

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

**TOWNSHIP OF NORTH BRUNSWICK
IN THE COUNTY OF MIDDLESEX, NEW JERSEY
\$16,655,750 GENERAL OBLIGATION BONDS OF 2012
and
\$28,378,500 BOND ANTICIPATION NOTES, SERIES 2012 A**

Dated: Date of Delivery

Due: Bonds: August 1, as shown on the inside front cover
Notes: August 7, 2013

The Township of North Brunswick, in the County of Middlesex, New Jersey (the "Township") is offering (i) \$16,655,750 of General Obligation Bonds of 2012 (the "Bonds") and (ii) \$28,378,500 of Bond Anticipation Notes, Series 2012 A (the "Notes"). The Bonds and Notes are general obligations of the Township and are secured by a pledge of the full faith and credit of the Township for the payment of the principal thereof and interest thereon. The Bonds and Notes are payable, if not paid from other sources, from ad valorem taxes that may be assessed upon all the taxable property within the Township without limitation as to rate or amount.

The Bonds and Notes will be issued in fully registered form in the form of one certificate for each maturity of the Bonds and one certificate for the aggregate principal amount of the Notes and, when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, New York, New York ("DTC"), which will maintain a book entry system for recording ownership interests of DTC Participants. Individual purchases of beneficial ownership interests in the Bonds and Notes may be made in book entry form only on the records of DTC and its Participants and only in the principal amount of \$5,000 or any integral multiple of \$1,000 in excess thereof. Beneficial Owners of the Bonds and Notes will not receive certificates representing their interests in the Bonds and Notes. As long as Cede & Co. is the registered owner, as nominee of DTC, references in this Official Statement to the registered owners, other than under the caption "TAX MATTERS," shall mean Cede & Co., and not the Beneficial Owners of the Bonds and Notes. See "DESCRIPTION OF THE BONDS AND NOTES - Book-Entry-Only System" herein.

Principal of the Bonds is payable on August 1 in each of the years set forth below. Interest on the Bonds is payable on February 1, 2013 and semiannually thereafter on August 1 and February 1 in each year until maturity. Interest on the Notes will be payable at maturity. As long as DTC or its nominee Cede & Co. is the registered owner of the Bonds and Notes, payment of the principal of and interest on the Bonds and Notes will be made by the Township directly to DTC or its nominee, Cede & Co. Interest on the Bonds will be credited to the participants of DTC as listed on the records of DTC as of each next preceding January 15 and July 15 (the "Record Dates" for the payment of interest on the Bonds).

The Bonds maturing on or after August 1, 2023 are subject to redemption prior to their stated maturities. The Bonds maturing prior to August 1, 2023 and the Notes are not subject to redemption prior to their stated maturity. See "DESCRIPTION OF THE BONDS AND NOTES – Redemption" herein.

**FOR MATURITY SCHEDULES,
SEE INSIDE COVER HEREOF**

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THESE ISSUES. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

The Bonds and Notes are offered when, as and if issued and delivered to the respective underwriter, subject to prior sale, to withdrawal or to modification of the offer without notice and to the approval of legality by the law firm of McCarter & English, LLP, Newark, New Jersey, and certain other conditions described herein. Certain legal matters will be passed upon for the Township by its counsel, DeCotiis, FitzPatrick & Cole, LLP, Teaneck, New Jersey. Acacia Financial Group, Inc., Marlton, New Jersey, has acted as financial advisor to the Township in connection with the issuance of the Bonds and Notes. The Bonds and Notes are expected to be available for delivery in definitive form at DTC in New York, New York on or about August 8, 2012.

Dated: July 26, 2012

\$16,655,750 GENERAL OBLIGATION BONDS OF 2012

Consisting of:

\$13,455,750 General Improvement Bonds of 2012

\$1,500,000 Water Improvement Bonds of 2012

\$1,700,000 Sewer Improvement Bonds of 2012

MATURITIES, AMOUNTS, INTEREST RATES, YIELDS OR PRICES AND CUSIPS

<u>Year</u> <u>(August 1)</u>	<u>General</u> <u>Amount</u>	<u>Water</u> <u>Amount</u>	<u>Sewer</u> <u>Amount</u>	<u>Total</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield/</u> <u>Price</u>	<u>CUSIP*</u>
2013	\$530,000	\$60,000	\$70,000	\$660,000	1.500%	0.35%	658017XW3
2014	1,060,000	60,000	70,000	1,190,000	2.000	0.51	658017XX1
2015	905,000	60,000	70,000	1,035,000	2.000	0.66	658017XY9
2016	920,000	65,000	70,000	1,055,000	2.000	0.81	658017XZ6
2017	850,000	65,000	75,000	990,000	2.000	1.00	658017YA0
2018	1,035,000	65,000	75,000	1,175,000	2.000	1.24	658017YB8
2019	1,060,000	70,000	75,000	1,205,000	2.000	1.49	658017YC6
2020	635,000	70,000	80,000	785,000	2.000	1.75	658017YD4
2021	690,000	70,000	80,000	840,000	2.000	1.94	658017YE2
2022	925,000	70,000	80,000	1,075,000	2.000	2.11	658017YF9
2023	920,000	75,000	85,000	1,080,000	2.125	2.24	658017YG7
2024	1,000,000	75,000	85,000	1,160,000	2.125	2.38	658017YH5
2025	1,000,000	75,000	85,000	1,160,000	2.250	2.47	658017YJ1
2026	1,030,000	80,000	90,000	1,200,000	2.375	2.56	658017YK8
2027	895,750	80,000	95,000	1,070,750	2.500	2.64	658017YL6
2028		85,000	95,000	180,000	2.500	2.76	658017YM4
2029		90,000	100,000	190,000	2.625	2.83	658017YN2
2030		90,000	105,000	195,000	2.750	2.90	658017YP7
2031		95,000	105,000	200,000	2.750	2.97	658017YQ5
2032		100,000	110,000	210,000	3.000	3.04	658017YR3

\$28,378,500 BOND ANTICIPATION NOTES, SERIES 2012 A

MATURITY, AMOUNT, INTEREST, YIELD OR PRICE AND CUSIP

<u>Maturity Date</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield/Price</u>	<u>CUSIP*</u>
August 7, 2013	\$28,378,500	1.50%	0.20%	658017XV5

* No representation is made as to the correctness or accuracy of the CUSIP Numbers, either as printed on the Bonds or Notes or as contained in this Official Statement.

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

MAYOR

Francis “Mac” Womack III

COUNCIL MEMBERS

Shanti Narra, Council President

Ralph Andrews

Robert Corbin

Robert Davis

Carlo Socio

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 broker, dealer, salesperson or other person has been authorized by the Township to give any information or to make any representations with respect to the Bonds or Notes other than those contained in this Official Statement, and, if given or made, such information or representations must not be relied upon as having been authorized by the foregoing. The information contained herein has been provided by the Township and other sources deemed reliable; however, such information is not guaranteed as to accuracy or completeness, and is not to be construed as a representation of the Township. The information and the expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale hereunder under any circumstances shall create any implication that there has been no change in any of the information herein since the date hereof or since the date as of which such information is given, if earlier. The information in this Official Statement concerning DTC and DTC's book-entry system has been obtained from DTC, and the Township takes no responsibility for the accuracy thereof. Such information has not been independently verified by the Township, and the Township makes no representation as to the accuracy and completeness of such information.

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

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

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

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 Bonds or Notes. 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 Bonds or Notes 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 Bonds and Notes referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

IN CONNECTION WITH THESE OFFERINGS, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS OR NOTES AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITERS MAY OFFER AND SELL THE BONDS AND NOTES 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 UNDERWRITERS.

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 IS 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
IN THE COUNTY OF MIDDLESEX, NEW JERSEY
\$16,655,750 GENERAL OBLIGATION BONDS OF 2012
and
\$28,378,500 BOND ANTICIPATION NOTES, SERIES 2012 A**

INTRODUCTION

The purpose of this Official Statement is to set forth certain information concerning the Township of North Brunswick, in the County of Middlesex, New Jersey (the "Township"), the \$16,655,750 of General Obligation Bonds of 2012 (consisting of General Improvement Bonds of 2012, Water Improvement Bonds of 2012 and Sewer Improvement Bonds of 2012) (collectively the "Bonds") and \$28,378,500 of Bond Anticipation Notes, Series 2012 A (the "Notes").

This Official Statement, including the cover page and the attached appendices, contains specific information relating to the Bonds and Notes, including their general description, the purpose of the issues, a summary of borrowing procedures, certain matters affecting the financings, certain legal matters, historical financial information and other information pertinent to these issues. This Official Statement should be read in its entirety.

All financial and other information presented herein has been provided by the Township from its records, except for information expressly attributed to other sources. The presentation of information, including tables of receipts and disbursements, is intended to show recent historic information and is not indicative of future or continuing trends in the financial position or other affairs of the Township.

Prior to the issuance of the Bonds and the Notes, the Township will execute an agreement for the benefit of the holders of the Bonds and the Notes to comply with the secondary market disclosure requirements of the Securities and Exchange Commission's Rule 15c2-12 ("Rule 15c2-12") applicable to the Bonds and the Notes. See "SECONDARY MARKET DISCLOSURE" and "APPENDIX D – FORM OF CONTINUING DISCLOSURE AGREEMENT" herein.

DESCRIPTION OF THE BONDS AND NOTES

General

The Bonds will be dated the date of delivery thereof, will mature on the dates and in the amounts and will bear interest payable semiannually as set forth on the inside cover page hereof to the registered owners of the Bonds as of each January 15 and July 15 (each a "Record Date") immediately preceding each February 1 and August 1 (each an "Interest Payment Date"), commencing February 1, 2013. The Notes are dated the date of delivery thereof and will mature on August 7, 2013. Interest on the Notes will be payable at maturity. So long as The Depository Trust Company, New York, New York ("DTC"), or its nominee is the registered owner of the Bonds and Notes, payments of the principal of and interest on the Bonds and Notes will be made by the Township directly to DTC or its nominee, Cede & Co., which will in turn remit such payments to DTC participants, which will in turn remit such payments to the beneficial owners of the Bonds and Notes. The Bonds and Notes may be purchased in book-entry only form in the amount of \$5,000 or any integral multiple of \$1,000 in excess thereof, except that such minimum amount of the Bonds or Notes in excess of the largest principal amount thereof equaling a multiple of \$1,000 will be in the denomination required to issue the authorized principal amount of Bonds or Notes, through book

entries made on the books and the records of DTC and its participants. See "DESCRIPTION OF THE BONDS AND NOTES - Book-Entry-Only System" herein.

The Bonds and Notes will be issued in fully registered book-entry form only in the form of one certificate for each maturity of the Bonds and one certificate for the aggregate principal amount of the Notes, and, when issued, will be registered in the name of Cede & Co., as nominee of DTC. DTC will be responsible for maintaining a book-entry system for recording the interests of its participants and transfers of the interests among its participants. The participants will be responsible for maintaining records regarding the beneficial ownership interests in the Bonds and Notes on behalf of the individual purchasers. Individual purchasers of the Bonds and Notes will not receive certificates representing their beneficial ownership interests in the Bonds and Notes, but each book-entry owner will receive a credit balance on the books of DTC's nominee, and this credit balance will be confirmed by an initial transaction statement stating the details of the Bonds and Notes purchased. See "DESCRIPTION OF THE BONDS AND NOTES - Book-Entry-Only System" below.

Redemption

The Notes are not subject to redemption prior to their stated maturity.

The Bonds maturing prior to August 1, 2023 are not subject to redemption prior to their stated maturities. The Bonds maturing on or after August 1, 2023 are subject to redemption prior to maturity at the option of the Township, in whole or in part at any time, and if in part, in inverse order of their maturity and by lot within a maturity if less than all of the Bonds of such maturity are to be redeemed, on or after August 1, 2022. The Bonds subject to redemption shall be redeemed at the redemption price of 100% of the principal amount thereof plus accrued interest to the date fixed for redemption. The Township shall select the series of Bonds to be redeemed in their sole discretion.

In the event of any redemption, notice thereof shall be mailed by first class mail, postage prepaid, to the registered owner of any Bonds to be redeemed at the address shown on the registration books of the Township not less than thirty (30) days nor more than sixty (60) days prior to the redemption date; provided, however, that failure to mail or receive such notice, or any defect therein, shall not affect the validity of the proceedings for redemption.

If notice of redemption has been given by mail, the Bonds or the portion thereof called for redemption shall be due and payable on the date fixed for redemption at the redemption price, together with accrued interest to the date fixed for redemption. Payment shall be made upon surrender of the Bonds redeemed.

Book-Entry-Only System

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

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A

of the Securities Exchange Act of 1934, as amended. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, 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 Bonds or Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds or Notes on DTC's records. The ownership interest of each actual purchaser of each Bond or Note ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds or Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds or Notes, except in the event that use of the book-entry system for the Bonds or Notes, as applicable, is discontinued.

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds or Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds or Notes.

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds or Notes unless authorized by a Direct Participant in accordance with DTC's Procedures. Under

its usual procedures, DTC mails an Omnibus Proxy to the Township as soon as possible after the Record Date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds and Notes are credited on the Record Date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and principal and interest payments on the Bonds and Notes 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 Paying Agent (as defined herein), on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee or the Township in its capacity as paying agent (herein the "Paying Agent") or as issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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 BONDS AND NOTES: (I) PAYMENTS OF PRINCIPAL, REDEMPTION PRICE OR INTEREST THEREON; (II) CERTIFICATES PRESENTING AN OWNERSHIP INTEREST OR OTHER CONFIRMATION OF BENEFICIAL OWNERSHIP INTEREST IN THE BONDS OR NOTES; OR (III) REDEMPTION OR OTHER 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 BONDS OR NOTES 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 BONDS OR NOTES. THE TOWNSHIP AND ANY PAYING AGENT SHALL HAVE NO RESPONSIBILITY WITH RESPECT TO: (I) ANY OWNERSHIP INTEREST IN THE BONDS AND NOTES; (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, REDEMPTION PRICE OR INTEREST ON THE BONDS OR NOTES; (III) THE DELIVERY TO, ANY DIRECT PARTICIPANT, INDIRECT PARTICIPANT OR ANY BENEFICIAL OWNER OF ANY REDEMPTION OR OTHER NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO HOLDERS OF THE BONDS OR NOTES; (IV) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE BONDS; OR (V) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC OR CEDE & CO. AS HOLDER OF THE BONDS OR NOTES.

