

PRELIMINARY OFFICIAL STATEMENT DATED AUGUST 17, 2011

NEW ISSUE - BOOK-ENTRY ONLY

**RATING ON BONDS: S&P: "AA" (Stable)
See "Rating" herein**

In the opinion of Wilentz, Goldman & Spitzer, P.A., Woodbridge, New Jersey ("Bond Counsel"), under existing statutes, regulations, rulings and court decisions, and assuming continuing compliance with certain covenants described herein, interest on the Bonds (as defined herein) (i) is not includable in gross income for Federal income tax purposes pursuant to section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) is not treated as a preference item under Section 57 of the Code for purposes of computing the Federal alternative minimum tax imposed on individuals and corporations; provided, however, that interest on the Bonds is included in the adjusted current earnings of a corporation for purposes of the Federal alternative minimum tax imposed on corporations. Bond Counsel is further of the opinion that, under existing laws of the State of New Jersey, interest on the Bonds and any gain on the sale thereof are not includable in gross income under the New Jersey Gross Income Tax Act, as amended. See "TAX EXEMPTION" herein.

**\$8,095,000
BOROUGH OF HOPATCONG
IN THE COUNTY OF SUSSEX
STATE OF NEW JERSEY
GENERAL OBLIGATION BONDS, SERIES 2011
Consisting of**

**\$5,760,000
General Improvement Bonds, Series 2011
(Non-Callable)**

**\$2,335,000
Water Utility Bonds, Series 2011
(Callable)**

BANK QUALIFIED

**Dated: Date of Delivery
Due: September 1, as shown on the inside front cover**

The \$8,095,000 aggregate principal amount of General Obligation Bonds, Series 2011, consisting of \$5,760,000 aggregate principal amount of General Improvement Bonds, Series 2011 (the "General Improvement Bonds") and \$2,335,000 aggregate principal amount of Water Utility Bonds, Series 2011 (the "Water Utility Bonds" and together with the General Improvement Bonds, the "Bonds") are general obligations of the Borough of Hopatcong, in the County of Sussex, State of New Jersey (the "Borough") and, unless paid from other sources, pledge the full faith and credit of the Borough to levy *ad valorem* taxes on all taxable property within the Borough without limitation as to rate or amount for the payment of the principal thereof and the interest thereon.

The Bonds will be in fully registered book-entry only form and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC, an automated depository for securities and clearing house for securities transactions, will act as securities depository for the Bonds. Individual purchases of the Bonds will be made in book-entry only form in the principal amount of \$5,000 or any integral multiple thereof, with a minimum purchase of \$5,000, except that any Bonds in excess of the largest principal amount equaling a multiple of \$5,000 shall be in denominations of \$1,000 or any integral multiple thereof.

The Bonds shall bear interest from their date of delivery and will be payable semi-annually on the first day of March and September of each year, commencing March 1, 2012, at such rates of interest as shown on the inside front cover hereof. The Bonds will be payable as to principal upon presentation and surrender thereof at the offices of the Borough or a duly designated paying agent. Interest on the Bonds will be paid by check, draft or wire transfer, mailed, delivered or transmitted by the Borough to the registered owner thereof as of the Record Dates (as defined herein). While DTC is acting as securities depository for the Bonds, principal and interest will be payable by wire transfer to DTC or its nominee, which is obligated to remit such principal and interest payment to DTC Participants. DTC Participants and Indirect Participants will be responsible for remitting such payments to the Beneficial Owners of the Bonds. See "BOOK-ENTRY ONLY SYSTEM" herein.

The Bonds are authorized by and are issued pursuant to the Local Bond Law, N.J.S.A. 40A:2-1 et seq., as amended and supplemented (the "Local Bond Law"), and are authorized by various bond ordinances of the Borough duly adopted on the dates set forth herein and approved and published as required by law and by resolutions duly adopted by the Borough Common Council on August 3, 2011.

The General Improvement Bonds are being issued to (i) refund, on a current basis, a \$4,656,955 aggregate portion of bond anticipation notes of the Borough issued in the aggregate principal amount of \$6,900,192, dated September 16, 2011 and maturing September 16, 2012 (the "Prior Notes", which Prior Notes were originally issued to temporarily finance the costs of various capital, water and sewer improvements in and by the Borough) and (ii) permanently finance the cost of various capital improvements in the amount of \$1,103,045. The Water Utility Bonds are being issued to (i) refund, on a current basis, a \$1,915,005 aggregate portion of the Prior Notes and (ii) permanently finance the cost of various water utility improvements in the amount of \$419,995.

The General Improvement Bonds are not subject to redemption prior to their stated maturities. The Water Utility Bonds are subject to redemption prior to their stated maturities as set forth herein. See "DESCRIPTION OF THE BONDS – Redemption" herein.

The Bonds are not a debt or obligation, legal, moral or otherwise of the State of New Jersey, or any county, municipality or political subdivision thereof other than the Borough.

The Bonds are offered when, as and if issued and delivered subject to the approval of the legality thereof by Wilentz, Goldman & Spitzer, P.A., Woodbridge, New Jersey, Bond Counsel to the Borough, and certain other conditions. It is anticipated that the Bonds will be available for delivery through DTC on or about September 15, 2011.

All bids must be submitted in their entirety on Grant Street Group's MuniAuction website ("MuniAuction") prior to 11:15 a.m., prevailing New Jersey time on August 24, 2011, unless otherwise extended by the two minute rule. The auction will begin at 11:00 a.m., prevailing New Jersey time on August 24, 2011. All Bids must be in conformance with the Full Notice of Sale which can be viewed in electronic format, along with this Preliminary Official Statement, on the MuniAuction website located at www.GrantStreet.com.

This is a Preliminary Official Statement "deemed final" by the Borough within the meaning of and with the exception of certain information permitted to be omitted by Rule 15c2-12 of the Securities and Exchange Commission, and is otherwise subject to change in accordance with applicable law. The Borough will deliver a final Official Statement in compliance with Rule 15c2-12. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration, qualification or exemption under the securities law of any such jurisdiction.

**BOROUGH OF HOPATCONG
IN THE COUNTY OF SUSSEX, STATE OF NEW JERSEY**

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND YIELDS

**\$8,095,000 GENERAL OBLIGATION BONDS, SERIES 2011
Consisting of:**

**\$5,760,000 GENERAL IMPROVEMENT BONDS, SERIES 2011
AND
\$2,335,000 WATER UTILITY BONDS, SERIES 2011**

Principal Amounts

<u>(Sept 1)</u> <u>Year</u>	<u>General</u> <u>Improvement</u> <u>Bonds</u>	<u>Water Utility</u> <u>Bonds</u>	<u>Combined Principal</u> <u>Amounts</u>	<u>Interest</u> <u>Rates</u>	<u>Yields</u>
2012	\$325,000	\$65,000	\$390,000		
2013	325,000	70,000	395,000		
2014	590,000	75,000	665,000		
2015	620,000	85,000	705,000		
2016	650,000	115,000	765,000		
2017	650,000	115,000	765,000		
2018	650,000	120,000	770,000		
2019	650,000	130,000	780,000		
2020	650,000	130,000	780,000		
2021	650,000	130,000	780,000		
2022		130,000	130,000		
2023		130,000	130,000		
2024		130,000	130,000		
2025		130,000	130,000		
2026		130,000	130,000		
2027		130,000	130,000		
2028		130,000	130,000		
2029		130,000	130,000		
2030		130,000	130,000		
2031		130,000	130,000		

**BOROUGH OF HOPATCONG
IN THE COUNTY OF SUSSEX
STATE OF NEW JERSEY**

MAYOR

Sylvia Petillo

BOROUGH COMMON COUNCIL

John Young, Council President
Howard Baker
Richard Bunce
Michael Francis
Marie Galate
Madeline McManus

BOROUGH ADMINISTRATOR

Robert Elia

CHIEF FINANCIAL OFFICER

Kelleyanne M. McGann

BOROUGH CLERK

Catherine Gleason

BOROUGH ATTORNEY

John E. Ursin, Esq.
Sparta, New Jersey

INDEPENDENT AUDITORS

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

BOND COUNSEL

Wilentz, Goldman & Spitzer, P.A.
Woodbridge, New Jersey

No dealer, broker, salesperson or other person has been authorized by the Borough of Hopatcong, in the County of Sussex, State of New Jersey (the "Borough") to give any information or to make any representations with respect to the Bonds other than those contained in this Official Statement and if given or made, such information or representation must not be relied upon as having been authorized by the Borough. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds in any jurisdiction in which it is unlawful for any person to make such an offer, solicitation or sale.

The information contained herein has been provided by the Borough, The Depository Trust Company, New York, New York ("DTC") and other sources deemed reliable by the Borough; however, no representation or warranty is made as to its accuracy or completeness, and as to the information from sources other than the Borough, such information is not to be construed as a representation or warranty by the Borough.

This Official Statement is not to be construed as a contract or agreement between the Borough and the purchasers or owners of any of the Bonds. Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as opinions and not as representations of fact. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale 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. The Borough has not confirmed the accuracy or completeness of information relating to DTC, which information has been provided by DTC.

References in this Official Statement to laws, rules, regulations, resolutions, ordinances, agreements, reports and documents do not purport to be comprehensive or definitive. All references to such documents are qualified in their entirety by reference to the particular document, the full text of which may contain qualifications of and exceptions to statements made herein and may not be reproduced or used in whole or part, for any other purpose. This Official Statement should be read in its entirety.

The presentation of information is intended to show recent historical information except as expressly stated otherwise, is not intended to indicate future or continuing trends in the financial condition of other affairs of the Borough. No representation is made that past experience, as is shown by the financial and other information, will necessarily continue or be repeated in the future.

The order and placement of materials in this Official Statement, including the Appendices, are not deemed to be a determination of the relevance, materiality or importance, and this Official Statement, including the Appendices, and must be considered in its entirety.

The Underwriter has reviewed the information in this Official Statement in accordance with and as part of its responsibilities to investors under the Federal Securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

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OFFICIAL STATEMENT
OF THE
BOROUGH OF HOPATCONG
IN THE COUNTY OF SUSSEX, STATE OF NEW JERSEY
RELATING TO
\$8,095,000 GENERAL OBLIGATION BONDS, SERIES 2011
Consisting of
\$5,760,000 General Improvement Bonds, Series 2011
And
\$2,335,000 Water Utility Bonds, Series 2011

INTRODUCTION

The purpose of this Official Statement is to provide certain information regarding the financial and economic condition of the Borough of Hopatcong (the "Borough"), in the County of Sussex (the "County"), State of New Jersey (the "State"), in connection with the sale and issuance of \$8,095,000 aggregate principal amount of General Obligation Bonds, Series 2011, consisting of \$5,760,000 General Improvement Bonds, Series 2011 (the "General Improvement Bonds") and \$2,335,000 Water Utility Bonds, Series 2011 (the "Water Utility Bonds" and together with the General Improvement Bonds, the "Bonds") of the Borough. This Official Statement, which includes the cover page and appendices attached hereto, has been authorized by the Borough Common Council and executed by and on behalf of the Borough by its Chief Financial Officer to be distributed in connection with the sale of the Bonds.

This Official Statement contains specific information relating to the Bonds including their general description, certain matters affecting the financing, certain legal matters, historical financial information and other information pertinent to this issue. This Official Statement should be read in its entirety.

All financial and other information presented herein has been provided by the Borough from its records, except for information expressly attributed to other sources. The presentation of information is intended to show recent historical information and, but only to the extent specifically provided herein, certain projections of the immediate future, and is not necessarily indicative of future or continuing trends in the financial position or other affairs of the Borough.

DESCRIPTION OF THE BONDS

General Description

The Bonds are dated their date of delivery and shall bear interest at the respective rates shown on the inside front cover page hereof from such date, payable semi-annually on the first day of March and September of each year (each an "Interest Payment Date") until maturity, commencing March 1, 2012. Interest on the Bonds is calculated on the basis of twelve (12) thirty (30) day months in a three hundred sixty (360) day year and will be paid by check, draft or wire transfer mailed, transmitted or delivered to the registered owners of the Bonds as of each respective February 15 and August 15 preceding each Interest Payment Date (the "Record Dates"), at the address shown on the registration books for the Bonds kept for that purpose by the Borough's Chief Financial Officer, as Registrar and Paying Agent.

The Bonds of each series will mature on September 1 in each of the years in the respective principal amounts set forth on the inside front cover page hereof.

The Bonds, when issued, will be registered in the name of and held by Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds (the "Securities Depository"). Purchases of beneficial interests in the Bonds will be made in book-entry only form, without certificates, in denominations of \$5,000 or any integral multiple thereof, with a minimum purchase of \$5,000 required, except that any Bonds in excess of the largest principal amount equaling a multiple of \$5,000 shall be in denominations of \$1,000 or any integral multiple thereof. Under certain circumstances, such beneficial interests in the Bonds are exchangeable for one or more fully registered Bond certificates of like series, maturity and tenor in authorized denominations.

So long as DTC or its nominee, Cede & Co., is the registered owner of the Bonds, payments of the principal of and interest on the Bonds will be made directly by the Borough as Paying Agent, or some other paying agent as may be designated by the Borough, to Cede & Co. Disbursement of such payments to the DTC Participants (as hereinafter defined) is the responsibility of DTC and disbursement of such payments to the owners of beneficial interests in the Bonds is the responsibility of the DTC Participants (as hereinafter defined). See "BOOK-ENTRY ONLY SYSTEM" herein.

Redemption

General Improvement Bond Redemption Provisions

The General Improvement Bonds of this issue maturing are not subject to redemption prior to their stated maturities.

Water Utility Bond Redemption Provisions

The Water Utility Bonds of this issue maturing prior to September 1, 2022 are not subject to redemption prior to their stated maturities. The Water Utility Bonds of this issue maturing on or after September 1, 2022 are subject to redemption at the option of the Borough, in whole or in part, on any date on or after September 1, 2021, upon notice as required herein at one hundred percent (100%) of the principal amount being redeemed (the "Redemption Price"), plus accrued interest to the date fixed for redemption.

Notice of redemption ("Notice of Redemption") shall be given by mailing such notice at least thirty (30) days but not more than sixty (60) days before the date fixed for redemption by first class mail in a sealed envelope with postage prepaid to the registered owners of such Water Utility Bonds at their respective addresses as they last appear on the registration books kept for that purpose by the Borough or a duly appointed Bond Registrar. So long as DTC (or any successor thereto) acts as Securities Depository for the Water Utility Bonds, Notice of Redemption shall be sent to such Securities Depository and shall not be sent to the beneficial owners of the Water Utility Bonds. Any failure of the Securities Depository to advise any of its participants or any failure of any participant to notify any beneficial owner of any Notice of Redemption shall not affect the validity of the redemption proceedings. If the Borough determines to redeem a portion of the Water Utility Bonds prior to maturity, such Water Utility Bonds shall be selected by the Borough; the Water Utility Bonds to be redeemed having the same maturity shall be selected by the Securities Depository in accordance with its regulations.

If Notice of Redemption has been given as provided herein, the Water Utility Bonds or the portion thereof called for redemption shall be due and payable on the date fixed for redemption at the Redemption Price, together with accrued interest to the date fixed for redemption. Interest shall cease to accrue on the Water Utility Bonds after the date fixed for redemption.

Authorization for the Issuance of the Bonds

The Bonds are authorized by and are issued pursuant to the provisions of the Local Bond Law, N.J.S.A. 40A:2-1 et seq., as amended and supplemented (the "Local Bond Law"), and are authorized by various bond ordinances duly adopted by the Borough Common Council on the dates set forth in the charts on the following pages and approved and published as required by law, and by resolutions duly adopted by the Borough Common Council on August 3, 2011.

The bond ordinances authorizing the Bonds were published in full or in summary after their final adoption along with the statement that the twenty (20) day period of limitation within which a suit, action or proceeding questioning the validity of such bond ordinances could be commenced began to run from the date of the first publication of such statement. The Local Bond Law provides, that after issuance, all obligations shall be conclusively presumed to be fully authorized and issued by all laws of the State, and all persons shall be estopped from questioning their sale, execution or delivery by the Borough.

Purpose of the General Improvement Bonds

The General Improvement Bonds are being issued to (i) refund, on a current basis, a \$4,656,955 aggregate portion of bond anticipation notes of the Borough issued in the aggregate principal amount of \$6,900,192, dated September 16, 2011 and maturing September 16, 2012 (the "Prior Notes", which Prior Notes were originally issued to temporarily finance the costs of various capital, water and sewer improvements in and by the Borough) and (ii) permanently finance the cost of various capital improvements in the amount of \$1,103,045.

The purposes for which the General Improvement Bonds are to be issued have been authorized by duly adopted, approved and published bond ordinances of the Borough, which bond ordinances are described in the following table by ordinance number, description and date of final adoption, amount of the portion of Prior Notes being refunded with the General Improvement Bonds and the amount of new money General Improvement Bonds to be issued for such purposes. The bond ordinances are:

General Improvement Bonds, Series 2011

Ordinance Number	Description and Date of Final Adoption	Amount of Prior Notes Being Refunded With The General Improvement Bonds	Amount of New Money General Improvement Bonds
21-2004	Various improvements, finally adopted 6/2/04	\$ 427,165	
20-2005	Various improvements, finally adopted 6/1/05	489,700	
13-2006	Various improvements, finally adopted 5/3/06	524,700	
03-2007	Various improvements, finally adopted 4/4/07	771,150	
10-2008	Various improvements, finally adopted 6/4/08	375,000	
23-2009	Various improvements, finally adopted 7/15/09	723,900	
11-2010	Various 2010 capital improvements, finally adopted 6/16/10	1,345,340	
18-2010	Removal and replacement of oil tank, finally adopted 9/1/10		\$ 38,095

Ordinance Number	Description and Date of Final Adoption	Amount of Prior Notes Being Refunded With The General Improvement Bonds	Amount of New Money General Improvement Bonds
09-2011	Various 2011 capital improvements, finally adopted 5/1/11		779,950
21-2011	Various 2011 roadway improvements, finally adopted 8/3/11		285,000
	Subtotal:	<u>\$4,656,955</u>	<u>\$1,103,045</u>
	TOTAL:	<u>\$5,760,000</u>	

Purpose of the Water Utility Bonds

The Water Utility Bonds are being issued to (i) refund, on a current basis, a \$1,915,005 aggregate portion of the Prior Notes and (ii) permanently finance the cost of various water utility improvements in the amount of \$419,995.

The purposes for which the Water Utility Bonds are to be issued have been authorized by duly adopted, approved and published bond ordinances of the Borough, which bond ordinances are described in the following table by ordinance number, description and date of final adoption, amount of the portion of Prior Notes being refunded with the Water Utility Bonds and the amount of new money Water Utility Bonds to be issued for such purposes. The bond ordinances are:

Water Utility Bonds, Series 2011

Ordinance Number	Description and Date of Final Adoption	Amount of Prior Notes Being Refunded With The Water Utility Bonds	Amount of New Money Water Utility Bonds
09-2003	Various improvements for the Water Supply and Distribution System, finally adopted 5/21/03	\$122,555	
20-2004	Improvement of the Water Supply and Distribution System, finally adopted 6/2/04	228,225	
18-2005	Various improvements for the Water Supply and Distribution System, finally adopted 6/1/05	330,500	
14-2006	Various improvements for the Water Supply and Distribution System, finally adopted 5/3/06	158,000	
04-2007	Various improvements for the Water Supply and Distribution System, finally adopted 4/4/07	384,325	

Ordinance Number	Description and Date of Final Adoption	Amount of Prior Notes Being Refunded With The Water Utility Bonds	Amount of New Money Water Utility Bonds
12-2008	Various improvements for the Water Supply and Distribution System, finally adopted 6/4/08	320,000	
24-2009	Various improvements for the Water Supply and Distribution System, finally adopted 7/15/09	300,000	
12-2010	Various 2010 Water Utility improvements, finally adopted 6/16/10	71,400	
10-2011	Various 2011 Water Utility improvements, finally adopted 5/4/11		\$419,995
Subtotal:		<u>\$1,915,005</u>	<u>\$419,995</u>
TOTAL:		<u>\$2,335,000</u>	

SECURITY FOR THE BONDS

The Bonds are valid and legally binding general obligations of the Borough for which the full faith and credit of the Borough are irrevocably pledged for the punctual payment of the principal of and interest on the Bonds. Unless paid from other sources, the Borough has the power and is obligated by law to levy *ad valorem* taxes upon all the taxable property within the Borough for the payment of the principal of the Bonds and the interest thereon without limitation as to rate or amount.

The Borough is required by law to include the total amount of principal and interest on all of its general obligation indebtedness, such as the Bonds, for the current year in each annual budget unless provision has been made for payment from other sources. The enforceability of rights or remedies with respect to the Bonds may be limited by bankruptcy, insolvency or other similar laws affecting creditors' rights or remedies heretofore or hereafter enacted. See "RISK TO HOLDERS OF BONDS" herein.

The Bonds are not a debt or obligation, legal or otherwise, of the State or any political subdivision thereof, other than the Borough.

NO DEFAULT

There is no report of any default in the payment of the principal of, redemption premium, if any, and interest on the bonds, notes or other obligations of the Borough as of the date hereof.

MARKET PROTECTION

Other than the Bonds, the Borough does not anticipate issuing any additional bonds, bond anticipation notes or other obligations during the Fiscal Year ending December 31, 2011.

BOOK-ENTRY ONLY SYSTEM

The description which follows of the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal and interest, and other payments on the Bonds to DTC Participants or Beneficial Owners (as such terms are defined or used herein), confirmation and

transfer of beneficial ownership interests in the Bonds and other related transactions by and between DTC, DTC Participants and Beneficial Owners, is based on certain information furnished by DTC to the Borough. Accordingly, the Borough does not make any representations concerning these matters.

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 for each series of Bonds will be issued for each maturity, as set forth on the cover hereof, and will be deposited with DTC.

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

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of 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 the Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of

the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners, or in the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

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

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

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

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

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

Discontinuance of Book-Entry Only System

In the event that the book-entry only system and the services of DTC is discontinued or terminated, after which no substitute securities depository willing to undertake the functions of DTC under the Agent Agreement can be found which, in the opinion of the Borough, is willing and able to undertake such functions upon reasonable and customary terms, the Bonds will no longer be restricted to being registered in the registration books kept by the Registrar in the name of Cede as nominee of DTC, but may be registered in whatever name or names Owners transferring or exchanging Bonds shall designate, in accordance with the Agent Agreement. Interest on the Bonds will be payable by check or draft, mailed on each Interest Payment Date to the registered owners thereof as of the Record Date applicable thereto.

PROVISIONS FOR THE PROTECTION OF GENERAL OBLIGATION DEBT

Procedure for Authorization

The Borough has no constitutional limit on its power to incur indebtedness other than that it may issue obligations only for public purposes pursuant to State statutes. The authorization and issuance of

Borough debt, including the purpose, amount and nature thereof, the method and manner of the incurrence of such debt, the maturity and terms of repayment thereof, and other related matters are statutory. The Borough is not required to submit the proposed incurrence of indebtedness to a public referendum.

The Borough, by bond ordinance, may authorize and issue negotiable obligations for the financing of any capital improvement or property which it may lawfully acquire, or any purpose for which it is authorized or required by law to make an appropriation, except current expenses and payment of obligations (other than those for temporary financings). Bond ordinances must be finally adopted by the recorded affirmative vote of at least two-thirds of the full membership of the Borough Common Council and approved by the Mayor. The Local Bond Law requires publication and posting of the bond ordinance. If the bond ordinance requires approval or endorsement of the State, it cannot be finally adopted until such approval has been received. The Local Bond Law provides that a bond ordinance shall take effect twenty (20) days after the first publication thereof after final adoption. At the conclusion of the twenty-day period all challenges to the validity of the obligations authorized by such bond ordinance shall be precluded except for constitutional matters. Moreover, after issuance, all obligations are conclusively presumed to be fully authorized and issued by all laws of the State and any person shall be estopped from questioning their sale, execution or delivery by the Borough.

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

The Bonds are being issued pursuant to the provisions of the Local Bond Law. The Local Bond Law governs the issuance of bonds and bond anticipation notes to finance certain municipal capital expenditures. Among its provisions are requirements that bonds or notes must mature within the statutory period of usefulness of the projects being financed, that bonds be retired in serial or sinking fund installments, and that, unlike school debt, and with some exceptions, including self-liquidating obligations and the improvements involving State grants, a five percent (5%) cash down payment must be generally provided. Such down payment must have been raised by budgetary appropriations, from cash on hand previously contributed for the purpose or by emergency resolution adopted pursuant to the Local Budget Law, N.J.S.A. 40A:4-1 et seq., as amended and supplemented (the "Local Budget Law"). All bonds and notes issued by the Borough are general "full faith and credit" obligations.

Short Term Financing

Local governmental units (including the Borough) may issue 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. Such bond anticipation notes for capital improvements may be issued in an aggregate amount not exceeding the amount of bonds authorized in the ordinance, as may be amended and supplemented, creating such capital expenditure. A local unit's bond anticipation notes may be issued and renewed for periods not exceeding one (1) year, with the final maturity occurring and being paid no later than the first day of the fifth month following the close of the tenth fiscal year after the original issuance of the notes, provided that no notes may be renewed beyond the third anniversary date of the original notes and each anniversary date thereafter, unless an amount of such note at least equal to the first legally payable installment of the anticipated bonds (the first year's principal payment), is paid and retired from funds other than the proceeds of obligations on or before the third anniversary date and each anniversary date thereafter.

