\$ 4,965,179.79</u>	<u>\$ 4,999,306.72</u>	<u>\$ 4,940,756.84</u>	<u>\$ 4,917,642.82</u>	<u>\$ 5,134,737.08</u>

BOROUGH OF NEW PROVIDENCE  
COUNTY OF UNION, NEW JERSEY

COMPARATIVE BALANCE SHEET - CURRENT FUND

Sheet #2

	<u>LIABILITIES, RESERVES AND FUND BALANCES</u>	<u>Balance Dec. 31, 2005</u>	<u>Balance Dec. 31, 2004</u>	<u>Balance Dec. 31, 2003</u>	<u>Balance Dec. 31, 2002</u>	<u>Balance Dec. 31, 2001</u>
<u>Regular Fund</u>						
<u>Restricted Accounts:</u>						
Appropriation Reserves:						
Encumbered	\$ 436,648.63	\$ 285,167.07	\$ 323,397.40	\$ 365,992.52	\$ 279,121.45	
Unenumbered	455,547.00	564,245.29	503,155.45	701,058.41	671,160.89	
Reserve for Dedicated Expenditures	146,378.40	203,125.93		9,687.12	9,687.12	
<u>Liabilities:</u>						
Due to State of New Jersey:						
Tax Deductions (Ch. 129, P.L. 1976)	1,731.42	1,912.93	1,862.24		2,919.09	
B    Accounts Payable	15,500.00		0.50		17,904.50	
-    Interfund Accounts Payable	142,427.96	6,563.45	165,096.24	332,566.71	327,815.20	
4    County Taxes Payable	22,144.78	30,466.85	13,135.49	16,429.60	29,980.52	
<u>Deferred Credits:</u>						
Prepaid Taxes	280,579.95	213,351.83	232,335.31	260,606.55	218,895.47	
Deferred Revenue		4,170.00	4,170.00	13,830.00	25,995.00	
1,500,958.14		1,309,003.35	1,243,152.63		1,583,479.24	
449,160.76		376,732.57	346,882.64	557,404.40	444,449.55	
2,458,925.76		2,631,186.51	2,398,169.59	1,613,968.89	1,995,139.77	
4,409,044.66		4,316,922.43	3,988,204.86	3,889,984.71	4,023,068.56	
<u>Federal and State Grant Fund</u>						
Interfund Accounts Payable	59,827.74	129,603.15		6,591.99	15,241.67	
Unappropriated Reserves	17,837.18	7,876.77	5,904.11	1,021,066.12	1,096,426.85	
Appropriated Reserves for Grants	478,470.21	544,904.37	946,647.87	1,027,658.11	1,111,668.52	
	556,135.13		952,551.98			
	\$ 4,965,179.79	\$ 4,999,306.72	\$ 4,940,756.84	\$ 4,917,642.82	\$ 5,134,737.08	

See accompanying notes to financial statements.

BOROUGH OF NEW PROVIDENCE  
COUNTY OF UNION, NEW JERSEY

COMPARATIVE STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE - CURRENT FUND

	2005	2004	2003	2002	2001
<u>Revenue and Other Income</u>					
Fund Balance Utilized	\$ 2,120,000.00	\$ 1,755,000.00	\$ 1,000,000.00	\$ 1,634,000.00	\$ 1,391,000.00
Miscellaneous Revenue Anticipated	3,552,551.44	3,514,701.78	3,441,027.57	3,368,551.71	3,797,434.58
Nonbudget Revenue	162,331.29	433,321.04	134,394.58	46,180.78	137,564.87
Receipts from Delinquent Taxes	204,515.67	175,720.32	315,479.09	297,835.56	379,547.66
Receipts from Current Taxes	42,210,921.86	40,465,200.59	37,761,748.26	34,755,029.71	33,253,200.02
Other Credits to Income	412,801.49	295,611.07	562,559.30	547,829.26	361,567.65
	<u>48,663,121.75</u>	<u>46,639,554.30</u>	<u>43,215,208.80</u>	<u>40,649,427.02</u>	<u>39,320,314.78</u>
<u>Expenditures and Other Charges</u>					
Budget and Emergency Appropriations:					
Operations	10,781,780.53	10,244,578.72	9,476,668.13	9,723,597.09	9,202,713.89
Deferred Charges and Statutory Expenditures	541,564.80	480,336.29	347,815.00	325,800.00	434,504.00
Capital Improvements	230,000.00	268,000.00	326,000.00	219,055.15	76,070.00
Municipal Debt Service	<u>1,574,385.29</u>	<u>1,559,319.23</u>	<u>1,582,403.18</u>	<u>1,623,095.05</u>	<u>1,552,328.56</u>
	<u>13,127,730.62</u>	<u>12,552,234.24</u>	<u>11,732,886.31</u>	<u>11,891,547.29</u>	<u>11,955,616.45</u>
Other Debits					
Interfund Advances (Net)	1,026,03	4,908.21	46,706.33	2,004.39	1,750.00
Municipal Open Space Trust Tax	59,938.49	1,865.49	12,404.65	78,635.36	11,534.26
Local School District Tax	131,076.87	131,775.03			
County Taxes	25,282,549.00	23,691,239.50	21,810,864.50	20,119,047.00	19,229,559.00
	<u>8,143,061.49</u>	<u>8,269,515.41</u>	<u>7,879,146.31</u>	<u>7,305,363.86</u>	<u>6,626,749.11</u>
	<u>46,745,382.50</u>	<u>44,651,537.88</u>	<u>41,482,008.10</u>	<u>39,396,597.90</u>	<u>37,825,208.82</u>
Excess in Revenue					
	1,917,739.25	1,988,016.92	1,733,200.70	1,252,829.12	1,495,105.96
Adjustment to Income Before Surplus:					
Expenditures Included Above Which Are By Statute					
Deferred Charges to Budget of Succeeding Year					
	<u>30,000.00</u>		<u>51,000.00</u>		
Statutory Excess to Surplus					
Fund Balance					
Balance January 1	1,947,739.25	1,988,016.92	1,784,200.70	1,252,829.12	1,495,105.96
	<u>2,631,186.51</u>	<u>2,398,169.59</u>	<u>1,613,968.89</u>	<u>1,995,139.77</u>	<u>1,891,033.81</u>
	<u>4,578,925.76</u>	<u>4,386,186.51</u>	<u>3,398,169.59</u>	<u>3,247,968.89</u>	<u>3,386,139.77</u>
Decreased by:					
Utilized as Anticipated Revenue					
	<u>2,120,000.00</u>	<u>1,755,000.00</u>	<u>1,000,000.00</u>	<u>1,634,000.00</u>	<u>1,391,000.00</u>
Balance December 31					
	<u>\$ 2,458,925.76</u>	<u>\$ 2,631,186.51</u>	<u>\$ 2,398,169.59</u>	<u>\$ 1,613,968.89</u>	<u>\$ 1,995,139.77</u>

See accompanying notes to financial statements.