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

For every transfer and exchange of Bonds or Notes, Owners requesting such transfer or exchange may be charged a sum sufficient to cover any tax, governmental charge or transfer fees that may be imposed in relation thereto, which charge may include transfer fees imposed by the Township, any Paying Agent, DTC or the Participant in connection with such transfers or exchanges.

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

Discontinuation of Book-Entry Only System

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

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

In the event that the book-entry only system for the Bonds and/or Notes is discontinued, the Township has provided that upon receipt of the certificates from DTC and the Participant information, the Township will authenticate (or cause to be authenticated) and deliver definitive Bonds and/or Notes, as applicable, to the holders thereof, and the principal of and interest on the Bonds and/or Notes, as applicable, will be payable and the Bonds and/or Notes may thereafter be transferred or exchanged in the manner described in the Bond or Note certificates so provided.

AUTHORIZATION AND PURPOSE OF THE BONDS AND NOTES

The Bonds have been authorized and are to be issued pursuant to the laws of the State of New Jersey, N.J.S.A. 40A:2-1 et. seq., and various bond ordinances of the Township. The Bonds are being issued to permanently finance and/or refinance certain general, sewer and water improvements of the Township as described below:

<u>Ordinance Number</u>	<u>Description</u>	<u>Principal Amount of Bonds to be Sold</u>
04-28	Various Capital Improvements	360,000
06-15	Various Capital Improvements	3,983,100
07-01	Various Street & Road Improvements	1,654,227
07-22	Various Capital Improvements	3,658,423
08-23	Various Capital Improvements	3,800,000
05-16	Water Capital Improvements	1,000,000
06-16	Water Capital Improvements	500,000
05-17	Sewer Capital Improvements	700,000
08-21	Sewer Capital Improvements	<u>1,000,000</u>
	Total Amount of Bonds	\$16,655,750

The Notes have been authorized and are to be issued pursuant to the laws of the State of New Jersey, N.J.S.A. 40A:2-1 et. seq., and various bond ordinances of the Township. The Notes are being issued to temporarily finance and/or refinance certain general improvements of the Township as described below:

<u>Ordinance Number</u>	<u>Description</u>	<u>Principal Amount of Notes to be Sold</u>
00-27	Acquisition of Land (Otken Farm)	\$4,590,000
04-05	High School/Soil Remediation	3,720,594
09-16	Various Capital Improvements	2,807,906
09-22	Acquisition of Pulda Farm	11,210,000
10-23	Various Capital Improvements	2,850,000
11-16	Various Capital Improvements	1,700,000
08-22	Water Capital Improvements	1,000,000
09-17	Sewer Capital Improvements	<u>500,000</u>
	Total Amount of Notes	\$28,378,500

SECURITY

The Bonds and Notes are general obligations of the Township, and the Township has pledged its full faith and credit for the payment of the principal of and the interest on the Bonds and Notes. The Township is required by law to levy ad valorem taxes upon all the real property taxable within the Township for the payment of the principal of and the interest on the Bonds and Notes without limitation as to rate or amount if such Bonds and Notes are not paid from other sources. The enforceability of rights or remedies with respect to such Bonds and Notes may be limited by bankruptcy, insolvency or other laws affecting creditors' rights or remedies heretofore or hereafter enacted.

NO DEFAULT

The Township has never defaulted in the payment of any bonds or notes nor are any payments of principal or interest on the Township's indebtedness past due.

PROVISIONS FOR THE PROTECTION OF GENERAL OBLIGATION DEBT

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

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

The authorized bonded indebtedness of the Township is limited by statute, subject to the exceptions noted below, to an amount equal to 3.5% of its average equalized valuation basis. The average for the last three years, of the equalized value of all taxable real property and improvements and certain Class II railroad property within its boundaries, as annually determined by the State Director of Taxation is \$4,987,663,382.

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

The Township has not exceeded its statutory debt limit. On June 30, 2011, the statutory net debt as a percentage of average equalized valuation was 1.30%. As noted above, the statutory limit is 3.5%.

The Township may exceed its debt limit with the approval of the Local Finance Board, in the Division of Local Government Services, New Jersey Department of Community Affairs (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 makes certain other statutory determinations, approval is 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 2/3 of the amount budgeted in such fiscal year for the retirement of outstanding obligations (exclusive of utility and assessment obligations).

The Township may sell short-term "bond anticipation notes" to temporarily finance a capital improvement or project in anticipation of the issuance of bonds, if the bond ordinance or subsequent resolution so provides. Bond anticipation notes for capital improvements may be issued in an aggregate amount not exceeding the amount specified in the ordinance, as may be amended and supplemented, creating such capital expenditures. A local unit's bond anticipation notes may be issued for periods not greater than one year and may be renewed from time to time for additional periods, none of which shall exceed one year; all such notes, including renewals, shall mature and be paid not later than the first day of the fifth month following the close of the tenth fiscal year next following the date of the original notes; and no such notes shall be renewed beyond the third anniversary date of the original notes unless an amount of such notes, at least equal to the first legally payable installment of the bonds in anticipation of which those notes are issued, is paid and retired on or before each subsequent anniversary date beyond which such notes are renewed from funds other than the proceeds of obligations.

School Debt Subject to Voter Approval

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

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

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

Tax anticipation notes are limited in amount by law and must be paid off within 120 days of the close of the fiscal year (six months in the case of counties).

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

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

The budget also must provide for any cash deficits of the prior year.

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

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

Additionally, legislation constituting P.L. 2007, c.62, effective April 3, 2007, imposed a 4% cap on the tax levy of a municipality, county, fire district or solid waste collection district, with certain exceptions and subject to a number of adjustments. The exclusions from the limit include increases required to be raised for debt service and certain lease payments to county improvement authorities, increases to replace certain lost state aid, increases in certain pension contributions, increases in the reserve for uncollected taxes required for municipalities, and certain increases in health care costs over 4%.

Additionally, legislation constituting P.L. 2010, c.44, effective July 13, 2010, reduced the 4% cap on the tax of a municipality, county and school district to 2%, with certain exceptions, including increases required to be raised for debt service, for pension contributions and accrued liability for pension contributions in excess of 2%, for 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% of the total health care costs in the prior year, subject to certain other limitations, and extraordinary costs incurred by a local unit directly related to a declared emergency. The voters may approve increases over 2% not otherwise permitted by a vote of a majority of the voters voting on a public question.

Neither the tax levy limitations nor the "Cap Law" limit the obligation of the local unit to levy ad valorem taxes upon all taxable real property within the local unit to pay debt service on its bonds or notes.

Miscellaneous Revenues

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

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

The same general principle that revenue cannot be anticipated in a budget in excess of that realized in the preceding year applies to property taxes. N.J.S.A. 40A:4-29 governs anticipation of delinquent tax collections: "The maximum which may be anticipated is the sum produced by multiplication of the amount of delinquent taxes unpaid and owing to the local unit on the first day of the current fiscal year by the percentage of collection of delinquent taxes for the year immediately preceding the current fiscal year."

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

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

Deferral of Current Expenses

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

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

Budget Transfers

Budget transfers provide a degree of flexibility and afford a control mechanism. Transfers between major appropriation accounts are prohibited, except for: (i) during the first three (3) months of a current fiscal year, appropriation reserves may be transferred 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, the Township must adopt and may from time to time amend rules and regulations for capital budgets, which rules and regulations must require a statement of capital undertakings underway or projected for a period not greater than over the next ensuing six years as a general improvement program. The capital budget, when adopted, does not constitute the approval or appropriation of funds, but sets forth a plan of the possible capital expenditures which the local unit may contemplate over the six years. Expenditures for capital purposes may be made either by ordinances adopted by the governing body setting forth the items and the method of financing or from the annual operating budget if the terms were detailed.

Tax Assessment and Collection Procedure

Property valuations 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, N.J.S.A. 40A:5-1 et seq., 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 New Jersey statutes provide a taxpayer with remedial procedures for appealing an assessment deemed excessive. Prior to February 1 in each year, the Township must mail to each property owner a notice of the current assessment and taxes on the property. The taxpayer has a right to petition the County Tax Board on or before the April 1 for review. The County Board of Taxation has the authority after a hearing to decrease or reject the appeal petition. These adjustments are usually concluded within the current tax year and reductions are shown as canceled or remitted taxes for that year. If the taxpayer feels his petition was unsatisfactorily reviewed by the County Board of Taxation, an appeal may be made to the Tax Court of New Jersey for further hearing. Some State Tax Court appeals may take several years prior to settlement and any losses in tax collections from prior years are charged directly to operations.

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

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

An independent examination of the Township's accounts must be performed annually by a licensed registered municipal accountant. The audit, conforming to the Division of Local Government Services' "Requirements of Audit," which must be completed within six (6) months after the close of its fiscal year, includes recommendations for improvement of the local unit's financial procedures and must be filed with the report, together with all recommendations made, and must be published in a local newspaper within 30 days of its submission. The entire annual audit report for the year ended June 30, 2011 is on file with the Township Clerk and is available for review during business hours.

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 Bonds or Notes, or the levy or the collection of any taxes to pay the principal of or the interest on the Bonds or Notes, or in any manner questioning the authority or the proceedings for the issuance of the Bonds or Notes 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's Attorney and delivered at the closing.

TAX MATTERS

Exclusion of Interest on the Bonds and Notes From Gross Income for Federal Tax Purposes

The Internal Revenue Code of 1986, as amended (the "Code"), imposes certain requirements that must be met on the date of issuance and on a continuing basis subsequent to the issuance of the Bonds and Notes in order to assure that interest on the Bonds and Notes will be excluded from gross income for federal income tax purposes under Section 103 of the Code. The Bonds and Notes are treated as a single issue for federal income tax purposes. Failure of the Township to comply with the requirements of the

Code may cause interest on the Bonds and Notes to lose the exclusion from gross income for federal income tax purposes, retroactive to the date of issuance of the Bonds and Notes. The Township will make certain representations in its Tax Certificate, which will be executed on the date of issuance of the Bonds and Notes, as to various tax requirements. The Township has covenanted to comply with the provisions of the Code applicable to the Bonds and Notes and has covenanted not to take any action or permit any action that would cause the interest on the Bonds and Notes to be included in gross income under Section 103 of the Code or cause interest on the Bonds and Notes to be an item of tax preference under Section 57 of the Code. 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 income tax opinions with respect to the exclusion of interest on the Bonds and Notes from gross income for federal income tax purposes and with respect to the treatment of interest on the Bonds and Notes for the purposes of alternative minimum tax.

Assuming the Township observes its covenants with respect to compliance with the Code, McCarter & English, LLP, Bond Counsel to the Township, is of the opinion that, under existing law, interest on the Bonds and Notes is excluded from the gross income of the owners of the Bonds and Notes for federal income tax purposes pursuant to Section 103 of the Code, and interest on the Bonds and Notes is not an item of tax preference under Section 57 of the Code for purposes of computing alternative minimum tax.

Additional Federal Income Tax Consequences

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

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

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

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 Bonds or Notes will be audited. If an audit is commenced, under current Service procedures the holders of the Bonds and Notes may not be permitted to participate in the audit process, and the value and liquidity of the Bonds and Notes may be adversely affected.

Original Issue Premium

Each maturity of the Bonds maturing on August 1, 2013 through and including August 1, 2021 (the “Premium Bonds”) was sold at a price in excess of the amount payable at the maturity date. The excess, if any, of the tax basis of the Premium Bonds to a purchaser (other than a purchaser who holds such Premium Bonds as inventory, stock in trade or for sale to customers in the ordinary course of business) over the amount payable at maturity 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 the 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

Original Issue Discount

The initial public offering price of the Bonds maturing on August 1, 2022 through and including August 1, 2032 (the “Discount Bonds”) is less than the principal amount payable on each of the Discount Bonds at maturity. The difference between the initial public offering price at which a substantial amount of each of the Discount Bonds was sold and the principal amount payable at maturity of each of the Discount Bonds constitutes original issue discount. Bond Counsel is of the opinion that the appropriate portion of the original issue discount allocable to the original and each subsequent owner of the Discount Bonds will be treated for federal income tax purposes as interest not includable in gross income under Section 103 of the Code to the same extent as stated interest on the Discount Bonds. Under Section 1288 of the Code, original issue discount on the Discount Bonds accrues on the basis of economic accrual. The basis of an initial purchaser of a Discount Bond acquired at the initial public offering price of the Discount Bond will be increased by the amount of such accrued discount. Owners of the Discount Bonds should consult their own tax advisors with respect to the determination for federal income tax purposes of the original issue discount properly accruable with respect to the Discount Bonds and the tax accounting treatment of accrued interest.

State Taxation

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

Changes in Federal and State Tax Law

Federal, state or local legislation, administrative pronouncements or court decisions may affect the tax-exempt status of interest on the Bonds and Notes, gain from the sale or other disposition of the Bonds and Notes, the market value of the Bonds and Notes, or the marketability of the Bonds and Notes. 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 Bonds and Notes). Prospective purchasers of the Bonds and Notes should consult their own tax and financial advisers regarding such matters.

RATINGS

Standard & Poor's Ratings Services (the "Rating Agency") has assigned its rating of "AA" to the Bonds and assigned its rating of "SP-1+" to the Notes. The ratings reflect only the view of the Rating Agency, and an explanation of the significance of such ratings may only be obtained from the Rating Agency. The Township furnished to the Rating Agency certain information and materials concerning the Bonds, the Notes and the Township. There can be no assurance that the ratings will be maintained for any given period of time or that the ratings 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 ratings, may have an adverse effect on the marketability or market price of the Bonds or Notes.

