

*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 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 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, interest on the Bonds will be included in the calculation of the alternative minimum tax as a result of the inclusion of interest on the Bonds in "adjusted current earnings" of certain corporations. Based upon existing law, interest on the Bonds 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**  
**\$10,465,000 GENERAL OBLIGATION REFUNDING BONDS, SERIES 2017**  
**Consisting of**  
**\$8,600,000 General Improvement Refunding Bonds**  
**and**  
**\$1,865,000 Water/Sewer Improvement Refunding Bonds**  
**(Book-Entry-Only) (Non-Callable)**

Dated: Date of Delivery

Due: August 15, as shown below

The \$10,465,000 General Obligation Refunding Bonds, Series 2017, consisting of \$8,600,000 General Improvement Refunding Bonds (the "General Improvement Bonds") and \$1,865,000 Water/Sewer Improvement Refunding Bonds (the "Water/Sewer Improvement Bonds," and together with the General Improvement Bonds, the "Bonds") of the Township of North Brunswick, in the County of Middlesex, New Jersey (the "Township") will be issued in the form of one certificate for each series for the aggregate principal amount of the Bonds maturing in each year and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository. See "BOOK-ENTRY-ONLY SYSTEM" herein.

Interest on the Bonds will be payable semiannually on February 15 and August 15 in each year until maturity, commencing on August 15, 2017. Principal of and interest on the Bonds will be paid to DTC by the Township or its designated paying agent. Interest on the Bonds will be credited to the participants of DTC as listed on the records of DTC as of each next preceding February 1 and August 1 (the "Record Dates" for the payment of interest on the Bonds). The Bonds are not subject to redemption prior to their respective maturity dates. See "DESCRIPTION OF THE BONDS-Redemption" herein.

The Bonds are issued pursuant to: (i) the Local Bond Law, N.J.S.A. 40A:2-51 *et seq.*; (ii) a refunding bond ordinance finally adopted by the Township on November 7, 2016; and (iii) a resolution adopted by the Township on November 7, 2016. The Bonds are being issued to: (i) advance refund all of the outstanding callable principal amount of the originally issued \$18,157,000 General Obligation Bonds of 2009, dated August 14, 2009 and maturing on or after August 15, 2020 at par plus any unpaid accrued interest to August 15, 2019, the call date for the refunded bonds; and (ii) pay the costs of issuance with respect to the Bonds.

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

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

<u>Year</u>	<u>General Improvement Bonds</u>	<u>Water/Sewer Improvement Bonds</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP No.</u>
2017	\$ 65,000	\$ 15,000	3.00%	1.00%	658017C71
2020	800,000	35,000	4.00	1.29	658017C89
2021	830,000	35,000	4.00	1.46	658017C97
2022	870,000	40,000	4.00	1.66	658017D21
2023	740,000	215,000	4.00	1.83	658017D39
2024	770,000	220,000	4.00	2.02	658017D47
2025	815,000	235,000	4.00	2.20	658017D54
2026	855,000	245,000	4.00	2.38	658017D62
2027	905,000	260,000	4.00	2.51	658017D70
2028	950,000	275,000	4.00	2.68	658017D88
2029	1,000,000	290,000	4.00	2.86	658017D96

*The Bonds are offered when, as and if issued and delivered to the 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 & Giblin, LLP, Teaneck, New Jersey. Certain legal matters will be passed upon for the Underwriter by its counsel, Gibbons P.C., Newark, 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. The Bonds are expected to be available for delivery in definitive form through the facilities of DTC in New York, New York on or about May 24, 2017.*

**RAYMOND JAMES®**

Dated: May 10, 2017

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

**MAYOR**

**Francis “Mac” Womack III**

**COUNCIL MEMBERS**

**Robert Corbin, Council President**

**Ralph Andrews**

**Robert Davis**

**Amanda Guadagnino**

**Sylvester Paladino**

**Carlo Socio**

**TOWNSHIP ADMINISTRATOR**

**Kathryn Monzo**

**TOWNSHIP CHIEF FINANCIAL OFFICER**

**Kala Sriranganathan**

**TOWNSHIP CLERK**

**Lisa Russo**

**TOWNSHIP ATTORNEY**

**DeCotiis, FitzPatrick, Cole & Giblin, 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 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 shall, under any circumstances, 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 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 in any jurisdiction in which it is unlawful for any person to make such an offer, solicitation or sale.

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

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE BONDS TO CERTAIN DEALERS AT PRICES LOWER THAN THE YIELDS STATED ON THE COVER PAGE HEREOF AND SAID YIELDS MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

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

The Underwriter has reviewed the information in this Official Statement pursuant to its responsibilities to investors under the federal securities laws, but the Underwriter does not guarantee the accuracy or completeness of such information.

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.

The term CUSIP referenced on the front cover page hereof is a registered trademark of American Bankers Association. CUSIP numbers are provided by CUSIP Global Services, which is managed on behalf of the American Bankers Association by S&P Global Market Intelligence. The CUSIP numbers listed on the front cover page hereof are being provided solely for the convenience of holders of the Bonds only at the time of issuance of the Bonds and the Township does not make any representation with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP numbers are subject to being changed after the issuance of the Bonds.

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

**\$10,465,000 GENERAL OBLIGATION REFUNDING BONDS, SERIES 2017  
Consisting of  
\$8,600,000 General Improvement Refunding Bonds  
and  
\$1,865,000 Water/Sewer Improvement Refunding Bonds  
(Book-Entry-Only) (Non-Callable)**

**INTRODUCTION**

This Official Statement, which includes the front cover page and the appendices attached hereto, has been prepared by the Township of North Brunswick, in the County of Middlesex, New Jersey (the “Township”) in connection with the sale and issuance of its \$10,465,000 General Obligation Refunding Bonds, Series 2017, consisting of \$8,600,000 General Improvement Refunding Bonds and \$1,865,000 Water/Sewer Improvement Refunding Bonds (collectively, the “Bonds”). This Official Statement has been executed by and on behalf of the Township by the Chief Financial Officer, and its distribution and use in connection with the sale of the Bonds has been authorized by the Township.

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

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

Prior to the issuance of the Bonds, the Township will execute an agreement for the benefit of the holders of the Bonds 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. See “SECONDARY MARKET DISCLOSURE” and “APPENDIX D – FORM OF CONTINUING DISCLOSURE CERTIFICATE” herein.

**DESCRIPTION OF THE BONDS**

The following is a summary of certain provisions of the Bonds. Reference is made to the Bonds themselves for the complete text thereof, and the discussion herein is qualified in its entirety by such reference.

## **Terms and Interest Payment Dates**

The Bonds shall be dated their date of delivery and shall mature on August 15 in each of the years and in the amounts set forth on the front cover page hereof. The Bonds shall bear interest from their date of delivery payable semi-annually on the fifteenth days of February and August, commencing on August 15, 2017 (each an "Interest Payment Date"), at the interest rates set forth on the front cover page hereof in each year until maturity by the Township or a duly appointed paying agent to the registered owners of the Bonds as of each August 1 and February 1 immediately preceding the respective Interest Payment Dates (the "Record Dates"). So long as The Depository Trust Company, New York, New York ("DTC"), or its nominee is the registered owner of the Bonds, payments of the principal of and interest on the Bonds will be made by the Township or a designated paying agent 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 (as defined herein) of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM" herein.

The Bonds will be issued in fully registered book-entry-only form, without certificates. One certificate shall be issued for the aggregate principal amount of each series of the Bonds maturing in each year, and when issued, will be registered in the name of Cede & Co., as nominee of DTC. DTC will act as securities depository for the Bonds. The certificates will be on deposit with 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 on behalf of the individual purchasers. Individual purchases may be made in the principal amount of \$5,000 or any integral multiple thereof, except that an amount maturing in any one year in excess of the largest principal amount thereof equaling a multiple of \$5,000 will be in denominations of \$1,000 or any integral multiple thereof, through book entries made on the books and the records of DTC and its participants. Individual purchasers of the Bonds will not receive certificates representing their beneficial ownership interests in the Bonds, but each book-entry owner will receive a credit balance on the books of its nominee, and this credit balance will be confirmed by an initial transaction statement stating the details of the Bonds purchased. See "BOOK-ENTRY-ONLY SYSTEM" herein.

## **Redemption**

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

## **SECURITY**

The Bonds are general obligations of the Township, and the Township has pledged its full faith and credit for the payment of the principal of and the interest on the Bonds. The Township is required by law to levy ad valorem taxes upon all the taxable property within the jurisdiction of the Township for the payment of the principal of and the interest on the Bonds without limitation as to rate or amount if such Bonds are not paid from other sources. The enforceability of rights or remedies with respect to the Bonds 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.

## AUTHORIZATION AND PURPOSE

The Bonds have been authorized and are being issued pursuant to the Local Bond Law, N.J.S.A. 40A:2-51 *et seq.* (the "Local Bond Law"), a refunding bond ordinance finally adopted by the Township on November 7, 2016 and entitled, "REFUNDING BOND ORDINANCE OF THE TOWNSHIP OF NORTH BRUNSWICK, IN THE COUNTY OF MIDDLESEX, NEW JERSEY, PROVIDING FOR THE REFUNDING OF TOWNSHIP'S OUTSTANDING GENERAL OBLIGATION BONDS, SERIES 2009, APPROPRIATING NOT TO EXCEED \$15,000,000 THEREFOR AND AUTHORIZING THE ISSUANCE OF NOT TO EXCEED \$15,000,000 REFUNDING BONDS OF THE TOWNSHIP FOR FINANCING THE COST THEREOF," and by a resolution adopted by the Township on November 7, 2016 (the "Resolution").

The Bonds are being issued to: (i) advance refund all of the outstanding callable principal amount of the originally issued \$18,157,000 General Obligation Bonds of 2009, dated August 14, 2009 and maturing on or after August 15, 2020 (the "Refunded Bonds") at par plus any unpaid accrued interest to August 15, 2019, the call date for the Refunded Bonds (the "Redemption Date"), and (ii) pay the costs of issuance with respect to the Bonds.

A portion of the proceeds of the Bonds will be deposited upon delivery thereof in an escrow account for the Refunded Bonds with TD Bank, National Association (the "Escrow Agent"), and such proceeds will be invested in cash and direct non-callable obligations of the United States of America (the "Government Obligations"). The amount deposited will be sufficient to pay, when due, the principal of, and redemption premium, if any, on the Redemption Date and interest on the Refunded Bonds to the Redemption Date. The Township will give irrevocable instructions to the Escrow Agent on the delivery date to have the Refunded Bonds called for redemption on the Redemption Date.

## ESTIMATED SOURCES AND USES OF FUNDS

The Township expects to use the proceeds from the sale of the Bonds as follows:

Sources of Funds:	
Principal Amount of Bonds	\$10,465,000.00
Original Issue Premium	<u>1,270,357.80</u>
Total Sources of Funds:	<u>\$11,735,357.80</u>
Uses of Funds:	
Deposit into Escrow Fund	\$11,592,506.32
Costs of Issuance <sup>1</sup>	<u>142,851.48</u>
Total Uses of Funds:	<u>\$11,735,357.80</u>

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<sup>1</sup> Includes *inter alia* underwriter's discount, credit rating, legal, financial advisory, accounting, verification agent, printing and fiduciary fees and other expenses incurred in connection with the issuance of the Bonds.

## **BOOK-ENTRY-ONLY SYSTEM<sup>2</sup>**

The following description of the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal and interest, and other payments on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interests in the Bonds and other related transactions by and between DTC, DTC Participants and Beneficial Owners, is based on certain information furnished by DTC to the Township. Accordingly, the Township does not make any representations concerning these matters.

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

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

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct Participants' and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to

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<sup>2</sup> Source: The Depository Trust Company



receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct Participant or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interest in the Bonds are to be accomplished by entries made on the books of Direct Participants and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the 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 the Bonds are credited on the Record Date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and 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 in 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, any paying agent, or the Township, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of 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 Township or 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 Participants and Indirect Participants.

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

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

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

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

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

## **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 or mandatory sinking fund 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 \$4,459,550,842.00.

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

The Township has not exceeded its statutory debt limit. On June 30, 2016, the statutory net debt as a percentage of average equalized valuation was 1.325%. As noted above, the statutory limit is 3.5%.

The Township may exceed its debt limit with the approval of the Local Finance Board, a State regulatory agency, and as permitted by other statutory exceptions. If all or any part of a proposed debt authorization would exceed its debt limit, the Township may apply to the Local Finance Board for an extension of credit. If the Local Finance Board determines that a proposed debt authorization would not materially impair the credit of the Township or substantially reduce the ability of the Township to meet its obligations or 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 real 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, 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 jurisdiction of 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 year period. 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, 2016 is on file with the Township Clerk and is available for review during business hours.

## **FINANCIAL STATEMENTS**

The financial statements of the Township for the years ended June 30, 2016 and 2015, 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, 2016 and 2015 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. 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.

## **LITIGATION**

To the knowledge of the Township Attorney, DeCotiis, FitzPatrick, Cole & Giblin, L.L.P., Teaneck, New Jersey (the "Township Attorney"), there is no litigation of any nature now pending or threatened, restraining or enjoining the issuance or the delivery of the Bonds, or the levy or the collection of any taxes to pay the principal of or the interest on the Bonds, or in any manner questioning the authority or the proceedings for the issuance of the Bonds or for the levy or the collection of taxes, or contesting the corporate existence or the boundaries of the Township or the title of any of the present officers. To the knowledge of the Township Attorney, no litigation is presently pending or threatened that, in the opinion of the Township Attorney, would have a material adverse impact on the financial condition of the Township if adversely decided. A certificate to such effect will be executed by the Township Attorney and delivered to the Underwriter at the closing.

## **TAX MATTERS**

### **Exclusion of Interest on the Bonds 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 in order to assure that interest on the Bonds will be excluded from gross income for federal income tax purposes under Section 103 of the Code. Failure of the Township to comply with the requirements of the Code may cause interest on the Bonds to lose the exclusion from gross income for federal income tax purposes, retroactive to the date of issuance of the Bonds. The Township will make certain representations in its Tax Certificate, which will be executed on the date of issuance of the Bonds, as to various tax requirements. The Township has covenanted to comply with the provisions of the Code applicable to the Bonds and has covenanted not to take any action or permit any action to be taken that would cause the interest on the Bonds to be included in gross income under Section 103 of the Code or cause interest on the Bonds 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 from gross income for federal income tax purposes and with respect to the treatment of interest on the Bonds 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 is excluded from the gross income of the owners of the Bonds for federal income tax purposes pursuant to Section 103 of 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.

### **Additional Federal Income Tax Consequences**

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

Prospective purchasers of the Bonds should be aware that ownership of, accrual or receipt of interest on or disposition of tax-exempt obligations, such as the Bonds, may have additional federal income tax consequences for certain taxpayers, including, without limitation, taxpayers eligible for the earned income credit, recipients of certain Social Security and 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 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 opinions with regard to the exclusion of interest on the Bonds from gross income pursuant to Section 103 of the Code and interest on the Bonds not constituting an item of tax preference under Section 57 of the Code. Prospective purchasers of the Bonds should consult their own tax advisors with respect to all other tax consequences (including, but not limited to, those listed above) of holding the Bonds.

