

OFFICIAL STATEMENT DATED DECEMBER 16, 2011

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

TOWNSHIP OF NORTH BRUNSWICK

County of Middlesex, New Jersey

\$20,105,000 GENERAL OBLIGATION WATER/WASTEWATER SYSTEM REFUNDING BONDS, SERIES 2011A

and

**\$400,000 GENERAL OBLIGATION WATER/WASTEWATER SYSTEM REFUNDING BONDS, SERIES 2011B
(FEDERALLY TAXABLE)**

Dated: Date of Delivery

Due: October 1, as shown below

The \$20,105,000 General Obligation Water/Wastewater System Refunding Bonds, Series 2011A ("Tax-Exempt Refunding Bonds") and the \$400,000 General Obligation Water/Wastewater System Refunding Bonds, Series 2011B (Federally Taxable) ("Taxable Refunding Bonds"; and together with the Tax-Exempt Refunding Bonds, the "Refunding Bonds") of the Township of North Brunswick, County of Middlesex, New Jersey ("Township"), shall be issued in fully registered book-entry only form without coupons. The principal of the Refunding Bonds shall be paid on their respective maturity dates in the amounts and in the years set forth below by the Township, or the Township's hereafter designated paying agent, if any. Interest on the Refunding Bonds is payable semiannually on April 1 and October 1, commencing on April 1, 2012, in each year until maturity. The Refunding Bonds are not subject to redemption prior to their stated maturity dates.

Upon initial issuance, the Refunding Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Refunding Bonds. So long as Cede & Co. is the registered owner of the Refunding Bonds, payments of the principal of and interest on the Refunding Bonds will be made directly to DTC or its nominee, Cede & Co., which will remit such payments to the DTC Participants (as herein defined) which will, in turn, remit such payments to the Beneficial Owners (as herein defined) of the Refunding Bonds. Purchasers will not receive certificates representing their ownership interest in the Refunding Bonds purchased. For so long as any purchaser is a Beneficial Owner of a Refunding Bond, such purchaser must maintain an account with a broker or dealer who is, or acts through, a DTC participant to receive payment of the principal of and interest on such Refunding Bond. See "THE REFUNDING BONDS – Book-Entry-Only System" herein.

The Refunding Bonds are authorized to be issued pursuant to: (i) the Local Bond Law, constituting Chapter 169 of the Laws of 1960 of the State of New Jersey, as amended and supplemented; (ii) a refunding bond ordinance, duly and finally adopted by the Township Council on November 21, 2011 and published in accordance with the requirements of applicable law; and (iii) a Resolution duly adopted by the Township Council on November 21, 2011, authorizing the issuance and sale of the Refunding Bonds.

The Refunding Bonds are being issued to provide funds which will be used to: (i) prepay \$21,480,000 principal amount of lease payments to The Middlesex County Improvement Authority ("Authority") pursuant to a certain Lease Agreement, dated September 15, 2002, between the Authority and the Township; and (ii) pay certain costs and expenses related to the issuance and delivery of the Refunding Bonds.

The full faith and credit of the Township are irrevocably pledged for the payment of the principal of and interest on the Refunding Bonds. The Refunding Bonds are general obligations of the Township payable as to principal and interest from ad valorem taxes to be levied upon all taxable property in the Township without limitation as to rate or amount.

**MATURITIES, PRINCIPAL AMOUNTS,
INTEREST RATES AND YIELDS**

\$20,105,000 Tax-Exempt Refunding Bonds

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>
2013	\$1,505,000	2.000%	0.700%	2018	\$2,030,000	3.000%	1.730%
2014	1,830,000	2.000	0.900	2019	2,105,000	4.000	2.000
2015	1,865,000	2.000	1.200	2020	2,190,000	4.000	2.260
2016	1,910,000	3.000	1.300	2021	2,290,000	5.000	2.440
2017	1,975,000	3.000	1.500	2022	2,405,000	5.000	2.610

\$400,000 Taxable Refunding Bonds

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>
2012	\$110,000	0.650%	0.650%
2013	290,000	1.000	1.000

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

The Refunding Bonds are offered when, as and if issued, subject to the prior approval of legality by the law firm of McCarter & English, LLP, Newark, New Jersey, Bond Counsel, and certain other conditions described herein. Certain legal matters will be passed upon for the Township by its counsel, DeCotiis, FitzPatrick & Cole, L.L.P., Teaneck, New Jersey, and for the Underwriter by its counsel, Parker McCay, P.A., Mount Laurel, New Jersey. Acacia Financial Group, Inc., Marlton, New Jersey, has acted as Financial Advisor to the Township in connection with the issuance of the Refunding Bonds. It is anticipated that the Refunding Bonds in definitive form will be available for delivery through DTC in New York, New York on or about December 22, 2011.

Citigroup

**TOWNSHIP OF NORTH BRUNSWICK,
IN THE COUNTY OF MIDDLESEX, NEW JERSEY**

MAYOR

Francis Womack, III

COUNCIL MEMBERS

Carlo Socio, Council President

Ralph Andrews

Robert Corbin

Robert Davis

Shanti Narra

Cathy Nicola

TOWNSHIP ADMINISTRATOR

Robert Lombard

TOWNSHIP CHIEF FINANCIAL OFFICER

Kala Sriranganathan

TOWNSHIP CLERK

Lisa Russo

TOWNSHIP ATTORNEY

DeCotiis, FitzPatrick & Cole, LLP

TOWNSHIP AUDITOR

Hodulik & Morrison, P.A.

BOND COUNSEL

McCarter & English, LLP

FINANCIAL ADVISOR

Acacia Financial Group, Inc.

No dealer, broker, salesperson or other person has been authorized by the Township or by the Underwriter to give any information or to make any representations other than those contained in this Official Statement in connection with the offering of the Refunding Bonds and, if given or made, such information or representations must not be relied upon as having been authorized by any of the foregoing. 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 Refunding Bonds by any person in any jurisdiction in which it is unlawful for such offer, solicitation or sale. The information set forth herein has been obtained from the Township and other sources which are believed to be reliable, but is not guaranteed as to accuracy or completeness. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstance, create an implication that there has been no change in the affairs of the Township since the date hereof.

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

Upon issuance, the Refunding Bonds will not be registered under the Securities Act of 1933, as amended, will not be listed on any stock nor other securities exchange and neither the Securities and Exchange Commission nor any other federal, state, municipal or other governmental entity, other than the Township, will have passed upon the accuracy or adequacy of this Official Statement.

The presentation of information in this Official Statement is intended to show recent historic information and, except as expressly stated otherwise, it is not intended to indicate future or continuing trends in the financial condition or other affairs of the Township. 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.

This Official Statement is not to be construed as a contract or an agreement between the Township and the purchasers or holders of any of the Refunding 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, estimates and expressions of opinion herein are subject to change without notice. The delivery of this Official Statement or any sale of the Refunding Bonds made hereunder shall not under any circumstances, create any implication that there has been no change in the affairs of the Township since the date hereof. This Official Statement is submitted in connection with the sale of the Refunding Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

IN CONNECTION WITH THE OFFERING OF THE REFUNDING BONDS, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE REFUNDING BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZATION, IF COMMENCED, MAY BE DISCOUNTED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE BONDS TO CERTAIN DEALERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

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

THE UNDERWRITER HAS PROVIDED THE FOLLOWING SENTENCE FOR INCLUSION IN THE OFFICIAL STATEMENT. 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.

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE TOWNSHIP AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

McCarter & English, LLP has not verified the accuracy, completeness or fairness of the information contained herein, except under the heading "TAX MATTERS" and, accordingly, assumes no responsibility therefore and will express no opinion with respect thereto.

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OFFICIAL STATEMENT

Relating to

TOWNSHIP OF NORTH BRUNSWICK

County of Middlesex, New Jersey

**\$20,105,000 GENERAL OBLIGATION WATER/WASTEWATER SYSTEM REFUNDING
BONDS, SERIES 2011A**

and

**\$400,000 GENERAL OBLIGATION WATER/WASTEWATER SYSTEM REFUNDING
BONDS, SERIES 2011B (FEDERALLY TAXABLE)**

INTRODUCTION

The purpose of this Official Statement, including the cover page hereof and the Appendices attached hereto, is to provide certain information relating to the \$20,105,000 General Obligation Water/Wastewater System Refunding Bonds, Series 2011A ("Tax-Exempt Refunding Bonds") and the \$400,000 General Obligation Water/Wastewater System Refunding Bonds, Series 2011B (Federally Taxable) ("Taxable Refunding Bonds"; and together with the Tax-Exempt Refunding Bonds, the "Refunding Bonds"), to be issued by the Township of North Brunswick, County of Middlesex, New Jersey ("Township").

The information contained herein relating to the Township was furnished by the Township unless otherwise indicated.

PURPOSE OF THE REFUNDING BOND ISSUE

The Refunding Bonds are being issued to provide funds which will be used to: (i) prepay \$21,480,000 principal amount of lease payments to The Middlesex County Improvement Authority ("Authority"), pursuant to a certain Lease Agreement, dated September 15, 2002, between the Authority and the Township; and (ii) pay certain costs and expenses related to the issuance and delivery of the Refunding Bonds.

Pursuant to an Escrow Deposit Agreement ("Escrow Agreement"), dated the date of issuance of the Refunding Bonds, between the Authority and TD Bank, National Association, as escrow agent ("Escrow Agent"), the Authority will irrevocably deposit cash or direct noncallable obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America ("Government Obligations") with the Escrow Agent, which Government Obligations will bear interest at such rates and will mature at such times and in such amounts so that, when paid in accordance with their terms, sufficient moneys will be available to make full and timely payments of the redemption price and interest coming due on the Township of North Brunswick Lease Revenue Bonds (Water/Wastewater System Project) Series 2002A, issued by the Authority on behalf of the Township, maturing on October 1 in the years 2013 through 2022, both dates inclusive ("Refunded Bonds") on October 1, 2012.

The mathematical calculations and adequacy of the deposit provided for the payment of the Refunded Bonds will be verified by Ferraioli, Wielkotz, Cerullo & Cuva, P.A., New Jersey, Certified Public Accountants ("Verification Agent"), at the time of delivery of the Refunding

Bonds. All money and Government Obligations deposited for the payment of the Refunded Bonds, including interest thereof, are pledged solely and irrevocably for the benefit of the owners of the Refunded Bonds.

AUTHORIZATION FOR THE REFUNDING BONDS

The Refunding Bonds are authorized to be issued pursuant to: (i) the Local Bond Law, constituting Chapter 169 of the Laws of 1960 of the State of New Jersey, as amended and supplemented; (ii) a refunding bond ordinance ("Refunding Bond Ordinance"), duly and finally adopted by the Township Council on November 21, 2011 and published in accordance with the requirements of applicable law; and (iii) a resolution duly adopted by the Township Council on November 21, 2011 ("Resolution"), authorizing the issuance and sale of the Refunding Bonds.

The financing plan of the Township regarding the Refunding Bonds was reviewed in accordance with the provisions of the Local Bond Law, specifically N.J.S.A 40A:2-52 et seq., by the Local Finance Board, Division of Local Government Services, New Jersey Department of Community Affairs ("Local Finance Board"). On November 9, 2011, the Local Finance Board adopted a resolution that contained approval for the adoption of the Refunding Bond Ordinance, the issuance of the Refunding Bonds and the financing described herein.

ESTIMATED SOURCES AND USES OF FUNDS

The following table sets forth the estimated sources and uses of funds with respect to the Tax-Exempt Refunding Bonds.

Sources of Funds:

Par Amount of Tax-Exempt Refunding Bonds	\$20,105,000.00
Original Issue Premium	<u>2,268,665.45</u>
Total Sources of Funds	<u>\$22,373,665.45</u>

Uses of Funds:

Costs of Issuance ⁽¹⁾	\$128,097.45
Deposit to Escrow Fund	22,114,739.51
Underwriter's Discount	<u>130,828.49</u>
Total Uses of Funds	<u>\$22,373,665.45</u>

⁽¹⁾ Includes, legal fees, financial advisory fees, accounting fees, disbursement agent fees, printing costs, rating agency's fees, rounding amount and miscellaneous expenses incurred in connection with the issuance of the Tax-Exempt Refunding Bonds.

The following table sets forth the estimated sources and uses of funds with respect to the Taxable Refunding Bonds.

Sources of Funds:

Par Amount of Taxable Refunding Bonds	<u>\$400,000.00</u>
Total Sources of Funds	<u>\$400,000.00</u>

Uses of Funds:

Costs of Issuance ⁽¹⁾	\$4,609.27
Deposit to Escrow Fund	392,936.72
Underwriter's Discount	<u>2,454.01</u>
Total Uses of Funds	<u>\$400,000.00</u>

⁽¹⁾ Includes, legal fees, financial advisory fees, accounting fees, disbursement agent fees, printing costs, rating agency's fees, rounding amount and miscellaneous expenses incurred in connection with the issuance of the Taxable Refunding Bonds.

THE REFUNDING BONDS

Description

The Tax-Exempt Refunding Bonds and Taxable Refunding Bonds will be issued in the aggregate principal amounts of \$20,105,000 and \$400,000, respectively. The Refunding Bonds will be dated their date of issuance and bear interest from that date at the rates set forth on the cover page hereof. Interest on the Refunding Bonds will be payable semiannually on April 1 and October 1 ("Interest Payment Dates"), commencing on April 1, 2012, in each year until maturity. The Refunding Bonds will mature on October 1 in the years and in the principal amounts, all as shown on the cover page hereof.

The Refunding Bonds will be issued in fully registered book-entry only form without coupons in the principal denominations of \$5,000 or any integral multiple of \$1,000 in excess thereof. The principal of the Refunding Bonds will be payable to the registered owners thereof at maturity, by the Township, or the Township's hereafter designated paying agent, if any. Interest on each Refunding Bond shall be payable on each Interest Payment Date to the registered owner of record thereof appearing on the registration books kept by the Township for such purpose at the principal office of the Township, or the Township's hereafter designated paying agent, if any, as of the close of business on the fifteenth (15th) day of the calendar month immediately preceding an Interest Payment Date ("Record Date").

So long as The Depository Trust Company, New York, New York ("DTC"), or its nominee, Cede & Co., is the registered owner of the Refunding Bonds, payments of the principal of and interest on the Refunding Bonds will be made directly to Cede & Co., as nominee for DTC. Disbursements of such payments to the DTC Participants ("DTC Participants") is the responsibility of DTC and disbursements of such payments to the Beneficial Owners (as herein defined) of the Refunding Bonds is the responsibility of the DTC Participants and not the Township, or the Township's hereafter designated paying agent, if any. See "THE REFUNDING BONDS--Book-Entry Only System" herein.

Redemption Provisions

The Refunding Bonds are not subject to redemption prior to their stated maturity dates.

Book-Entry-Only System¹

The description which follows of the procedures and record keeping with respect to beneficial ownership interests in the Refunding Bonds, payment of principal and interest, and other payments on the Refunding Bonds to DTC Participants or Beneficial Owners (as each such term is hereinafter defined), confirmation and transfer of beneficial ownership interests in the Refunding Bonds and other related transactions by and between DTC, DTC Participants and Beneficial Owners, is based on certain information furnished by DTC to the Township. Accordingly, the Township does not make any representations as to the completeness or accuracy of such information.

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Refunding Bonds. The Refunding 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 Refunding Bond certificate will be issued for each maturity of each series of the Refunding Bonds, each in the aggregate principal amount of such issue of each series, 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, as amended. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Refunding Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Refunding Bonds on DTC's records. The ownership interest of each actual purchaser of each Refunding Bond ("Beneficial Owner") is in

¹ Source: The Depository Trust Company

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 Refunding 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 Refunding Bonds, except in the event that use of the book-entry system for the Refunding Bonds is discontinued.

To facilitate subsequent transfers, all Refunding 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 Refunding 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 Refunding Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Refunding 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.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Refunding 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 Township or its designated paying agent, if any, 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 Refunding Bonds are credited on the Record Date (identified in a listing attached to the omnibus proxy).

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

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

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

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

THE TOWNSHIP AND ANY PAYING AGENT CANNOT AND DO NOT GIVE ANY ASSURANCES THAT DTC WILL DISTRIBUTE TO THE DIRECT PARTICIPANTS OR THAT THE DIRECT PARTICIPANTS OR THE INDIRECT PARTICIPANTS WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE REFUNDING BONDS: (I) PAYMENTS OF PRINCIPAL OR INTEREST THEREON; (II) CERTIFICATES REPRESENTING AN OWNERSHIP INTEREST OR OTHER CONFIRMATION OF BENEFICIAL OWNERSHIP INTEREST IN THE REFUNDING BONDS; OR (III) NOTICES SENT TO DTC OR CEDE & CO., ITS NOMINEE, AS THE REGISTERED OWNER, OR THAT THEY WILL DO SO ON A TIMELY BASIS OR THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT.

NEITHER THE TOWNSHIP NOR ANY PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DIRECT PARTICIPANT, INDIRECT PARTICIPANT OR ANY PERSON CLAIMING A BENEFICIAL OWNERSHIP INTEREST IN THE REFUNDING BONDS UNDER OR THROUGH DTC OR ANY DIRECT PARTICIPANT, OR ANY OTHER PERSON WHO IS NOT SHOWN IN THE REGISTRATION BOOKS OF THE TOWNSHIP AS BEING A HOLDER OF THE REFUNDING BONDS. THE TOWNSHIP AND ANY PAYING AGENT SHALL HAVE NO RESPONSIBILITY WITH RESPECT TO: (I) ANY OWNERSHIP INTEREST IN THE REFUNDING BONDS; (II) THE PAYMENT BY DTC TO ANY DIRECT PARTICIPANT OR BY ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OR INTEREST ON THE REFUNDING BONDS; (III) THE DELIVERY TO ANY DIRECT PARTICIPANT, INDIRECT PARTICIPANT OR ANY BENEFICIAL OWNER OF ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO HOLDERS OF THE REFUNDING BONDS; OR (IV) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC OR CEDE & CO. AS HOLDER OF THE REFUNDING BONDS.

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

Discontinuance of Book-Entry-Only System

In the event that the book-entry only system is discontinued and the Beneficial Owners become registered owners of the Refunding Bonds, the following provisions would apply: (i) the Refunding Bonds may be exchanged for an equal aggregate principal amount of Refunding Bonds in other authorized denominations, of the same maturity and series, upon surrender thereof at the principal corporate trust office of the Township or designated paying agent, if any; (ii) the transfer of any Refunding Bonds may be registered on the books maintained by the Township or designated paying agent, if any, for such purpose only upon the surrender thereof to the Township or designated paying agent, if any, together with the duly executed assignment in form satisfactory to the Township and any designated paying agent; and (iii) for every exchange or registration of transfer of Refunding Bonds, the Paying Agent may make a charge sufficient to reimburse for any tax or other governmental charge required to be paid with respect to such exchange or registration of transfer of the Refunding Bonds. Interest on the Refunding Bonds will be payable by check or draft, mailed on each Interest Payment Date to the registered owners thereof as of the close of business on the Record Date, whether or not a business day.

SECURITY AND SOURCES OF PAYMENT FOR THE REFUNDING BONDS

The Refunding Bonds are general obligations of the Township and the Township has pledged its full faith and credit for the payment of the principal of and interest on the Refunding Bonds.

The Refunding Bonds are payable, if payment is not provided in any other manner, from ad valorem taxes to be levied upon all taxable real property located within the Township without limitation as to rate or amount, except to the extent that enforcement of such payment may be limited by bankruptcy, insolvency or other similar laws or equitable principles affecting the enforcement of creditors' rights generally ("Creditors' Rights Limitations"). See "CERTAIN PROVISIONS OF THE LAWS OF THE STATE OF NEW JERSEY AND THE UNITED STATES RELATING TO GENERAL OBLIGATION DEBT-Local Bond Law" herein.

CERTAIN PROVISIONS OF THE LAWS OF THE STATE OF NEW JERSEY AND THE UNITED STATES RELATING TO GENERAL OBLIGATION DEBT

Local Bond Law

General - The Local Bond Law governs the issuance of bonds and notes by counties and municipalities for the financing of capital improvements. Among its provisions are the following: (i) the power and obligation to pay any and all bonds and notes issued pursuant to the Local Bond Law shall be unlimited; (ii) the county or municipality shall levy ad valorem taxes upon all taxable property therein for the payment of the principal of and interest on such bonds and notes without limitation as to rate or amount; (iii) generally, a down payment that is not less than five percent (5%) of the amount of debt obligations authorized must be appropriated in addition to the amount of debt obligations authorized; (iv) all non-special-assessment bonds shall mature within the period of usefulness or average period of usefulness of the improvements being financed; and (v) after issuance, all bonds and notes shall be conclusively presumed to be fully authorized and issued by all of the laws of the State, and all persons shall be estopped from questioning their sale, execution or delivery.

Debt Limits - The authorized bonded indebtedness of the Township is limited by statute, subject to the exceptions noted below, to an amount equal to three and one-half percent (3.5%) of its equalized valuation basis. The equalized valuation basis of the Township is set by statute as the average for the last three years of the equalized value of all taxable real property and improvements as annually determined by the New Jersey State Board of Taxation. Certain categories of debt are permitted by statute to be deducted for purposes of computing the statutory debt limit.

Bonds, notes and long-term loans are included in the computation of debt for the statutory debt limit. The Township, including the issuance of the Refunding Bonds, will not exceed its three and one-half percent (3.5%) debt limit.

Exceptions to Debt Limits – Extensions of Credit - The Township may exceed its debt limit with the approval of the Local Finance Board, a State regulatory agency, and as permitted by other statutory exceptions. If all or any part of a proposed debt authorization would exceed its debt limit, the Township may apply to the Local Finance Board for an extension of credit. If the Local Finance Board determines that a proposed debt authorization would not materially impair the credit of the Township or substantially reduce the ability of the Township to meet its obligations or to provide essential public improvements and services, or make certain other statutory determinations, approval may be granted.

In addition, debt in excess of the statutory limit may be issued by the Township to fund certain notes, to provide for self-liquidating purposes and, in each fiscal year, to provide for purposes in an amount not exceeding two-thirds (2/3) of the amount budgeted in such fiscal year for the retirement of outstanding obligations (exclusive of utility and assessment obligations).

Short-Term Financing – When approved by bond ordinance, the Township may issue bond anticipation notes to temporarily finance capital improvements. Such notes may not be issued in an aggregate amount exceeding that specified by the ordinance. The notes may not be issued for periods of more than one year, renewable with the final maturity occurring no later than the first day of the fifth month following the close of the tenth fiscal year next following the date of the original note. After the third year, the amount of the notes that may be renewed annually must be decreased by the minimum amount required for the first year's principal payment for the bond issue in anticipation of which the notes are issued.

Refunding Bonds – Refunding bonds may be issued pursuant to the Local Bond Law for the purpose of paying, funding outstanding bonds, including emergency appropriations, the actuarial liabilities of a non-state administered public employee pension system 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 must approve the authorization of the issuance of refunding bonds.

Local Fiscal Affairs Law

The Local Fiscal Affairs Law, Chapter 5 of Title 40A of the New Jersey State Statutes, as amended and supplemented ("Local Fiscal Affairs Law"), governs the non-budgetary financial activities of local government, including audits, auditors, public moneys and financial statements of local governmental units, including the Township.

Each municipality is required to cause an annual audit of its books, accounts and financial transactions to be made and completed within six months after the close of its fiscal year by either a Registered Municipal Accountant or, by agreement with the Director ("Director") of the Division of Local Government Services ("Division") in the Department of Community Affairs, by qualified employees of the Division.

An independent examination of the Township's books, accounts and financial transactions must be performed annually by a Registered Municipal Accountant who is licensed by the State Board of Public Accountants. The audit, conforming to the Division's "Requirements of Audit", includes recommendations for improvement of the municipality's financial procedures and must be filed with the report, together with all recommendations made. A Summary of Audit, together with recommendations, must be published in a local newspaper within 30 days of its submission. The entire annual audit report for the year ended June 30, 2010 is on file with the Township Clerk and is available for review during business hours.

The Local Fiscal Affairs Law also requires that the chief financial officer of the municipality file annually with the Director a verified statement of the financial condition of the municipality as of the close of the fiscal year to be made not later than February 10 for December 31 fiscal year end municipalities and August 10 for June 30 fiscal year end municipalities. The Annual Compiled Financial Statement for the year ended June 30, 2010 is on file with the Township Clerk and is available for review during business hours.

Local Budget Law

The Local Budget Law, Chapter 4 of Title 40A of the State, as amended and supplemented ("Local Budget Law"), governs the budgeting and appropriation of funds by local governmental units.

The Local Budget Law requires local governmental units to adopt a "cash basis" budget in such form that there will be sufficient cash collected to meet all debt service requirements, necessary operations of the local governmental units for the fiscal year and any mandatory payments required to be met during the fiscal year.