LEGALITY FOR INVESTMENT

The laws of the State provide that the State and all public officers, municipal corporations, political subdivisions and public bodies, all banks, bankers, trust companies, savings and loan associations, savings banks and institutions, building and loan associations, investment companies, and other persons carrying on a 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, moneys or other funds belonging to them or within their control in any bonds or other obligations of the Township, including the Bonds and Notes, and such obligations are authorized security for all public deposits.

MUNICIPAL BANKRUPTCY

The undertakings of the Township should be considered with reference to Chapter 9 of the United States Bankruptcy Code ("Bankruptcy Code"), 11 U.S.C. Section 901 to 946. Under Chapter 9 of the Bankruptcy Code, a municipality, a political subdivision or public agency or instrumentality of the State that is insolvent or unable to meet its debts may file a petition in a United States Bankruptcy Court ("Bankruptcy Court") to adjust its debts. Chapter 9 of the Bankruptcy Code does not permit such entity to liquidate its assets and distribute the proceeds of its assets to its creditors. Chapter 9 of the Bankruptcy Code permits a financially distressed public entity to seek protection from its creditors by staying the commencement or continuation of certain actions against such public entity while it formulates and negotiates a plan of adjustment of its debts which can be binding on a dissenting minority of creditors if it is acceptable to the majority of creditors. Should the Township file a petition in the Bankruptcy Court under Chapter 9 of the Bankruptcy Code prior to the payment in full of the principal of and interest on the Bonds or Notes, the holders of the Bonds or Notes would be considered creditors and would be bound by the public entity's plan of adjustment of its debt.

Reference should also be made to N.J.S.A. 52:27-40 et seq. which provides that any "political subdivision" of the State as defined therein, which includes the Township, has the power to file a petition with the Bankruptcy Court under Chapter 9 of the Bankruptcy Code provided the "political subdivision" has obtained approval of the Municipal Finance Commission (the powers of the Municipal Finance Commission have been vested in the Local Finance Board). Section 903 of the Bankruptcy Code, 11 U.S.C. Section 903, specifically provides that Chapter 9 of the Bankruptcy Code does not limit or impair the power of a state to control, by legislation or otherwise, a municipality of or in such state in the exercise of the political or governmental powers of such municipality; provided, however, that a state law prescribing a method of composition of indebtedness of the municipality may not bind any creditor that

does not consent to such composition and that a judgment entered under such state law may not bind a creditor that does not consent to such composition.

THE ABOVE REFERENCES TO THE FEDERAL AND STATE BANKRUPTCY LAWS ARE NOT TO BE CONSTRUED AS AN INDICATION THAT THE TOWNSHIP EXPECTS TO RESORT TO THE PROVISIONS OF SUCH BANKRUPTCY LAWS OR THAT, IF IT DID, SUCH ACTION WOULD BE APPROVED BY THE LOCAL FINANCE BOARD, OR THAT ANY PROPOSED PLAN WOULD INCLUDE A DILUTION OF THE SOURCES OF PAYMENT OF AND SECURITY FOR THE BONDS OR NOTES.

APPROVAL OF LEGAL PROCEEDINGS

All legal matters incident to the authorization, the issuance, the sale and the delivery of the Bonds and Notes are subject to the approval of McCarter & English, LLP, Newark, New Jersey, Bond Counsel to the Township, whose approving legal opinions will be delivered with the Bonds and Notes substantially in the forms set forth in Appendix C to this Official Statement. Certain legal matters will be passed on for the Township by its attorney, DeCotiis, FitzPatrick & Cole, L.L.P., Teaneck, New Jersey.

The various legal opinions and/or certifications to be delivered concurrently with the delivery of the Bonds and the Notes express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion and/or certification, 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 and/or certification guarantee the outcome of any legal dispute that may arise out of the transaction.

FINANCIAL STATEMENTS

The financial statements of the Township for the years ended June 30, 2011 and 2010, together with the notes to the Financial Statements, are presented in Appendix B to this Official Statement. The financial statements of the Township for the year ended June 30, 2011 and 2010 have been audited by Hodulik & Morrison P.A., independent auditors, as stated in their Independent Auditors' Report appearing in Appendix B to this Official Statement.

FINANCIAL ADVISOR

Acacia Financial Group, Inc., Marlton, New Jersey served as financial advisor to the Township with respect to the issuance of the Bonds and Notes. This Official Statement has been prepared on behalf of the Township with the assistance of the Financial Advisor. The information set forth herein has been obtained from the Township and other sources, which are deemed reliable, but no warranty, guaranty or other representation as to the accuracy or completeness is made as to such information contained herein. There is no assurance that any of the assumptions or estimates contained herein will be realized.

SECONDARY MARKET DISCLOSURE

The Township will covenant for the benefit of the Bondholders, the Noteholders and the Beneficial Owners in a Continuing Disclosure Certificate dated the date of closing (the "Certificate") to be executed and delivered by the Township simultaneously with the delivery of the Bonds and the Notes, to provide certain information and operating data (the "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 Bonds and the Notes in complying with the provisions of Rule 15c2-12(b)(5) (the "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.

UNDERWRITING

The Bonds have been purchased at public sale from the Township for resale by PNC Capital Markets LLC (the "Bond Underwriter"). The proceeds of the Bonds total \$16,665,792.28.

The Bond Underwriter has agreed, subject to certain conditions, to purchase all but not less than all of the Bonds. If all of the Bonds are sold at the public offering prices or yields set forth on the inside cover page of this Official Statement, the Bond Underwriter anticipates total selling compensation of \$141,906.99. The public offering prices or yields of the Bonds may be changed from time to time by the Bond Underwriter.

The Notes have been purchased at public sale from the Township for resale by Morgan Stanley & Co. LLC (the "Note Underwriter"). The proceeds of the Notes total \$28,745,434.01.

The Note Underwriter has agreed, subject to certain conditions, to purchase all but not less than all of the Notes. If all of the Notes are sold at the public offering price or yield set forth on the inside cover page of this Official Statement, the Note Underwriter anticipates total selling compensation of \$0.00. The public offering price or yield of the Notes may be changed from time to time by the Note Underwriter.

Morgan Stanley, parent company of Morgan Stanley & Co. LLC, an underwriter of the Notes, has entered into a retail brokerage joint venture with Citigroup Inc. As part of the joint venture, Morgan Stanley & Co. LLC 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, Morgan Stanley & Co. LLC will compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Notes.

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 Bonds and Notes, 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.

Hodulik & Morrison, P.A. 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.

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.

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.

ADDITIONAL INFORMATION

Inquiries regarding this Official Statement, including information additional to that contained herein, may be directed to Kala Sriranganathan, Chief Financial Officer (732) 247-0922 ext. 233.

MISCELLANEOUS

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

TOWNSHIP OF NORTH BRUNSWICK

/s/ Kala Sriranganathan

Kala Sriranganathan
Chief Financial Officer

Dated: July 26, 2012

APPENDIX A

INFORMATION CONCERNING
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 40,742 citizens (U.S. Census Bureau, Census 2010), 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 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>
2010	40,742	809,858
2000	36,287	722,573
1990	31,287	671,780
1980	22,220	595,893
1970	16,691	583,813

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>
2011	6,021
2010	6,000
2009	5,662
2008	5,517
2007	5,440

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>
2012	\$2,421,587,877	\$3,329,077	\$2,421,587,877	51.30%	\$4,729,034,564
2011	2,453,671,600	3,238,211	2,456,909,811	51.30	4,789,297,877
2010	2,466,332,200	3,630,868	2,469,963,068	50.23	4,917,306,526
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

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>
2011	\$2,453,671,600	\$4.82	\$3.01	\$0.66	\$1.09	\$0.03
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

Source: Township of North Brunswick

COMPOSITION OF THE 2011 ASSESSED VALUATIONS

Residential	62.80%
Commercial	15.50
Industrial	11.90
Other	<u>9.80</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 2012:

<u>Taxpayer</u>	<u>Assessed Valuation</u>	<u>% of Total Ratables</u>
ER Squibb & Sons	\$ 148,612,900	6.15%
Kimco	33,000,000	1.36
Sodowicks	29,900,000	1.24
Kaplan Associates LLC	26,000,000	1.08
Maebrook at Renaissance	23,515,600	0.97
Levin Properties	23,267,400	0.96
Renaissance Terrace	19,000,000	0.79
North Brunswick Manor	18,986,000	0.79
Commerce Center	17,272,000	0.71
Brunswick Circle Developers LLC	<u>17,245,000</u>	<u>0.71</u>
Total	\$ 356,798,900	14.75%

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>
2011	\$116,080,734	\$115,983,211	99.92%
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

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>
2011	\$ 280,955	\$ 200	\$ 281,155	0.24%
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

Source: Audited Financial Statements

PROPERTY ACQUIRED FOR TAXES

<u>At Close of Tax Year</u>	<u>Assessed Value</u>
2011	\$161,971
2010	161,971
2009	161,971
2008	161,971
2007	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>
2010	15,620
2000	13,932
1990	12,186
1980	8,068
1970	5,034

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	2011	23,100	21,200	1,900	8.2%
	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
County	2011	436,200	399,500	36,700	8.4%
	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
State	2011	4,556,200	4,131,800	424,400	9.3%
	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

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>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Vacant	33,445,900	33,009,000	34,166,900	\$ 41,407,900	\$ 53,099,800
Residential	1,519,468,700	1,521,256,500	1,520,957,300	1,525,090,700	1,519,488,800
Farm	1,283,600	1,283,500	1,506,400	1,621,800	1,621,800
Commercial	375,135,100	385,961,700	386,870,800	375,511,700	384,945,700
Industrial	287,812,700	310,748,100	320,832,600	333,769,100	342,852,800
Apartments	<u>201,112,800</u>	<u>201,412,800</u>	<u>201,998,200</u>	<u>204,731,400</u>	<u>211,278,500</u>
TOTAL	<u>\$2,418,258,800</u>	<u>\$2,453,671,600</u>	<u>\$2,466,332,200</u>	<u>\$2,482,132,600</u>	<u>\$2,513,287,400</u>

Source: Township Tax Assessor

North Brunswick Township

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

TOWNSHIP OF NORTH BRUNSWICK
MIDDLESEX COUNTY, NEW JERSEY

CURRENT FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
JUNE 30, 2011 AND 2010

Assets	June 30, 2011	June 30, 2010	Liabilities	June 30, 2011	June 30, 2010
<u>Current Fund:</u>			<u>Current Fund:</u>		
Cash.....	\$ 10,280,758.58	\$ 13,246,114.06	Accounts Payable.....	\$ 335,738.26	\$ 366,246.00
Change Fund.....	1,175.00	1,125.00	Encumbrances, Current Budget.....	610,951.75	535,804.01
Due New Jersey - Sr Citizens & Veterans Deductions.....	217,637.41	220,134.59	Appropriation Reserves.....	1,702,124.91	1,514,356.52
			Prepaid & Overpaid Taxes.....	178,761.92	214,100.40
			Taxes Payable.....	35,888,970.00	34,423,352.50
			Less Deferred School Taxes.....	(35,217,758.00)	(33,467,758.00)
Total.....	10,499,570.99	13,467,373.65	Filing Fees Due State of NJ.....	19,820.00	11,075.00
			Reserve, Master Plan.....	2,516.00	2,516.00
Receivable Offset by Reserves:			Reserve, Tax Appeals.....	230,263.67	225,585.41
Municipal Service Reimburse...	3,400.00	3,400.00	Reserve, Tax Map Revisions.....	9,346.25	9,346.25
Property Tax Receivables.....	200.00	8,975.62	Reserve, Loreal Land Lease.....		125,000.00
Tax Title Liens Receivables.....	280,954.61	300,717.43	Reserve, FMBA Health.....	5,769.73	3,960.96
Property Acquired for Taxes.....	161,970.58	161,970.58	Total Cash Liabilities.....	3,766,504.49	3,963,585.05
Total.....	446,525.19	475,063.63	Reserve for Accounts Receivable..	446,525.19	475,063.63
			Fund Balance.....	6,733,066.50	9,503,788.60
Total Current Fund.....	\$ 10,946,096.18	\$ 13,942,437.28	Total Current Fund.....	\$ 10,946,096.18	\$ 13,942,437.28
<u>Grant Fund:</u>			<u>Grant Fund:</u>		
Cash.....	\$ 187,414.64	\$ 54,941.00	Unappropriated Grant Reserves.....	\$ 59,857.72	\$ 60,049.86
Grant Accounts Receivable.....	1,366,320.36	1,318,932.41	Reserve for Encumbrances.....	671,339.85	478,001.24
			Appropriated Grant Reserves.....	822,537.43	835,822.31
Total Grant Fund.....	\$ 1,553,735.00	\$ 1,373,873.41	Total Grant Fund.....	\$ 1,553,735.00	\$ 1,373,873.41
Total.....	\$ 12,499,831.18	\$ 15,316,310.69	Total.....	\$ 12,499,831.18	\$ 15,316,310.69

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, 2011 AND 2010

	June 30, 2011	June 30, 2010
<u>Revenue and Other Realized Income</u>		
Surplus Anticipated.....	\$ 6,390,475.00	\$ 6,200,000.00
Miscellaneous Revenues Anticipated.....	23,270,337.74	13,288,618.40
Receipts from Current Taxes.....	115,983,210.50	111,485,542.57
Non Budget Revenue (MRNA).....	492,698.98	728,998.58
Unexpended Balance of Appropriation Reserves..	689,327.72	1,025,756.54
Prior Period Adjustments		
Tax Overpayments.....	9,487.75	
Grant Balances Canceled.....	4,756.70	47,895.59
Total Revenue and Realized Income.....	<u>146,840,294.39</u>	<u>132,776,811.68</u>
<u>Expenditures</u>		
Budget Appropriations.....	56,017,284.12	44,993,117.27
Tax Collections		
County Taxes.....	14,976,668.72	15,599,259.72
Local School District Taxes.....	73,243,557.50	68,664,111.50
Less Additional School Taxes Deferred...	(1,750,000.00)	(1,950,000.00)
Municipal Open Space Trust Fund.....	733,031.15	756,904.46
Total Expenditures.....	<u>143,220,541.49</u>	<u>128,063,392.95</u>
Statutory Excess.....	3,619,752.90	4,713,418.73
Fund Balance, Beginning of Year.....	9,503,788.60	10,990,369.87
Decreased by Surplus Anticipated.....	<u>(6,390,475.00)</u>	<u>(6,200,000.00)</u>
Fund Balance, End of Year.....	<u>\$ 6,733,066.50</u>	<u>\$ 9,503,788.60</u>

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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
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ANDREW G. HODULIK, CPA, RMA, PSA
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JO ANN BOOS, CPA, PSA

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 and governmental fixed assets of the Township of North Brunswick, County of Middlesex, New Jersey, as of June 30, 2011 and 2010 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, 2011, which collectively comprise of the Township's financial statements, as listed in the table of contents. 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.