BOROUGH OF NEW PROVIDENCE  
COUNTY OF UNION, NEW JERSEY

COMPARATIVE STATEMENT OF MISCELLANEOUS REVENUE REALIZED - CURRENT FUND

	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
<b>Revenue</b>					
Alcoholic Beverage Licenses	\$ 6,200.00	\$ 6,000.00	\$ 6,000.00	\$ 6,000.00	\$ 8,000.00
Other Licenses	12,607.60	8,502.10	7,375.00	3,868.10	4,469.00
Fees and Permits	48,311.77	47,660.80	44,799.25	16,881.34	24,253.22
Fines and Costs - Municipal Court	151,736.00	127,878.10	71,462.99	80,404.02	100,351.36
Interest and Costs on Taxes	42,395.40	40,520.73	71,902.93	68,804.23	83,994.19
Parking Meters	14,234.35	10,082.00	5,751.05	4,701.45	5,190.70
Interest on Investments	199,449.28	72,808.58	30,385.58	70,333.24	175,266.42
Sewer Rentals	135,520.67	123,424.96	123,424.96	118,842.64	118,310.72
Cat Licenses	1,299.00	647.00	623.00	667.00	609.00
Parking Permits	95,710.00	109,935.00	103,066.00	54,645.50	59,747.00
Rental of Municipal Owned Property	234,256.45	239,897.32	248,664.13	230,884.88	245,025.31
Cablevision Franchise Fee	42,342.92	40,337.91	38,719.16	34,815.70	32,981.07
Fire Alarms and Smoke Detector Fees	27,150.00	24,320.00	32,385.00	20,370.00	33,895.00
Donations			1,600.00	9,175.00	13,570.00
Reimbursement - Affordable Housing Trust	26,339.87	86,314.35	110,000.00		344,337.70
Sale of Municipal Assets	4,170.00		10,000.00	18,200.00	
General Capital Fund Balance		50,538.28	39,334.36	68,940.00	
Uniform Construction Code Fees	268,638.00	254,574.00	186,685.00	139,154.60	149,674.00
Uniform Fire Safety Act	27,028.40	26,929.15	15,482.78	7,803.92	
Interfunds Receivable			105,852.13		
Consolidated Municipal Property Tax Relief Act	598,560.00	636,594.00	636,594.00	661,936.00	661,936.00
Energy Receipts Tax	1,124,722.00	1,086,688.00	1,049,394.62	1,013,663.00	1,013,663.00
Legislation Initiative Municipal Block Grant	50,054.00	50,054.00	50,054.00	50,054.00	51,275.00
Homeland Security	70,000.00	70,000.00			
All Hazards Emergency Operations		2,405.72			
Recycling Tonnage Aid	7,876.77	5,904.11		13,995.02	16,012.23
Municipal Alliance on Alcoholism and Drug Abuse	14,794.00	15,019.00	14,229.00	15,419.00	12,780.00
New Jersey Transportation Trust Fund	160,000.00	150,000.00	150,000.00	45,000.00	155,000.00
Clean Communities Program	10,818.90	10,172.03	13,372.66	2,669.81	18,677.00
Various Safety Project Grants				75,000.00	73,199.48
Bikeway Program				70,000.00	
Board of Education - Fields of Dreams				39,500.00	
COPS In School	40,833.34	42,500.00	43,586.66		
COPS More Program				99,006.00	
FEMA - Firefighters		70,758.00			
FEMA - Public Works Access Road					31,441.89
Federal ISTEA Transportation Enhancement			39,500.00		
Centennial Park Special Legislation					75,000.00
Police Body Armor Replacement Program	2,433.72	2,420.19	2,367.31	2,370.54	4,275.21
Storm Water Pollution Prevention		10,207.00			
Summit Area Public Youth Center Foundation		5,000.00			
Community Development Block Grants	35,545.00	83,650.00	180,000.00	178,473.00	183,493.00
Domestic Violence Response Team	2,500.00		2,571.00	5,500.00	
County of Union - Various Projects	56,024.00			139,500.00	99,720.00
Statewide Livable Communities	40,000.00				
Drunk Driving Enforcement Fund	1,000.00	2,959.45	5,845.00	1,973.72	1,287.08
<b>Total Miscellaneous Revenue</b>	<b><u>\$3,552,551.44</u></b>	<b><u>\$3,514,701.78</u></b>	<b><u>\$3,441,027.57</u></b>	<b><u>\$3,368,551.71</u></b>	<b><u>\$3,797,434.58</u></b>

See accompanying notes to financial statements.

BOROUGH OF NEW PROVIDENCE  
COUNTY OF UNION, NEW JERSEY

COMPARATIVE STATEMENT OF BUDGET APPROPRIATIONS - CURRENT FUND

	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
<u>Appropriations:</u>					
Operations:					
General Government	\$ 2,279,190.00	\$ 2,227,826.46	\$ 2,046,443.00	\$ 1,694,318.00	\$ 1,483,208.00
Public Safety	2,817,225.00	2,588,298.26	2,427,267.35	2,330,470.00	2,326,771.00
Streets and Roads	316,500.00	275,800.00	214,010.00	724,049.00	834,069.00
Sanitation	1,167,460.00	1,093,692.50	1,065,079.00	1,016,457.00	1,056,849.00
Health and Welfare	101,798.00	123,916.00	99,707.00	97,620.00	91,700.00
Recreation and Education	303,950.00	286,792.00	261,940.00	268,657.00	262,753.00
Uniform Construction Code	232,750.00	187,421.50	168,123.15	146,799.00	120,702.00
Unclassified	530,000.00	531,500.00	481,500.00	491,000.00	503,300.00
Maintenance of Free Public Library	659,012.00	618,926.00	565,807.00	525,187.00	493,744.00
Insurance	1,272,245.00	1,142,300.00	1,094,471.00	1,060,000.00	863,000.00
Other Operations	592,275.00	685,839.50	744,928.00	667,970.00	645,337.00
Contingent	500.00	500.00	500.00	200.00	200.00
	<u>10,272,905.00</u>	<u>9,762,812.22</u>	<u>9,169,775.50</u>	<u>9,022,727.00</u>	<u>8,681,633.00</u>
B -	400,524.73	412,650.50	456,892.63	700,870.09	676,080.89
-	230,000.00	268,000.00	176,000.00	219,055.15	611,070.00
	156,564.80	123,383.00		800.00	
				48,000.00	
Contributions to:					
Public Employees' Retirement System	16,694.40	15,000.00			1,378.00
Social Security System (OASI)	385,000.00	356,953.29	347,815.00	325,000.00	330,000.00
Police and Firemen's Retirement					
System of New Jersey	91,656.40	54,116.00			55,126.00
Debt Service	1,574,385.29	1,559,319.23	1,582,403.18	1,623,095.05	1,552,328.56
	<u>\$ 13,127,730.62</u>	<u>\$12,552,234.24</u>	<u>\$11,732,886.31</u>	<u>\$11,891,547.29</u>	<u>\$11,955,616.45</u>

See accompanying notes to financial statements.