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

### **Original Issue Premium**

Each maturity of the 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 Bonds to a purchaser (other than a purchaser who holds such 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 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 Bonds. Accordingly, an owner of a Bond may have taxable gain from the disposition of the Bond, even though the Bond is sold, or disposed of, for a price equal to the owner’s original cost of acquiring the Bond. Bond premium amortizes over the term of the Bond under the “constant yield method” described in regulations interpreting Section 1272 of the Code. Owners of the 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 Bonds.

### **State Taxation**

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

### **Changes in Tax Law**

Federal, state or local legislation, administrative pronouncements or court decisions may affect the tax-exempt status of interest on the Bonds, gain from the sale or other disposition of the Bonds, the market value of the Bonds, or the marketability of the Bonds, or otherwise prevent the owners of the Bonds from realizing the full current benefit of the exclusion from gross income of the interest thereon. For example, federal legislative proposals have been made in recent years that would, among other things, limit the exclusion from gross income of interest on obligations such as the Bonds for higher-income taxpayers. If enacted into law, such proposals could affect the tax exemption of interest on the Bonds or the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisers regarding such matters.

## **MUNICIPAL BANKRUPTCY**

The undertakings of the Township should be considered with reference to Chapter 9 of the United States Bankruptcy Code (the “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 (the “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, the holders of the Bonds would be considered creditors and would be bound by the Township’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.

## **APPROVAL OF LEGAL PROCEEDINGS**

All legal matters incident to the authorization, the issuance, the sale and the delivery of the Bonds are subject to the approval of McCarter & English, LLP, Newark, New Jersey, Bond Counsel to the Township, whose approving legal opinion will be delivered with the Bonds substantially in the form 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 & Giblin, L.L.P., Teaneck, New Jersey.

The various legal opinions and/or certifications to be delivered concurrently with the delivery of the Bonds 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.

### **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 Underwriter, 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.

Gibbons P.C. 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.

### **RATING**

S&P Global Ratings, acting through Standard & Poor's Financial Services LLC (the "Rating Agency") has issued a rating of "AA+" to the Bonds based on the credit of the Township.

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

## **UNDERWRITING**

The Bonds are being purchased from the Township by Raymond James & Associates, Inc., New York, New York (the "Underwriter" or "Raymond James") at a price of \$11,691,682.30 consisting of \$10,465,000.00 par amount of Bonds plus an original issue premium of \$1,270,357.80 less an Underwriter's discount in the amount of \$43,675.50. The Underwriter is obligated to purchase all of the Bonds if any Bonds are purchased.

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

## **VERIFICATION OF MATHEMATICAL COMPUTATIONS**

The accuracy of the arithmetic computations and yield calculations supporting the conclusions that the principal amounts of, and interest earned on, the Government Obligations to be acquired with a portion of the proceeds of the Bonds, are sufficient to pay, when due, interest accrued on the Refunded Bonds to the Redemption Date and the Redemption Price of the Refunded Bonds on the Redemption Date; and (ii) the conclusion that the Bonds will not be "arbitrage bonds" under the Code, will be independently verified by Hodulik & Morrison, P.A.

## **SECONDARY MARKET DISCLOSURE**

The Township will covenant for the benefit of the Bondholders and the Beneficial Owners in a Continuing Disclosure Certificate dated the date of closing (the "Certificate") to be executed and delivered by the Township simultaneously with the delivery of the Bonds, to provide certain financial information and operating data (the "Annual Report") and to provide notices of certain enumerated events. The Annual Report and the notices of enumerated events will be filed by or on behalf of the Township with the Municipal Securities Rulemaking Board. 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 Underwriter in complying with the provisions of Rule 15c2-12.

The Township failed to fully satisfy the requirements of certain undertakings previously executed by the Township pursuant to Rule 15c2-12 in connection with various financings by failing to timely file its Annual Report for the fiscal years ended June 30, 2012 through 2016, inclusive. Such information for these fiscal years and the appropriate notices were subsequently filed.

### **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. Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as opinions and not as representations of fact. The information and expressions of opinion contained herein are subject to change without notice and neither the delivery of this Official Statement nor any sale of the Bonds made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the 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: May 10, 2017

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## **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 within the boundaries of Piscataway and early in the 19<sup>th</sup> 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 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. 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. She 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 (the “County”), 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:

	<b><u>Acres</u></b>	<b><u>Percentage of Total Land</u></b>
Suburban Residential	1,058	14.8%
Urban Residential	1,483	18.9
Commercial	608	6.5
Light Industry	1249	15.9
Heavy Industry	781	9.9
Vacant Land	1652	21.0
Public Purposes	1019	13.0

Source: Middlesex County Planning Board.

## **Transportation**

The Township 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 the Township.

The Township 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 the 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 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. Effective September 30, 2006, the Township terminated its agreement with United Water Service. The sewer system is currently maintained by the Township's Department of Public Works.

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 83 officers and patrolmen in addition to 8 clerical staff. The department has 65 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 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, the Township has paid annually the following service charges, which are part of its local municipal budget.

	<b><u>2016</u></b>	<b><u>2015</u></b>	<b><u>2014</u></b>	<b><u>2013</u></b>	<b><u>2012</u></b>
Annual Service Charge	\$2,887,942	\$2,673,682	\$2,947,017	\$2,830,438	\$2,918,953

Source: Township of North Brunswick

## **GROWTH AND DEVELOPMENT POPULATION TRENDS**

### **Population:**

<b><u>Year</u></b>	<b><u>Township</u></b>	<b><u>County</u></b>
2015	42,725	831,395
2010	40,742	809,858
2000	36,287	722,573
1990	31,287	671,780
1980	22,220	595,893

Source: U.S. Bureau of Census

## TOWNSHIP OF NORTH BRUNSWICK SCHOOL DISTRICT ENROLLMENT

<b><u>Fiscal Year Ended June 30</u></b>	<b><u>School District Population</u></b>
2015-2016	6,066
2014-2015	6,167
2013-2014	6,162
2012-2013	6,148
2011-2012	6,078

Source: State of New Jersey, Department of Education

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

<b><u>Tax Year</u></b>	<b><u>Assessed Value Real Property</u></b>	<b><u>Assessed Value Personal Property</u></b>	<b><u>Total Assessed Value</u></b>	<b><u>Avg. Ratio Assessed to True Value</u></b>	<b><u>Equalized Valuation</u></b>
2016	\$2,459,041,600	\$2,888,810	\$2,461,930,410	55.18%	\$4,459,288,955
2015	2,454,144,800	2,905,820	2,457,050,620	54.71	4,488,639,324
2014	2,449,361,700	2,789,231	2,452,150,931	55.20	4,440,038,688
2013	2,408,289,400	3,544,004	2,411,833,404	54.05	4,459,213,569
2012	2,418,258,800	3,329,077	2,421,587,877	55.48	4,362,122,877

Source: Abstract of Ratables, Middlesex County Board of Taxation

## TAX RATES AND NET ASSESSED VALUATIONS

### **Tax Rates Per \$100 Valuation:**

<b><u>Year</u></b>	<b><u>Assessed Valuation</u></b>	<b><u>Total</u></b>	<b><u>School</u></b>	<b><u>Total County</u></b>	<b><u>Municipal</u></b>	<b><u>Municipal Open Space</u></b>	<b><u>Municipal Library</u></b>
2016	\$2,461,930,410	\$5.340	\$3.325	\$0.667	\$1.202	\$0.030	\$0.060
2015	2,457,050,620	5.249	3.253	0.674	1.177	0.030	0.060
2014	2,452,150,931	5.190	3.204	0.685	1.155	0.030	0.060
2013	2,411,833,404	5.103	3.184	0.640	1.134	0.030	0.060
2012	2,421,587,877	5.011	3.109	0.643	1.105	0.030	0.065

Source: Table of Equalized Valuations, Middlesex County Board of Taxation

## COMPOSITION OF THE 2016 ASSESSED VALUATIONS

Residential	70.9%
Commercial	16.1
Industrial	10.9
Other	<u>2.1</u>
	100.00%

Source: Township of North Brunswick

## LARGEST TAXPAYERS

The following table sets forth ten of the largest taxpayers located in the Township and their assessed valuation for the year 2016:

<u>Taxpayer</u>	<u>2016 Assessed Valuation</u>	<u>% of Total Ratables</u>
ER SQUIBB & SONS INC	\$ 148,680,300	6.05%
KIMCO NORTH BRUNSWICK 617 INC	33,000,000	1.34
SODOWICK S. ETALS C/O No. Viii ASSN.	27,900,000	1.13
COMMERCE GR NB LLC	26,933,000	1.10
KAPLAN ASSOCIATES LLC	26,000,000	1.06
MAEBROOK AT RENAISSANCE LLC	23,515,600	0.96
NORTH BRUNSWICK MANOR LLC	23,441,800	0.95
RENAISSANCE TERRACE LLC	19,000,000	0.77
LEVIN PROPERTIES LLC	18,500,000	0.75
BRUNSWICK CIRCLE DEVELOPERS LLC	<u>17,245,000</u>	<u>0.70</u>
<b>Total</b>	<b>\$ 364,215,700</b>	<b>14.81%</b>

Source: Township Tax Assessor

## TAX COLLECTION DATA

### Collection in Year of Levy:

<u>Year</u>	<u>Tax Levy</u>	<u>Amount</u>	<u>Percentage</u>
2016	\$129,973,745	\$129,854,750	99.91%
2015	129,659,436	129,527,676	99.90
2014	125,710,601	125,466,068	99.81
2013	123,267,695	122,910,112	99.71
2012	120,744,776	120,218,424	99.56

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>
2016	\$413,594	\$ 0	\$413,594	0.32%
2015	329,948	0	392,948	0.30
2014	325,509	140,636	466,145	0.37
2013	292,191	475	292,666	0.24
2012	336,997	32	337,029	0.28

Source: Audited Financial Statements

### PROPERTY ACQUIRED FOR TAXES

<u>At Close of Tax Year</u>	<u>Assessed Value</u>
2016	\$161,971
2015	161,971
2014	161,971
2013	161,971
2012	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	2016	24,215	23,203	1,012	4.2%
	2015	24,100	22,900	1,100	4.6
	2014	23,700	22,300	1,300	5.6
	2013	23,378	21,737	1,641	7.0
	2012	23,339	21,483	1,856	8.0
County	2016	424,300	386,400	38,000	8.9%
	2015	440,300	418,400	21,900	5.0
	2014	432,100	406,200	25,900	6.0
	2013	443,825	410,919	32,906	7.4
	2012	442,912	406,106	36,806	8.3
State	2016	4,524,300	4,299,900	224,300	5.0%
	2015	4,543,800	4,288,800	255,000	5.6
	2014	4,518,700	4,218,400	300,300	6.6
	2013	4,537,800	4,166,000	371,800	8.2
	2012	4,561,800	4,136,900	424,800	9.3

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>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Vacant	\$51,134,100	\$39,881,100	\$41,203,600	\$29,108,500	\$33,445,900
Residential	1,541,110,700	1,544,335,100	1,535,377,100	1,524,669,700	1,519,468,700
Farm	1,218,400	1,218,400	1,218,400	1,182,300	1,283,600
Commercial	396,166,900	380,685,800	379,262,800	368,459,600	375,135,100
Industrial	267,856,900	286,469,800	290,745,200	283,655,200	287,812,700
Apartments	<u>201,554,600</u>	<u>201,554,800</u>	<u>201,554,600</u>	<u>201,112,800</u>	<u>201,112,800</u>
TOTAL	<u>\$2,459,041,600</u>	<u>\$2,454,144,800</u>	<u>\$2,449,361,700</u>	<u>\$2,408,188,100</u>	<u>\$2,418,258,800</u>

Source: Township Tax Assessor

## OVERLAPPING DEBT

### **Based on Percentage of Equalized Assessed Valuation:**

	<b><u>Middlesex County</u></b>	<b><u>Township</u></b>
2016 Equalized Assessed Valuation	\$102,577,013,839	\$4,485,733,504
Percentage of Equalized Assessed Value		4.37%

<b><u>Name of Related Entity</u></b>	<b><u>Related Entity Debt Outstanding</u></b>	<b><u>Township Percentage</u></b>	<b><u>Township Share</u></b>
Middlesex County	\$512,964,315	4.44%	\$22,775,615
Middlesex County Improvement Authority	323,752,814	4.44	14,374,625
School District (As of June 2016)	40,160,000	0.00	0
Net Indirect Debt			<b><u>\$37,150,240</u></b>

Source: Middlesex County ADS 2016  
Middlesex County Abstract of Ratables 2016

**Township of North Brunswick**  
**Statement of Statutory Net Debt as of June 30, 2016**

	Gross	Deductions	Net
School Debt:			
School Bonds/Notes Issued and Outstanding	\$ 40,160,000	\$ 40,160,000	
Total School Debt	40,160,000	40,160,000	
Municipal Debt:			
Bond Anticipation Notes Payable	23,200,000	19,972,010	\$ 3,227,990
Serial Bonds Payable	46,725,750	-	46,725,750
Authorized but not Issued	9,130,063		9,130,063
Total General Capital Fund	79,055,813	19,972,010	59,083,803
Water Capital Fund:			
Bond Anticipation Notes Payable	2,000,000	2,000,000	
Serial Bonds Payable	14,265,170	14,265,170	
Other Loans	13,234,971	13,234,971	
Authorized but not Issued	2,360,502	2,360,502	
Total Water Capital Fund	31,860,643	31,860,643	
Sewer Capital Fund:			
Bond Anticipation Notes Payable	1,500,000	1,500,000	
Serial Bonds Payable	11,686,830	11,686,830	
Other Loans	593,033	593,033	
Authorized but not Issued	6,473,312	6,473,312	
Total Sewer Capital Fund	20,253,175	20,253,175	
Total Self-Liquidating Debt	52,113,818	52,113,818	
Total Gross Deductions and Net Debt	\$ 171,329,631	\$ 112,245,828	\$ 59,083,803
2014, 2015, 2016 Average Equalized Value of Real Property Including Improvements and Assessed Valuation of Class 11			\$ 4,459,550,842
Net Debt Expressed as a Percentage of Such Equalized Valuation			1.325%
<b>BORROWING MARGIN</b>			
	<u>Debt Capacity</u>	<u>Outstanding Debt</u>	<u>Remaining Capacity</u>
Municipal Debt 3 1/2%	\$ 156,084,279	\$ 59,083,803	\$ 97,000,476
School Debt 4%	178,382,034	40,160,000	138,222,034