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 above 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, The Township of North Brunswick prepares its financial statements 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, bonding and fiscal affairs laws of New Jersey, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America, which practices differ from 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. The effect on the financial statements between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because the prescribed regulatory basis of accounting as described in the preceding paragraph is utilized by the Township of North Brunswick, County of Middlesex, New Jersey for the purpose of financial statement 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, 2011 and 2010, the changes in its financial position, or where applicable, its cash flows of its proprietary funds for the year then ended.

Further, in our opinion, the financial statements – regulatory basis referred to above present fairly, in all material respects, the financial position – regulatory basis of the various funds and governmental fixed assets of the Township of North Brunswick, County of Middlesex, New Jersey as of June 30, 2011 and 2010 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, 2011, on the basis of accounting described in Note 2.

In accordance with Government Auditing Standards, we have also issued a report dated February 13, 2012 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 made for the purpose of forming an opinion on the financial statements of the Township of North Brunswick, County of Middlesex, New Jersey. The information included in Part II – Supplementary Schedules and Part III – Supplementary Data, as 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. The Part II – Supplementary Schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements, or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America, and in our opinion, the information is fairly stated, in all material respects, in relation to the financial statements – regulatory basis taken as a whole. The schedules and information contained in Part III - Supplementary Data have not been subjected to auditing procedures applied in the audit of the financial statements and, accordingly we do not express an opinion, or provide any assurance on them.

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 13, 2012

HODULIK & MORRISON, P.A.

HODULIK & MORRISON, P.A.
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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited the financial statements—regulatory basis of the Township of North Brunswick as of and for the year ended June 30, 2011, which collectively comprise the Township of North Brunswick's financial statements and have issued our report thereon dated February 13, 2012. Our report expressed an unqualified opinion on the financial statements in conformity with this regulatory basis. Our report also expressed a modified opinion on the conformity of the financial statements to accounting principles generally accepted in the United States of America, due to the differences between those principles and the prescribed regulatory basis, which is more fully described in Note 2. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township of North Brunswick's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township of North Brunswick's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township of North Brunswick's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

We noted certain matters that we have reported to the management of the Township of North Brunswick in accompanying the General Comments and Recommendations section of the Report of Audit.

This report is intended solely for the information of the Mayor and Township Council, management, Division of Local Government Services and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Hodulik & Morrison, P.A.

HODULIK & MORRISON, P.A.
Certified Public Accountants
Public School Accountants

Highland Park, New Jersey
February 13, 2012

HODULIK & MORRISON, P.A.

FINANCIAL STATEMENTS

TOWNSHIP OF NORTH BRUNSWICK
MIDDLESEX COUNTY, NEW JERSEY

CURRENT FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
JUNE 30, 2011 AND 2010

Assets	Ref.	June 30, 2011	June 30, 2010	Liabilities	Ref.	June 30, 2011	June 30, 2010
<u>Current Fund:</u>							
Cash.....	A-4	\$ 10,280,758.58	\$ 13,246,114.06	Accounts Payable.....	A-9	\$ 335,738.26	\$ 366,246.00
Change Fund.....	A-5	1,175.00	1,125.00	Encumbrances, Current Budget.....	A-3, A-10	610,951.75	535,804.01
Due New Jersey - Sr Citizens & Veterans Deductions.....	A-6	217,637.41	220,134.59	Appropriation Reserves.....	A-3, A-10	1,702,124.91	1,514,356.52
Total.....		10,499,570.99	13,467,373.65	Prepaid & Overpaid Taxes.....	A-11	178,761.92	214,100.40
				Taxes Payable.....	A-12	35,888,970.00	34,423,352.50
				Less Deferred School Taxes.....	A-12	(35,217,758.00)	(33,467,758.00)
				Filing Fees Due State of NJ.....	A-9	19,820.00	11,075.00
				Reserve, Master Plan.....	A-9	2,516.00	2,516.00
				Reserve, Tax Appeals.....	A-9	230,263.67	225,585.41
				Reserve, Tax Map Revisions.....	A-9	9,346.25	9,346.25
				Reserve, Loreal Land Lease.....	A-9		125,000.00
				Reserve, FMBA Health.....	A-9	5,769.73	3,960.96
Receivable Offset by Reserves:				Total Cash Liabilities.....		3,766,504.49	3,963,585.05
Municipal Service Reimburse....	A-9	3,400.00	3,400.00	Reserve for Accounts Receivable....	A	446,525.19	475,063.63
Property Tax Receivables.....	A-7	200.00	8,975.62	Fund Balance.....	A-1	6,733,066.50	9,503,788.60
Tax Title Liens Receivables.....	A-7	280,954.61	300,717.43	Total Current Fund.....		\$ 10,946,096.18	\$ 13,942,437.28
Property Acquired for Taxes.....	A-7	161,970.58	161,970.58				
Total.....	A	446,525.19	475,063.63				
Total Current Fund.....		\$ 10,946,096.18	\$ 13,942,437.28				
<u>Grant Fund:</u>							
Cash.....	A-4	\$ 187,414.64	\$ 54,941.00	Unappropriated Grant Reserves.....	A-14	\$ 59,857.72	\$ 60,049.86
Grant Accounts Receivable.....	A-15	1,366,320.36	1,318,932.41	Reserve for Encumbrances.....	A-16	671,339.85	478,001.24
Total Grant Fund.....		\$ 1,553,735.00	\$ 1,373,873.41	Appropriated Grant Reserves.....	A-16	822,537.43	835,822.31
				Total Grant Fund.....		\$ 1,553,735.00	\$ 1,373,873.41
Total.....		\$ 12,499,831.18	\$ 15,316,310.69	Total.....		\$ 12,499,831.18	\$ 15,316,310.69

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, 2011 AND 2010

	Ref.	June 30, 2011	June 30, 2010
<u>Revenue and Other Realized Income</u>			
Surplus Anticipated.....	A-1, A-2	\$ 6,390,475.00	\$ 6,200,000.00
Miscellaneous Revenues Anticipated.....	A- 2	23,270,337.74	13,288,618.40
Receipts from Current Taxes.....	A- 7	115,983,210.50	111,485,542.57
Non Budget Revenue (MRNA).....	A- 8	492,698.98	728,998.58
Unexpended Balance of Appropriation Reserves....	A-10	689,327.72	1,025,756.54
Prior Period Adjustments			
Tax Overpayments.....	A-11	9,487.75	
Grant Balances Canceled.....	A-17	4,756.70	47,895.59
Total Revenue and Realized Income.....		<u>146,840,294.39</u>	<u>132,776,811.68</u>
<u>Expenditures</u>			
Budget Appropriations.....	A- 3	56,017,284.12	44,993,117.27
Tax Collections			
County Taxes.....	A-12	14,976,668.72	15,599,259.72
Local School District Taxes.....	A-12	73,243,557.50	68,664,111.50
Less Additional School Taxes Deferred.....	A-12	(1,750,000.00)	(1,950,000.00)
Municipal Open Space Trust Fund.....	A-12	733,031.15	756,904.46
Total Expenditures.....		<u>143,220,541.49</u>	<u>128,063,392.95</u>
Statutory Excess.....		3,619,752.90	4,713,418.73
Fund Balance, Beginning of Year.....	A	9,503,788.60	10,990,369.87
Decreased by Surplus Anticipated.....	A-1, A-2	(6,390,475.00)	(6,200,000.00)
Fund Balance, End of Year.....	A	<u>\$ 6,733,066.50</u>	<u>\$ 9,503,788.60</u>

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, 2011

	Ref.	Anticipated SFY 2011	N.J.S.A. 40A: 4-87	Realized	Excess (Deficit)
Surplus Anticipated.....	A-1	\$ 6,390,475.00		\$ 6,390,475.00	
<u>Miscellaneous Revenues:</u>					
Licenses - Alcoholic Beverages.....		53,000.00		50,960.00	\$ (2,040.00)
Licenses - Other.....		172,040.00		191,724.51	19,684.51
Fees & Permits.....		242,460.00		240,120.45	(2,339.55)
Mayor Marraiges & Civil Unions.....		2,100.00		1,750.00	(350.00)
Fines & Costs - Municipal Court.....		884,000.00		1,033,702.32	149,702.32
Interest & Costs on Taxes.....		120,000.00		128,345.26	8,345.26
Interest on Investments and Deposits.....		184,000.00		168,139.56	(15,860.44)
Water & Sewer Operating Funds.....		1,225,000.00		1,225,000.00	
Fire Prevention Fines & Fees.....		135,540.00		138,323.28	2,783.28
Cable Television Franchise Fee.....		116,850.00		118,165.00	1,315.00
Hotel Tax.....		60,000.00		55,572.30	(4,427.70)
Payments In Lieu of Taxes (PILOT)					
Sr Citizens Housing Complex.....		218,850.00		225,550.00	6,700.00
Technology Center of NJ.....		1,068,000.00		1,059,390.49	(8,609.51)
Loreal		125,000.00		125,000.00	
Uniform Construction Code Fees.....		423,000.00		574,429.00	151,429.00
Uniform Fire Safety Act.....		65,000.00		54,515.34	(10,484.66)
Open Space Trust Fund.....		774,525.00		774,525.00	
General Capital Surplus		100,000.00		100,000.00	
North Brunswick BOE - Contribution to					
Soil Remediation Project.....		275,965.00		289,969.20	14,004.20
1.5% Health Care Contribution		82,235.00		84,255.53	2,020.53
Library Contribution		84,000.00		111,399.32	27,399.32
State Aid					
Consolidated Municipal					
Property Tax Relief Aid.....		542,821.00		547,474.00	4,653.00
Energy Receipts Tax.....		3,939,495.00		3,939,495.00	
Watershed Moratorium Aid.....		4,653.00		4,653.00	
Sub-total.....		10,898,534.00		11,242,458.56	343,924.56

Public and Private Revenues

Offset with Appropriations:

Public Safety:

Drunk Driving Enforcement Fund.....		8,858.25	8,858.25
Safe & Secure.....	60,000.00		60,000.00
Over the limit - Under Arrest.....	4,400.00	5,000.00	9,400.00
Great Office of Justice Program.....			
Cops in Shops		1,200.00	1,200.00
Bullet Proof Vests.....		2,499.00	2,499.00
Body Armor Grant - State.....	6,650.07		6,650.07
Justice Assistance Grant.....	12,616.00		12,616.00
Bias Grant	5,000.00		5,000.00
BJA Congressionally Selected - Video Surv.		185,000.00	185,000.00
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, 2011

	<u>Ref.</u>	Anticipated SFY 2011	N.J.S.A. 40A: 4-87	Realized	Excess (Deficit)
Municipal Court					
Alcohol Education & Enforce Fund.....		2,262.29		2,262.29	
Parks Recreation & Community Service					
Municipal Alliance.....			32,682.00	32,682.00	
County Human Service - Dodgeball		5,000.00		5,000.00	
Senior Center Outreach Grant.....		12,500.00		12,500.00	
Senior Center Congregate Meals.....		9,218.00		9,218.00	
County Open Space - Pulda.....			11,000,000.00	11,000,000.00	
Senior Center Transportation Program		11,000.00		11,000.00	
Heritage Day (County/Federal).....			4,150.00	4,150.00	
Community Development					
NJDOT - Omaha Road.....			250,000.00	250,000.00	
Public Works:					
Recycling Tonnage Grant.....			82,131.00	82,131.00	
Middlesex County Economic Growth -Lights			60,000.00	60,000.00	
Clean Energy.....		206,275.00		206,275.00	
Bristol Myers Squibb.....			2,500.00	2,500.00	
NJ Clean Energy Program - Boiler.....			3,150.00	3,150.00	
Clean Communities.....		51,787.57		51,787.57	
Sub-total.....		386,708.93	11,641,170.25	12,027,879.18	
Current Fund Total Miscellaneous.....	A-1	11,285,242.93	11,641,170.25	23,270,337.74	343,924.56
Local Purpose Tax.....	A-7	27,254,425.00		27,594,224.13	339,799.13
Total General Revenues.....	A-1	\$ 44,930,142.93	\$ 11,641,170.25	\$ 57,255,036.87	\$ 683,723.69
	<u>Ref.</u>	A-3	A-3	A-1	
			<u>Ref.</u>		
Federal & State Grants.....			A-15	\$ 12,027,879.18	
Cash.....			A-4	11,242,458.56	
Total Miscellaneous Revenue.....				\$ 23,270,337.74	