BOROUGH OF NEW PROVIDENCE  
COUNTY OF UNION, NEW JERSEY

COMPARATIVE BALANCE SHEET - TRUST FUND

	<u>ASSETS</u>	<u>Balance Dec. 31, 2005</u>	<u>Balance Dec. 31, 2004</u>	<u>Balance Dec. 31, 2003</u>	<u>Balance Dec. 31, 2002</u>	<u>Balance Dec. 31, 2001</u>
<u>Animal Control Fund</u>						
Cash	\$ 1,407.91	\$ 3,352.65	\$ 7,139.34	\$ 6,598.84	\$ 5,347.35	
Interfunds Receivable	<u>126.71</u>	<u>3,352.65</u>	<u>7,139.34</u>	<u>6,598.84</u>	<u>5,347.35</u>	
<u>General Trust Fund</u>						
Cash	720,488.26	768,140.84	865,744.13	421,956.78	442,751.91	
Accounts Receivable	10,922.39	13,044.97	22,195.74	24,903.73	26,898.18	
Interfunds Receivable	<u>142,301.25</u>	<u>6,563.45</u>	<u>8,624.03</u>	<u>13,393.71</u>	<u>8,624.03</u>	
	<u>873,711.90</u>	<u>787,749.26</u>	<u>896,563.90</u>	<u>460,254.22</u>	<u>478,274.12</u>	
	<u>\$ 875,246.52</u>	<u>\$ 791,101.91</u>	<u>\$ 903,703.24</u>	<u>\$ 466,853.06</u>	<u>\$ 483,621.47</u>	
<u>LIABILITIES AND RESERVES</u>						
<u>B</u> - <u>Animal Control Fund</u>						
Due to Current Fund	\$ 1,534.62	\$ 3,352.65	\$ 699.34	\$ 25.84	\$ 5,347.35	
Reserve for Animal Control Expenditures	<u>1,534.62</u>	<u>3,352.65</u>	<u>7,139.34</u>	<u>6,598.84</u>	<u>5,347.35</u>	
<u>General Trust Fund</u>						
Due to State of New Jersey	394.94	26,863.28	26,464.72	10,430.51	4,316.17	
Payroll Deductions Payable	39,120.35	48,947.42	35,496.97	29,568.18	32,598.39	
Interfunds Payable	16,359.82	14,378.27	214,127.59	32,434.79	24,556.67	
Other Accounts Payable	1,481.93	786.57	451.17	724.37		
Reserve for:						
Special Deposits	37,220.73	39,601.49	37,492.06	53,669.27	45,644.57	
Construction and Other Deposits	317,352.44	355,014.64	333,206.66	285,078.89	315,240.14	
Dedicated Expenditures	446,153.23	292,055.45	237,139.16	20,403.16	24,022.62	
State Unemployment Compensation Insurance	<u>15,628.46</u>	<u>10,102.14</u>	<u>12,185.57</u>	<u>27,945.05</u>	<u>31,895.56</u>	
	<u>873,711.90</u>	<u>787,749.26</u>	<u>896,563.90</u>	<u>460,254.22</u>	<u>478,274.12</u>	
	<u>\$ 875,246.52</u>	<u>\$ 791,101.91</u>	<u>\$ 903,703.24</u>	<u>\$ 466,853.06</u>	<u>\$ 483,621.47</u>	

See accompanying notes to financial statements.

BOROUGH OF NEW PROVIDENCE  
COUNTY OF UNION, NEW JERSEY

COMPARATIVE BALANCE SHEET - GENERAL CAPITAL FUND

	Balance <u>Dec. 31, 2005</u>	Balance <u>Dec. 31, 2004</u>	Balance <u>Dec. 31, 2003</u>	Balance <u>Dec. 31, 2002</u>	Balance <u>Dec. 31, 2001</u>
<b>ASSETS AND DEFERRED CHARGES</b>					
Cash	\$ 1,518,768.71	\$ 2,299,976.71	\$ 845,053.35	\$ 1,254,953.40	\$ 1,388,836.41
State Grant Receivable	405,399.30	392,525.30	228,762.00	228,762.00	
Interfunds Receivable		125,000.00	250,235.16		
Deferred Charges to Future Taxation:					
Funded	9,089,111.45	10,271,617.32	11,463,580.16	12,264,594.16	13,347,285.41
Unfunded	4,321,823.20	4,093,863.00	2,626,819.00	722,000.00	800.00
<b>  </b>	<b>\$15,335,102.66</b>	<b>\$17,182,982.33</b>	<b>\$15,414,449.67</b>	<b>\$14,470,309.56</b>	<b>\$14,736,921.82</b>
<b>  </b>	<b><u>  </u></b>				
<b>LIABILITIES, RESERVES AND FUND BALANCE</b>					
General Serial Bonds	\$ 6,210,000.00	\$ 7,065,000.00	\$ 7,940,000.00	\$ 8,435,000.00	\$ 9,215,000.00
Bond Anticipation Notes	3,100,200.00	2,905,540.00	3,523,580.16	3,829,594.16	4,132,285.41
Waste Water Treatment Loan Payable	2,879,111.45	3,206,617.32			
Improvement Authorizations:					
Funded	819,232.79	1,024,794.73	1,425,908.54	1,342,258.99	1,275,453.90
Unfunded	2,126,984.75	2,940,423.01	2,473,683.42	722,000.00	800.00
Capital Improvement Fund	167,254.13	39,716.27	739.27	26,308.27	39,308.27
Due to Current Fund	443.35	891.00		75,813.78	5,082.38
Fund Balance	31,876.19		50,538.28	39,334.36	68,991.86
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***NOTES TO FINANCIAL STATEMENTS***

**BOROUGH OF NEW PROVIDENCE**

**NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2005**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The Borough of New Providence operates under the 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.