Source: 2016 Annual Debt Statement

TOWNSHIP OF NORTH BRUNSWICK  
MIDDLESEX COUNTY, NEW JERSEY

CURRENT FUND  
COMPARATIVE BALANCE SHEET - REGULATORY BASIS  
JUNE 30, 2016 AND 2015

Assets	Ref.	June 30, 2016	June 30, 2015	Liabilities	Ref.	June 30, 2016	June 30, 2015
<u>Current Fund:</u>				<u>Current Fund:</u>			
Cash.....	A-4	\$ 8,369,810.69	\$ 8,812,221.89	Accounts Payable.....	A-9	\$ 12,162.12	\$ 335,981.68
Change Fund.....	A-5	1,125.00	1,125.00	Encumbrances, Current Budget.....	A-3,A-10	465,241.26	689,539.85
Due New Jersey - Sr Citizens & Veterans Deductions.....	A-6	157,132.06	165,229.00	Appropriation Reserves.....	A-3,A-10	1,039,076.08	1,366,589.04
				Prepaid & Overpaid Taxes.....	A-11	281,242.20	258,845.51
				Taxes Payable.....	A-12	39,962,779.00	39,283,081.00
				Less Deferred School Taxes.....	A-12	(39,717,758.00)	(38,867,758.00)
Total.....		<u>8,528,067.75</u>	<u>8,978,575.89</u>	Filing Fees Due State of NJ.....	A-9	28,794.00	14,330.00
Receivable Offset by Reserves:				Reserve, Tax Appeals.....	A-9	360,803.86	340,803.86
Municipal Service Reimburse.....	A-9	3,400.00	3,400.00	Reserve, Rental Inspections.....	A-9	180.00	180.00
Property Tax Receivables.....	A-7	1,626.06	-	Reserve, FMBA Health.....	A-9	21,423.88	17,134.57
Tax Title Liens Receivables.....	A-7	413,593.82	392,948.37				
Property Acquired for Taxes.....	A-7	161,970.58	161,970.58	Total Cash Liabilities.....		<u>2,453,944.40</u>	<u>3,438,727.51</u>
Due From Grant Fund.....	A-18	125,000.00	-				
Total.....	A	<u>705,590.46</u>	<u>558,318.95</u>	Reserve for Accounts Receivable.....	A	705,590.46	558,318.95
				Fund Balance.....	A-1	<u>6,074,123.35</u>	<u>5,539,848.38</u>
Total Current Fund.....		<u>\$ 9,233,658.21</u>	<u>\$ 9,536,894.84</u>	Total Current Fund.....		<u>\$ 9,233,658.21</u>	<u>\$ 9,536,894.84</u>
<u>Grant Fund:</u>				<u>Grant Fund:</u>			
Cash.....	A-4	\$ 2,276.46	\$ 252,925.36	Unappropriated Grant Reserves.....	A-15	\$ 77,669.66	\$ 68,746.47
Grant Accounts Receivable.....	A-16	2,143,674.24	1,215,283.33	Reserve for Encumbrances.....	A-17	791,736.80	378,660.04
				Due to Current Fund.....	A-18	125,000.00	-
				Appropriated Grant Reserves.....	A-17	<u>1,151,544.24</u>	<u>1,020,802.18</u>
Total Grant Fund.....		<u>\$ 2,145,950.70</u>	<u>\$ 1,468,208.69</u>	Total Grant Fund.....		<u>\$ 2,145,950.70</u>	<u>\$ 1,468,208.69</u>
Total.....		<u>\$ 11,379,608.91</u>	<u>\$ 11,005,103.53</u>	Total.....		<u>\$ 11,379,608.91</u>	<u>\$ 11,005,103.53</u>

Source: Audited 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, 2016 AND 2015

	<u>Ref.</u>	June 30, 2016	June 30, 2015
<u>Revenue and Other Realized Income</u>			
Surplus Anticipated.....	A-1,A-2	\$ 2,850,000.00	\$ 3,250,000.00
Miscellaneous Revenues Anticipated.....	A-2	13,128,845.94	12,037,884.74
Receipts from Current Taxes.....	A-7	129,854,749.72	129,527,676.68
Non Budget Revenue (MRNA).....	A-8	330,809.39	693,856.16
Unexpended Balance of Appropriation Reserves.....	A-10	830,779.85	874,283.22
Interfund Returned.....	A-14	-	9,689.34
Grants Adjustment	A-18	14.96	-
Other Adjustments:			
Accounts Payable and Reserves Canceled.....	A-9	70,703.00	74,184.80
Total Revenue and Realized Income.....		<u>147,065,902.86</u>	<u>146,467,574.94</u>
<u>Expenditures</u>			
Budget Appropriations.....	A-3	45,268,480.97	44,508,898.98
Tax Collections			
County Taxes.....	A-12	17,789,165.79	18,917,427.45
Local School District Taxes.....	A-12	80,605,256.00	79,446,529.00
Less Additional School Taxes Deferred.....	A-12	(850,000.00)	(850,000.00)
Municipal Open Space Trust Fund.....	A-12	737,850.13	741,692.91
Interfund - Grant Fund.....	A-4	125,000.00	-
Prior Year Senior Citizens & Vet Adjustment.....	A-6,A-7	5,875.00	5,125.13
TTL Interest and Costs.....	A-7	-	-
Petty Cash Adjustment.....	A-5	-	50.00
Total Expenditures.....		<u>143,681,627.89</u>	<u>142,769,723.47</u>
Statutory Excess.....	A-1	3,384,274.97	3,697,851.47
Fund Balance, Beginning of Year.....	A	5,539,848.38	5,091,996.91
Decreased by Surplus Anticipated.....	A-1, A-2	(2,850,000.00)	(3,250,000.00)
Fund Balance, End of Year.....	A	<u>\$ 6,074,123.35</u>	<u>\$ 5,539,848.38</u>

Source: Audited Financial Statements

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**APPENDIX B**

**FINANCIAL STATEMENTS OF THE TOWNSHIP OF NORTH BRUNSWICK**

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**HODULIK & MORRISON, P.A.**  
CERTIFIED PUBLIC ACCOUNTANTS  
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NEW JERSEY SOCIETY OF CPA'S  
REGISTERED MUNICIPAL ACCOUNTANTS OF N.J.

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying balance sheets – regulatory basis of the various funds of the Township of North Brunswick, County of Middlesex, New Jersey, as of and for the years ended June 30, 2016 and 2015, the 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 and governmental fixed assets for the year ended June 30, 2016, and the related notes to the financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of the Division of Local Government Services, Department of Community Affairs, and State of New Jersey. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 2, these financial statements were prepared in conformity with accounting practices prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, United States of America, that demonstrate compliance with the modified accrual basis, with certain exceptions, and the budget laws of New Jersey, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. These prescribed principles are designed primarily for determining compliance with legal provisions and budgetary restrictions, and as a means of reporting on the stewardship of public officials with respect to public funds. Accordingly, the accompanying financial statements – regulatory basis 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 of the differences 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.

#### Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matters discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statements referred to in the first paragraph do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial positions of the Township of North Brunswick, County of Middlesex, New Jersey, as of June 30, 2016 and 2015, the changes in the financial position for the years ended or the revenue and expenditures for the year ended June 30, 2016.

#### Opinion on Regulatory Basis of Accounting

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, 2016 and 2015 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, 2016, on the basis of accounting described in Note 2.

### Other Information

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 III – Supplementary Schedules and Part IV – 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 information included in Part III – 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. 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 IV - Supplementary Data have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

### Other Reporting Required by Regulations

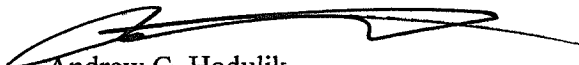
The financial statements referred to above include the assets and liabilities of the Township's Length of Service Award Program (LOSAP), which, by regulation, is subject to an accountant's review report. The Length of Service Award Program is included in the Trust Fund and is unaudited. The Independent Accountant's Review Report for the LOSAP is included in Part V – Supplementary Data as listed in the table of contents.

### Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued a report dated February 28, 2017 on our consideration of the Township of North Brunswick's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants 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 in considering the Township of North Brunswick's internal control over financial reporting and compliance.

*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 28, 2017

**HODULIK & MORRISON, P.A.**  
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MEMBERS OF:  
AMERICAN INSTITUTE OF CPA'S  
NEW JERSEY SOCIETY OF CPA'S  
REGISTERED MUNICIPAL ACCOUNTANTS OF N.J.

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements – regulatory basis of the Township of North Brunswick, County of Middlesex, New Jersey as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Township of North Brunswick's financial statements and have issued our report thereon dated February 24, 2017. Our report reflects the departure from accounting principles generally accepted in the United States of America as disclosed in Note 2 and unmodified based upon the Other Comprehensive Basis of Accounting financial statement presentations.

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 of North Brunswick'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 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over the 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 that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

#### 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 we have reported to management of the Township of North Brunswick in the General Comments and Recommendations section of the Report of Audit.

#### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



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

Highland Park, New Jersey  
February 28, 2017

TOWNSHIP OF NORTH BRUNSWICK  
MIDDLESEX COUNTY, NEW JERSEY

CURRENT FUND  
COMPARATIVE BALANCE SHEET - REGULATORY BASIS  
JUNE 30, 2016 AND 2015

Assets	Ref.	June 30, 2016	June 30, 2015	Liabilities	Ref.	June 30, 2016	June 30, 2015
<u>Current Fund:</u>				<u>Current Fund:</u>			
Cash.....	A-4	\$ 8,369,810.69	\$ 8,812,221.89	Accounts Payable.....	A-9	\$ 12,162.12	\$ 335,981.68
Change Fund.....	A-5	1,125.00	1,125.00	Encumbrances, Current Budget.....	A-3,A-10	465,241.26	689,539.85
Due New Jersey - Sr Citizens & Veterans Deductions.....	A-6	157,132.06	165,229.00	Appropriation Reserves.....	A-3,A-10	1,039,076.08	1,366,589.04
				Prepaid & Overpaid Taxes.....	A-11	281,242.20	258,845.51
				Taxes Payable.....	A-12	39,962,779.00	39,283,081.00
				Less Deferred School Taxes.....	A-12	(39,717,758.00)	(38,867,758.00)
Total.....		<u>8,528,067.75</u>	<u>8,978,575.89</u>	Filing Fees Due State of NJ.....	A-9	28,794.00	14,330.00
				Reserve, Tax Appeals.....	A-9	360,803.86	340,803.86
Receivable Offset by Reserves:				Reserve, Rental Inspections.....	A-9	180.00	180.00
Municipal Service Reimburse.....	A-9	3,400.00	3,400.00	Reserve, FMBA Health.....	A-9	21,423.88	17,134.57
Property Tax Receivables.....	A-7	1,626.06	-				
Tax Title Liens Receivables.....	A-7	413,593.82	392,948.37	Total Cash Liabilities.....		<u>2,453,944.40</u>	<u>3,438,727.51</u>
Property Acquired for Taxes.....	A-7	161,970.58	161,970.58				
Due From Grant Fund.....	A-18	125,000.00	-	Reserve for Accounts Receivable.....	A	705,590.46	558,318.95
Total.....	A	<u>705,590.46</u>	<u>558,318.95</u>	Fund Balance.....	A-1	<u>6,074,123.35</u>	<u>5,539,848.38</u>
Total Current Fund.....		<u>\$ 9,233,658.21</u>	<u>\$ 9,536,894.84</u>	Total Current Fund.....		<u>\$ 9,233,658.21</u>	<u>\$ 9,536,894.84</u>
<u>Grant Fund:</u>				<u>Grant Fund:</u>			
Cash.....	A-4	\$ 2,276.46	\$ 252,925.36	Unappropriated Grant Reserves.....	A-15	\$ 77,669.66	\$ 68,746.47
Grant Accounts Receivable.....	A-16	2,143,674.24	1,215,283.33	Reserve for Encumbrances.....	A-17	791,736.80	378,660.04
				Due to Current Fund.....	A-18	125,000.00	-
				Appropriated Grant Reserves.....	A-17	1,151,544.24	1,020,802.18
Total Grant Fund.....		<u>\$ 2,145,950.70</u>	<u>\$ 1,468,208.69</u>	Total Grant Fund.....		<u>\$ 2,145,950.70</u>	<u>\$ 1,468,208.69</u>
Total.....		<u>\$ 11,379,608.91</u>	<u>\$ 11,005,103.53</u>	Total.....		<u>\$ 11,379,608.91</u>	<u>\$ 11,005,103.53</u>

Note: See Notes to Financial Statements

TOWNSHIP OF NORTH BRUNSWICK  
MIDDLESEX COUNTY, NEW JERSEY

CURRENT FUND  
COMPARATIVE STATEMENT OF OPERATIONS AND  
CHANGES IN FUND BALANCE - REGULATORY BASIS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2016 AND 2015

	<u>Ref.</u>	June 30, 2016	June 30, 2015
<u>Revenue and Other Realized Income</u>			
Surplus Anticipated.....	A-1,A-2	\$ 2,850,000.00	\$ 3,250,000.00
Miscellaneous Revenues Anticipated.....	A-2	13,128,845.94	12,037,884.74
Receipts from Current Taxes.....	A-7	129,854,749.72	129,527,676.68
Non Budget Revenue (MRNA).....	A-8	330,809.39	693,856.16
Unexpended Balance of Appropriation Reserves.....	A-10	830,779.85	874,283.22
Interfund Returned.....	A-14	-	9,689.34
Grants Adjustment.....	A-18	14.96	-
Other Adjustments:			
Accounts Payable and Reserves Canceled.....	A-9	70,703.00	74,184.80
Total Revenue and Realized Income.....		<u>147,065,902.86</u>	<u>146,467,574.94</u>
<u>Expenditures</u>			
Budget Appropriations.....	A-3	45,268,480.97	44,508,898.98
Tax Collections			
County Taxes.....	A-12	17,789,165.79	18,917,427.45
Local School District Taxes.....	A-12	80,605,256.00	79,446,529.00
Less Additional School Taxes Deferred.....	A-12	(850,000.00)	(850,000.00)
Municipal Open Space Trust Fund.....	A-12	737,850.13	741,692.91
Interfund - Grant Fund.....	A-4	125,000.00	-
Prior Year Senior Citizens & Vet Adjustment.....	A-6,A-7	5,875.00	5,125.13
TTL Interest and Costs.....	A-7	-	-
Petty Cash Adjustment.....	A-5	-	50.00
Total Expenditures.....		<u>143,681,627.89</u>	<u>142,769,723.47</u>
Statutory Excess.....	A-1	3,384,274.97	3,697,851.47
Fund Balance, Beginning of Year.....	A	5,539,848.38	5,091,996.91
Decreased by Surplus Anticipated.....	A-1, A-2	<u>(2,850,000.00)</u>	<u>(3,250,000.00)</u>
Fund Balance, End of Year.....	A	<u>\$ 6,074,123.35</u>	<u>\$ 5,539,848.38</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, 2016