The issuance of tax anticipation notes by a municipality is limited in amount by the provisions of the Local Budget Law and may be renewed from time to time, but, in the case of a municipality such as the Borough, all such notes and renewals thereof must mature not later than 120 days after the end of the fiscal year in which such notes were issued.

Refunding Bonds (N.J.S.A. 40A:2-51 et seq.)

Refunding bonds may be issued pursuant to the Local Bond Law for the purpose of paying, funding or refunding outstanding bonds, including emergency appropriations, the actuarial liabilities of a non-State administered public employee pension system, the present value of unfunded accrued liabilities for State

administered early retirement incentive benefits, and amounts owing to others for taxes levied in the local unit, or any renewals or extensions thereof, and for paying the cost of issuance of refunding bonds. The Local Finance Board, in the Division of Local Governmental Services, New Jersey Department of Community Affairs (the "Local Finance Board") must approve the authorization of the issuance of refunding bonds.

Statutory Debt Limitation (N.J.S.A. 40A:2-6 et seq.)

There are statutory requirements which limit the amount of debt which the Borough is permitted to authorize. The authorized bonded indebtedness of a Borough is limited by the Local Bond Law and other laws to an amount equal to three and one half percent (3½%) of its stated average equalized valuation basis, subject to certain exceptions noted below. The stated equalized valuation basis is set by statute as the average of the equalized valuations of all taxable real property, together with improvements to such property, and the assessed valuation of certain Class II railroad property within the boundaries of the Borough for each of the last three (3) preceding years as annually certified in the valuation of all taxable real property, in the Table of Equalized Valuation by the Director of the Division of Taxation, in the New Jersey Department of the Treasury (the "Division of Taxation"). Certain categories of debt are permitted by statute to be deducted for the purposes of computing the statutory debt limit. The Local Bond Law permits the issuance of certain obligations, including obligations issued for certain emergency or self-liquidating purposes, notwithstanding the statutory debt limitation described above; but, with certain exceptions, it is then necessary to obtain the approval of the Local Finance Board. See "Exceptions to Debt Limitation-Extensions of Credit" herein.

The Borough has not exceeded its statutory debt limit. As of December 31, 2010, the statutory net debt of the Borough as a percentage of equalized valuation (3 year average) was 0.48%.

Exceptions to Debt Limitation – Extensions of Credit (N.J.S.A. 40A:2-7 et seq.)

The debt limit of the Borough may be exceeded with the approval of the Local Finance Board. If all or any part of a proposed debt authorization is to exceed its debt limit, the Borough must apply to the Local Finance Board for an extension of credit. The Local Finance Board considers the request, concentrating its review on the effect of the proposed authorization on outstanding obligations and operating expenses and the anticipated ability to meet the proposed obligations. If the Local Finance Board determines that a proposed debt authorization is not unreasonable or exorbitant, that the purposes or improvements for which the obligations are issued are in the public interest and for the health, welfare and convenience or betterment of the inhabitants of the Borough and that the 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 services that are in the public interest and makes other statutory determinations, approval is granted. In addition to the aforesaid, debt in excess of the debt limit may be issued to fund certain obligations, for self-liquidating purposes and, in each fiscal year, in an amount not exceeding two-thirds of the amount budgeted in such fiscal year for the retirement of outstanding obligations (exclusive of obligations issued for utility or assessment purposes) plus two-thirds of the amount raised in the tax levy of the current fiscal year by the local unit for the payment of bonds or notes of any school district. The Borough has not exceeded its debt limit.

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

The Local Fiscal Affairs, N.J.S.A. 40A:5-1 et seq., as amended and supplemented (the "Local Fiscal Affairs Law"), regulates the non-budgetary financial activities of local governments. An annual, independent audit of the local unit's accounts for the previous year must be performed by a Registered Municipal Accountant licensed in the State of New Jersey. The audit, conforming to the Division of Local Government Services, in the New Jersey Department of Community Affairs (the "Division") "Requirements of Audit", must be completed within six (6) months (June 30) after the close of the Borough's fiscal year (December 31), includes recommendations for improvement of the local unit's financial procedures. The audit report must be filed with the Borough Clerk and is available for review during regular municipal business hours and shall, within five (5) days thereafter be filed with the Director of the Division (the "Director"). A synopsis of

the audit report, together with all recommendations made, must be published in a local newspaper within thirty (30) days of the Borough Clerk's receipt of the audit report. Accounting methods utilized in the conduct of the audit conform to practices prescribed by the Division, which practices differ in some respects from generally accepted accounting principals.

Annual Financial Statement (N.J.S.A. 40A:5-12 et seq.)

An annual financial statement ("Annual Financial Statement") which sets forth the financial condition of a local unit for the fiscal year must be filed with the Division not later than January 26 (in the case of a county) and not later than February 10 (in the case of a municipality) after the close of the calendar fiscal year, such as the Borough, or not later than August 10 of the State fiscal year for those municipalities which operate on the State fiscal year. The Annual Financial Statement is prepared either by the Chief Financial Officer or the Registered Municipal Accountant for the local unit. It reflects the results of operations for the year of the Current and Utility Funds. If the statement of operations results in a cash deficit, the deficit must be included in full in the succeeding year's budget. The entire annual audit report is filed with the clerk of the local unit and is available for review during business hours.

Investment of Municipal Funds

Investment of funds by municipalities is governed by N.J.S.A. 40A:5-14 et seq. Such statute requires municipalities to adopt a cash management plan pursuant to the requirements outlined by said statute. Once a municipality adopts a cash management plan it must deposit or invest its funds pursuant to such plan. N.J.S.A. 40A:5-15.1 provides for the permitted securities a municipality may invest in pursuant to its cash management plan. Some of the permitted securities are as follows: (a) obligations of, or obligations guaranteed by, the United States of America ("Government Obligations"), (b) Government money market mutual funds which invest in securities permitted under the statute, (c) bonds of certain Federal Government agencies having a maturity date not greater than 397 days from the date of purchase, (d) bonds or other obligations of the particular municipality or school districts of which the local unit is a part or within which the school district is located, and (e) bonds or other obligations having a maturity date not greater than 397 days from the date of purchase and approved by the Division of Investment, in the New Jersey Department of the Treasury. Municipalities are required to deposit their funds in banks satisfying certain security requirements set forth in N.J.S.A. 17:9-41 et seq. Municipalities are required to deposit their funds in interest-bearing bank accounts to the extent practicable and other permitted investments.

FINANCIAL MANAGEMENT

Accounting and Reporting Practices

The accounting policies of the Borough conform to the accounting principles applicable to local governmental units which have been prescribed by the Division. A modified accrual basis of accounting is followed with minor exceptions. Revenues are recorded as received in cash except for certain amounts which may be due from other governmental units and which are accrued. Receivables for property taxes are recorded with offsetting reserves on the balance sheet of the Borough's Current Fund; accordingly, such amounts are not recorded as revenue until collected. Other amounts that are due to the Borough which are susceptible to accrual are also recorded as receivables with offsetting reserves and recorded as revenue only when received. Expenditures are generally recorded on the accrual basis, except that unexpended appropriations at December 31, unless canceled by the governing body, are reported as expenditures with offsetting appropriation reserves. Appropriation reserves are available, until lapsed at the close of the succeeding fiscal year, to meet specific claims, commitments or contracts incurred during the preceding fiscal year. Lapsed appropriation reserves are credited to the results of operations. As is the prevailing practice among municipalities and counties in the State, the Borough does not record obligations for accumulated unused vacation and sick pay.

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

The foundation of the State local finance system is the annual cash basis budget. Every local unit, including the Borough, must adopt an annual operating budget in the form required by the Division. Certain items of revenue and appropriation are regulated by law and the proposed operating budget cannot be finally adopted until it has been certified by the Director, or in the case of a local unit's examination of its own budget as described herein, such budget cannot be finally adopted until a local examination certificate has been approved by the Chief Financial Officer and governing body of the local unit. The Local Budget Law requires each local unit to appropriate sufficient funds for payment of current debt service and the Director, or in the case of the local examination, the local unit may review the adequacy of such appropriations. Among other restrictions, the Director or, in the case of local examination, the local unit may examine the budget with reference to all estimates of revenue and the following appropriations: (a) payment of interest and debt redemption charges, (b) deferred charges and statutory expenditures, (c) cash deficit of the preceding year, (d) reserve for uncollected taxes, and (e) other reserves and non-disbursement items. Taxes levied are a product of total appropriations, less non-tax revenues, plus a reserve predicated on the prior year's collection experience.

The Director, in reviewing the budget, has no authority over individual operating appropriations, unless a specific amount is required by law, but the Director's budgetary review functions, focusing on anticipated revenues, and serves to protect the solvency of the local unit. Local budgets, by law and regulation, must be in balance on a "cash basis", i.e., the total of anticipated revenues must equal the total of appropriation. N.J.S.A. 40A:4-22. If in any year the Borough's expenditures exceed its realized revenues for that year, then such excess (deficit) must be raised in the succeeding year's budget.

In accordance with the Local Budget Law and related regulations, (i) each local unit, with a population of 10,000 persons, must adopt and annually revise a six (6) year capital program (ii) each local unit, with a population under 10,000 persons, must adopt (with some exceptions) and annually revise a three (3) year capital program. See "CAPITAL IMPROVEMENT PROGRAM" herein.

Municipal public utilities are supported by the revenues generated by the respective operations of the utilities, in addition to the general taxing power upon real property. For each utility, there is established a separate budget. The anticipated revenues and appropriations for each utility are set forth in the separate section of the budget. The budget is required to be balanced and to provide fully for debt service. The regulations regarding anticipation of revenues and deferral of charges apply equally to the budgets of the utilities. Deficits or anticipated deficits in utility operations which cannot be provided for from utility surplus, if any, are required to be raised in the "current" or operating budget.

State Supervision (N.J.S.A. 52:27BB-1 et seq.)

State law authorizes State officials to supervise fiscal administration in any municipality which is in default on its obligations; which experiences severe tax collection problems for two (2) successive years; which has a deficit greater than four percent (4%) of its tax levy for two (2) successive years; which has failed to make payments due and owing to the State, county, school district or special district for two (2) consecutive years; which has an appropriation in its annual budget for the liquidation of debt which exceeds twenty-five percent (25%) of its total operating appropriations (except dedicated revenue appropriations) for the previous budget year; or which has been subject to a judicial determination of gross failure to comply with the Local Bond Law, the Local Budget Law or the Local Fiscal Affairs Law which substantially jeopardizes its fiscal integrity. State officials are authorized to continue such supervision for as long as any of the conditions exist and until the municipality operates for a fiscal year without incurring cash deficit.

Limitations on Expenditures ("Cap Law") (N.J.S.A. 40A:4-45.1, et seq.)

N.J.S.A. 40A:4-45.3 places limits on municipal tax levies and expenditures. This law is commonly known as the "Cap Law" (the "Cap Law"). The Cap Law provides that the Borough shall limit any increase in its budget to 2.5% or the Cost-Of-Living Adjustment, whichever is less, of the previous year's final

appropriations, subject to certain exceptions. The Cost-Of-Living Adjustment is defined as the rate of annual percentage increase, rounded to nearest half percent, in the Implicit Price Deflator for State and Local Government Purchases of Goods and Services produced by the United States Department of Commerce for the year preceding the current year as announced by the Director. However, in each year in which the Cost-Of-Living Adjustment is equal to or less than 2.5%, the Borough may, by ordinance, approved by a majority vote of the full membership of the governing body, provide that the final appropriations of the Borough for such year be increased by a percentage rate that is greater than the Cost-Of-Living Adjustment, but not more than 3.5% over the previous year's final appropriations. The Borough has utilized this procedure to establish its CAP at 3.5%. See N.J.S.A. 40A:4-45.14. In addition, N.J.S.A. 40A:4-45.15a restored "CAP" banking to the Local Budget Law. Municipalities are permitted to appropriate available "CAP Bank" in either of the next two (2) succeeding years' final appropriations. The Borough utilized a portion of its "Cap Bank" in its 2011 Budget. Along with the permitted increases for total general appropriations there are certain items that are allowed to increase outside the "CAP".

Additionally, new legislation constituting P.L. 2010, c.44, effective July 13, 2010, imposes a 2% cap on the tax levy of a municipality, county, fire district or solid waste collection district, with certain exceptions and subject to a number of adjustments. The exclusions from the limit include increases required to be raised for capital expenditures, including debt service, increases in pension contributions in excess of 2%, certain increases in health care costs in excess of 2%, and extraordinary costs incurred by a local unit directly related to a declared emergency. The governing body of a local unit may request approval, through a public question submitted to the legal voters residing in its territory, to increase the amount to be raised by taxation, and voters may approve increases above 2% not otherwise permitted under the law by an affirmative vote of 50%.

The Division of Local Government Services has advised that counties and municipalities must comply with both budget "CAP" and the tax levy limitation. Neither the tax levy limitation nor the "CAP" law, however, limits the obligation of the Borough to levy *ad valorem* taxes upon all taxable property within the boundaries of the Borough to pay debt service on bonds and notes, including the Bonds.

Deferral of Current Expenses

Supplemental appropriations made after the adoption of the budget and determination of the tax rate may be authorized by the governing body of a local unit, including the Borough, but only to meet unforeseen circumstances, to protect or promote public health, safety, morals or welfare, or to provide temporary housing or public assistance prior to the next succeeding fiscal year. However, with certain exceptions described below, such appropriations must be included in full as a deferred charge in the following year's budget. Any emergency appropriation must be declared by resolution according to the definition provided in N.J.S.A. 40A:4-48, and approved by at least two-thirds of the full membership of the governing body and shall be filed with the Director. If such emergency appropriations exceed three percent (3%) of the adopted operating budget, consent of the Director is required. N.J.S.A. 40A:4-49.

The exceptions are certain enumerated quasi-capital projects ("special emergencies") such as (i) the repair and reconstruction of streets, roads or bridges damaged by snow, ice, frost, or floods, which may be amortized over three (3) years, and (ii) the repair and reconstruction of streets, roads, bridges or other public property damaged by flood or hurricane, where such expense was unforeseen at the time of budget adoption, the repair and reconstruction of private property damaged by flood or hurricane, tax map preparation, re-evaluation programs, revision and codification of ordinances, master plan preparations, drainage map preparation for flood control purposes, studies and planning associated with the construction and installation of sanitary sewers, authorized expenses of a consolidated commission, contractually required severance liabilities resulting from the layoff or retirement of employees and the preparation of sanitary and storm system maps, all of which projects set forth in this section (ii) may be amortized over five (5) years. N.J.S.A. 40A:4-53, -54, -55, -55.1. Emergency appropriations for capital projects may be financed through the adoption of a bond ordinance and amortized over the useful life of the project as described above.

Budget Transfers

Budget transfers provide a degree of flexibility and afford a control mechanism. Pursuant to N.J.S.A. 40A:4-58, transfers between major appropriation accounts are prohibited until the last two (2) months of the municipality's fiscal year. Appropriation reserves may be transferred during the first three (3) months of the current fiscal year to the previous fiscal year's budget. N.J.S.A. 40A:4-59. Both types of transfers require a two-thirds vote of the full membership of the governing body. Although sub-accounts within an appropriation are not subject to the same year-end transfer restriction, they are subject to internal review and approval. Generally, transfers cannot be made from the down payment account, the capital improvement fund, contingent expenses or from other sources as provided in the statute.

Anticipation of 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 sets limits on the anticipation of delinquent tax collections and provides that, "[t]he maximum which may be anticipated is the sum produced by the multiplication of the amount of delinquent taxes unpaid and owing to the local unit on the first day of the current fiscal year by the percentage of collection of delinquent taxes for the year immediately preceding the current fiscal year."

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

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

$$\begin{array}{l} \text{Total of Local, County,} \\ \text{and School Levies} \end{array} - \text{Anticipated Revenues} = \text{Cash Required from Taxes to Support} \\ \text{Local Municipal Budget and Other Taxes}$$
$$\frac{\text{Cash Required from Taxes to Support Local Municipal Budget and Other Taxes}}{\text{Prior Year's Percentage of Current Tax Collection (or Lesser \%)}} = \begin{array}{l} \text{Amount to be} \\ \text{Raised by} \\ \text{Taxation} \end{array}$$

Anticipation of Miscellaneous Revenues

N.J.S.A 40A:4-26 provides that, "[n]o miscellaneous revenues from any source shall be included as an anticipated revenue in the budget in an amount in excess of the amount actually realized in cash from the same source during the next preceding fiscal year, unless the director shall determine upon application by the governing body that the facts clearly warrant the expectation that such excess amount will actually be realized in cash during the fiscal year and shall certify such determination, in writing, to the local unit."

No budget or amendment thereof shall be adopted unless the Director shall have previously certified his approval of such anticipated revenues except that categorical grants-in-aid contracts may be included for their face amount with an offsetting appropriation. The fiscal years of such grants rarely coincide with a municipality's calendar fiscal year. Grant revenues are fully realized in the year in which they are budgeted by the establishment of accounts receivable and offsetting reserves.

Debt Statements

The Borough must report all new authorizations of debt or changes in previously authorized debt to the Division through the filing of Supplemental and Annual Debt Statements. The Supplemental Debt Statement must be submitted to the Division before final passage of any debt authorization other than a refunding debt authorization. Before the end of the first month (July 31) of each fiscal year of the Borough, the Borough must file an Annual Debt Statement which is dated as of the last day of the preceding fiscal year (December 31) with the Division and with the Borough Clerk. This report is made under oath and states the authorized, issued and unissued debt of the Borough as of the previous December 31. Through the Annual and Supplemental Debt Statements, the Division monitors all local borrowing. Even though the Borough's authorizations are within its debt limits, the Division is able to enforce State regulations as to the amounts and purposes of local borrowings.

Local Examination of Budgets (N.J.S.A. 40A:4-78(b))

Chapter 113 of the Laws of New Jersey of 1996 (N.J.S.A. 40A:4-78(b)) authorizes the Local Finance Board to adopt rules that permit certain municipalities to assume the responsibility, normally granted to the Director, of conducting the annual budget examination required by the Local Budget Law. Since 1997 the Local Finance Board has developed regulations that allow "eligible" and "qualifying" municipalities to locally examine their budget every two (2) of three (3) years. Under the regulations prescribed by the Local Finance Board, the Borough was not eligible for local examination of its budget in 2011. The Borough has adopted its 2011 budget in accordance with the procedures described under the heading entitled, "FINANCIAL MANAGEMENT – Local Budget Law (N.J.S.A. 40A: 4-1 et seq.)".

CAPITAL IMPROVEMENT PROGRAM

In accordance with the Local Budget Law, the Borough 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 (6) years as a general improvement program. The Capital Budget and Capital Improvement Program must be adopted as part of the annual budget pursuant to N.J.A.C. 5:30-4. The Capital Budget does not by itself confer any authorization to raise or expend funds, rather it is a document used for planning. Specific authorization to expend funds for such purposes must be granted, by a separate bond ordinance, by inclusion of a line item in the Capital Improvement Section of the budget, by an ordinance taking money from the Capital Improvement Fund, or other lawful means.

TAX ASSESSMENT AND COLLECTION

Assessment and Collection of Taxes

Property valuations (assessments) are determined on true values as arrived at by the cost approach, market data approach and capitalization of net income (where applicable). Current assessments are the result of maintaining new assessments on a "like" basis with established comparable properties for newly assessed or purchased properties resulting in a decline of the assessment ratio to true value to its present level. This method assures equitable treatment to like property owners. Because of the escalation of property resale values, annual adjustments could not keep pace with the rising values.

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

For calendar year municipalities, tax bills are sent in June of the current fiscal year. Taxes are payable in four quarterly installments on February 1, May 1, August 1 and November 1. The August and

November tax bills are determined as the full tax levied for municipal, county and school purposes for the current municipal fiscal year, less the amount charged as the February and May installments for municipal, county and school purposes in the current fiscal year. The amounts due for the February and May installments are determined as by the municipal governing body as either one-quarter or one-half of the full tax levied for municipal, county of school purposes for the preceding fiscal year.

Fiscal year municipalities follow the same general rationale for the billing of property taxes, however billing is processed semi-annually. The provisions of P.L. 1994, C. 72 changed the procedures for State fiscal year billing originally established in P.L. 1991, C. 75. Chapter 72 moves the billing calculation back on a calendar year basis, which permits tax levies to be proved more readily than before.

The formula used to calculate tax bills under P.L. 1994, C. 72 are as follows:

The third and fourth installments, for municipal purposes, would equal one-half of an estimated annual tax levy, plus the balance of the full tax levied during the current tax year for school, county and special district purposes. The balance of the full tax for non-municipal purposes is calculated by subtracting amounts due on a preliminary basis from the full tax requirement for the tax year. The first and second installments, for municipal purposes, will be calculated on a percentage of the previous years billing necessary to bill the amount required to collect the full tax levy, plus the non-municipal portion, which represents the amount payable to each taxing district for the period of January 1 through June 30.

Tax installments not paid on or before the due date are subject to interest penalties of eight percent (8%) on the first \$1,500 of the delinquency and, then eighteen percent (18%) per annum on any amount in excess of \$1,500. A penalty of up to six percent (6%) of the delinquency in excess of \$10,000 may be imposed on a taxpayer who fails to pay that delinquency prior to the end of the tax year in which the taxes become delinquent. Delinquent taxes open for one year or more are annually included in a tax sale in accordance with State Statutes. Tax title liens are periodically assigned to the Borough Attorney (as defined herein) for in rem foreclosures in order to acquire title to these properties.

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

Tax Appeals

New Jersey Statutes provide a taxpayer with remedial procedures for appealing an assessed valuation that the taxpayer deems excessive. The taxpayer has a right to file a petition on or before the 1st day of April of the current tax year for its review. The County Board of Taxation and the Tax Court of New Jersey have the authority after a hearing to increase, decrease or reject the appeal petition. Adjustments by the County Board of Taxation are usually concluded within the current tax year and reductions are shown as cancelled or remitted taxes for that year. If the taxpayer believes the decision of the County Board of Taxation to be incorrect, appeal of the decision may be made to the Tax Court of New Jersey. State tax court appeals tend to take several years to conclude by settlement or trial and any losses in tax collection from prior years, after an unsuccessful trial or by settlement, are charged directly to operations.

TAX EXEMPTION

Federal Income Tax Treatment

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements which must be met at the time of, and on a continuing basis subsequent to, the issuance of the Bonds in order for the interest on the Bonds to be and remain excluded from gross income for Federal income tax purposes under Section 103 of the Code. Noncompliance with such requirements could cause the interest on the Bonds to be included in gross income for Federal income tax purposes retroactive to the date of issuance of the Bonds. The Borough will represent in its tax certificate that it expects and intends to comply and will comply, to the extent permitted by law, with such requirements.

In the opinion of Wilentz, Goldman & Spitzer, P.A., Woodbridge, New Jersey, Bond Counsel, under existing statutes, regulations, rulings and court decisions, and assuming continuing compliance by the Borough with the requirements of the Code described above, interest on the Bonds is not includable in gross income for Federal income tax purposes pursuant to Section 103 of the Code and will not be treated as a preference item under Section 57 of the Code for purposes of computing the Federal alternative minimum tax imposed on individuals and corporations; such interest on the Bonds will, however, be included in the adjusted current earnings of a corporation for purposes of the Federal alternative minimum tax imposed on corporations.

Additional Federal Income Tax Consequences Relating to Notes

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

State Taxation

Bond Counsel is also of the opinion that interest on the Bonds, and any gain on the sale thereof, is not includable in gross income under the existing New Jersey Gross Income Tax Act, 1976 N.J. Laws c. 47, as amended. Except as provided above, no opinion is expressed with respect to other State and local tax consequences of owning the Bonds.

Prospective Tax Law Changes

Federal, state or local legislation, administrative pronouncements or court decisions may affect the federal and State tax-exempt status of interest on the Bonds and the State tax-exempt status of interest on the Bonds, gain from the sale or other disposition of the Bonds, the market value of the Bonds or the marketability of the Bonds. The effect of any legislation, administrative pronouncements or court decisions cannot be predicted. Prospective purchasers of the Bonds should consult their own tax advisors regarding such matters.

Other Tax Consequences

Except as described above, Bond Counsel expresses no opinion with respect to any Federal, state, local or foreign tax consequences of ownership of the Bonds. Bond Counsel renders its opinion under existing statutes, regulations, rulings and court decisions as of the date of issuance of the Bonds and assumes no obligation to update its opinion after such date of issuance to reflect any future action, fact, circumstance, change in law or interpretation, or otherwise. Bond Counsel expresses no opinion as to the

effect, if any, on the tax status of the interest on the Bonds paid or to be paid as a result of any action hereafter taken or not taken in reliance upon an opinion of other counsel.

See APPENDIX D for the complete text of the proposed form of Bond Counsel's legal opinion with respect to the Bonds.

Prospective purchasers of the Bonds should consult their tax advisors with respect to all tax consequences (including but not limited to those listed above) of holding the Bonds.

BANK QUALIFIED BONDS

The Bonds will be designated as "qualified tax-exempt obligations" 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 carry tax-exempt obligations. The Borough will furnish to the Underwriter (as hereinafter defined) at the time of delivery of any payment for the Bonds, a certificate executed by the Chief Financial Officer of the Borough designating the Bonds "qualified tax-exempt obligations" within the meaning of section 265(b)(3)(B)(ii) of the Code, and in such certificate the Borough will represent that it reasonably expects that, collectively, neither it nor its subordinate entities, if any, will issue more than \$10,000,000 of tax-exempt obligations in the current calendar year.