Governmental Accounting Standards Board (GASB) Statement No. 14 establishes certain standards for defining and reporting on the financial reporting entity. In accordance with these standards, the reporting entity should include the primary government and those component units which are fiscally accountable to the primary government.

The financial statements of the Borough of New Providence include every board, body, office or commission supported and maintained wholly or in part by funds appropriated by the Borough, as required by the provisions of N.J.S.A. 40A:5-5. The financial statements, however, do not include the operations of the Municipal Library nor the Recreation Commission, which are separate entities subject to separate examinations.

**B. Description of Funds**

The Governmental Accounting Standards Board (GASB) is the recognized standard setting body for establishing governmental accounting and financial reporting principles. The GASB 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 accounting policies of the Borough of New Providence conform to the accounting principles applicable to municipalities which have been prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. Under this method of accounting, the Borough of New Providence accounts for its financial transactions through the following separate funds which differ from the fund structure required by generally accepted accounting principles.

Current Fund - Encompasses resources and expenditures for basic governmental operations. Fiscal activity of Federal and State grant programs are reflected in a segregated section of the Current Fund.

Trust Funds - The records of receipts, disbursements and custodianship of monies in accordance with the purpose for which each account was created are maintained in Trust Funds. These include the Animal Control Fund and General Trust Fund.

General Capital Fund - The receipts and expenditure records for the acquisition of general infrastructure and other capital facilities, other than those acquired in the Current Fund, are maintained in this Fund, as well as, related long-term debt accounts.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Description of Funds (Continued)**

Utilities Funds - These funds are for the operation of a utility and are treated as separate entities. Each utility maintains its own Operating and Capital Funds which reflect revenue, expenditures, stewardship, acquisitions of utility infrastructure and other capital facilities, debt service, long-term debt and other related activity. The Borough of New Providence operates no municipal utilities.

Public Assistance Trust Fund - Receipts and disbursements of funds that provide assistance to certain residents of the Borough of New Providence pursuant to the provisions of Title 44 of the New Jersey statutes are maintained in the Public Assistance Trust Fund. The Public Assistance Program was transferred to the County of Union effective April 1, 1999.

Free Public Library - Budget appropriations and state aid are transferred to the Free Public Library bank account and are expended with the approval of the Library for its purposes. Interest on investments, Library fines and other revenue are retained by the Library and expended therefrom. The Library is the subject of a separate audit.

Recreation Commission - Fiscal activity for recreational programs, other than budgetary provisions of the Borough, are maintained independently from general Borough operations and are subject to a separate audit.

Fixed Asset Group of Accounts - These accounts reflect estimated valuations of land, buildings and certain movable fixed assets of the Borough as discussed under the caption "Basis of Accounting".

**C. Basis of Accounting**

The accounting principles and practices prescribed for municipalities by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, differ in certain respects from generally accepted accounting principles. The accounting system is maintained on the modified accrual basis with certain exceptions. Significant accounting policies in New Jersey are summarized as follows:

**Property Taxes and Other Revenue**

Property taxes and other revenue are realized when collected in cash or approved by regulation for accrual from certain sources of the State of New Jersey and the Federal Government. Accruals of taxes and other revenue are otherwise deferred as to realization by the establishment of offsetting reserve accounts. GAAP requires such revenue to be recognized in the accounting period when they become susceptible to accrual, reduced by an allowance for doubtful accounts.

**Grant Revenue**

Federal and State grants, entitlements or shared revenue received for purposes normally financed through the Current Fund are recognized when anticipated in the Borough of New Providence budget. GAAP requires such revenue to be recognized in the accounting period when they become susceptible to accrual.

**Expenditures**

Expenditures for general and utility operations are generally recorded on the accrual basis. Unexpended appropriation balances, except for amounts which may have been cancelled by the governing body or by statutory regulation, are automatically recorded as liabilities at December 31<sup>st</sup> of each year, under the title of "Appropriation Reserves".

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

C. **Basis of Accounting (Continued)**

**Expenditures**

Grant appropriations are charged upon budget adoption or amendment to create spending reserves.

Budgeted transfers to the Capital Improvement Fund are recorded as expenditures to the extent permitted by law.

Expenditures from Trust and Capital Funds are recorded upon occurrence and charged to accounts statutorily established for specific purposes.

Budget appropriations for interest on General Capital Long-Term Debt is raised on the cash basis and is not accrued on the records; interest on Utility Debt is raised on the accrual basis and so recorded.

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

**Encumbrances**

As of January 1, 1986 all local units were required by Technical Accounting Directive No. 85-1, as promulgated by the Division of Local Government Services, to maintain an encumbrance accounting system. The directive states that 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**

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 sick, vacation and compensatory pay are not recorded until paid. GAAP requires that the amount that would normally be liquidated with expendable available financial resources be recorded as an expenditure in the operating funds and the remaining obligations be recorded as a long-term obligation.

**Property Acquired for Taxes**

Property Acquired for Taxes (Foreclosed Property) is recorded in the Current Fund at the assessed valuation during the year when such property was acquired by deed or foreclosure and is offset by a corresponding reserve account. GAAP requires such property to be recorded in the general fixed assets account group at market value on the date of acquisition.

**Self-Insurance Contributions**

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

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

C. **Basis of Accounting (Continued)**

**Interfunds Receivable**

Interfunds Receivable in the Current Fund are generally recorded with offsetting reserves which are established by charges to operations. Collections are recognized as income in the year that the receivables are realized. Interfunds Receivable of all other funds are recorded as accrued and are not offset with reserve accounts. Interfunds Receivable of one fund are offset with Interfunds Payable of the corresponding fund. GAAP does not require the establishment of an offsetting reserve.

**Inventories of Supplies**

Materials and supplies purchased by all funds are recorded as expenditures.

An annual inventory of materials and supplies for the municipal utilities is required, by regulation, to be prepared by municipal personnel for inclusion on the Utility Operating Fund balance sheet. Annual changes in valuations, offset with a Reserve Account, are not considered as affecting results of operations. Materials and supplies of other funds are not inventoried nor included on their respective balance sheets. The Borough of New Providence does not maintain a utility, therefore no inventories are required.

**Fixed Assets**

General:

In accordance with Technical Accounting Directive No. 85-2, Accounting for Governmental Fixed Assets, as promulgated by the Division of Local Government Services, which differs in certain respects from generally accepted accounting principles, the Borough of New Providence has developed a fixed asset accounting and reporting system.