	<u>Ref.</u>	Anticipated SFY 2016	N.J.S.A. 40A: 4-87	Realized	Excess (Deficit)
Surplus Anticipated.....	A-1	\$ 2,850,000.00		\$ 2,850,000.00	
<u>Miscellaneous Revenues:</u>					
Licenses - Alcoholic Beverages.....		53,000.00		53,400.00	400.00
Licenses - Other.....		206,720.00		192,796.70	(13,923.30)
Fees & Permits.....		260,316.00		297,250.75	36,934.75
Fines & Costs - Municipal Court.....		1,130,000.00		1,245,585.33	115,585.33
Interest & Costs on Taxes.....		140,000.00		127,511.26	(12,488.74)
Interest on Investments and Deposits.....		66,718.00		113,066.17	46,348.17
Water & Sewer Operating Funds.....		875,000.00		875,000.00	-
Fire Prevention Fines & Fees.....		152,700.00		151,918.36	(781.64)
Cable Television Franchise Fee.....		147,000.00		146,311.00	(689.00)
Hotel Tax.....		188,000.00		195,791.51	7,791.51
Payments In Lieu of Taxes (PILOT)					
Sr Citizens Housing Complex.....		268,000.00		250,150.00	(17,850.00)
Technology Center of NJ.....		1,070,000.00		1,275,414.94	205,414.94
Uniform Construction Code Fees.....		567,000.00		829,446.00	262,446.00
Uniform Fire Safety Act.....		68,000.00		61,455.89	(6,544.11)
Open Space Trust Fund.....		850,000.00		850,000.00	-
General Capital Surplus.....		200,000.00		200,000.00	-
Library Contribution.....		92,000.00		103,713.53	11,713.53
School Soil Remediation Debt.....				5,778.86	5,778.86
State Aid:					
Consolidated Municipal					
Property Tax Relief Aid.....		191,811.00		124,150.00	(67,661.00)
Energy Receipts Tax.....		4,295,158.00		4,362,819.00	67,661.00
Watershed Moratorium Aid.....		4,653.00		4,653.00	-
Sub-total.....		10,826,076.00		11,466,212.30	640,136.30
<u>Public and Private Revenues</u>					
<u>Offset with Appropriations:</u>					
Public Safety:					
Drunk Driving Enforcement Fund.....		-	6,483.89	6,483.89	
Highway Safety - Safe Corridors.....		-	42,708.04	42,708.04	
Click it or Ticket.....		-	5,000.00	5,000.00	
MCPO Task Force.....		-	12,000.00	12,000.00	
Safe and Secure.....		-	60,000.00	60,000.00	
Bullet Proof Vests.....		-	18,307.73	18,307.73	
Body Armor Grant - State.....		-	7,319.73	7,319.73	
Drive Sober or Get Pulled Over.....		5,000.00	-	5,000.00	
Pedestrian Safety, Education and Enforcement.....		-	15,000.00	15,000.00	
OEM EMMA.....		5,000.00	-	5,000.00	



TOWNSHIP OF NORTH BRUNSWICK  
MIDDLESEX COUNTY, NEW JERSEY

CURRENT FUND  
STATEMENT OF REVENUE - REGULATORY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Ref.</u>	Anticipated SFY 2016	N.J.S.A. 40A: 4-87	Realized	Excess (Deficit)
Municipal Court					
Alcohol Education & Enforce Fund.....		1,237.60	-	1,237.60	
Parks Recreation & Community Service					
Municipal Alliance.....		41,482.00	-	41,482.00	
Senior Center Outreach Grant.....		-	9,500.00	9,500.00	
Senior Center Congregate Meals.....		-	16,500.00	16,500.00	
Senior Center Transportation Program.....		-	5,000.00	5,000.00	
Heritage Day (County/Federal).....		-	6,000.00	6,000.00	
Green Acres.....		825,000.00	-	825,000.00	
Cablevision.....		-	45,600.00	45,600.00	
Community Development					
NJDOT - Improvements to Stevens Street.....		400,000.00	-	400,000.00	
Public Works:					
Recycling Tonnage Grant.....		-	64,644.79	64,644.79	
E-Waste Recycling.....		3,340.99	-	3,340.99	
Clean Communities.....		67,508.87	-	67,508.87	
Sub-total.....		1,348,569.46	314,064.18	1,662,633.64	
Current Fund Total Miscellaneous.....	A-1	12,174,645.46	-	13,128,845.94	640,136.30
Local Purpose Tax.....	A- 7	29,097,252.00	-	29,888,815.81	791,563.81
Library Tax.....	A-7	1,480,011.00	-	1,480,011.00	
Sub-total.....		30,577,263.00		31,368,826.81	791,563.81
Total General Revenues.....	A-1	\$ 45,601,908.46	\$ -	\$ 47,347,672.75	\$1,431,700.11
	<u>Ref.</u>	<u>A-3</u>	<u>A-3</u>	<u>A-1</u>	
			<u>Ref.</u>		
Federal & State Grants.....			A-15	\$ 1,662,633.64	
Cash.....			A-4	11,466,212.30	
Total Miscellaneous Revenue.....				<u>\$ 13,128,845.94</u>	

Note: See Notes to Financial Statements

## MIDDLESEX COUNTY, NEW JERSEY

CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	#	SFY 2016 Budget		Modified Budget		Expended		Encumbered		Balance	Balance Reserved	
		Salaries	Other	Salaries	Other	Salaries	Other	Salary	Other Expenses	Canceled	Salaries	Other
General Government:												
Administration	\$	535,036.00	\$ 37,290.00	\$ 535,036.00	\$ 37,290.00	\$ (505,766.96)	\$ (23,467.73)		\$ (13,177.95)		\$ 29,269.04	\$ 644.32
Municipal Clerk		199,442.00	29,000.00	199,442.00	29,000.00	(173,962.58)	14,617.98		(15,079.85)		25,479.42	28,538.13
Financial Administration		244,946.00	31,750.00	238,446.00	41,750.00	(220,061.81)	(40,038.54)				18,384.19	1,711.46
Audit			55,000.00		55,000.00				(55,000.00)		-	-
Information Technology		178,584.00	64,600.00	178,584.00	64,600.00	(167,120.34)	(37,323.35)		(27,227.90)		11,463.66	48.75
Tax Collection		124,488.00	39,250.00	124,488.00	49,250.00	(123,287.29)	(26,350.76)		(19,887.54)		1,200.71	3,011.70
Tax Assessment		137,021.00	87,000.00	137,021.00	97,000.00	(135,930.99)	(66,931.02)		(20,830.50)		1,090.01	9,238.48
Reserve for Tax Appeals			20,000.00		20,000.00		(20,000.00)				-	-
Legal			330,000.00		385,000.00		(338,664.25)		(18,851.06)		-	27,484.69
Insurance:					-							
Other Insurance			1,100,784.00		1,100,784.00		(1,099,182.70)		(1,000.00)		-	601.30
Employee Group Insurance			4,948,000.00		4,908,000.00		(4,828,353.74)		(1,361.70)		-	78,284.56
Health Benefit Waiver			50,000.00		50,000.00		(49,747.10)					252.90
Community Development					-							
Engineering		104,865.00	106,250.00	104,865.00	105,250.00	(102,514.08)	(33,802.92)		(37,262.00)		2,350.92	34,185.08
Planning		267,183.00	17,000.00	267,183.00	17,000.00	(265,095.05)	(7,775.94)		(3,185.00)		2,087.95	6,039.06
Zoning		109,564.00	6,050.00	110,564.00	6,050.00	(109,486.81)	(5,754.37)		(145.00)		1,077.19	150.63
Affordable Housing		3,600.00		3,600.00	-	(3,300.00)					300.00	-
Code Enforcement		96,176.00	3,250.00	96,176.00	4,250.00	(90,810.78)	(2,755.33)		(1,056.50)		5,365.22	438.17
Fire Safety		196,284.00	8,250.00	171,284.00	8,250.00	(159,909.56)	(6,799.24)		(1,438.71)		11,374.44	12.05
Uniform Construction Code		323,426.00	32,300.00	313,426.00	42,300.00	(299,639.16)	(26,947.21)		(8,444.50)		13,786.84	6,908.29
Public Safety:					-							
Police		12,506,169.00	497,200.00	12,506,169.00	485,100.00	(12,446,379.67)	(389,451.47)		(66,705.65)		59,789.33	28,942.88
Emergency Management		183,460.00	95,050.00	183,460.00	95,050.00	(159,960.44)	(80,058.65)		(1,350.34)		23,499.56	13,641.01
Volunteer Fire Departments			198,000.00	-	198,000.00		(191,514.78)		(4,431.56)		-	2,053.66
First Aid Organizations			65,000.00	-	65,000.00		(60,000.00)		(4,943.00)		-	57.00
Length of Service Award Program			78,000.00	-	78,000.00		(58,059.52)		(9,532.16)		-	10,408.32
Juvenile Aid		2,400.00	5,000.00	2,400.00	5,000.00	(2,400.00)	(4,706.84)		(293.16)		-	-
Municipal Court		432,321.00	29,550.00	440,321.00	32,050.00	(438,076.28)	(30,354.22)		(400.90)		2,244.72	1,294.88
Public Defender			5,000.00	-	5,000.00		(4,000.00)				-	1,000.00

## MIDDLESEX COUNTY, NEW JERSEY

CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	#	SFY 2016 Budget		Modified Budget		Expended		Encumbered		Balance Canceled	Balance Reserved	
		Salaries	Other	Salaries	Other	Salaries	Other	Salary	Other Expenses		Salaries	Other
Public Works:				-	-							
Streets and Roads		671,977.00	187,850.00	635,477.00	197,850.00	(592,469.84)	(147,146.16)		(21,359.48)		43,007.16	29,344.36
Sanitation		633,619.00	396,450.00	633,619.00	396,450.00	(598,401.70)	(392,915.68)		(2,067.00)		35,217.30	1,467.32
Solid Waste Disposal Fees			805,000.00	-	845,000.00		(809,555.55)		(474.45)		-	34,970.00
Recycling			249,950.00	-	269,950.00		(267,843.33)		(740.57)		-	1,366.10
Buildings and Grounds		269,217.00	190,700.00	269,217.00	180,700.00	(262,580.75)	(137,718.64)		(32,883.86)		6,636.25	10,097.50
Motor Vehicle Maintenance		338,138.00	373,800.00	303,138.00	423,800.00	(297,006.57)	(374,271.25)		(32,995.02)		6,131.43	16,533.73
Muni Service Reimbursement				-	-							
Condominiums			69,500.00	-	69,500.00		1,238.67				-	70,738.67
NJDEP - Stormwater Permit		380,892.00	16,000.00	380,892.00	16,000.00	(374,975.12)	(9,801.70)				5,916.88	6,198.30
Parks Recreation & Community Services				-	-							
Board of Health			90,000.00	-	91,100.00		(91,071.46)				-	28.54
Animal Control		1,000.00	50,000.00	1,000.00	50,000.00		(44,166.66)				1,000.00	5,833.34
Environmental Commission		1,200.00	850.00	1,200.00	850.00	(1,200.00)	(360.00)				-	490.00
Recreation & Community Services		235,561.00	72,300.00	240,561.00	72,300.00	(236,343.92)	(64,227.66)		(7,349.84)		4,217.08	722.50
Senior Services		120,304.00	81,400.00	124,304.00	132,400.00	(123,219.23)	(111,475.56)		(2,362.53)		1,084.77	18,561.91
Parks and Playgrounds		558,633.00	327,350.00	558,633.00	327,350.00	(537,955.32)	(300,674.48)		(26,649.11)		20,677.68	26.41
Education - Library			1,480,011.00	-	1,480,011.00		(1,480,011.00)				-	-
Unclassified				-	-							
Salary Adjustments			17,500.00	-	-						-	-
Utilities / Facilities Costs			1,725,500.00	-	1,630,500.00		(1,450,572.27)		(26,754.42)		-	153,173.31
Contingency			100.00	-	100.00						-	100.00
Statutory Expenditures:				-	-							
Public Employees Retirement			891,885.00	-	891,885.00		(877,885.00)				-	14,000.00
Police & Fire Retirement			2,350,727.00	-	2,350,727.00		(2,350,727.00)				-	-
Defined Contribution (DCRP)			10,000.00	-	10,000.00		(4,169.57)				-	5,830.43
Social Security			1,327,372.00	-	1,327,372.00		(1,262,006.91)				-	65,365.09
Unemployment Compensation			20,000.00	-	20,000.00		(20,000.00)				-	-
Matching Funds for Grants			19,629.50	-	16,629.50						-	16,629.50
Sub-Total Operations		18,855,506.00	18,692,448.50	18,760,506.00	18,784,448.50	(18,427,854.25)	(17,612,782.91)	-	(465,241.26)		332,651.75	706,424.33

## MIDDLESEX COUNTY, NEW JERSEY

CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	#	SFY 2016 Budget		Modified Budget		Expended		Encumbered		Balance	Balance Reserved	
		Salaries	Other	Salaries	Other	Salaries	Other	Salary	Other Expenses	Canceled	Salaries	Other
<u>Public &amp; Private Programs</u>												
<u>Offset by Revenues:</u>												
Public Safety:												
Drunk Driving Enforcement Fund	\$	-	\$ -	\$ -	\$ 6,483.89	\$ -	\$ (6,483.89)				\$ -	\$ -
Highway Safety - Safe Corridors			-		42,708.04		(42,708.04)					
MCPO Task Force			-		12,000.00		(12,000.00)					
Drive Sober or Get Pulled Over			5,000.00		5,000.00		(5,000.00)					
Safe and Secure			-		60,000.00		(60,000.00)					
Bullet Proof Vests			-		18,307.73		(18,307.73)					
Body Armor Grant			-		7,319.73		(7,319.73)					
Pedestrian Safety, Education and Enforcement			-		15,000.00		(15,000.00)					
Click it or Ticket			-		5,000.00		(5,000.00)					
Hazard Mitigation Grant Program - Energy Allocation			5,000.00		5,000.00		(5,000.00)					
Municipal Court					-		-					
Alcohol Education & Enforce Fund			1,237.60		1,237.60		(1,237.60)					
Parks Recreation & Community Service					-		-					
Municipal Alliance			51,852.50		51,852.50		(51,852.50)					
Senior Center Outreach Grant			-		9,500.00		(9,500.00)					
Senior Center Congregate Meals					16,500.00		(16,500.00)					
Senior Center Transportation Program			-		5,000.00		(5,000.00)					
Heritage Day (County/Federal)			-		9,000.00		(9,000.00)					
Green Acres			825,000.00		825,000.00		(825,000.00)					
Cabevision					45,600.00		(45,600.00)					
Community Development					-		-					
NJDOT - Improvements to Nassau Street			400,000.00		400,000.00		(400,000.00)					
Public Works:					-		-					
Recycling Tonnage Grant			-		64,644.79		(64,644.79)					
Clean Communities			67,508.87		67,508.87		(67,508.87)					
E-Waste			3,340.99		3,340.99		(3,340.99)					