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, 2011

	SFY 2011 Budget	Modified Budget	Expended	Encumbrances	Balance	Salaries	Balance Reserved	Other
	Salaries	Salaries	Salaries	Other	Salaries	Salaries	Salaries	Other
General Government:								
Administration.....	\$ 362,200.00	\$ 32,600.00	\$ 342,137.37	\$ (17,655.43)	(332.81)	\$ 17,362.63	\$ 14,611.76	
Purchasing.....	2,550.00	2,550.00	(2,293.21)	(72.20)		184.59		
Municipal Clerk.....	169,116.25	30,445.00	(165,715.55)	(14,069.08)	(12,560.44)	6,100.70	3,815.48	
Financial Administration.....	180,500.00	54,100.00	(168,320.10)	(16,332.81)	(420.00)	12,179.90	32,347.19	
Audit.....	55,000.00	55,000.00			(55,000.00)			
Information Technology.....	147,000.00	61,000.00	(141,080.98)	(56,730.09)	(4,268.23)	5,919.02	1.68	
Tax Collection.....	109,000.00	16,400.00	(103,917.55)	(14,912.38)		5,082.45	1,487.62	
Tax Assessment.....	83,750.00	125,550.00	(74,641.92)	(85,004.00)	(33,150.90)	4,108.08	7,395.10	
Reserve for Tax Appeals.....		50,000.00		(50,000.00)				
Legal.....		350,000.00		(320,091.52)	(26,352.56)		3,555.92	
Insurance:								
Other Insurance.....		1,241,760.00		(1,088,109.32)			153,650.68	
Employee Group Insurance.....		4,148,151.00		(4,001,373.60)	(48,108.93)		57,068.47	
Community Development								
Engineering.....	85,800.00	88,950.00	(83,883.70)	(42,913.19)	(44,470.25)	3,416.30	1,566.56	
Planning.....	227,250.00	23,700.00	(224,463.81)	(17,861.16)	(2,081.50)	8,986.19	3,757.34	
Zoning.....	97,500.00	8,300.00	(96,124.46)	(3,568.02)	(328.00)	3,775.54	4,403.98	
Affordable Housing.....	3,600.00	250.00	(3,600.00)			250.00		
Code Enforcement.....	129,250.00	3,850.00	(113,145.63)	(3,342.38)		7,104.37	507.62	
Rent Control Board.....	100.00	100.00				100.00		
Fire Safety.....	192,133.00	9,400.00	(181,826.17)	(6,323.85)	(754.84)	10,306.83	2,321.31	
Uniform Construction Code.....	283,000.00	56,800.00	(272,350.72)	(42,724.86)	(615.86)	11,649.28	13,459.28	
Public Safety:								
Police.....	11,501,000.00	532,900.00	(10,923,278.49)	(480,134.05)	(29,172.06)	577,721.51	23,643.89	
Emergency Management.....	59,500.00	45,800.00	(65,789.16)	(44,573.55)	(10.00)	3,210.84	1,216.45	
Volunteer Fire Departments.....		198,000.00		(191,556.16)	(6,400.16)		43.68	
First Aid Organizations.....		65,000.00		(60,190.00)	(4,761.33)		48.67	
Length of Service Award Program.....		70,000.00		(66,725.12)	(9,532.16)		242.72	
Juvenile Aid.....	2,400.00	5,000.00	(2,400.00)				5,000.00	
Municipal Court.....	382,800.00	13,150.00	(377,022.73)	(10,026.42)	(214.00)	20,777.27	2,909.58	
Public Defender.....		25,000.00		(2,000.00)	(13,500.00)		9,500.00	
Public Works:								
Streets and Roads.....	799,371.75	215,100.00	(751,157.35)	(196,372.07)	(8,161.99)	48,214.40	10,565.94	
Sanitation.....	628,600.00	490,500.00	(607,024.11)	(441,202.48)	(45,085.08)	26,575.89	4,212.44	
Solid Waste Disposal Fees.....		762,500.00		(673,834.16)	(80,964.84)		7,701.00	
Recycling.....		290,000.00		(216,231.39)	(2,154.43)		71,614.18	
Buildings and Grounds.....	170,000.00	153,621.00	(170,018.71)	(128,643.11)	(12,141.76)	8,481.29	12,836.13	
Motor Vehicle Maintenance.....	319,000.00	335,500.00	(309,376.91)	(287,719.07)	(39,938.79)	18,123.09	7,842.14	
Muni Service Reimbursement.....								
Condominiums.....		119,500.00					119,500.00	
NJDEP - Stormwater Permit.....	317,000.00	28,000.00	(302,413.27)	(15,987.95)	(2,262.30)	14,586.73	9,749.75	

TOWNSHIP OF NORTH BRUNSWICK
MIDDLESEX COUNTY, NEW JERSEY

CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	SFY 2011 Budget Salaries	Other	Modified Budget Salaries	Other	Expended Salaries	Other	Encumbrances	Balance Canceled	Salaries	Balance Reserved Other
Parks Recreation & Community Services										
Board of Health.....		90,000.00	-	90,000.00		(63,726.75)	(21,242.25)			5,031.00
Committee Board Secretaries.....										
Animal Control.....	15,000.00	20,000.00	15,000.00	20,000.00		(2,804.00)	(3,299.00)		15,000.00	13,897.00
Environmental Commission.....	1,200.00	550.00	1,200.00	550.00	(1,200.00)	(520.00)				30.00
Recreation & Community Services.....	229,000.00	57,550.00	236,000.00	57,550.00	(226,878.02)	(43,450.88)	(10,876.22)		9,121.98	3,222.90
Senior Services.....	178,500.00	26,950.00	168,000.00	26,950.00	(155,522.31)	(20,882.81)	(5,421.00)		12,477.69	646.19
Parks and Playgrounds.....	591,300.00	249,200.00	591,300.00	249,200.00	(549,578.99)	(187,505.30)	(61,105.11)		41,721.01	589.59
Education - Library.....		1,648,293.00		1,648,293.00		(1,648,293.00)				
Unclassified										
Salary Adjustments.....	17,500.00		17,500.00			(1,726,103.89)	(26,242.75)		17,500.00	57,653.36
Utilities / Facilities Costs.....		1,810,000.00		1,810,000.00						1,000.00
Contingency.....		1,000.00		1,000.00						
Statutory Expenditures:										
Public Employees Retirement.....		887,607.00		887,607.00		(887,157.00)				450.00
Police & Fire Retirement.....		2,527,617.00		2,527,617.00		(2,527,169.00)				448.00
Defined Contribution (DCRP).....		1,000.00		1,000.00		(45.94)				954.06
Social Security.....		1,338,322.00		1,338,322.00		(1,246,317.33)				92,004.67
Unemployment Compensation.....		150,000.00		150,000.00		(150,000.00)				29,584.00
Matching Funds for Grants.....		40,000.00		40,000.00		(10,416.00)				
Sub-Total Operations.....	17,282,271.00	18,556,566.00	17,322,371.00	18,516,466.00	(16,412,868.01)	(17,112,892.33)	(610,951.75)		909,502.99	792,621.92
Public & Private Programs										
Offset by Revenues:										
Public Safety:										
Drunk Driving Enforcement Fund.....		-		8,858.25		(8,858.25)				
Safe & Secure.....		60,000.00		60,000.00		(60,000.00)				
Over the limit - Under Arrest.....		4,400.00		9,400.00		(9,400.00)				
Cops in Shops				1,200.00		(1,200.00)				
Secure Our Schools Grant.....										
Justice Assistance Grant.....		12,616.00		12,616.00		(12,616.00)				
Bias grant		5,000.00		5,000.00		(5,000.00)				
BJA Congressionally Selected Vic				185,000.00		(185,000.00)				
Safe Route To School.....		-								
Bullet Proof Vests.....				2,499.00		(2,499.00)				
Body Armor Grant.....		6,650.07		6,650.07		(6,650.07)				
Click it or Ticket.....				4,000.00		(4,000.00)				
Municipal Court										
Alcohol Education & Enforce Funt		2,262.29		2,262.29		(2,262.29)				

TOWNSHIP OF NORTH BRUNSWICK
MIDDLESEX COUNTY, NEW JERSEY

CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	SFY 2011 Budget		Modified Budget		Expended		Encumbrances		Balance		Balance Reserved	
	Salaries	Other	Salaries	Other	Salaries	Other			Canceled		Salaries	Other
Parks Recreation & Community Service												
Municipal Alliance.....		9,218.00	40,852.50			(40,852.50)						
Senior Center Congregate Meals.....		11,000.00	9,218.00			(9,218.00)						
Senior Center Transportation Program.....		12,500.00	11,000.00			(11,000.00)						
Senior Center Outreach Grant.....		5,000.00	12,500.00			(12,500.00)						
County Human Service - Dodgeball.....		-	5,000.00			(5,000.00)						
Heritage Day (County/Federal).....		-	6,225.00			(6,225.00)						
County Open Space - Pulda.....		-	11,000,000.00			(11,000,000.00)						
Community Development.....		-	250,000.00			(250,000.00)						
NJDOT - OMAHA Road.....		-	-			-						
NJDOT - Rt 130/Adams - Sewer.....		-	-			-						
Public Works:												
Recycling Tonnage Grant.....		-	82,131.00			(82,131.00)						
Clean Energy.....		206,275.00	206,275.00			(206,275.00)						
Clean Communities.....		51,787.57	51,787.57			(51,787.57)						
Middlesex County Economic Growth - Lights.....		-	60,000.00			(60,000.00)						
BMS.....		-	2,500.00			(2,500.00)						
Energy Efficiency.....		-	-			-						
NJ Clean Energy Program - Boiler.....		-	3,150.00			(3,150.00)						
Public and Private Programs.....	386,708.93		12,038,124.68			(12,038,124.68)						
Total Operations.....	17,282,271.00	18,943,274.93	17,322,371.00	30,554,590.68	(16,412,868.01)	(29,151,017.01)	(610,951.75)				909,502.99	792,621.92
Capital Improvements:												
Capital Improvement Fund.....		150,000.00		150,000.00		(150,000.00)						
Total Capital Improvements.....		150,000.00		150,000.00		(150,000.00)						

TOWNSHIP OF NORTH BRUNSWICK
MIDDLESEX COUNTY, NEW JERSEY

CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	SFY 2011 Budget	Modified Budget	Expended	Encumbrances	Balance	Balance Reserved
	Salaries	Salaries	Salaries	Other	Cancelled	Salaries
Debt Service:						
MCIA Equipment Lease.....						
EDA Loan.....	45,456.00	45,456.00		(45,455.60)	(0.40)	
Bond Principal.....	5,550,000.00	5,550,000.00		(5,550,000.00)	-	
Interest on Bonds.....	1,714,472.00	1,714,472.00		(1,714,471.02)	(0.98)	
Note Principal.....	259,278.00	259,278.00		(259,278.00)	-	
Interest on Notes.....	384,120.00	384,120.00		(384,117.82)	(2.18)	
Deferred Charges.....	37,000.00	37,000.00		(37,000.00)	-	
Special Emergency - Tax Map.....						
Total Debt Service.....	7,990,326.00	7,990,326.00		(7,990,322.44)	(3.56)	
Total.....	17,282,271.00	17,322,371.00	(16,412,868.01)	(37,291,339.45)	(610,951.75)	909,502.99
Reserve for Uncollected Taxes.....	564,271.00	564,271.00		(564,271.00)		792,621.92
Total Current Fund Budget.....	17,282,271.00	17,322,371.00	(16,412,868.01)	(37,855,610.45)	(610,951.75)	909,502.99
Total Current Fund Budget.....	\$ 17,282,271.00	\$ 17,322,371.00	\$ (16,412,868.01)	\$ (37,855,610.45)	\$ (610,951.75)	\$ 909,502.99
Adopted Budget:						
Salaries.....	\$ 17,282,271.00	Cash Disbursed.....	A-4	\$ (41,616,082.78)		
Other Expenses.....	27,647,871.93	Reserve for Tax Appeals.....	A-9	(50,000.00)		
		Reserve for Uncollected Taxes.....	A-7	(564,271.00)		
		State & Federal Grants.....	A-16	(12,038,124.68)		
Total Adopted Budget.....	44,930,142.93	Total Paid or Charged.....		\$ (54,268,478.46)		
Budget Amendments-NISA 40A 4-87.....	11,641,170.25					
Total Modified Budget.....	\$ 56,571,313.18					
		Reserved Balance				
		Salaries.....				\$ 909,502.99
		Other Expenses.....				792,621.92
		A				\$ 1,702,124.91

TOWNSHIP OF NORTH BRUNSWICK
MIDDLESEX COUNTY, NEW JERSEY

TRUST FUNDS
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
JUNE 30, 2011 AND 2010

		June 30, 2011	June 30, 2010
<u>ASSETS</u>			
Cash.....	Ref. B-2	\$ 13,160,075.65	\$ 13,163,452.57
Investment LOSAP, Funds held by Trustee (unaudited)...	B	693,624.39	522,054.21
Trust Assessment - Accounts Receivable.....	B-1	71,055.00	113,805.00
Trust Other - Accounts Receivable			
Middlesex County			
CDBG - FY 2004.....	B-2	33,778.25	35,956.00
CDBG - FY 2008.....	B-2	27,800.00	27,800.00
CDBG - FY 2009.....	B-2		52,032.98
CDBG - FY 2010.....	B-2	23,845.20	133,790.00
CDBG - FY 2011.....	B-2	89,383.44	
Total.....		<u>\$ 14,099,561.93</u>	<u>\$ 14,048,890.76</u>
<u>LIABILITIES</u>			
LOSAP Funds (unaudited).....	B	\$ 693,624.39	\$ 522,054.21
Trust Assessment - Reserve for Receivables.....	B-1	71,055.00	113,805.00
Fund Balance.....	B-1	42,750.00	
Parks and Recreation			
Due NJ - Animal License Fees.....	B-2	183.60	1,852.80
Animal Control Reserves.....	B-2	15,948.39	59,754.86
Recreation Programs.....	B-2	812,051.61	747,491.36
Open Space.....	B-2	366,423.87	240,984.83
Finance			
NJ Unemployment.....	B-2	218,724.70	267,981.80
Terminal Leave.....	B-2	661,145.29	737,738.56
Tax Sale, Premium on TTL.....	B-2	250,550.13	172,400.00
Payroll Liabilities Payable.....	B-2	26,944.76	26,165.91