No budget shall be adopted unless the Director shall have previously certified his approval thereof.

Each local governmental unit must include in its budget an appropriation for the payment of debt service. The Director is required to examine such appropriation to determine whether it is properly set forth, in addition to determining whether all estimates of revenue contained in the budget are reasonable, accurate and correctly stated.

A statute passed in 1976, as amended (N.J.S.A. 40A:4-45.1 et seq.), commonly known as the "Cap Law", imposed limitations on increases in municipal appropriations subject to various exceptions. On August 20, 1990, the Governor signed into law P.L. 1990, c. 89, which revised and made permanent the "Cap Law". Since its inception, the "Cap Law" has been amended and modified several times, most recently on July 13, 2010. While the revised "Cap Law" is more restrictive on the ability of a municipality to increase its overall appropriations, it does not limit the obligation of the Township to levy ad valorem taxes upon all taxable real property within the Township to pay debt service on the Refunding Bonds. The Cap Law provides that a

municipality shall limit any increase of its budget to 2.5% or the index rate, whichever is less, over the previous year's final appropriations subject to certain exceptions. The "index rate" is the rate of annual percentage increase in the Implicit Price Deflator for State and Local Government Purchases of Goods and Services computed by the United States, Department of Commerce. Among the exceptions to the limitations imposed by the Cap Law are capital expenditures; debt service; extraordinary expenses approved by the Local Finance Board for implementation of an interlocal services agreement; expenditures mandated as a result of certain emergencies; and certain expenditures for services mandated by law.

Additionally, legislation constituting P.L. 2010, c. 44, was adopted on July 13, 2010, which, among other things, imposed a two percent (2%) cap on the tax levy that municipalities, counties, fire districts and solid waste collection districts may impose, with very limited exceptions and subject to certain adjustments.

Exclusions from the two percent (2%) tax levy cap include: (i) increases required to be raised by taxation for capital expenditures, including debt service as defined by law; (ii) increases in pension contributions and accrued liability for pension contributions in excess of 2.0%; (iii) increases in health care costs equal to that portion of the actual increase in total health care costs for the budget year that is in excess of 2.0% of the total health care costs in the prior year, but is not in excess of the product of the total health care costs in the prior year and the average percentage increase of the State Health Benefits Program, P.L.1961, c.49 (C.52:14-17.25 et seq.), as annually determined by the Division of Pensions and Benefits in the Department of the Treasury; and (iv) and extraordinary costs incurred by a local unit directly related to a declared emergency, as defined by regulation promulgated by the Commissioner of the Department of Community Affairs, in consultation with the Commissioner of Education, as appropriate. The amendments to the tax levy sections of the "Cap Law" (specifically, N.J.S.A. 40A:4-45-46) in 2010 no longer permit municipalities, counties, fire districts and solid waste collection districts to request approval from the Local Finance Board for a waiver to increase the amount to be raised by taxation in excess of the two percent (2%) cap. However, counties, municipalities, fire districts and solid waste collection districts may request, through a public question submitted to the voters, an increase in the amount to be raised by taxes above the two percent (2%) tax levy cap. Such approval must be achieved by an affirmative vote in excess of fifty percent (50%) of those voting on such public question.

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

Miscellaneous Revenues

N.J.S.A. 40A:4-26 provides that: "No miscellaneous revenues from any source shall be included as an anticipated revenue in the budget in an amount in excess of the amount actually realized in cash from the same source during the next preceding fiscal year, unless the [D]irector 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." Such determination may be made by the governing body and the Chief Financial Officer in any year during which the municipality is subject to local examination.

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

Real Estate Taxes

Receipts from Delinquent Taxes - Revenues are permitted by N.J.S.A. 40A:4-29 to be anticipated in the annual budget for collection of delinquent taxes of prior years. The maximum amount permitted to be anticipated is determined by applying the collection rate of the prior year's delinquent taxes to the total amount of delinquent taxes outstanding at the beginning of the current year.

Current Year Tax Levy and Reserve for Uncollected Taxes - The current year's taxes to be levied are determined by adding the sums of the cash required from taxes to support the municipal, school, county and special district budgets, if any, together with the amount of an appropriation required to be included in the annual municipal budget entitled "Reserve for Uncollected Taxes", less the total of anticipated revenues. The inclusion of the "Reserve for Uncollected Taxes" appropriation in the current year's budget protects the municipality from taxes currently unpaid. The "Reserve for Uncollected Taxes" is required to be, at a minimum, an amount sufficient to provide for the same percentage of uncollected taxes in the current year as was experienced in the immediately preceding year or the average of the previous three years in accordance with P.L. 2000, c. 126.

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

Deferral of Current Expenses

Emergency appropriations (i.e., those made after the adoption of the budget and determination of the tax rate for an unforeseen event or purpose) may be authorized by the governing body of the local governmental unit. With minor exceptions, however, such appropriations must be included in full in the following year's budget. When such appropriations exceed three percent (3%) of the adopted operating budget, consent of the Director of Local Government Services must be obtained.

The exceptions are certain enumerated projects to cover the cost of the extraordinary expense for the repair, or reconstruction of streets, roads or bridges, or other public property damaged by snow, ice, frost or flood, where such expense was not foreseen at the time of the adoption of the budget, which may be amortized over three years; and tax map preparations, revision of ordinances, revaluations, master plan preparation, studies and planning necessary for the installation and construction of a sanitary sewer system, which may be amortized over five years.

Budget Transfers

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

Operation of Utilities

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

Capital Budget

In accordance with the Local Budget Law, each local unit shall prepare and adopt a capital budget, in conjunction with its annual operating budget, for any year in which it proposes to undertake a capital project. Every local unit which adopts a capital budget must also adopt a three (3) year capital program unless the local unit's population exceeds 10,000 where a six (6) year capital program is required.

Related Constitutional and Statutory Provisions

In the general election of January 2, 1976, as amended by the general election of January 6, 1984, the following Article 8, Section 1, Paragraph 7, with respect to a state income tax, was added to the State Constitution:

No tax shall be levied on personal incomes of individuals, estates and trusts of this State unless the entire net receipts therefrom shall be received into the treasury, placed in a perpetual fund and be annually appropriated, pursuant to formulas established from time to time by the Legislature, to the several counties, municipalities and school districts of this State exclusively for the purpose of reducing or offsetting property taxes. In no event, however, shall a tax so levied on personal income be levied on payments received under the Federal Social Security Act, the Federal Railroad Retirement Act, or any federal law which substantially reenacts the provisions of either of those laws.

A progressive state income tax is currently in effect in the State.

The State Constitution may only be amended after: (i) approval of a proposed amendment by three-fifths (3/5) of all of the members of each house of the State Legislature and approval by a majority vote in a statewide referendum; or (ii) approval in two successive legislative years by a majority of all of the members of each house and approval by a majority vote in a statewide referendum. Amendments failing to receive voter approval may not be resubmitted for voter approval before the third succeeding general election after such disaffirmance.

Rights and Remedies of Owners of the Refunding Bonds

The State Municipal Finance Commission Act, Chapter 27 of Title 52 of the State Statutes, as amended and supplemented ("Act"), provides that when it has been established, by court proceedings, that a municipality has defaulted for over sixty days in the payment of the principal of or interest on any of its outstanding bonds or notes, the Local Finance Board of the State Department of Community Affairs (which, pursuant to the Act, is constituted the Municipal Finance Commission and shall hereinafter be referred to as the "Commission") shall take control of the fiscal affairs of the defaulting municipality.

The Act provides that the Commission shall remain in control of the municipality until all bonds or notes of the municipality that have fallen due and all bonds or notes that will fall due within one year, and the interest thereon, have been paid, funded or refunded, or the payment thereof in cash shall have been adequately provided for by a cash reserve.

The Act empowers the Commission to direct the municipality to provide for the funding or refunding of notes or bonds of the municipality and the interest thereon, which the Commission shall have found to be outstanding and unpaid and to be due or become due. The Act further authorizes the Commission to bring and maintain an appropriate proceeding for the assessment, levy or collection of taxes by the municipality for the payment of principal or of interest on such indebtedness.

Under Article 6 of the Act, while the Commission functions in the municipality, no judgment, levy, or execution against the municipality or its property for the recovery of the amount due on any bonds, notes or other obligations of the municipality in the payment of which it has defaulted, shall be enforced unless otherwise directed by Court Order. However, Article 6 of the Act also provides that upon application of any creditor made upon notice to the municipality and the Commission, a court may vacate, modify or restrict any such statutory stay contained therein.

Limitation of Remedies Under Federal Bankruptcy Code

The rights and remedies of the registered owners of the Refunding Bonds are subject to the provisions of Chapter 9 of the Federal Bankruptcy Code of the United States ("Bankruptcy Code"). In general, Chapter 9 permits, under prescribed circumstances, but only after an authorization by the applicable state legislature or by a governmental officer or organization empowered by state law to give such authorization, a political subdivision of a state to file a petition for relief in a bankruptcy court of the United States if it is insolvent or unable to meet its debts as they mature and desires to effect a plan to adjust its debts.

The State has authorized the political subdivisions thereof to file such petitions for relief under the Bankruptcy Code pursuant to and subject to Article 8 of the Act. The Act provides that such petitions may not be filed without the prior approval of the Commission and that no plan of readjustment of the municipality's debts may be filed or accepted by the petitioner without express authority from the Commission to do so.

THE ABOVE REFERENCES TO THE BANKRUPTCY CODE ARE NOT TO BE CONSTRUED AS AN INDICATION THAT THE TOWNSHIP EXPECTS TO RESORT TO THE PROVISIONS OF SUCH BANKRUPTCY CODE OR THAT, IF IT DID, SUCH ACTION WOULD BE APPROVED BY THE COMMISSION, OR THAT ANY PROPOSED PLAN WOULD INCLUDE A DILUTION OF THE SOURCE OF PAYMENT OF AND SECURITY OF THE REFUNDING BONDS.

Procedure for Assessment and Collection of Taxes

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

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

The Township operates on a June 30 fiscal year end. Thus, the Municipal Purpose tax is calculated and billed based upon a July 1 through June 30 fiscal year, as opposed to County and Local School District Taxes that are calculated and billed on a calendar year cycle. As a result of the differing year-ends, tax bills are calculated and mailed semi-annually in June and in December.

For calendar year tax liabilities, the taxes due August 1 and November 1 respectively are adjusted to reflect the remaining balance due for the current calendar year's total tax liability. Preliminary estimated taxes are due February 1 and May 1 of the succeeding year, based upon one-half of the current calendar year's total tax.

The Municipal Purpose tax, calculated on a June 30 fiscal year, is billed for August 1 and November 1 based upon one half of the total estimated needs for the current fiscal year. The February 1 and May 1 tax bills are adjusted to reflect the balance of the current fiscal year levy for the Municipal Purpose Tax.

Tax installments not paid on or before the due date are subject to interest penalties of 8% per annum on the first \$1,500.00 of the delinquency and 18% per annum on any amount in excess of \$1,500.00. These interest and penalties are the highest permitted under New Jersey statutes.

Pursuant to c. 75, P.L. 1991, the governing body may also fix a penalty to be charged to the taxpayer with a delinquency in excess of \$10,000 who fails to pay that delinquency prior to the end of the calendar year. The penalty so fixed shall not exceed six percent (6%) of the amount of the delinquency. These interest and penalties are also the highest permitted under the New Jersey Statutes. Delinquent taxes are included in a tax sale prior to the end of each fiscal year in accordance with New Jersey statutes.

State Supervision

State law authorizes State officials to supervise fiscal administration in any municipality which is in default on its obligations; experiences severe tax collection problems for two (2) successive years; has a deficit greater than four percent (4%) of its tax levy for two (2) successive years; has failed to make payments due and owing to the State, county, school district or special district for two (2) consecutive years; 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 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 a cash deficit.

Tax Appeals

The State Statutes provide a taxpayer with remedial procedures for appealing an assessment deemed excessive. The taxpayer has a right to petition the New Jersey Board of Taxation ("Tax Board") on or before the first day of April of the current tax year for review. The Tax Board has the authority, after a hearing, to decrease, increase or reject the appeal petition. These adjustments are usually concluded within the current tax year and reductions are shown as canceled or remitted taxes for that year. If the taxpayer feels his petition was unsatisfactorily reviewed by the Tax Board, appeal may be made to the State Tax Court. State Tax Court appeals tend to take several years prior to settlement and any losses in tax collection from prior years are charged directly to operations.

THE SUMMARIES OF AND REFERENCES TO THE STATE CONSTITUTION AND OTHER STATUTORY PROVISIONS ABOVE ARE NOT AND SHOULD NOT BE CONSTRUED AS 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.

LITIGATION

To the knowledge of the Township Attorney, DeCotiis, FitzPatrick & Cole, L.L.P., Teaneck, New Jersey, there is no litigation of any nature now pending or threatened, restraining or enjoining the issuance or the delivery of the Refunding Bonds, or the levy or the collection of any taxes to pay the principal of or the interest on the Refunding Bonds, or in any manner questioning the authority or the proceedings for the issuance of the Refunding Bonds or for the levy or the collection of taxes, or contesting the corporate existence or the boundaries of the Township or the

title of any of the present officers. Moreover, to the knowledge of the Township Attorney, no litigation is presently pending or threatened that, in the opinion of the Township Attorney, would have a material adverse impact on the financial condition of the Township if adversely decided. A certificate to such effect will be executed by the Township Attorney and delivered at the closing.

TAX MATTERS

The Tax-Exempt Refunding Bonds

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

The Code imposes certain requirements that must be met on the date of issuance of the Tax-Exempt Refunding Bonds and on a continuing basis subsequent to the issuance of the Tax-Exempt Refunding Bonds in order to assure that interest on the Tax-Exempt Refunding Bonds will be excluded from gross income for federal income tax purposes under Section 103 of the Code. Failure of the Township to comply with such requirements may cause interest on the Tax-Exempt Refunding Bonds to lose the exclusion from gross income for federal income tax purposes, retroactive to the date of issuance of the Tax-Exempt Refunding Bonds. The Township will make representations in the Tax Certificate, which will be executed on the date of issuance of the Tax-Exempt Refunding Bonds, as to various tax requirements. In addition, the Township has covenanted to comply with the provisions of the Code applicable to the Tax-Exempt Refunding Bonds and has covenanted not to take any action or fail to take any action that would cause the interest on the Tax-Exempt Refunding Bonds to lose the exclusion from gross income under Section 103 of the Code. With the permission of the Township, McCarter & English, LLP, Bond Counsel to the Township, has relied upon the representations made in the Tax Certificate and has assumed continuing compliance by the Township with the above covenants in rendering its federal tax opinion with respect to the exclusion of interest on the Tax-Exempt Refunding Bonds from gross income for federal tax purposes.

Based upon the foregoing, McCarter & English, LLP, Bond Counsel to the Township, is of the opinion that, under existing law, interest on the Tax-Exempt Refunding Bonds is excluded from the gross income of the owners of the Tax-Exempt Refunding Bonds for federal income tax purposes pursuant to Section 103 of the Code and interest on the Tax-Exempt Refunding Bonds is not an item of tax preference under Section 57 of the Code for purposes of computing the alternative minimum tax.

Additional Federal Income Tax Consequences

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

Prospective purchasers of the Tax-Exempt Refunding Bonds should be aware that ownership of, accrual or receipt of interest on or disposition of tax-exempt obligations, such as the Tax-Exempt Refunding Bonds, may have additional federal income tax consequences for certain taxpayers, including, without limitation, taxpayers eligible for the earned income credit,

recipients of certain Social Security and certain Railroad Retirement benefits, taxpayers that may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, financial institutions, property and casualty companies, foreign corporations and certain S corporations. Prospective purchasers of the Tax-Exempt Refunding Bonds should also consult with their tax advisors with respect to the need to furnish certain taxpayer information in order to avoid backup withholding.

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

The Internal Revenue Service ("Service") has an ongoing program of auditing state and local government obligations, which may include randomly selecting bond issues for audit, to determine whether interest paid to the holders is properly excludable from gross income for federal income tax purposes. It cannot be predicted whether the Tax-Exempt Refunding Bonds will be audited. If an audit is commenced, under current Service procedures the holders of the Tax-Exempt Refunding Bonds may not be permitted to participate in the audit process, and the value and liquidity of the Tax-Exempt Refunding Bonds may be adversely affected.

Original Issue Premium

The excess, if any, of the tax basis of the Tax-Exempt Refunding Bonds to a purchaser (other than a purchaser who holds such Tax-Exempt Refunding Bonds as inventory, stock in trade or for sale to customers in the ordinary course of business) over the amount payable at maturity (the "Premium Bonds") is amortizable bond premium, which is not deductible from gross income for federal income tax purposes.

Amortizable bond premium, as it amortizes, will reduce the owner's tax cost of the Premium Bonds used to determine, for federal income tax purposes, the amount of gain or loss upon the sale, redemption at maturity or other disposition of the Premium Bonds. Accordingly, an owner of a Premium Bond may have taxable gain from the disposition of the Premium Bond, even though the Premium Bond is sold, or disposed of, for a price equal to the owner's original cost of acquiring the Premium Bond. Bond premium amortizes over the term of the Premium Bonds under the "constant yield method" described in regulations interpreting Section 1272 of the Code. Owners of Premium Bonds should consult their own tax advisors with respect to the calculation of the amount of bond premium which will be treated for federal income tax purposes as having amortized for any taxable year (or portion thereof) of the owner and with respect to other federal, state and local tax consequences of owning and disposing of the Premium Bonds.

The Taxable Refunding Bonds

General

The following discussion is a summary of the principal United States Federal income tax consequences of the acquisition, ownership and disposition of the Taxable Refunding Bonds by original purchasers of the Taxable Refunding Bonds who are U.S. Holders (as defined below). This summary is based on the Code, Treasury regulations, revenue rulings and court decisions, all as now in effect and all subject to change at any time, possibly with retroactive effect. This summary assumes that the Taxable Refunding Bonds will be held as “capital assets” under the Code, and it does not discuss all of the United States Federal income tax consequences that may be relevant to a holder in light of its particular circumstances or to holders subject to special rules, such as insurance companies, financial institutions, tax-exempt organizations, dealers in securities or foreign currencies, persons holding the Taxable Refunding Bonds as a position in a “hedge” or “straddle” for United States Federal income tax purposes, or holders whose functional currency (as defined in Section 985 of the Code) is not the United States dollar. Each prospective purchaser of the Taxable Refunding Bonds should consult with its own tax advisor concerning the United States Federal income tax and other tax consequences to it of the acquisition, ownership and disposition of the Taxable Refunding Bonds, as well as any tax consequences that may arise under the laws of any state, local or foreign tax jurisdiction.

As used herein, the term “U.S. Holder” means a beneficial owner of a Taxable Refunding Bond that is for United States Federal income tax purposes (i) a citizen or resident of the United States, (ii) a corporation, partnership or other entity created or organized in or under the laws of the United States or of any political subdivision thereof, (iii) an estate the income of which is subject to United States Federal income taxation regardless of its source or (iv) a trust whose administration is subject to the primary jurisdiction of a United States court and which has one or more United States fiduciaries who have the authority to control all substantial decisions of the trust.

Interest Income

Interest on the Taxable Refunding Bonds is included in gross income for United States Federal income tax purposes.

Disposition of Taxable Refunding Bonds

Upon the sale, exchange, redemption, or other disposition (which would include a legal defeasance) of a Taxable Refunding Bond, a U.S. Holder generally will recognize taxable gain or loss in an amount equal to the difference between the amount realized (other than amounts attributable to accrued interest not previously includable in income) and such U.S. Holder’s adjusted tax basis in the Taxable Refunding Bond. A U.S. Holder’s adjusted tax basis in a Taxable Refunding Bond generally will equal such U.S. Holder’s initial investment in the Taxable Refunding Bond, decreased by the amount of any payments, other than qualified stated interest payments, received. Such gain or loss generally will be long-term capital gain or loss if the Taxable Refunding Bond was held for more than one year.

Defeasance

U.S. Holders of the Taxable Refunding Bonds should be aware that, for Federal income tax purposes, the deposit of moneys or securities in escrow in such amount and manner as to cause the Taxable Refunding Bonds to be deemed to be no longer outstanding (a "defeasance"), could result in a deemed exchange under Section 1001 of the Code and a recognition by such owner of taxable income or loss, without any corresponding receipt of moneys. In addition, for Federal income tax purposes, the character and timing of receipt of payments on the Taxable Refunding Bonds subsequent to any such defeasance could also be affected. U.S. Holders of the Taxable Refunding Bonds are advised to consult with their own tax advisors regarding the consequences of a defeasance for Federal income tax purposes, and for state and local tax purposes.

Backup Withholding and Information Reporting

In general, information reporting requirements will apply to non-corporate U.S. Holders with respect to payments of principal, payments of interest, and the proceeds of the sale of a Taxable Refunding Bond before maturity within the United States. Backup withholding at a rate of 28% for the years 2011 and 2012 will apply to such payments unless the U.S. Holder (i) is a corporation or other exempt recipient and, when required, demonstrates that fact, or (ii) provides a correct taxpayer identification number, certifies under penalties of perjury, when required, that such U.S. Holder is not subject to backup withholding and has not been notified by the Service that it has failed to report all interest and dividends required to be shown on its United States Federal income tax returns.

Any amounts withheld under the backup withholding rules from a payment to a Beneficial Owner, and which constitutes over-withholding, would be allowed as a refund or a credit against such Beneficial Owner's United States Federal income tax provided the required information is furnished to the Service.

IRS Circular 230 Disclosure

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

State Taxation

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

Prospective Changes in Tax Law

Federal, state or local legislation, administrative pronouncements or court decisions may affect the tax-exempt status of interest on the Refunding Bonds, gain from the sale or other disposition of the Refunding Bonds, the market value of the Refunding Bonds, or the marketability of the Refunding Bonds. For example, the President of the United States has submitted proposals to Congress for legislation that would, among other things, limit the value of tax-exempt interest for higher-income taxpayers. No prediction can be made as to the ultimate outcome of these legislative proposals. If enacted into law, such proposals (or any other proposal involving a piecemeal or comprehensive review of the provisions of the Code, including provisions affecting the federal tax treatment of interest on tax-exempt bonds, that Congress might consider) could affect the tax exemption of interest, market price or marketability of tax-exempt bonds (including the Tax-Exempt Refunding Bonds). Prospective purchasers of the Refunding Bonds should consult their own tax and financial advisers regarding such matters.

CONTINUING DISCLOSURE

The Township will covenant for the benefit of the Bondholders and the Beneficial Owners in a Continuing Disclosure Certificate dated the date of closing ("Certificate") to be executed and delivered by the Township simultaneously with the delivery of the Refunding Bonds, to provide certain information and operating data ("Annual Report") and to provide notices of certain enumerated events deemed material. The specific nature of the secondary market disclosure is set forth in the Certificate which appears as Appendix D to this Official Statement. These covenants have been made by the Township to assist the purchasers of the Refunding Bonds in complying with the provisions of Rule 15c2-12(b)(5) ("Rule") promulgated by the Securities and Exchange Commission.

The Township failed to fully satisfy the requirements of certain undertakings previously executed by the Township pursuant to the Rule in connection with various financings by failing to provide the Annual Reports within the applicable time periods. The Annual Reports were required to be filed no later than January 1 of each year. Such Annual Reports were filed on October 26, 2006, July 26, 2007 and July 28, 2009.

APPROVAL OF LEGAL PROCEEDINGS

All legal matters incident to the authorization, the issuance, sale and delivery of the Refunding Bonds are subject to the approval of McCarter & English, LLP, Newark, New Jersey, Bond Counsel to the Township, whose approving legal opinion will be delivered with the Refunding Bonds substantially in the form set forth as Appendix "C" hereto. Certain legal matters will be passed on for the Township by its counsel, DeCotiis, FitzPatrick & Cole, L.L.P., Teaneck, New Jersey and for the Underwriter by its counsel, Parker McCay P.A, Mount Laurel, New Jersey.

The various legal opinions to be delivered concurrently with the delivery of the Refunding Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or the future performance of parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

NO DEFAULT

There is no record of default in the payment of the principal of or interest on the bonds or notes of the Township.

FINANCIAL ADVISOR

Acacia Financial Group, Inc., Marlton, New Jersey has served as financial advisor to the Township with respect to the issuance of the Refunding Bonds ("Financial Advisor"). The Financial Advisor is not obligated to undertake, and has not undertaken, either to make an independent verification of or to assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement and the appendices hereto. The Financial Advisor is an independent firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

The accuracy of: (i) arithmetic computations supporting the conclusion that the principal amounts of, and interest earned on, the Government Obligations to be acquired with a portion of the proceeds of the Refunding Bonds, are sufficient to pay the redemption price of and interest on the Refunded Bonds; and (ii) the mathematical computations supporting the conclusion that the Refunding Bonds will not be "arbitrage bonds" under the Code, will be independently verified by the Verification Agent.