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

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 obligations of the Borough, including the Bonds, and such Bonds are authorized security for any and all public deposits.

RISK TO HOLDERS OF BONDS

It is understood that the rights of the holders of the Bonds, and the enforceability thereof, may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

Municipal Bankruptcy

THE BOROUGH HAS NOT AUTHORIZED THE FILING OF A BANKRUPTCY PETITION. THIS REFERENCE TO THE BANKRUPTCY CODE OR THE STATE STATUTE SHOULD NOT CREATE ANY IMPLICATION THAT THE BOROUGH EXPECTS TO UTILIZE THE BENEFITS OF ITS PROVISIONS, OR THAT IF UTILIZED, SUCH ACTION WOULD BE APPROVED BY THE LOCAL FINANCE BOARD, OR THAT ANY PROPOSED PLAN WOULD INCLUDE A DILUTION OF THE SOURCE OF PAYMENT OF AND SECURITY FOR THE BONDS, OR THAT THE BANKRUPTCY CODE COULD NOT BE AMENDED AFTER THE DATE HEREOF.

The undertakings of the Borough should be considered with reference to 11 U.S.C. §101 et seq., as amended and supplemented (the "Bankruptcy Code"), and other bankruptcy laws affecting creditors' rights and municipalities in general. The Bankruptcy Code permits the State or any political subdivision, public agency, or instrumentality that is insolvent or unable to meet its debts to commence a voluntary bankruptcy case by filing a petition with a bankruptcy court 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 certain debts owed, and provides that the plan must be accepted in writing by or on behalf of creditors holding at least two-thirds in amount and more than one half in number of the allowed claims of at least one (1) impaired class. The Bankruptcy Code specifically 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 Code.

The Bankruptcy Code provides that special revenue acquired by the debtor after the commencement of the case shall remain subject to any lien resulting from any security agreement entered into by such debtor before the commencement of such bankruptcy case. However, special revenues acquired by the debtor after commencement of the case shall continue to be available to pay debt service secured by those revenues. Furthermore, the Bankruptcy Code provided that a transfer of property of a debtor to or for the benefit of any holder of a bond or note, on account of such bond or note, may be avoided pursuant to certain preferential transfer provisions set forth in such act.

Reference should also be made to N.J.S.A. 52:27-40 et seq. which provides that a local unit, including the Borough, has the power to file a petition in bankruptcy with any United States Court or court in bankruptcy under the provisions of the Bankruptcy Code, for the purpose of effecting a plan of readjustment of its debts or for the composition of its debts; provided, however, the approval of the Local Finance Board, as successor to the Municipal Finance Commission, must be obtained.

If the Borough defaults for over sixty (60) days in the payment of the principal of or interest on any bonds or notes outstanding, any holder of such bonds or notes may bring an action against the Borough in the Superior Court of New Jersey (the "Superior Court") to obtain a judgment that the Borough is so in default. Once a judgment is entered by the Superior Court to the effect that the Borough is in default, the Municipal Finance Commission (the "Commission") would become operative in the Borough. The Commission was created in 1931 to assist in the financial rehabilitation of municipalities which were in default in their obligations. The powers and duties of the Commission are exercised within the Division, which constitutes the Commission.

The Commission exercises direct supervision over the finances and accounts of any municipality which has been adjudged by the Superior Court to be in default of its obligations. The Commission continues in force in such municipalities until all bonds, notes or other indebtedness of the municipality which have fallen due, and all bonds or notes which will fall due within one (1) year (except tax anticipation or revenue anticipation notes), and the interest thereon, have been paid, funded or refunded, or the payment thereof has been adequately provided for by a cash reserve, at which time the Commission's authority over such municipality ceases. The Commission is authorized to supervise tax collections and assessments, to approve the funding or refunding of bonds, notes or other indebtedness of the municipality which the Commission has found to be outstanding and unpaid, and to approve the adjustment or composition of claims of creditors and the readjustment of debts under the Bankruptcy Code.

CERTIFICATES OF THE BOROUGH

Upon the delivery of the Bonds, the original purchaser shall receive a certificate, in form satisfactory to Bond Counsel and signed by officials of the Borough, stating to the best knowledge of said officials, that this Official Statement as of its date did not contain any untrue statement of a material fact, or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; and stating, to the best knowledge of said officials, that there has been no material adverse change in the condition, financial or otherwise, of the Borough from that set forth in or contemplated

by this Official Statement. In addition, the respective original purchaser of the Bonds shall also receive certificates in form satisfactory to Bond Counsel evidencing the proper execution and delivery of the Bonds and receipt of payment therefor, and a certificate dated as of the date of the delivery of the Bonds, and signed by the officers who signed the Bonds, stating that no litigation is then pending or, to the knowledge of such officers, threatened to restrain or enjoin the issuance or delivery of the Bonds or the levy or collection of taxes to pay the Bonds, as applicable, or the interest thereon, or questioning the validity of the statutes or the proceedings under which the Bonds, as applicable, are issued, and that neither the corporate existence or boundaries of the Borough, nor the title of any of the said officers to the respective offices, is being contested.

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 Bond Counsel, whose approving legal opinion will be delivered with the Bonds substantially in the form set forth as Appendix C hereto. Certain legal matters with respect to the Bonds will be passed on for the Borough by its Borough Attorney, John E. Ursin, Esq., Sparta, New Jersey (the "Borough Attorney").

ADDITIONAL INFORMATION

Inquiries regarding this Official Statement, including information additional to that contained herein, may be directed to the Borough of Hopatcong, Kelleyanne M. McGann, Chief Financial Officer, Municipal Building, 111 River Styx Road, Hopatcong, New Jersey 07843, (973) 770-1200 or John M. Cantalupo, Bond Counsel, (732) 855-6036.

LITIGATION

To the knowledge of the Borough Attorney after due inquiry, there is no litigation of any nature now pending or threatened, restraining or enjoining the issuance or the delivery of the Bonds offered for sale or the levy and collection of any taxes to pay the principal of or the interest on, said Bonds, or in any manner questioning the authority of a proceeding for the issuance of the Bonds or for the levy or collection of taxes. Furthermore, there are no actions contesting the corporate business or boundaries of the Borough or the title of any of its present officers. The respective original purchaser of the Bonds will receive a certificate of the Borough Attorney to such effect upon the closing of the Bonds.

COMPLIANCE WITH SECONDARY MARKET DISCLOSURE REQUIREMENTS

The Borough has covenanted for the benefit of bondholders to provide certain financial information and operating data on the Borough by no later than September 1 of each year, commencing September 1, 2012 and to comply with the provisions of Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended and supplemented, and as detailed in a Continuing Disclosure Certificate (the "Certificate") to be executed on behalf of the Borough by its Chief Financial Officer, in the form appearing in Appendix D attached hereto, such Certificate to be delivered concurrently with the delivery of the Bonds. As of the date of this Official Statement, the Borough has made the filings required to comply with all previous undertakings under the Rule. This covenant is being made by the Borough to assist the purchaser of the Bonds in complying with the Rule.

Effective July 1, 2009, all filings required to be made pursuant to the Rule shall be made, as required by the Rule, to the MSRB instead of the National Repositories and the State Repositories, if any, and such information shall be provided in an electronic format and accompanied by identifying information as prescribed by the MSRB.

PREPARATION OF OFFICIAL STATEMENT

Bond Counsel has participated in the preparation of this Official Statement and has participated in the review of demographic information contained in this Official Statement, but it has not verified the accuracy, completeness, or fairness thereof, and, accordingly, expresses no opinion or other assurance with

respect thereto. Bond Counsel has not participated in the collection of financial and statistical information contained in this Official Statement, nor has it verified the accuracy, completeness, or fairness thereof, and, accordingly, expresses no opinion or other assurance with respect thereto.

Lerch, Vinci & Higgins, LLP, Fair Lawn, New Jersey, the Independent Auditor to the Borough, has participated in the preparation of the information contained in this Official Statement but has not verified the accuracy, completeness, or fairness thereof, and, accordingly, expresses no opinion or other assurance with respect thereto.

The Borough Attorney has not participated in the preparation of the information contained in this Official Statement, nor has he verified the accuracy, completeness, or fairness thereof, and, accordingly, expresses no opinion or other assurance with respect thereto, but has reviewed the section under the caption entitled "LITIGATION" and expresses no opinion or assurance other than that which is specifically set forth therein with respect thereto.

All other information has been obtained from sources which the Borough considers to be reliable.

RATING

Standard & Poors, a division of The McGraw-Hill Companies, Inc. ("S&P") has assigned an underlying municipal bond rating of "AA" (stable) to the Bonds.

An explanation of the significance of the rating may be obtained from S&P at 55 Water Street, New York, New York 10041. Such ratings reflects the views of S&P, and there is no assurance that the rating will continue for any period of time or that they will not be revised or withdrawn entirely, if in the judgment of S&P, circumstances so warrant. Any revision or withdrawal of the ratings may have an adverse effect on the market price of the Bonds. Except as set forth in the Certificate, the Borough has not agreed to take any action with respect to any proposed rating change or to bring the rating change, if any, to the attention of the owners of the Bonds.

FINANCIAL STATEMENTS

The financial statements of the Borough for the years ended December 31, 2010 and 2009 are presented in Appendix B to this Official Statement (the "Financial Statements"). See "Appendix B - Financial Statements of the Borough of Hopatcong, in the County of Sussex, State of New Jersey, for the Years Ended December 31, 2010 and 2009".

MISCELLANEOUS

This Official Statement is not to be construed as a contract or agreement between the Borough and the purchasers or holders of any of the Bonds. Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as opinions and not as representations of fact. The information and expressions of opinion contained herein are subject to change without notice and neither the delivery of this Official Statement nor any sale of the 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.

BOROUGH OF HOPATCONG

/s/

KELLEYANNE M. MCGANN,
Chief Financial Officer

DATED: _____, 2011

APPENDIX A

**CERTAIN FINANCIAL AND DEMOGRAPHIC
INFORMATION CONCERNING THE BOROUGH OF HOPATCONG**

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GENERAL INFORMATION ABOUT THE BOROUGH

Size and Geographical Location

The Borough of Hopatcong (the “Borough”) is located in southeastern Sussex County, abutting Morris County along its southern and eastern borders. The Borough borders Lake Hopatcong to the east and north. In Sussex County, abutting municipalities are Byram, Sparta, and Stanhope. Abutting Morris County municipalities are Jefferson, Roxbury, and Mt. Arlington.

The Borough is directly served by county roads and local streets only; no state or interstate highways actually run through the Borough. However, Interstate Route 80, U.S. 46 and New Jersey Routes 10, 15 and 206 are within a five-minute drive of the Borough. These routes serve to connect the Borough to the New York metropolitan area and economic centers in Morris, Essex and Union Counties to the south and east. It is primarily a residential community with its own K-12 school system.

Form of Government

Aside from its geographic location, the Borough serves as a major focus for Lake Hopatcong State Park and associated tourist attractions. In an attempt to address the substantial impact resulting from the park and development adjacent to the Lake, the Borough is a member of the Lake Hopatcong Regional Planning Board which consists of four (4) municipalities in Sussex and Morris Counties, the two (2) counties themselves, and a representative from the New Jersey Department of Environmental Protection. The Borough of Hopatcong was incorporated as the Borough of Brooklyn on April 2, 1898, and changed its name to the Borough of Hopatcong in 1901. It was formerly a part of Byram Township. Its situation on Lake Hopatcong, the largest lake in the State of New Jersey (“the “State”), bordered by Jefferson Township, Sparta Township, Byram Township, Stanhope Borough and Roxbury Township.

Business and Economic Development

The Borough includes some commercial developments, including retail stores, a bank, restaurants, boat yards and summer homes. It comprises an area of 10.9 square miles. The largest industrial taxpayer is Weldon Industries, Inc., operators of a quarry and black top plant. Until several years ago, many of the homes in the Borough were summer residences, mostly of people from the New York metropolitan area. Today, the vast majority of these homes have been converted to year-round residences.

Utilities

The Borough owns and operates its own water and sewer systems serving residential and commercial properties.

Public Safety

The Police Department consists of twenty-six (26) officers who operate both marked and unmarked police vehicles, including an Emergency Services unit which is run by seven (7) officers who are trained as Emergency Medical Technicians. The Police Department also participates on a number of community service activities including providing gun locks, child seat safety checks, neighborhood watches, DARE programs and safety lessons.

A volunteer fire department consisting of three (3) companies strategically located throughout the Borough. A volunteer ambulance squad operates within the Borough, utilizing three (3) ambulances.

Recreation

The Borough operates a Civic Center providing meeting rooms for various nonprofit groups and a daily “nutrition site” for lunches served to approximately 100 senior citizens under the auspices of the County of Sussex. Various boat yards, marinas and restaurants abound along the Lake area of the Borough providing summer recreation for visitors from many areas of New York and New Jersey. Lake Hopatcong State Park, operated by the State, also provides swimming and related water sports and picnic areas. There are several active community clubs, a Chamber of Commerce, a Rotary Club, a VFW Post, the Lake Hopatcong Historical Society, Hunting and Fishing Clubs, the Lake Hopatcong Yacht Club, churches of various denominations, and other organizations within the Borough. The Borough Recreation Commission provides the funding and facilities for various programs including baseball, football, softball, soccer, basketball, swimming, swim instruction and other summer and winter programs.

Labor Force, Employment and Unemployment

For the years 2006 to 2010, the New Jersey Department of Labor reported the following annual average employment information for the Borough of Hopatcong, the County of Sussex and the State of New Jersey:

	<u>Total Labor Force</u>	<u>Employed Labor Force</u>	<u>Total Unemployed</u>	<u>Unemployment Rate</u>
<u>Borough of Hopatcong</u>				
2010	10,519	9,244	1,275	12.1%
2009	10,602	9,394	1,208	11.4%
2008	10,465	9,740	725	6.9%
2007	10,351	9,789	562	5.4%
2006	10,418	9,829	589	5.7%
<u>County of Sussex</u>				
2010	84,600	76,700	7,900	9.3%
2009	85,400	78,000	7,500	8.7%
2008	85,143	80,859	4,284	5.0%
2007	84,657	81,345	3,312	3.9%
2006	85,256	81,766	3,490	4.1%
<u>State of New Jersey</u>				
2010	4,502,400	4,076,700	425,700	9.5%
2009	4,536,700	4,118,400	418,300	9.2%
2008	4,496,700	4,251,200	245,500	5.5%
2007	4,462,300	4,271,700	190,600	4.3%
2006	4,492,800	4,283,600	209,200	4.7%

Source: State of New Jersey Department of Labor.

Population

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

<u>Area</u>	<u>1970</u>	<u>1980</u>	<u>1990</u>	<u>2000</u>	<u>2010</u>
Borough of Hopatcong	9,052	15,531	15,586	15,888	15,147
County of Sussex	77,528	116,119	130,943	144,166	149,265
State of New Jersey	7,171,112	7,365,011	7,730,188	8,414,350	8,791,894

Source: U.S. Census Bureau.

Income as of 2009

	Median Household	Median Family	Per Capita
	<u>Income</u>	<u>Income</u>	<u>Income</u>
Township of Hopatcong	\$ 83,814	\$ 90,612	\$ 33,789
County of Sussex	81,488	92,188	35,047
State of New Jersey	68,981	83,957	34,566

Source: U.S. Census Bureau, American FactFinder – 2009 Estimate

BUDGET INFORMATION

**Current Fund
(As Adopted)**

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Anticipated Revenues				
Fund Balance	\$ 850,000	\$ 618,000	\$ 150,000	\$ 848,500
Miscellaneous Revenues	1,676,429	2,460,200	2,812,779	3,055,836
Receipts from Delinquent Taxes	800,000	776,278	868,080	812,700
Amount to be Raised by Taxes for Support of Municipal Budget	<u>11,825,922</u>	<u>11,399,135</u>	<u>10,659,216</u>	<u>9,671,022</u>
	<u>\$ 15,152,351</u>	<u>\$ 15,253,613</u>	<u>\$ 14,490,074</u>	<u>\$ 14,388,058</u>
Appropriations				
Salaries and Wages	\$ 5,994,232	\$ 5,828,218	\$ 6,114,195	\$ 6,481,320
Other Expenses	5,212,187	5,319,927	4,926,046	4,625,243
Deferred Charges and Statutory Expenditures	1,555,462	1,521,883	1,315,784	1,434,295
Capital Improvement Fund	75,590	438,455	229,100	150,000
Municipal Debt Service	1,014,880	1,035,130	952,480	871,930
Reserve for Uncollected Taxes	<u>1,300,000</u>	<u>1,110,000</u>	<u>952,469</u>	<u>825,270</u>
	<u>\$ 15,152,351</u>	<u>\$ 15,253,613</u>	<u>\$ 14,490,074</u>	<u>\$ 14,388,058</u>

Source: Borough of Hopatcong Budgets

FINANCIAL INFORMATION

Current Fund Balance and Amounts Utilized in Succeeding Year's Budget

<u>Year</u>	<u>Fund Balance December 31</u>	<u>Utilized in Budget of Succeeding Year</u>
2010	\$ 1,319,320	\$ 850,000
2009	1,012,229	618,000
2008	582,890	150,000
2007	1,276,708	848,500
2006	2,386,061	1,650,000

Source: Borough of Hopatcong Annual Audit Reports.

Current Tax Collections

<u>Year</u>	<u>Tax Levy</u>	<u>Collection During Year of Levy</u>	
		<u>Amount</u>	<u>Percent</u>
2010	\$ 40,562,914	\$ 39,343,695	96.99%
2009	38,443,458	37,414,461	97.32%
2008	36,441,137	35,478,785	97.35%
2007	34,903,975	33,993,731	97.39%
2006	33,768,827	33,030,277	97.81%

Source: Borough of Hopatcong Annual Audit Reports.

Delinquent Taxes and Tax Title Liens

<u>Year</u>	<u>Tax Title Liens</u>	<u>Delinquent Taxes</u>	<u>Total Delinquent</u>	<u>Percentage of Levy</u>
2010	229,227	1,092,534	1,321,761	3.26%
2009	184,944	917,153	1,102,097	2.87%
2008	117,604	885,753	1,003,357	2.75%
2007	59,963	823,144	883,107	2.53%
2006	47,850	735,931	783,781	2.32%

Source: Borough of Hopatcong Annual Audit Reports.

Assessed Valuation of Property Owned by the Borough Acquired for Taxes

<u>Year</u>	<u>Amount</u>
2010	\$ 3,662,400
2009	3,631,700
2008	3,629,900
2007	3,700,300
2006	3,766,500

Source: Borough of Hopatcong Annual Audit Reports.

Largest Taxpayers

The largest taxpayers in the Borough and their 2011 assessed valuations are listed below:

<u>Taxpayer</u>	<u>Assessment</u>	<u>Percentage of Net Valuation Taxable</u>
Weldon Quarry Co	\$ 17,006,900	0.83%
Heller Martin	6,000,000	0.29%
MMK Reinsurance, (Bermud) LTD.	4,135,300	0.20%
DBOB Hopatcong	3,800,000	0.19%
Locor Realty Corp	3,309,900	0.16%
Durling Realty, LLC	3,029,000	0.15%
233 WMS Management, Inc	2,901,300	0.14%
Farm Associates c/o Moses Marx	2,795,000	0.14%
Riverstyx Properties, LLC	2,643,800	0.13%
BJ Properties	2,580,000	0.13%
	<u>\$ 48,201,200</u>	<u>2.37%</u>

Source: Tax Assessor.

Assessed Valuation Land Improvements by Class

<u>Year</u>	<u>Vacant Land</u>	<u>Residential</u>	<u>Farm Value</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Total</u>
2011	\$ 38,205,400	\$ 1,907,643,400	\$ 3,600,500	\$ 87,506,900	\$ 486,800	\$ 2,037,443,000
2010	40,926,100	1,914,150,400	3,230,300	88,509,500	486,800	2,047,303,100
2009	42,912,500	1,912,360,300	2,543,000	89,741,900	486,800	2,048,044,500
2008	44,278,050	1,912,868,400	2,543,000	96,350,000	486,800	2,056,526,250
2007 (1)	44,950,700	1,916,714,600	4,201,600	108,771,800	486,800	2,075,125,500

(1) The Borough underwent a revaluation of property effective January 1, 2007

Source: Tax Duplicate.

**Assessed Valuations
Net Valuation Taxable**

<u>Year</u>	<u>Real Property</u>	<u>Business Personal Property</u>	<u>Net Valuation Taxable</u>	<u>Ratio of Assessed Value to True Value of Real Property</u>	<u>Total True Value of Assessed Property</u>
2011	\$ 2,037,443,000	\$ -	2,037,443,000	110.48%	\$ 1,845,166,470
2010	2,047,303,100	-	2,047,303,100	108.03%	1,896,190,997
2009	2,048,044,500	1,558,691	2,049,603,191	106.38%	1,927,858,579
2008	2,056,526,250	1,463,435	2,057,989,685	110.72%	1,858,757,494
2007 (1)	2,075,125,500	1,378,353	2,076,503,853	119.70%	1,734,782,768

(1) The Borough underwent a revaluation of property effective January 1, 2007

Source: Tax Duplicate and Abstract of Ratables of Sussex County

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

<u>Year</u>	<u>Total</u>	<u>Municipal</u>	<u>Local School</u>	<u>County</u>
2010	\$ 1.98	\$ 0.56	\$ 1.05	\$ 0.38
2009	1.87	0.52	0.99	0.36
2008	1.77	0.47	0.96	0.34
2007 (1)	1.68	0.42	0.93	0.33
2006	3.83	0.95	2.15	0.73

(1) The Borough underwent a revaluation of property effective January 1, 2007

Source: Tax Collector

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

<u>Year</u>	<u>Total</u>	<u>Municipal</u>	<u>County</u>	<u>Local School</u>
2010	\$ 40,562,914	\$ 11,416,966	\$ 7,659,364	\$ 21,486,584
2009	38,443,458	10,815,539	7,211,381	20,416,538
2008	36,441,137	9,723,267	6,947,881	19,769,989
2007	34,903,975	8,766,947	6,858,466	19,278,562
2006	33,768,827	8,423,925	6,451,700	18,893,202

Source: Tax Collector

DEBT INFORMATION

Debt Statements

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

Debt Incurring Capacity As of December 31, 2010

Municipal	
Equalized Valuation Basis (last 3 years average)	\$ 1,894,032,693
3 1/2% Borrowing Margin	66,291,144
Net Debt Issued, Outstanding and Authorized	9,068,607
Remaining Municipal Borrowing Capacity	57,222,537
Local School	
3% Borrowing Margin	56,820,981
Debt, Issued, Outstanding and Authorized	435,000
Remaining School Borrowing Capacity	56,385,981

Gross and Statutory Net Debt as of December 31,

<u>Year</u>	<u>Gross Debt</u>	<u>Statutory Net Debt</u>	
	<u>Amount</u>	<u>Amount</u>	<u>Percentage</u>
2010	\$ 54,385,436	\$ 9,068,607	0.48%
2009	55,028,640	8,432,515	0.44%
2008	55,981,881	8,372,915	0.45%
2007	57,009,181	8,503,915	0.50%
2006	57,681,412	8,296,180	0.55%

Source: Borough of Hopatcong Audit Reports.

**Statement of Indebtedness
As of December 31, 2010**

GENERAL PURPOSES

Bonds Issued and Outstanding	\$ 4,192,000	
Notes	4,838,512	
Debt Authorized But Not Issued	38,095	
		\$ 9,068,607

SEWER UTILITY

Bonds Issued and Outstanding	17,060,000	
Loans	12,103,725	
Notes	12,394,000	
		41,557,725

WATER UTILITY

Bonds Issued and Outstanding	736,412	
Loans	644,012	
Notes	1,943,680	
		3,324,104

LOCAL SCHOOL

Bonds Issued and Outstanding		435,000
------------------------------	--	---------

TOTAL GROSS DEBT 54,385,436

STATUTORY DEDUCTIONS

Sewer Utility	41,557,725	
Water Utility	3,324,104	
Local School	435,000	
		45,316,829

TOTAL NET DEBT \$ 9,068,607

OVERLAPPING DEBT

County of Sussex		\$ 6,547,201
------------------	--	--------------

GROSS DEBT

Per Capita (2010 - 15,147)		\$ 3,591
Percent of Net Valuation Taxable (2011 - \$2,037,443,000)		2.67%
Percent of Estimated True Value of Real Property (2011 -\$1,845,166,470)		2.95%

NET MUNICIPAL DEBT

Per Capita (2010 - 15,147)		\$ 599
Percent of Net Valuation Taxable (2011 - \$2,037,443,000)		0.45%
Percent of Estimated True Value of Real Property (2011 -\$1,845,166,470)		0.49%

OVERALL DEBT (Gross and Overlapping Debt)

Per Capita (2010 - 15,147)		\$ 4,023
Percent of Net Valuation Taxable (2011 - \$2,037,443,000)		2.99%
Percent of Estimated True Value of Real Property (2011 -\$1,845,166,470)		3.30%

Note (1) Overlapping debt was computed based upon the real property ratio of equalized valuations of the municipality to all municipalities within the County as provided in the 2009 Sussex County Abstract of Ratables published by the Sussex County Board of Taxation.

Source: Borough of Hopatcong.