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

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.

Acquisitions of land, buildings, machinery, equipment and other capital assets are recorded on a perpetual fixed asset record.

Vehicles, furniture, equipment and other items are reflected at replacement values at time of inventory preparation. Additions to the established fixed assets are valued at cost.

Depreciation of assets is not recorded as an operating expense of the Borough.

Utilities:

Capital acquisitions, including utility infrastructure costs of municipal utilities, are recorded at cost upon purchase or project completion in the Fixed Capital Account of the utilities. The Fixed Capital Accounts are adjusted for dispositions or abandonments. The accounts include moveable fixed assets of the Utility, but are not specifically identified and are considered as duplicated in the Fixed Asset Group of Accounts. The duplication is considered as insignificant on its effect on the financial statements taken as a whole.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Basis of Accounting (Continued)**

**Fixed Assets (Continued)**

Utilities: (Continued)

Utility improvements that may have been constructed by developers are not recorded as additions to Fixed Capital.

Fixed Capital of the Utilities are offset by accumulations in Amortization Reserve Accounts. The accumulations represent costs of fixed assets purchased with budgeted funds or acquired by gift as well as grants, developer contributions or liquidations of related bonded debt and other liabilities incurred upon fixed asset acquisition. No utilities are operated by the Borough of New Providence.

**D. Basic Financial Statements**

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

**2. CASH AND CASH EQUIVALENTS**

**A. Deposits**

New Jersey statutes permit the deposit of public funds in institutions located in New Jersey, which are insured by the Federal Deposit Insurance Corporation (FDIC) or any other agencies of the United States that insures deposits or the State of New Jersey Cash Management Fund.

The State of New Jersey Cash Management Fund is authorized by statute and regulations of the State Investment Council to invest in fixed income and debt securities which mature or are redeemed within one year. Twenty-five percent of the Fund may be invested in eligible securities which mature within two years provided, however, the average maturity of all investments in the Fund shall not exceed one year. Collateralization of Fund Investments is generally not required.

In addition, by regulation of the Division of Local Government Services, municipalities are allowed to invest in Government Money Market Mutual Funds purchased through state registered brokers/dealers and banks.

In accordance with the provisions of the Governmental Unit Deposit Protection Act of New Jersey, public depositories are required to maintain collateral for deposits of public funds that exceed insurance limits as follows:

The market value of the collateral must equal five percent of the average daily balance of public funds or

If the public funds deposited exceed 75 percent of the capital funds of the depository, the depository must provide collateral having a market value equal to 100 percent of the amount exceeding 75 percent.

All collateral must be deposited with the Federal Reserve Bank, The Federal Home Loan Bank Board or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.00.

**2. CASH AND CASH EQUIVALENTS (Continued)**

**B. Investments**

New Jersey statutes permit the Borough to purchase the following types of securities.

- . Bonds or other obligations of the United States or obligations guaranteed by the United States of America. This includes instruments such as Treasury bills, notes and bonds.
- . Governmental money market mutual funds.
- . Any Federal agency or instrumentality obligation authorized by Congress that matures within 397 days from the date of purchase, and has a fixed rate of interest not dependent on any index or external factors.
- . Bonds or other obligations of the local unit or school districts of which the local unit is a part.
- . Any other obligations with maturities not exceeding 397 days, as permitted by the Division of Investments.
- . Local government investment pools, such as New Jersey CLASS, and the New Jersey Arbitrage Rebate Management Program.
- . New Jersey State Cash Management Fund.
- . Repurchase agreements of fully collateralized securities, subject to special conditions.

**C. Risk Category**

All bank deposits, as of the balance sheet date, are entirely insured or collateralized by a collateral pool maintained by public depositories as required by the Governmental Unit Deposit Protection Act. In general, bank deposits are classified as to credit risk by three categories described below:

**Category 1** - Insured or collateralized with securities held by the Borough or by its agent in the Borough's name.

**Category 2** - Collateralized with securities held by the pledging public depository's trust department or agent in the Borough's name.

**Category 3** - Uncollateralized, including any deposits that are collateralized with securities held by the pledging public depository, or by its trust department or agent, but not in the Borough's name.

As of December 31, 2005, the Borough had funds invested and on deposit in checking and New Jersey Cash Management Accounts and Certificates of Deposit. The carrying amount of the Borough's cash and cash equivalents and investments as of December 31, 2005 was \$6,213,764.84. These funds are summarized below and constitute "deposits with financial institutions" as defined by GASB Statement No. 3 and amended by GASB No. 40. There were no securities categorized as investments as defined by GASB Statement No. 40.

<u>Risk Category</u>	<u>Amount</u>
1	\$ 300,000.00
2	None
3	<u>5,913,764.84</u>
	<u><b>\$ 6,213,764.84</b></u>

### **3. TAXES AND TAX TITLE LIENS RECEIVABLE**

Property assessments are determined on true values and taxes are assessed based upon these values. The residential tax bill includes the levies for the Borough, County and School purposes. Certified adopted budgets are submitted to the County Board of Taxation by each taxing district. The tax rate is determined by the board upon the filing of these budgets.

The tax bills are mailed by the Tax Collector annually in June and are payable in four quarterly installments due the first of August and November of the current year and a preliminary billing due the first of February and May of the subsequent year. The August and November billings represent the third and fourth quarter installments and are calculated by taking the total year tax levy less the preliminary first and second quarter installments due February and May. The preliminary levy is based on one-half of the current year's total tax.

Tax installments not paid by the above due dates are subject to interest penalties determined by a resolution of the governing body. The rate of interest in accordance with the aforementioned resolution is 8% per annum on the first \$1,500.00 of delinquency and 18% on any delinquency in excess of \$1,500.00. The governing body may also fix a penalty to be charged to a taxpayer with a delinquency in excess of \$10,000.00 who fails to pay that delinquency as billed prior to the end of the fiscal year. The penalty so fixed shall not exceed 6% of the amount of the delinquency with respect to each most recent fiscal year only. The resolution also sets a grace period of ten days before interest is calculated.

Taxes unpaid on the 11<sup>th</sup> day of the eleventh month in the fiscal year when the taxes become in arrears are subject to the tax sale provisions of the New Jersey statutes. The municipality may institute in rem foreclosure proceedings after six months from the date of the sale if the lien has not been redeemed.

The following is a five year comparison of certain statistical information relative to property taxes and property tax collections for the current and previous four years.