RATING

Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("Rating Agency") has assigned its municipal bond rating of "AA" to the Refunding Bonds.

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

PREPARATION OF OFFICIAL STATEMENT

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

Acacia Financial Group, Inc. assisted in the preparation of this Official Statement but has not participated in the preparation of the financial or statistical information contained in this Official Statement, nor have they verified the accuracy, completeness or fairness thereof and accordingly, express no opinion with respect thereto.

DeCotiis, FitzPatrick & Cole, L.L.P. has not assisted in the preparation of this Official Statement, nor have they verified the accuracy, completeness or fairness thereof and accordingly, express no opinion with respect thereto. Hodulik & Morrison, P.A takes responsibility for the audited financial statements set forth in Appendix B to this Official Statement to the extent specified in their Independent Auditors' Report.

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

McCarter & English, LLP has not verified the accuracy, completeness or fairness of the information contained in this Official Statement, except under the heading "TAX MATTERS" and, accordingly, assumes no responsibility therefor and expresses no opinion with respect thereto.

LEGALITY FOR INVESTMENT

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

UNDERWRITING

Tax-Exempt Refunding Bonds

The Tax-Exempt Refunding Bonds are being purchased from the Township by Citigroup Global Markets Inc., New York, New York ("Underwriter") pursuant to a purchase contract dated December 16, 2011 ("Purchase Contract"), at a purchase price of \$22,242,836.96 ("Tax-Exempt Purchase Price"). The Tax-Exempt Purchase Price reflects the par amount of the Tax-Exempt Refunding Bonds, less an Underwriter's discount of \$130,828.49, plus an original issue premium of \$2,268,665.45. The Underwriter is obligated to purchase all of the Tax-Exempt Refunding Bonds if any of the Tax-Exempt Refunding Bonds are purchased. The obligation of the Underwriter to accept delivery of and pay for the Tax-Exempt Refunding Bonds is subject to various conditions contained in the Purchase Contract.

Taxable Refunding Bonds

The Taxable Refunding Bonds are being purchased from the Underwriter pursuant to the Purchase Contract, at a purchase price of \$397,545.99 ("Taxable Purchase Price"). The Taxable Purchase Price reflects the par amount of the Taxable Refunding Bonds, less an Underwriter's discount of \$2,454.01. The Underwriter is obligated to purchase all of the Taxable Refunding Bonds if any of the Taxable Refunding Bonds are purchased. The obligation of the Underwriter to accept delivery of and pay for the Taxable Refunding Bonds is subject to various conditions contained in the Purchase Contract.

The Underwriter intends to offer the Refunding Bonds to the public initially at the offering yields set forth on the cover page of this Official Statement, which may subsequently change without any requirement of prior notice. The Underwriter reserves the right to join with dealers and other underwriters in offering the Refunding Bonds to the public. The Underwriter may offer and sell the Refunding Bonds to certain dealers (including dealers depositing Refunding Bonds into investment trusts) at yields higher than the public offering yields set forth on the cover page of this Official Statement, and such yields may be changed, from time to time, by the Underwriter without prior notice.

Citigroup Inc., parent company of Citigroup Global Markets Inc., an underwriter of the Refunding Bonds, has entered into a retail brokerage joint venture with Morgan Stanley. As part of the joint venture, Citigroup Global Markets Inc. will distribute municipal securities to retail investors through the financial advisor network of a new broker-dealer, Morgan Stanley Smith Barney LLC. This distribution arrangement became effective on June 1, 2009. As part of this arrangement, Citigroup Global Markets Inc. will compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Refunding Bonds.

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ADDITIONAL INFORMATION

Inquiries regarding this Official Statement may be directed to Kala Sriranganathan, Chief Financial Officer, Township of North Brunswick, at (732) 247-0922 ext. 233.

So far as any statements made in this Official Statement involve matters of opinion or estimates, whether or not expressly stated, they are set forth as such and not as representations of fact, and no representation is made that any of such statements will be realized. Neither this Official Statement nor any statement which may have been made verbally or in writing is to be construed as a contract or agreement with the owners of the Refunding Bonds.

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

This Official Statement has been duly executed and delivered by the Township.

**TOWNSHIP OF NORTH BRUNSWICK, NEW
JERSEY**

By: /s/ Kala Sriranganathan
KALA SRIRANGANATHAN,
Chief Financial Officer

Dated: December 16, 2011

Appendix A

General Information Relating to the Township of North Brunswick

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THE TOWNSHIP

The following economic and employment information may be relevant to evaluating the economic and financial condition of the Township. This information, which has been obtained from the sources indicated, does not purport to be definitive or present a complete picture of the economy of the Township. Furthermore, such information may require further economic analysis in order to assess the facts and figures presented. Such analysis is not included because it would be conjectural.

Early History

The 12.3 square miles of North Brunswick, a township of approximately 36,287 citizens (U.S. Census Bureau, Census 2000), is comprised of a growing number of industrial and commercial firms, radiating from the Route 1 and Route 130 interchange and is just south of New Brunswick. It may seem strange to be south of its adjacent City and still be called "North Brunswick," but the Township was formerly embraced with the boundaries of Piscataway and early in the 19th century was referred to as "North Ward of New Brunswick."

Until 1860, New Brunswick was within the Township limits of North Brunswick and the town meetings were generally held there. By an act of the Assembly, on February 28, 1860, New Brunswick was separated from North Brunswick.

Government Structure

Effective January 1, 1984, the Township of North Brunswick changed its form of government from the Township Committee form to the Mayor Council Administrator Plan, created by N.J.S.A. 40:69A-149.1 *et seq.* Under this plan, the Mayor and six Councilmen are elected at partisan elections for terms of four years and three years, respectively. Council terms are staggered; therefor, an election is held annually in the Township.

The Township Council meets two evenings a month. The first and third Mondays are regular meetings, and the Mondays preceding the regular meetings are work sessions or conference meetings. Both work sessions and regular meetings are open to the public in compliance with New Jersey's Sunshine Law (Open Public Meetings Act). At regular meetings citizens are given an opportunity to speak on proposed ordinances. There is also a time set aside on the meeting agenda so that any citizen may address the Township Council on any matter of concern to him or her. Citizen comment is also solicited at work sessions.

Before, during and after all meetings, the Mayor and Township Council are available to discuss citizens' complaints, to answer questions and to offer opinions and solutions to problems before they become issues that may require the attention of the Mayor and Township Council. This service is provided for the benefit of those citizens who may not be able to come to the municipal building during daytime working hours.

The Mayor, who has the responsibility of implementing the policies of the Township Council, exercises the executive power of the Township. The Township Administrator functions as liaison officer between the Township Council, municipal personnel and citizens of the Township. He is also the chief personnel officer of the Township and directs and supervises personnel policies and procedures and reports to the Township Council regarding same. The Township Administrator is responsible for the implementation of the administrative and legislative actions of the Mayor and Township Council and performs such other duties as may be directed.

Geographic Location

The Township is located in Middlesex County, New Jersey, approximately 30 miles south of New York City and 25 miles north of the State Capital, Trenton. The Township consists of approximately 12 square miles with existing land use as follows:

	<u>Acres</u>	<u>Percentage of Total Land</u>
Suburban Residential	1,041	13.7%
Urban Residential	1,467	19.3
Commercial	418	5.5
Light Industry	1,148	15.1
Heavy Industry	752	9.8
Vacant Land	1,672	22.2
Public Purposes	1,101	14.4

Source: Middlesex County Planning Board.

Transportation

North Brunswick has excellent transportation facilities. The New Jersey Turnpike is only five minutes driving time from the center of the Township. U.S. Highway Route No. 1, between New York and Philadelphia, traverses the entire length of the Township. U.S. Highway Route No. 130 joins U.S. Highway Route No. 1 within the Township and extends to Camden and the Philadelphia area.

Express motor coaches carry commuters between New York and two “park-and-ride” stations adjacent to North Brunswick.

North Brunswick is midway between two of the nation’s largest deepwater ports, New York and Philadelphia. Port Newark-Elizabeth, the busiest port of New York Harbor, includes the world’s largest container shipping complex. Industries also conduct water freight operations locally in the Raritan River and Raritan Bay.

Utilities

The Public Service Electric and Gas Co. provides natural gas and electricity. The Township owns its own water utility which provides service to Township residents and its own sewer utility through which wastewater is discharged into the Middlesex County Utilities Authority system for final collection, treatment and disposal. As a result of a resource management review conducted in 1994 and 1995, the Township entered into a long-term management agreement with U.S. Water, Inc. relating to the water and sewer utilities in 1995.

In early 2000, the Township opted to participate in a program offered by the Middlesex County Improvement Authority (“MCIA”) intended to provide savings to municipalities in Middlesex County through the procurement and selection of private firms and the negotiation of long-term agreements for the provision of water and wastewater services. The MCIA undertook these tasks on behalf of the Township in accordance with the “New Jersey Water Supply Public-Private Contracting Act,” N.J.S.A. 58:26-19, et seq., and the “New Jersey Wastewater Treatment Public-Private Contracting Act,” N.J.S.A. 58:27-19, et seq.

Effective October 1, 2002, the Township terminated its existing agreement with U.S. Water, Inc. for the combined operation, maintenance, and management of the water and sewer systems. In place of that agreement, the Township entered into a new twenty (20) year agreement with United Water Service and the MCIA for the operation, maintenance and management of the Township's sewer system, and a separate twenty (20) year agreement with American Water Services and with the MCIA for the operation, maintenance and management of the Township's water system.

The Township provides garbage and trash removal which is paid for by budget appropriation.

Public Safety

The Township's Police Department is a force with 84 officers and patrolmen in addition to 16 clerical staff. The department has approximately 59 police cars with crime fighting equipment. The all-volunteer Fire Department has 25 pieces of equipment manned by 150 volunteers. Fire fighting training is provided by the Middlesex County Fire Academy. The North Brunswick First Aid and Rescue Squad provides ambulance service on a 24-hour basis. The Squad is comprised of 3 ambulance vehicles, 2 vans and 1 rescue truck.

Free Public Library

The Township has a library housed in its own facility and operated by a Library Board, the members of which are appointed by the Township Council.

Participation in the Middlesex County Utilities Authority

The Township is a participant in the Middlesex County Utilities Authority (the "Authority"), which services Middlesex County (the "County") and portions of Somerset and Union Counties. The Authority, under its present statutory authority, is responsible for the final collection and treatment of sewerage waste in the County. The rate covenant in effect annually determines the amounts to be paid by the users of the system on an estimated basis at the beginning of the year and adjusted in the following year for any deficits or overpayments. Under the rate covenant, North Brunswick has paid annually the following service charges, which are part of its local municipal budget.

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Annual Service Charge	2,650,021	2,691,980	\$ 2,234,973	\$ 2,235,699	\$ 2,277,305

Source: Township of North Brunswick

GROWTH AND DEVELOPMENT POPULATION TRENDS

Population:

<u>Year</u>	<u>Township</u>	<u>County</u>
2000	36,287	722,573
1990	31,287	671,780
1980	22,220	595,893
1970	16,691	583,813
1960	10,099	433,856
1950	6,450	264,872
1940	4,562	217,077

Source: U.S. Bureau of Census

TOWNSHIP OF NORTH BRUNSWICK SCHOOL DISTRICT ENROLLMENT

<u>Fiscal Year Ended June 30</u>	<u>School District Population</u>
2010	6,000
2009	5,662
2008	5,517
2007	5,440
2006	5,398

Source: North Brunswick Board of Education

ASSESSED VALUATION OF REAL PROPERTY RATIO OF ASSESSED VALUATION TO TRUE VALUE

<u>Tax Year</u>	<u>Assessed Value Real Property</u>	<u>Assessed Value Personal Property</u>	<u>Total Assessed Value</u>	<u>Avg. Ratio Assessed to True Value</u>	<u>Equalized Valuation</u>
2010	\$ 2,466,332,200	\$ 3,630,868	\$ 2,469,963,068	51.34%	\$ 4,807,550,229
2009	2,482,132,600	3,351,217	2,485,483,817	48.17	5,159,816,934
2008	2,513,287,400	3,236,981	2,516,524,381	48.80	5,156,812,025
2007	2,507,038,600	3,423,961	2,510,462,561	54.20	4,631,849,743
2006	2,473,061,200	3,808,689	2,476,869,889	62.05	3,991,732,295
2005	2,457,728,500	4,297,309	2,462,025,809	69.52	3,541,464,052

Source: Abstract of Ratables, Middlesex County Board of Taxation

TAX RATES AND NET ASSESSED VALUATIONS

Tax Rates Per \$100 Valuation						
<u>Year</u>	<u>Assessed Valuation</u>	<u>Total</u>	<u>School</u>	<u>Total County</u>	<u>Municipal</u>	<u>Municipal Open Space</u>
2010	2,466,332,200	\$ 4.62	\$ 2.90	\$ 0.60	\$ 1.08	\$ 0.03
2009	2,485,483,817	4.44	2.77	0.62	1.02	0.03
2008	2,516,524,381	4.35	2.75	0.60	0.97	0.03
2007	2,510,462,561	4.24	2.75	0.55	0.91	0.03
2006	2,476,869,889	4.07	2.66	0.51	0.87	0.03
2005	2,462,025,809	3.74	2.42	0.47	0.82	0.03

Source: Township of North Brunswick

COMPOSITION OF THE 2010 ASSESSED VALUATIONS

Residential	62.00%
Commercial	15.70
Industrial	12.70
Other	<u>9.60</u>
	100.00%

Source: Township of North Brunswick

LARGEST TAXPAYERS

The following table sets forth ten of the largest taxpayers located in the Township of North Brunswick and their assessed valuation for the year 2011:

<u>Taxpayer</u>	<u>Service or Product</u>	<u>Assessed Valuation</u>
ER Squibb & Sons	Pharmaceuticals	\$ 148,612,900
Kimco	Shopping	35,000,000
Sodowicks	Retail	30,200,000
North Brunswick TOD Assoc.	Commercial Real Estate	28,065,200
Maebrook at Renaissance	Apartments	23,515,600
Levin Properties	Commercial Real Estate	23,267,400
Renaissance Terrace	Apartments	19,000,000
North Brunswick Manor	Apartments	18,986,000
Commerce Center	Apartments	17,272,000
Brunswick Circle Developers LLC	Apartments	<u>17,245,000</u>
Total		\$ 361,164,100
Percentage of Total 2011 Assessed Value		14.64%

Source: Township Tax Assessor

TAX COLLECTION DATA

<u>Year</u>	<u>Tax Levy</u>	<u>Collection in Year of Levy</u>	
		<u>Amount</u>	<u>Percentage</u>
2010	\$111,491,046	\$111,267,925	99.80%
2009	111,802,306	111,616,257	99.83
2008	109,315,152	109,262,161	99.95
2007	108,572,799	108,428,710	99.87
2006	97,491,959	97,301,960	99.81
2005	91,391,229	91,204,108	99.80

Source: Audited Financial Statements

DELINQUENT TAX AND TAX TITLE LIEN DATA

<u>Year</u>	<u>Amount of Tax Title Liens</u>	<u>Amount of Delinquent Taxes</u>	<u>Total Taxes</u>	<u>Percentage of Tax Levy</u>
2010	\$ 300,717	\$ 8,976	\$ 309,693	0.28%
2009	270,205	4,711	274,916	0.25
2008	195,126	4,117	199,243	0.18
2007	169,161	89,255	258,416	0.24
2006	156,480	0	156,480	0.16
2005	257,634	102,486	360,120	0.28

Source: Audited Financial Statements

PROPERTY ACQUIRED FOR TAXES

<u>At Close of Tax Year</u>	<u>Assessed Value</u>
2010	\$161,971
2009	161,971
2008	161,971
2007	161,971
2006	161,971
2005	161,971

Source: Audited Financial Statements

TOWNSHIP HOUSING UNITS

The following summarizes certain housing and population information with respect to the Township:

<u>Year</u>	<u>Total Units</u>
2000	13,932
1990	12,186
1980	8,068
1970	5,034
1960	2,896
1950	1,848
1940	1,170

Source: Middlesex County Planning Board and U.S. Census

FIVE-YEAR TREND OF EMPLOYMENT AND UNEMPLOYMENT

	<u>Year</u>	<u>Labor Force</u>	<u>Employed</u>	<u>Unemployed</u>	<u>Unemployment Rate</u>
Township	2010	22,287	20,405	1,882	8.4%
	2009	22,400	20,567	1,833	8.2
	2008	22,504	21,427	1,077	4.8
	2007	26,975	25,831	1,144	4.2
	2006	22,635	21,674	961	4.2
County	2010	422,895	386,219	36,676	8.7%
	2009	425,512	389,276	36,236	8.5
	2008	425,030	403,673	21,357	5.0
	2007	423,579	407,391	16,188	3.8
	2006	427,702	409,243	18,460	4.3
State	2010	4,502,400	4,076,700	425,700	9.5%
	2009	4,526,500	4,116,400	410,100	9.1
	2008	4,496,700	4,251,200	245,500	5.5
	2007	4,462,300	4,271,700	190,600	4.3
	2006	4,518,000	4,309,000	209,000	4.6

Source: State Department of Labor, Division of Labor Market and Demographic Research

CLASSIFICATIONS OF REAL PROPERTY
Utilized in Determining Assessed Valuations

<u>Year</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Vacant	34,166,900	\$ 41,407,900	\$ 53,099,800	\$ 55,827,300	\$ 56,834,800
Residential	1,520,957,300	1,525,090,700	1,519,488,800	1,513,303,500	1,497,001,000
Farm	1,506,400	1,621,800	1,621,800	1,973,200	1,966,600
Commercial	386,870,800	375,511,700	384,945,700	379,944,300	383,423,900
Industrial	320,832,600	333,769,100	342,852,800	351,718,700	343,476,200
Apartments	<u>201,998,200</u>	<u>204,731,400</u>	<u>211,278,500</u>	<u>204,271,600</u>	<u>190,358,700</u>
TOTAL	<u>\$2,466,332,200</u>	<u>\$2,482,132,600</u>	<u>\$2,513,287,400</u>	<u>\$2,507,038,600</u>	<u>\$2,473,061,200</u>

Source: Township Tax Assessor

STATEMENT OF STATUTORY NET DEBT AS OF JUNE 30, 2011

	Gross	Deductions	Net
School Debt:			
School Bonds/Notes Issued and Outstanding	\$59,142,000	\$59,142,000	
Total School Debt	\$59,142,000	\$59,142,000	
Municipal Debt:			
Bond Anticipation Notes Payable	\$34,300,000	\$3,725,232	\$30,574,768
Serial Bonds Payable	40,731,000	12,435,565	28,295,435
Authorized but not Issued	6,221,000		6,221,000
Total General Capital Fund	\$81,252,000	\$16,160,797	\$65,091,203
Water Capital Fund:			
Serial Bonds Payable	\$4,725,000	\$4,725,000	
Bond Anticipation Notes Issued	1,500,000	1,500,000	
MCIA Lease Obligation	30,115,150	30,115,150	
Authorized but not Issued	3,610,502	3,610,502	
Total Water Capital Fund	\$39,950,652	\$39,950,652	
Sewer Capital Fund:			
Serial Bonds Payable	\$1,020,000	\$1,020,000	
Bond Anticipation Notes Issued	1,200,000	1,200,000	
MCIA Lease-Purchase Obligation	13,208,924	13,208,924	
Authorized but not Issued	6,673,312	6,673,312	
Total Water Capital Fund	\$22,102,236	\$22,102,236	
Total Self-Liquidating Debt	\$62,052,888	\$62,052,888	
Total Gross, Deductions and Net Debt	\$202,446,888	\$137,355,685	\$65,091,203
2008, 2009 and 2010 Average Equalized Value of Real Property			
Including Improvements and Assessed Valuation of Class II			\$4,987,663,382
Net Debt Expressed as a Percentage of Such Equalized Valuation			1.30%
BORROWING MARGIN			
	<u>Debt Capacity</u>	<u>Outstanding Debt</u>	<u>Remaining Capacity</u>
Municipal Debt 3 1/2%	\$174,568,218	\$65,091,203	\$109,477,015
School Debt 4%	\$199,506,535	\$59,142,000	\$140,364,535

Source: Township of North Brunswick Annual Debt Statement prepared as of June 30, 2011.

TOWNSHIP OF NORTH BRUNSWICK
MIDDLESEX COUNTY, NEW JERSEY

CURRENT FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
JUNE 30, 2010 AND 2009

Assets	Ref.	June 30, 2010	June 30, 2009	Liabilities	Ref.	June 30, 2010	June 30, 2009
<u>Current Fund:</u>				<u>Current Fund:</u>			
Cash.....	A-4	\$ 13,246,114.06	\$ 17,377,000.41	Accounts Payable.....	A-9	\$ 366,246.00	\$ 368,535.88
Change Fund.....	A-5	1,125.00	1,125.00	Encumbrances, Current Budget.....	A-3, A-10	535,804.01	712,651.86
Due New Jersey - Sr Citizens & Veterans Deductions.....	A-6	220,134.59	226,009.59	Appropriation Reserves.....	A-3, A-10	1,514,356.52	1,600,218.68
Deferred Charge - Special Emergency Master Plan Revisions.....	A-3		30,000.00	Prepaid & Overpaid Taxes.....	A-11	214,100.40	207,058.21
Total.....		<u>13,467,373.65</u>	<u>17,634,135.00</u>	Encumbrances, Overpaid Taxes....	A-4		996.84
				Taxes Payable.....	A-12	34,423,352.50	34,605,946.00
				Less Deferred School Taxes.....	A-12	(33,467,758.00)	(31,517,758.00)
Receivable Offset by Reserves:				Filing Fees Due State of NJ.....	A-9	11,075.00	8,944.00
Municipal Service Reimburse....	A-9	3,400.00	3,400.00	Reserve, Master Plan.....	A-9	2,516.00	2,516.00
Property Tax Receivables.....	A-7	8,975.62	6,710.70	Reserve, Tax Appeals.....	A-9	225,585.41	175,585.41
Tax Title Liens Receivables.....	A-7	300,717.43	270,204.69	Reserve, Tax Map Revisions.....	A-9	9,346.25	9,346.25
Property Acquired for Taxes....	A-7	<u>161,970.58</u>	<u>161,970.58</u>	Reserve, Loreal Land Lease.....	A-9	125,000.00	250,000.00
Total.....	A	475,063.63	442,285.97	Reserve, FMBA Health.....	A-9	3,960.96	2,106.90
				Excess Non-Municipal Billings.....	A-9		217,617.10
				Total Cash Liabilities.....		3,963,585.05	6,643,765.13
				Reserve for Accounts Receivable..	A	475,063.63	442,285.97
				Fund Balance.....	A-1	<u>9,503,788.60</u>	<u>10,990,369.87</u>
Total Current Fund.....		<u>\$ 13,942,437.28</u>	<u>\$ 18,076,420.97</u>	Total Current Fund.....		<u>\$ 13,942,437.28</u>	<u>\$ 18,076,420.97</u>
<u>Grant Fund:</u>				<u>Grant Fund:</u>			
Cash.....	A-4	\$ 54,941.00	\$ 31,892.82	Unappropriated Grant Reserves.....	A-14	\$ 60,049.86	\$ 83,041.17
Grant Accounts Receivable.....	A-15	1,318,932.41	760,318.12	Reserve for Encumbrances.....	A-16	478,001.24	216,414.54
Total Grant Fund.....		<u>\$ 1,373,873.41</u>	<u>\$ 792,210.94</u>	Appropriated Grant Reserves.....	A-16	<u>835,822.31</u>	<u>492,755.23</u>
				Total Grant Fund.....		<u>\$ 1,373,873.41</u>	<u>\$ 792,210.94</u>
Total.....		<u>\$ 15,316,310.69</u>	<u>\$ 18,868,631.91</u>	Total.....		<u>\$ 15,316,310.69</u>	<u>\$ 18,868,631.91</u>

Note: See Notes to Financial Statements

TOWNSHIP OF NORTH BRUNSWICK
MIDDLESEX COUNTY, NEW JERSEY

CURRENT FUND
COMPARATIVE STATEMENT OF OPERATIONS AND
CHANGES IN FUND BALANCE - REGULATORY BASIS
FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND 2009

	<u>Ref.</u>	June 30, 2010	June 30, 2009
<u>Revenue and Other Realized Income</u>			
Surplus Anticipated.....	A-1, A-2	\$ 6,200,000.00	\$ 7,000,000.00
Miscellaneous Revenues Anticipated.....	A- 2	13,288,618.40	12,964,955.25
Receipts from Current Taxes.....	A- 7	111,485,542.57	111,675,733.20
Non Budget Revenue (MRNA).....	A- 8	728,998.58	245,934.74
Unexpended Balance of Appropriation Reserves..	A-10	1,025,756.54	831,354.57
Accounts Receivable Liquidated.....			145,273.36
Prior Period Adjustments			
Tax Overpayments.....			1,788.99
Sr Citizens & Vets Accumulated Admin Fees.		-	49,612.27
Accounts Payable and Reserves Canceled.....		-	215,597.83
Grant Balances Canceled.....	A-17	47,895.59	
Total Revenue and Realized Income.....		132,776,811.68	133,130,250.21
<u>Expenditures</u>			
Budget Appropriations.....	A- 3	44,993,117.27	44,931,057.15
Tax Collections			
County Taxes.....	A-12	15,599,259.72	15,667,069.00
Local School District Taxes.....	A-12	68,664,111.50	69,473,988.00
Less Additional School Taxes Deferred...	A-12	(1,950,000.00)	(1,950,000.00)
Municipal Open Space Trust Fund.....	A-12	756,904.46	758,787.31
Total Expenditures.....		128,063,392.95	128,880,901.46
Statutory Excess.....		4,713,418.73	4,249,348.75
Fund Balance, Beginning of Year.....	A	10,990,369.87	13,741,021.12
Decreased by Surplus Anticipated.....	A-1, A-2	(6,200,000.00)	(7,000,000.00)
Fund Balance, End of Year.....	A	\$ 9,503,788.60	\$ 10,990,369.87

Note: See Notes to Financial Statements

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Appendix B

Financial Statements of the Township of North Brunswick

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HODULIK & MORRISON, P.A.
CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS
PUBLIC SCHOOL ACCOUNTANTS
1102 RARITAN AVENUE, P.O. BOX 1450
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MEMBERS OF:
AMERICAN INSTITUTE OF CPAs
NEW JERSEY SOCIETY OF CPAs
REGISTERED MUNICIPAL ACCOUNTANTS OF N.J.