## MIDDLESEX COUNTY, NEW JERSEY

CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	#	SFY 2016 Budget Salaries Other	Modified Budget Salaries Other	Expended Salaries Other	Encumbered Salary Other Expenses	Balance Canceled	Balance Reserved Salaries Other
Public and Private Programs		1,358,939.96	1,676,004.14	(1,676,004.14)			
Total Operations		18,855,506.00 20,051,388.46	18,760,506.00 20,460,452.64	(18,427,854.25) (19,288,787.05)	- (465,241.26)	-	332,651.75 706,424.33
Capital Improvements: Capital Improvement Fund		- 331,000.00	- 331,000.00	(331,000.00)			
Total Capital Improvements		- 331,000.00	- 331,000.00	- (331,000.00)		-	
Debt Service:							
Bond Principal	-	4,112,210.00	- 4,112,210.00	(4,112,202.77)		(7.23)	
Interest on Bonds	-	1,221,360.00	- 1,221,360.00	(1,221,153.17)		(206.83)	
Note Principal	-	49,795.00	- 49,795.00	(49,795.00)		-	
Interest on Notes	-	334,300.00	- 334,300.00	(333,371.39)		(928.61)	
Total Debt Service	-	5,717,665.00	- 5,717,665.00	- (5,716,522.33)	-	(1,142.67)	
Total		18,855,506.00 26,100,053.46	18,760,506.00 26,509,117.64	(18,427,854.25) (25,336,309.38)	- (465,241.26)	(1,142.67)	332,651.75 706,424.33
Reserve for Uncollected Taxes		- 646,349.00	- 646,349.00	(646,349.00)			
Total Current Fund Budget		18,855,506.00 26,746,402.46	18,760,506.00 27,155,466.64	(18,427,854.25) (25,982,658.38)	- (465,241.26)	(1,142.67)	332,651.75 706,424.33
Total Current Fund Budget		\$ 18,855,506.00 \$ 26,746,402.46	\$ 18,760,506.00 \$ 27,155,466.64	\$ (18,427,854.25) \$ (25,982,658.38)	\$ - \$ (465,241.26)	\$ (1,142.67)	\$ 332,651.75 \$ 706,424.33

Adopted Budget:		Cash Disbursed.....	A-4	\$ (42,068,159.49)
Salaries	\$ 18,855,506.00	Reserve for Tax Appeals.....	A-9	(20,000.00)
Other Expenses	26,746,402.46	Reserve for Uncollected Taxes.....	A-7	(646,349.00)
Total Adopted Budget	45,601,908.46	State & Federal Grants.....	A-16	(1,676,004.14)
Budget Amendments-NJSA 40A:4-87	314,064.18	Total Paid or Charged.....		\$ (44,410,512.63)
Total Modified Budget	\$ 45,915,972.64			

Note: See Notes to Financial Statements

TOWNSHIP OF NORTH BRUNSWICK  
MIDDLESEX COUNTY, NEW JERSEY

TRUST FUNDS  
COMPARATIVE BALANCE SHEET - REGULATORY BASIS  
JUNE 30, 2016 AND 2015

		June 30, 2016	June 30, 2015
<u>ASSETS</u>			
Cash.....	<u>Ref.</u> B-2	\$ 4,972,400.25	\$ 4,649,786.37
Investment LOSAP, Funds held by Trustee (unaudited)....	B	1,067,157.95	1,076,980.80
Trust Assessment - Accounts Receivable.....	B-1	71,055.00	71,055.00
Trust Other - Accounts Receivable			
Middlesex County			
CDBG - FY 2012.....	B-2	-	17,428.75
CDBG - FY 2013.....	B-2	-	10,951.00
CDBG - FY 2014.....	B-2	95.00	55,322.57
CDBG - FY 2015.....	B-2	461.67	98,197.00
CDBG - FY 2016.....	B-2	181,902.00	-
Total.....		<u>\$ 6,293,071.87</u>	<u>\$ 5,979,721.49</u>
<u>LIABILITIES</u>			
LOSAP Funds (unaudited).....	B	\$ 1,067,157.95	\$ 1,076,980.80
Trust Assessment - Reserve for Receivables.....	B-1	71,055.00	71,055.00
Parks and Recreation			
Due NJ - Animal License Fees.....	B-2	63.60	39.00
Due to Current Fund.....	B-2	-	-
Animal Control Reserves.....	B-2	36,795.00	28,125.27
Recreation Programs.....	B-2	1,005,197.81	1,004,174.79
Open Space.....	B-2	324,532.99	534,810.91
Finance			
NJ Unemployment.....	B-2	168,869.46	191,189.04
Terminal Leave.....	B-2	610,660.85	107,571.40
Tax Sale, Premium on TTL.....	B-2	1,136,900.00	1,277,300.00
Payroll Liabilities Payable.....	B-2	19,566.24	20,320.02

TOWNSHIP OF NORTH BRUNSWICK  
MIDDLESEX COUNTY, NEW JERSEY

TRUST FUNDS  
 COMPARATIVE BALANCE SHEET - REGULATORY BASIS  
JUNE 30, 2016 AND 2015

		June 30, 2016	June 30, 2015
<hr/>			
Public Safety			
Forfeited Funds.....	B-2	18,907.21	50,262.09
Seized Funds.....	B-2	17,399.10	913.00
Unclaimed Funds.....	B-2	3,793.59	5,917.80
Outside Employment.....	B-2	9,292.15	9,493.56
Uniform Fire Code.....	B-2	34,491.58	29,638.61
Municipal Court			
Handicapped Parking.....	B-2	850.00	250.00
Public Defender.....	B-2	25,400.59	24,704.59
POAA Fines.....	B-2	663.57	505.57
Public Works - Snow Removal.....	B-2	148,776.23	107,336.78
Donations, Gifts, & Bequests.....	B-2	4,144.55	3,889.55
Community Development Block Grant			
CDBG - FY12.....	B-2	1,137.95	18,741.98
CDBG - FY13.....	B-2	-	10,951.00
CDBG - FY14.....	B-2	95.00	25,614.00
CDBG - FY15.....	B-2	-	5,493.72
CDBG - FY16.....	B-2	93,199.51	-
Community Development Department			
Growth Share Reserve.....	B-2	107,597.23	117,281.53
Third Party UCC Inspections.....	B-2	71,120.25	53,619.65
Developers' Escrow.....	B-2	1,315,404.46	1,203,540.30
Regional Contribution Agreement			
Affordable Housing Contribution, Phase II.....	B-2	-	1.53
<hr/>			
Total.....		<u>\$ 6,293,071.87</u>	<u>\$ 5,979,721.49</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, 2016 AND 2015

	<u>Ref.</u>	June 30, 2016	June 30, 2015
<u>ASSETS</u>			
Cash.....	C-2	\$ 507,174.85	\$ 6,257,165.84
Deferred Charges to Future Taxation:			
Funded.....	C-4	46,725,750.00	35,837,750.00
Unfunded.....	C-5	32,330,063.00	41,242,500.00
Total.....		<u>\$ 79,562,987.85</u>	<u>\$ 83,337,415.84</u>
<u>LIABILITIES, RESERVES, &amp; FUND BALANCE</u>			
Outstanding Debt:			
Bond Anticipation Notes Payable.....	C-8	\$ 23,200,000.00	\$ 33,430,000.00
Serial Bonds Payable.....	C-7	46,725,750.00	35,837,750.00
Improvement Authorizations:			
Funded.....	C-6	1,114,753.02	2,000.00
Unfunded.....	C-6	2,111,158.00	3,368,249.09
Reserve for Encumbrances.....	C-6	5,230,170.22	7,149,469.23
Reserve to Retire Debt.....	C-10	696,313.28	3,242,451.69
Capital Improvement Fund.....	C-9	342.00	342.00
Fund Balance.....	C-1	484,501.33	307,153.83
Total.....		<u>\$ 79,562,987.85</u>	<u>\$ 83,337,415.84</u>
Bonds & Notes Authorized not Issued.....	C-11	<u>\$ 9,130,063.00</u>	<u>\$ 7,812,500.00</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, 2016

	<u>Ref.</u>	
Balance June 30, 2015.....	C	\$ 307,153.83
Increased by Cash Receipts		
Premium on Sale of Notes.....	C-2	<u>377,347.50</u>
		684,501.33
Decreased by Cash Disbursements		
Surplus - Anticipated in Current Fund.....	C-2	<u>(200,000.00)</u>
Balance June 30, 2016.....	C	<u><u>\$ 484,501.33</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, 2016 AND 2015

Assets	Ref.	June 30, 2016	June 30, 2015	Liabilities	Ref.	June 30, 2016	June 30, 2015
<u>Water Operating</u>				<u>Water Operating</u>			
Cash.....	D-6	\$ 3,029,025.49	\$ 2,232,732.73	Reserve for Encumbrances.....	D-5,D-10	\$ 718,336.57	\$ 127,009.63
				Appropriation Reserves.....	D-5,D-10	51,495.16	128,104.69
				Accounts Payable.....	D-10	12,863.15	-
				Accrued Interest Payable.....	D-13	373,180.92	341,470.52
				Total Liabilities.....		1,155,875.80	596,584.84
				Fund Balance.....	D-1	1,873,149.69	1,636,147.89
Total Water Operating Fund.....		<u>\$ 3,029,025.49</u>	<u>\$ 2,232,732.73</u>	Total Water Operating Fund.....		<u>\$ 3,029,025.49</u>	<u>\$ 2,232,732.73</u>
<u>Water Assessment</u>				<u>Water Assessment</u>			
Cash.....	D-6	\$ 400,528.34	\$ 432,089.24	Reserve for:			
Assessment Receivable:				Accounts Receivable.....	D-20	\$ 428,093.72	\$ 493,707.82
Accounts Receivable.....	D-19	2,313,093.72	2,473,707.82	Liens Interest & Costs.....	D-20	288.00	288.00
Liens Interest & Costs.....	D-19	288.00	288.00	Serial Bonds Payable.....	D-21	1,885,000.00	1,980,000.00
				Fund Balance.....	D-3	400,528.34	432,089.24
Total Water Assessment Fund.....		<u>\$ 2,713,910.06</u>	<u>\$ 2,906,085.06</u>	Total Water Assessment Fund.....		<u>\$ 2,713,910.06</u>	<u>\$ 2,906,085.06</u>

TOWNSHIP OF NORTH BRUNSWICK  
MIDDLESEX COUNTY, NEW JERSEY

WATER UTILITY FUND  
COMPARATIVE BALANCE SHEET - REGULATORY BASIS  
JUNE 30, 2016 AND 2015

Assets	Ref.	June 30, 2016	June 30, 2015	Liabilities	Ref.	June 30, 2016	June 30, 2015
<u>Water Capital</u>				<u>Water Capital</u>			
Cash.....	D-6,D-7	\$ 850,992.11	\$ 802,004.29	Bond Anticipation Notes.....	D-14	\$ 2,000,000.00	\$ 2,493,670.00
				Serial Bonds Payable.....	D-12	14,265,170.00	13,553,000.00
				NJEIT Loan Obligation.....	D-15	12,378,971.33	14,178,255.36
				Improvement Authorizations:			
				Funded.....	D-11	136,056.00	-
Fixed Capital				Unfunded.....	D-11	2,135,759.53	640,690.87
Completed.....	D-8	58,542,087.11	30,065,994.03	Reserve for Encumbrances.....	D-11	717,130.23	1,781,797.07
Authorized not Completed.....	D-9	2,496,602.48	28,972,695.56	Reserve for Amortization.....	D-16	30,034,046.26	26,953,262.23
				Capital Improvement Fund.....	D-17	89,067.59	89,067.59
				Fund Balance.....	D-2	133,480.76	150,950.76
<hr/>				<hr/>			
Total Water Capital Fund.....		\$ 61,889,681.70	\$ 59,840,693.88	Total Water Capital Fund.....		\$ 61,889,681.70	\$ 59,840,693.88
<hr/>				<hr/>			
Total.....		\$ 67,632,617.25	\$ 64,979,511.67	Total.....		\$ 67,632,617.25	\$ 64,979,511.67

There were Bonds and Notes Authorized but Not Issued at June 30, 2016 and 2015 in the amounts of \$ 2,360,502.00 and \$1,860,502.00, respectively (Exhibit - D-21).

Note: See Notes to Financial Statements

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, 2016 AND 2015

	Ref.	June 30, 2016	June 30, 2015
<u>Revenue and Other Realized Income</u>			
Surplus Anticipated.....	D-4	\$ 300,000.00	\$ 330,000.00
Water Rents.....	D-4	6,211,264.92	5,940,236.13
Connection Fees.....	D-4	185,705.00	12,085.00
Developer Contribution.....	D-4	151,090.00	157,090.00
Miscellaneous Revenues.....	D-4	644,219.07	655,510.27
Water Utility Capital Surplus.....	D-4	50,000.00	75,000.00
Water Utility Assessment Trust Fund Interest.....	D-4	97,175.00	100,875.00
Unexpended Balance of Appropriation Reserves.....	D-10	28,246.04	20,661.34
Water Utility Capital - Reserve for Water Sys Improv...	D-4	-	30,900.00
SREC Sales.....	D-4	26,414.90	14,625.00
Prior Years' Accounts Payable Canceled.....	D-10	-	3,092.85
Total Revenue and Realized Income.....		<u>7,694,114.93</u>	<u>7,340,075.59</u>
<u>Expenditures</u>			
Budget Appropriations.....	D-5	<u>(7,157,113.13)</u>	<u>(7,204,185.60)</u>
Total Expenditures.....		<u>(7,157,113.13)</u>	<u>(7,204,185.60)</u>
Statutory Excess.....		537,001.80	135,889.99
Decreased by Surplus Anticipated.....	D-1	(300,000.00)	(330,000.00)
Fund Balance, Beginning of Year.....	D	<u>1,636,147.89</u>	<u>1,830,257.90</u>
Fund Balance, End of Year.....	D	<u>\$ 1,873,149.69</u>	<u>\$ 1,636,147.89</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, 2016 AND JUNE 30, 2015

	<u>Ref.</u>	
Balance June 30, 2015.....	D	\$ 150,950.76
Increased by:		
Premium on BAN Sale .....	D-6	32,530.00
Decreased by:		
Use of Surplus in budget .....	D-6	(50,000.00)
Balance June 30, 2016	D	<u><u>\$ 133,480.76</u></u>

( ) Denotes Deficit or Deduction

Note: See Notes to Financial Statements

TOWNSHIP OF NORTH BRUNSWICK  
MIDDLESEX COUNTY, NEW JERSEY

WATER UTILITY TRUST ASSESSMENT FUND  
 STATEMENT OF FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2016

	<u>REF.</u>		
Balance - June 30, 2015	D	\$	432,089.24
Increased by:			
Collection of Pledged Assessments.....	D-20		65,614.10
			<u>497,703.34</u>
Decrease by:			
Payment to Water Operating Fund as Anticipated Revenue.....	D-6		97,175.00
			<u>97,175.00</u>
Balance - June 30, 2016	D	\$	<u><u>400,528.34</u></u>

Note: See Accompanying 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, 2016

	<u>Ref.</u>	Anticipated	Realized	Excess (Deficit)
Water Operating Surplus Anticipated	D-1	\$ 300,000.00	\$ 300,000.00	\$ -
Water Rents.....	D-1, D-6	6,008,000.00	6,211,264.92	203,264.92
Connection Fees.....	D-1, D-6	12,000.00	185,705.00	173,705.00
Dedicated Water Utility Assessment : Interest.....	D-1	95,750.00	97,175.00	1,425.00
Developer Contribution.....	D-1, D-6	152,000.00	151,090.00	(910.00)
Miscellaneous				
Meter Fees.....	D-1, D-6	500,000.00	515,826.70	15,826.70
Interest on Delinquent Accounts.....	D-1, D-6	40,000.00	39,274.00	(726.00)
Other.....	D-1, D-6	80,000.00	89,118.37	9,118.37
SREC Sales.....	D-1, D-6	-	26,414.90	26,414.90
Water Utility Capital Surplus.....	D-1, D-6	50,000.00	50,000.00	-
Water Utility Operating Fund Total.....		<u>\$ 7,237,750.00</u>	<u>\$ 7,665,868.89</u>	<u>\$ 428,118.89</u>

Ref.