#### **Comparative Schedule of Tax Rates**

	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Tax Rate	<u>\$ 3.240</u>	<u>\$ 3.090</u>	<u>\$ 2.889</u>	<u>\$ 2.641</u>	<u>2.531</u>
<b>Apportionment of Tax Rate:</b>					
Municipal	\$ 0.675	\$ 0.649	\$ 0.629	\$ 0.575	0.575
Municipal Open Space	0.010	0.010			
County	0.597	0.604	0.578	0.530	0.491
County Open Space	0.024	0.023	0.021	0.019	0.009
School	<u>1.934</u>	<u>1.804</u>	<u>1.661</u>	<u>1.517</u>	<u>1.456</u>

3. **TAXES AND TAX TITLE LIENS RECEIVABLE (Continued)**

**Net Valuation Taxable**

<u>Year</u>	<u>Amount</u>
2005	\$ 1,307,203,407.00
2004	1,313,619,220.00
2003	1,313,491,948.00
2002	1,327,075,631.00
2001	1,320,712,984.00

**Comparison of Tax Levies and Collections**

<u>Year</u>	<u>Tax Levy</u>	<u>Collections</u>	<u>Percentage of Collections</u>
2005	\$ 42,470,456.78	\$ 42,210,921.86	99.38 %
2004	40,740,810.15	40,465,200.59	99.32
2003	38,005,322.62	37,761,748.26	99.35
2002	35,126,400.76	34,755,029.71	98.94
2001	33,550,387.71	33,253,200.02	99.12

**Delinquent Taxes and Tax Title Liens**

<u>Year</u>	<u>Amount of Tax Title Liens</u>	<u>Amount of Delinquent Taxes</u>	<u>Total Delinquent</u>	<u>Percentage of Tax Levy</u>
2005	\$ 78,635.87	\$ 229,007.14	\$ 307,643.01	0.72 %
2004	70,279.91	203,489.64	273,769.55	0.67
2003	62,310.80	174,128.54	236,439.34	0.62
2002	54,860.06	308,085.66	362,945.72	1.03
2001	48,048.92	292,280.30	340,329.22	1.02

4. **PROPERTY ACQUIRED BY TAX TITLE LIEN LIQUIDATION**

The value of property acquired by liquidation of tax title liens, on the basis of the last assessed valuation of such properties in the year of acquisition, was as follows:

<u>Year</u>	<u>Amount</u>
2005	\$ 11,955.00
2004	11,955.00
2003	11,955.00
2002	22,655.00
2001	22,655.00

## 5. FUND BALANCE APPROPRIATED

<u>Year</u>	<u>Dec. 31</u>	Utilized in Budget of Succeeding <u>Year</u>
2005	\$ 2,458,925.76	\$ 2,031,500.00
2004	2,631,186.51	2,120,000.00
2003	2,398,169.59	1,755,000.00
2002	1,613,968.99	1,000,000.00
2001	1,995,139.77	1,495,000.00

## 6. 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 Public Employees' Retirement System (PERS) or the Police and Firemen's Retirement System (PFRS). These systems are sponsored and administered by the New Jersey Division of Pensions and Benefits. The Public Employees' Retirement System and the Police and Firemen's Retirement System are considered a cost sharing multiple-employer plan.

#### Public Employees' Retirement System:

The Public Employees' Retirement System (PERS) was established in January, 1955 under the provisions of N.J.S.A. 43:15A to provide coverage including post-retirement health care to substantially all full-time employees of the State or any county, municipality, school district or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees and vesting occurs after 8 to 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 1/55<sup>th</sup> of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of creditable service. Early retirement is available to those under age 60 with 25 or more years of credited service. Anyone who retires early and is under age 55 receives retirement benefits as calculated in the above-mentioned formula but at a reduced rate (one quarter of one percent for each month the member lacks of attaining age 55).

#### Police and Firemen's Retirement System:

The Police and Firemen's Retirement System (PFRS) was established in July 1944, under the provisions of N.J.S.A. 43:16A to provide coverage to substantially all full-time county and municipal police or firemen and State firemen appointed after June 30, 1944. Membership is mandatory for such employees with vesting occurring after ten years of membership. A member may retire at age 55 with a benefit equal to 2 percent of average compensation for each year of creditable service up to 30 years, plus 1 percent for each year of creditable service in excess of 30 years.

## 6. PENSION PLANS (Continued)

### Contributions Required and Made

Contributions made by employees for PERS and PFRS are currently 5.0% and 8.5% of their base wages, respectively. Employer contributions are actuarially determined on an annual basis by the Division of Pensions. Contributions to the plan for the past three (3) years are as follows:

Year	PERS		PFRS	
	Borough	Employees	Borough	Employees
2005	\$ 83,472.00	*	\$ 139,259.28	\$ 229,141.00
2004	51,863.00	*	80,445.75	195,582.00
2003	28,412.00	*	75,176.04	195,365.00

\*Credits applied under the provisions of the Pension Security Act are detailed as follows:

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Public Employees' Retirement System	\$ 66,777.60	\$ 51,863.00	\$ 28,412.00
Police and Firemen's Retirement System	<u>137,484.60</u>	<u>156,465.60</u>	<u>195,365.00</u>
	<u>\$204,262.20</u>	<u>\$ 208,328.60</u>	<u>\$ 223,777.00</u>

## 7. MUNICIPAL DEBT

The Local Bond Law governs the issuance of bonds and notes to finance general capital expenditures. 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. Pursuant to N.J.S.A. 40A:2-8, bond anticipation notes, which are issued to temporarily finance capital projects, cannot be renewed past the third anniversary unless an amount equal to at least the first legally required installment is paid prior to each anniversary and must be paid off within ten years and five months or retired by the issuance of bonds.

### Summary of Municipal Debt (Excluding Current, Operating and School Debt)

	<u>Year 2005</u>	<u>Year 2004</u>	<u>Year 2003</u>
<u>Issued</u>			
General:			
Serial Bonds	\$ 6,210,000.00	\$ 7,065,000.00	\$ 7,940,000.00
Bond Anticipation Note	3,100,200.00	2,905,540.00	
Wastewater Treatment			
Loans	<u>2,879,111.45</u>	<u>3,206,617.32</u>	<u>3,523,580.16</u>
Total Issued	12,189,311.45	13,177,157.32	11,463,580.16
<u>Authorized but Not Issued</u>			
General Bonds and Notes	<u>1,221,623.20</u>	<u>1,188,323.00</u>	<u>2,626,819.00</u>
Net Bonds Issued and Authorized but Not Issued	<u>\$ 13,410,934.65</u>	<u>\$ 14,365,480.32</u>	<u>\$ 14,090,399.16</u>

7. **MUNICIPAL DEBT (Continued)**

**Summary of Statutory Debt Condition - Annual Debt Statement**

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of 0.667%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School District Debt	\$ 17,485,000.00	\$ 17,485,000.00	\$
General Debt	<u>13,410,934.65</u>	<u>13,410,934.65</u>	
	<u>\$ 30,895,934.65</u>	<u>\$ 17,485,000.00</u>	<u>\$ 13,410,934.65</u>

Debt of the Local School District is deductible up to 4% of the Equalized Valuation Basis of Real Property or \$80,381,541.67.