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members
of the Township Council
Township of North Brunswick
County of Middlesex, New Jersey

We have audited the accompanying balance sheets – regulatory basis of the various funds of the Township of North Brunswick, County of Middlesex, New Jersey, as of June 30, 2010 and 2009 and the related statements of operations and changes in fund balance – regulatory basis for the years then ended and the related statements of revenues – regulatory basis and statements of expenditures – regulatory basis of the various funds for the year ended June 30, 2010. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audits.

Except as discussed in the following paragraphs, 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 the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit 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.

The financial statements referred to in the first paragraph include the assets and reserves of the Township's Length of Service Award Program, which, by regulation, is subject to an accountant's review report and is unaudited. The Length of Service Award Program is included in the Trust Funds.

As described in Note 2, these financial statements – regulatory basis were prepared in conformity with accounting practices prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, United States of America, that demonstrate compliance with the modified accrual basis, with certain exceptions, and the budget laws of New Jersey, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. These prescribed principles 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. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in accordance with accounting principles generally accepted in the United States of America.

preparation, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township of North Brunswick, County of Middlesex, New Jersey as of June 30, 2010 and 2009 or the results of its operations, or cash flows of its proprietary funds for the year then ended.

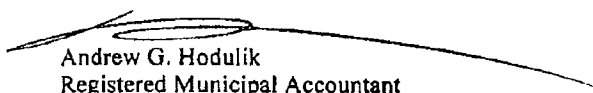
However, in our opinion, except for the effects of such adjustments, if any, as might have been determined had we audited the Statement of Governmental Fixed Assets as of June 30, 2010 and 2009, the financial statements – regulatory basis referred to above present fairly, in all material respects, the financial position – regulatory basis of the various funds of the Township of North Brunswick, County of Middlesex, New Jersey as of June 30, 2010 and 2009 and the related statements of operations and changes in fund balance – regulatory basis for the years then ended and the related statements of revenues – regulatory basis and statements of expenditures – regulatory basis of the various funds for the year ended June 30, 2010, on the basis of accounting described in Note 2.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 23, 2011 on our consideration of the Township of North Brunswick's internal control over financial reporting and 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 conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the financial statements of the Township of North Brunswick, County of Middlesex, New Jersey taken as a whole. The accompanying schedules of expenditures of federal and state financial assistance is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, "*Audits of States, Local Government, and Non-Profit Organizations*" and New Jersey OMB Circular 04-04 and are not a required part of the financial statements. Additionally, the information included in the supplementary data and schedules listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements of the Township of North Brunswick, County of Middlesex, New Jersey. Such information, as identified herein, except for the completeness and the categorization of federal funding sources for certain grants, along with the reporting of various CFDA and account numbers included within the aforementioned schedules of financial assistance, on which we express no opinion, has been subjected to auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects to the financial statement taken as a whole.

Hodulik & Morrison, P.A.

HODULIK & MORRISON, P.A.
Certified Public Accountants
Registered Municipal Accountants


Andrew G. Hodulik
Registered Municipal Accountant
No. 406

Highland Park, New Jersey
February 23, 2011

HODULIK & MORRISON, P.A.

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REGISTERED MUNICIPAL ACCOUNTANTS
PUBLIC SCHOOL ACCOUNTANTS
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NEW JERSEY SOCIETY OF CPA'S
REGISTERED MUNICIPAL ACCOUNTANTS OF N.J.

Honorable Mayor and Members
of the Township Council
Township of North Brunswick
County of Middlesex, New Jersey

We have reviewed the accompanying statement of assets, liabilities and net assets of the Township of North Brunswick Length of Service Award Program (LOSAP) as of June 30, 2010, and the related statement of revenues, expenses and other changes in net assets for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the administration of the Township.

A review consists primarily of inquiries of the administration of the Township and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

The Length of Service Award Program is a Township sponsored program and has no separate legal status or existence. The program prepares its financial statements in conformity with the accounting principles and practices prescribed by the Division of Local Government Service, Department of Community Affairs, State of New Jersey, which is a comprehensive basis of accounting other than generally accepted accounting principles.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with the basis of accounting described in the note.

Hodulik & Morrison, P.A.

Hodulik and Morrison, P.A.
Highland Park, N.J.
February 23, 2011

FINANCIAL STATEMENTS

TOWNSHIP OF NORTH BRUNSWICK
MIDDLESEX COUNTY, NEW JERSEY

CURRENT FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
JUNE 30, 2010 AND 2009

Assets	Ref.	June 30, 2010	June 30, 2009	Liabilities	Ref.	June 30, 2010	June 30, 2009
<u>Current Fund:</u>							
Cash.....	A-4	\$ 13,246,114.06	\$ 17,377,000.41	Accounts Payable.....	A-9	\$ 366,246.00	\$ 368,535.88
Change Fund.....	A-5	1,125.00	1,125.00	Encumbrances, Current Budget.....	A-3, A-10	535,804.01	712,651.86
Due New Jersey - Sr Citizens				Appropriation Reserves.....	A-3, A-10	1,514,356.52	1,600,218.68
& Veterans Deductions.....	A-6	220,134.59	226,009.59	Prepaid & Overpaid Taxes.....	A-11	214,100.40	207,058.21
Deferred Charge - Special Emergency				Encumbrances, Overpaid Taxes.....	A-4		996.84
Master Plan Revisions.....	A-3		30,000.00	Taxes Payable.....	A-12	34,423,332.50	34,605,946.00
Total.....		13,467,373.65	17,634,135.00	Less Deferred School Taxes.....	A-12	(33,467,758.00)	(31,517,758.00)
				Filing Fees Due State of NJ.....	A-9	11,075.00	8,944.00
				Reserve, Master Plan.....	A-9	2,516.00	2,516.00
Receivable Offset by Reserves:				Reserve, Tax Appeals.....	A-9	225,585.41	175,585.41
Municipal Service Reimburse....	A-9	3,400.00	3,400.00	Reserve, Tax Map Revisions.....	A-9	9,346.25	9,346.25
Property Tax Receivables.....	A-7	8,975.62	6,710.70	Reserve, Loreal Land Lease.....	A-9	125,000.00	250,000.00
Tax Title Liens Receivables.....	A-7	300,717.43	270,204.69	Reserve, FMBA Health.....	A-9	3,960.96	2,106.90
Property Acquired for Taxes.....	A-7	161,970.58	161,970.58	Excess Non-Municipal Billings.....	A-9		217,617.10
Total.....	A	475,063.63	442,285.97	Total Cash Liabilities.....		3,963,585.05	6,643,765.13
				Reserve for Accounts Receivable....	A	475,063.63	442,285.97
				Fund Balance.....	A-1	9,503,788.60	10,990,369.87
Total Current Fund.....		\$ 13,942,437.28	\$ 18,076,420.97	Total Current Fund.....		\$ 13,942,437.28	\$ 18,076,420.97
<u>Grant Fund:</u>							
Cash.....	A-4	\$ 54,941.00	\$ 31,892.82	Unappropriated Grant Reserves.....	A-14	\$ 60,049.86	\$ 83,041.17
Grant Accounts Receivable.....	A-15	1,318,932.41	760,318.12	Reserve for Encumbrances.....	A-16	478,001.24	216,414.54
				Appropriated Grant Reserves.....	A-16	835,822.31	492,755.23
Total Grant Fund.....		\$ 1,373,873.41	\$ 792,210.94	Total Grant Fund.....		\$ 1,373,873.41	\$ 792,210.94
Total.....		\$ 15,316,310.69	\$ 18,868,631.91	Total.....		\$ 15,316,310.69	\$ 18,868,631.91

Note: See Notes to Financial Statements

TOWNSHIP OF NORTH BRUNSWICK
MIDDLESEX COUNTY, NEW JERSEY

CURRENT FUND
COMPARATIVE STATEMENT OF OPERATIONS AND
CHANGES IN FUND BALANCE - REGULATORY BASIS
FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND 2009

	<u>Ref.</u>	June 30, 2010	June 30, 2009
<u>Revenue and Other Realized Income</u>			
Surplus Anticipated.....	A-1, A-2	\$ 6,200,000.00	\$ 7,000,000.00
Miscellaneous Revenues Anticipated.....	A- 2	13,288,618.40	12,964,955.25
Receipts from Current Taxes.....	A- 7	111,485,542.57	111,675,733.20
Non Budget Revenue (MRNA).....	A- 8	728,998.58	245,934.74
Unexpended Balance of Appropriation Reserves....	A-10	1,025,756.54	831,354.57
Accounts Receivable Liquidated.....			145,273.36
Prior Period Adjustments			
Tax Overpayments.....			1,788.99
Sr Citizens & Vets Accumulated Admin Fees....		-	49,612.27
Accounts Payable and Reserves Canceled.....		-	215,597.83
Grant Balances Canceled.....	A-17	47,895.59	
Total Revenue and Realized Income.....		132,776,811.68	133,130,250.21
<u>Expenditures</u>			
Budget Appropriations.....	A- 3	44,993,117.27	44,931,057.15
Tax Collections			
County Taxes.....	A-12	15,599,259.72	15,667,069.00
Local School District Taxes.....	A-12	68,664,111.50	69,473,988.00
Less Additional School Taxes Deferred.....	A-12	(1,950,000.00)	(1,950,000.00)
Municipal Open Space Trust Fund.....	A-12	756,904.46	758,787.31
Total Expenditures.....		128,063,392.95	128,880,901.46
Statutory Excess.....		4,713,418.73	4,249,348.75
Fund Balance, Beginning of Year.....	A	10,990,369.87	13,741,021.12
Decreased by Surplus Anticipated.....	A-1, A-2	(6,200,000.00)	(7,000,000.00)
Fund Balance, End of Year.....	A	\$ 9,503,788.60	\$ 10,990,369.87

Note: See Notes to Financial Statements

TOWNSHIP OF NORTH BRUNSWICK
MIDDLESEX COUNTY, NEW JERSEY

CURRENT FUND
STATEMENT OF REVENUE - REGULATORY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Ref.	Anticipated SFY 2010	N.J.S.A. 40A: 4-87	Realized	Excess (Deficit)
Surplus Anticipated.....	A-1	\$ 6,200,000.00		\$ 6,200,000.00	
<u>Miscellaneous Revenues:</u>					
Licenses - Alcoholic Beverages.....		52,450.00		53,560.00	\$ 1,110.00
Licenses - Other.....		170,183.00		172,652.04	2,469.04
Fees & Permits.....		258,652.00		287,212.44	28,560.44
Mayor Marriages & Civil Unions.....		2,800.00		2,200.00	(600.00)
Fines & Costs - Municipal Court.....		1,010,157.59		884,647.45	(125,510.14)
Interest & Costs on Taxes.....		111,500.00		143,299.20	31,799.20
Interest on Investments and Deposits.....		390,000.00		205,604.41	(184,395.59)
Water & Sewer Operating Funds.....		1,100,000.00		1,100,000.00	
Fire Prevention Fines & Fees.....		134,620.00		136,276.62	1,656.62
Cable Television Franchise Fee.....		113,475.00		116,878.00	3,403.00
Hotel Tax.....		30,000.00		60,710.95	30,710.95
Payments In Lieu of Taxes (PILOT)					
Sr Citizens Housing Complex.....		231,500.00		218,850.00	(12,650.00)
Technology Center of NJ.....		1,199,500.00		1,183,847.41	(15,652.59)
Loreal.....		125,000.00		125,000.00	
Uniform Construction Code Fees.....		419,000.00		523,183.00	104,183.00
Uniform Fire Safety Act.....		50,000.00		84,300.95	34,300.95
Open Space Trust Fund.....		692,490.00		692,489.72	(0.28)
North Brunswick BOE - Contribution to					
Soil Remediation Project.....		240,000.00		229,499.86	(10,500.14)
MCIA Interest Proceeds.....		8,200.00		20,529.07	12,329.07
MCIA Rebate.....		46,150.00			(46,150.00)
State Aid					
Consolidated Municipal					
Property Tax Relief Aid.....		1,097,391.55		1,155,149.00	57,757.45
Energy Receipts Tax.....		4,485,290.00		4,485,290.00	
Watershed Moratorium Aid.....		4,653.00		4,653.00	
Sub-total.....		11,973,012.14		11,885,833.12	(87,179.02)
<u>Public and Private Revenues</u>					
<u>Offset with Appropriations:</u>					
Public Safety:					
Drunk Driving Enforcement Fund.....		18,619.58		18,619.58	
Safe & Secure.....		58,681.00		58,681.00	
Over the limit - Under Arrest.....		11,000.00		11,000.00	
Great Office of Justice Program.....		21,214.00		21,214.00	
Secure Our Schools.....		82,900.00		82,900.00	
Bullet Proof Vests.....			6,375.00	6,375.00	
Body Armor Grant - State.....			2,502.27	2,502.27	
Justice Assistance Grant.....		\$14,116.00		14,116.00	
Obey the Signs or Pay the Fines.....		4,000.00		4,000.00	
Safe Route to School.....		118,000.00		118,000.00	
Click or Ticket.....			4,000.00	4,000.00	

TOWNSHIP OF NORTH BRUNSWICK
MIDDLESEX COUNTY, NEW JERSEY

CURRENT FUND
STATEMENT OF REVENUE - REGULATORY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Ref.</u>	Anticipated SFY 2010	N.J.S.A. 40A: 4-87	Realized	Excess (Deficit)
Municipal Court					
Alcohol Education & Enforce Fund.....		3,311.99		3,311.99	
Parks Recreation & Community Service					
Municipal Alliance.....			32,682.00	32,682.00	
Senior Center Outreach Grant.....		33,044.50		33,044.50	
Heritage Day (County/Federal).....		3,595.00	3,900.00	7,495.00	
Community Development					
NJDOT - Linwood Place.....		250,000.00		250,000.00	
NJDOT - Hermann Road.....		375,000.00		375,000.00	
Public Works:					
Recycling Tonnage Grant.....		58,753.03		58,753.03	
Recycling Grant.....			34,259.00	34,259.00	
Clean Energy.....		42,097.50		42,097.50	
Bristol Myers Squibb.....			2,500.00	2,500.00	
Energy Efficiency & Conservation Block Grant			165,500.00	165,500.00	
New Jersey Forest Service.....			7,000.00	7,000.00	
Clean Communities.....		49,734.41		49,734.41	
Sub-total.....		1,144,067.01	258,718.27	1,402,785.28	
Current Fund Total Miscellaneous.....	A-1	13,117,079.15	258,718.27	13,288,618.40	(87,179.02)
Local Purpose Tax.....	A-7	25,960,000.00		27,006,033.51	1,046,033.51
Total General Revenues.....	A-1	\$ 45,277,079.15	\$ 258,718.27	\$ 46,494,651.91	\$ 958,854.49
	<u>Ref.</u>	A-3	A-3	A-1	
Federal & State Grants.....			<u>Ref.</u>		
			A-15	\$ 1,402,785.28	
Cash.....			A-4	11,885,833.12	
Total Miscellaneous Revenue.....				\$ 13,288,618.40	

Note: See Notes to Financial Statements

TOWNSHIP OF NORTH BRUNSWICK
MIDDLESEX COUNTY, NEW JERSEY

CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	SFY 2010 Budget	Modified Budget	Extended	Encumbrances	Balance	Balance	Balance
	Salaries	Salaries	Salaries	Other	Cancelled	Salaries	Other
General Government:							
Administration:							
Purchasing:	\$ 395,422.00	\$ 390,422.00	\$ 379,900.00	\$ (30,721.96)	(1,123.00)	\$ 24,208.27	\$ 6,055.34
Municipal Clerk:	211,279.00	209,279.00	4,530.00	(1,058.35)	(209.72)		3,281.93
Financial Administration:	183,606.00	182,606.00	36,000.00	(193,692.69)	(2,661.25)	15,586.31	1,215.92
Audit:	55,000.00	55,000.00	55,000.00	(171,199.88)	(994.14)	11,406.12	32,812.17
Information Technology:	146,727.00	146,727.00	61,000.00	(142,503.86)	(37,841.59)	4,223.14	1.53
Tax Collection:	112,094.00	112,094.00	16,100.00	(103,242.52)	(58.95)	8,751.48	65.95
Tax Assessment:	82,903.00	84,903.00	123,000.00	(88,551.63)	(33,416.99)	1,835.88	3,031.38
Reserve for Tax Appeals:	30,000.00	30,000.00	50,000.00	(50,000.00)			
Legal:	1,200.00	1,200.00	380,000.00	(1,200.00)	(379,553.85)		12,531.96
Insurance:							
Other Insurance:	1,278,459.55	1,218,459.55		(1,182,885.45)		35,574.10	
Employee Group Insurance:	1,995,261.00	3,825,261.00		(3,805,611.16)	(4,844.98)	14,804.86	
Community Development:							
Engineering:	89,568.00	89,568.00	86,950.00	(68,554.42)	(60,859.06)	4,013.58	12,991.02
Planning:	273,161.00	280,561.00	33,700.00	(273,751.85)	(13,341.73)	5,209.15	6,225.44
Zoning:	98,521.00	98,521.00	8,800.00	(96,327.03)	(3,256.05)	2,193.97	1,875.95
Affordable Housing:	3,600.00	3,600.00	250.00	(3,600.00)			250.00
Code Enforcement:	126,953.00	96,452.00	3,850.00	(88,231.64)	(3,975.34)	8,420.36	873.66
Rent Control Board:	1,200.00	1,200.00	100.00	(1,200.00)			100.00
Fire Safety:	232,281.00	237,081.00	9,400.00	(232,602.16)	(4,876.10)	4,478.84	4,523.90
Uniform Construction Code:	270,421.00	288,121.00	76,800.00	(282,807.13)	(70,836.88)	5,313.87	5,963.12
Public Safety:							
Police:	11,119,302.00	11,184,302.00	494,900.00	(10,959,627.00)	(422,708.86)	224,675.00	19,253.41
Emergency Management:	54,540.00	39,340.00	50,550.00	(37,060.04)	(1,368.00)	2,479.96	4,533.21
Volunteer Fire Department:			198,000.00	(187,486.08)	(10,476.80)	37.12	89.35
First Aid Organization:			65,000.00	(61,517.53)	(3,393.10)		5,874.56
Length of Service Award Program:			70,000.00	(58,059.52)	(6,065.52)		1,608.00
Juvenile Aid:	2,400.00	2,400.00	5,000.00	(2,400.00)		25,761.27	5,333.14
Municipal Court:	414,498.00	414,498.00	15,050.00	(388,736.73)	(1,060.00)		321.21
Public Defender:			25,000.00	(12,878.79)	(11,800.00)		102,835.46
Public Works:							
Streets and Roads:	842,251.00	890,751.00	315,550.00	(854,268.95)	(174,703.90)	36,490.05	45,422.12
Sanitation:	705,215.00	691,715.00	462,500.00	(678,720.25)	(387,373.19)	12,994.75	15,509.20
Solid Waste Disposal Fees:			750,000.00	(669,953.55)	(64,505.25)		14,178.96
Recycling:			373,300.00	(341,657.19)	(17,497.55)		6,743.14
Buildings and Grounds:	181,474.00	158,574.00	146,000.00	(148,140.55)	(20,018.58)	10,833.45	16,323.38
Motor Vehicle Maintenance:	326,426.00	326,426.00	330,750.00	(310,957.62)	(227,576.81)		53,678.23

TOWNSHIP OF NORTH BRUNSWICK
MIDDLESEX COUNTY, NEW JERSEY

CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	SFY 2010 Budget		Modified Budget		Expended		Balance Committed		Balance Reserved	
	Salaries	Other	Salaries	Other	Salaries	Other	Exemptions	Other	Salaries	Other
Muni Service Reimbursement										
Condominiums.....	88,500.00		88,500.00							88,441.87
NJDEP - Stormwater Permit.....	291,431.00	23,000.00	316,431.00	23,000.00	(309,696.29)	(58.13)	(2,709.80)		6,794.71	216.95
Park's Recreation & Community Services										
Board of Health.....	1,200.00	82,050.00	1,200.00	83,530.00	(1,200.00)	(62,092.75)	(19,262.68)		7,200.00	21,944.57
Committee Board Secretaries.....	8,480.00		8,480.00		(9,963.85)	(9,963.40)	(100.00)		12,036.15	9,246.60
Animal Control.....	22,000.00	18,900.00	22,000.00	18,900.00	(1,300.00)	(564.69)				685.31
Environmental Commission.....	1,200.00	1,250.00	1,200.00	1,250.00	(231,677.68)	(63,259.34)	(1,283.02)		40,568.32	7,907.64
Recreation & Community Services.....	292,246.00	73,950.00	292,246.00	73,430.00	(259,693.48)	(20,541.96)	(5.00)		24,653.52	3,903.04
Senior Services.....	288,347.00	20,350.00	288,347.00	24,350.00	(641,755.91)	(222,174.88)	(11,936.56)		49,208.09	16,388.56
Parks and Playgrounds.....	250,500.00		690,964.00	250,500.00		(1,740,256.13)				
Education - Library.....	690,964.00									
Unclassified										
Salary Adjustments.....	17,500.00		13,000.00						13,000.00	
Utilities / Facilities Cost.....		1,895,248.84		1,895,248.84		(1,656,405.75)	(31,791.28)		199,041.81	
Contingency.....		1,000.00		1,000.00					1,000.00	
Sanitary Expenditures:										
Public Employees Retirement.....	722,002.00		722,002.00			(653,926.06)			68,076.00	
Police & Fire Retirement.....	2,167,516.00		2,167,516.00			(2,167,516.00)				
Defined Contribution (DCRF).....	100.00		100.00						100.00	
Social Security.....	1,374,455.00		1,374,455.00			(1,285,026.29)			89,428.71	
Unemployment Compensation.....	65,000.00		65,000.00			(65,000.00)				
Matching Funds for Grants.....	31,479.50		31,479.50						31,479.50	
Sub-Total Operations.....	17,489,349.00	18,002,778.02	17,561,349.00	17,930,778.02	(16,982,724.38)	(16,458,242.11)	(535,804.01)		578,624.62	935,731.90
Public & Private Programs										
Officer by Retirees:										
Public Safety:										
Drunk Driving Enforcement Fund.....	18,619.58		18,619.58			(18,619.58)				
Sale & Secure.....	58,681.00		58,681.00			(58,681.00)				
Over the Limit - Under Arrest.....	11,000.00		11,000.00			(11,000.00)				
Great Office Of Justice Programs.....	21,214.00		21,214.00			(21,214.00)				
Secure Our Schools Grant.....	82,900.00		82,900.00			(82,900.00)				
Justice Assistance Grant.....	14,116.00		14,116.00			(14,116.00)				
Obey the Sign.....	4,000.00		4,000.00			(4,000.00)				
Safe Route To School.....	118,000.00		118,000.00			(118,000.00)				
Bullet Proof Vests.....						(6,375.00)				
Body Armor Grant.....						(2,502.27)				
Click it or Ticket.....						(4,000.00)				