TOWNSHIP OF NORTH BRUNSWICK
MIDDLESEX COUNTY, NEW JERSEY

TRUST FUNDS
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
JUNE 30, 2011 AND 2010

		June 30, 2011	June 30, 2010
<hr/>			
Public Safety			
Forfeited Funds.....	B-2	19,046.91	23,618.09
Seized Funds.....	B-2	968.00	805.00
Unclaimed Funds.....	B-2	6,502.80	6,502.80
Outside Employment.....	B-2	36,539.19	28,687.62
Uniform Fire Code.....	B-2	64,815.88	32,530.35
Municipal Court			
Handicapped Parking.....	B-2	8,926.41	8,870.41
Public Defender.....	B-2	24,884.09	18,389.59
POAA Fines.....	B-2	804.57	694.57
Spinal Research.....	B-2	24.16	24.16
Public Works - Snow Removal.....	B-2	199,184.18	31,750.46
Donations, Gifts, & Bequests.....	B-2	7,263.47	12,945.46
Community Development Block Grant			
CDBG - FY04.....	B-2	33,778.25	33,778.25
CDBG - FY08.....	B-2		27,800.00
CDBG - FY09.....	B-2		
CDBG - FY10.....	B-2	23,845.20	89,772.54
CDBG - FY11.....	B-2	64,073.64	
Community Development Department			
Growth Share Reserve.....	B-2	806,183.97	802,416.16
Prepaid Rental C/O's.....	B-2	1,330.00	3,130.00
Third Party UCC Inspections.....	B-2	233,826.14	238,968.54
Developers' Escrow.....	B-2	1,555,043.76	1,795,533.39
Regional Contribution Agreement			
Affordable Housing Contribution, Phase II.....	B-2	7,853,119.57	8,002,444.04
<hr/>			
Total.....		<u>\$ 14,099,561.93</u>	<u>\$ 14,048,890.76</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, 2011 AND 2010

	<u>Ref.</u>	June 30, 2011	June 30, 2010
<u>ASSETS</u>			
Cash.....	C-2	\$ 9,929,425.83	\$ 19,507,769.73
Deferred Charges to Future Taxation:			
Funded.....	C-4	40,731,000.00	46,326,455.60
Unfunded.....	C-5	43,821,894.00	41,268,172.00
Total.....		<u>\$ 94,482,319.83</u>	<u>\$ 107,102,397.33</u>
<u>LIABILITIES, RESERVES, & FUND BALANCE</u>			
Outstanding Debt:			
Bond Anticipation Notes Payable.....	C-8	\$ 34,300,000.00	\$ 30,042,000.00
Serial Bonds Payable.....	C-7	40,731,000.00	46,281,000.00
EDA Loan Payable.....	C-9		45,455.60
Improvement Authorizations:			
Funded.....	C-6	614,667.44	2,300,122.67
Unfunded.....	C-6	10,728,188.46	19,538,866.54
Reserve for Encumbrances.....	C-6	3,810,611.11	4,145,731.68
Reserve to Retire Debt.....	C-11	4,075,634.50	4,295,853.65
Capital Improvement Fund.....	C-10	342.00	342.00
Fund Balance.....	C-1	221,876.32	453,025.19
Total.....		<u>\$ 94,482,319.83</u>	<u>\$ 107,102,397.33</u>
Bonds & Notes Authorized not Issued.....	C-12	<u>\$ 9,521,894.00</u>	<u>\$ 11,226,172.00</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, 2011

	<u>Ref.</u>	
Balance June 30, 2010.....	C	\$ 453,025.19
Increased by Cash Receipts		
Premium on Sale of Notes.....	C-2	<u>125,395.13</u>
		578,420.32
Decreased by Cash Disbursements		
Disbursements from Reserve.....	C-2	(256,544.00)
Surplus - Anticipated in Current Fund.....	C-2	<u>(100,000.00)</u>
		(356,544.00)
Balance June 30, 2011.....	C	<u><u>\$ 221,876.32</u></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, 2011 AND 2010

Assets	Ref.	June 30, 2011	June 30, 2010	Liabilities	Ref.	June 30, 2011	June 30, 2010
<u>Water Operating</u>							
Cash.....	D-5	\$ 1,158,613.37	\$ 718,455.57	Reserve for Encumbrances.....	D-4,D-9	\$ 188,822.25	\$ 146,089.18
Due from Water Capital Fund.....	D	1,705,000.00	3,005,000.00	Appropriation Reserves.....	D-4,D-9	98,211.41	306,033.64
				Accounts Payable.....	D-9	247,168.82	49,444.88
				Accrued Interest Payable.....	D-12	388,661.76	387,206.43
				Total Liabilities.....		922,864.24	888,774.13
				Fund Balance.....	D-1	1,940,749.13	2,834,681.44
Total Water Operating Fund.....		\$ 2,863,613.37	\$ 3,723,455.57	Total Water Operating Fund.....		\$ 2,863,613.37	\$ 3,723,455.57
<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, 2011 AND 2010

Assets	Ref.	June 30, 2011	June 30, 2010	Liabilities	Ref.	June 30, 2011	June 30, 2010
<u>Water Capital</u>							
Cash.....	D-5,D-6	\$ 201,851.59	\$ 57,910.80	Due to Water Operating Fund.....	D	\$ 1,705,000.00	\$ 3,005,000.00
				Bond Anticipation Notes.....	D-14	1,500,000.00	
				Serial Bonds Payable.....	D-11	4,725,000.00	4,890,000.00
				NJEIT Loan Obligation.....	D-15	17,782,650.14	18,639,498.00
				Lease Purchase Obligation.....	D-13	12,332,500.00	13,087,500.00
Fixed Capital				Improvement Authorizations:			
Completed.....	D-7	30,065,994.03	30,065,994.03	Funded.....	D-10	2,375.40	4,614.91
Authorized not Completed.....	D-8	25,972,695.56	25,872,695.56	Unfunded.....	D-10	830,882.04	897,695.53
				Reserve for Encumbrances.....	D-10	834,473.05	734,859.26
				Reserve for Amortization.....	D-16	16,088,037.45	14,311,189.59
				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	319,655.51	306,275.51
Total Water Capital Fund.....		\$ 56,240,541.18	\$ 55,996,600.39	Total Water Capital Fund.....		\$ 56,240,541.18	\$ 55,996,600.39
Total.....		\$ 59,104,854.55	\$ 59,720,755.96	Total.....		\$ 59,104,854.55	\$ 59,720,755.96

Note: See Notes to Financial Statements
There were Bonds and Notes Authorized but Not Issued at June 30, 2011 in the amount of \$3,610,502 (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, 2011 AND 2010

	Ref.	June 30, 2011	June 30, 2010
<u>Revenue and Other Realized Income</u>			
Water Rents.....	D-3	\$ 5,594,336.65	\$ 5,215,215.13
Connection Fees.....	D-3	42,296.62	71,460.00
Developer Contribution.....	D-3	152,490.00	157,290.00
Miscellaneous Revenues.....	D-3	595,242.92	588,758.02
Operating Surplus Anticipated	D-3	1,350,000.00	
Unexpended Balance of Appropriation Reserves.....	D-9	36,324.40	133,273.93
SREC Sales.....	D-3	60,243.00	
Prior Years' Accounts Payable Canceled.....			20,000.00
Total Revenue and Realized Income.....		<u>7,830,933.59</u>	<u>6,185,997.08</u>
<u>Expenditures</u>			
Budget Appropriations.....	D-4	<u>(7,374,865.90)</u>	<u>(6,185,032.63)</u>
Total Expenditures.....		<u>(7,374,865.90)</u>	<u>(6,185,032.63)</u>
Statutory Excess.....		456,067.69	964.45
Decrease by Surplus Anticipated in Budget.....	D-3	(1,350,000.00)	
Fund Balance, Beginning of Year.....	D	<u>2,834,681.44</u>	<u>2,833,716.99</u>
Fund Balance, End of Year.....	D	<u>\$ 1,940,749.13</u>	<u>\$ 2,834,681.44</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, 2011 AND JUNE 30, 2010

	<u>Ref.</u>	
Balance June 30, 2010.....	D	\$ 306,275.51
Increased by:		
Premium on BAN Sale	D-5	<u>13,380.00</u>
Balance June 30, 2011.....	D	<u><u>\$ 319,655.51</u></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, 2011

	<u>Ref.</u>	Anticipated	Realized	Excess (Deficit)
Water Operating Surplus Anticipated	D-1	\$ 1,350,000.00	\$ 1,350,000.00	\$ -
Water Rents.....	D-1, D-5	\$ 5,380,821.00	\$ 5,594,336.65	\$ 213,515.65
Connection Fees.....	D-1, D-5	70,000.00	42,296.62	(27,703.38)
Fire Service Charge.....	D-1, D-5	60,000.00		(60,000.00)
Developer Contribution.....	D-1, D-5	152,490.00	152,490.00	
Miscellaneous				
Meter Fees.....	D-1, D-5	472,000.00	483,185.49	11,185.49
Interest on Delinquent Accounts.....	D-1, D-5	35,000.00	49,215.78	14,215.78
Other.....	D-1, D-5	63,000.00	62,841.65	(158.35)
SREC Sales.....	D-1, D-5		60,243.00	60,243.00
Water Utility Operating Fund Total.....		<u>\$ 7,583,311.00</u>	<u>\$ 7,794,609.19</u>	<u>\$ 211,298.19</u>

Ref.

D-4

() 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, 2011

	Budget				Canceled	Reserved
	Original	Modified	Paid/Charged	Encumbrances		
Operating Salaries.....	\$ 84,500.00	\$ 84,500.00	\$ (81,063.54)			\$ 3,436.46
Operating Expenses.....	3,564,615.00	3,564,615.00	(3,287,581.52)	\$ (182,258.53)		94,774.95
Debt - MCIA Lease Payments.....	1,376,660.00	1,376,660.00	(1,362,501.75)	(6,563.72)	\$ (7,594.53)	
Debt - Bond Principal.....	165,000.00	165,000.00	(165,000.00)			
Debt - Interest on Bonds.....	198,270.00	198,270.00	(196,643.47)		(1,626.53)	
Debt - Interest on Notes.....	83,000.00	83,000.00	(16,615.00)		(66,385.00)	
Debt - NJEIT.....	1,311,266.00	1,311,266.00	(1,303,426.96)		(7,839.04)	
Surplus - Current Fund.....	800,000.00	800,000.00	(675,000.00)		(125,000.00)	
Deferred Charges.....						
Total Water Utility Operating.....	\$ 7,583,311.00	\$ 7,583,311.00	\$ (7,087,832.24)	\$ (188,822.25)	\$ (208,445.10)	\$ 98,211.41
	D-3			D		D
Cash.....		D-5	\$ (7,086,376.91)			
Accrued Interest 6/30/2010.....		D-12	387,206.43			
Accrued Interest 6/30/2011.....		D-12	(388,661.76)			
Total Paid or Charged.....			\$ (7,087,832.24)			

() Denotes deficit or deduction.

Note: See Notes to Financial Statements

TOWNSHIP OF NORTH BRUNSWICK
MIDDLESEX COUNTY, NEW JERSEY

Exhibit - E

SEWER UTILITY FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
JUNE 30, 2011 AND 2010

Assets	Ref.	June 30, 2011	June 30, 2010	Liabilities	Ref.	June 30, 2011	June 30, 2010
<u>Sewer Utility Operating:</u>							
Cash.....	E-5	\$ 1,959,023.84	\$ 927,823.55	Encumbrances Payable.....	E-4, E-9	\$ 82,862.47	\$ 49,231.17
Due Sewer Capital.....	E, E-5		650,000.00	Appropriation Reserves.....	E-4, E-9	93,418.70	14,508.14
				Accounts Payable.....	E-9	39,400.11	38,597.04
				Accrued Interest Payable.....	E-11	176,801.74	170,387.57
				Total Liabilities.....		392,483.02	272,723.92
				Fund Balance.....	E-1	1,566,540.82	1,305,099.63
Total Sewer Operating Fund.....		\$ 1,959,023.84	\$ 1,577,823.55	Total Sewer Operating Fund.....		\$ 1,959,023.84	\$ 1,577,823.55
<u>Sewer Utility Capital:</u>							
Cash.....	E-5 E-6	\$ 384,300.52	\$ 20,258.48	Due Sewer Operating Fund.....	E		650,000.00
Fixed Capital				Debt			
Completed.....	E-7	13,795,637.00	13,795,637.00	NJ EIT Loan Payable.....	E-13	876,423.70	\$ 932,226.28
Authorized and Uncompleted.....	E-8	10,790,000.00	10,790,000.00	Lease Purchase Obligation.....	E-12	12,332,500.00	13,087,500.00
				Serial Bonds.....	E-10	1,020,000.00	1,095,000.00
				Bond Anticipation Notes.....	E-17	1,200,000.00	
Deferred Charge				Improvement Authorizations:			
MCIA Lease Purchase.....	E-16	2,881,701.00	3,636,701.00	Funded	E-14	117,706.00	117,706.00
				Unfunded	E-14	5,533,951.85	6,258,611.03
				Encumbrances.....	E-14	1,324,390.67	796,393.45

TOWNSHIP OF NORTH BRUNSWICK
MIDDLESEX COUNTY, NEW JERSEY

Exhibit - E

SEWER UTILITY FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
JUNE 30, 2011 AND 2010

Assets	Ref.	June 30, 2011	June 30, 2010	Liabilities	Ref.	June 30, 2011	June 30, 2010
Reserve for:							
				Amortization.....	E-16	4,995,102.30	4,864,299.72
				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	52,664.00	41,960.00
Total Sewer Capital Fund.....		\$ 27,851,638.52	\$ 28,242,596.48	Total Sewer Capital Fund.....		\$ 27,851,638.52	\$ 28,242,596.48
Total Sewer Utility Funds.....		\$ 29,810,662.36	\$ 29,820,420.03	Total Sewer Utility Funds.....		\$ 29,810,662.36	\$ 29,820,420.03

Note: See Notes to Financial Statements
There were Bonds and Notes Authorized but Not Issued at June 30, 2011 in the amount of \$6,673,312 (Exhibit E-18).