Net debt, \$13,410,934.65 divided by Equalized Valuation Basis of Real Property per N.J.S.A. 40A:2-2 as amended, \$2,009,538,541.67 equals 0.667%.

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

3 1/2% of Equalized Valuation Basis	\$ 70,333,848.95
Net Debt	<u>13,410,934.65</u>
Remaining Borrowing Power	<u>\$ 56,922,914.30</u>

The foregoing debt information is in agreement with the Annual Debt Statement filed by the Borough's Chief Financial Officer.

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

<u>Date</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Balance</u>
2006	\$ 1,063,462.52	\$ 850,000.00	\$ 213,462.52	\$ 5,360,000.00
2007	1,021,587.52	835,000.00	186,587.52	4,525,000.00
2008	882,668.78	720,000.00	162,668.78	3,805,000.00
2009	877,043.78	735,000.00	142,043.78	3,070,000.00
2010	839,906.26	720,000.00	119,906.26	2,350,000.00
2011	804,756.26	710,000.00	94,756.26	1,640,000.00
2012	775,918.76	710,000.00	65,918.76	930,000.00
2013	579,537.50	540,000.00	39,537.50	390,000.00
2014	217,787.50	200,000.00	17,787.50	190,000.00
2015	<u>198,787.50</u>	<u>190,000.00</u>	<u>8,787.50</u>	-
	<u>\$ 7,261,456.38</u>	<u>\$ 6,210,000.00</u>	<u>\$ 1,051,456.38</u>	

7. **MUNICIPAL DEBT (Continued)**

			Outstanding Balance <u>Dec. 31, 2005</u>
<b><u>Serial Bonds</u></b>			
\$1,590,000, 1987 General Obligation Bonds due in annual installments of \$70,000 to \$100,000 through June 2007, interest at 7.30% (Noncallable)			\$ 200,000.00
\$4,615,000, 1997 General Obligation Bonds due in annual installments of \$300,000 through April 2012 and \$115,000 for April 2013, interest at 5.3%. Bonds maturing on and after April 1, 2007 were refunded in the amount of \$1,915,000 on December 1, 2003			300,000.00
\$2,340,000, 2001 General Obligation Bonds due in annual installments on July 15th of each year as follows:			
2002 \$150,000	at	4.000%	
2003 \$150,000	at	4.000%	
2004 \$150,000	at	4.125%	
2005 \$150,000	at	4.125%	
2006 \$150,000	at	4.250%	
2007 \$150,000	at	4.250%	
2008 \$150,000	at	4.250%	
2009 \$175,000	at	4.250%	
2010 \$175,000	at	4.250%	
2011 \$175,000	at	4.250%	
2012 \$175,000	at	4.375%	
2013 \$200,000	at	4.500%	
2014 \$200,000	at	4.500%	
2015 \$190,000	at	4.625%	
Bonds maturing on or after July 15, 2009 are subject to redemption (callable) prior to their stated maturities.			1,740,000.00
\$4,600,000, 2003 Refunding Bonds due in annual installments on July 15th of each year as follows:			
2004 \$325,000	at	1.1%	
2005 \$305,000	at	1.4%	
2006 \$300,000	at	1.75%	
2007 \$585,000	at	2.375%	
2008 \$570,000	at	2.5%	
2009 \$560,000	at	2.625%	
2010 \$545,000	at	3.25%	
2011 \$535,000	at	4%	
2012 \$535,000	at	3.5%	
2013 \$340,000	at	3.75%	
The Bonds are not subject to redemption (noncallable) prior to their stated maturities.			<u>3,970,000.00</u>
			<u>\$ 6,210,000.00</u>

7. **MUNICIPAL DEBT (Continued)**

**Waste Water Treatment Loan**

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 \$2,879,111.45 are detailed as follows:

<u>Calendar Year</u>	Series 1998F <u>Trust Loan</u>	Series 1994A <u>Fund Loan</u>	<u>Interest</u>	Total Debt Service
2006	\$ 164,112.90	\$ 164,779.05	\$ 79,864.66	\$ 408,756.61
2007	171,428.57	164,611.18	72,555.62	408,595.37
2008	183,636.36	166,813.94	64,812.74	415,263.04
2009	190,134.53	165,564.39	55,864.90	411,563.82
2010	196,652.54	163,891.51	46,085.10	406,629.15
2011	208,734.94	164,599.86	36,230.09	409,564.89
2012	219,325.84	85,352.54	25,427.04	330,105.42
2013	229,770.32		14,282.66	244,052.98
2014	239,702.98		2,281.66	241,984.64
	<u>\$ 1,803,498.98</u>	<u>\$ 1,075,612.47</u>	<u>\$ 397,404.47</u>	<u>\$ 3,276,515.92</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.

**Bond Anticipation Notes**

General Capital Fund:

Maturity: July 28, 2006  
Rate: 4%  
Amount \$3,100,200.00

Statutory requirements for providing sums equivalent to legally payable installments for the redemption of notes (budget appropriations) and permanent funding (bond issues) are summarized as follows:

<u>Original Note Issued</u>	<u>Legal Installment Due</u>	<u>Permanent Funding Required as of December 1</u>
2005	2008 - 2015	2016
2004	2007 - 2014	2015

**7. MUNICIPAL DEBT (Continued)**

**Bonds and Notes Authorized but Not Issued**

There were Bonds and Notes Authorized but Not Issued in the following amounts:

	<u>Balance</u> <u>Dec. 31, 2005</u>	<u>Balance</u> <u>Dec. 31, 2004</u>	<u>Balance</u> <u>Dec. 31, 2003</u>
General Capital Fund	<u>\$ 1,221,623.20</u>	<u>\$ 1,188,323.00</u>	<u>\$ 2,626,819.00</u>

**8. INTERFUND RECEIVABLE AND PAYABLE**

As of December 31, 2005, interfunds receivable and payable that resulted from various interfund transactions were as follows:

<u>Fund</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Current Fund	\$ 76,630.91	\$ 142,427.96
Federal and State Grant Fund		59,827.74
Animal Control Fund	126.71	
General Trust Fund	142,301.25	16,359.82
General Capital Fund		443.35
	<u>\$ 219,058.87</u>	<u>\$ 219,058.87</u>

**9. DEFERRED CHARGES TO BE RAISED IN SUCCEEDING YEARS' BUDGETS**

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2005 the following deferred charge is shown on the Current Fund balance sheet:

	<u>Balance</u> <u>Dec. 31, 2005</u>	<u>2006 Budget Appropriation</u>
Emergency Appropriation		
N.J.S. 40A:4-46	<u>\$ 30,000.00</u>	<u>\$ 30,000.00</u>

**10. DEFERRED COMPENSATION PLAN**

The Borough of New Providence offers its employees a Deferred Compensation Plan created in accordance with the provisions of N.J.S. 40:15B-1 et seq., and the Internal Revenue Code, Section 457. The plan, available to all municipal employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

Statutory and regulatory requirements governing the establishment and operation of Deferred Compensation Plans have been codified in the New Jersey Administrative Code under the reference N.J.A.C. 5:37.

## **10. DEFERRED COMPENSATION PLAN (Continued)**

The "Small Business Job Protective Act of 1996" revised several provisions of Section 457 of the Internal Revenue Code. A provision of the act required that all existing plans be modified to provide that the funds be held for the exclusive benefit of the participating employees and their beneficiaries.

The Borough of New Providence authorized such modifications to their plan by resolution of the Borough Council adopted January 11, 1999.

The Administrator for the Borough of New Providence Deferred Compensation Plan is Public Employees' Benefit Service Corporation.

## **11. RISK MANAGEMENT**

The Borough has contracted with a private insurance carrier related to risks for losses related to Auto, General Liability, Workmen's Compensation, Property Damage and Public Officials Liability. The coverage is subject to certain policy limits and deductible amounts. The coverage is designed to minimize the impact of any potential losses to the Borough for matters which may have been caused or related to the Borough or its employees.

## **12. SCHOOL TAXES**

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

## **13. CONTINGENT LIABILITIES**

### **A. Compensated Absences**

It is the policy of the Borough of New Providence not to permit accumulations and carryovers of unused vacation time and not to compensate for unused sick time upon termination.

### **B. 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, 2005 may be impaired. In the opinion of management, there are no 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.

### **C. Tax Appeals**

Assessed valuations for 2005 were subject to eighteen (18) outstanding tax appeals pending in the Tax Court of New Jersey on December 31, 2005. Ultimate monetary exposure on the remaining appeals can only be determined by decisions of the judgments of the Tax Court. The Borough is exposed to additional refunds based upon the declining value of commercial property as measured against the increasing value of residential property.

**13. CONTINGENT LIABILITIES (Continued)**

**C. Tax Appeals (Continued)**

Judgments unfavorable to the Borough result in direct tax credits or refunds chargeable to current operations. Judgments are also generally extended forward in reduction of assessed valuations for two successive years and would further increase the liability of the Borough for tax credits or refunds. County taxes paid on the reductions in assessed valuations are subject to credits at County rates against the County Tax Levy of the year subsequent to the year in which the appeal is adjudicated.

Additional liability would be incurred for the payment of interest on refunds at statutory rates from the date of any excess payments to the date of refund (N.J.S. 54:3-27.2).

**D. Litigation**

An employee of the Borough filed an action on March 30, 2006 seeking lost wages, general and punitive damages arising from the alleged denial of salary raises to the employee. Claimant asserts a violation of civil rights and New Jersey's Conscientious Employee Protection Act. The Borough has filed an answer denying the claims and is vigorously defending the action. Because the case is in its earliest stages, an estimate of potential liability and damages, if any, cannot yet be made.

In other matters, the Municipality is involved in several claims and lawsuits incidental to its operations. In the opinion of administration, the ultimate resolution of these matters will not have a material adverse effect on the financial position of the Borough.

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APPENDIX C  
FORM OF APPROVING LEGAL OPINION OF BOND COUNSEL

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\_\_\_\_\_, 2006

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

Dear Council Members:

We have examined a record of proceedings relating to the issuance of \$4,165,000 General Improvement Bonds (the "Bonds") of the Borough of New Providence, County of Union, New Jersey (the "Borough"). The Bonds are dated July 15, 2006, are issued in the form of one certificate for each maturity, being 14 in number and numbered GI-1 to GI-14, inclusive, mature on August 1 in the years and in the principal amounts and bear interest payable semiannually on the first day of February and August in each year until maturity, commencing on February 1, 2007 at the rates per annum described in the following schedule:

Year	Principal	Interest	Year	Principal	Interest
	Amount	Rate		Amount	Rate
2008	\$150,000	4.125%	2015	\$340,000	4.125%
2009	170,000	4.125	2016	340,000	4.125
2010	225,000	4.125	2017	340,000	4.125
2011	260,000	4.125	2018	340,000	4.125
2012	340,000	4.125	2019	340,000	4.125
2013	340,000	4.125	2020	340,000	4.250
2014	340,000	4.125	2021	300,000	4.250

The Bonds are not subject to redemption prior to their maturity as set forth therein. The Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York, which will act as Securities Depository.

The Bonds are issued pursuant to the Local Bond Law of the State of New Jersey, and by virtue of a resolution of the Borough Council adopted July 10, 2006, entitled "Resolution Providing for the Combination of Certain Issues of General Improvement Bonds of the Borough of New Providence, in the County of Union, New Jersey into a Single Issue of Bonds Aggregating \$4,165,000 in Principal Amount," 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.

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

\_\_\_\_\_, 2006

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In our opinion, except insofar as the enforcement thereof may be limited by any applicable bankruptcy, moratorium or similar laws relating to the enforcement of creditors' rights, the Bonds are valid and legally binding 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.

We have reviewed certain provisions of the Internal Revenue Code of 1986, as amended (the "Code"). The Borough has covenanted to comply with any continuing requirements that may be necessary to preserve tax exemption under the Code. In the event that the Borough continuously complies with its covenant, it is our opinion that interest on the Bonds is excluded from gross income for federal income tax purposes under the current law. In our opinion, the Bonds are not "specified private activity bonds" as defined in the Code and interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. Interest on the Bonds held by a corporate taxpayer is included in the income computation for calculation of the corporate alternative minimum tax. 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 includable as gross income under the New Jersey Gross Income Tax Act.

Very truly yours,

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