TOWNSHIP OF NORTH BRUNSWICK
MIDDLESEX COUNTY, NEW JERSEY

CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	SFY 2010 Budget		Modified Budget		Expenditures		Encumbrances		Balance		Balance Reserved	
	Salaries	Other	Salaries	Other	Salaries	Other			Carried		Salaries	Other
Municipal Court		3,311.99		3,311.99		(3,311.99)						
Alcohol Education & Enforcement Fund												
Parks Recreation & Community Service												
Municipal Alliance.....	8,420.50		41,202.50		(41,202.50)							
Senior Center Outreach Grant.....	33,044.50		33,044.50		(33,044.50)							
Heritage Day (County/Federal).....	7,495.00		7,495.00		(7,495.00)							
Community Development												
N/DOE - Rt 130/Adams - Water....	250,000.00		250,000.00		(250,000.00)							
N/DOE - Rt 130/Adams - Sewer....	375,000.00		375,000.00		(375,000.00)							
Public Works												
Recycling Tonnage Grant.....	58,753.03		58,753.03		(58,753.03)							
Clean Energy.....	42,097.50		42,097.50		(42,097.50)							
Clean Communities.....	49,734.41		49,734.41		(49,734.41)							
Recycling Grant.....			34,259.00		(34,259.00)							
BMS.....			2,500.00		(2,500.00)							
Energy Efficiency.....			155,500.00		(155,500.00)							
New Jersey Forest Service.....			7,000.00		(7,000.00)							
Public and Private Programs.....	1,152,587.51		1,411,305.78		(1,411,305.78)							
Total Operations.....	17,489,349.00	19,343,083.80	17,564,349.00	19,343,083.80	(16,982,724.38)	(17,870,547.85)	(535,804.01)				518,624.62	935,731.90
Capital Improvements:												
Capital Improvement Fund.....	175,000.00		175,000.00			(175,000.00)						
Total Capital Improvements.....	175,000.00		175,000.00			(175,000.00)						

TOWNSHIP OF NORTH BRUNSWICK
MIDDLESEX COUNTY, NEW JERSEY

CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	SFY 2010 Budget Salaries	Other	Modified Budget Salaries	Other	Expended Salaries	Other	Encumbrances	Balance Carried	Balance Reserved Salaries	Other
Debt Service										
MCA Equipment Lease	41,500.00		41,500.00			(41,498.75)		(1.25)		
EDA Loan	45,456.00		45,456.00			(45,455.60)		(0.40)		
Road Principal	5,290,000.00		5,290,000.00			(5,290,000.00)				
Interest on Bonds	1,665,414.00		1,665,414.00			(1,665,413.80)		(0.20)		
New Principal	156,028.00		156,028.00			(156,028.00)				
Interest on Notes	688,200.00		688,200.00			(688,200.32)		(1,911.68)		
Deferred Charges										
Special Emergency - Tax Map	30,000.00		30,000.00			(30,000.00)				
Total Debt Service	7,916,598.00		7,916,598.00			(7,914,684.47)		(1,913.53)		
Total	17,489,349.00	27,246,963.53	17,561,349.00	27,433,681.80	(16,982,724.38)	(25,940,237.36)	(535,804.01)	(1,913.53)	578,624.62	935,731.90
Reserve for Uncollected Taxes		540,766.62		540,766.62		(540,766.62)				
Total Current Fund Budget	17,489,349.00	27,787,730.15	17,561,349.00	27,974,448.42	(16,982,724.38)	(26,500,998.98)	(535,804.01)	(1,913.53)	578,624.62	935,731.90
Total Current Fund Budget	\$ 17,489,349.00	\$ 27,787,730.15	\$ 17,561,349.00	\$ 27,974,448.42	\$ (16,982,724.38)	\$ (26,500,998.98)	\$ (535,804.01)	\$ (1,913.53)	\$ 578,624.62	\$ 935,731.90
Adopted Budget:										
Salaries	\$ 17,489,349.00									
Other Expenses	27,787,730.15									
Total Adopted Budget	45,277,079.15									
Budget Amendment - NISA 40A 4-87	238,718.27									
Total Modified Budget	\$ 45,515,797.42									
Reserved Balance										
Salaries									\$ 578,624.62	
Other Expenses									935,731.90	
A									\$ 1,514,356.52	

TOWNSHIP OF NORTH BRUNSWICK
MIDDLESEX COUNTY, NEW JERSEY

TRUST FUNDS
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
JUNE 30, 2010 AND 2009

		June 30, 2010	June 30, 2009
<u>ASSETS</u>			
Cash.....	Ref. B-2	\$ 13,163,452.57	\$ 14,000,145.71
Investment LOSAP, Funds held by Trustee (unaudited)...	B	522,054.21	495,852.71
Trust Assessment - Accounts Receivable.....	B-1	113,805.00	113,805.00
Trust Other - Accounts Receivable			
Middlesex County			
CDBG - FY 2004.....	B-2	35,956.00	35,956.00
CDBG - FY 2008.....	B-2	27,800.00	20,837.21
CDBG - FY 2009.....	B-2	52,032.98	118,800.00
CDBG - FY 2010.....	B-2	133,790.00	
Total.....		<u>\$ 14,048,890.76</u>	<u>\$ 14,785,396.63</u>
<u>LIABILITIES</u>			
LOSAP Funds (unaudited).....	B	\$ 522,054.21	\$ 495,852.71
Trust Assessment - Reserve for Receivables.....	B-1	113,805.00	113,805.00
Parks and Recreation			
Due NJ - Animal License Fees.....	B-2	1,852.80	208.00
Animal Control Reserves.....	B-2	59,754.86	45,303.27
Recreation Programs.....	B-2	747,491.36	765,440.57
Open Space.....	B-2	240,984.83	635,646.35
Finance			
NJ Unemployment.....	B-2	267,981.80	280,445.60
Terminal Leave.....	B-2	737,738.56	505,234.50
Tax Sale, Premium on TTL.....	B-2	172,400.00	248,900.00
Payroll Liabilities Payable.....	B-2	26,165.91	168,466.11

TOWNSHIP OF NORTH BRUNSWICK
MIDDLESEX COUNTY, NEW JERSEY

TRUST FUNDS
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
JUNE 30, 2010 AND 2009

		June 30, 2010	June 30, 2009
Public Safety			
Forfeited Funds.....	B-2	23,618.09	46,931.72
Seized Funds.....	B-2	805.00	805.00
Unclaimed Funds.....	B-2	6,502.80	5,419.80
Outside Employment.....	B-2	28,687.62	29,895.31
Uniform Fire Code.....	B-2	32,530.35	48,937.46
Municipal Court			
Handicapped Parking.....	B-2	8,870.41	8,276.41
Public Defender.....	B-2	18,389.59	9,002.09
POAA Fines.....	B-2	694.57	578.57
Spinal Research.....	B-2	24.16	24.16
Public Works - Snow Removal.....	B-2	31,750.46	196,130.30
Donations, Gifts, & Bequests.....	B-2	12,945.46	19,524.60
Community Development Block Grant			
CDBG - FY04.....	B-2	33,778.25	34,769.00
CDBG - FY08.....	B-2	27,800.00	27,800.00
CDBG - FY09.....	B-2		104,512.98
CDBG - FY10.....	B-2	89,772.54	
Community Development Department			
Growth Share Reserve.....	B-2	802,416.16	969,973.36
Prepaid Rental C/O's.....	B-2	3,130.00	5,080.00
Third Party UCC Inspections.....	B-2	238,968.54	237,012.88
Developers' Escrow.....	B-2	1,795,533.39	1,726,957.81
Regional Contribution Agreement			
Affordable Housing Contribution, Phase II.....	B-2	8,002,444.04	8,054,463.07
Total.....		<u>\$ 14,048,890.76</u>	<u>\$ 14,785,396.63</u>

Note: See Notes to Financial Statements

TOWNSHIP OF NORTH BRUNSWICK
MIDDLESEX COUNTY, NEW JERSEY

GENERAL CAPITAL FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
JUNE 30, 2010 AND 2009

	<u>Ref.</u>	June 30, 2010	June 30, 2009
<u>ASSETS</u>			
Cash.....	C-2	\$ 19,507,769.73	\$ 881,916.57
Deferred Charges to Future Taxation:			
Funded.....	C-4	46,326,455.60	35,843,819.35
Unfunded.....	C-5	41,268,172.00	42,781,200.00
Total.....		<u>\$ 107,102,397.33</u>	<u>\$ 79,506,935.92</u>
<u>LIABILITIES, RESERVES, & FUND BALANCE</u>			
Outstanding Debt:			
Bond Anticipation Notes Payable.....	C-8	\$ 30,042,000.00	\$ 27,528,000.00
Serial Bonds Payable.....	C-7	46,281,000.00	35,714,000.00
EDA Loan Payable.....	C-9	45,455.60	90,911.20
MCIA Equipment Lease Purchase.....	C-10		38,908.15
Improvement Authorizations:			
Funded.....	C-6	2,300,122.67	175,544.00
Unfunded.....	C-6	19,538,866.54	8,737,966.88
Reserve for Encumbrances.....	C-6	4,145,731.68	4,773,560.94
Reserve to Retire Debt.....	C-12	4,295,853.65	2,101,478.65
Capital Improvement Fund.....	C-11	342.00	342.00
Fund Balance.....	C-1	453,025.19	346,224.10
Total.....		<u>\$ 107,102,397.33</u>	<u>\$ 79,506,935.92</u>
Bonds & Notes Authorized not Issued.....	C-13	<u>\$ 11,226,172.00</u>	<u>\$ 15,253,200.00</u>

Note: See Notes to Financial Statements

TOWNSHIP OF NORTH BRUNSWICK
MIDDLESEX COUNTY, NEW JERSEY

GENERAL CAPITAL FUND
 STATEMENT OF CAPITAL FUND BALANCE - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Ref.</u>	
Balance June 30, 2009	C	\$ 346,224.10
Increased by Cash Receipts		
Premium on Sale of Notes.....	C-2	155,468.09
Decreased by Cash Disbursements		
Premium on Sale of Notes -		
Transfer to School Soil Remediation Reserve.....	C-2	(48,667.00)
Balance June 30, 2010	C	<u>\$ 453,025.19</u>

Note: See Notes to Financial Statements

TOWNSHIP OF NORTH BRUNSWICK
MIDDLESEX COUNTY, NEW JERSEY

WATER UTILITY FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
JUNE 30, 2010 AND 2009

Assets	Ref.	June 30, 2010	June 30, 2009	Liabilities	Ref.	June 30, 2010	June 30, 2009
<u>Water Operating</u>							
Cash.....	D-5	\$ 718,455.57	\$ 881,614.24	Reserve for Encumbrances.....	D-4, D-9	\$ 146,089.18	\$ 461,633.10
Due from Water Capital Fund.....	D	3,005,000.00	2,730,000.00	Appropriation Reserves.....	D-4, D-9	306,033.64	12,976.56
				Accounts Payable.....	D-9	49,444.88	85,533.70
				Accrued Interest Payable.....	D-12	387,206.43	217,753.89
				Total Liabilities.....		888,774.13	777,897.25
				Fund Balance.....	D-1	2,834,681.44	2,833,716.99
Total Water Operating Fund.....		\$ 3,723,455.57	\$ 3,611,614.24	Total Water Operating Fund.....		\$ 3,723,455.57	\$ 3,611,614.24
<u>Water Assessment</u>							
Assessment Liens Receivable				Reserve for Receivables.....	D	\$ 700.00	\$ 700.00
Accounts Receivable.....	D	\$ 412.00	\$ 412.00				
Liens Interest & Costs.....	D	288.00	288.00				
Total Water Assessment Fund.....		\$ 700.00	\$ 700.00	Total Water Assessment Fund.....		\$ 700.00	\$ 700.00

TOWNSHIP OF NORTH BRUNSWICK
MIDDLESEX COUNTY, NEW JERSEY

WATER UTILITY FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
JUNE 30, 2010 AND 2009

Assets	Ref.	June 30, 2010	June 30, 2009	Liabilities	Ref.	June 30, 2010	June 30, 2009
<u>Water Capital</u>				<u>Water Capital</u>			
Cash.....	D-5, D-6	\$ 57,910.80	\$ 4,358.64	Due to Water Operating Fund.....	D	\$ 3,005,000.00	\$ 2,730,000.00
Accounts Receivable				Bond Anticipation Notes.....	D-5		1,500,000.00
Due from NJEIT.....	D-14		3,068,073.96	Serial Bonds Payable.....	D-11	4,890,000.00	3,055,000.00
Fixed Capital				NJEIT Loan Obligation.....	D-15	18,639,498.00	18,639,498.00
Completed.....	D-7	30,065,994.03	30,065,994.03	Lease Purchase Obligation.....	D-13	13,087,500.00	13,820,000.00
Authorized not Completed.....	D-8	25,872,695.56	25,872,695.56	Improvement Authorizations:			
				Funded.....	D-10	4,614.91	28,416.44
				Unfunded.....	D-10	897,695.53	1,219,503.59
				Reserve for Encumbrances.....	D-10	734,859.26	4,385,353.36
				Reserve for Amortization.....	D-16	14,311,189.59	13,413,689.59
				Reserve for:			
				Water System Improvements.....	D-18	30,900.00	30,900.00
				Capital Improvement Fund.....	D-17	89,067.59	89,067.59
				Fund Balance.....	D-2	306,275.51	99,693.62
Total Water Capital Fund.....		\$ 55,996,600.39	\$ 59,011,122.19	Total Water Capital Fund.....		\$ 55,996,600.39	\$ 59,011,122.19
Total.....		\$ 59,720,755.96	\$ 62,623,436.43	Total.....		\$ 59,720,755.96	\$ 62,623,436.43

Note: See Notes to Financial Statements
There were Bonds and Notes Authorized but Not Issued at June 30, 2010 in the amount of \$5,010,502 (Exhibit - D-19).

TOWNSHIP OF NORTH BRUNSWICK
MIDDLESEX COUNTY, NEW JERSEY

WATER UTILITY OPERATING FUND
COMPARATIVE STATEMENT OF OPERATIONS AND
CHANGES IN FUND BALANCE - REGULATORY BASIS
FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND 2009

	Ref.	June 30, 2010	June 30, 2009
<u>Revenue and Other Realized Income</u>			
Water Rents.....	D-3	\$ 5,215,215.13	\$ 5,473,390.92
Connection Fees.....	D-3	71,460.00	75,530.00
Developer Contribution.....	D-3	157,290.00	161,680.00
Miscellaneous Revenues.....	D-3	588,758.02	596,557.37
Unexpended Balance of Appropriation Reserves.....	D-9	133,273.93	136,908.33
Prior Years' Accounts Payable Canceled.....	D-9	20,000.00	85,825.34
Total Revenue and Realized Income.....		<u>6,185,997.08</u>	<u>6,529,891.96</u>
<u>Expenditures</u>			
Budget Appropriations.....	D-4	(6,185,032.63)	(6,041,750.16)
Water Capital -			
Prior Years' Due Developer Canceled.....			<u>(130,000.00)</u>
Total Expenditures.....		<u>(6,185,032.63)</u>	<u>(6,171,750.16)</u>
Statutory Excess.....		964.45	358,141.80
Fund Balance, Beginning of Year.....	D	<u>2,833,716.99</u>	<u>2,475,575.19</u>
Fund Balance, End of Year.....	D	<u>\$ 2,834,681.44</u>	<u>\$ 2,833,716.99</u>

() Denotes Deficit or Deduction

Note: See Notes to Financial Statements

TOWNSHIP OF NORTH BRUNSWICK
MIDDLESEX COUNTY, NEW JERSEY

WATER UTILITY CAPITAL FUND
 STATEMENT OF FUND BALANCE - REGULATORY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010 AND JUNE 30, 2009

	<u>Ref.</u>	
Balance June 30, 2009.....	D	\$ 99,693.62
Increased by:		
Cash receipts - NJEIT.....	D-5	<u>206,581.89</u>
Balance June 30, 2010.....	D	<u>\$ 306,275.51</u>

() Denotes Deficit or Deduction

Note: See Notes to Financial Statements

TOWNSHIP OF NORTH BRUNSWICK
MIDDLESEX COUNTY, NEW JERSEY

WATER UTILITY OPERATING FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Ref.</u>	Anticipated	Realized	Excess (Deficit)
Water Rents.....	D-1	\$ 5,391,000.00	\$ 5,215,215.13	\$ (175,784.87)
Connection Fees.....	D-1	70,000.00	71,460.00	1,460.00
Developer Contribution.....	D-1	150,000.00	157,290.00	7,290.00
Miscellaneous				
Meter Fees.....	D-1	470,000.00	485,557.68	15,557.68
Interest on Delinquent Accounts.....	D-1	35,000.00	39,556.34	4,556.34
Other.....	D-1	75,000.00	63,644.00	(11,356.00)
Water Utility Operating Fund Total.....		<u>\$ 6,191,000.00</u>	<u>\$ 6,032,723.15</u>	<u>\$ (158,276.85)</u>

Ref.

D-4

D-5

() Denotes Deficit or Deduction

Note: See Notes to Financial Statements

TOWNSHIP OF NORTH BRUNSWICK
MIDDLESEX COUNTY, NEW JERSEY

WATER UTILITY OPERATING FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2010

	Budget					
	Original	Modified	Paid/Charged	Encumbrances	Canceled	Reserved
Operating Salaries.....	\$ 81,597.00	\$ 86,597.00	\$ (82,092.50)			\$ 4,504.50
Operating Expenses.....	3,658,265.21	3,653,265.21	(3,213,580.14)	\$ (138,155.93)		301,529.14
Debt - MCIA Lease Payments.....	1,377,260.00	1,377,260.00	(1,363,833.00)	(7,933.25)	\$ (5,493.75)	
Debt - Bond Principal.....	165,000.00	165,000.00	(165,000.00)			
Debt - Interest on Bonds.....	195,000.00	195,000.00	(194,768.93)		(231.07)	
Debt - Interest on Notes.....	5,000.00	5,000.00	(4,791.82)		(208.18)	
Debt - NJEIT.....	210,100.00	210,100.00	(210,065.63)		(34.37)	
Surplus - Current Fund.....	450,000.00	450,000.00	(450,000.00)			
Deferred Charges.....	48,777.79	48,777.79	(48,777.79)			
Total Water Utility Operating.....	\$ 6,191,000.00	\$ 6,191,000.00	\$ (5,732,909.81)	\$ (146,089.18)	\$ (5,967.37)	\$ 306,033.64
	D-3			D		

Cash.....	D-5	\$ (5,563,457.27)
Accrued Interest 6/30/2009.....	D-12	217,753.89
Accrued Interest 6/30/2010.....	D-12	(387,206.43)
Total Paid or Charged.....		<u>\$ (5,732,909.81)</u>

() Denotes deficit or deduction.

Note: See Notes to Financial Statements

TOWNSHIP OF NORTH BRUNSWICK
MIDDLESEX COUNTY, NEW JERSEY

SEWER UTILITY FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
JUNE 30, 2010 AND 2009

Assets	Ref	June 30, 2010	June 30, 2009	Liabilities	Ref	June 30, 2010	June 30, 2009
Sewer Utility Operating:							
Cash	E-5	\$ 927,823.55	\$ 1,542,372.06	Encumbrances Payable.....	E-4,E-9	\$ 49,231.17	\$ 138,543.02
				Appropriation Reserves.....	E-4,E-9	14,508.14	79,278.27
Due Sewer Capital.....	E, E-5	650,000.00	330,000.00	Accounts Payable.....	E-9	38,597.04	26,586.47
				Accrued Interest Payable.....	E-11	170,387.57	178,797.72
				Total Liabilities.....		272,723.92	423,305.48
				Fund Balance.....	E-1	1,305,099.63	1,449,066.58
Total Sewer Operating Fund		\$ 1,577,823.55	\$ 1,872,372.06	Total Sewer Operating Fund.....		\$ 1,577,823.55	\$ 1,872,372.06
Sewer Utility Capital:							
Cash.....	E-5 E-6	\$ 20,258.48	\$ 3,362.12	Due Sewer Operating Fund	E	\$ 650,000.00	330,000.00
Fixed Capital				Debt			
Completed.....	E-7	13,795,637.00	13,795,637.00	NJ EIT Loan Payable.....	E-13	932,226.28	\$ 980,510.39
Authorized and Uncompleted.....	E-8	10,790,000.00	9,590,000.00	Lease Purchase Obligation.....	E-12	13,087,500.00	13,820,000.00
				Serial Bonds.....	E-10	1,095,000.00	845,000.00
				Bond Anticipation Notes.....	E-5		300,000.00
Deferred Charge				Improvement Authorizations:			
MCIA Lease Purchase.....	E-16	3,636,701.00	4,369,201.00	Funded	E-14	117,706.00	117,706.00
				Unfunded	E-14	6,258,611.03	5,965,605.26
				Encumbrances.....	E-14	796,393.45	192,502.86

TOWNSHIP OF NORTH BRUNSWICK
MIDDLESEX COUNTY, NEW JERSEY

SEWER UTILITY FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
JUNE 30, 2010 AND 2009

Assets	Ref.	June 30, 2010	June 30, 2009	Liabilities	Ref.	June 30, 2010	June 30, 2009
				Reserve for:			
				Amortization.....	E-16	4,864,299.72	4,766,015.61
				Deferred Amortization.....	E-16	370,000.00	370,000.00
				Capital Improvement Fund.....	E-15	28,900.00	28,900.00
				Fund Balance.....	E-2	41,960.00	41,960.00
Total Sewer Capital Fund.....		\$ 28,242,596.48	\$ 27,758,200.12	Total Sewer Capital Fund.....		\$ 28,242,596.48	\$ 27,758,200.12
Total Sewer Utility Funds.....		\$ 29,820,420.03	\$ 29,630,572.18	Total Sewer Utility Funds.....		\$ 29,820,420.03	\$ 29,630,572.18

Note: See Notes to Financial Statements
There were Bonds and Notes Authorized but Not Issued at June 30, 2010 in the amount of \$7,873,312.00 (Exhibit E-17).

TOWNSHIP OF NORTH BRUNSWICK
MIDDLESEX COUNTY, NEW JERSEY

SEWER UTILITY OPERATING FUND
COMPARATIVE STATEMENT OF OPERATIONS AND
CHANGES IN FUND BALANCE - REGULATORY BASIS
FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND 2009

	Ref.	June 30, 2010	June 30, 2009
<u>Revenue and Other Realized Income</u>			
Fund Balance Utilized.....	E-3	\$ 295,000.00	
Sewer Rents.....	E-3	5,574,580.77	\$ 5,523,461.02
Connection Fees.....	E-3	30,775.00	13,400.00
Unexpended Balance of Appropriation Reserves.....	E-9	69,027.03	232,034.82
Prior Years' Accounts Payable Canceled.....			33,373.46
Total Revenue and Realized Income.....		5,969,382.80	5,802,269.30
Budget Appropriations.....	E-4	(\$,818,349.75)	(\$,494,230.59)
Statutory Excess.....		151,033.05	308,038.71
Fund Balance, Beginning of Year.....	E	1,449,066.58	1,141,027.87
Decreased by:			
Utilized as Anticipated Surplus.....	E-3	295,000.00	
Fund Balance, End of Year.....	E	\$ 1,305,099.63	\$ 1,449,066.58

Note: See Notes to Financial Statements

TOWNSHIP OF NORTH BRUNSWICK
MIDDLESEX COUNTY, NEW JERSEY

SEWER UTILITY CAPITAL FUND
STATEMENT OF FUND BALANCE - REGULATORY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Ref.</u>	
<hr/>		
Balance June 30, 2010 and 2009.....	E	<u>\$ 41,960.00</u>

() Denotes Deficit or Deduction

Note: See Notes to Financial Statements

TOWNSHIP OF NORTH BRUNSWICK
MIDDLESEX COUNTY, NEW JERSEY

SEWER UTILITY OPERATING FUND
 STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Ref.</u>	Anticipated	Realized	Excess (Deficit)
Fund Balance Utilized.....	E-1	\$ 295,000.00	\$ 295,000.00	
Sewer Rents.....	E-1,E-5	5,522,000.00	5,574,580.77	\$ 52,580.77
Connection Fees.....	E-1,E-5	13,000.00	30,775.00	17,775.00
Sewer Utility Operating Fund Total.....		<u>\$ 5,830,000.00</u>	<u>\$ 5,900,355.77</u>	<u>\$ 70,355.77</u>
	<u>Ref.</u>	E-4		

Note: See Notes to Financial Statements

TOWNSHIP OF NORTH BRUNSWICK
MIDDLESEX COUNTY, NEW JERSEY

SEWER UTILITY OPERATING FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2010

	Budget	Modified Budget	Cash Disbursed	Encumbrances	Canceled	Reserved
Operating Salaries & Wages.....	\$ 342,842.00	\$ 344,842.00	\$ (341,713.95)			\$ 3,128.05
Operating Other Expenses.....	3,257,154.00	3,255,154.00	(3,201,995.99)	\$ (41,777.92)		11,380.09
Statutory Expenditures						
PERS Retirement.....	14,000.00	14,000.00	(14,000.00)			
Social Security.....	21,000.00	21,000.00	(21,000.00)			
Debt Service:						
Debt - Bond Principal.....	50,000.00	50,000.00	(50,000.00)			
Debt - Bond Interest.....	42,016.00	42,016.00	(39,528.81)		(2,487.19)	
Debt - MCIA Lease.....	1,376,780.00	1,376,780.00	(1,363,833.00)	(7,453.25)	(5,493.75)	
Debt - NJ EIT Principal.....	50,000.00	50,000.00	(48,284.11)		(1,715.89)	
Debt - NJ EIT Interest.....	23,518.00	23,518.00	(21,586.41)		(1,931.59)	
Debt - NJ EIT Administration.....	1,710.00	1,710.00	(1,710.00)			
Debt - Interest on Notes.....	980.00	980.00	(958.17)		(21.83)	
Surplus - Current Fund.....	650,000.00	650,000.00	(650,000.00)			
Total Sewer Utility Operating.....	\$ 5,830,000.00	\$ 5,830,000.00	\$ (5,754,610.44)	\$ (49,231.17)	\$ (11,650.25)	\$ 14,508.14
	Ref. E-3	E-1		E	E-1	E
Cash.....		Ref.				
Accrued Interest June 30, 2009.....		E-5	\$ (5,763,020.59)			
Accrued Interest June 30, 2010.....		E-11	178,797.72			
		E-11	(170,387.57)			
Total Paid or Charged.....			\$ (5,754,610.44)			

() Denotes deficit or deduction.
Note: See Notes to Financial Statements

TOWNSHIP OF NORTH BRUNSWICK
MIDDLESEX COUNTY, NEW JERSEY

STATEMENT OF GOVERNMENTAL FIXED ASSETS - REGULATORY BASIS
JUNE 30, 2010

	6/30/2010
<hr/>	
<u>GOVERNMENTAL FIXED ASSETS</u>	
Land	\$ 35,066,400.00
Buildings	24,587,000.00
Equipment and Improvements	3,687,499.42
Vehicles	2,191,236.55
	<hr/>
Total Governmental Fixed Assets	\$ <u>65,532,135.97</u>

Note: See Notes to Financial Statements

TOWNSHIP OF NORTH BRUNSWICK
MIDDLESEX COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS
THE FISCAL YEAR ENDED JUNE 30, 2010 AND JUNE 30, 2009

Note 1: **FORM OF GOVERNMENT**

The Township of North Brunswick is managed under a Mayor Council Administrator form of government. Under this plan, created by N.J.S.A. 40:69A-149 et seq., the Mayor and six Council members are elected at partisan elections for terms of four years and three years, respectively. The Township's major operations include public safety, road repair and maintenance, sanitation, fire protection, recreation and parks, health services, water and sewer, and general administrative services.