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, 2011 AND 2010

	<u>Ref.</u>	June 30, 2011	June 30, 2010
<u>Revenue and Other Realized Income</u>			
Fund Balance Utilized.....			295,000.00
Sewer Rents.....	E-3	5,876,097.44 \$	5,574,580.77
Connection Fees.....	E-3	40,200.00	30,775.00
Miscellaneous.....	E-3	10,662.39	
Unexpended Balance of Appropriation Reserves.....	E-9	10,778.22	69,027.03
Total Revenue and Realized Income.....		5,937,738.05	5,969,382.80
Budget Appropriations.....	E-4	(5,676,296.86)	(5,818,349.75)
Statutory Excess.....		261,441.19	151,033.05
Fund Balance, Beginning of Year.....	E	1,305,099.63	1,449,066.58
Decreased by:			
Utilized as Anticipated Surplus.....	E-3		295,000.00
Fund Balance, End of Year.....	E	\$ 1,566,540.82	\$ 1,305,099.63

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, 2011

	<u>Ref.</u>	
Balance June 30, 2010.....	E	41,960.00
Premium on BAN	E-5	10,704.00
Balance June 30, 2011.....	E	\$ <u>52,664.00</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, 2011

	<u>Ref.</u>	Anticipated	Realized	Excess (Deficit)
Sewer Rents.....	E-1,	5,682,731.00	5,876,097.44	\$ 193,366.44
Connection Fees.....	E-1	13,000.00	40,200.00	27,200.00
Miscellaneous Revenue.....	E-1		10,662.39	10,662.39
Sewer Utility Operating Fund Total.....		\$ 5,695,731.00	\$ 5,926,959.83	\$ 231,228.83
	<u>Ref.</u>	E-4	E-5	

Note: See Notes to Financial Statements

SEWER UTILITY OPERATING FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2011

	Budget	Modified Budget	Cash Disbursed	Encumbrances	Canceled	Reserved
Operating Salaries & Wages.....	\$ 328,541.00	\$ 353,541.00	\$ (332,743.30)			\$ 20,797.70
Operating Other Expenses.....	3,188,000.00	3,188,000.00	(3,049,080.25)	\$ (76,298.75)		62,621.00
Statutory Expenditures						
PERS Retirement.....	14,000.00					
Social Security.....	21,000.00	10,000.00				10,000.00
Debt Service:						
Debt - Bond Principal.....	75,000.00	75,000.00	(75,000.00)			
Debt - Bond Interest.....	39,050.00	39,050.00	(38,713.63)	\$ (336.37)		
Debt - MCIA Lease.....	1,376,220.00	1,376,220.00	(1,362,501.75)	(6,563.72)	(7,154.53)	
Debt - NJ EIT Principal.....	55,810.00	55,810.00	(55,802.58)		(7.42)	
Debt - NJ EIT Interest.....	22,400.00	22,400.00	(21,172.18)		(1,227.82)	
Debt - NJ EIT Administration.....	1,710.00	1,710.00	(1,710.00)			
Debt - Interest on Notes.....	24,000.00	24,000.00	(13,292.00)		(10,708.00)	
Surplus - Current Fund.....	550,000.00	550,000.00	(550,000.00)			
Total Sewer Utility Operating.....	\$ 5,695,731.00	\$ 5,695,731.00	\$ (5,500,015.69)	\$ (82,862.47)	\$ (19,434.14)	\$ 93,418.70
Ref.	E-3	E-1		E	E-1	E
Cash.....		Ref.				
Accrued Interest June 30, 2010.....		E-5	\$ (5,493,601.52)			
Accrued Interest June 30, 2011.....		E-11	170,387.57			
		E-11	(176,801.74)			
Total Paid or Charged.....			\$ (5,500,015.69)			

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

TOWNSHIP OF NORTH BRUNSWICK
MIDDLESEX COUNTY, NEW JERSEYSTATEMENT OF GOVERNMENTAL FIXED ASSETS - REGULATORY BASIS
JUNE 30, 2011 AND JUNE 30, 2010

	6/30/2011	6/30/2010
<u>GOVERNMENTAL FIXED ASSETS</u>		
Land	\$ 57,066,400.00	\$ 35,066,400.00
Buildings	24,587,000.00	24,587,000.00
Equipment and Improvements	3,274,940.75	3,687,499.42
Vehicles	2,325,436.82	2,191,236.55
Total Governmental Fixed Assets	\$ <u>87,253,777.57</u>	\$ <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, 2011 AND JUNE 30, 2010

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 Fund
- Developer's Escrow Fund
- Community Development Block Grant Fund
- Open Space Trust Fund
- Other Trust Funds

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.

NOTES TO THE FINANCIAL STATEMENTS

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

B. Description of Funds (Cont'd.)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

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

C. Basis of Accounting (Cont'd.)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

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

C. Basis of Accounting (Cont'd.)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

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

C. Basis of Accounting (Cont'd.)

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.

Recent Accounting Standards

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.

GASB issued Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements" in November 2010. The objective of this Statement is to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-private partnership.

GASB issued Statement No. 61, "The Financial Reporting Entity: Omnibus-an amendment of GASB Statements No. 14 and No. 34" in November 2010. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, The Financial Reporting Entity, and the related financial reporting requirements of Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements.

GASB issued Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB AND AICPA Pronouncements" in December 2010. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements: 1. Financial Accounting Standards Board (FASB) Statements of Interpretation; 2. Accounting Principles Board Opinions; 3. Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure.

GASB issued Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position" in June 2011. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, Elements of Financial Statements, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities.

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. 64, "Derivative Instruments: Application of Hedge Fund Accounting Termination Provisions-an amendment of GASB Statement No. 53" in June 2011. The objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of swap counterparty or a swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied.

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 2010 financial statements to conform with classifications used in fiscal year 2011.

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 2011</u>	<u>SFY 2010</u>
<u>Issued:</u>		
General:		
Bonds and Notes	\$ 75,031,000.00	\$ 76,323,000.00
Water Utility:		
Bonds and Notes	6,225,000.00	4,890,000.00
Sewer Utility:		
Bonds and Notes	<u>2,220,000.00</u>	<u>1,095,000.00</u>
Total Issued	<u>83,476,000.00</u>	<u>82,308,000.00</u>
Net Issued	<u>83,476,000.00</u>	<u>82,308,000.00</u>
 <u>Authorized But Not Issued:</u>		
General:		
Bonds and Notes	9,521,894.00	11,226,172.00
Water Utility:		
Bonds and Notes	3,610,502.00	5,510,502.00
Sewer Utility:		
Bonds and Notes	<u>6,673,312.00</u>	<u>7,873,312.00</u>
Total Authorized But Not Issued	<u>19,805,708.00</u>	<u>24,609,986.00</u>
Total Bonds and Notes Issued and Authorized but not Issued	<u>\$ 103,281,708.00</u>	<u>\$ 106,917,986.00</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, 2011 and 2010:

	<u>SFY 2011</u>	<u>SFY 2010</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
\$3,794,000, General Obligation Bonds of 2002 due in annual installments of \$225,000 to \$419,000 through January 2015, interest at 4.65%.	\$ 1,769,000.00	1,994,000.00
\$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%.	815,000.00	1,105,000.00
\$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%.	3,800,000.00	4,200,000.00
\$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%.	3,575,000.00	3,750,000.00
\$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%.	1,500,000.00	1,800,000.00
\$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%.	2,395,000.00	3,175,000.00
\$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%.	2,700,000.00	3,980,000.00

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

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

	<u>SFY 2011</u>	<u>SFY 2010</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%.	3,525,000.00	3,695,000.00
\$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%.	4,795,000.00	5,030,000.00
\$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	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	8,045,565.00
\$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
\$34,300,000, General Capital Bond Anticipation Notes issued on 8/12/10 due on 8/11/11, interest 1.25%	34,300,000.00	
Total General Capital Debt	<u>\$ 75,031,000.00</u>	<u>\$ 76,323,000.00</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%.	985,000.00	1,085,000.00
\$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%.	1,740,000.00	1,805,000.00
\$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%.	720,000.00	795,000.00
\$1,500,000, Water Utility Capital Bond Anticipation Notes issued on 8/12/10 due on 8/11/11, interest 2.50%	1,500,000.00	
\$1,200,000, Sewer Utility Capital Bond Anticipation Notes issued on 8/12/10 due on 8/11/11, interest 1.25%	1,200,000.00	
\$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	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	300,000.00
Total Utility Debt	<u>8,445,000.00</u>	<u>5,985,000.00</u>
Total Debt Issued and Outstanding	<u>\$ 83,476,000.00</u>	<u>\$ 82,308,000.00</u>

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 2011</u>	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School District Debt	\$ 59,142,000.00	\$ 59,142,000.00	
Water Utility and Sewer Utility Debt *	62,052,888.00	62,052,888.00	
General Debt**	81,252,000.00	16,160,797.00	65,091,203.00
	<u>\$ 202,446,888.00</u>	<u>\$ 137,355,685.00</u>	<u>\$ 65,091,203.00</u>

Net Debt \$65,091,203 Divided by Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended $\$4,987,663,382.00 = 1.31\%$

* 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 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).

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

	<u>2011</u>	<u>2010</u>
3 1/2% of Equalized Valuation Basis Municipal Net Debt	\$ 174,568,218.37 <u>65,091,203.00</u>	\$ 178,458,524.58 <u>71,198,639.95</u>
Remaining Borrowing Power	<u>\$ 109,477,015.37</u>	<u>\$ 107,259,884.63</u>

SFY 2011 Equalized Valuation Basis

2008 Equalized Valuation Basis of Real Property	\$ 5,217,536,641.00
2009 Equalized Valuation Basis of Real Property	4,941,534,143.00
2010 Equalized Valuation Basis of Real Property	<u>4,803,919,361.00</u>
Average Equalized Valuation	<u>\$ 4,987,663,381.67</u>

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

B. Summary of Statutory Debt Condition - Annual Debt Statement (Cont'd.)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><u>5,098,814,988.00</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>2011</u>	<u>2010</u>
Cash Receipts from Fees, Rents or Other Charges for Year	\$ 7,794,609.19	\$ 6,032,723.15
Deductions:		
Operating & Maintenance Cost	3,649,115.00	3,788,640.00
Debt Service Per Water Acct.	<u>3,050,750.90</u>	<u>1,946,392.63</u>
Total Deductions	<u>6,699,865.90</u>	<u>5,735,032.63</u>
Excess/(Deficit) in Revenue	\$ <u><u>1,094,743.29</u></u>	\$ <u><u>297,690.52</u></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>2011</u>	<u>2010</u>
Excess/(Deficit) in Revenues - Cash Basis (D-1)	\$ 456,067.69	\$ 964.45
Add: Revenue in Municipal Budget	675,000.00	450,000.00
Prior Years' Receivables Cancelled	<u>1,131,067.69</u>	<u>450,964.45</u>
Less: Unexpended Balance of Appropriation Reserves	36,324.40	133,273.93
Prior Years' Accounts Payables Cancelled	<u>20,000.00</u>	<u>20,000.00</u>
	<u>36,324.40</u>	<u>153,273.93</u>
Excess/(Deficit) in Revenue	\$ <u><u>1,094,743.29</u></u>	\$ <u><u>297,690.52</u></u>

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

	<u>2011</u>	<u>2010</u>
Cash Receipts from Fees, Rents or Other Charges for Year	\$ 5,926,959.83	\$ 5,900,355.77
Deductions:		
Operating & Maintenance Cost	3,551,541.00	3,634,996.00
Debt Service Per Sewer Acct.	<u>1,574,755.86</u>	<u>1,533,353.75</u>
Total Deductions	<u>5,126,296.86</u>	<u>5,168,349.75</u>
Excess/(Deficit) in Revenue	\$ <u><u>800,662.97</u></u>	\$ <u><u>732,006.02</u></u>

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>2011</u>	<u>2010</u>
Excess/(Deficit) in Revenues - Cash Basis (E-1)	\$	261,441.19	\$ 151,033.05
Add: Revenue in Municipal Budget		<u>550,000.00</u>	<u>650,000.00</u>
		811,441.19	801,033.05
Less: Unexpended Balance of Appropriation Reserves		10,778.22	69,027.03
Prior Years' Accounts Payables Cancelled		<u>10,778.22</u>	<u>69,027.03</u>
Excess/(Deficit) in Revenue	\$	<u>800,662.97</u>	<u>\$ 732,006.02</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>
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>\$6,900,000.00</u>	<u>\$6,649,539.72</u>	<u>\$13,549,539.72</u>

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

D. 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>
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>\$ 24,665,000.00</u>	<u>\$ 7,842,750.02</u>	<u>\$ 32,507,750.02</u>

E. 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 these bonds. The bonds carry interest rates from 1.40% in fiscal year 2003 to 4.85% in fiscal year 2015.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 815,000.00</u>	<u>\$ 62,343.75</u>	<u>\$ 877,343.75</u>

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

F. 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>
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>\$ 411,423.70</u>	<u>\$ 465,000.00</u>	<u>\$ 168,028.12</u>	<u>\$ 1,044,451.82</u>

NOTES TO THE FINANCIAL STATEMENTS

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

G. 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
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	15,293,000.00	3,265,224.67	902,000.00	710,653.76
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	\$ 29,110,435.00	\$ 5,153,764.55	\$ 4,725,000.00	\$ 1,915,165.64

NOTES TO THE FINANCIAL STATEMENTS

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

G. 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	
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	338,000.00	129,152.50	1,246,000.00	1,716,897.90	23,600,928.83
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	\$ 1,020,000.00	\$ 277,236.26	\$ 11,620,565.00	\$ 5,701,176.78	\$ 59,523,343.23

NOTES TO THE FINANCIAL STATEMENTS

Note 4: FUND BALANCES APPROPRIATED

Fund balances at June 30, 2011 and 2010, which were appropriated and included as anticipated revenue in their own respective funds for the "Fiscal Year" ending June 30, 2011 and 2010 as follows:

	<u>FUND BALANCE</u> <u>JUNE 30, 2011</u>	<u>UTILIZED IN</u> <u>SUCCEEDING BUDGET</u>
Current Fund	\$6,733,066.50	\$5,150,479.00
Sewer Utility Fund	1,566,540.82	150,000.00
Water Utility Fund	1,940,749.13	790,000.00

	<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

Note 5: 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

Note 5: DEPOSITS AND INVESTMENTS (CONT'D).