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APPENDIX B

**FINANCIAL STATEMENTS OF THE BOROUGH OF HOPATCONG
FOR YEARS ENDED DECEMBER 31, 2010 AND 2009 ALONG WITH
INDEPENDENT AUDITORS' REPORT**

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LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

17-17 ROUTE 208
FAIR LAWN, NJ 07410
TELEPHONE (201) 791-7100
FACSIMILE (201)791-3035
WWW.LVHCPA.COM

DIETER P. LERCH, CPA, RMA, PSA
GARY J. VINCI, CPA, RMA, PSA
GARY W. HIGGINS, CPA, RMA, PSA
JEFFREY C. BLISS, CPA, RMA, PSA
PAUL J. LERCH, CPA, RMA, PSA
DONNA L. JAPHET, CPA, PSA
JULIUS B. CONSONI, CPA, PSA

ELIZABETH A. SHICK, CPA, RMA, PSA
ANDREW PARENTE, CPA, RMA, PSA
ROBERT W. HAAG, CPA, PSA
DEBORAH KOZAK, CPA, PSA
DEBRA GOLLE, CPA
CINDY JANACEK, CPA, RMA
RALPH M. PICONE, CPA, RMA, PSA

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members
of the Borough Council
Borough of Hopatcong
Hopatcong, New Jersey

We have audited the accompanying balance sheets - regulatory basis of the various funds and account group of the Borough of Hopatcong, as of and for the year ended December 31, 2010. These financial statements are the responsibility of the Borough of Hopatcong's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Borough of Hopatcong as of and for the year ended December 31, 2009, were audited by other auditors whose report dated May 17, 2010 expressed an unqualified opinion on those financial statements prepared using regulatory accounting practices which differ from accounting principles generally accepted in the United States of America, in addition the prior year auditor did not report the LOSAP fund in his financial statements.

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

As described more fully in Note 1, the Borough has prepared these financial statements using accounting practices that demonstrate compliance with the regulatory basis of accounting and budget laws prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

INDEPENDENT AUDITOR'S REPORT (Continued)

In addition, the financial statements of the Length of Service Awards Program (LOSAP) Fund have not been audited, and we were not required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey to audit nor were we engaged to audit the LOSAP Fund financial statements as part of our audit of the Borough's financial statements. The LOSAP Fund financial activities are included in the Borough's Trust Fund, and represent 33 percent of the assets and liabilities, respectively, of the Borough's Trust Funds as of December 31, 2010.

In our opinion, because of the effects of the Borough preparing its financial statements on the basis of accounting discussed in the third paragraph, the financial statements referred to previously do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Borough of Hopatcong, as of December 31, 2010, or the changes in its financial position, or, where applicable, its cash flows for the year then ended. Further, the Borough has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had the LOSAP Fund financial statements been audited, the financial statements - regulatory basis referred to previously present fairly, in all material respects, the financial position - regulatory basis of the various funds and account group of the Borough of Hopatcong, as of December 31, 2010 and the results of operations and changes in fund balance - regulatory basis, and the revenues - regulatory basis and the expenditures - regulatory basis of the various funds for the year then ended on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued a report dated June 20, 2011 on our consideration of the Borough of Hopatcong's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

By/s/ LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Public School Accountants

Fair Lawn, New Jersey
June 20, 2011

BOROUGH OF HOPATCONG
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
CURRENT FUND
AS OF DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
ASSETS		
Cash - Treasurer	\$ 3,673,275	\$ 3,287,841
Cash - Change Fund	<u>220</u>	<u>220</u>
	3,673,495	3,288,061
Due from State of New Jersey - Senior Citizens & Veterans	<u>-</u>	<u>3,155</u>
	<u>3,673,495</u>	<u>3,291,216</u>
Receivables and Other Assets With Full Reserves		
Taxes Receivable	1,092,534	917,153
Tax Title Liens Receivable	229,227	184,944
Property Acquired for Taxes - Assessed Valuation	3,662,400	3,631,700
Revenue Accounts Receivable	17,596	11,753
Due from Federal and State Grants Fund		48,260
Due from Sewer Utility Operating Fund	78	
Due from Animal Control Fund		25
Due from General Capital Fund	370	247
Due from Other Trust Fund	<u>1,140</u>	<u>1,358</u>
	<u>5,003,345</u>	<u>4,795,440</u>
Deferred Charges		
Special Emergency Appropriations	<u>-</u>	<u>140,000</u>
	<u>-</u>	<u>140,000</u>
Total Regular Fund	<u>8,676,840</u>	<u>8,226,656</u>
Federal and State Grant Fund		
Cash	27,509	940
Due from Current Fund	3,552	
Grants Receivable	<u>523,352</u>	<u>420,012</u>
Total Federal and State Grant Fund	<u>554,413</u>	<u>420,952</u>
Total Assets	<u>\$ 9,231,253</u>	<u>\$ 8,647,608</u>

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF HOPATCONG
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
CURRENT FUND
AS OF DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
LIABILITIES, RESERVES AND FUND BALANCE		
Liabilities		
Appropriation Reserves	\$ 1,630,059	\$ 1,418,411
Encumbrances Payable	137,067	119,724
Accounts Payable	-	745
Prepaid Taxes	170,822	161,077
Tax Overpayments	18,142	22,534
Miscellaneous Reserves	380,298	647,152
Unappropriated Reserves		15,000
Appropriated Reserves	6,010	18,860
Due to State of New Jersey - Senior Citizens & Veterans	2,208	
Due to State of New Jersey - Marriage License Fees	875	375
Due to State of New Jersey - State Training Fees	2,221	2,565
Due to Federal and State Grants Fund	3,552	
Due to Sewer Utility Operating Fund		322
Due to County for Added Taxes	2,921	12,222
	<u>2,354,175</u>	<u>2,418,987</u>
Reserve for Receivables and Other Assets	5,003,345	4,795,440
Fund Balance	<u>1,319,320</u>	<u>1,012,229</u>
Total Regular Fund	<u>8,676,840</u>	<u>8,226,656</u>
Federal and State Grant Fund		
Due to Current Fund		48,260
Due to Sewer Utility Operating Fund	250,000	
Reserve for Grants and Donations - Unappropriated	1	16,907
Reserve for Grants and Donations - Appropriated	<u>304,412</u>	<u>355,785</u>
Total Federal and State Grant Fund	<u>554,413</u>	<u>420,952</u>
Total Liabilities, Reserves and Fund Balance	<u>\$ 9,231,253</u>	<u>\$ 8,647,608</u>

BOROUGH OF HOPATCONG
COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE -
REGULATORY BASIS - CURRENT FUND
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	<u>Year 2010</u>	<u>Year 2009</u>
REVENUE AND OTHER INCOME REALIZED		
Fund Balance Utilized	\$ 618,000	\$ 150,000
Miscellaneous Revenue Anticipated	2,609,338	3,258,778
Receipts from Delinquent Taxes	907,417	859,052
Receipts from Current Taxes	39,343,695	37,414,461
Non-Budget Revenue	106,844	138,578
Other Credits to Income		
Prior Year Interfunds Returned	49,890	3,713
Unexpended Balance of Appropriation Reserves	760,777	476,450
Accounts Payable Cancelled	-	2,381
	<u>44,395,961</u>	<u>42,303,413</u>
EXPENDITURES		
Budget Appropriations		
Operations		
Salaries and Wages	5,825,812	6,099,695
Other Expenses	5,451,199	5,083,535
Capital Improvements	438,455	481,100
Municipal Debt Service	1,035,093	952,478
Deferred Charges and Statutory Expenditures	1,521,883	1,315,784
County Taxes	7,659,364	7,211,381
Municipal Open Space Taxes	10,245	10,282
Local School Taxes	21,486,584	20,416,538
Other Debits		
Interfund Advance	1,588	48,281
Prior Year Senior Citizens' Deductions Disallowed	2,949	3,000
Reserve for Pending Tax Appeals	37,698	102,000
	<u>43,470,870</u>	<u>41,724,074</u>
Excess in Revenue	925,091	579,339
Fund Balance, January 1	<u>1,012,229</u>	<u>582,890</u>
	1,937,320	1,162,229
Decreased by:		
Utilization as Anticipated Revenue	<u>618,000</u>	<u>150,000</u>
Fund Balance, December 31	<u>\$ 1,319,320</u>	<u>\$ 1,012,229</u>

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF HOPATCONG
COMPARATIVE STATEMENT OF REVENUES - REGULATORY BASIS
CURRENT FUND
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	<u>2010</u>		<u>2009</u>	
	<u>Budget After</u>	<u>Actual</u>	<u>Budget After</u>	<u>Actual</u>
	<u>Modification</u>		<u>Modification</u>	
Fund Balance Anticipated	\$ 618,000	\$ 618,000	\$ 150,000	150,000
Miscellaneous Revenues				
Licenses				
Alcoholic Beverages	17,400	21,096	17,400	\$ 17,874
Fees and Permits	-			
Construction Code Official	160,000	156,357	150,000	172,815
Other	80,000	69,000	54,500	103,423
Fines and Costs	-			
Municipal Court	140,000	161,717	214,000	142,790
Interest and Costs on Taxes	170,000	205,781	149,000	197,878
Energy Receipts Tax	720,027	720,027	706,195	706,195
Interest on Investments and Deposits	20,000	10,429	50,000	22,544
Consolidated Municipal Property Tax Relief Aid	233,243	232,778	492,133	492,133
Garden State Preservation Trust Fund	34	34	33	34
State and Federal Grants Offset With Appro.	-			
Clean Communities Grant	28,817	28,817	27,678	27,678
Municipal Alliance on Alcoholism and Drug Abuse	13,134	13,134	14,302	14,302
NJDOT Municipal Aid Program Grant	200,000	200,000		
Police Body Armor Fund	3,685	3,685		
Sharing Available Resources Efficiently (SHARE) Grant			63,608	63,608
ANJEC Smart Growth Planning Grant	6,500	6,500	1,875	1,875
Highlands Grant	50,000	50,000	75,000	75,000
Recycling Tonnage Grant	16,518	16,518	8,439	8,439
Bulletproof Partnership Program	2,077	2,077	3,140	3,140
Hudson Farm Foundation	40,000	40,000		
Click It or Ticket It	4,000	4,000	4,000	4,000
Drunk Driving Enforcement Fund	6,594	6,594	9,041	9,041
Reserve for Drunk Driving Enforcement Fund			9,337	9,337
Reserve for Body Armor Replacement Fund			2,721	2,721
Over the Limit/Under Arrest	9,400	9,400	11,000	11,000
Alcohol Education, Rehabilitation and Enforcement Fund			325	325
Safe and Secure Communities Program	60,000	60,000	57,617	57,617
NJ Transportation Trust Fund Authority Act	162,865	162,865	443,000	443,000
Special Items	-			
Interlocal Agreements	-			
Emergency Communications			247,124	247,124
Police	44,407	26,644	71,210	68,584
General Capital Surplus	20,000	20,000	135,000	135,000
Reserve for Sale of Municipal Assets	230,000	230,000	72,700	72,700
Cell Tower Rental	71,000	71,815	66,000	70,199
Cable TV Franchise Fee	56,377	56,377	53,274	53,274
Life Hazard Use Fees	9,988	10,785	10,115	9,930
Fire Prevention Fees	13,000	12,908	13,000	15,198
Total Miscellaneous Revenues	<u>2,589,066</u>	<u>2,609,338</u>	<u>3,232,767</u>	<u>3,258,778</u>

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF HOPATCONG
COMPARATIVE STATEMENT OF REVENUES - REGULATORY BASIS
CURRENT FUND
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	<u>2010</u>		<u>2009</u>	
	<u>Budget After Modification</u>	<u>Actual</u>	<u>Budget After Modification</u>	<u>Actual</u>
Receipts from Delinquent Taxes	\$ 776,278	\$ 907,417	\$ 868,080	\$ 859,052
Amount to be Raised by Taxes for Support of Municipal Budget				
Local Tax for Municipal Purposes	11,399,135	11,259,804	10,659,216	10,728,728
Total	\$ 15,382,479	\$ 15,394,559	\$ 14,910,063	\$ 14,996,558

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2010 STATEMENT OF EXPENDITURES

CURRENT FUND

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BOROUGH OF HOPATCONG
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>2010 Appropriated</u>		<u>2010 Expended</u>		<u>Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
OPERATIONS - WITHIN "CAPS"					
GENERAL GOVERNMENT					
Administrative and Executive					
Salaries and Wages	\$ 189,803	\$ 189,803	\$ 172,117	\$ 17,686	
Other Expenses	122,300	114,800	78,646	36,154	
Mayor and Council					
Salaries and Wages	13,250	14,750	14,045	705	
Other Expenses	5,000	5,000	3,138	1,862	
Borough Clerk					
Salaries and Wages	88,827	88,827	85,267	3,560	
Election					
Other Expenses	20,570	20,570	11,768	8,802	
Financial Administration					
Salaries and Wages	110,957	110,957	105,917	5,040	
Other Expenses	27,520	35,020	29,992	5,028	
Audit Services	22,625	22,625		22,625	
Computerized Data Processing					
Other Expenses	40,200	40,200	24,531	15,669	
Collection of Taxes					
Salaries and Wages	175,116	175,116	158,863	16,253	
Other Expenses	14,621	14,621	9,764	4,857	
Assessment of Taxes					
Salaries and Wages	99,274	99,274	92,175	7,099	
Other Expenses	29,050	38,050	31,571	6,479	
Liquidation of Tax Title Liens and Foreclosed Property					
Other Expenses	3,000	3,000	455	2,545	
Legal Services					
Other Expenses	115,000	115,000	86,587	28,413	
Engineering Services and Costs					
Other Expenses	50,000	50,000	43,386	6,614	
Economic Development					
Other Expenses	1,000	1,000		1,000	
Municipal Land Use Law (N.J.S.A. 40:55D-1)					
Planning Board					
Salaries and Wages	16,460	16,460	15,419	1,041	
Other Expenses	10,826	10,826	8,511	2,315	
Zoning Costs					
Salaries and Wages	61,793	61,793	59,273	2,520	
Other Expenses	9,983	9,983	4,430	5,553	
PUBLIC SAFETY					
Police					
Salaries and Wages	2,873,670	2,873,670	2,594,522	279,148	
Other Expenses	82,400	82,400	65,776	16,624	
Emergency Dispatch Services					
Salaries and Wages	464,880	453,380	354,103	99,277	
Other Expenses	51,250	51,250	29,616	21,634	
Emergency Management					
Salaries and Wages	2,000	2,000	2,000	-	
Other Expenses	4,000	4,000	2,599	1,401	
First Aid Organization Contribution	40,000	40,000	40,000	-	
Municipal Prosecutor					
Other Expenses	34,000	34,000	23,120	10,880	

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF HOPATCONG
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)

	<u>2010 Appropriated</u>		<u>2010 Expended</u>		
	<u>Budget</u>	<u>Budget After</u>	<u>Paid or</u>	<u>Reserved</u>	<u>Cancelled</u>
		<u>Modification</u>	<u>Charged</u>		
OPERATIONS - WITHIN "CAPS" (Continued)					
PUBLIC SAFETY (Continued)					
Aid to Volunteer Fire Companies					
Other Expenses	\$ 114,300	\$ 114,300	\$ 98,259	\$ 16,041	
Fire Prevention Bureau					
Salaries and Wages	24,741	24,741	20,937	3,804	
Other Expenses	6,850	6,850	4,160	2,690	
STREETS AND ROADS					
Street and Road Maintenance					
Salaries and Wages	1,075,492	1,075,492	1,002,634	72,858	
Other Expenses	267,300	267,300	222,363	44,937	
Contractual - Garbage	1,218,900	1,218,900	1,154,389	64,511	
OTHER PUBLIC WORKS FUNCTIONS					
Recycling					
Other Expenses	27,709	27,709	22,070	5,639	
Buildings and Grounds					
Other Expenses	67,700	67,700	63,772	3,928	
Vehicle Maintenance					
Other Expenses	153,000	153,000	111,967	41,033	
MUNICIPAL COURT					
Salaries and Wages	158,738	158,738	147,284	11,454	
Other Expenses	6,300	6,300	4,300	2,000	
HEALTH AND HUMAN SERVICES FUNCTIONS					
Board of Health					
Salaries and Wages	58,703	59,103	56,868	2,235	
Other Expenses	17,350	17,350	8,400	8,950	
Environmental Commission					
Salaries and Wages	926	926	850	76	
Other Expenses	2,010	2,010	1,150	860	
Animal Control					
Salaries and Wages	69,073	69,073	65,304	3,769	
Senior Citizens and Handicapped Transportation					
Salaries and Wages	41,104	41,704	39,772	1,932	
Senior Citizens Programs					
Other Expenses	9,000	9,000	5,343	3,657	

BOROUGH OF HOPATCONG
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)

	<u>2010 Appropriated</u>		<u>2010 Expended</u>		<u>Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
OPERATIONS - WITHIN "CAPS" (Continued)					
RECREATION AND EDUCATION:					
Board of Recreation Commissioners					
Salaries and Wages	\$ 66,449	\$ 66,449	\$ 33,575	\$ 32,874	
Other Expenses	12,500	12,500	4,565	7,935	
Park Maintenance					
Salaries and Wages	21,454	21,454	20,037	1,417	
Other Expenses	93,000	93,000	69,680	23,320	
OTHER COMMON OPERATING FUNCTIONS					
CDBG Office					
Salaries and Wages	16,000	16,000	14,744	1,256	
Open Space Committee					
Salaries and Wages	515	515	309	206	
Celebration of Public Events					
Other Expenses	10,500	10,500	9,696	804	
Insurance					
General Liability Insurance	215,046	215,046	190,851	24,195	
Workers Compensation	236,607	236,607	234,752	1,855	
Employee Group Health	1,213,000	1,213,000	1,074,934	138,066	
State Unemployment Insurance	101,000	101,000	28,190	72,810	
UNIFORM CONSTRUCTION CODE					
APPROPRIATIONS OFFSET BY DEDICATED					
REVENUES (N.J.A.C. 5:23-4-17)					
Uniform Construction Code Enforcement:					
Building Inspector					
Salaries and Wages	162,737	162,737	154,724	8,013	
Other Expenses	7,000	7,000	2,890	4,110	
UTILITY EXPENSES & BULK PURCHASES					
Electricity	140,500	140,500	122,776	17,724	
Street Lighting	48,000	48,000	46,365	1,635	
Telephone	49,000	49,000	48,983	17	
Fuel Oil	75,000	75,000	56,581	18,419	
Gasoline	150,000	150,000	99,911	50,089	
State Mandated Landfill - Monitoring					
Other Expenses	<u>10,000</u>	<u>10,000</u>	<u>968</u>	<u>9,032</u>	<u>-</u>
Total Operations Within "CAPS"	<u>10,726,879</u>	<u>10,726,879</u>	<u>9,391,944</u>	<u>1,334,935</u>	<u>-</u>
Contingent	<u>15,000</u>	<u>15,000</u>	<u>-</u>	<u>15,000</u>	<u>-</u>
Total Operations including Contingent Within "CAPS"	<u>10,741,879</u>	<u>10,741,879</u>	<u>9,391,944</u>	<u>1,349,935</u>	<u>-</u>
Detail					
Salaries and Wages	5,791,962	5,782,962	5,210,739	572,223	-
Other Expenses (Including Contingent)	<u>4,949,917</u>	<u>4,958,917</u>	<u>4,181,205</u>	<u>777,712</u>	<u>-</u>

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF HOPATCONG
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)

	<u>2010 Appropriated</u>		<u>2010 Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
DEFERRED CHARGES AND STATUTORY EXPENDITURES- MUNICIPAL WITHIN "CAPS"					
Statutory Charges					
Social Security System (O.A.S.I.)	\$ 460,000	\$ 460,000	\$ 425,943	\$ 34,057	
Public Employee's Retirement System of NJ	195,204	195,204	195,204		
Police & Fireman's Retirement System of NJ	293,274	293,274	293,274		
Defined Contribution Retirement Program	<u>210</u>	<u>210</u>	<u>193</u>	<u>17</u>	<u>-</u>
Total Deferred Charges & Statutory Expenditures - Municipal Within "CAPS"	<u>948,688</u>	<u>948,688</u>	<u>914,614</u>	<u>34,074</u>	<u>-</u>
Total General Appropriations for Municipal Purposes Within "CAPS"	<u>11,690,567</u>	<u>11,690,567</u>	<u>10,306,558</u>	<u>1,384,009</u>	<u>-</u>
OPERATIONS - EXCLUDED FROM "CAPS"					
County Mandated Flow Control Fees	150,000	150,000	61,713	88,287	
Contribution to LOSAP	100,000	100,000		100,000	
Statutory Charges					
Public Employee's Retirement System of NJ	150,304	150,304	150,304		
Police & Fireman's Retirement System of NJ	<u>282,891</u>	<u>282,891</u>	<u>282,891</u>	<u>-</u>	<u>-</u>
Total Other Operations Excluded from "CAPS"	<u>683,195</u>	<u>683,195</u>	<u>494,908</u>	<u>188,287</u>	<u>-</u>
Interlocal Municipal Service Agreement					
Public Health Nursing Services					
Police					
Salaries and Wages	36,256	36,256	21,754	14,502	
Other Expenses	<u>8,151</u>	<u>8,151</u>	<u>4,890</u>	<u>3,261</u>	<u>-</u>
Total Interlocal Municipal Service Agreements	<u>44,407</u>	<u>44,407</u>	<u>26,644</u>	<u>17,763</u>	<u>-</u>

BOROUGH OF HOPATCONG
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 210
(Continued)

	<u>2010 Appropriated</u>		<u>2010 Expended</u>		<u>Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
OPERATIONS - EXCLUDED FROM "CAPS"					
(Continued)					
Public and Private Programs Offset by Revenues					
State and Federal Programs Offset by Revenues					
State of N.J. - Clean Communities					
Program	\$ 28,817	\$ 28,817	\$ 28,817		
Municipal Alliance on Alcoholism and Drug Abuse					
County Share		13,134	13,134		
Highlands Council Grant	50,000	50,000	50,000		
Over the Limit Under Arrest		9,400	9,400		
Safe and Secure Grant		60,000	60,000		
Police Body Armor Fund	1,135	3,685	3,685		
Bulletproof Vest Program	389	2,077	2,077		
Drunk Driving Enforcement Fund		6,594	6,594		
Hudson Guild Foundation	15,000	40,000		\$ 40,000	
Recycling Tonnage Grant	16,518	16,518	16,518		
Click It or Ticket	-	4,000	4,000		
ANJEC Smart Growth Planning Grant	-	6,500	6,500	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Public and Private Programs					
Offset by Revenues	<u>111,859</u>	<u>240,725</u>	<u>200,725</u>	<u>40,000</u>	<u>-</u>
Total Operations Excluded from "CAPS"	<u>839,461</u>	<u>968,327</u>	<u>722,277</u>	<u>246,050</u>	<u>-</u>
Detail					
Salaries and Wages	42,850	42,850	28,348	14,502	
Other Expenses	<u>796,611</u>	<u>925,477</u>	<u>693,929</u>	<u>231,548</u>	<u>-</u>
CAPITAL IMPROVEMENTS -					
EXCLUDED FROM "CAPS"					
Capital Improvement Fund	75,590	75,590	75,590		
Public and Private Programs Offset by Revenues					
New Jersey Transportation Trust Fund					
Authority Act	<u>362,865</u>	<u>362,865</u>	<u>362,865</u>	<u>-</u>	<u>-</u>
Total Capital Improvements Excluded from "CAPS"	<u>438,455</u>	<u>438,455</u>	<u>438,455</u>	<u>-</u>	<u>-</u>

BOROUGH OF HOPATCONG
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)

	<u>2010 Appropriated</u>		<u>2010 Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"					
Payment of Bond Principal	\$ 590,000	\$ 590,000	\$ 590,000		
Interest on Bonds	196,430	196,430	196,430		
Interest on Notes	91,300	91,300	91,263		\$ 37
Payment of Notes	<u>157,400</u>	<u>157,400</u>	<u>157,400</u>	-	-
Total Municipal Debt Service Excluded from "CAPS"	<u>1,035,130</u>	<u>1,035,130</u>	<u>1,035,093</u>	-	<u>37</u>
Deferred Charges Municipal- Excluded from "CAPS"					
Special Emergency Authorizations	<u>140,000</u>	<u>140,000</u>	<u>140,000</u>	-	-
Total Deferred Charges- Municipal Excluded from "CAPS"	<u>140,000</u>	<u>140,000</u>	<u>140,000</u>	-	-
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	<u>2,453,046</u>	<u>2,581,912</u>	<u>2,335,825</u>	<u>246,050</u>	<u>37</u>
Subtotal General Appropriations	14,143,613	14,272,479	12,642,383	1,630,059	37
Reserve for Uncollected Taxes	<u>1,110,000</u>	<u>1,110,000</u>	<u>1,110,000</u>	-	-
Total General Appropriations	<u>\$ 15,253,613</u>	<u>\$ 15,382,479</u>	<u>\$ 13,752,383</u>	<u>\$ 1,630,059</u>	<u>\$ 37</u>
Adopted Budget		\$ 15,253,613			
Added by N.J.S.A. 40A:4-87		<u>128,866</u>			
		<u>\$ 15,382,479</u>			