Note 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. Reporting Entity

Except as noted below, the financial statements of the Township of North Brunswick include every board, body, officer or commission supported and maintained wholly or in part by funds appropriated by the Township of North Brunswick, as required by N.J.S.A. 40A: 5-5. Accordingly, the financial statements of the Township of North Brunswick do not include the operations of the municipal library, the board of education, first aid organizations, volunteer fire companies or senior housing.

B. Description of Funds

The accounting policies of the Township of North Brunswick conform to the accounting principles applicable to municipalities that have been prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. Under this method of accounting, the Township of North Brunswick accounts for its financial transactions through the following separate funds:

Current Fund - resources and expenditures for governmental operations of a general nature, including Federal and State grant funds, except as otherwise noted.

Trust Fund - receipts, custodianship and disbursement of funds in accordance with the purposes for which each reserve was created. Pursuant to the provisions of N.J.S.A. 40A: 4-39, the financial transactions of the following funds and accounts are also reported within the Trust Fund:

- Animal Control Trust Fund
- Unemployment Compensation Insurance Trust Fund
- Dedicated Law Enforcement Trust Fund
- Developer's Escrow Fund
- Community Development Block Grant Fund
- Open Space Trust Fund

General Capital Fund - resources, including Federal and State Grants in aid of construction, and expenditures for the acquisition of general capital facilities, other than those acquired through the Current Fund, including the status of bonds and notes authorized for said purposes.

Water Utility Fund - This fund is used to account for the revenues and expenditures for the operation of the Township's Water Utility activities and the assets and liabilities relative to such activities.

NOTES TO THE FINANCIAL STATEMENTS

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

B. Description of Funds (Cont'd.)

Sewer Utility Fund – This fund is used to account for the revenues and expenditures for the operation of the Township's Sewer Utility activities and the assets and liabilities relative to such activities.

Governmental Fixed Assets - Governmental Fixed Assets system is used to account for fixed assets used in governmental fund type operations for control purposes. All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available or any other reasonable basis, provided such basis is adequately disclosed in the financial statements. Donated fixed assets are valued at their estimated fair value on the date of donation. No depreciation is recorded on governmental fixed assets.

The Governmental Accounting Standards Board (GASB) is the accepted standards-setting body for establishing governmental accounting and financial reporting principles. GASB's Codification of Governmental Accounting and Financial Reporting Standards recognizes three fund categories and two account groups as appropriate for the accounting and reporting of the financial position and results of operations in accordance with generally accepted accounting principles in the United States of America. This structure of funds and account groups differs from the organization of funds prescribed under the regulatory basis of accounting utilized by the Township. The resultant presentation of financial position and results of operations in the form of financial statements is not intended to present the basic financial statement presentation required by GAAP.

C. Basis of Accounting

Basis of Accounting and Measurement Focus – The basis of accounting prescribed by the Division of Local Government Services for its operating funds is generally a modified cash basis for revenue recognition and a modified accrual basis for expenditures. The operating funds utilize a "current financial resources" measurement focus. The accounting principles and practices prescribed for municipalities by the Division differ in certain respects from generally accepted accounting principles (GAAP) applicable to local government units. The most significant is the reporting of entity-wide financial statements, which are not presented in the accounting principles prescribed by the Division. The other significant differences are as follows:

Revenues - Revenues are recorded as received in cash except for statutory reimbursements and grant funds that are due from other governmental units. State and Federal grants, entitlements and shared revenues received for operating purposes are realized as revenues when anticipated in the Township budget. Receivables for property taxes and water and sewer utility consumer charges are recorded with offsetting reserves within the Current Fund and Water and Sewer Utility Funds, respectively. Other amounts that are due to the Township, which are susceptible to accrual are recorded as receivables with offsetting reserves. These reserves are liquidated and revenues are recorded as realized upon receipt of cash. GAAP requires the recognition of revenues for general operations in the accounting period in which they become available and measurable, with the exception of water and sewer utility consumer charges, which should be recognized in the period they are earned and become measurable.

Expenditures - For purposes of financial reporting, expenditures are recorded as "paid or charged" or "appropriation reserves". Paid or charged refers to the Township "budgetary" basis of accounting. Generally, these expenditures are recorded when an amount is encumbered for goods or services through the issuance of a purchase order in conjunction with the encumbrance accounting system. Reserves for unliquidated encumbrances at the close of the year are reported as a cash liability. Encumbrances do not constitute expenditures under GAAP.

NOTES TO THE FINANCIAL STATEMENTS

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

C. Basis of Accounting (Cont'd.)

Appropriation reserves refer to unexpended appropriation balances at the close of the year. Appropriation reserves are automatically created and recorded as a cash liability, except for amounts, which may be cancelled by the governing body. Appropriation reserves are available until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred and not recorded in the preceding fiscal year. Lapsed appropriation reserves are recorded as income. Generally, unexpended balances of budget appropriations are not recorded as expenditures under GAAP.

For the purpose of calculating the results of Current Fund operations, the regulatory basis of accounting utilized by the Township requires that certain expenditures be deferred, and raised as items of appropriation in budgets of succeeding years. These deferred charges include the two general categories of overexpenditures and emergency appropriations. Overexpenditures occur when expenditures recorded as "paid or charged" exceed available appropriation balances. Emergency appropriations occur when, subsequent to the adoption of a balanced budget, the governing body authorizes the establishment of additional appropriations based on unforeseen circumstances or for other special purposes as defined by statute. Overexpenditures and emergency appropriations are deducted from total expenditures in the calculation of operating results and are established as assets for Deferred Charges on the Current Fund balance sheet. GAAP does not permit the deferral of overexpenditures to succeeding budgets. In addition, GAAP does not recognize expenditures based on the authorization of an appropriation. Instead, the authorization of special purpose expenditures, such as the preparation of tax maps or revaluation of assessable real property, would represent the designation of fund balance.

New Jersey statutes require municipalities to provide annual funding to Free Public Libraries through the Current Fund Budget. Amounts paid on behalf of the Free Public Library or transferred to the custody of the Library's management are recorded as budgetary expenditures of the Township, notwithstanding the fact that the Library is recognized as a separate entity for financial reporting purposes. Under GAAP, the Library would be recognized as a "component unit" of the Township, and discrete reporting of the Library's financial position and operating results would be incorporated in the Township's financial statements.

Compensated Absences - The Township has adopted policies, which set forth the terms under which an employee may accumulate earned, but unused, vacation and sick leave, establishes the limits on such accumulations and specifies the conditions under which the right to receive payment for such accumulations vests with the employee. The Township records expenditures for payments of earned and unused vacation and sick leave in the accounting period in which the payments are made. GAAP requires that expenditures be recorded in the governmental (Current) fund in an amount that would normally be liquidated with available financial resources, and that expenditures be recorded in the enterprise (Water Utility and Sewer Utility) fund on a full accrual basis.

Property Acquired for Taxes - Foreclosed property is recorded in the Current Fund at the assessed valuation when such property was acquired and is fully reserved. GAAP requires such property to be recorded in the general fixed asset account group at the lower of cost or fair market value.

Self Insurance Reserves - Charges to self insurance reserves are recorded when payments of claims and related expenses are made. Increases to self insurance reserves are recorded from budgetary appropriations in the accounting period in which budgetary expenditures are recorded. Earnings on investments and miscellaneous reimbursements are credited to reserves when received in cash. GAAP requires that liabilities for incurred claims be recorded as determined actuarially, and that operating transfers to self insurance funds not exceed the amount determined.

NOTES TO THE FINANCIAL STATEMENTS

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

C. Basis of Accounting (Cont'd.)

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

Inventories of Supplies - The cost of inventories of supplies for all funds are recorded as expenditures at the time individual items are purchased. The cost of inventories is not included on the various balance sheets. Although the expenditure method of accounting for purchases of supplies is in accordance with GAAP, the cost of inventory on hand at the close of the year should be reported on the balance sheet with an offsetting reserve for conformity with GAAP.

Sale of Municipal Assets - Cash proceeds from the sale of Township owned property may be realized as revenue or reserved until utilized as an item of revenue in a subsequent year budget. Year end balances of reserved proceeds are reported as a cash liability in the Current Fund. GAAP requires that revenue be recognized in the accounting period that the terms of the sales contracts become legally enforceable.

Fixed Assets - Property and equipment purchased by the Current and the General Capital Funds are recorded as expenditures at the time of purchase and are not capitalized. Property and equipment purchased by the Water Utility Fund and the Sewer Utility Fund are recorded in their respective capital accounts at cost and are adjusted for dispositions and abandonments. Contributions in aid of construction are not capitalized. The balances in the Reserve for Amortization and Deferred Reserve for amortization accounts in the Utility Funds represent charges to operations for the costs of acquisitions of property, equipment and improvements, and costs funded from sources other than bonded debt of the utility. The utility does not record depreciation on fixed assets. GAAP does not require the establishment of a reserve for amortization for utility fixed assets, but does require the recognition of depreciation of these assets as an operating expense of the utility.

Governmental Fixed Assets - N.J.A.C. 5:30-5.6 established a mandate for fixed accounting by municipalities, effective December 31, 1985. The Township with a third party inventory service performed a physical inventory and assessment of fixed assets in June of 2000. Assets acquired through June 2000 were valued based on actual costs, where available, and other methods, including current replacement values and estimated historical costs. The Township records assets acquired subsequent to June 2000 at original cost.

Disclosures About Fair Value of Financial Instruments - The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Cash and cash equivalents and short-term investments - The carrying amount approximates fair value because of the short maturity of those instruments.

Long-term debt - The Township's long-term debt is stated at face value. The debt is not traded and it is not practicable to determine its fair value without incurring excessive cost. Additional information pertinent to the Township's long-term debt is disclosed in Note 3 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

C. Basis of Accounting (Cont'd.)

Recent Accounting Standards

GASB issued Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" in February 2009. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied.

GASB issued Statement No. 55, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments" in March 2009. The objective of this Statement is to incorporate the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the Governmental Accounting Standards Board's (GASB) authoritative literature.

GASB issued Statement No. 56, "Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards" in March 2009. The objective of this statement is to incorporate into the Governmental Accounting Standards Board's (GASB) authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountant's.

GASB issued Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans" in December 2009. The objective of the statement is to address issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefits plans.

GASB issued Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies" in December 2009. The objective of the statement is to provide accounting and financial reporting guidance for governments that have petitioned for protection from creditors for filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code.

GASB issued Statement No. 59, "Financial Instruments Omnibus" in June 2010. The objective of this statement is to update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice.

The Township does not prepare its financial statements in accordance with generally accepted accounting principles. The adoption of these new standards will not adversely effect the reporting on the Township's financial condition.

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

Comparative Data - Comparative data for the prior year has been presented in order to provide an understanding of changes on the Township's financial position and operations. However, comparative data has not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read. Certain reclassifications have been made to the fiscal year 2009 financial statements to conform with classifications used in fiscal year 2010.

NOTES TO FINANCIAL STATEMENTS

Note 3: DEBT, DEBT SERVICE AND STATUTORY DEBT CONDITION

The Local Bond Law, Chapter 40A:2 et seq, governs the issuance of bonds to finance municipal capital expenditures. The Township's debt is summarized as follows:

A. Summary of Municipal Debt for Capital Projects

	<u>SFY 2010</u>	<u>SFY 2009</u>
<u>Issued:</u>		
General:		
Bonds and Notes	\$ 76,323,000.00	\$ 63,242,000.00
Water Utility:		
Bonds and Notes	4,890,000.00	4,555,000.00
Sewer Utility:		
Bonds and Notes	<u>1,095,000.00</u>	<u>1,145,000.00</u>
Total Issued	<u>82,308,000.00</u>	<u>68,942,000.00</u>
Net Issued	<u>82,308,000.00</u>	<u>68,942,000.00</u>
 <u>Authorized But Not Issued:</u>		
General:		
Bonds and Notes	11,226,172.00	15,253,200.00
Water Utility:		
Bonds and Notes	5,510,502.00	5,510,502.00
Sewer Utility:		
Bonds and Notes	<u>7,873,312.00</u>	<u>6,673,312.00</u>
Total Authorized But Not Issued	<u>24,609,986.00</u>	<u>27,437,014.00</u>
Total Bonds and Notes Issued and Authorized but not Issued	<u>\$ 106,917,986.00</u>	<u>\$ 96,379,014.00</u>

NOTES TO FINANCIAL STATEMENTS

Note 3: DEBT, DEBT SERVICE AND STATUTORY DEBT CONDITION (CONT'D.)

A. Summary of Municipal Debt for Capital Projects (Cont'd.)

Summarized below are the Township's individual bond and loan issues which were outstanding at June 30, 2010 and 2009:

	<u>SFY 2010</u>	<u>SFY 2009</u>
<u>General Debt:</u>		
\$9,995,000 , Refunding Bonds of 1998, due in annual installments of \$1,445 to \$1,695,000 through July 2010, interest at 4.00% to 4.40%.	1,695,000.00	3,325,000.00
\$3,794,000, General Obligation Bonds of 2002 due in annual installments of \$225,000 to \$419,000 through January 2015, interest at 4.65%.	1,994,000.00	2,219,000.00
\$2,075,000, Refunding Bonds of 2003 due in annual installments of \$105,000 to \$310,000 through August 2014, interest at 2.50% to 4.85%.	1,105,000.00	1,365,000.00
\$6,000,000, General Obligation Bonds of 2003 due in annual installments of \$300,000 to \$600,000 through August 2017, interest at 3.25% to 4.00%.	4,200,000.00	4,500,000.00
\$4,500,000, Open Space Bonds of 2003 due in annual installments of \$125,000 to \$200,000 through August 2028, interest at 3.25% to 4.50%.	3,750,000.00	3,900,000.00
\$3,000,000, General Obligation Bonds of 2004 due in annual installments of \$150,000 to \$300,000 through August 2015, interest at 3.25% to 3.70%.	1,800,000.00	2,100,000.00
\$5,075,000, Refunding Bonds of 2006 due in annual installments of \$345,000 to \$815,000 through April 2015, interest at 3.50% to 4.25%.	3,175,000.00	3,955,000.00
\$6,550,000, Refunding Bonds of 2007 due in annual installments of \$1,205,000 to \$1,365,000 through May 2013, interest at 4.00% to 5.00%.	3,980,000.00	5,220,000.00

NOTES TO FINANCIAL STATEMENTS

Note 3: DEBT, DEBT SERVICE AND STATUTORY DEBT CONDITION (CONT'D.)

A. Summary of Municipal Debt for Capital Projects (Cont'd.)

	<u>SFY 2010</u>	<u>SFY 2009</u>
<u>General Debt (cont'd.):</u>		
\$4,205,000, General Obligation Bonds of 2006 due in annual installments of \$170,000 to \$340,000 through November 2021, interest at 3.875% to 4.000%.	3,695,000.00	3,865,000.00
\$5,500,000, General Obligation Bonds of 2007 due in annual installments of \$235,000 to \$465,000 through August 2022, interest at 4.12% to 4.25%.	5,030,000.00	5,265,000.00
\$7,811,435 General Obligation Bonds of 2010 due in annual installments of \$78,000 to \$1,090,000 through August 2022, interest at 1.50% to 4.00%.	7,811,435.00	
\$8,045,565 General Obligation Bonds of 2010 due in annual installments of \$17,000 to \$1,048,000 through August 2029, interest at 1.50% to 4.00%.	8,045,565.00	
\$27,528,000 General Capital Bond Anticipation Notes issued on 8/17/08 due on 8/16/09, interest 2.50%		27,528,000.00
\$30,042,000, General Capital Bond Anticipation Notes issued on 8/14/09 due on 8/13/10, interest 1.50% to 1.75	30,042,000.00	
Total General Capital Debt	<u>\$ 76,323,000.00</u>	<u>\$ 63,242,000.00</u>
<u>Utility Debt:</u>		
\$2,020,000, Ordinance 96-21 due in annual installments of \$90,000 to \$150,000 through April 2019, interest at 4.80% to 4.90%.	1,085,000.00	1,185,000.00
\$2,000,000, Ordinance 03-31 due in annual installments of \$65,000 to \$130,000 through November 2026, interest at 3.875% to 4.000%.	1,805,000.00	1,870,000.00
\$1,095,000, Ordinance 97-25 due in annual installments of \$50,000 to \$100,000 through August 2018, interest at 3.25% to 4.00%.	795,000.00	845,000.00
\$1,500,000, Water Utility Capital Bond Anticipation Notes issued on 8/17/08 due on 8/16/09, interest 2.50%		1,500,000.00
\$300,000, Sewer Utility Capital Bond Anticipation Notes issued on 8/17/08 due on 8/16/09, interest 2.50%		300,000.00
\$2,000,000, Ordinance 5-16/6-16 due in annual installments of \$4,000 to \$260,000 through August 2030, interest at 1.50% to 4.00%.	2,000,000.00	
\$300,000, Ordinance 5-17 due in annual installments of \$4,000 to \$39,000 through August 2029, interest at 1.50% to 4.00%.	300,000.00	
Total Utility Debt	<u>5,985,000.00</u>	<u>5,700,000.00</u>
Total Debt Issued and Outstanding	<u>\$ 82,308,000.00</u>	<u>\$ 68,942,000.00</u>

NOTES TO FINANCIAL STATEMENTS

Note 3: DEBT, DEBT SERVICE AND STATUTORY DEBT CONDITION (CONT'D.)

B. Summary of Statutory Debt Condition - Annual Debt Statement

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

<u>SFY 2010</u>	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School District Debt	\$ 62,502,000.00	\$ 62,502,000.00	
Water Utility and Sewer Utility Debt *	64,615,538.28	64,615,538.28	
General Debt**	88,044,655.60	16,846,015.65	71,198,639.95
	<u>\$ 215,162,193.88</u>	<u>\$ 143,963,553.93</u>	<u>\$ 71,198,639.95</u>

Net Debt \$71,198,639.95 Divided by Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended \$5,098,814,988.00 = 1.40%

* Gross Debt includes Water/Wastewater System Lease Revenue Bonds issued by the MCIA (F).

** Gross Debt includes Capital Lease Purchase Agreements issued by the MCIA and NJEDA Loan Payable (E).

<u>SFY 2009</u>	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School District Debt	\$ 65,866,000.00	\$ 65,866,000.00	
Water Utility and Sewer Utility Debt *	65,143,822.39	65,143,822.39	
General Debt**	78,625,019.35	8,930,386.80	69,694,632.55
	<u>\$ 209,634,841.74</u>	<u>\$ 139,940,209.19</u>	<u>\$ 69,694,632.55</u>

Net Debt \$69,694,632.55 Divided by Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended \$4,972,585,788.00 = 1.40%

* Gross Debt includes Water/Wastewater System Lease Revenue Bonds issued by the MCIA (F).

** Gross Debt includes Capital Lease Purchase Agreements issued by the MCIA and NJEDA Loan Payable (E).

The Township's Borrowing Power Under N.J.S.A. 40A:2-6 as Amended, at June 30, was as follows:

	<u>2010</u>	<u>2009</u>
3 1/2% of Equalized Valuation Basis Municipal Net Debt	\$ 178,458,524.58 <u>71,198,639.95</u>	\$ 174,040,502.58 <u>69,694,632.55</u>
Remaining Borrowing Power	<u>\$ 107,259,884.63</u>	<u>\$ 104,345,870.03</u>

SFY 2010 Equalized Valuation Basis

2007 Equalized Valuation Basis of Real Property	\$ 5,137,374,180.00
2008 Equalized Valuation Basis of Real Property	5,217,536,641.00
2009 Equalized Valuation Basis of Real Property	<u>4,941,534,143.00</u>
Average Equalized Valuation	<u>\$ 5,098,814,988.00</u>

NOTES TO FINANCIAL STATEMENTS

Note 3: DEBT, DEBT SERVICE AND STATUTORY DEBT CONDITION (CONT'D.)

B. Summary of Statutory Debt Condition - Annual Debt Statement (Cont'd.)

SFY 2009 Equalized Valuation Basis

2006 Equalized Valuation Basis of Real Property	\$	4,562,843,542.00
2007 Equalized Valuation Basis of Real Property		5,137,374,180.00
2008 Equalized Valuation Basis of Real Property		<u>5,217,536,641.00</u>
Average Equalized Valuation	\$	<u><u>4,972,584,787.67</u></u>

Calculation of "Self-Liquidating Purpose"

Water and Sewer Utility Per N.J.S.A. 40A:2-45

The calculation of "Self-Liquidating Purpose" for the Water Utility, per N.J.S.A. 40A:2-45 is as follows:

	<u>2010</u>	<u>2009</u>
Cash Receipts from Fees, Rents or Other Charges for Year	\$ 6,032,723.15	\$ 6,307,158.29
Deductions:		
Operating & Maintenance Cost	3,788,640.00	3,707,827.00
Debt Service Per Water Acct.	<u>1,946,392.63</u>	<u>1,733,923.16</u>
Total Deductions	<u>5,735,032.63</u>	<u>5,441,750.16</u>
Excess/(Deficit) in Revenue	\$ <u>297,690.52</u>	\$ <u>865,408.13</u>

The difference between the excess in revenues for debt statement purposes and the statutory cash basis for the Water Utility is as follows:

	<u>2010</u>	<u>2009</u>
Excess/(Deficit) in Revenues - Cash Basis (D-1)	\$ 964.45	\$ 358,141.80
Add: Revenue in Municipal Budget	450,000.00	600,000.00
Prior Years' Receivables Cancelled	<u>130,000.00</u>	<u>130,000.00</u>
	450,964.45	1,088,141.80
Less: Unexpended Balance of Appropriation Reserves	133,273.93	136,908.33
Prior Years' Accounts Payables Cancelled	<u>20,000.00</u>	<u>85,825.34</u>
	<u>153,273.93</u>	<u>222,733.67</u>
Excess/(Deficit) in Revenue	\$ <u>297,690.52</u>	\$ <u>865,408.13</u>

The calculation of "Self-Liquidating Purpose" for the Sewer Utility, per N.J.S.A. 40A:2-45 is as follows:

	<u>2010</u>	<u>2009</u>
Cash Receipts from Fees, Rents or Other Charges for Year	\$ 5,900,355.77	\$ 5,536,861.02
Deductions:		
Operating & Maintenance Cost	3,634,996.00	3,467,650.00
Debt Service Per Sewer Acct.	<u>1,533,353.75</u>	<u>1,526,580.59</u>
Total Deductions	<u>5,168,349.75</u>	<u>4,994,230.59</u>
Excess/(Deficit) in Revenue	\$ <u>732,006.02</u>	\$ <u>542,630.43</u>

NOTES TO FINANCIAL STATEMENTS

Note 3: DEBT, DEBT SERVICE AND STATUTORY DEBT CONDITION (CONT'D.)