D-5

( ) Denotes Deficit or Deduction

Note: See Notes to Financial Statements

TOWNSHIP OF NORTH BRUNSWICK  
MIDDLESEX COUNTY, NEW JERSEY

WATER UTILITY OPERATING FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2016

	Budget					
	Original	Modified	Paid/Charged	Encumbrances	Canceled	Reserved
Operating Salaries.....	\$ 81,400.00	\$ 81,400.00	\$ (74,309.31)	\$ -	\$ -	\$ 7,090.69
Operating Expenses.....	3,806,518.00	3,806,518.00	(3,043,776.96)	(718,336.57)	-	44,404.47
Debt - Bond Principal.....	1,281,500.00	1,281,500.00	(1,281,500.00)	-	-	-
Debt - Interest on Bonds.....	521,650.00	521,650.00	(521,610.49)	-	(39.51)	-
Debt - Interest on Notes.....	38,782.00	38,782.00	(38,781.41)	-	(0.59)	-
Debt - Note Principal.....	6,400.00	6,400.00	-	-	(6,400.00)	-
Debt - NJEIT.....	1,305,750.00	1,305,750.00	(1,231,553.23)	-	(74,196.77)	-
Water Assessment - Bond Interest.....	95,750.00	95,750.00	(95,750.00)	-	-	-
Surplus - Current Fund.....	100,000.00	100,000.00	(100,000.00)	-	-	-
Total Water Utility Operating.....	<u>\$ 7,237,750.00</u>	<u>\$ 7,237,750.00</u>	<u>\$ (6,387,281.40)</u>	<u>\$ (718,336.57)</u>	<u>\$ (80,636.87)</u>	<u>\$ 51,495.16</u>
	D-4	D-1		D	D-1	D
Cash.....	D-6		\$ (6,355,571.00)			
Accrued Interest 6/30/2015.....	D-13		341,470.52			
Accrued Interest 6/30/2016.....	D-13		<u>(373,180.92)</u>			
Total Paid or Charged.....			<u>\$ (6,387,281.40)</u>			

( ) Denotes deficit or deduction.

Note: See Notes to Financial Statements



TOWNSHIP OF NORTH BRUNSWICK  
MIDDLESEX COUNTY, NEW JERSEY

SEWER UTILITY FUND  
COMPARATIVE BALANCE SHEET - REGULATORY BASIS  
JUNE 30, 2016 AND 2015

<u>Assets</u>	<u>Ref.</u>	June 30, 2016	June 30, 2015	<u>Liabilities</u>	<u>Ref.</u>	June 30, 2016	June 30, 2015
<u>Sewer Utility Operating:</u>				<u>Sewer Utility Operating:</u>			
Cash.....	E-5	\$ 3,099,672.64	\$ 2,991,124.20	Encumbrances Payable.....	E-4,E-9	\$ 140,784.33	\$ 114,584.81
				Appropriation Reserves.....	E-4,E-9	286,653.40	229,573.91
				Accounts Payable.....	E-9	1,575.29	-
				Accrued Interest Payable.....	E-11	162,818.86	137,228.07
				Total Liabilities.....		591,831.88	481,386.79
				Fund Balance.....	E-1	2,507,840.76	2,509,737.41
Total Sewer Operating Fund.....		\$ 3,099,672.64	\$ 2,991,124.20	Total Sewer Operating Fund.....		\$ 3,099,672.64	\$ 2,991,124.20
<u>Sewer Utility Capital:</u>				<u>Sewer Utility Capital:</u>			
Cash.....	E-5,E-6	\$ 1,266,740.38	\$ 681,374.32	Debt			
				NJ EIT Loan Payable.....	E-12	\$ 593,032.65	\$ 653,071.57
Fixed Capital				Serial Bonds.....	E-10	11,686,830.00	10,612,000.00
Completed.....	E-7	21,577,910.79	13,795,637.00	BAN.....	E-16	1,500,000.00	2,687,087.00
Authorized and Uncompleted.....	E-8	7,007,726.21	13,790,000.00	Improvement Authorizations:			
				Funded .....	E-13	135,061.00	117,706.00
				Unfunded .....	E-13	6,872,665.21	6,469,869.04
				Encumbrances.....	E-13	551,714.37	410,897.48
				Reserve for:			
				Amortization.....	E-15	7,962,462.35	6,790,166.43
				Deferred Amortization.....	E-15	370,000.00	370,000.00
				Capital Improvement Fund.....	E-14	28,900.00	28,900.00
				Fund Balance.....	E- 2	151,711.80	127,313.80
Total Sewer Capital Fund.....		\$ 29,852,377.38	\$ 28,267,011.32	Total Sewer Capital Fund.....		\$ 29,852,377.38	\$ 28,267,011.32
Total Sewer Utility Funds.....		\$ 32,952,050.02	\$ 31,258,135.52	Total Sewer Utility Funds.....		\$ 32,952,050.02	\$ 31,258,135.52

Note: See Notes to Financial Statements

There were Bonds and Notes Authorized but Not Issued at June 30, 2016 and 2015 in the amount of \$ 6,473,312.00 (Exhibit E-17).

TOWNSHIP OF NORTH BRUNSWICK  
MIDDLESEX COUNTY, NEW JERSEY

SEWER UTILITY OPERATING FUND  
COMPARATIVE STATEMENT OF OPERATIONS AND  
CHANGES IN FUND BALANCE - REGULATORY BASIS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2016 AND 2015

	<u>Ref.</u>	June 30, 2016	June 30, 2015
<u>Revenue and Other Realized Income</u>			
Fund Balance Utilized.....	E-1	\$ 475,000.00	\$ 384,000.00
Sewer Rents.....	E-3	6,580,480.14	6,341,476.19
Connection Fees.....	E-3	13,675.00	10,050.00
Unexpended Balance of Appropriation Reserves.....	E-9	310,503.13	46,058.95
Adjustment to Balance Cash.....		0.01	21,061.57
Total Revenue and Realized Income.....		7,379,658.28	6,802,646.71
Budget Appropriations.....	E-4	(6,906,554.93)	(6,498,994.71)
Statutory Excess.....		473,103.35	303,652.00
Fund Balance, Beginning of Year.....	E	2,509,737.41	2,590,085.41
Decreased by:			
Utilized as Anticipated Surplus.....	E-3	475,000.00	384,000.00
Fund Balance, End of Year.....	E	<u>\$ 2,507,840.76</u>	<u>\$ 2,509,737.41</u>

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, 2016

	<u>Ref.</u>		
Balance June 30, 2015.....	E	\$	127,313.80
Premium on BAN .....	E-5		24,398.00
			<hr/>
Balance June 30, 2016.....	E	\$	<u><u>151,711.80</u></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, 2016

	<u>Ref.</u>	Anticipated	Realized	Excess (Deficit)
Operating Surplus Anticipated...	E-1	\$ 475,000.00	\$ 475,000.00	\$ -
Sewer Rents.....	E-1	6,425,422.00	6,580,480.14	155,058.14
Connection Fees.....	E-1	10,000.00	13,675.00	3,675.00
Sewer Utility Operating Fund Total.....		<u>\$ 6,910,422.00</u>	<u>\$ 7,069,155.14</u>	<u>\$ 158,733.14</u>
	<u>Ref.</u>	E-4	E-5	

Note: See Notes to Financial Statements

TOWNSHIP OF NORTH BRUNSWICK  
MIDDLESEX COUNTY, NEW JERSEY

SEWER UTILITY OPERATING FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2016

	Budget	Modified Budget	Cash Disbursed	Encumbrances	Canceled	Reserved
Operating Salaries & Wages.....	\$ 445,327.00	\$ 445,327.00	\$ (396,455.06)	\$ -	\$ -	\$ 48,871.94
Operating Other Expenses.....	4,022,150.00	4,022,150.00	(3,643,584.21)	(140,784.33)	-	237,781.46
Statutory Expenditures						
PERS Retirement.....	14,000.00	14,000.00	(14,000.00)	-	-	-
Social Security.....	21,000.00	21,000.00	(21,000.00)	-	-	-
Debt Service:						
Debt - Bond Principal.....	1,111,500.00	1,111,500.00	(1,111,500.00)	-	-	-
Debt - Bond Interest.....	413,285.00	413,285.00	(413,283.21)	-	(1.79)	-
Debt - NJ EIT Principal.....	60,050.00	60,050.00	(60,038.92)	-	(11.08)	-
Debt - NJ EIT Interest.....	15,750.00	15,750.00	(11,976.68)	-	(3,773.32)	-
Debt - NJ EIT Administraton.....	1,710.00	1,710.00	(1,710.00)	-	-	-
Debt - Note Principal.....	800.00	800.00	(757.00)	-	(43.00)	-
Debt - Interest on Notes.....	29,850.00	29,850.00	(29,812.12)	-	(37.88)	-
Surplus - Current Fund.....	775,000.00	775,000.00	(775,000.00)	-	-	-
 Total Sewer Utility Operating.....	 \$ 6,910,422.00	 \$ 6,910,422.00	 \$ (6,479,117.20)	 \$ (140,784.33)	 \$ (3,867.07)	 \$ 286,653.40
 Ref.	E-3	E-1		E	E-1	E
 Cash.....		Ref.				
		E-5	\$ (6,453,526.40)			
Accrued Interest June 30, 2015.....		E-11	137,228.06			
Accrued Interest June 30, 2016.....		E-11	(162,818.86)			
 Total Paid or Charged.....			 \$ (6,479,117.20)			

( ) Denotes deficit or deduction.

Note: See Notes to Financial Statements

TOWNSHIP OF NORTH BRUNSWICK  
MIDDLESEX COUNTY, NEW JERSEY

STATEMENT OF GOVERNMENTAL FIXED ASSETS - REGULATORY BASIS  
JUNE 30, 2016 AND JUNE 30, 2015

	BALANCE 6/30/2016	BALANCE 6/30/2015
<u>GOVERNMENTAL FIXED ASSETS</u>		
Land	\$ 56,251,300.00	\$ 55,992,300.00
Buildings	18,030,500.00	18,030,500.00
Equipment	4,352,760.46	4,304,269.46
Vehicles	5,412,875.32	5,094,087.99
	<hr/>	<hr/>
Total Governmental Fixed Assets	\$ <u>84,047,435.78</u>	\$ <u>83,421,157.45</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, 2016 AND JUNE 30, 2015

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.

## NOTES TO THE FINANCIAL STATEMENTS

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

#### C. Basis of Accounting (Cont'd.)

Disclosures About Pension Liabilities – The Township has included information relating to its allocated shares of the net pension liabilities of the state sponsored, cost-sharing, multiple employer defined pension benefit plans in which it participates within these Notes to the Financial Statements and the accompanying required supplementary information. As the Township does not present entity-wide financial statements, it does not present include within its financial statements its proportionate share of the net pension liability of the defined benefit plans in which its employees are enrolled. GAAP requires the recognition of the net pension liability and the associated deferred inflows and outflows of financial resources in the entity-wide financial statements.

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

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

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

#### Recent Accounting Standards

GASB issued Statement No. 72, "Fair Value Measurement and Application" in February 2015. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

GASB issued Statement No. 73, "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within The Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68" in June 2015. The objective of the Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

GASB issued Statement No. 74, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans" in June 2015. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

## NOTES TO THE FINANCIAL STATEMENTS

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

#### C. Basis of Accounting (Cont'd.)

GASB issued Statement No. 75, “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions” in June 2015. The objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

GASB issued Statement No. 76, “The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments” in June 2015. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

GASB issued Statement No. 77, “Tax Abatement Disclosures” in August 2015. Financial statements prepared by state and local governments in conformity with generally accepted accounting principles provide citizens and taxpayers, legislative and oversight bodies, municipal bond analysts, and others with information they need to evaluate the financial health of governments, make decisions, and assess accountability. This information is intended, among other things, to assist these users of financial statements in assessing (1) whether a government’s current-year revenues were sufficient to pay for current-year services (known as interperiod equity), (2) whether a government complied with finance-related legal and contractual obligations, (3) where a government’s financial resources come from and how it uses them, and (4) a government’s financial position and economic condition and how they have changed over time.

GASB issued Statement No. 78, “Pensions Provided through Certain Multiple-Employer Defined Benefit Pensions Plans” in December 2015. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions.

GASB issued Statement No. 79, “Certain External Investment Pools and Pool Participants” in December 2015. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes. Professional judgment is required to determine if instances of noncompliance with the criteria established by this Statement during the reporting period, individually or in the aggregate, were significant.

## NOTES TO THE FINANCIAL STATEMENTS

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

#### C. Basis of Accounting (Cont'd.)

GASB issued Statement No. 80, "Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14" in January 2016. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, "The Financial Reporting Entity, as amended."

GASB issued Statement No. 81, "Irrevocable Split-Interest Agreements" in March 2016. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

GASB issued Statement No. 82, "Pension Issues- an amendment of GASB Statements No. 67, No. 68 and No. 73" in March 2016. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

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 2015 financial statements to conform to classifications used in fiscal year 2016.

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 2016</u>	<u>SFY 2015</u>
<u>Issued:</u>		
General:		
Bonds and Notes	\$ 69,925,750.00	\$ 69,267,750.00
Water Utility:		
Bonds, Notes, and Loans	30,529,141.33	31,348,925.36
Sewer Utility:		
Bonds, Notes, and Loans	<u>13,779,862.65</u>	<u>13,952,158.57</u>
Total Issued	<u>114,234,753.98</u>	<u>114,568,833.93</u>
Net Issued	<u>114,234,753.98</u>	<u>114,568,833.93</u>
 <u>Authorized But Not Issued:</u>		
General:		
Bonds and Notes	9,130,063.00	7,812,500.00
Water Utility:		
Bonds and Notes	2,360,502.00	1,860,502.00
Sewer Utility:		
Bonds and Notes	<u>6,473,312.00</u>	<u>6,473,312.00</u>
Total Authorized But Not Issued	<u>17,963,877.00</u>	<u>16,146,314.00</u>
Total Bonds and Notes Issued and Authorized but not Issued	<u>\$ 132,198,630.98</u>	<u>\$ 130,715,147.93</u>

## 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, 2016 and 2015:

	<u>SFY 2016</u>	<u>SFY 2015</u>
<u>General Debt:</u>		
\$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%.	-	300,000.00
\$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%.	-	340,000.00
\$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%.	450,000.00	885,000.00
\$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%.	4,598,435.00	5,677,435.00
\$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%.	7,336,565.00	7,574,565.00
\$13,455,750 General Obligation Bonds of 2012 due in annual installments of \$530,000 to \$1,060,000 through August 2027, interest at 1.50% to 2.375%.	10,960,750.00	11,865,750.00
\$2,275,000 Refunding Bonds of 2012 due in annual installments of \$530,000 to \$1,060,000 through August 2017, interest at 2.00% to 4.00%.	1,125,000.00	1,695,000.00
\$15,000,000 General Improvement Bonds of 2015 due in annual installments of \$500,000 to \$1,000,000 through July 2035, interest at 2.75% to 3.50%.	15,000,000.00	-
\$2,960,000 Open Space Refunding Bonds of 2012 due in annual installments of \$195,000 to \$205,000 through August 2028, interest at 1.50% to 2.375%.	2,550,000.00	2,755,000.00
\$4,745,000 General Obligation Refunding Bonds of 2015 due in annual installments of \$40,000 to \$455,000 through August 2022, interest at 2.00% to 5.00%.	4,705,000.00	4,745,000.00
\$26,878,500, General Capital Bond Anticipation Notes issued on 8/6/13 due on 8/5/14, interest 1.25%	23,200,000.00	33,430,000.00
Total General Capital Debt	<u>\$ 69,925,750.00</u>	<u>\$ 69,267,750.00</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.)