2009 STATEMENT OF EXPENDITURES

CURRENT FUND

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BOROUGH OF HOPATCONG
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>2009 Appropriated</u>		<u>2009 Expended</u>		<u>Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
OPERATIONS - WITHIN "CAPS"					
GENERAL GOVERNMENT					
Administrative and Executive					
Salaries and Wages	\$ 182,233	\$ 182,233	\$ 166,324	\$ 15,909	
Other Expenses	185,000	185,000	159,192	25,808	
Mayor and Council					
Salaries and Wages	15,550	15,550	13,947	1,603	
Other Expenses	5,000	5,000	4,411	589	
Borough Clerk					
Salaries and Wages	81,874	82,974	80,647	2,327	
Election					
Other Expenses	9,000	9,000	8,694	306	
Financial Administration					
Salaries and Wages	104,049	113,649	109,215	4,434	
Other Expenses	27,500	17,000	13,497	3,503	
Audit Services	42,625	42,625		42,625	
Computerized Data Processing					
Other Expenses	40,000	40,000	32,521	7,479	
Collection of Taxes					
Salaries and Wages	163,804	163,804	152,654	11,150	
Other Expenses	7,000	9,500	8,813	687	
Assessment of Taxes					
Salaries and Wages	111,363	111,363	90,750	20,613	
Other Expenses	30,000	30,000	22,464	7,536	
Liquidation of Tax Title Liens and Foreclosed Property					
Other Expenses	3,000	3,000	2,663	337	
Legal Services					
Other Expenses	110,000	135,000	97,623	37,377	
Engineering Services and Costs					
Other Expenses	60,000	85,000	59,873	25,127	
Economic Development					
Other Expenses				-	
Municipal Land Use Law (N.J.S.A. 40:55D-1)					
Planning Board					
Salaries and Wages	15,424	15,424	14,763	661	
Other Expenses	30,000	30,000	19,712	10,288	
Zoning Costs					
Salaries and Wages	59,247	60,647	58,490	2,157	
Other Expenses	10,000	10,000	2,697	7,303	
PUBLIC SAFETY					
Police					
Salaries and Wages	2,491,341	2,491,341	2,228,186	263,155	
Other Expenses	85,000	85,000	73,801	11,199	
Purchase of Police Cars	30,000	30,000	29,300	700	
Emergency Dispatch Services					
Salaries and Wages	354,468	354,468	310,790	43,678	
Other Expenses	45,000	45,000	33,646	11,354	
Emergency Management					
Salaries and Wages	2,050	2,050	2,050	-	
Other Expenses	4,000	4,000	3,919	81	
First Aid Organization Contribution	35,000	35,000	35,000	-	
Municipal Prosecutor					
Other Expenses	34,000	34,000	21,760	12,240	

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF HOPATCONG
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)

	<u>2009 Appropriated</u>		<u>2009 Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
OPERATIONS - WITHIN "CAPS" (Continued)					
PUBLIC SAFETY (Continued)					
Aid to Volunteer Fire Companies					
Other Expenses	\$ 112,000	\$ 112,000	\$ 101,356	\$ 10,644	
Fire Prevention Bureau					
Salaries and Wages	24,085	24,085	21,722	2,363	
Other Expenses	7,000	7,000	5,375	1,625	
STREETS AND ROADS					
Street and Road Maintenance					
Salaries and Wages	1,390,981	1,390,981	1,283,238	107,743	
Other Expenses	1,043,400	1,043,400	954,560	88,840	
Contractual - Garbage				-	
OTHER PUBLIC WORKS FUNCTIONS					
Recycling					
Other Expenses	23,000	23,000	17,116	5,884	
Buildings and Grounds					
Salaries and Wages	58,098	58,098	27,393	30,705	
Other Expenses	222,000	222,000	155,778	66,222	
Vehicle Maintenance					
Other Expenses				-	
MUNICIPAL COURT					
Salaries and Wages	166,875	166,875	145,001	21,874	
Other Expenses	6,500	6,500	2,717	3,783	
HEALTH AND HUMAN SERVICES FUNCTIONS					
Board of Health					
Salaries and Wages	221,526	192,126	169,987	22,139	
Other Expenses	21,000	21,000	16,407	4,593	
Environmental Commission					
Salaries and Wages	900	900	750	150	
Other Expenses	1,500	1,500	625	875	
Animal Control					
Salaries and Wages	69,610	69,610	56,929	12,681	
Senior Citizens and Handicapped Transportation					
Salaries and Wages	39,980	40,780	38,709	2,071	
Senior Citizens Programs					
Other Expenses	9,000	9,000	6,660	2,340	
RECREATION AND EDUCATION:					
Board of Recreation Commissioners					
Salaries and Wages	\$ 65,300	\$ 65,300	\$ 49,223	\$ 16,077	
Other Expenses	16,000	16,000	10,197	5,803	
Park Maintenance					
Salaries and Wages	19,988	19,988	14,608	5,380	
Other Expenses	133,500	133,500	83,160	50,340	

BOROUGH OF HOPATCONG
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)

	<u>2009 Appropriated</u>		<u>2009 Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
OPERATIONS - WITHIN "CAPS" (Continued)					
OTHER COMMON OPERATING FUNCTIONS					
CDBG Office				-	
Salaries and Wages					
Open Space Committee					
Salaries and Wages	500	500	375	125	
Celebration of Public Events					
Other Expenses	15,300	15,300	5,951	9,349	
Insurance					
General Liability Insurance	179,770	179,770	177,373	2,397	
Workers Compensation	243,954	243,954	241,362	2,592	
Employee Group Health	1,190,500	1,190,500	1,120,523	69,977	
UNIFORM CONSTRUCTION CODE					
APPROPRIATIONS OFFSET BY DEDICATED					
REVENUES (N.J.A.C. 5:23-4-17)					
Uniform Construction Code Enforcement:					
Building Inspector					
Salaries and Wages	155,977	157,977	151,908	6,069	
Other Expenses	10,000	10,000	4,778	5,222	
UTILITY EXPENSES & BULK PURCHASES					
Electricity				-	
Street Lighting	50,000	50,000	40,756	9,244	
Telephone				-	
Fuel Oil	75,000	75,000	42,079	32,921	
Gasoline	200,000	172,500	105,128	42,372	25,000
UNCLASSIFIED					
Hepatitis "B" - Bloodborne Pathogens (O.S.H.A.)					
Other Expenses	600	600	-	600	
DPW - Right to Know Act					
Other Expenses	250	250		250	
Salary Adjustment Account					
Salaries and Wages	16,000	16,000	13,659	2,341	
State Mandated Landfill - Monitoring					
Other Expenses	10,000	10,000	10,000	-	-
Total Operations Within "CAPS"	<u>10,173,622</u>	<u>10,173,622</u>	<u>8,932,805</u>	<u>1,215,817</u>	<u>25,000</u>
Contingent	-	-	-	-	-
Total Operations including Contingent Within "CAPS"	<u>10,173,622</u>	<u>10,173,622</u>	<u>8,932,805</u>	<u>1,215,817</u>	<u>25,000</u>
Detail					
Salaries and Wages	5,811,223	5,796,723	5,201,317	595,406	-
Other Expenses (Including Contingent)	<u>4,362,399</u>	<u>4,376,899</u>	<u>3,731,488</u>	<u>620,411</u>	<u>25,000</u>

BOROUGH OF HOPATCONG
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)

	<u>2009 Appropriated</u>		<u>2009 Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
DEFERRED CHARGES AND STATUTORY EXPENDITURES- MUNICIPAL WITHIN "CAPS"					
Deferred Charges					
Prior Year Bills	\$ 71,752	\$ 71,752	\$ 71,751	\$ -	\$ 1
Statutory Charges					
Social Security System (O.A.S.I.)	519,385	519,385	452,218	67,167	
Public Employee's Retirement System of NJ	198,243	198,243	187,696	10,547	
Police & Fireman's Retirement System of NJ	281,994	281,994	281,994	-	
State Unemployment Insurance	101,000	101,000	78,822	22,178	
Defined Contribution Retirement Program	<u>3,410</u>	<u>3,410</u>	<u>893</u>	<u>2,517</u>	<u>-</u>
Total Deferred Charges & Statutory Expenditures - Municipal Within "CAPS"	<u>1,175,784</u>	<u>1,175,784</u>	<u>1,073,374</u>	<u>102,409</u>	<u>1</u>
Total General Appropriations for Municipal Purposes Within "CAPS"	<u>11,349,406</u>	<u>11,349,406</u>	<u>10,006,179</u>	<u>1,318,226</u>	<u>25,001</u>
OPERATIONS - EXCLUDED FROM "CAPS"					
State Mandated Tipping Fees (N.J.S.A. 40A:4-45.3cc)	212,500	212,500	212,315	185	
Contribution to LOSAP	<u>100,000</u>	<u>100,000</u>	<u>-</u>	<u>100,000</u>	<u>-</u>
Total Other Operations Excluded from "CAPS"	<u>312,500</u>	<u>312,500</u>	<u>212,315</u>	<u>100,185</u>	<u>-</u>
Interlocal Municipal Service Agreement					
Emergency Dispatch Services	247,124	247,124	247,124		
Police					
Salaries and Wages	55,848	55,848	55,848	-	
Other Expenses	<u>15,362</u>	<u>15,362</u>	<u>15,362</u>	<u>-</u>	<u>-</u>
Total Interlocal Municipal Service Agreements	<u>318,334</u>	<u>318,334</u>	<u>318,334</u>	<u>-</u>	<u>-</u>

BOROUGH OF HOPATCONG
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)

	<u>2009 Appropriated</u>		<u>2009 Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
OPERATIONS - EXCLUDED FROM "CAPS"					
(Continued)					
Public and Private Programs Offset by Revenues					
State and Federal Programs Offset by Revenues					
State of N.J. - Clean Communities					
Program	\$ 27,678	\$ 27,678	\$ 27,678		
Municipal Alliance on Alcoholism and Drug Abuse					
Local Share	3,576	3,576	3,576		
County Share	14,302	14,302	14,302		
Highlands Council Grant		75,000	75,000		
Over the Limit Under Arrest		11,000	11,000		
Safe and Secure Grant	169,732	169,732	169,732		
Police Body Armor Fund	2,721	2,721	2,721		
Bulletproof Vest Program		3,140	3,140		
Drunk Driving Enforcement Fund	9,337	18,378	18,378		
Hudson Guild Foundation				\$ -	\$ -
Recycling Tonnage Grant	8,439	8,439	8,439		
Click It or Ticket		4,000	4,000		
Alcohol Education, Rehabilitation and Enforcement Fund		325	325		
Sharing Available Resources Efficiently (SHARE) Grant		63,608	63,608		
ANJEC Smart Growth Planning Grant	-	1,875	1,875	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Public and Private Programs Offset by Revenues	<u>235,785</u>	<u>403,774</u>	<u>403,774</u>	<u>-</u>	<u>-</u>
Total Operations Excluded from "CAPS"	<u>866,619</u>	<u>1,034,608</u>	<u>934,423</u>	<u>100,185</u>	<u>-</u>
Detail					
Salaries and Wages	302,972	302,972	302,972		
Other Expenses	563,647	731,636	631,451	100,185	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
CAPITAL IMPROVEMENTS - EXCLUDED FROM "CAPS"					
Capital Improvement Fund	38,100	38,100	38,100		
Public and Private Programs Offset by Revenues					
New Jersey Transportation Trust Fund Authority Act	191,000	443,000	443,000	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Capital Improvements Excluded from "CAPS"	<u>229,100</u>	<u>481,100</u>	<u>481,100</u>	<u>-</u>	<u>-</u>

BOROUGH OF HOPATCONG
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)

	<u>2009 Appropriated</u>		<u>2009 Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"					
Payment of Bond Principal	\$ 555,000	\$ 555,000	\$ 555,000		
Interest on Bonds	212,280	212,280	212,280		
Interest on Notes	75,900	75,900	75,898	\$ -	\$ 2
Payment of Notes	<u>109,300</u>	<u>109,300</u>	<u>109,300</u>	<u>-</u>	<u>-</u>
Total Municipal Debt Service Excluded from "CAPS"	<u>952,480</u>	<u>952,480</u>	<u>952,478</u>	<u>-</u>	<u>2</u>
Deferred Charges Municipal- Excluded from "CAPS"					
Special Emergency Authorizations	<u>140,000</u>	<u>140,000</u>	<u>140,000</u>	<u>-</u>	<u>-</u>
Total Deferred Charges- Municipal Excluded from "CAPS"	<u>140,000</u>	<u>140,000</u>	<u>140,000</u>	<u>-</u>	<u>-</u>
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	<u>2,188,199</u>	<u>2,608,188</u>	<u>2,508,001</u>	<u>100,185</u>	<u>2</u>
Subtotal General Appropriations	13,537,605	13,957,594	12,514,180	1,418,411	25,003
Reserve for Uncollected Taxes	<u>952,469</u>	<u>952,469</u>	<u>952,469</u>	<u>-</u>	<u>-</u>
Total General Appropriations	<u>\$ 14,490,074</u>	<u>\$ 14,910,063</u>	<u>\$ 13,466,649</u>	<u>\$ 1,418,411</u>	<u>\$ 25,003</u>
Adopted Budget		\$ 14,490,074			
Added by N.J.S.A. 40A:4-87		<u>419,989</u>			
		<u>\$ 14,910,063</u>			

**BOROUGH OF HOPATCONG
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
TRUST FUND
AS OF DECEMBER 31, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
ASSETS		
ANIMAL CONTROL FUND		
Cash	\$ 41,017	\$ 29,687
	<u>41,017</u>	<u>29,687</u>
OTHER TRUST FUND		
Cash	865,744	788,538
Investments	303,334	312,168
	<u>1,169,078</u>	<u>1,100,706</u>
UNEMPLOYMENT INSURANCE TRUST FUND		
Cash	<u>69,287</u>	<u>99,528</u>
OPEN SPACE PRESERVATION TRUST FUND		
Cash	<u>136,086</u>	<u>348,645</u>
	<u>136,086</u>	<u>348,645</u>
LENGTH OF SERVICE AWARD PROGRAM FUND (UNAUDITED)		
Investments	633,582	524,653
Contribution Receivable	77,050	88,608
	<u>710,632</u>	<u>613,261</u>
Total Assets	<u>\$ 2,126,100</u>	<u>\$ 2,191,827</u>

**BOROUGH OF HOPATCONG
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
TRUST FUND
AS OF DECEMBER 31, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
LIABILITIES, RESERVES AND FUND BALANCE		
ANIMAL CONTROL FUND		
Due to State of New Jersey	\$ 42	\$ 29
Due to Current Fund		25
Reserve for Animal Control Expenditures	<u>40,975</u>	<u>29,633</u>
	<u>41,017</u>	<u>29,687</u>
OTHER TRUST FUND		
Due to Current Fund	1,140	1,358
Miscellaneous Reserves	1,109,825	1,042,829
Payroll Deductions Payable	<u>58,113</u>	<u>56,519</u>
	<u>1,169,078</u>	<u>1,100,706</u>
UNEMPLOYMENT INSURANCE TRUST FUND		
Reserve for Unemployment Insurance Claims	<u>69,287</u>	<u>99,528</u>
	<u>69,287</u>	<u>99,528</u>
OPEN SPACE PRESERVATION TRUST FUND		
Reserve for Open Space Preservation	<u>136,086</u>	<u>348,645</u>
	<u>136,086</u>	<u>348,645</u>
LENGTH OF SERVICE AWARD PROGRAM FUND (UNAUDITED)		
Reserve for LOSAP	<u>710,632</u>	<u>613,261</u>
	<u>710,632</u>	<u>613,261</u>
Total Liabilities, Reserves and Fund Balance	<u>\$ 2,126,100</u>	<u>\$ 2,191,827</u>

BOROUGH OF HOPATCONG
STATEMENT OF REVENUES - REGULATORY BASIS - OPEN SPACE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>2010</u> <u>Anticipated</u>	<u>2010</u> <u>Realized</u>	<u>Excess or</u> <u>(Deficit)</u>
Amount to be Raised by Taxation	\$ 10,237	\$ 10,245	\$ 8
	<u>\$ 10,237</u>	10,245	<u>\$ 8</u>
Non-Budget Revenue		<u>915,542</u>	
		<u>\$ 925,787</u>	
Analysis of Non-Budget Revenue			
County Contribution		\$ 915,000	
Interest on Investments and Deposits		<u>542</u>	
		<u>\$ 915,542</u>	

STATEMENT OF EXPENDITURES - REGULATORY BASIS - OPEN SPACE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Budget</u> <u>(Memorandum)</u>	<u>Paid or</u> <u>Charged</u>	<u>Excess or</u> <u>(Deficit)</u>
Development of Lands for Recreation and Conservation			
Other Expenses	\$ 10,237	\$ 930,846	\$ (920,609)
	<u>\$ 10,237</u>	<u>\$ 930,846</u>	<u>\$ (920,609)</u>

**BOROUGH OF HOPATCONG
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
GENERAL CAPITAL FUND
AS OF DECEMBER 31, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
ASSETS		
Cash	\$ 1,742,028	\$ 721,929
Deferred Charges to Future Taxation		
Funded	4,192,000	4,782,000
Unfunded	<u>4,876,607</u>	<u>3,650,515</u>
 Total Assets	 <u>\$ 10,810,635</u>	 <u>\$ 9,154,444</u>
 LIABILITIES, RESERVES AND FUND BALANCE		
Improvement Authorizations		
Funded	\$ 196,381	\$ 6,870
Unfunded	783,331	691,294
Contracts Payable	761,376	-
General Serial Bonds	4,192,000	4,782,000
Bond Anticipation Notes	4,838,512	3,650,515
Capital Improvement Fund	5,850	2,976
Due to Current Fund	370	247
Fund Balance	<u>32,815</u>	<u>20,542</u>
 Total Liabilities, Reserves and Fund Balance	 <u>\$ 10,810,635</u>	 <u>\$ 9,154,444</u>

There were bonds and notes authorized but not issued on December 31, 2010 and 2009 of \$38,095 and \$0, respectively.

**BOROUGH OF HOPATCONG
COMPARATIVE STATEMENTS OF FUND BALANCE - REGULATORY BASIS
GENERAL CAPITAL FUND
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
Balance, January 1	\$ 20,542	\$ 135,865
Increased by:		
Premium on Sale of Bonds and Notes	<u>32,273</u>	<u>19,677</u>
	<u>52,815</u>	<u>155,542</u>
Decreased by:		
Revenue Anticipated in Current Fund	<u>20,000</u>	<u>135,000</u>
	<u>20,000</u>	<u>135,000</u>
Balance, December 31	<u>\$ 32,815</u>	<u>\$ 20,542</u>

BOROUGH OF HOPATCONG
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS - WATER UTILITY FUND
AS OF DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
ASSETS		
OPERATING FUND		
Cash	\$ 238,332	\$ 227,273
Change Fund	30	30
Due from Water Utility Capital Fund	71	1,267
	<u>238,433</u>	<u>228,570</u>
Receivables with Full Reserves		
Consumer Accounts Receivable	<u>58,257</u>	<u>45,745</u>
	<u>58,257</u>	<u>45,745</u>
	<u>296,690</u>	<u>274,315</u>
CAPITAL FUND		
Cash	504,633	542,387
Fixed Capital	2,759,856	2,759,856
Fixed Capital Authorized and Uncompleted	<u>2,809,311</u>	<u>2,709,311</u>
	<u>6,073,800</u>	<u>6,011,554</u>
Total Assets	<u>\$ 6,370,490</u>	<u>\$ 6,285,869</u>

BOROUGH OF HOPATCONG
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS - WATER UTILITY FUND
AS OF DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
LIABILITIES, RESERVES AND FUND BALANCES		
OPERATING FUND		
Liabilities		
Appropriation Reserves	\$ 80,719	\$ 36,308
Encumbrances Payable	14,239	7,824
Prepaid Water Rents	461	2,160
Reserve for Purchase of Leak Detector Equipment		20,000
Accrued Interest on Bonds, Notes and Loans	<u>26,952</u>	<u>32,897</u>
	122,371	99,189
Reserve for Receivables	58,257	45,745
Fund Balance	<u>116,062</u>	<u>129,381</u>
	<u>296,690</u>	<u>274,315</u>
CAPITAL FUND		
FMHA Bonds Payable	736,412	775,833
Water Supply Loans Payable	260,030	314,611
NJ Environmental Infrastructure Trust Loans Payable	383,982	415,119
Bond Anticipation Notes	1,943,680	1,893,280
Accrued Interest Payable	5,120	6,253
Reserve for Deferred Amortization	1,063,143	1,016,643
Reserve for Amortization	1,181,921	1,053,682
Reserve for Water Line Installation	-	16,600
Improvement Authorizations		
Funded	68,046	49,478
Unfunded	387,620	418,711
Due to Water Utility Operating Fund	71	1,267
Contracts Payable	734	-
Capital Improvement Fund	3,408	3,408
Fund Balance	<u>39,633</u>	<u>46,669</u>
	<u>6,073,800</u>	<u>6,011,554</u>
Total Liabilities, Reserves and Fund Balances	<u><u>\$ 6,370,490</u></u>	<u><u>\$ 6,285,869</u></u>

There were no bonds and notes authorized but not issued on December 31, 2010 and 2009.

BOROUGH OF HOPATCONG
COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE -
REGULATORY BASIS - WATER UTILITY OPERATING FUND
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
REVENUES AND OTHER INCOME REALIZED		
Surplus Utilized	\$ 84,768	\$ 33,418
Rents	686,656	658,885
Connection Fees	10,150	22,156
Water Capital Fund Balance	20,000	
Miscellaneous - Non Budget Revenue	1,494	26,722
Other Credits to Income:		
Unexpended - Balance of Appropriation Reserves	<u>21,271</u>	<u>28,578</u>
 Total Income	 <u>824,339</u>	 <u>769,759</u>
 EXPENDITURES		
Budget and Emergency Appropriations		
Operating	473,028	417,358
Debt Service	247,062	242,294
Deferred Charges and Statutory Expenditures	32,800	28,700
Refund of Prior Year Revenue	<u>-</u>	<u>5,000</u>
 Total Expenditures	 <u>752,890</u>	 <u>693,352</u>
 Excess in Revenue	 71,449	 76,407
 Fund Balance, January 1	 <u>129,381</u>	 <u>86,392</u>
	200,830	162,799
Decreased by:		
Utilized as Revenue	<u>84,768</u>	<u>33,418</u>
 Fund Balance, December 31	 <u><u>\$ 116,062</u></u>	 <u><u>\$ 129,381</u></u>

BOROUGH OF HOPATCONG
COMPARATIVE STATEMENT OF REVENUES - REGULATORY BASIS
WATER UTILITY OPERATING FUND
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	<u>2010</u>		<u>2009</u>	
	<u>Anticipated</u>	<u>Realized</u>	<u>Anticipated</u>	<u>Realized</u>
Surplus Anticipated	\$ 84,768	\$ 84,768	\$ 33,418	\$ 33,418
Rents	657,000	686,656	680,000	658,885
Connection Fees	15,000	10,150	20,000	22,156
Water Capital Fund Balance	20,000	20,000		
Miscellaneous	-	1,494	-	-
	<u>\$ 776,768</u>	<u>\$ 803,068</u>	<u>\$ 733,418</u>	<u>\$ 714,459</u>

BOROUGH OF HOPATCONG
STATEMENT OF EXPENDITURES - REGULATORY BASIS - WATER UTILITY OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Appropriated Budget</u>	<u>Budget After Modification</u>	<u>Expended Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
OPERATING					
Salaries and Wages	\$ 201,269	\$ 201,269	\$ 181,061	\$ 20,208	
Other Expenses	271,759	271,759	216,248	55,511	
DEBT SERVICE					
Payment on Loan Principal	126,280	126,280	126,272		\$ 8
Payment on Note Principal	21,000	21,000	21,000		
Interest on Loans	61,560	61,560	57,348		4,212
Interest on Notes	62,100	62,100	42,442		19,658
STATUTORY EXPENDITURES					
Contribution to					
Public Employees Retirement System	12,800	12,800	12,800		
Social Security System (O.A.S.I.)	15,000	15,000	15,000		
Unemployment Compensation Insurance	5,000	5,000	-	5,000	-
	<u>\$ 776,768</u>	<u>\$ 776,768</u>	<u>\$ 672,171</u>	<u>\$ 80,719</u>	<u>\$ 23,878</u>

BOROUGH OF HOPATCONG
STATEMENT OF EXPENDITURES - REGULATORY BASIS - WATER UTILITY OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>Appropriated Budget</u>	<u>Budget After Modification</u>	<u>Expended Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
OPERATING					
Salaries and Wages	\$ 173,039	\$ 173,039	\$ 160,741	\$ 12,298	
Other Expenses	274,319	274,319	225,670	18,649	\$ 30,000
DEBT SERVICE					
Payment on Loan Principal	122,970	122,970	121,875		1,095
Payment on Note Principal	15,000	15,000	15,000		
Interest on Loans	66,070	66,070	62,982		3,088
Interest on Notes	53,320	53,320	42,438		10,882
STATUTORY EXPENDITURES					
Contribution to					
Public Employees Retirement System	10,700	10,700	10,700		
Social Security System (O.A.S.I.)	13,000	13,000	12,638	362	
Unemployment Compensation Insurance	5,000	5,000	-	5,000	-
	<u>\$ 733,418</u>	<u>\$ 733,418</u>	<u>\$ 652,044</u>	<u>\$ 36,309</u>	<u>\$ 45,065</u>

BOROUGH OF HOPATCONG
COMPARATIVE STATEMENTS OF FUND BALANCE - REGULATORY BASIS
WATER UTILITY CAPITAL FUND
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
Balance, January 1	\$ 46,669	\$ 36,464
Increased by:		
Premium on Sale of Bonds and Notes	<u>12,964</u>	<u>10,205</u>
	59,633	46,669
Decreased by:		
Revenue Anticipated in Water Operating Fund	<u>20,000</u>	<u>-</u>
Balance, December 31	<u>\$ 39,633</u>	<u>\$ 46,669</u>

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF HOPATCONG
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS - SEWER UTILITY FUND
AS OF DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
ASSETS		
OPERATING FUND		
Cash	\$ 1,929,683	\$ 2,018,880
Due from Current Fund		322
Due from Federal and State Grants Fund	250,000	
Due from Sewer Utility Capital Fund	<u>62</u>	<u>80</u>
	<u>2,179,745</u>	<u>2,019,282</u>
Receivables with Full Reserves		
Consumer Accounts Receivable	<u>485,533</u>	<u>546,130</u>
	<u>485,533</u>	<u>546,130</u>
	<u>2,665,278</u>	<u>2,565,412</u>
CAPITAL FUND		
Cash	303,495	253,394
Fixed Capital	2,492,456	2,492,456
Fixed Capital Authorized and Uncompleted	<u>58,347,500</u>	<u>58,347,500</u>
	<u>61,143,451</u>	<u>61,093,350</u>
Total Assets	<u>\$ 63,808,729</u>	<u>\$ 63,658,762</u>

BOROUGH OF HOPATCONG
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS - SEWER UTILITY FUND
AS OF DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
LIABILITIES, RESERVES AND FUND BALANCES		
OPERATING FUND		
Liabilities		
Appropriation Reserves	\$ 90,658	\$ 98,402
Encumbrances Payable	14,476	2,494
Due to Current Fund	78	
Accrued Interest on Bonds, Notes and Loans	515,907	588,197
Prepaid Sewer Rents	<u>268,313</u>	<u>283,515</u>
	889,432	972,608
Reserve for Receivables	485,533	546,130
Fund Balance	<u>1,290,313</u>	<u>1,046,674</u>
	<u>2,665,278</u>	<u>2,565,412</u>
CAPITAL FUND		
Serial Bonds Payable	17,060,000	17,060,000
NJ Environmental Infrastructure Trust Loans Payable	12,103,725	12,988,282
Bond Anticipation Notes	12,394,000	12,564,000
Reserve for Amortization	4,428,731	3,540,174
Reserve for Deferred Amortization	14,853,500	14,687,500
Improvement Authorization		
Funded	25,000	135,906
Unfunded	83,772	103,381
Contracts Payable	124,483	
Due to Sewer Utility Operating Fund	62	80
Fund Balance	<u>70,178</u>	<u>14,027</u>
	<u>61,143,451</u>	<u>61,093,350</u>
Total Liabilities, Reserves and Fund Balances	<u><u>\$ 63,808,729</u></u>	<u><u>\$ 63,658,762</u></u>

There were no bonds and notes authorized but not issued on December 31, 2010 and 2009.