B. Summary of Statutory Debt Condition - Annual Debt Statement (Cont'd.)

The difference between the excess in revenues for debt statement purposes and the statutory cash basis for the Sewer Utility is as follows:

		<u>2010</u>	<u>2009</u>
Excess/(Deficit) in Revenues - Cash Basis (E-1)	\$	151,033.05	\$ 308,038.71
Add: Revenue in Municipal Budget		<u>650,000.00</u>	<u>500,000.00</u>
		801,033.05	808,038.71
Less: Unexpended Balance of Appropriation Reserves		<u>69,027.03</u>	<u>232,034.82</u>
Prior Years' Accounts Payables Cancelled			<u>33,373.46</u>
		<u>69,027.03</u>	<u>265,408.28</u>
Excess/(Deficit) in Revenue	\$	<u>732,006.02</u>	<u>\$ 542,630.43</u>

C. North Brunswick Senior Housing Bonds

\$8,300,000 North Brunswick Taxable Guaranteed Revenue Bonds were issued by the Middlesex County Improvement Authority for the Senior Citizens housing Project. The Bonds were dated November 1, 1994 and come due on December 1, in years 1998 through 2027. Payment, when due, of the principal and interest on the Bonds is guaranteed by the Township of North Brunswick.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$170,000.00	\$636,218.76	\$806,218.76
2012	185,000.00	620,243.76	805,243.76
2013	200,000.00	602,918.76	802,918.76
2014	220,000.00	566,018.76	786,018.76
2015	240,000.00	563,318.76	803,318.76
2016	260,000.00	560,656.26	820,656.26
2017	285,000.00	515,790.63	800,790.63
2018	310,000.00	488,643.75	798,643.75
2019	340,000.00	458,987.50	798,987.50
2020	370,000.00	426,593.75	796,593.75
2021	405,000.00	391,236.38	796,236.38
2022	440,000.00	372,678.26	812,678.26
2023	485,000.00	310,478.13	795,478.13
2024	525,000.00	264,396.88	789,396.88
2025	575,000.00	214,209.38	789,209.38
2026	625,000.00	159,459.38	784,459.38
2027	685,000.00	99,690.63	784,690.63
2028	750,000.00	34,218.75	784,218.75
	<u>\$7,070,000.00</u>	<u>\$7,285,758.48</u>	<u>\$14,355,758.48</u>

NOTES TO FINANCIAL STATEMENTS

Note 3: DEBT, DEBT SERVICE AND REGULATORY DEBT CONDITION (CONT'D.)

D. New Jersey Economic Development Authority Loan

The Township is obligated to the New Jersey Economic Development Authority for an underground Storage Tank Loan in the amount of \$272,733.60. This loan is interest free and is payable in 6 annual installment of \$45,455.60. The following is a schedule of payments and their due dates.

<u>Payment Number</u>	<u>Due Date</u>	<u>Principal</u>	<u>Loan Balance</u>	<u>Total Payment</u>
5	4/1/2011	45,455.60	-	45,455.60
Total		<u>\$ 45,455.60</u>		<u>\$ 45,455.60</u>

E. Water/Wastewater System Lease Revenue Bonds-Water Utility and Sewer Utility

In connection with the water/wastewater operating agreements, the Middlesex County Improvement Authority issued \$34,805,000 Township of North Brunswick Lease Revenue Bonds dated September 15, 2002. The Bonds carry interest rates from 2.00% to 5.00%. The annual principal and interest requirements payable from the Water Utility and Sewer Utility combined, are set forth below:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 1,510,000.00	\$ 1,199,385.00	\$ 2,709,385.00
2012	1,560,000.00	1,148,900.00	2,708,900.00
2013	1,625,000.00	1,081,950.00	2,706,950.00
2014	1,710,000.00	998,575.00	2,708,575.00
2015	1,800,000.00	910,825.00	2,710,825.00
2016	1,890,000.00	818,575.00	2,708,575.00
2017	1,975,000.00	731,825.00	2,706,825.00
2018	2,070,000.00	640,575.00	2,710,575.00
2019	2,175,000.00	534,450.00	2,709,450.00
2020	2,285,000.00	422,950.00	2,707,950.00
2021	2,405,000.00	305,700.00	2,710,700.00
2022	2,525,000.00	185,606.26	2,710,606.26
2023	2,645,000.00	62,818.76	2,707,818.76
	<u>\$ 26,175,000.00</u>	<u>\$ 9,042,135.02</u>	<u>\$ 35,217,135.02</u>

Note 3: DEBT, DEBT SERVICE AND STATUTORY DEBT CONDITION (CONTD.)

F. North Brunswick Refunding Pension Bonds - Series 2003 (Taxable)

The Township issued taxable Refunding Pension Bonds - Series 2003, dated May 1, 2003. The Refunding Pension Bonds were issued to retire the Township's unfunded Early Retirement Incentive (ERI) Programs liability under the ERI Programs previously adopted by the Township. The ERI Programs provided early retirement opportunities for Township members of the Public Employees Retirement System (PERS) adopted in 1991 and 1993 and the Police and Fire Retirement (PFRS) adopted in 1993. The implementation of these programs created unfunded liabilities which would be retired by annual payments to PERS through the years 2021 and 2033, respectively, and to PFRS through the year 2012. P.L. 2002, c.42, was enacted to permit local units to sell refunding bonds in accordance with the Local Bond Law to retire the present value of the liabilities attributable to ERI programs. The total gross annual pension liability payments due from fiscal year 2004 through 2033 amounted to \$3,565,629. The present value of the Township's liabilities for the ERI programs was established by the State Division of Pensions as of May 14, 2003, in the amount of \$560,046 for PERS and \$1,423,781 for PFRS. The net present value savings benefit resulting from the paydown of the unfunded ERI program liabilities was \$450,988.33 or 22.525% of the refunded principal. The enabling legislation for the pension refunding bonds allows a deduction from gross debt for the these bonds. The bonds carry interest rates from 1.40% in fiscal year 2003 to 4.85% in fiscal year 2015.

The outstanding debt service with respect to the Township's 2003 Refunding Pension Bonds is as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 290,000.00	\$ 43,622.50	\$ 333,622.50
2012	310,000.00	30,712.50	340,712.50
2013	200,000.00	19,242.50	219,242.50
2014	200,000.00	9,842.50	209,842.50
2015	105,000.00	2,546.25	107,546.25
	<u>\$ 1,105,000.00</u>	<u>\$ 105,966.25</u>	<u>\$ 1,210,966.25</u>

Note 3: DEBT, DEBT SERVICE AND STATUTORY DEBT CONDITION (CONT'D.)

G. Department of Environmental Protection - Environmental Infrastructure Loans

The Township has contracted with the State of New Jersey, Department of Environmental Protection to fund a portion of the costs incurred for the Replacement of Schmidt Lane & West Lawrence Street Sanitary Sewer Pumping Station. Information relating to these loans is as follows:

	<u>Loan #1</u>	<u>Loan #2</u>
Draw Down Date	11/4/04	11/4/04
Loan Amount	\$ 570,000.00	\$ 581,688.00
Interest Rates	various	0.00%
Due Dates	Aug. 1 & Feb. 1	Aug. 1 & Feb. 1
Number of Payments	19	39
Final Payment Date	August 1, 2024	August 1, 2024

Pursuant to the provisions of N.J.S.A. 40A: 2-1 et seq. the combined outstanding principle of these loans has been included in the calculation of the Township's statutory debt condition.

<u>Fiscal Year</u>	<u>Fund Loan</u> <u>Principal</u>	<u>Trust Loan</u> <u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 30,802.58	\$ 25,000.00	\$ 22,393.76	\$ 78,196.34
2012	29,990.18	25,000.00	21,143.76	76,133.94
2013	29,177.76	25,000.00	19,893.76	74,071.52
2014	28,365.35	25,000.00	18,643.76	72,009.11
2015	30,818.84	30,000.00	17,418.36	78,237.20
2016	30,038.92	30,000.00	16,218.76	76,257.68
2017	29,259.00	30,000.00	15,018.76	74,277.76
2018	28,381.60	30,000.00	13,668.76	72,050.36
2019	30,575.11	35,000.00	12,043.76	77,618.87
2020	29,437.73	35,000.00	10,293.76	74,731.49
2021	28,300.36	35,000.00	8,543.76	71,844.12
2022	30,331.38	40,000.00	6,668.76	77,000.14
2023	29,031.53	40,000.00	4,668.76	73,700.29
2024	27,829.35	40,000.00	2,818.76	70,648.11
2025	29,886.59	45,000.00	984.64	75,871.23
	<u>\$ 442,226.28</u>	<u>\$ 490,000.00</u>	<u>\$ 190,421.88</u>	<u>\$ 1,122,648.16</u>

NOTES TO THE FINANCIAL STATEMENTS

Note 3: DEBT, DEBT SERVICE AND STATUTORY DEBT CONDITION (CONT'D.)

H. Schedule of Annual Debt Service for Principal and Interest for
Township Bonded Debt Issued and Outstanding

SFY Year	General		Water Utility	
	Principal	Interest	Principal	Interest
2011	\$ 5,375,000.00	\$ 1,265,529.03	\$ 165,000.00	\$ 198,263.13
2012	4,435,000.00	1,065,732.15	189,000.00	190,764.38
2013	4,243,000.00	901,267.78	199,000.00	182,848.13
2014	3,525,000.00	708,404.65	265,000.00	173,547.50
2015	3,090,000.00	589,820.09	249,000.00	163,493.75
Subtotal	20,668,000.00	4,530,753.70	1,067,000.00	908,916.89
2016	2,754,000.00	470,858.03	279,000.00	152,776.88
2017	1,974,000.00	392,602.40	257,000.00	141,870.00
2018	2,004,000.00	320,569.90	273,000.00	130,770.00
2019	1,427,000.00	256,954.90	295,000.00	118,835.00
2020	1,454,000.00	201,319.90	151,000.00	105,740.00
Subtotal	9,613,000.00	1,642,305.13	1,255,000.00	649,991.88
2021	1,486,000.00	141,363.65	152,000.00	99,680.00
2022	1,514,000.00	80,201.15	159,000.00	93,460.00
2023	1,204,435.00	24,669.95	166,000.00	86,960.00
2024			322,000.00	77,200.00
2025			331,000.00	64,140.00
Subtotal	4,204,435.00	246,234.75	1,130,000.00	421,440.00
2026			341,000.00	50,700.00
2027			354,000.00	36,800.00
2028			235,000.00	25,020.00
2029			248,000.00	15,360.00
2030			260,000.00	5,200.00
	-	-	1,438,000.00	133,080.00
Totals	\$ 34,485,435.00	\$ 6,419,293.58	\$ 4,890,000.00	\$ 2,113,428.77

NOTES TO THE FINANCIAL STATEMENTS

Note 3: DEBT, DEBT SERVICE AND STATUTORY DEBT CONDITION (CONT'D.)

H. Schedule of Annual Debt Service for Principal and Interest for
Township Bonded Debt Issued and Outstanding (Cont'd)

SFY Year	Sewer Utility		Open Space		Total
	Principal	Interest	Principal	Interest	
2011	\$ 75,000.00	\$ 39,030.63	\$ 175,000.00	\$ 448,942.00	\$ 7,741,764.79
2012	79,000.00	36,422.50	272,000.00	442,198.85	6,710,117.88
2013	76,000.00	33,760.00	217,000.00	434,781.35	6,287,657.26
2014	84,000.00	31,037.50	441,000.00	425,243.85	5,653,233.50
2015	99,000.00	27,932.50	316,000.00	414,673.85	4,949,920.19
Subtotal	413,000.00	168,183.13	1,421,000.00	2,165,839.90	31,342,693.62
2016	109,000.00	24,334.38	438,000.00	403,885.10	4,631,854.39
2017	105,000.00	20,529.38	329,000.00	392,524.48	3,612,526.26
2018	105,000.00	16,545.00	333,000.00	381,297.60	3,564,182.50
2019	105,000.00	12,395.00	338,000.00	369,232.60	2,922,417.50
2020	5,000.00	10,220.00	345,000.00	356,262.60	2,628,542.50
Subtotal	429,000.00	84,023.76	1,783,000.00	1,903,202.38	17,359,523.15
2021	6,000.00	10,000.00	351,000.00	342,342.60	2,588,386.25
2022	6,000.00	9,760.00	356,000.00	328,077.60	2,546,498.75
2023	6,000.00	9,520.00	363,565.00	313,361.30	2,174,511.25
2024	29,000.00	8,820.00	974,000.00	286,160.00	1,697,180.00
2025	30,000.00	7,640.00	1,009,000.00	245,875.00	1,687,655.00
Subtotal	77,000.00	45,740.00	3,053,565.00	1,515,816.50	10,694,231.25
2026	32,000.00	6,400.00	1,052,000.00	203,880.00	1,685,980.00
2027	33,000.00	5,100.00	1,098,000.00	159,980.00	1,686,880.00
2028	35,000.00	3,740.00	1,145,000.00	114,120.00	1,557,880.00
2029	37,000.00	2,300.00	1,195,000.00	66,320.00	1,563,980.00
2030	39,000.00	780.00	1,048,000.00	20,960.00	1,373,940.00
Subtotal	176,000.00	18,320.00	5,538,000.00	565,260.00	7,868,660.00
Totals	\$ 1,095,000.00	\$ 316,266.89	\$ 11,795,565.00	\$ 6,150,118.78	\$ 67,265,108.02

NOTES TO THE FINANCIAL STATEMENTS

Note 4: FUND BALANCES APPROPRIATED

Fund balances at June 30, 2010 and 2009, which were appropriated and included as anticipated revenue in their own respective funds for the "Fiscal Year" ending June 30, 2010 and 2009 as follows:

	<u>FUND BALANCE</u> <u>JUNE 30, 2010</u>	<u>UTILIZED IN</u> <u>SUCCEEDING BUDGET</u>
Current Fund	\$9,503,788.60	\$6,390,475.00
Sewer Utility Fund	1,305,099.63	-0-
Water Utility Fund	2,834,681.44	1,350,000.00

	<u>FUND BALANCE</u> <u>JUNE 30, 2009</u>	<u>UTILIZED IN</u> <u>SUCCEEDING BUDGET</u>
Current Fund	\$10,990,369.87	\$6,200,000.00
Sewer Utility Fund	1,499,066.58	295,000.00
Water Utility Fund	2,833,716.99	-0-

Note 5: DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

Certain expenditures are required to be deferred to budgets of succeeding years. At June 30, 2010, the following deferred charges are shown on the balance sheets of the various funds:

	<u>BALANCE</u> <u>JUNE</u> <u>30, 2009</u>	<u>AMOUNT</u> <u>RAISED</u> <u>IN 2010</u>	<u>AMOUNT</u> <u>RESULTING</u> <u>FROM 2010</u>	<u>BALANCE</u> <u>JUNE</u> <u>30, 2010</u>
Current Fund:				
Special Emergency Appropriation:				
Master Plan Revisions	\$ 30,000.00	\$ 30,000.00	\$ -0-	\$ -0-
Total Current Fund	\$ 30,000.00	\$ 30,000.00	\$ -0-	\$ -0-

Note 6: DEPOSITS AND INVESTMENTS

Deposits

New Jersey statutes permit the deposit of public funds in institutions located in New Jersey, which are insured by the Federal Deposit Insurance Corporation (FDIC) or by any other agencies of the United States that insures deposits or the State of New Jersey Cash Management Fund. New Jersey statutes require public depositories to maintain collateral for deposit of public funds that exceed insurance limits as follows:

The market value of the collateral must equal 5 percent of the average daily balance of public funds; or if the public funds deposited exceed 75 percent of the capital funds of the depository, the depository must provide collateral having a market value equal to 100 percent of the amount exceeding 75 percent.

NOTES TO THE FINANCIAL STATEMENTS

Note 6: DEPOSITS AND INVESTMENTS (CONT'D).

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

The State of New Jersey Cash Management Fund is authorized by statutes and regulations of the State Investment Council to invest in fixed income and debt securities, which mature within one year. Collateralization of Fund investments is generally not required. "Other Than State" participants contribute one and one-half percent per year of the value of the aggregate units owned by them to establish a Reserve Fund, which is supplemented by the proportional interest of "Other Than State" participants in gains on investment transactions realized. The Reserve Fund is available to cover losses of "Other Than State" participants occasioned by the bankruptcy of an issuer of an investment held by the Fund and losses on sales of securities.

At June 30, 2010 and 2009, the cash and cash equivalents and investments of the Township consisted of the following:

	<u>2010</u>	<u>2009</u>
Cash (Demand Accts.)	\$48,936,163.05	\$38,973,737.86
Change Funds (On-Hand)	1,125.00	1,125.00
Total	<u>\$48,937,288.05</u>	<u>\$35,254,147.99</u>

Based upon GASB criteria, the Township considers change funds, cash in banks, investments in certificates of deposit and State of New Jersey Cash Management Fund as cash and cash equivalents. At year end, the book value of the Township's deposits was \$47,696,725.76 and the bank balance was \$48,936,163.05. Of the bank balance, \$1,608,314.87 was covered by Federal depository insurance and \$47,327,848.18 was covered under the provisions of NJGUDPA.

At June 30, 2009, the Township has implemented the disclosure requirements of Governmental Accounting Standards Board Statement No. 40 "Deposits and Investment Risk Disclosures" (GASB 40) and accordingly the Township has assessed the Custodial Risk, the Concentration of Credit Risk and Interest Rate Risk of its cash and investments.

- (a) Custodial Credit Risk – The Township's deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are: uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but no in the depositor-governments name. The deposit risk is that, in the event of the failure of a depository financial institution, the Township will not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. The Township's investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Township and are held by either: the counterparty or the counterparty's trust department or agent but not in the Township's name. The investment risk is that, in the event of the failure of the counterparty to a transaction, the Township will not be able to recover the value of the investment or collateral securities that in possession of an outside party.
- (b) Concentration of Credit Risk – This is the risk associated with the amount of investments that Township has with any one issuer that exceeds 5 percent or more of its total investments. Investment issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement.

NOTES TO THE FINANCIAL STATEMENTS

Note 6: DEPOSITS AND INVESTMENTS (CONT'D).

(c) Credit Risk – GASB 40 requires that disclosure be made as to the credit rating of all debt security investments except for obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government. This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. In general, the Township does not have an investment policy regarding Credit Risk except to the extent outlined under the Township's investment policy. The New Jersey Cash Management Fund is not rated.

(d) Interest Rate Risk - This is the risk that changes in interest rates will adversely affect the fair value of an investment. The Township does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from interest rate fluctuations.

As of June 30, 2010, based upon the insured balances provided by the FDIC and NJGUDPA coverage, no amounts of the Township's bank balance were considered exposed to custodial credit risk.

<u>Depository Account</u>	<u>Bank Balance</u>
Insured--FDIC	\$ 1,608,314.87
Insured—NJGUDPA (N.J.S.A. 17:941)	<u>47,327,848.18</u>
Total	<u>\$ 48,936,163.05</u>

Investments

New Jersey statutes establish the following securities as eligible for the investment of Township funds:

1. Bonds or other obligations of the United States of America or obligations guaranteed by the United States;
2. Government money market mutual funds;
3. Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided such obligation bear a fixed rate of interest not dependent on any index or other external factor;
4. Bonds or other obligations of the Township or bonds or other obligations of school districts of which the Township is a part and within which the school district is located;
5. Bonds or other obligations having a maturity date of not more than 397 days from the date of purchase that are approved by the Division of Investment of the Department of Treasury for investment by local units;
6. Local government investment pools;
7. Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1997, c. 281 (C.52: 18A-90.4); or

NOTES TO THE FINANCIAL STATEMENTS

Note 6: DEPOSITS AND INVESTMENTS (CONT'D).

8. Agreements for the repurchase of fully collateralized securities, if:
 - a. the underlying securities are permitted investments pursuant to paragraphs (1) and (3);
 - b. the custody of collateral is transferred to a third party;
 - c. the maturity of the agreement is more than 30 days; and
 - d. the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c.236 (C.19:9-41) and for which a master repurchase agreement providing for the custody and security of the collateral is executed.

New Jersey Cash Management Fund – All investments in the Fund are governed by the regulations of the Investment Council, which prescribe specific standards designed to insure the quality of investments and to minimize the risks related to investments. In all the years of the Division of Investment's existence, the Division has never suffered a default of principal or interest on any short-term security held by it due to the bankruptcy of a securities issuer; nevertheless, the possibility always exists, and for this reason a reserve is being accumulated as additional protection for the "Other Than State" participants. In addition to the Council regulations, the Division sets further standards for specific investments and monitors the credit of all eligible securities issuers on a regular basis. As of June 30, 2010, the Township had no funds on deposit with the New Jersey Cash Management Fund.

Generally, the Township's investments consist of money market and savings accounts. Based upon the existing deposit and investment practices, the Township is generally not exposed to credit risks, custodial credit risks, concentration of credit risks and interest rate risks for its investments nor is it exposed to foreign currency risks for its deposits and investments.

Note 7: ASSESSMENT AND COLLECTION OF PROPERTY TAXES

A. taxable valuation of real property is prepared by the Tax Assessor as of October 1 in each year and filed with the County Board of Taxation by January 10 of the following year. The County Board of Taxation establishes tax rates to reflect the levy necessary for municipal, local school district, special district and county taxes.

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 formulae 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.

Taxes become delinquent if not paid on the installment dates and become subject to interest penalties of 8% to 18% of the amount delinquent. In addition, the law now allows for, and the Township has authorized, the imposition of a penalty of 6% on delinquencies exceeding \$10,000.00 that remain unpaid at the end of a calendar year. If taxes remain delinquent on or after April 1 of the succeeding fiscal year, the delinquent amount is subject to "Tax Sale" which places a tax lien on the property, and allows the holder to enforce the tax lien by collection foreclosure. New Jersey property tax laws establish property taxes as a lien on real estate as of the first day of the fiscal year of the municipality even though the full amount due is not known.

NOTES TO THE FINANCIAL STATEMENTS

Note 7: ASSESSMENT AND COLLECTION OF PROPERTY TAXES (CONT'D)

As County, School and Special District tax requirements are certified to the County Board of Taxation on a calendar year basis and within a time frame which precludes the certification of a municipal purpose tax certification for the calendar year, the conversion to a fiscal year has necessitated that tax bills be prepared and mailed by the Tax Collector twice annually. The law requires tax bills for the first and second installments to be delivered on or before October 1 of the pre-tax year, and bills for the third and fourth installments to be delivered on or before June 14.

The statutory requirement to deliver tax bills for the first and second installments by October 1 of the pre-tax year requires that these bills utilize assessed valuations from the pre-tax year. As a result, tax bills for the third and fourth installments will also include adjustments to reflect the results of changes in assessed valuations from the pre-tax year to the current tax year.

In accordance with the accounting principles presented by the State of New Jersey, taxes receivable and tax title liens are realized when collected. Since delinquent taxes and liens are fully reserved, no provision has been made to estimate that portion of the taxes receivable and tax title liens that are uncollectible.

Note 8: PENSION AND RETIREMENT PLANS

Employees of the Township of North Brunswick are enrolled in one of two cost sharing multiple-employer public employee retirement systems: the Public Employees Retirement System (PERS) or the Police and Firemen's Retirement System (PFRS). The Division of Pensions in the Department of Treasury, State of New Jersey, administers the PERS and PFRS plans. The plans are funded annually based on the projected benefit method with aggregate level normal cost and frozen initial unfunded accrued liability. The plans, which cover public employees throughout the state, do not maintain separate records for each reporting unit and, accordingly, the actuarial data for the employees of the Township who are members of the plan are not available. For 2010 and 2009, the Township contributed \$722,022.00 and \$618,993.00 for PERS and \$2,167,516.00 and \$2,021,198.00 for PFRS.

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

Note 9: POST-RETIREMENT HEALTH CARE BENEFITS

Plan Description: The Township of North Brunswick contributes to the State Health Benefits Program (SHBP), a cost-sharing, multiple-employer defined benefit post-employment healthcare plan administered by the State of New Jersey Division of Pensions and Benefits. SHBP was established in 1961 under N.J.S.A. 52:14-17.25 et seq., to provide health benefits to State employees, retirees, and their dependents. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. SHBP provides medical, prescription drugs, mental health/substance abuse, and Medicare Part B reimbursement to retirees and their covered dependents.