	<u>SFY 2016</u>	<u>SFY 2015</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%.	410,000.00	535,000.00
\$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%.	-	95,000.00
\$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%.	1,824,000.00	1,883,000.00
\$10,252,500, Water Refunding Bonds of 2011A due in annual installments of \$55,000 to \$1,202,500 through April 2023, interest at 0.650% to 5.000%.	7,452,500.00	8,385,000.00
\$1,500,000, Ordinance 5-16/6-16 due in annual installments of \$60,000 to \$100,000 through August 2032, interest at 1.50% to 3.00%.	1,320,000.00	1,380,000.00
\$1,275,000, Water Refunding Bonds of 2015 due in annual installments of \$10,000 to \$120,000 through August 2018, interest at 2.00% to 5.00%.	1,265,000.00	1,275,000.00
\$1,993,670, Water Improvement Bonds of 2015 due in annual installments of \$70,000 to \$133,670 through July 2035, interest at 2.75% to 3.50%.	1,993,670.00	-
\$2,250,000 Water Assessment Bond due in annual installments of \$90,000 to \$105,000 through August 2031, interest at 4.00% to 5.00%.	1,885,000.00	1,980,000.00
\$2,000,000, Water Utility Capital Bond Anticipation Notes issued on 8/6/13 due on 8/5/14, interest 1.50%	-	2,493,670.00
\$1,500,000, Water Utility Capital Bond Anticipation Notes issued on 7/30/15 due on 7/29/16, interest 2.00%	2,000,000.00	-
\$9,700,000 State of NJ - Environmental Infrastructure Loan Nov. 8, 2007, interest at 5%	6,414,000.00	6,859,000.00
\$8,939,498 State of NJ - Environmental Infrastructure Loan Nov. 8, 2007, interest at 0%	5,964,971.33	6,463,255.36



## NOTES TO FINANCIAL STATEMENTS

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

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

	<u>SFY 2016</u>	<u>SFY 2015</u>
<u>Utility Debt (cont'd.):</u>		
\$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%.	273,000.00	282,000.00
\$10,252,500, Sewer Refunding Bonds of 2011A due in annual installments of \$55,000 to \$1,202,500 through April 2023, interest at 0.650% to 5.000%.	7,452,500.00	8,385,000.00
\$480,000, Sewer Refunding Bonds of 2012 due in annual installments of \$95,000 to \$1,000,000 through August 2018, interest at 0.650% to 5.000%.	285,000.00	385,000.00
\$1,700,000, Ordinance 5-17/8-21 due in annual installments of \$70,000 to \$110,000 through August 2032, interest at 1.50% to 3.00%.	1,490,000.00	1,560,000.00
\$1,700,000, Sewer Utility Capital Bond Anticipation Notes issued on 8/4/14 due on 8/3/15, interest 1.00%	-	2,687,087.00
\$500,000, Sewer Utility Capital Bond Anticipation Notes issued on 7/30/15 due on 7/29/16, interest 2.00%	1,500,000.00	-
\$2,186,330, Sewer Improvement Bonds of 2015 due in annual installments of \$90,000 to \$146,330 through July 2035, interest at 2.75% to 3.50%	2,186,330.00	-
\$570,000 State of NJ - Environmental Infrastructure Loan Nov. 4, 2004, interest at 4% to 5%	330,000.00	360,000.00
\$581,688 State of NJ - Environmental Infrastructure Loan Nov. 4, 2004, interest at 0%	<u>263,032.65</u>	<u>293,071.57</u>
Total Utility Debt	<u>44,309,003.98</u>	<u>45,301,083.93</u>
Total Debt Issued and Outstanding	<u>\$ 114,234,753.98</u>	<u>\$ 114,568,833.93</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 2016</u>	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School District Debt	\$ 40,160,000.00	\$ 40,160,000.00	
Water Utility and Sewer Utility Debt *	53,142,817.98	53,142,817.98	
General Debt**	<u>79,055,813.00</u>	<u>19,972,010.00</u>	<u>59,083,803.00</u>
	<u>\$ 172,358,630.98</u>	<u>\$ 113,274,827.98</u>	<u>\$ 59,083,803.00</u>

Net Debt \$59,083,803 Divided by Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended \$ 4,459,550,842.00 = 1.32%

\* 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 2015</u>	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School District Debt	\$ 43,931,000.00	\$ 43,931,000.00	
Water Utility and Sewer Utility Debt *	53,634,897.93	53,634,897.93	
General Debt**	<u>77,080,250.00</u>	<u>20,566,652.00</u>	<u>56,513,598.00</u>
	<u>\$ 174,646,147.93</u>	<u>\$ 118,132,549.93</u>	<u>\$ 56,513,598.00</u>

Net Debt \$56,513,598 Divided by Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended \$ 4,417,237,607.33 = 1.28%

\* 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>2016</u>	<u>2015</u>
3 1/2% of Equalized Valuation Basis Municipal Net Debt	\$ 156,084,279.47 <u>59,083,803.00</u>	\$ 154,603,316.26 <u>56,513,598.00</u>
Remaining Borrowing Power	<u>\$ 97,000,476.47</u>	<u>\$ 98,089,718.26</u>

SFY 2016 Equalized Valuation Basis

2014 Equalized Valuation Basis of Real Property	\$ 4,455,669,565.00
2015 Equalized Valuation Basis of Real Property	4,437,249,457.00
2016 Equalized Valuation Basis of Real Property	4,485,733,504.00
Average Equalized Valuation	<u>\$ 4,459,550,842.00</u>

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

B. Summary of Statutory Debt Condition - Annual Debt Statement (Cont'd.)SFY 2015 Equalized Valuation Basis

2012 Equalized Valuation Basis of Real Property	\$	4,358,793,800.00
2013 Equalized Valuation Basis of Real Property		4,455,669,565.00
2014 Equalized Valuation Basis of Real Property		4,437,249,457.00
Average Equalized Valuation	\$	<u>4,417,237,607.33</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>2016</u>	<u>2015</u>
Cash Receipts from Fees, Rents or Other Charges for Year	\$ 7,665,868.89	\$ 7,319,414.25
Deductions:		
Operating & Maintenance Cost	3,887,918.00	3,932,918.00
Debt Service Per Water Acct.	<u>3,169,195.00</u>	<u>3,171,267.60</u>
Total Deductions	<u>7,057,113.00</u>	<u>7,104,185.60</u>
Excess/(Deficit) in Revenue	\$ <u>608,755.89</u>	\$ <u>215,228.65</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>2016</u>	<u>2015</u>
Excess/(Deficit) in Revenues - Cash Basis (D-1)	\$ 537,001.80	\$ 135,889.99
Add: Revenue in Municipal Budget Prior Years' Receivables Cancelled	<u>100,000.00</u>	<u>100,000.00</u>
	637,001.80	235,889.99
Less: Unexpended Balance of Appropriation Reserves Prior Years' Accounts Payables Cancelled	<u>20,661.34</u>	<u>20,661.34</u>
	<u>20,661.34</u>	<u>23,754.19</u>
Excess/(Deficit) in Revenue	\$ <u>616,340.46</u>	\$ <u>212,135.80</u>

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

	<u>2016</u>	<u>2015</u>
Cash Receipts from Fees, Rents or Other Charges for Year	\$ 7,069,155.14	\$ 6,735,526.19
Deductions:		
Operating & Maintenance Cost	4,502,477.07	4,274,846.00
Debt Service Per Sewer Acct.	<u>1,629,077.93</u>	<u>1,574,148.71</u>
Total Deductions	<u>6,131,555.00</u>	<u>5,848,994.71</u>
Excess/(Deficit) in Revenue	\$ <u>937,600.14</u>	\$ <u>886,531.48</u>

NOTES TO FINANCIAL STATEMENTS

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

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

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

		<u>2016</u>	<u>2015</u>
Excess/(Deficit) in Revenues - Cash Basis (E-1)	\$	473,103.35	\$ 303,652.00
Add: Revenue in Municipal Budget		<u>775,000.00</u>	<u>650,000.00</u>
		1,248,103.35	953,652.00
Less: Unexpended Balance of Appropriation Reserves		310,503.00	46,058.95
Prior Years' Accounts Payables Cancelled		<u>                    </u>	<u>21,061.57</u>
		<u>310,503.00</u>	<u>67,120.52</u>
Excess/(Deficit) in Revenue	\$	<u><u>937,600.35</u></u>	<u><u>886,531.48</u></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>
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><u>\$5,795,000.00</u></u>	<u><u>\$3,736,383.42</u></u>	<u><u>\$9,531,383.42</u></u>

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

D. North Brunswick General Obligation Refunding Bonds, Series 2015

On June 2, 2015, the Township of North Brunswick issued \$6,020,000 General Obligation Refunding Bonds, Series 2015 consisting of \$4,745,000 General Improvement Refunding Bonds and \$1,275,000 Water Improvement Refunding Bonds to advance refund all the outstanding amount of originally issued \$6,205,000 General Obligation Bonds consisting of \$4,205,000 General Improvement Bonds and \$2,000,000 Water Improvement Bonds, each dated November 14, 2006 and maturing on or after November 1, 2016 at par plus unpaid accrued interest to November 1, 2015, the call date for the refunded bonds, and to pay the cost of issuance with respect to the Bonds. Interest on the Refunding Bonds ranged from 2.00 % to 5.00%, while Yields, which reflects premium or discounts ranged from 0.40% to 3.05%. The Net 2.139964%. The net proceeds of the sale of \$6,444,486.93, which includes premiums of \$453,845.55 and deducts \$29,358.62 of underwriting fees and other costs associated with the issuance of the Bonds.

The Township completed its refunding to reduce its total debt service payments through August 15, 2027 by \$308,905.38 and to obtain net economic gain (the difference between the present value of the old and new debt service payment of 304,273.68). The net economic benefit represents 5.043353% of the debt service on the refunded bonds.

The outstanding debt service with respect to the Township's 2015 General Obligation Refunding Bond, Series 2015 is as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	425,000.00	219,637.50	644,637.50
2018	885,000.00	195,562.50	1,080,562.50
2019	880,000.00	160,262.50	1,040,262.50
2020	900,000.00	120,162.50	1,020,162.50
2021	905,000.00	75,037.50	980,037.50
2022	910,000.00	40,687.50	950,687.50
2023	575,000.00	23,212.50	598,212.50
2024	125,000.00	16,056.25	141,056.25
2025	120,000.00	12,250.00	132,250.00
2026	125,000.00	6,725.00	131,725.00
2027	120,000.00	1,800.00	121,800.00
	<u>\$ 5,970,000.00</u>	<u>\$ 871,393.75</u>	<u>\$ 6,841,393.75</u>

NOTES TO THE FINANCIAL STATEMENTS

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

E. Schedule of Annual Debt Service for Principal and Interest for  
Township Bonded Debt Issued and Outstanding and NJEIT Loans

SFY Year	General		Open Space	
	Principal	Interest	Principal	Interest
2017	\$ 3,673,000.00	\$ 1,062,483.65	\$ 329,000.00	\$ 370,724.48
2018	3,182,000.00	962,426.15	333,000.00	360,197.60
2019	3,575,000.00	862,886.15	338,000.00	348,132.60
2020	3,619,000.00	764,644.90	345,000.00	335,162.60
2021	<u>3,207,000.00</u>	<u>666,632.40</u>	<u>351,000.00</u>	<u>321,242.60</u>
Subtotal	<u>17,256,000.00</u>	<u>4,319,073.25</u>	<u>1,696,000.00</u>	<u>1,735,459.88</u>
2022	3,095,000.00	573,744.90	356,000.00	307,102.60
2023	3,033,000.00	485,788.70	363,565.00	292,711.30
2024	2,444,000.00	425,518.75	974,000.00	266,960.00
2025	2,604,000.00	387,793.75	1,004,000.00	229,375.00
2026	<u>2,547,000.00</u>	<u>349,418.75</u>	<u>1,047,000.00</u>	<u>190,792.50</u>
Subtotal	<u>13,723,000.00</u>	<u>2,222,264.85</u>	<u>3,744,565.00</u>	<u>1,286,941.40</u>
2027	2,618,000.00	310,937.50	1,088,000.00	150,505.00
2028	2,525,750.00	272,509.38	1,130,000.00	108,251.25
2029	2,180,000.00	238,812.50	1,180,000.00	64,363.75
2030	2,048,000.00	208,812.50	1,048,000.00	20,960.00
2031	<u>1,000,000.00</u>	<u>178,187.50</u>		
Subtotal	<u>10,371,750.00</u>	<u>1,209,259.38</u>	<u>4,446,000.00</u>	<u>344,080.00</u>
2032	1,000,000.00	146,937.50		
2033	925,000.00	116,281.25		
2034	1,000,000.00	85,000.00		
2035	1,000,000.00	51,875.00		
2036	<u>1,000,000.00</u>	<u>17,500.00</u>		
Subtotal	<u>4,925,000.00</u>	<u>417,593.75</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 46,275,750.00</u>	<u>\$ 8,431,409.98</u>	<u>\$ 9,886,565.00</u>	<u>\$ 3,366,481.28</u>