At June 30, 2011 and 2010 the cash and cash equivalents and investments of the Township consisted of the following:

	<u>2011</u>	<u>2010</u>
Cash (Demand Accts.)	\$37,848,906.71	\$48,936,163.05
Change Funds (On-Hand)	1,175.00	1,125.00
Total	<u>\$37,850,081.71</u>	<u>\$48,937,288.05</u>

Based upon GASB criteria, the Township considers change fund, 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 \$37,261,462.49 and the bank balance was \$37,848,906.71. Of the bank balance, \$1,609,459.83 was covered by Federal depository insurance and \$36,239,446.88 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 not 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.
- (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.

NOTES TO THE FINANCIAL STATEMENTS

Note 5: DEPOSITS AND INVESTMENTS (CONT'D).

As of June 30, 2011, 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	\$ 1,609,459.83
Insured—NJGUDPA (N.J.S.A. 17:941)	<u>36,239,446.88</u>
Total	<u>\$ 37,848,906.71</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
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.

NOTES TO THE FINANCIAL STATEMENTS

Note 5: DEPOSITS AND INVESTMENTS (CONT'D).

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, 2011, 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 6: 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

Note 6: ASSESSMENT AND COLLECTION OF PROPERTY TAXES (CONT'D)

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 7: 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 2011 and 2010, the Township contributed \$887,157.00 and \$722,002.00 for PERS and \$2,527,169.00 and \$2,167,516.00 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 8: 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

Note 8: POST-RETIREMENT HEALTH CARE BENEFITS (CONT'D)

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, 2011 and 2010, forty-one (41) and forty-one (41) retirees were receiving post retirement health care benefits at an annual cost to the Township of approximately \$715,637.80 and \$654,946.00.

Note 9: 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 that 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 \$3,506,884.27 and \$3,553,622.00 at June 30, 2011 and 2010. 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.

Note 10: RISK MANAGEMENT

Prior to December 31, 2010, the Township was 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.

NOTES TO THE FINANCIAL STATEMENTS

Note 10: RISK MANAGEMENT (CONT'D)

On January 1, 2011, the Township joined the Garden State Municipal Joint Insurance Fund. This fund provides for a pooling of self-retained risks of insurable losses, as well as cost effective excess insurance coverage.

Summary of Risk Management Program

The GSMJIF provides the following coverage to its participants:

1. Workers Compensation

The Fund covers \$500,000.00 for each accident or each employee for disease. The State National Insurance Company covers excess claims to the following limits: Workers Compensation – statutory

2. General Liability

The Fund covers \$250,000.00 Combined Single Limit (CSL)

The State National Insurance Company covers excess claims to the following limits:

General Liability -\$9,750,000*

Public Officials -\$9,850,000*

*-subject to annual aggregate limits

3. Automobile Liability

The Fund covers \$250,000.00 (CSL) for bodily injury, property damage and PIP. The Fund covers \$15,000.00/person and \$30,000.00/occurrence for uninsured/underinsured motorist liability.

The Travelers Insurance Company covers excess claims as part of its excess General Liability Limit.

4. Property

Coverage is provided through the State National Insurance Company.

Basic Limit -\$500,000,000.00/occurrence*

*Subject to per occurrence and annual aggregate limits

Note 11: 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.

NOTES TO THE FINANCIAL STATEMENTS

Note 12: 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.

Note 13: 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.

NOTES TO THE FINANCIAL STATEMENTS

Note 13: WATER AND SEWER UTILITY AGREEMENTS (CONT'D)

Under the agreement, American Water operates, maintains and manages the System at all times on behalf of the Township in compliance with 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.

Simultaneously, the Authority, as lessor, and the Township, as lessee, entered into a lease agreement conveying a sub-leasehold 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 14: 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>2011</u>	<u>June 30</u>	<u>2010</u>
Balance of Tax	\$ 35,888,970.00		\$ 34,423,352.50
Deferred	<u>35,217,758.00</u>		<u>33,467,758.00</u>
Payable	<u>\$ 671,212.00</u>		<u>\$ 955,594.50</u>

Note 15: INTERFUND RECEIVABLES AND PAYABLES

The following inter-fund balances remained on the Balance Sheets - as of June 30, 2011:

<u>Fund</u>	<u>Inter-fund</u>	
	<u>Receivable</u>	<u>Payable</u>
Water Utility Operating Fund	\$1,705,000.00	
Water Utility Capital Fund	<u> </u>	<u>\$1,705,000.00</u>
	<u>\$1,705,000.00</u>	<u>\$1,705,000.00</u>

NOTES TO THE FINANCIAL STATEMENTS

Note 16: 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, 2011 and 2010, 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 17: SUBSEQUENT EVENTS

On September 6, 2011, the Township issued a Bond Ordinance for capital improvement and appropriating the aggregate amount of \$3,500,000 and authorizing the issuance of \$3,325,000 in Bonds or Notes.

On September 6, 2011, the Township issued a Bond Ordinance for improvement of the sewer distribution system and appropriating the aggregate amount of \$1,000,000 and authorizing the issuance of \$1,000,000 in Bonds or Notes.

On November 21, 2011, the Township issued a Refunding Bond Ordinance for the refunding of MCIA Lease Revenue Bonds Series 2002A dated 9/15/02 and appropriating the aggregate amount of \$23,000,000 and authorizing the issuance of \$23,000,000 Refunding Bonds.

APPENDIX C
FORMS OF OPINIONS OF BOND COUNSEL

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APPENDIX C

FORM OF BOND COUNSEL OPINION FOR GENERAL OBLIGATION BONDS OF 2012

[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 \$16,655,750 aggregate principal amount of General Obligation Bonds of 2012 consisting of (i) \$13,455,750 aggregate principal amount of General Improvement Bonds of 2012, (ii) \$1,500,000 aggregate principal amount of Water Improvement Bonds of 2012 and (iii) \$1,700,000 aggregate principal amount of Sewer Improvement Bonds of 2012 (collectively, 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 (subject to prior redemption) and bear interest upon the terms and conditions stated therein and in the resolution adopted by the Township on June 4, 2012 (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 bond ordinances 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 the jurisdiction of 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 Bonds is excluded from the gross income of the owners of the Bonds for federal income tax purposes pursuant to

The Mayor and Township Council of the
Township of North Brunswick, in the
County of Middlesex, New Jersey
[Date of Closing]

Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and interest on the Bonds is not an item of tax preference under Section 57 of the Code for purposes of computing alternative minimum tax.

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 Bonds and the Township’s \$28,378,500 aggregate principal amount of Bond Anticipation Notes, Series 2012A (the “Notes”), being issued on the date hereof, are treated as a single issue for federal income tax purposes. The Code imposes certain requirements that must be met on the date of issuance of the Bonds and the Notes and on a continuing basis subsequent to the issuance of the Bonds and the Notes in order for interest on the Bonds and the Notes 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 Bonds and the Notes to lose the exclusion from gross income for federal income tax purposes, retroactive to the date of issuance of the Bonds and the Notes. The Township has made representations in the Tax Certificate, dated as of the date hereof, as to various tax requirements with respect to the Bonds and the Notes. In addition, the Township has covenanted to comply with the provisions of the Code applicable to the Bonds and the Notes and has covenanted not to take any action or fail to take any action that would cause the interest on the Bonds and the Notes to lose the exclusion from gross income for federal income tax purposes under Section 103 of the Code or cause interest on the Bonds and the Notes 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 Bonds and the Notes from gross income for federal income tax purposes and with respect to the treatment of interest on the Bonds and the Notes 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.

The Mayor and Township Council of the
Township of North Brunswick, in the
County of Middlesex, New Jersey
[Date of Closing]

We have examined an executed Bond and, in our opinion, the form of said Bond and its 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 the federal laws and judicial decisions of the United States of America 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,

FORM OF BOND COUNSEL OPINION
FOR BOND ANTICIPATION NOTES, SERIES 2012A

[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 \$28,378,500 principal amount of Bond Anticipation Notes, Series 2012A (the "Notes"). In this capacity, we have examined a certified copy 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 Notes.

The Notes are dated the date hereof, mature on August 7, 2013 and bear interest at the rate of 1.50 per centum per annum. The Notes are in registrable bearer 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"), a resolution adopted by the Township Council on June 4, 2012 (the "Resolution") and the various bond ordinances referred to therein, each 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 Notes pursuant to the Local Bond Law and other applicable statutes, and that the Notes are valid and legally binding obligations of the Township, all the taxable property within the jurisdiction of which is subject to the levy of ad valorem taxes for the ultimate payment of the principal of and interest on said Notes without limitation as to rate or amount.

We are further of the opinion that based upon existing law, interest on the Notes is excluded from the gross income of the owners of the Notes for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and interest on the Notes is not an item of tax preference under Section 57 of the Code for purposes of computing alternative minimum tax.

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

The Mayor and Township Council of the
Township of North Brunswick, in the
County of Middlesex, New Jersey
[Date of Closing]

With respect to our Federal income tax opinion, we note that the Notes and the Township's \$16,655,750 aggregate principal amount of General Obligation Bonds of 2012 (the "Bonds"), being issued on the date hereof, are treated as a single issue for federal income tax purposes. The Code imposes certain requirements that must be met on the date of issuance of the Bonds and the Notes and on a continuing basis subsequent to the issuance of the Bonds and the Notes in order for interest on the Bonds and the Notes 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 Bonds and the Notes to lose the exclusion from gross income for federal income tax purposes, retroactive to the date of issuance of the Bonds and the Notes. The Township has made representations in the Tax Certificate, dated as of the date hereof, as to various tax requirements with respect to the Bonds and the Notes. In addition, the Township has covenanted to comply with the provisions of the Code applicable to the Bonds and the Notes and has covenanted not to take any action or fail to take any action that would cause the interest on the Bonds and the Notes to lose the exclusion from gross income for federal income tax purposes under Section 103 of the Code or cause interest on the Bonds and the Notes 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 Bonds and the Notes from gross income for federal income tax purposes and with respect to the treatment of interest on the Bonds and the Notes 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 Notes.

It is to be understood that the rights of the holders of the Notes 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 Note and, in our opinion, the form of said Note and its execution are regular and proper.

The opinions expressed herein are based upon the laws and judicial decisions of the State of New Jersey and the federal laws and judicial decisions of the United States as of the date hereof and are subject to any amendment, repeal or other modification of the applicable laws or judicial decisions that served as the basis for our opinions, or laws or judicial decisions hereafter enacted or rendered. Our engagement by the 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

The Mayor and Township Council of the
Township of North Brunswick, in the
County of Middlesex, New Jersey
[Date of Closing]

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,

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 August 8, 2012 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 General Obligation Bonds of 2012 and its Bond Anticipation Notes, Series 2012A, each dated as of the date hereof, (collectively, the "Bonds and Notes") on the date hereof; and

WHEREAS, the Bonds and Notes are being issued pursuant to various bond ordinances adopted by the Issuer and two resolutions adopted by the Issuer on June 4, 2012; 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 and Notes, 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 its Notices of Sale each dated July 16, 2012 (collectively, the "Notice of Sale") that it would deliver on the closing date for the Bonds and Notes 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 July 26, 2012, the Issuer accepted the bid of PNC Capital Markets LLC, as the underwriter (the "Bond Underwriter") for the purchase of the Bonds; and

WHEREAS, on July 26, 2012, the Issuer accepted the bid of Morgan Stanley & Co. LLC, as the underwriter (the "Note Underwriter" and together with the Bond Underwriter, the "Participating Underwriters") for the purchase of the Notes; 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 and Notes.

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:

Bond Underwriter	Notice of Sale
Bonds and Notes	Participating Underwriter
Certificate	Rule 15c2-12
Issuer	SEC
Note 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 or the Notes, as applicable.

“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 July 26, 2012 pertaining to the Bonds and Notes.

“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, 2012, 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 and Notes (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 Bonds and Notes, or other material events affecting the tax-exempt status of the Bonds and Notes;
- (vii) Modifications to rights of Holders of the Bonds and Notes, if material;
- (viii) Bond and Note calls, if material, and tender offers;
- (ix) Defeasances;
- (x) Release, substitution, or sale of property securing repayment of the Bonds and Notes, 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 and Notes.

(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 or Notes, 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 Underwriters in complying with clause (b)(5) of Rule 15c2-12.

Section 4.2 Additional Information. Nothing in this Certificate shall be deemed to prevent the Issuer from (a) disseminating any other information, using the means of dissemination set forth in this Certificate or any other means of communication, or (b) including any other information in any Annual Report or any Disclosure Event Notice, in addition to that which is required by this Certificate. If the Issuer chooses to include 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 Underwriters to comply with Rule 15c2-12. If, as a result of a change in Rule 15c2-12 or in the interpretation thereof, a change in this Certificate shall be permitted or necessary to assure continued compliance with Rule 15c2-12 and upon delivery by any Participating Underwriter of an opinion of counsel nationally recognized as expert in federal securities law acceptable to the Issuer to the effect that such 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 and Notes 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 Notes, 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 and Notes 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