The SHBP was extended to employees, retirees, and dependents of participating local public employers in 1964. The Township of North Brunswick provides postretirement health benefits to retirees of the PBA, SOA and FMBA only. All active full time employees are covered by the SHBP.

NOTES TO THE FINANCIAL STATEMENTS

Note 9: POST-RETIREMENT HEALTH CARE BENEFITS (CONT'D)

The State Health Benefits Commission is the executive body established by statute to be responsible for the operation of the SHBP. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for the SHBP. That report may be obtained by writing to: State of New Jersey Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295 or by visiting their website www.state.nj.us/treasury/pensions.

Funding Policy: Participating employers are contractually required to be contributed based on the amount of premiums attributable to their retirees. Post-retirement medical benefits under the plan have been funded on a pay-as-you-go basis since 1994. Prior to 1994, medical benefits were funded on an actuarial basis.

Contributions to pay for the health premiums of participating retirees in the SHBP are billed to the Township of North Brunswick on a monthly basis. Currently there is no cost-sharing requirement for retirees.

At June 30, 2010 and 2009, forty-one (41) and thirty-eight (38) retirees were receiving post retirement health care benefits at an annual cost to the Township of approximately \$654,946 and \$550,360.

Note 10: ACCRUED SICK AND VACATION BENEFITS

The Township has established uniform personnel policies via employee contracts and municipal ordinances that set forth the terms under which an employee may accumulate unused benefits as follows:

Sick Leave - Sick Leave shall accumulate at the rate of one (1) day per month for the first year of service and fifteen (15) days for each subsequent year for all permanent employees and shall be cumulative from year to year without limit. Upon retirement, the employee is entitled to receive partial payment for any unused accumulated sick leave computed on the basis of final wages and subject to limitations which vary with union affiliation.

Vacations - Vacation pay for permanent employees accumulates in accordance with the approved schedules. Vacation days may be taken in year earned, but not to exceed the number of days earned at time of vacation. Earned vacation day may be accumulated up to one (1) year of current vacation credits with the exception of employees in the PBA or SOA unions who may accumulate vacation days without limit.

Any employee who has separated his/her employment may be paid the salary equivalent to accrued vacation earned, not to exceed more than one (1) year of current vacation credits earned with the exception of those employees in the PBA or SOA.

The Township maintains up-to-date records of each employee's status relating to earned and unused sick and vacation pay. It is estimated that the cost of such unpaid sick and vacation pay would approximate \$3,553,622.00 and \$3,199,361.00 at June 30, 2010 and 2009. This amount represents the current value of all accumulations, and is not intended to portray amounts that would be recorded under GAAP. The Township has not discounted the total based upon a study of utilization by employees separating from service. Neither has it excluded the accumulations of any employees based upon the likelihood that the right to receive termination payments for such accumulations will vest with the employees. The amount that the valuation reported above would be reduced under either of the methodologies permitted under GAAP has not been determined. Expenditures for payment of accrued sick and vacation benefits are recorded in the period in which payments are made as part of the current year's operating budget appropriations.

NOTES TO THE FINANCIAL STATEMENTS

Note 11: RISK MANAGEMENT

The Township, together with other governmental units, is a member of the Middlesex County Municipal Joint Insurance Fund (the Fund). The Fund, which is organized and operated pursuant to the regulatory authority of the Departments of Insurance and Community Affairs, State of New Jersey, provides for a pooling of risks, subject to established limits and deductibles. The Fund's governing board based upon actuarial and budgetary requirements calculates payments to the Fund. Each participant in the Fund is jointly and severally obligated for any deficiency in the amount available to pay all claims. Lines of coverage provided by the Fund include property; boiler and machinery; equipment floater; auto physical; blanket bond; auto liability; general liability; law enforcement liability; public official liability and worker compensation and employer liability.

At December 31, 2009, the Fund reported for all years combined, total assets of \$22,843,128 liabilities and reserves of \$23,445,519, which includes case reserves of \$10,880,026 and IBNR of \$12,463,970 and a deficit fund balance for all years of \$1,463,459.

Note 12: COMMITMENTS AND CONTINGENCIES

The Township participates in several federal and state financial assistance grant programs. Entitlement to the funds is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable regulations, including the expenditures of funds for eligible purposes. These programs are also subject to compliance and financial audits by the grantors or their representatives. As of June 30, 2010, the Township does not believe that any material liabilities will result from such audits.

As of the date of this report, Management's review of litigations indicated the Township was not involved in any pending or threatened litigation nor any unasserted claims or assessments that would be of a material nature that would have a negative impact to the financial statements. There are a number of commercial tax appeals pending before the Tax Court.

Note 13: LENGTH OF SERVICE AWARD PROGRAM (LOSAP) - UNAUDITED

The Township has instituted a Length of Service Award Program (LOSAP) pursuant to section 457(e) of the Internal Revenue Code and P.L. 1997, C. 388 as amended by P.L. 2001, C. 272 of the Statutes of New Jersey. The Program provides for fixed annual contributions to a deferred income account for volunteer firefighters and first aid and rescue squad members who meet specified service criteria. The Township sponsors the Program, which is administered by a private contractor. The LOSAP section of this document includes the relevant unaudited financial statements and notes for the Program.

Note 14: DEFERRED COMPENSATION

The Township has instituted a Deferred Compensation Plan pursuant to section 457 of the Internal Revenue Code and P.L. 1977, C. 381; P.L. 1978, C. 39; P.L. 1980, C. 78; and P.L. 1997, C. 116 of the Statutes of New Jersey. The Plan is an arrangement whereby a public employer may establish a plan and permit its employees to voluntarily authorize a portion of their current salary to be withheld and invested in one or more of the types of investments permitted under the governing regulations. The Township has engaged a private contractor to administer the plan.

NOTES TO THE FINANCIAL STATEMENTS

Note 15: WATER AND SEWER UTILITY AGREEMENTS

In February 1996, the Township of North Brunswick entered into an agreement with U.S. Water, Inc. ("U.S. Water") for the operation, maintenance and management services for the Township's water and wastewater systems (collectively, the "System"). The agreement, which was completed under the New Jersey Water Supply Public-Private Contracting Act and the New Jersey Wastewater Treatment Public-Private Contracting Act, covers a period of 20 years commencing July 1, 1996 and it may be extended for up to four additional five-year periods. The agreement was approved by the New Jersey Department of Community Affairs, Division of Local Government Services. The portion of the agreement pertaining to water supply was approved by the New Jersey Board of Public Utilities.

U.S. Water paid \$6,000,000 to the Township as an initial concession payment upon the execution of the agreement. In addition, U.S. Water provided funds in sufficient amounts to complete the retirement (through tender offer and defeasance) in June 1996 of the Township's water utility loans, notes and bonds payable totaling \$20,390,298 and sewer utility notes and bonds payable totaling \$1,473,000. U.S. Water also agreed to make the following annual payments to the Township over the 20 - year period commencing on June 1, 1997: \$1,000,000 in the first year and \$2,000,000 from the 16th to the 20th year. The Township is also entitled to share in revenues under certain provisions of the agreement.

The initial concession payment was recorded as concession fee revenue in the statements of operations of the Water Utility and Sewer Utility Operating funds. The amount paid for the retirement of the water and sewer utility debts was accounted for as contributed capital from U.S. Water, based on the carrying amount of such debts, in the balance sheets of the Township's Water Utility and Sewer Utility Capital Funds. The annual payments and revenue sharing, if any, to be received in future years shall be recognized as revenues of both utility operating funds.

On August 27, 2002, pursuant to the New Jersey Water Supply Public-Private Contracting Act, N.J.S.A. 58:26-19 et. seq and other applicable law, the Township entered into a water services agreement with the Middlesex County Improvement Authority and a joint venture of American Water Services, Inc. and JJS Management Services, LLC (the "Water Operator"). The agreement transfers the responsibilities for the operation, management, maintenance and repairs of the water system to the Water Operator.

Pursuant to the New Jersey Wastewater Treatment Public-Private Contracting Act, N.J.S.A. 58:27-19 et. seq and other applicable law, the Township, also on August 27, 2002, entered into a wastewater operating agreement with the Middlesex County Improvement Authority and U.S. Water Company, Inc. (the "Wastewater Operator"). The wastewater agreement transfers the responsibilities for the operation, management, maintenance and repairs of the wastewater system to the Wastewater Operator. The execution of these agreements effectively terminates the agreement as described above.

Under the agreement, American Water operates, maintains and manages the System at all times on behalf of the Township in compliance withal federal, state and local laws and regulations for a fixed annual fee. The Township receives the revenues generated from user charges to water and sewer customers. Such user charges are based on annual base rates established by Township ordinance. American Water is responsible for the billing and collection of such user charges.

In connection with the August 27, 2002 operating agreements with the water operator and wastewater operator, the Middlesex County Improvement Authority issued \$34,805,000 Township of North Brunswick Lease Revenue Bonds (Water/Wastewater System Project) Series 2002A, dated September 15, 2002. The Bonds finally mature October 1, 2022, and carry interest rates from 2.00% to 4.75% with yields of 1.40% to 4.65%. As of the date of the Bonds, the Township and the Authority entered into a Franchise Agreement, pursuant to which the Township conveyed to the Authority the franchise to operate and a leasehold interest in the Wastewater and Water Systems.

NOTES TO THE FINANCIAL STATEMENTS

Note 15: WATER AND SEWER UTILITY AGREEMENTS (CONT'D)

Simultaneously, the Authority, as lessor, and the Township, as lessee, entered into a lease agreement conveying a subleasehold interest in the Water and Wastewater Systems to the Township, subject to the operating agreements and the franchise agreement.

On September 24, 2006, the Township of North Brunswick terminated its agreement with United Water, Inc. ("fka U.S. Water") for the operation, maintenance and management services for the Township's wastewater system, and initiated an "in-house" sewer maintenance operation under the Department of Public Works.

Note 16: SCHOOL TAXES

Tax revenue for the Township of North Brunswick Board of Education has been collected and the liability deferred by statute. The following is a schedule of deferred taxes:

	<u>2010</u>	<u>June 30</u>	<u>2009</u>
Balance of Tax	\$ 34,423,352.50		\$ 34,605,946.00
Deferred	<u>33,467,758.00</u>		<u>31,517,758.00</u>
Payable	<u>\$ 955,594.50</u>		<u>\$ 3,088,188.00</u>

Note 17: INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances remained on the Balance Sheets - as of June 30, 2010:

<u>Fund</u>	<u>Interfund</u>	
	<u>Receivable</u>	<u>Payable</u>
Water Utility Operating Fund	\$3,005,000.00	
Water Utility Capital Fund		\$3,005,000.00
Sewer Utility Operating Fund	650,000.00	
Sewer Utility Capital Fund	<u> </u>	<u>650,000.00</u>
	<u>\$3,655,000.00</u>	<u>\$3,655,000.00</u>

Note 18: COMMITMENTS AND CONTINGENCIES

The Township participates in several federal and state financial assistance grant programs. Entitlement to the funds is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable regulations, including the expenditures of funds for eligible purposes. These programs are also subject to compliance and financial audits by the grantors or their representatives. As of June 30, 2010 and 2009, the Township does not believe that any material liabilities will result from such audits.

As of the filing date of this report, the Township had pending litigations. Management's review of the pending litigations indicates that any judgments rendered against the Township will not have a material adverse impact on the Township's financial position.

Note 19: SUBSEQUENT EVENTS

On August 2, 2010, the Township issued a Bond Ordinance for improvement of the Sewer Distribution System and appropriating the aggregate amount of \$3,000,000 and authorizing the issuance of \$2,850,000 in Bonds or Notes.

Appendix C

Form of Bond Counsel's Opinion

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APPENDIX C

FORM OF BOND COUNSEL OPINION FOR GENERAL OBLIGATION WATER/WASTEWATER SYSTEM REFUNDING BONDS, SERIES 2011A AND GENERAL OBLIGATION WATER/WASTEWATER SYSTEM REFUNDING BONDS, SERIES 2011B [FEDERALLY TAXABLE]

[Date of Closing]

The Mayor and the Township Council of the
Township of North Brunswick, in the County
of Middlesex, New Jersey

Dear Mayor and Members of the Township Council:

We have acted as bond counsel to the Township of North Brunswick, in the County of Middlesex, New Jersey (the “Township”) in connection with the issuance and sale by the Township of its \$20,105,000 aggregate principal amount of General Obligation Water/Wastewater System Refunding Bonds, Series 2011A (the “Series 2011A Bonds”) and its \$400,000 aggregate principal amount of General Obligation Water/Wastewater System Refunding Bonds, Series 2011B [Federally Taxable] (the “Series 2011B Bonds” and together with the Series 2011A Bonds, the “Bonds”). In this capacity, we have examined certified copies of a record of proceedings of the Township Council and such other proofs, documents and instruments submitted to us which we deemed pertinent relative to the issuance and sale by the Township of the Bonds.

The Bonds are dated, mature (without option of prior redemption) and bear interest upon the terms and conditions stated therein and in the resolution adopted by the Township on November 21, 2011 (the “Resolution”). The Bonds are fully registered in form and are issued pursuant to the Local Bond Law, constituting Chapter 2 of Title 40A of the Revised Statutes of New Jersey (the “Local Bond Law”), the Resolution and the refunding bond ordinance referred to therein, in all respects duly approved and published as required by law.

We are of the opinion that such proceedings, proofs, documents and instruments show lawful authority for the issuance and sale of the Bonds pursuant to the Local Bond Law and other applicable statutes, and that the Bonds are valid and legally binding obligations of the Township, all the taxable property within which is subject to the levy of ad valorem taxes for the ultimate payment of the principal of and interest on said Bonds without limitation as to rate or amount if not paid from other sources.

We are further of the opinion that based upon existing law, interest on the Series 2011A Bonds is excluded from the gross income of the owners of the Series 2011A Bonds for federal

income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and interest on the Series 2011A Bonds is not an item of tax preference under Section 57 of the Code for purposes of computing the alternative minimum tax

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

With respect to our Federal income tax opinion, we note that the Code imposes certain requirements that must be met on the date of issuance of the Series 2011A Bonds and on a continuing basis subsequent to the issuance of the Series 2011A Bonds in order for interest on the Series 2011A Bonds to be excluded from gross income for federal income tax purposes under Section 103 of the Code. Failure of the Township to comply with such requirements may cause interest on the Series 2011A Bonds to lose the exclusion from gross income for federal income tax purposes, retroactive to the date of issuance of the Series 2011A Bonds. The Township has made representations in the Tax Certificate, dated as of the date hereof, as to various tax requirements. In addition, the Township has covenanted to comply with the provisions of the Code applicable to the Series 2011A Bonds and has covenanted not to take any action or fail to take any action that would cause the interest on the Series 2011A Bonds to lose the exclusion from gross income for federal income tax purposes under Section 103 of the Code or to cause interest on the Series 2011A Bonds to be an item of tax preference under Section 57 of the Code. With your permission, we have relied upon the representations made in the Tax Certificate and we have assumed continuing compliance by the Township with the above covenants in rendering our federal income tax opinion with respect to the exclusion of interest on the Series 2011A Bonds from gross income for federal income tax purposes and with respect to the treatment of interest on the Series 2011A Bonds for purposes of the alternative minimum tax.

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

It is to be 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 and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

We have examined an executed Series 2011A Bond and an executed Series 2011B Bond and, in our opinion, the forms of said Bonds and their execution are regular and proper.

The opinions expressed herein are based upon the laws and judicial decisions of the State of New Jersey as of the date hereof and are subject to any amendment, repeal or other modification of the applicable laws or judicial decisions that served as the basis for our opinions, or laws or judicial decisions hereafter enacted or rendered. Our engagement by the Township with respect to the opinions expressed herein does not require, and shall not be construed to constitute, a continuing

obligation on our part to notify or otherwise inform the addressee hereof of the amendment, repeal or other modification of the applicable laws or judicial decisions that served as the basis for this opinion letter or of laws or judicial decisions hereafter enacted or rendered which impact on this opinion letter.

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

Very truly yours,

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Appendix D

Form of Continuing Disclosure Certificate

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APPENDIX D

CONTINUING DISCLOSURE CERTIFICATE

THIS CONTINUING DISCLOSURE CERTIFICATE (the "Certificate") is made as of December 22, 2011 by the Township of North Brunswick, in the County of Middlesex, a political subdivision duly organized under the laws of the State of New Jersey (the "Issuer").

W I T N E S S E T H:

WHEREAS, the Issuer is issuing its \$20,105,000 General Obligation Water/Wastewater System Refunding Bonds, Series 2011A (the "Series 2011A Bonds") and its \$400,000 aggregate principal amount of General Obligation Water/Wastewater System Refunding Bonds, Series 2011B [Federally Taxable], each dated as of the date hereof (the "Series 2011B Bonds" and collectively with the Series 2011A Bonds, the "Bonds") on the date hereof; and

WHEREAS, the Bonds are being issued pursuant to a refunding bond ordinance adopted by the Issuer and a resolution adopted by the Issuer on November 21, 2011; and

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

WHEREAS, the Issuer represented in the Contract of Purchase dated December 16, 2011 (the "Purchase Contract") that it would deliver on the closing date for the Bonds a "Continuing Disclosure Certificate" pursuant to which the Issuer will agree to provide at the times and to the persons described in Rule 15c2-12 the annual financial information and material event notices on a continual basis pursuant to Rule 15c2-12; and

WHEREAS, on December 16, 2011, the Issuer executed the Purchase Contract with Citigroup Global Markets Inc. (the "Participating Underwriter") for the purchase of the Bonds; and

WHEREAS, the execution and delivery of this Certificate has been duly authorized by the Issuer and all conditions, acts and things necessary and required to exist, to have happened,

or to have been performed precedent to and in the execution and delivery of this Certificate, do exist, have happened and have been performed in regular form, time and manner; and

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

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

ARTICLE I

DEFINITIONS

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

Bonds	Purchase Contract
Certificate	Rule 15c2-12
Issuer	SEC
Participating Underwriter	Securities Exchange Act

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

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

“Holders” or “Holder” or any similar term means the registered holders and beneficial owners of the Bonds.

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

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

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

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

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

“EMMA” means the Electronic Municipal Market Access facility for municipal securities disclosure of the MSRB.

“Final Official Statement” means the final Official Statement of the Issuer dated December 16, 2011 pertaining to the Bonds.

“Financial Statements” means the audited financial statements of the Issuer for each Fiscal Year and are of the type included in Appendix B to the Final Official Statement.

“Fiscal Year” means the fiscal year of the Issuer as determined by the Issuer from time to time. As of the date of this Certificate, the Fiscal Year of the Issuer begins on July 1 and closes on June 30 of each calendar year.

“GAAS” means generally accepted auditing standards as in effect from time to time in the United States of America, consistently applied, as modified by governmental accounting standards and mandated State statutory principles applicable to the Issuer as may be in effect from time to time.

“MSRB” means the Municipal Securities Rulemaking Board.

“Operating Data” means the financial and statistical information of the Issuer consisting of (i) Township and overlapping indebtedness including a schedule of outstanding debt issued by the Township, (ii) the Township’s most current adopted budget, (iii) property valuation information and (iv) tax rate, levy and collection data.

“Prescribed Form” means such electronic format accompanied by such identifying information as shall be prescribed by the MSRB and which shall be in effect on the date of filing of such information.

“State” means the State of New Jersey.

Section 1.3 Interpretation. Words of masculine gender include correlative words of the feminine and neuter genders. Unless the context shall otherwise indicate, words importing the singular include the plural and vice versa, and words importing persons include corporations, associations, partnerships (including limited partnerships), trusts, firms and other legal entities, including public bodies, as well as natural persons. Articles and Sections referred to by number

mean the corresponding Articles and Sections of this Certificate. The terms “hereby,” “hereof,” “hereto,” “herein,” “hereunder” and any similar terms as used in this Certificate, refer to this Certificate as a whole unless otherwise expressly stated.

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

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

ARTICLE II

CONTINUING DISCLOSURE COVENANTS AND REPRESENTATIONS

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

(a) Not later than 180 days after the end of the Township’s Fiscal Year (currently ending on June 30), commencing with the Fiscal Year of the Issuer ending June 30, 2011, an Annual Report in Prescribed Form in accordance with EMMA to the MSRB.

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

(c) If not submitted as part of the Annual Report, then when and if available, in Prescribed Form in accordance with EMMA to the MSRB, audited financial statements for the Issuer; provided that unaudited Financial Statements of the Issuer in Prescribed Form shall be submitted in accordance with EMMA as part of the Annual Report to the MSRB if audited Financial Statements are not then available;

(d) Within ten (10) days of the occurrence of any of the following events, to the MSRB and in Prescribed Form, notice of any of the following events with respect to the Bonds (each, a "Disclosure Event"):

- (i) Principal and interest payment delinquencies;
- (ii) Non-payment related defaults, if material;
- (iii) Unscheduled draws on the debt service reserve fund reflecting financial difficulties;

- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) Substitution of credit or liquidity providers, or their failure to perform;
- (vi) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Series 2011A Bonds, or other material events affecting the tax-exempt status of the Series 2011A Bonds;
- (vii) Modifications to rights of Holders of the Bonds, if material;
- (viii) Bond calls, if material, and tender offers;
- (ix) Defeasances;
- (x) Release, substitution, or sale of property securing repayment of the Bonds, if material;
- (xi) Rating changes;
- (xii) Bankruptcy, insolvency, receivership or similar events of the Issuer, which shall be considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under State or Federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer;
- (xiii) The consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (xiv) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(e) In a timely manner, to the MSRB in accordance with EMMA and in Prescribed Form, notice of a failure by the Issuer to provide the Annual Report within the period described in subsections 2.1(a) and 2.1(b) hereof.

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

(a) Financial Statements shall be prepared according to the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey and Government Auditing standards issued by the Comptroller General of the United States.

(b) Financial Statements prepared annually shall be audited by an independent certified public accountant in accordance with GAAS.

Section 2.3 Form of Annual Report.

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

(b) Any or all of the items which must be included in the Annual Report may be incorporated by reference from other information which is available to the public through EMMA or which has been filed with the SEC. The Issuer shall clearly identify each such other document so incorporated by reference.

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

Section 2.4 Responsibilities and Duties of the Issuer or the Dissemination Agent.

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

(b) The Issuer and/or the Dissemination Agent (if one has been appointed or engaged by the Issuer) shall file a written report with the Issuer certifying that the Annual Report has been provided in accordance with EMMA to the MSRB.

Section 2.5 Responsibilities, Duties, Immunities and Liabilities of the Dissemination Agent.

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

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

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

ARTICLE III

REMEDIES

Section 3.1 Remedies.

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

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

(c) A default under this Certificate shall not be deemed a default under the Bonds, and the sole remedy under this Certificate in the event of any failure or refusal by the Issuer to comply with this Certificate shall be as set forth in subsection 3.1(a) of this Certificate.

ARTICLE IV

MISCELLANEOUS

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

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

Section 4.3 Notices. All notices required to be given or authorized shall be in writing and shall be sent by registered or certified mail to the Issuer, Township Hall, 710 Hermann Road North Brunswick, New Jersey 08902, Attention: Chief Financial Officer.

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

Section 4.5 Amendments, Changes and Modifications.

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

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

(ii) to modify the contents, presentation and format of the Annual Report from time to time to conform to changes in accounting or disclosure principles or practices and

legal requirements followed by or applicable to the Issuer or to reflect changes in the identity, nature or status of the Issuer or in the business, structure or operations of the Issuer or any mergers, consolidations, acquisitions or dispositions made by or affecting the Issuer; provided that any such modification shall comply with the requirements of Rule 15c2-12 as then in effect at the time of such modification; or

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

provided, that prior to approving any such amendment or modification, counsel nationally recognized as expert in federal securities law acceptable to the Issuer determines that such amendment or modification does not adversely affect the interests of the Bondholders in any material respect.

(b) Upon entering into any amendment or modification required or permitted by this Certificate, the Issuer shall deliver, or cause the Dissemination Agent to deliver, in Prescribed Form in accordance with EMMA to the MSRB written notice of any such amendment or modification.

(c) The Issuer shall be entitled to rely exclusively upon an opinion of counsel nationally recognized as expert in federal securities law acceptable to the Issuer to the effect that such amendments or modifications comply with the conditions and provisions of this Section 4.5 and Rule 15c2-12.

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

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

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

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

IN WITNESS WHEREOF, THE TOWNSHIP OF NORTH BRUNSWICK, IN THE COUNTY OF MIDDLESEX has caused this Certificate to be executed in its name and its corporate seal to be hereunto affixed and attested by their duly authorized officers, all as of the date first above written.

[SEAL]

ATTEST:

THE TOWNSHIP OF NORTH BRUNSWICK, IN
THE COUNTY OF MIDDLESEX, NEW JERSEY

Township Clerk

By: _____
Mayor