BOROUGH OF HOPATCONG
COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE -
REGULATORY BASIS - SEWER UTILITY OPERATING FUND
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
REVENUES AND OTHER INCOME REALIZED		
Fund Balance Utilized	\$ 454,053	\$ 443,376
Rents	4,199,650	4,059,333
Miscellaneous - Non Budget Revenue	6,968	50,150
Other Credits to Income:		
Unexpended Balance of Appropriation Reserves	<u>66,449</u>	<u>54,303</u>
 Total Income	 <u>4,727,120</u>	 <u>4,607,162</u>
EXPENDITURES		
Budget Appropriations		
Operating	1,594,873	1,552,316
Debt Service	2,401,755	2,221,249
Deferred Charges and Statutory Expenditures	<u>32,800</u>	<u>30,700</u>
 Total Expenditures	 <u>4,029,428</u>	 <u>3,804,265</u>
 Excess in Revenue	 697,692	 802,897
 Fund Balance, January 1	 <u>1,046,674</u>	 <u>687,153</u>
	1,744,366	1,490,050
Decreased by:		
Utilized as Revenue	<u>454,053</u>	<u>443,376</u>
 Fund Balance, December 31	 <u>\$ 1,290,313</u>	 <u>\$ 1,046,674</u>

BOROUGH OF HOPATCONG
COMPARATIVE STATEMENT OF REVENUES - REGULATORY BASIS
SEWER UTILITY OPERATING FUND
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	<u>2010</u>		<u>2009</u>	
	<u>Anticipated</u>	<u>Realized</u>	<u>Anticipated</u>	<u>Realized</u>
Surplus Utilized	\$ 454,053	\$ 454,053	\$ 443,376	\$ 443,376
Rents	3,775,000	4,199,650	3,500,000	4,059,333
Miscellaneous	-	6,968	-	-
	<u>\$4,229,053</u>	<u>\$ 4,660,671</u>	<u>\$ 3,943,376</u>	<u>\$ 4,502,709</u>

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF HOPATCONG
STATEMENT OF EXPENDITURES - REGULATORY BASIS - SEWER UTILITY OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2010

	Appropriated Budget	Budget After Modification	Expended		
			Paid or Charged	Reserved	Cancelled
OPERATING					
Salaries and Wages	\$ 201,269	\$ 201,269	\$ 172,382	\$ 28,887	
Other Expenses	1,393,604	1,393,604	1,336,833	56,771	
DEBT SERVICE					
Payment of Loan Principal	884,560	884,560	884,557		\$ 3
Payment of Note Principal	170,000	170,000	170,000		
Interest on Bonds	750,000	750,000	749,822		178
Interest on Notes	418,840	418,840	250,697		168,143
Interest on Loans	377,980	377,980	346,679		31,301
DEFERRED CHARGES AND STATUTORY EXPENDITURES					
Contribution to					
Public Employees Retirement System	12,800	12,800	12,800		
Social Security System (O.A.S.I.)	15,000	15,000	15,000		
Unemployment Compensation Insurance	5,000	5,000	-	5,000	-
	<u>\$ 4,229,053</u>	<u>\$ 4,229,053</u>	<u>\$ 3,938,770</u>	<u>\$ 90,658</u>	<u>\$ 199,625</u>

BOROUGH OF HOPATCONG
STATEMENT OF EXPENDITURES - REGULATORY BASIS - SEWER UTILITY OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2009

	Appropriated Budget	Budget After Modification	Expended		Cancelled
			Paid or Charged	Reserved	
OPERATING					
Salaries and Wages	\$ 173,039	\$ 173,039	\$ 162,580	\$ 10,459	
Other Expenses	1,379,277	1,379,277	1,296,566	82,711	
DEBT SERVICE					
Payment of Bond/Loan Principal	855,970	855,970	855,966		\$ 4
Payment of Note Principal	170,000	170,000	170,000		
Interest on Bonds/Loans	1,147,230	1,147,230	1,110,164		37,066
Interest on Notes	189,160	189,160	85,119		104,041
DEFERRED CHARGES AND STATUTORY EXPENDITURES					
Contribution to					
Public Employees Retirement System	10,700	10,700	10,700		
Social Security System (O.A.S.I.)	13,000	13,000	12,768	232	
Unemployment Compensation Insurance	5,000	5,000	-	5,000	-
	<u>\$ 3,943,376</u>	<u>\$ 3,943,376</u>	<u>\$ 3,703,863</u>	<u>\$ 98,402</u>	<u>\$ 141,111</u>

BOROUGH OF HOPATCONG
COMPARATIVE STATEMENTS OF FUND BALANCE - REGULATORY BASIS
SEWER UTILITY CAPITAL FUND
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
Balance, January 1	\$ 14,027	\$ 13,348
Increased by:		
Premium on Sale of Bonds and Notes	<u>56,151</u>	<u>679</u>
Balance, December 31	<u>\$ 70,178</u>	<u>\$ 14,027</u>

The Accompanying Notes are an Integral Part of these Financial Statements

**BOROUGH OF HOPATCONG
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
GENERAL FIXED ASSETS ACCOUNT GROUP
AS OF DECEMBER 31, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
ASSETS		
Land and Land Improvements	\$ 9,988,225	\$ 9,592,525
Buildings and Building Improvements	8,835,611	8,792,833
Machinery and Equipment	<u>6,887,149</u>	<u>6,966,007</u>
	<u>\$ 25,710,985</u>	<u>\$ 25,351,365</u>
FUND BALANCE		
Investment in General Fixed Assets	<u>\$ 25,710,985</u>	<u>\$ 25,351,365</u>

NOTES TO FINANCIAL STATEMENTS

**BOROUGH OF HOPATCONG
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

The Borough of Hopatcong (the "Borough") was incorporated in 1898 and operates under an elected (Mayor/Council) form of government. The Borough's major operations include public safety, road repair and maintenance, sanitation, fire protection, recreation and parks, health services, and general administrative services.

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

The financial statements contained herein include only those boards, bodies, officers or commissions as required by NJS 40A:5-5. Accordingly, the financial statements of the Borough do not include the volunteer fire department or volunteer ambulance squad, which are considered component units under GAAP. Complete financial statements of the above component units can be obtained by contacting the Treasurer of the respective entity.

**BOROUGH OF HOPATCONG
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

The Borough has the following funds and account group:

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

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

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

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

Unemployment Insurance Fund - This fund is used to account for employee and employer contributions for the purpose of providing unemployment benefits to former eligible employees.

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

Open Space Fund - This fund is used to account for the receipts and disbursements relating to municipal open space.

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

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

Sewer Utility Fund - This fund is used to account for the revenues and expenditures for the operation of the Borough's sanitary sewerage system and the assets and liabilities relative to such activities. Acquisition or improvement of capital facilities and other capital assets for the sewer utility is accounted for in the capital section of the fund.

BOROUGH OF HOPATCONG
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Property Tax Revenues - Real property taxes are assessed locally, based upon the assessed value of the property. The tax bill includes a levy for Municipal, County, and School purposes. The bills are mailed annually in June for that calendar year's levy. Taxes are payable in four quarterly installments on February 1, May 1, August 1, and November 1. The amounts of the first and second installments are determined as one-quarter of the total tax levied against the property for the preceding year. The installment due the third and fourth quarters is determined by taking the current year levy less the amount previously charged for the first and second installments, with the remainder being divided equally. If unpaid on these dates, the amount due becomes delinquent and subject to interest at 8% per annum, or 18% on any delinquency amount in excess of \$1,500. A penalty of up to 6% of the delinquency may be imposed on a taxpayer with a delinquency in excess of \$10,000 who fails to pay that delinquency prior to the end of the fiscal year in which the charges become delinquent. The school levy is turned over to the Board of Education as expenditures are incurred, and the balance, if any, must be transferred as of June 30, of each fiscal year. County taxes are paid quarterly on February 15, May 15, August 15 and November 15, to the County by the Borough. When unpaid taxes or any municipal lien, or part thereof, on real property, remains in arrears on April first in the year following the calendar year levy when the same became in arrears, the collector in the municipality shall, subject to the provisions of the New Jersey Statutes, enforce the lien by placing the property on a standard tax sale. The Borough also has the option when unpaid taxes or any municipal lien, or part thereof, on real property remains in arrears on the 11th day of the eleventh month in the fiscal year when the taxes or lien became in arrears, the collector in the municipality shall, subject to the provisions of the New Jersey Statutes, enforce the lien by placing property on an accelerated tax sale, provided that the sale is conducted and completed no earlier than in the last month of the fiscal year. The Borough may institute annual in rem tax foreclosure proceedings to enforce the tax collection or acquisition of title to the property. In accordance with the accounting principles prescribed by the State of New Jersey, current and delinquent taxes are realized as revenue when collected. Since delinquent taxes and liens are fully reserved, no provision has been made to estimate that portion of the tax receivable and tax title liens that are uncollectible. GAAP requires property tax revenues to be recognized in the accounting period when they become susceptible to accrual (i.e., when they are both levied and available), reduced by an allowance for doubtful accounts.

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

**BOROUGH OF HOPATCONG
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Utility Rents - Utility charges are levied quarterly based upon a flat service charge and if applicable, an excess consumption or usage charge. Revenues from these sources are recognized on a cash basis. Receivables that are susceptible to accrual are recorded with offsetting reserves on the balance sheet of the Borough's water and sewer utility operating funds. GAAP requires such revenues to be recognized in the accounting period when they become susceptible to accrual, reduced by an allowance for doubtful accounts.

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

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

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

- Other Trust Fund (Except Open Space Preservation Trust Fund)
- General Capital Fund
- Water Capital Fund
- Sewer Capital Fund

The governing body is required to introduce and approve the annual budget no later than February 10, of the fiscal year. The budget is required to be adopted no later than March 20, and prior to adoption must be certified by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The Director of the Division of Local Government Services, with the approval of the Local Finance Board may extend the introduction and approval and adoption dates of the municipal budget. The budget is prepared by fund, function, activity and line item (salary or other expense) and includes information on the previous year. The legal level of control for appropriations is exercised at the individual line item level for all operating budgets adopted. The governing body of the municipality may authorize emergency appropriations and the inclusion of certain special items of revenue to the budget after its adoption and determination of the tax rate. During the last two months of the fiscal year, the governing body may, by a 2/3 vote; amend the budget through line item transfers. Management has no authority to amend the budget without the approval of the Governing Body. Expenditures may not legally exceed budgeted appropriations at the line item level. During 2010 and 2009 the Borough Council increased the original budget by \$128,866 and \$419,988. The increases were funded by additional aid allotted to the Borough. In addition, the governing body approved several budget transfers during 2010 and 2009.

**BOROUGH OF HOPATCONG
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

Compensated Absences - Expenditures relating to obligations for unused vested accumulated vacation and sick leave are not recorded until paid; however, municipalities may establish and budget reserve funds subject to NJSA 40A:4-39 for the future payment of compensated absences. GAAP requires that the amount that would normally be liquidated with expendable available financial resources be recorded as an expenditure in the operating funds and the remaining obligations are recorded as a long-term obligation in the government-wide financial statements.

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

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

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

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

**BOROUGH OF HOPATCONG
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Tax Appeals and Other Contingent Losses - Losses arising from tax appeals and other contingent losses are recognized at the time a decision is rendered by an administrative or judicial body; however, municipalities may establish reserves transferred from tax collections or by budget appropriation for future payments of tax appeal losses. GAAP requires such amounts to be recorded when it is probable that a loss has been incurred and the amount of such loss can be reasonably estimated.

General Fixed Assets - In accordance with NJAC 5:30-5.6, Accounting for Governmental Fixed Assets, the Borough of Hopatcong has developed a fixed assets accounting and reporting system. Fixed assets are defined by the Borough as assets with an initial, individual cost of \$2,500 and an estimated useful life in excess of two years.

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

Fixed Assets purchased are stated as cost. Donated fixed assets are recorded at estimated fair market value at the date of donation.

No depreciation has been provided for in the financial statements.

Expenditures for construction in progress are recorded in the General Capital Fund until such time as the construction is completed and put into operation for general fixed assets.

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

Property and equipment purchased by the water and sewer utility funds are recorded in the capital account at cost and are adjusted for disposition and abandonment. The amounts shown do not purport to represent reproduction costs or current value. Contributions in aid of construction are not capitalized. The balance in the Reserve for Amortization and Deferred Reserve for Amortization accounts in the Utility Capital Funds represents charges to operations for the costs of acquisitions of property, equipment and improvements. The utilities do not record depreciation on fixed assets.

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

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

Reclassifications - Certain reclassifications have been made to the December 31, 2009 balances to conform to the December 31, 2010 presentation.

**BOROUGH OF HOPATCONG
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

C. Basic Financial Statements

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

NOTE 2 DEPOSITS AND INVESTMENTS

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

Deposits

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

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At December 31, 2010 and 2009, the book value of the Borough's deposits were \$9,531,339 and \$8,319,292 and bank and brokerage firm balances of the Borough's deposits amounted to \$9,835,399 and \$8,262,773, respectively. The Borough's deposits which are displayed on the various fund balance sheets as "cash" are categorized as:

<u>Depository Account</u>	<u>Bank Balance</u>	
	<u>2010</u>	<u>2009</u>
Insured	\$ 2,331,193	\$ 1,525,251
Uninsured and uncollateralized	<u>7,504,206</u>	<u>6,737,522</u>
	<u>\$ 9,835,399</u>	<u>\$ 8,262,773</u>

**BOROUGH OF HOPATCONG
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009**

NOTE 2 DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. The Borough does not have a formal policy for custodial credit risk. As of December 31, 2010 and 2009, the Borough’s bank balances of \$7,504,206 and \$6,737,522 were exposed to custodial credit risk as follows:

	<u>2010</u>	<u>2009</u>
Uninsured and uncollateralized	\$ 7,504,206	\$ 6,737,522

Investments

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

As of December 31, 2010 and 2009, the Borough had the following investments:

	<u>Fair Value</u> (LOSAP Only)	<u>Book Value</u>
<u>2010</u>		
Investment:		
U.S. Government Securities		
Blackrock Liquidity Funds - Money Market		\$ 228,334
Blackrock Funds - Fixed Income		75,000
Length of Service Award Program (Unaudited)	\$ 633,582	633,582
	<u>\$ 633,582</u>	<u>\$ 936,916</u>

**BOROUGH OF HOPATCONG
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2010 AND 2009**

NOTE 2 DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

	<u>Fair Value</u> (LOSAP Only)	<u>Book Value</u>
<u>2009</u>		
Investment:		
U.S. Government Securities		
Blackrock Liquidity Funds - Money Market		\$ 312,168
Length of Service Award Program (Unaudited)	<u>\$ 524,653</u>	<u>524,653</u>
	<u>\$ 524,653</u>	<u>\$ 836,821</u>

Custodial Credit Risk – Investments – For an investment, this is the risk, that in the event of the failure of the counterparty, the Borough will not be able to recover the value of its investments or collateral securities that are held by an outside party. The Borough does not have a policy for custodial risk. As of December 31, 2010 and 2009, \$303,334 and \$312,168 of the Borough’s investments was exposed to custodial credit risk as follows:

	<u>Fair Value</u>	<u>Book Value</u>
<u>2010</u>		
Uninsured and Uncollateralized	<u>\$ 633,582</u>	<u>\$ 303,334</u>
	<u>Fair Value</u>	<u>Book Value</u>
<u>2009</u>		
Uninsured and Uncollateralized	<u>\$ 524,653</u>	<u>\$ 312,168</u>

Interest Rate Risk – The Borough does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – State law limits investments as noted above (N.J.S.A. 40A:5-15.1). The Borough does not have an investment policy that would further limit its investment choices.

Concentration of Credit Risk – The Borough places no limit in the amount the Borough may invest in any one issuer.

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

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

**BOROUGH OF HOPATCONG
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009**

NOTE 3 TAXES AND UTILITY RENTS RECEIVABLE

Receivables at December 31, 2010 consisted of the following:

	<u>Current</u>	<u>Utility</u>		<u>Total</u>
		<u>Water</u>	<u>Sewer</u>	
<u>2010</u>				
Property Taxes	\$ 1,092,534			\$ 1,092,534
Tax Title Liens	229,227			229,227
Utility Rents	-	\$ 58,257	\$ 485,533	543,790
	<u>\$ 1,321,761</u>	<u>\$ 58,257</u>	<u>\$ 485,533</u>	<u>\$ 1,865,551</u>

In 2010, the Board collected \$907,417 and \$591,875 from delinquent taxes and utility rents, which represented 82% and 100% of the delinquent tax, water and sewer charges receivable at December 31, 2009.

Receivables at December 31, 2009 consisted of the following:

	<u>Current</u>	<u>Utility</u>		<u>Total</u>
		<u>Water</u>	<u>Sewer</u>	
<u>2009</u>				
Property Taxes	\$ 917,153			\$ 917,153
Tax Title Liens	184,944			184,944
Utility Rents	-	\$ 45,745	\$ 546,130	591,875
	<u>\$ 1,102,097</u>	<u>\$ 45,745</u>	<u>\$ 546,130</u>	<u>\$ 1,693,972</u>

In 2009, the Borough collected \$859,052 and \$370,212 from delinquent taxes and utility rents, which represented 86% and 100% of the delinquent tax, water and sewer charges receivable at December 31, 2008.

**BOROUGH OF HOPATCONG
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009**

NOTE 4 MUNICIPAL DEBT

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

The Borough's debt is summarized as follows:

	<u>2010</u>	<u>2009</u>
Issued		
General		
Bonds, Notes and Loans	\$ 9,030,512	\$ 8,432,515
Water Utility		
Bonds and Notes	3,324,104	3,398,843
Sewer Utility		
Bond, Notes and Loans	<u>41,557,725</u>	<u>42,612,282</u>
	53,912,341	54,443,640
Less Funds Temporarily Held to Pay Bonds and Notes	<u>-</u>	<u>-</u>
Net Debt Issued	53,912,341	54,443,640
Authorized But Not Issued		
General		
Bonds and Notes	38,095	-
Water Utility		
Bonds and Notes	-	-
Sewer Utility		
Bond and Notes	<u>-</u>	<u>-</u>
Net Bonds and Notes Issued and Authorized But Not Issued	<u>\$ 53,950,436</u>	<u>\$ 54,443,640</u>

**BOROUGH OF HOPATCONG
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009**

NOTE 4 MUNICIPAL DEBT (Continued)

Statutory Net Debt

The statement of debt condition that follows is extracted from the Borough's Annual Debt Statement and indicates a statutory net debt of .48% and .44% at December 31, 2010 and 2009, respectively.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u>2010</u>			
General Debt	\$ 9,068,607		\$ 9,068,607
School Debt	435,000	\$ 435,000	
Utility Debt	<u>44,881,829</u>	<u>44,881,829</u>	<u>-</u>
Total	<u>\$ 54,385,436</u>	<u>\$ 45,316,829</u>	<u>\$ 9,068,607</u>

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u>2009</u>			
General Debt	\$ 8,432,515		\$ 8,432,515
School Debt	585,000	\$ 585,000	
Utility Debt	<u>46,011,125</u>	<u>46,011,125</u>	<u>-</u>
Total	<u>\$ 55,028,640</u>	<u>\$ 46,596,125</u>	<u>\$ 8,432,515</u>

Statutory Borrowing Power

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

	<u>2010</u>	<u>2009</u>
3-1/2% of Equalized Valuation Basis (Municipal)	\$ 66,291,144	\$ 66,523,633
Net Debt	<u>9,068,607</u>	<u>8,432,515</u>
Remaining Borrowing Power	<u>\$ 57,222,537</u>	<u>\$ 58,091,118</u>

**BOROUGH OF HOPATCONG
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009**

NOTE 4 MUNICIPAL DEBT (Continued)

Long-Term Debt

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

General Obligation Bonds

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

	<u>2010</u>	<u>2009</u>
\$2,210,000, 2003 General Bonds, due in annual installments of \$227,000 to \$230,000 through August 1, 2013, interest at 3.50%	\$ 687,000	\$ 917,000
\$3,865,000, 2006 Refunding Bonds, due in annual installments of \$355,000 to \$405,000 through August 1, 2019, interest at 4.00% to 5.00%	<u>3,505,000</u>	<u>3,865,000</u>
	<u>\$ 4,192,000</u>	<u>\$ 4,782,000</u>

Utility Bonds

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

	<u>2010</u>	<u>2009</u>
Sewer Utility		
\$17,060,000, 2006 Sewer Refunding Bonds, due in annual installments of \$20,000 to \$9,840,000 through August 1, 2033, interest at 4.00% to 4.35%	<u>\$ 17,060,000</u>	<u>\$ 17,060,000</u>
	<u>\$ 17,060,000</u>	<u>\$ 17,060,000</u>

**BOROUGH OF HOPATCONG
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009**

NOTE 4 MUNICIPAL DEBT (Continued)

Long-Term Debt (Continued)

Water Utility Intergovernmental Loans Payable

The Borough entered into an agreement with the Farmers Home Administration for the issuance of bonds for the acquisition and reconstruction of its water supply and distribution system.

The Borough has also entered into two loan agreements with the NJ Department of Environmental Protection to rehabilitate its water supply and distribution system.

The Borough has also entered into three loan agreements with the State of New Jersey, acting by and through a NJ Department of Environmental Protection Fund (the “Fund”), and the NJ Environmental Infrastructure Trust (the “Trust”), in the aggregate amount of \$17,124,545, which represents direct obligations of the Borough. The loan agreements were obtained to finance a portion of the cost of water supply and distribution system and wastewater treatment system projects.

The Borough pledges revenue from operations to pay debt service on utility intergovernmental loans issued. Utility intergovernmental loans outstanding of the water utility and sewer utility at December 31 are as follows:

Water Utility

	<u>2010</u>	<u>2009</u>
\$1,316,000 FMHA Loans Payable due in semi-annual installments of \$20,453 to \$37,790 through August 16, 2023, interest at 5.00%	\$ 736,412	\$ 775,833
\$461,969 Water Supply Loans Payable due in semi-annual installments of \$18,790 to \$21,217 through December 26, 2014, interest at 3.50%	159,860	191,226
\$261,966 Water Supply Loans Payable due in semi-annual installments of \$9,941 to \$11,309 through July 30, 2015, interest at 3.25%	100,170	123,385
\$335,000, 2000 Trust Loan, due in annual installments of \$15,000 to \$25,000 through August 1, 2020, interest at 5.00% to 5.25%	215,000	230,000
\$335,000, 2000 Fund Loan, due in annual installments of \$3,327 to \$16,333 through August 1, 2020,	<u>168,982</u>	<u>185,119</u>
Total Water Utility Loans	<u>\$ 1,380,424</u>	<u>\$ 1,505,563</u>

**BOROUGH OF HOPATCONG
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009**

NOTE 4 MUNICIPAL DEBT (Continued)

Sewer Utility

	<u>2010</u>	<u>2009</u>
\$2,840,000, 2001 Trust Loan, due in annual installments of \$145,000 to \$240,000 through August 1, 2021, interest at 4.75% to 5.5%	\$ 2,105,000	\$ 2,245,000
\$2,650,000, 2001 Fund Loan, due in semi-annual installments of \$3,576 to \$154,126 through August 1, 2021	1,744,434	1,903,829
\$5,720,000, 2002 Trust Loan, due in annual installments of \$280,000 to \$485,000 through August 1, 2022, interest at 4.75% to 5.5%	4,490,000	4,760,000
\$5,250,000, 2002 Fund Loan, due in semi-annual installments of \$7,141 to \$307,812 through August 1, 2022	<u>3,764,291</u>	<u>4,079,453</u>
Total Environmental Infrastructure Loans	<u>\$ 12,103,725</u>	<u>\$ 12,988,282</u>

The Borough's principal and interest for long-term debt issued and outstanding as of December 31, 2010 is as follows:

Calendar Year	General Serial Bonds		Water Utility Bonds and Loans		Sewer Utility Bonds and Loans		Total
	Principal	Interest	Principal	Interest	Principal	Interest	
2011	\$ 585,000	\$ 175,780	\$ 129,734	\$ 55,889	\$ 660,347	\$ 1,053,548	\$ 2,660,298
2012	585,000	149,980	141,374	51,057	686,292	1,040,183	2,653,886
2013	632,000	124,180	145,028	45,801	711,832	1,025,896	2,684,737
2014	405,000	95,985	148,864	40,363	730,159	1,008,343	2,428,714
2015	405,000	79,785	104,217	35,112	781,540	991,751	2,397,405
2016-2020	1,580,000	158,540	497,254	114,712	6,633,060	5,350,403	14,333,969
2021-2025	-	-	213,953	19,225	6,530,495	3,756,409	10,520,082
2026-2030	-	-	-	-	6,910,000	2,194,040	9,104,040
2031-2035	-	-	-	-	5,520,000	531,675	6,051,675
Total	<u>\$ 4,192,000</u>	<u>\$ 784,250</u>	<u>\$ 1,380,424</u>	<u>\$ 362,159</u>	<u>\$ 29,163,725</u>	<u>\$ 16,952,248</u>	<u>\$ 52,834,806</u>

BOROUGH OF HOPATCONG
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009

NOTE 4 MUNICIPAL DEBT (Continued)

Changes in Long-Term Municipal Debt

The Borough's long-term capital debt activity for the years 2010 and 2009 were as follows:

	Balance, December 31, <u>2009</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2010</u>	Due Within <u>One Year</u>
<u>2010</u>					
General Capital Fund					
Bonds Payable	\$ 4,782,000	-	\$ 590,000	\$ 4,192,000	\$ 585,000
General Capital Fund Long-Term Liabilities	<u>\$ 4,782,000</u>	<u>\$ -</u>	<u>\$ 590,000</u>	<u>\$ 4,192,000</u>	<u>\$ 585,000</u>
Water Utility Capital Fund					
Loans Payable					
FMHA	\$ 775,833		\$ 39,421	\$ 736,412	\$ 41,417
Water Supply	314,611	\$ 1,133	55,714	260,030	57,632
Wastewater Loans	<u>415,119</u>	<u>-</u>	<u>31,137</u>	<u>383,982</u>	<u>30,685</u>
Water Utility Capital Fund Long-Term Liabilities	<u>\$ 1,505,563</u>	<u>\$ 1,133</u>	<u>\$ 126,272</u>	<u>\$ 1,380,424</u>	<u>\$ 129,734</u>
Sewer Utility Capital Fund					
Bonds Payable	\$ 17,060,000			\$ 17,060,000	
Intergovernmental Loans					
Wastewater Loans	<u>12,988,282</u>	<u>-</u>	<u>\$ 884,557</u>	<u>12,103,725</u>	<u>\$ 660,347</u>
Sewer Utility Capital Fund Long-Term Liabilities	<u>\$ 30,048,282</u>	<u>\$ -</u>	<u>\$ 884,557</u>	<u>\$ 29,163,725</u>	<u>\$ 660,347</u>

BOROUGH OF HOPATCONG
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009

NOTE 4 MUNICIPAL DEBT (Continued)

Changes in Long-Term Municipal Debt (Continued)

	Balance, December 31, <u>2008</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2009</u>	Due Within <u>One Year</u>
<u>2009</u>					
General Capital Fund					
Bonds Payable	\$ 5,337,000	-	\$ 555,000	\$ 4,782,000	\$ 590,000
General Capital Fund Long-Term Liabilities	<u>\$ 5,337,000</u>	<u>\$ -</u>	<u>\$ 555,000</u>	<u>\$ 4,782,000</u>	<u>\$ 590,000</u>
Water Utility Capital Fund					
Loans Payable					
FMHA	\$ 813,355		\$ 37,522	\$ 775,833	\$ 39,421
Water Supply	367,376		52,765	314,611	55,714
Wastewater Loans	<u>446,707</u>	<u>-</u>	<u>31,588</u>	<u>415,119</u>	<u>31,137</u>
Water Utility Capital Fund Long-Term Liabilities	<u>\$ 1,627,438</u>	<u>\$ -</u>	<u>\$ 121,875</u>	<u>\$ 1,505,563</u>	<u>\$ 126,272</u>
Sewer Utility Capital Fund					
Bonds Payable	\$ 17,060,000			\$ 17,060,000	
Intergovernmental Loans					
Wastewater Loans	<u>13,844,248</u>	<u>-</u>	<u>\$ 855,966</u>	<u>12,988,282</u>	<u>\$ 884,557</u>
Sewer Utility Capital Fund Long-Term Liabilities	<u>\$ 30,904,248</u>	<u>\$ -</u>	<u>\$ 855,966</u>	<u>\$ 30,048,282</u>	<u>\$ 884,557</u>

**BOROUGH OF HOPATCONG
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009**

NOTE 4 MUNICIPAL DEBT (Continued)

Short-Term Debt

The Borough's short-term capital debt activity for the years 2010 and 2009 was as follows:

	Balance, December 31, <u>2009</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2010</u>
<u>2010</u>				
Bond Anticipation Notes				
General Capital Fund	\$ 3,650,515	\$ 4,858,512	\$ 3,650,515	\$ 4,858,512
Water Utility Capital Fund	1,893,280	1,943,680	1,893,280	1,943,680
Sewer Utility Capital Fund	<u>12,564,000</u>	<u>12,394,000</u>	<u>12,564,000</u>	<u>12,394,000</u>
Total	<u>\$ 18,107,795</u>	<u>\$ 19,196,192</u>	<u>\$ 18,107,795</u>	<u>\$ 19,196,192</u>
	Balance, December 31, <u>2008</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2009</u>
<u>2009</u>				
Bond Anticipation Notes				
General Capital Fund	\$ 3,035,915	\$ 723,900	\$ 109,300	\$ 3,650,515
Water Utility Capital Fund	1,608,280	300,000	15,000	1,893,280
Sewer Utility Capital Fund	<u>12,714,000</u>	<u>20,000</u>	<u>170,000</u>	<u>12,564,000</u>
Total	<u>\$ 17,358,195</u>	<u>\$ 1,043,900</u>	<u>\$ 294,300</u>	<u>\$ 18,107,795</u>

**BOROUGH OF HOPATCONG
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009**

NOTE 5 FIXED ASSETS

General Fixed Assets

The following is a summary of changes in the general fixed assets account group for the years 2010 and 2009.

	Balance December 31, <u>2009</u>	<u>Additions</u>	<u>Retirements</u>	Balance, December 31, <u>2010</u>
<u>2010</u>				
Land and Land Improvements	\$ 9,592,525	\$ 395,700		\$ 9,988,225
Buildings and Building Improvements	8,792,833	42,778		8,835,611
Machinery and Equipment	<u>6,966,007</u>	<u>153,104</u>	<u>\$ 231,962</u>	<u>6,887,149</u>
	<u>\$ 25,351,365</u>	<u>\$ 591,582</u>	<u>\$ 231,962</u>	<u>\$ 25,710,985</u>
	Balance December 31, <u>2008</u>	<u>Additions</u>	<u>Retirements</u>	Balance, December 31, <u>2009</u>
<u>2009</u>				
Land and Land Improvements	\$ 9,528,525	\$ 64,000		\$ 9,592,525
Buildings and Building Improvements	8,792,833			8,792,833
Machinery and Equipment	<u>7,004,870</u>	<u>-</u>	<u>\$ 38,863</u>	<u>6,966,007</u>
	<u>\$ 25,326,228</u>	<u>\$ 64,000</u>	<u>\$ 38,863</u>	<u>\$ 25,351,365</u>

**BOROUGH OF HOPATCONG
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009**

NOTE 5 FIXED ASSETS (Continued)

Water and Sewer Utility Funds Fixed Assets

The following is a summary of changes in the utility funds fixed assets for the years 2010 and 2009.

<u>Water Utility Fund</u>	Balance December 31, <u>2009</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2010</u>
<u>2010</u>				
Fixed Capital				
System and System Improvements/ Buildings/Equipment				
	\$ 2,759,856	\$ -	\$ -	\$ 2,759,856
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	Balance December 31, <u>2008</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2009</u>
<u>2009</u>				
Fixed Capital				
System and System Improvements/ Buildings/Equipment				
	\$ 2,759,856	\$ -	\$ -	\$ 2,759,856
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	Balance December 31, <u>2009</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2010</u>
<u>Sewer Utility Fund</u>				
<u>2010</u>				
Fixed Capital				
System and System Improvements/ Buildings/Equipment				
	\$ 2,492,456	\$ -	\$ -	\$ 2,492,456
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	Balance December 31, <u>2008</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2009</u>
<u>2009</u>				
Fixed Capital				
System and System Improvements/ Buildings/Equipment				
	\$ 2,492,456	\$ -	\$ -	\$ 2,492,456
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

**BOROUGH OF HOPATCONG
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009**

NOTE 6 DUE TO/FROM OTHER FUNDS

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

	<u>2010</u>		<u>2009</u>	
	Due from <u>Other Funds</u>	Due to <u>Other Funds</u>	Due from <u>Other Funds</u>	Due to <u>Other Funds</u>
Current Fund	\$ 1,588	\$ 3,552	\$ 49,890	\$ 322
Grants Fund	3,552	250,000		48,260
Animal Control Fund				25
Other Trust Fund		1,140		1,358
General Capital Fund		370		247
Water Operating Fund	71		1,267	
Water Capital Fund		71		1,267
Sewer Operating Fund	250,062	78	402	
Sewer Capital Fund	-	62	-	80
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 255,273</u>	<u>\$ 255,273</u>	<u>\$ 51,559</u>	<u>\$ 51,559</u>

The above balances are the result of expenditures being paid by one fund on behalf of another.

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

BOROUGH OF HOPATCONG
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009

NOTE 7 FUND BALANCES APPROPRIATED

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

	Fund Balance December 31, <u>2010</u>	Utilized in Subsequent <u>Year's Budget</u>	Fund Balance December 31, <u>2009</u>	Utilized in Subsequent <u>Year's Budget</u>
Current Fund				
Cash Surplus	\$ 1,319,320	\$ 850,000	\$ 869,074	\$ 618,000
Non-Cash Surplus	<u>-</u>	<u>-</u>	<u>143,155</u>	<u>-</u>
	<u>\$ 1,319,320</u>	<u>\$ 850,000</u>	<u>\$ 1,012,229</u>	<u>\$ 618,000</u>
Water Utility Operating Fund				
Cash Surplus	<u>\$ 116,062</u>	<u>\$ 95,398</u>	<u>\$ 129,381</u>	<u>\$ 84,768</u>
	<u>\$ 116,062</u>	<u>\$ 95,398</u>	<u>\$ 129,381</u>	<u>\$ 84,768</u>
Sewer Utility Operating Fund				
Cash Surplus	<u>\$ 1,290,313</u>	<u>\$ 374,783</u>	<u>\$ 1,046,674</u>	<u>\$ 454,053</u>
	<u>\$ 1,290,313</u>	<u>\$ 374,783</u>	<u>\$ 1,046,674</u>	<u>\$ 454,053</u>

**BOROUGH OF HOPATCONG
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009**

NOTE 8 DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

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

	<u>Balance, December 31,</u>	<u>Subsequent Year Budget Appropriation</u>	<u>Balance to Succeeding Budgets</u>
<u>2010</u>			
Current Fund			
Special Emergency Authorizations (40A:4-55)	-0-	-0-	-0-
	<u>Balance, December 31,</u>	<u>Subsequent Year Budget Appropriation</u>	<u>Balance to Succeeding Budgets</u>
<u>2009</u>			
Current Fund			
Special Emergency Authorizations (40A:4-55)	\$140,000	\$140,000	-0-

NOTE 9 COMPENSATED ABSENCES

Under the existing policies and labor agreements, the Borough permits employees to accrue an unlimited amount of unused sick time, which may be taken as time off for illness or paid upon retirement at a rate of 25% of average daily pay for the first 100 days, 30% for the next 100 days and 42% for all days accumulated over 200. The average daily pay is determined by multiplying the hourly rate times 8. However, such payment is limited to a maximum of \$10,000 and is restricted to employees with at least 25 years of continuous service to the Borough at the time of retirement. If time is taken upon illness, payout of such time is at 100% of the pay rate. However, an employee who has been absent on sick leave for three or more consecutive working days, or for periods totaling 10 days in one calendar year, must submit acceptable medical evidence substantiating the illness.

The Borough also permits employees to accrue current year unused vacation time. However, such accrual must be formally approved by the Borough Administrator and must be utilized during the first quarter of the next succeeding calendar year. If these restrictions are met, payment of such time is at 100% of the pay rate. If not, unused accumulated time is forfeited.

In addition, employees are permitted to accrue an unlimited amount of unused compensatory time for overtime worked. This time, however, is forfeited upon termination of employment.

It is estimated that the current cost of such unpaid compensation and salary related payments would approximate \$1,661,135 and \$1,650,860 at December 31, 2010 and 2009, respectively. These amounts which is are considered material to the financial statements, are not reported either as an expenditure or liability.

As of December 31, 2010 and 2009, the Borough has reserved in the Other Trust Fund \$93,276 and \$23,268, respectively to fund compensated absences in accordance with NJSA 40A:4-39.

**BOROUGH OF HOPATCONG
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009**

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS

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

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

Public Employees' Retirement System (PERS) – established in January 1955, under the provisions of N.J.S.A. 43:15A to provide coverage, including post-retirement healthcare for those eligible employees whose local employers elected to do so, to substantially all full-time employees of the State or any county, municipality, school district, or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees and vesting occurs after 8 to 10 years of service for pension benefits and, if applicable, 25 years for post-retirement healthcare coverage.

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

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

Other Pension Funds

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

The cost of living increase for PFRS and PERS are funded directly by each of the respective systems and are considered in the annual actuarial calculation of the required contributions for the system.

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

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

**BOROUGH OF HOPATCONG
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009**

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Basis of Accounting

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

Investment Valuation

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

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

Significant Legislation

P.L. 2010, c.1, effective May 21, 2010, made a number of changes to the State-administered retirement systems concerning eligibility, the retirement allowance formula, the definition of compensation, the positions eligible for service credit, the non-forfeitable right to a pension, the prosecutor's part of the PERS, special retirement under the PFRS, and employer contributions to the retirement systems.

This new legislation changed the membership eligibility criteria for new members of PERS from the amount of annual compensation to the number of hours worked weekly. Also, it returned the benefit multiplier for new members of PERS to 1/60 from 1/55, and it provided that new members of PERS have the retirement allowance calculated using the average annual compensation for the last five years of service instead of the last three years of service. New members of PERS will no longer receive pension service credit from more than one employer. Pension service credit will be earned for the highest paid position only. For new members of the PFRS, the law capped the maximum compensation that can be used to calculate a pension from this plan at the annual wage contribution base for Social Security, and requires the pension to be calculated using a three year average annual compensation instead of the last year's salary. This law also closed the prosecutor's part of the PERS to new members and repealed the law for new members that provided a non-forfeitable right to receive a pension based on the laws of the retirement system in place at the time five years of pension service credit is attained. The law also requires the State to make its full pension contribution, defined as 1/7th of the required amount, beginning in Fiscal Year 2012.

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

**BOROUGH OF HOPATCONG
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009**

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Funded Status and Funding Progress

As of June 30, 2009, the most recent actuarial valuation date, the aggregate funded ratio for all the State administered retirement systems, including PERS and PFRS, is 66.0 percent with an unfunded actuarial accrued liability of \$45.8 billion. The aggregate funded ratio and unfunded accrued liability for the State-funded systems is 62.0 percent and \$30.7 billion, and the aggregate funded ratio and unfunded accrued liability for local PERS and PFRS is 72.1 percent and \$15.1 billion.

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

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

Actuarial Methods and Assumptions

In the June 30, 2009 actuarial valuation, the projected unit credit was used as the actuarial cost method, and the five year average of market value was used as the asset valuation method for the retirement systems. The actuarial assumptions included (1) 8.25 percent for investment rate of return for all the retirement systems; and (2) 5.45 percent for projected salary increases for all the retirement systems except PFRS.

Employer and Employee Pension Contributions

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

**BOROUGH OF HOPATCONG
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2010 AND 2009**

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Annual Pension Cost (APC)

Per the requirements of GASB Statement No. 27 for the year ended June 30, 2010 for CPFPPF, which is a cost sharing plan with special funding situations, the annual pension cost differs from the annual required contribution. For PFRS and PERS, which are cost sharing multi-employer defined benefit pension plans, annual pension cost equals contributions made. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution.

During the years ended December 31, 2010, 2009 and 2008, the Borough, except for the amounts deferred during the year ended December 31, 2009, was required to contribute for normal cost pension contributions, accrued liability pension contributions and non-contributory life insurance premiums the following amounts which equaled the required contributions for each year:

<u>Year Ended</u> <u>December 31</u>	<u>PFRS</u>	<u>PERS</u>	<u>DCRP</u>
2010	\$ 576,165	\$ 345,508	\$ 193
2009	281,994	209,095	893
2008	478,578	262,073	-

During the year ended December 31, 2009 the Borough elected to contribute 50% of its normal and accrued liability components of the PFRS and PERS obligations and deferred the remaining 50% in accordance with P.L. 2009, c.19. The deferred amount totaled \$395,044 and will be paid back with interest over 15 years beginning in the 2012 year. The Borough is permitted to payoff the deferred PFRS and PERS pension obligations at any time. It is estimated that the total liability including accrued interest (at 8.25%) at December 31, 2010 and 2009 is \$454,095 and \$419,487, respectively.

NOTE 11 POST-RETIREMENT MEDICAL BENEFITS

Plan Description

The Borough provides a post employment healthcare plan for its eligible retirees. The plan is a single-employer defined benefit healthcare plan administered by the Borough. In accordance with Borough ordinances, contracts and/or policies, the Borough provides \$2,500 annually until the age of 65 and then \$1,000 annually after age 65.

Funding Policy

The required contribution is funded on a pay-as-you-go basis. For the year 2010, the Borough contributed \$6,500 for current premiums. The Borough has not had an actuarial valuation to date.

**BOROUGH OF HOPATCONG
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009**

NOTE 12 RISK MANAGEMENT

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

The Borough of Hopatcong is a member of the Morris County Municipal Joint Insurance Fund. The joint insurance fund is an insured and self-administered group of municipalities established for the purpose of insuring against property damage, general liability, motor vehicles and equipment liability and worker's compensation. The Funds are risk-sharing public entity pools. The Fund coverage amounts are on file with the Borough.

The Borough is also a member of the North Jersey Municipal Employee Benefits Fund. This fund is an insured and self-administered group established for the sole purpose of providing medical insurance coverage to the employees of member municipalities. The Fund is a risk-sharing public entity pool. The Fund coverage amounts are on file with the Borough.

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

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

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

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

<u>Year Ended December 31</u>	<u>Borough/ Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2010	\$ 27,442	\$ 57,762	\$ 69,287
2009	43,421		99,528
2008	-	-	56,086

**BOROUGH OF HOPATCONG
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009**

NOTE 13 CONTINGENT LIABILITIES

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

Pending Tax Appeals - Various tax appeal cases were pending in the New Jersey Tax Court at December 31, 2010 and 2009. Amounts claimed have not yet been determined. The Borough is vigorously defending its assessments in each case. Under the accounting principles prescribed by the Division of Local Government Services, Department of community Affairs, State of New Jersey, the Borough does not recognize a liability, if any, until these cases have been adjudicated. The Borough expects such amounts, if any, could be material. As of December 31, 2010 and 2009, the Borough reserved \$200,000 and \$191,530, respectively in the Current Fund for tax appeals pending in the New Jersey Tax Court. Funding of any ultimate liability would be provided for in succeeding years' budget or from fund balance.

Federal and State Awards - The Borough participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Borough may be required to reimburse the grantor government. As of December 31, 2010 and 2009, significant amounts of grant expenditure have not been audited by the various grantor agencies but the Borough believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the Borough.

NOTE 14 FEDERAL ARBITRAGE REGULATIONS

The Borough is subject to Section 148 of the Internal Revenue Code as it pertains to the arbitrage rebate on all tax-exempt obligations, both long and short-term debt. Under the 1986 Tax Reform Act, the Internal Revenue Service (IRS) required that all excess earnings from investment proceeds be rebated to the IRS. Arbitrage, for purposes of these regulations, is defined as the difference between the yield on the investment and the yield on the obligations issued. If there are excess earnings, this amount may be required to be rebated to the IRS. At December 31, 2010 and 2009, the Borough had not determined if arbitrage earnings are due to the IRS.

**BOROUGH OF HOPATCONG
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009**

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

The Borough of Hopatcong Length of Service Award Program (the Plan) was created by a Borough ordinance adopted on August 1, 2001 pursuant to 457 (e)(11)(13) of the Internal Service Code of 1986, as amended, except for provisions added by reason of the Length of Service Award Program as enacted into federal law in 1997. The voters of the Borough of Hopatcong approved the adoption of the Plan at the general election held on November 6, 2001.

The first year of eligibility for entrance into the Plan was calendar year 2002. The tax deferred income benefits for emergency services volunteers, consisting of the Volunteer Fire Department and the Rescue Squad, come from contributions made solely by the Borough on behalf of those volunteers who meet the criteria of a plan created by the governing body.

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

The Borough of Hopatcong has contributed \$1,150 and \$1,150 for 2010 and 2009, respectively, for each eligible volunteer fire department member into the Plan. The Borough also contributed \$1,150 and \$1,150 for 2010 and 2009, respectively for each eligible volunteer rescue squad members into the Plan.

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

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

Vesting and Benefits

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

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

**BOROUGH OF HOPATCONG
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009**

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

Reporting Requirements

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

NOTE 16 CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

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

<u>Capital Project</u>	<u>Construction Commitment</u>	<u>Estimated Date of Completion</u>
<u>2010</u>		
Streetscape Project	\$ 93,416	2011
2010 Road Resurfacing Project	38,490	2011
Three (3) DPW Vehicles	189,692	2011
Fire Tanker Truck	322,764	2011
Two (2) Police Vehicles	57,606	2011
Road Paving Program	61,728	2011

NOTE 17 CLOSURE AND POST-CLOSURE CARE COSTS

The Borough of Hopatcong has closed its landfill in accordance with an order from the Department of Environmental Protection, State of New Jersey. As of December 31, 2010 and 2009, the Borough has set aside \$303,334 and \$312,168 in the Other Trust Funds to fund the landfill closure. Ultimate costs of the closure will likely exceed the funds set aside. The extent of the closure costs has not been determined at this time. However, the Borough will pursue grants and aid to offset the debt likely to be required to fund the landfill closure.

APPENDIX C

FORM OF APPROVING LEGAL OPINION

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ATTORNEYS AT LAW

90 Woodbridge Center Drive Suite 900 Box 10 Woodbridge, NJ 07095-0958 732.636.8000 Fax 732.855.6117

Meridian Center I Two Industrial Way West Eatontown, NJ 07724-2265 732.542.4500 Fax 732.493.8387

110 William Street 26th Floor New York, NY 10038-3927 212.267.3091 Fax 212.267.3828

Two Penn Center Plaza Suite 910 Philadelphia, PA 19102 215.940.4000 Fax 215.636.3999

Park Building 355 Fifth Avenue Suite 400 Pittsburgh, PA 15222 215.940.4000 Fax 215.636.3999

www.wilentz.com

DAVID T. WILENTZ (1919-1988) G. GEORGE GOLDMAN (1922-1959) HENRY M. SPITZER (1928-1988) WARREN W. WILENTZ (1949-2011)

MORRIS BROWN FREDERIC K. BECKER2 NICHOLAS L. SANTOWASSO (1960-2011) RICHARD F. LERT3 JOHN A. HOFFMAN STEPHEN E. BARCAN BARRY M. EPSTEIN 2,10 VINCENT P. MALTESE DAVID M. WILDSTEIN GORDON J. GOLUM MARVIN J. BRAUTH4 STUART A. HOBBERMAN2,3 STEPHEN A. SPITZER ANNE S. BABINEAU2 CHRISTINE D. PETRUZZELLI BRIAN J. MOLLOY RANDALL J. RICHARDS JOSEPH J. JANKOWSKI DAVID S. GORDON FREDERICK J. DENNEHY ROY H. TANZMAN2 STEVEN J. TRIPP JAY J. ZIZNEWSKI ALAN WASSERMAN4 JAMES E. TRABILSY MAUREEN S. BINETTI4 ANTHONY J. PANNELLA, JR. MICHAEL J. BARRETT4 MICHAEL F. SCHAFF2,7 ANGELO JOHN CIFALDI KEVIN M. BERRY2 JOHN T. KELLY2 C. KENNETH SHANK2 EDWIN LEAVITT-GRUBERGER2 BRUCE M. KLEINMAN 2,5 BARRY A. COOKE2 JON G. KUPILIK PETER R. HERMAN2 EDWARD T. KOLE

HESSER G. MCBRIDE, JR. ERIC JOHN MARCY ROBERT C. KAUTZ2,6 VIOLA S. LORDI 2 LYNNE M. KIZIS KEVIN P. RODDY2,8,9 DANIEL S. BERNHEIM 3d 1,3 DAVID H. STEIN DOUGLAS WATSON LUBIC2 DOMINICK J. BRATTI LISA A. GORAB5 LAWRENCE F. JACOBS2 BETH HINSDALE-FILLER FRED HOPKE1 DONALD E. TAYLOR3 BRETT R. HARRIS2,5 JEFFREY W. CAPPOLA ALFRED M. ANTHONY2 DARRIN M. GELBER2,3 WILLIAM J. LINTON DONNA M. JENNINGS GIOVANNI ANZALONE PETER A. GREENBAUM2 WILLARD C. SHIH2 BLAIR R. ZWILLMAN2, 4 LAWRENCE C. WEINER2 LAURIE E. MEYERS 2,4 JOHN M. CANTALUPO2 BARBARA G. QUACKENBOS2 DAVID P. PEPE JOHN E. HOGAN2 EVERETT M. JOHNSON2 DANIEL R. LAPINSKI2,3

OF COUNSEL

ROBERT A. PETITO HAROLD G. SMITH ALAN B. HANDLER 5 MYRON ROSNER2 R. BENJAMIN COHEN FRANCIS V. BONELLO

COUNSEL

RUTH D. MARCUS 1,2 RICHARD J. BYRNES

JAMES E. TONREY, JR.2 DEIRDRE WOULEF PACHECO2 ROBERTO BENITES JONATHAN J. BART2,2,3 YVONNE MARCUSE ABBY RESNICK-PARIGIAN2,3 BRIAN KALVER2 ELLEN TORREGROSSA-O'CONNOR AMANDA F. SHECHTER2 BARBARA J. KOONZ2 TODD E. LEHDER2,7 PHILIP A. TORTORETTI 11,12 KELLY A. ERHARDT-WOJIE 3 FRANGINE E. TAJFEL2 EDWARD J. ALBOWICZ2 ALEX LYUBARSKY2

ASSOCIATES

LINDA LASHBROOK ELIZABETH C. DELL2 LETITIA ACCARRINO1,2 ALBERTINA WEBB2 JOHN P. MURDOCH II MARY H. SMITH ANNA I. MONFORTH STEPHANIE D. GIRONDA KEVEN H. FRIEDMAN9 GREGORY D. SHAFFER2,4 JESSICA SWEET LOUIS J. SEMINSKI, JR. MICHAEL F. FRIED2 MICHELE C. LEFKOWITZ2 DASHIKA R. WELLLINGTON3 ROBERT L. SELVERS2 PAMELA R. GOLD-ZAFRA2 ALYSON M. LEONE2 VINCENT CHENG2 MICHAEL J. WEISSLITZ JAMIE M. BENNETT2 MARCELLO DE PERALTA1,2 KEITH L. HOVEY2 JOSEPH J. RUSSELL, JR.2 EMILY D. VAIL2,4

CHERYL E. CONNORS CHAD B. SIMON2 ANTHONY WILKINSON2 JAY B. FELDMAN2 JAMES TRACY LOUIS A. GREENFIELD2 JULIA A. LOPE 2,2 AMY HERBOLD DARRON E. BERQUIST1,2 DANIEL J. KLUSKA KARIN K. SAGE JOSEPH D. CASTELLUCCI, JR. REBECCA J. WHITMARSH2 CORINNE L. MCCANN MICHAEL L. GALVIN SATISH V. POONDI ERICA A. RODRIGUEZ CARRIE S. FORD KUSH SHUKLA2,10 RACHIA M. COLANCECCO3 VICTORIA HWANG-MURPHY2 GLENN P. PRIVES2 ANNEMARIE T. GREENAN3 KATHERINE A. CZECH2

< Certified Civil Trial Attorney
Certified Criminal Trial Attorney
Certified Workers Comp. Attorney
National Certified Civil Trial Specialist
Approved by the ABA
1 Not admitted NJ
2 Admitted NY
3 Admitted PA
4 Admitted CT
5 Admitted DC
6 Admitted MD
7 Admitted MA
8 Admitted VA
9 Admitted CA
10 Admitted FL
11 Admitted PR
12 Admitted VI

_____, 2011

Mayor and Common Council of the Borough of Hopatcong Hopatcong, New Jersey

Ladies and Gentlemen:

We have served as Bond Counsel in connection with the authorization, sale, issuance and delivery of the \$8,095,000 aggregate principal amount of General Obligation Bonds, Series 2011, consisting of \$5,760,000 General Improvement Bonds, Series 2011 (the "General Improvement Bonds") and \$2,335,000 Water Utility Bonds, Series 2011 (the "Water Utility Bonds" and together with the General Improvement Bonds, the "Bonds"), of the Borough of Hopatcong, in the County of Sussex (the "Borough"), a body politic and corporate of the State of New Jersey (the "State").

The Bonds are authorized by and are issued pursuant to: (i) the provisions of the Local Bond Law, N.J.S.A. 40A:2-1 et seq., as amended and supplemented (the "Local Bond Law"); (ii) bond ordinances duly adopted by the Borough Common Council of the Borough on the various dates set forth in the Official Statement dated _____, 2011 and published as required by law; and (iii) resolutions adopted by the Borough Common Council of the Borough on August 3, 2011.

The General Improvement Bonds are being issued to (i) refund, on a current basis, a \$4,656,955 aggregate portion of bond anticipation notes of the Borough issued in the aggregate principal amount of \$6,900,192, dated September 16, 2011 and maturing September 16, 2012 (the "Prior Notes", which Prior Notes were originally issued to temporarily finance the costs of various capital, water and sewer improvements in and by the Borough) and (ii) permanently finance the cost of various capital improvements in the amount of \$1,103,045. The Water Utility Bonds are being issued to (i) refund, on a current basis, a \$1,915,005 aggregate portion of the Prior Notes and (ii) permanently finance the cost of various water utility improvements in the amount of \$419,995.

The Bonds are issued in fully registered, book-entry only form, without coupons, initially registered in the name of and held by Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), an automated depository for securities and clearing house for securities transactions. One certificate shall be issued for the aggregate principal amount of Bonds of each series maturing in each year. Purchases of the Bonds will be made in book-entry only form, without certificates, in principal denominations of \$5,000 each or any integral multiple thereof, with minimum purchases of \$5,000 required, except that any amount of Bonds maturing in any one year in excess of the largest principal amount thereof equaling a multiple of \$5,000 will be in denominations of \$1,000 or any integral multiple thereof. So long as DTC or its nominee is the registered owner of the Bonds, payments of the principal of and interest on the Bonds will be made by the Borough as Paying Agent (or a Paying Agent duly appointed by the Borough) directly to Cede & Co., as nominee for DTC. Disbursal of such payments to DTC participants is the responsibility of DTC and disbursal of such payments to the beneficial owners of the Bonds is the responsibility of DTC participants.

The Bonds are dated and shall bear interest from their date of delivery, which interest shall be payable semi-annually on the first day of March and September (each an "Interest Payment Date") in each year until maturity commencing March 1, 2012 or prior redemption, as applicable. The Bonds shall mature on September 1 in each of the years and in the principal amounts as follows:

<u>Year</u>	Principal Amounts		<u>Combined Principal Amounts</u>	<u>Interest Rate</u>
	<u>General Improvement Bonds</u>	<u>Water Utility Bonds</u>		
2012	\$325,000	\$65,000	\$390,000	
2013	325,000	70,000	395,000	
2014	590,000	75,000	665,000	
2015	620,000	85,000	705,000	
2016	650,000	115,000	765,000	
2017	650,000	115,000	765,000	
2018	650,000	120,000	770,000	
2019	650,000	130,000	780,000	
2020	650,000	130,000	780,000	
2021	650,000	130,000	780,000	
2022		130,000	130,000	
2023		130,000	130,000	
2024		130,000	130,000	
2025		130,000	130,000	
2026		130,000	130,000	
2027		130,000	130,000	
2028		130,000	130,000	
2029		130,000	130,000	
2030		130,000	130,000	
2031		130,000	130,000	

The General Improvement Bonds are not subject to redemption prior to their stated maturities. The Water Utility Bonds are subject to redemption prior to their stated maturities as set forth therein.

We have examined such matters of law, certified copies of the proceedings, including all authorization proceedings for the Bonds, and other documents and proofs relative to the issuance and sale of the Bonds as we have deemed necessary or appropriate for the purposes of the opinion rendered below. In such examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity to the original documents of all documents submitted to us as copies. As to any facts material to our opinion we have, when relevant facts were not independently established, relied upon the aforesaid instruments, certificates and documents.

We are of the opinion that (i) such proceedings and proofs show lawful authority for the issuance and sale of the Bonds pursuant to the Local Bond Law, (ii) the Bonds have been duly authorized, executed and delivered and constitute valid and legally binding obligations of the Borough enforceable in accordance with their terms, and (iii) the Borough has pledged its full faith and credit for the payment of the principal of and interest on the Bonds, and, unless paid from other sources, all the taxable property within the Borough is subject to the levy of ad valorem taxes, without limitation as to rate or amount, for the payment of principal of and interest on the Bonds.

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements which must be met at the time of, and on a continuing basis subsequent to, the issuance and delivery of the Bonds in order for interest thereon to be and remain excludable from gross income for Federal income tax purposes under Section 103 of the Code. Noncompliance with such requirements could cause the interest on the Bonds to be included in gross income for Federal income tax purposes retroactive to the date of the issuance of the Bonds. The Borough has covenanted in its tax certificate relating to the Bonds to maintain the exclusion of the interest on the Bonds from gross income for Federal income tax purposes pursuant to section 103(a) of the Code.

Under existing statutes, regulations, rulings and court decisions and assuming continuing compliance by the Borough with the requirements of the Code described in the preceding paragraph, interest on the Bonds is not includable for Federal income tax purposes in the gross income of the owner of the Bonds pursuant to section 103 of the Code and is not treated as a preference item under Section 57 of the Code for purposes of computing the Federal alternative minimum tax imposed on individuals and corporations; *provided, however*, that interest on the Bonds is included in the adjusted current earnings of a corporation for purposes of the Federal alternative minimum tax imposed on corporations.

We are also of the opinion that, under existing laws of the State of New Jersey, interest on the Bonds and any gain on the sale thereof is not includable in gross income under the New Jersey Gross Income Tax Act, 1976 N.J. Laws c. 47, as amended and supplemented.

We are further of the opinion that the Bonds constitute "qualified tax-exempt obligations" within the meaning of section 265(b)(3)(B) of the Code and, therefore, will be treated as

if they were acquired on August 7, 1986 for purposes of the limitations on deductibility by financial institutions of interest expense allocable to tax-exempt interest

Except as stated in the preceding three (3) paragraphs, we express no opinion as to any Federal, state or local tax consequences of the ownership or disposition of the Bonds. Furthermore, we express no opinion as to any Federal, state or local tax law consequences with respect to the Bonds, or the interest thereon, if any action is taken with respect to the Bonds or the proceeds thereof upon the advice or approval of other bond counsel.

This opinion is qualified to the extent that the enforceability of the rights or remedies with respect to the Bonds may be limited by bankruptcy, insolvency, debt adjustment, moratorium, reorganization or other similar laws affecting creditors' rights or remedies heretofore or hereafter enacted to the extent constitutionally applicable and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

We have examined the Bonds, as executed by the Borough, and, in our opinion, the form of each Bond and their execution are regular and proper.

Very truly yours,

WILENTZ, GOLDMAN & SPITZER, P.A.

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

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CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate dated _____, 2011 (the "Disclosure Certificate") is executed and delivered by the Borough of Hopatcong, in the County of Sussex, State of New Jersey (the "Borough" or the "Issuer") in connection with the issuance of its \$8,095,000 aggregate principal amount of General Obligation Bonds, Series 2011 consisting of \$5,760,000 aggregate principal amount of General Improvement Bonds, Series 2011 (the "General Improvement Bonds") and \$2,335,000 aggregate principal amount of Water Utility Bonds, Series 2011 (the "Water Utility Bonds" and together with the General Improvement Bonds, the "Bonds"), all such Bonds being dated _____, 2011. The Bonds are being issued pursuant to (i) various bond ordinances duly adopted by the Borough Common Council of the Borough and approved and published as required by law, (ii) resolutions combining the Borough's bond ordinances for purposes of sale of the Bonds, as applicable (the "Combining Resolutions"), such Combining Resolutions being duly adopted by the Borough Common Council of the Borough on August 3, 2011, and (iii) a resolution entitled, "RESOLUTION DETERMINING THE FORM AND OTHER DETAILS OF THE OFFERING OF \$8,095,000 GENERAL OBLIGATION BONDS, SERIES 2011, CONSISTING OF \$5,760,000 GENERAL IMPROVEMENT BONDS, SERIES 2011 AND \$2,335,000 WATER UTILITY BONDS, SERIES 2011 OF THE BOROUGH OF HOPATCONG, IN THE COUNTY OF SUSSEX, STATE OF NEW JERSEY AND PROVIDING FOR THEIR SALE AND DETERMINING CERTAIN OTHER MATTERS WITH RESPECT THERETO" (the "Bond Resolution"), such Bond Resolution being duly adopted by the Borough Common Council of the Borough on August 3, 2011. The Borough covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Borough for the benefit of the Holders of the Bonds and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter(s) in complying with the Rule (as defined below). The Borough acknowledges it is an "Obligated Person" under the Rule (as defined below).

SECTION 2. Definitions. In addition to the definitions set forth in the Bond Resolution which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the Borough pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Beneficial Owner" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of any Bonds, as applicable (including persons holding Bonds, as applicable through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds, as applicable, for Federal income tax purposes.

“Continuing Disclosure Information” shall mean, collectively, (i) each Annual Report, (ii) any notice required to be filed by the Borough with the EMMA (as defined herein) pursuant to Section 3 of this Disclosure Agreement, and (iii) any notice of a Listed Event required to be filed by the Authority with EMMA pursuant to Section 5 of this Disclosure Agreement.

“Disclosure Representative” shall mean the Chief Financial Officer of the Borough or her designee, or such other person as the Borough shall designate in writing from time to time for the purposes of this Disclosure Certificate.

“Dissemination Agent” shall mean, initially, the Borough or any Dissemination Agent subsequently designated in writing by the Borough which has filed with the Borough a written acceptance of such designation.

“EMMA” shall mean the Electronic Municipal Market Access system, a website created by the MSRB (as defined herein) and approved by the SEC (as defined herein) to provide a central location where investors can obtain municipal bond information including disclosure documents. The Borough or the Dissemination Agent shall submit disclosure documents to EMMA as a Portable Document File (PDF file) to www.emma.msrb.org.

“Listed Events” shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

“MSRB” shall mean the Municipal Securities Rulemaking Board.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission (“SEC”) under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“SEC” shall mean the United States Securities and Exchange Commission.

“State” shall mean the State of New Jersey.

“Underwriters” shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with the purchase of the Bonds.

SECTION 3. Provision of Annual Reports. (a) The Borough shall provide or cause to be provided to the Dissemination Agent not later August 15 of each year, (commencing August 15, 2012), an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. Each Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Borough may be submitted separately from the balance of the Annual Report; and provided, further, that if the audited financial statements of the Borough are not available by such date, the

Borough shall include unaudited financial statements with its Annual Report and when such audited financial statements become available to the Borough, the same shall be submitted to the Dissemination Agent no later than thirty (30) days after the receipt of the same by the Borough.

(b) Not later than September 1 of each year (commencing September 1, 2012) the Dissemination Agent shall file with EMMA a copy of the Annual Report received by the Dissemination Agent pursuant to subsection (a) hereof.

(c) If the Borough does not provide or is unable to provide an Annual Report by the applicable date required in subsection (a) above, such that the Dissemination Agent cannot file the Annual Report with EMMA in accordance with subsection (b) above, the Dissemination Agent shall send a notice of such event to EMMA in substantially the form attached hereto as Exhibit A, with copies to the Borough (if the Dissemination Agent is not the Borough).

(d) Each year the Dissemination Agent shall file a report with the Borough (if the Dissemination Agent is not the Borough), certifying that the Annual Report has been provided to EMMA pursuant to this Disclosure Certificate, stating the date it was provided.

(e) If the fiscal year of the Borough changes, the Borough shall give written notice of such change to the Dissemination Agent and the Dissemination Agent shall, within five (5) business days after the receipt thereof from the Borough, forward a notice of such change to EMMA in the manner provided in Section 5(e) hereof.

SECTION 4. Content of Annual Reports. (a) The Borough's Annual Report shall contain or incorporate by reference the following:

(1) The audited financial statements of the Borough (as of December 31 of each year).

The audited financial statements are to be prepared in accordance with generally accepted auditing standards and audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division") that demonstrate compliance with the modified accrual basis, with certain exceptions, which is a comprehensive basis of accounting other than generally accepted accounting principles (GAAP) and the budget laws of the State.

(2) The most current annual debt statement of the Borough (as of December 31); and.

(3) The general financial information and operating data of the Borough consistent with the information set forth in the Official Statement dated _____, 2011, prepared in connection with the sale of the Bonds (the "Official Statement") contained in Appendix A.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues with respect to which the Borough is an "Obligated Person" (as defined by the Rule), which have been filed with EMMA or the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The Borough shall clearly identify each such other document so incorporated by reference.

SECTION 5. Reporting of Significant Events. (a) This Section 5 shall govern the giving of notices of the occurrence of any of the following events with respect to the Bonds, as applicable:

1. Principal and interest payment delinquencies;
2. Nonpayment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
7. Modifications to rights of Bondholders, if material;
8. Bond calls, if material, and tender offers;
9. Defeasances of the Bonds;
10. Release, substitution or sale of property securing repayment of the Bonds, if material;
11. Rating changes relating to the Bonds;
12. Bankruptcy, insolvency, receivership or similar event of the County;
13. The consummation of a merger, consolidation, or acquisition involving the County or the sale of all or substantially all of the assets

of the County, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

14. Appointment of a successor or additional trustee for the Bonds or the change of name of a trustee for the Bonds, if material.

The County shall, in a timely manner not in excess of ten (10) business days after the occurrence of any Listed Event, file a notice of the occurrence of such Listed Event with the MSRB in accordance with the provisions of Section 5 of this Disclosure Certificate. In determining the materiality of any of the Listed Events specified in subsection (a) of this Section 5, the County may, but shall not be required to, rely conclusively on an opinion of counsel

(b) Whenever the Borough has or obtains knowledge of the occurrence of any of the Listed Events, the Borough shall, as soon as possible, determine if such event would constitute information material to the Beneficial Owners of the Bonds.

(c) If the Borough determines that the occurrence of a Listed Event would be material to the Beneficial Owners of the Bonds, the Borough shall promptly notify the Dissemination Agent in writing (if the Borough is not the Dissemination Agent) and the Borough shall instruct the Dissemination Agent to report such Listed Event and the Dissemination Agent shall report the occurrence of such Listed Event pursuant to subsection (e) hereof.

(d) If the Borough determines that the occurrence of a Listed Event would not be material to the Beneficial Owners of the Bonds, the Borough shall promptly notify the Dissemination Agent in writing (if the Dissemination Agent is not the Borough) and the Dissemination Agent (if the Dissemination Agent is not the Borough) shall be instructed by the Borough not to report the occurrence.

(e) If the Dissemination Agent has been instructed in writing by the Borough to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with EMMA, with a copy to the Borough (if the Dissemination Agent is not the Borough). Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(4) and (5) hereof need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to the Beneficial Owner of the affected Bonds pursuant to the Bond Resolution.

SECTION 6. Termination of Reporting Obligation. The Borough's obligations under this Disclosure Certificate shall terminate upon the defeasance, prior redemption or payment in full of all of the Bonds or when the Borough is no longer an "Obligated Person" (as defined in the Rule). The Borough shall file a notice of the termination of its reporting obligations pursuant to the provisions hereof with the Dissemination Agent,

which notice shall be filed with EMMA in accordance with the provisions of Section 5(e) hereof.

SECTION 7. Compliance with the Rule. The Borough is currently in compliance with all previous undertakings, if any, to provide secondary market disclosure pursuant to the Rule.

SECTION 8. Dissemination Agent; Compensation. The Borough may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be the Borough. The Borough shall compensate the Dissemination Agent (which shall be appointed) for the performance of its obligations hereunder in accordance with an agreed upon fee structure.

SECTION 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Borough may amend this Disclosure Certificate and any provision of this Disclosure Certificate may be waived, if such amendment or waiver (supported by an opinion of counsel expert in Federal securities laws acceptable to the Borough to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof) is (a) made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the obligated person, or type of business conducted; (b) the undertaking, as amended or waived, would have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and (c) the amendment or waiver does not materially impair the interests of holders, as determined either by parties unaffiliated with the Borough or "Obligated Person," or by approving vote of the Beneficial Owners of the Bonds, as applicable pursuant to the terms of the Bond Resolution at the time of the amendment. The Borough shall give notice of such amendment or waiver to this Disclosure Certificate to the Dissemination Agent, which notice shall be filed in accordance with the provisions of Section 5 hereof. Notwithstanding the above, the addition of or change in the Dissemination Agent shall not be construed to be an amendment under the provisions hereof.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the Borough shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Borough. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements (i) notice of such change shall be given in the same manner as a Listed Event under Section 5 hereof, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis

of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Borough from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Borough chooses to include any information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Disclosure Certificate, the Borough shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 11. Default. In the event of a failure of the Borough to comply with any provision of this Disclosure Certificate, the Holders of at least 25% aggregate principal amount of Outstanding Bonds or any Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Borough to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default on the Bonds and the sole remedy under this Disclosure Certificate in the event of any failure of the Borough to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 12. Duties, Immunities and Liabilities of the Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and, to the extent permitted by law, the Borough agrees to indemnify and hold the Dissemination Agent (if the Dissemination Agent is not the Borough) and its respective officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct. To the extent permitted by law, the Borough further releases the Dissemination Agent from any liability for the disclosure of any information required by the Rule and this Disclosure Certificate. The obligations of the Borough under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Borough, the Dissemination Agent, the Underwriters, and the Beneficial Owners of the Bonds, including Bondholders, and shall create no rights in any other person or entity.

SECTION 14. Notices. All notices and submissions required hereunder shall be given to the following, or their successors, by facsimile transmission (with written

confirmation of receipt), followed by hard copy sent by certified or registered mail, personal delivery or recognized overnight delivery:

(a) If to the Borough of Education:

Borough of Hopatcong
111 River Styx Road
Hopatcong, New Jersey 07843
Attention: Chief Financial Officer

(b) Copies of all notices to the Dissemination Agent from time to time with respect to the Bonds, initially:

Borough of Hopatcong
111 River Styx Road
Hopatcong, New Jersey 07843
Attention: Chief Financial Officer

Each party shall give notice from time to time to the other parties, in the manner specified herein, of any change of the identity or address of anyone listed herein.

SECTION 15. Counterparts. This Disclosure Certificate may be executed in any number of counterparts which shall be executed by authorized signatories of the Borough and the Dissemination Agent, as applicable, and all of which together shall be regarded for all purposes as one original and shall constitute and be but one and the same.

SECTION 16. Severability. If any one or more of the covenants or agreements in this Disclosure Certificate to be performed on the part of the Borough and the Dissemination Agent should be contrary to law, then such covenant or covenants, agreement or agreements, shall be deemed severable from the remaining covenants and agreements and shall in no way affect the validity of the other provisions of this Disclosure Certificate.

SECTION 17. Governing Law. This Disclosure Certificate shall be construed in accordance with and governed by the Laws of the United States of America and the State of New Jersey as applicable.

THE BOROUGH OF HOPATCONG

By: _____
KELLEYANNE M. MCGANN,
Chief Financial Officer

EXHIBIT A

**NOTICE TO EMMA OF FAILURE
TO FILE ANNUAL REPORT**

Name of Issuer: Borough of Hopatcong,
in the County of Sussex, State of New Jersey

Name of Issue: \$_____ General Obligation Bonds, Series 2011
(CUSIP Number: _____)

Date of Issuance: _____, 2011

NOTICE IS HEREBY GIVEN that the above designated Borough has not provided an Annual Report with respect to the above-named Bonds as required by the Bond Resolution and a Continuing Disclosure Certificate for the General Obligation Bonds dated _____, 2011 executed by the Borough.

DATED: _____

DISSEMINATION AGENT
(on behalf of the Borough)

cc: The Borough