NOTES TO THE FINANCIAL STATEMENTS

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

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

SFY Year	Water Utility		NJEIT Loans	
	Principal	Interest	Principal	Interest
2017	\$ 1,347,000.00	\$ 503,329.70	\$ 965,544.17	\$ 309,075.00
2018	1,400,500.00	458,129.70	917,255.93	286,950.00
2019	1,450,000.00	415,057.20	938,176.84	265,425.00
2020	1,353,500.00	361,662.20	961,015.13	242,825.00
2021	1,397,000.00	307,902.20	980,749.79	219,150.00
Subtotal	6,948,000.00	2,046,081.00	4,762,741.86	1,323,425.00
2022	1,459,000.00	247,707.20	1,007,227.84	194,275.00
2023	1,523,500.00	180,694.70	1,038,143.57	168,175.00
2024	482,000.00	139,169.08	1,053,871.14	140,875.00
2025	491,000.00	123,134.08	1,082,709.43	112,175.00
2026	506,000.00	104,878.45	1,113,187.47	81,975.00
Subtotal	4,461,500.00	795,583.51	5,295,139.45	697,475.00
2027	524,000.00	86,534.70	1,144,811.42	50,300.00
2028	415,000.00	70,604.70	1,176,278.60	17,050.00
2029	438,000.00	55,807.20		
2030	460,000.00	40,178.45		
2031	200,000.00	29,190.25		
Subtotal	2,037,000.00	282,315.30	2,321,090.02	67,350.00
2032	210,000.00	23,131.58		
2033	220,000.00	16,578.46		
2034	125,000.00	11,097.21		
2035	130,000.00	6,872.21		
2036	133,670.00	2,339.23		
Subtotal	818,670.00	60,018.69	-	-
Totals	\$ 14,265,170.00	\$ 3,183,998.50	\$ 12,378,971.33	\$ 2,088,250.00

NOTES TO THE FINANCIAL STATEMENTS

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

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

SFY Year	Sewer Utility		NJEIT Loans		Total
	Principal	Interest	Principal	Interest	
2017	\$ 1,215,000.00	\$ 396,988.43	\$ 59,259.00	\$ 15,018.76	\$ 10,246,423.19
2018	1,252,500.00	360,466.55	58,381.60	13,668.76	\$ 9,585,476.29
2019	1,270,000.00	322,641.55	65,575.11	12,043.76	\$ 9,862,938.21
2020	1,217,500.00	280,522.80	64,437.73	10,293.76	\$ 9,555,564.12
2021	1,271,000.00	233,399.55	63,300.36	8,543.76	\$ 9,026,920.66
Subtotal	6,226,000.00	1,594,018.88	310,953.80	59,568.80	48,277,322.47
2022	1,326,000.00	178,369.05	70,331.38	6,668.76	\$ 8,821,426.73
2023	1,383,500.00	114,991.55	69,031.53	4,668.76	\$ 8,657,770.11
2024	214,000.00	79,600.93	67,829.35	2,818.76	\$ 6,290,643.01
2025	215,000.00	73,614.68	74,886.59	984.38	\$ 6,398,672.91
2026	222,000.00	67,440.30			\$ 6,229,692.47
Subtotal	3,360,500.00	514,016.51	282,078.85	15,140.66	36,398,205.23
2027	233,000.00	60,890.30			\$ 6,266,978.92
2028	240,000.00	53,974.05			\$ 6,009,417.98
2029	247,000.00	43,259.05			\$ 4,447,242.50
2030	259,000.00	39,239.05			\$ 4,124,190.00
2031	230,000.00	31,949.68			\$ 1,669,327.43
Subtotal	1,209,000.00	229,312.13	-	-	22,517,156.83
2032	230,000.00	25,155.93			\$ 1,635,225.01
2033	240,000.00	17,996.55			\$ 1,535,856.26
2034	135,000.00	12,010.30			\$ 1,368,107.51
2035	140,000.00	7,484.05			\$ 1,336,231.26
2036	146,330.00	2,560.78			\$ 1,302,400.01
Subtotal	891,330.00	65,207.61	-	-	7,177,820.05
Totals	<u>\$ 11,686,830.00</u>	<u>\$ 2,402,555.13</u>	<u>\$ 593,032.65</u>	<u>\$ 74,709.46</u>	<u>\$ 114,370,504.58</u>



# NOTES TO THE FINANCIAL STATEMENTS

## Note 4: FUND BALANCES APPROPRIATED

Fund balances at June 30, 2016 and 2015, which were appropriated and included as anticipated revenue in their own respective funds for the "Fiscal Year" ending June 30, 2016 and 2015 as follows:

	<u>FUND BALANCE</u> <u>JUNE 30, 2016</u>	<u>UTILIZED IN</u> <u>SUCCEEDING BUDGET</u>
Current Fund	\$ 6,074,124.43	\$3,000,000.00
Sewer Utility Fund	2,507,840.76	1,050,000.00
Water Utility Fund	1,873,149.69	400,000.00

	<u>FUND BALANCE</u> <u>JUNE 30, 2015</u>	<u>UTILIZED IN</u> <u>SUCCEEDING BUDGET</u>
Current Fund	\$5,539,848.38	\$2,850,000.00
Sewer Utility Fund	2,509,737.41	475,000.00
Water Utility Fund	1,636,147.89	300,000.00

## Note 5: FIXED ASSETS

Following is a summary of changes in the Governmental Fixed Assets for the years 2016 and 2015.

	<u>Balance</u> <u>June 30,</u> <u>2015</u>	<u>Additions</u>	<u>Adjustment/</u> <u>Retirements</u>	<u>Balance</u> <u>June 30,</u> <u>2016</u>
<u>2016</u>				
Land and Land Improvements	\$55,992,300.00	\$ 259,000.00		\$56,251,300.00
Buildings and Building Improvement	18,030,500.00			18,030,500.00
Equipment And Improvements	4,304,269.46	69,351.00	(20,860.00)	4,352,760.46
Vehicles	5,094,087.99	432,902.00	(114,114.67)	5,412,875.32
	<u>\$83,421,157.45</u>	<u>\$761,253.00</u>	<u>(\$134,974.67)</u>	<u>\$84,047,435.78</u>

	<u>Balance</u> <u>June 30,</u> <u>2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30,</u> <u>2015</u>
<u>2015</u>				
Land and Land Improvements	\$55,594,300.00	\$ 38,000.00		\$55,992,300.00
Buildings and Building Improvement	18,030,500.00			18,030,500.00
Equipment And Improvements	3,787,176.89	517,092.57		4,304,269.46
Vehicles	4,027,389.59	1,090,964.40	(24,266.00)	5,094,087.99
	<u>\$81,799,366.48</u>	<u>\$1,646,056.97</u>	<u>(\$24,266.00)</u>	<u>\$83,421,157.45</u>

## NOTES TO THE FINANCIAL STATEMENTS

### Note 6: DEPOSITS AND INVESTMENTS

#### Deposits

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

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

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

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

At June 30, 2015 and 2014 the cash and cash equivalents and investments of the Township consisted of the following:

	<u>2016</u>	<u>2015</u>
Cash (Demand Accts.)	\$22,264,284.26	\$28,534,284.51
Change Funds (On-Hand)	1,125.00	1,125.00
Total	<u>\$22,265,409.26</u>	<u>\$28,535,409.51</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 \$22,498,621.20 and the bank balance was \$22,264,284.26. Of the bank balance, \$750,000.00 was covered by Federal depository insurance and \$21,514,284.26 was covered under the provisions of NJGUDPA.

## NOTES TO THE FINANCIAL STATEMENTS

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

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-government's 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.

As of June 30, 2016, 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	\$ 750,000.00
Insured—NJGUDPA (N.J.S.A. 17:941)	<u>21,514,284.26</u>
Total	<u>\$ 22,264,284.26</u>

## NOTES TO THE FINANCIAL STATEMENTS

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

#### 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.

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, 2016, 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.

## NOTES TO THE FINANCIAL STATEMENTS

### Note 7: ASSESSMENT AND COLLECTION OF PROPERTY TAXES

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

The provisions of P.L. 1994, C. 72 changed the procedures for State fiscal year billing originally established in P.L. 1991, C. 75. Chapter 72 moves the billing calculation back on a calendar year basis, which permits tax levies to be proved more readily than before.

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

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

Taxes become delinquent if not paid on the installment dates and become subject to interest penalties of 8% to 18% of the amount delinquent. In addition, the law now allows for, and the Township has authorized, the imposition of a penalty of 6% on delinquencies exceeding \$10,000.00 that remains 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.

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.

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 8. PENSION PLANS

Description of Plans - The State of New Jersey, Division of Pension and Benefits (the Division) was created and exists pursuant to N.J.S.A. 52:18A to oversee and administer the pension trust and other postemployment benefit plans sponsored by the State of New Jersey (the State). According to the State of New Jersey Administrative Code, all obligations of the Systems will be assumed by the State of New Jersey should the plans terminate. Each defined benefit pension plan's designated purpose is to provide retirement, death and disability benefits to its members. The authority to amend the provision of plan rests with new legislation passed by the State of New Jersey. Pension reforms enacted pursuant to Chapter 78, P.L. 2011 included provisions creating special Pension Plan Design Committees for the Public Employees Retirement System (PERS) and the Police and Firemen's Retirement System (PFRS), once a Target Funded Ratio (TFR) is met, that will have the discretionary authority to modify certain plan design features, including member contribution rate; formula for calculation of final compensation or final salary; fraction used to calculate a retirement allowance; age at which a member may be eligible and the benefits for service or early retirement; and benefits provided for disability retirement. The committee will also have the authority to reactivate the cost of living adjustment (COLA) on pensions. However, modifications can only be made to the extent that the resulting impact does not cause the funded ratio to drop below the TFR in any one year of a projection period. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for each of the plans. This report may be accessed via the Division of Pensions and Benefits website, at [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions), or may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625.

A. Public Employees' Retirement System (PERS) - The Public Employee Retirement System is a cost-sharing, multiple employer defined benefit pension plan as defined in GASB Statement No. 68. The Plan is administered by The New Jersey Division of Pensions and Benefits (Division). The more significant aspects of the PERS Plan are as follows:

*Plan Membership and Contributing Employers*- Substantially all full-time employees of the State of New Jersey or any county, municipality, school district or public agency are enrolled in PERS, provided the employee is not required to be a member of another state-administered retirement system or other state pension fund or other jurisdiction's pension fund. Membership and contributing employers of the defined benefit pension plans consisted of the following at June 30, 2015:

Inactive plan members or beneficiaries currently receiving benefits	166,637
Inactive plan members entitled to but not yet receiving benefits	703
Active plan members	<u>259,161</u>
Total	<u>426,501</u>

Contributing Employers – 1,710.

*Significant Legislation* – For State of New Jersey contributions to PERS, Chapter 1, P.L. 2010, effective May 21, 2010, required the State to resume making actuarially recommended contributions to the pension plan on a phased-in basis over a seven year period beginning in the fiscal year ended June 30, 2012. For State fiscal year 2014, the State was required to make a minimum contribution representing 3/7<sup>th</sup> of the actuarially determined contribution amount based on the July 1, 2012 actuarial valuation.

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 8. PENSION PLANS (CONT'D.)

Chapter 19, P.L. 2009, effective March 17, 2009, provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State Fiscal Year 2009. Such an employer will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of PERS, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. Pursuant to the provision of Chapter 78, P.L. 2011, COLA increases were suspended for all current and future retirees of PERS.

For the year ended June 30, 2016 the Township's total payroll for all employees was \$20,775,383.78. Total PERS covered payroll was \$7,179,038. Covered payroll refers to all compensation paid by the Township to active employees covered by the Plan.

*Specific Contribution Requirements and benefit provisions* – The contribution policy is set by N.J.S.A 43:15 and requires contributions by active members and contributing employers. Members contribute at a uniform rate. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years beginning in July 2012. The member contribution rate was 6.78% in State fiscal year 2014. The phase-in of the additional incremental member contribution rate takes place in July of each subsequent State fiscal year. Employers contribution amounts are based on an actuarially determined rate. The annual employer contributions include funding for basic retirement allowances and noncontributory death benefits. The Township's cash basis contributions to the Plan for the years ended June 30, 2015 and 2016 were \$853,152 and \$891,885, respectively. Township Contributions are due and payable on April 1<sup>st</sup> in the second fiscal period subsequent to plan year for which the contribution requirements were calculated. Township payments to PERS for the years ending June 30, 2014 and 2015 consisted of the following:

	<u>2015</u>	<u>2016</u>
Normal Cost	\$ 142,013	\$ 150,992
Amortization of Accrued Liability	<u>657,003</u>	<u>695,567</u>
Total Pension	799,034	846,559
NCGI Premiums	<u>54,118</u>	<u>45,326</u>
Total PERS Payment	\$ <u>853,125</u>	\$ <u>891,885</u>

The vesting and benefit provisions are set by N.J.S.A. 43:15. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS.

The following represents the membership tiers for PERS:

<u>Tier</u>	<u>Definition</u>
1	Members who were enrolled prior to July 1, 2007.
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 8, 2008
3	Members who were eligible on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 8. PENSION PLANS (CONT'D.)

#### A. Public Employees' Retirement System (PERS) (Cont'd.)

A service retirement benefit of  $1/55^{\text{th}}$  of final average salary for each year of service credit is available to tier 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of  $1/60^{\text{th}}$  of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tier 1 and 2 members before reaching age 60, to tier 3 and 4 members before age 62 and tier 5 members with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the retirement age of his/her respective tier. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

*Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions* – The regulatory basis of accounting which is basis for the preparation of the Township's basic financial statements does not require or permit the inclusion of entity-wide, full accrual basis financial statements. Accordingly, the Township does not recognize pension liabilities for any current or prior period until the fiscal period in which such payments will become due and payable.

At June 30, 2015, the PERS reported a liability of \$22,447,996,119 for its Non-State Employer Member Group. The Township's proportionate share of the net pension liability for the Non-State Employer Group that is attributable to the Township was \$23,287,531 or 0.103740%. At June 30, 2014, the PERS reported a liability of \$18,722,735,003 for its Non-State Employer Member Group. The Township's proportionate share of the net pension liability for the Non-State Employer Group that is attributable to the Township was \$19,376,053 or 0.103489%.

*Actuarial Assumptions*- The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.04%
Salary Increases (2012-2021)	2.15-4.40% Based on age
Thereafter	3.15-5.40% Based on age
Investment rate of return	7.90%

Mortality rates were based on the RP-2000 Combined Table for Males or Females, as appropriate with adjustments for mortality improvements based on Scale AA.



## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 8. PENSION PLANS (CONT'D.)

#### A. Public Employees' Retirement System (PERS) (Cont'd.)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	1.04%
U.S. Treasuries	1.75%	1.64%
Investment Grade Credit	10.00%	1.79%
Mortgages	2.10%	1.62%
High Yield Bonds	2.00%	4.03%
Inflation-Indexed Bonds	1.50%	3.25%
Broad US Equities	27.25%	8.52%
Developed Foreign Equities	12.00%	6.88%
Emerging Market Equities	6.40%	10.00%
Private Equity	9.25%	12.41%
Hedge Funds/Absolute Return	12.00%	4.72%
Real Estate (Property)	2.00%	6.83%
Commodities	1.00%	5.32%
Global Debt ex US	3.50%	-0.40%
REIT	4.25%	5.12%

*Discount Rate* – The discount rate used to measure the pension liabilities of PERS was 4.90% as of June 30, 2015. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.90%, and a municipal bond rate of 3.80% as of June 30, 2015, based on the Bond Buyer GO 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made based on the average of the last five years of contributions made in relation to the last five years of actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 8. PENSION PLANS (CONT'D.)

#### A. Public Employees' Retirement System (PERS) (Cont'd.)

*Sensitivity of Net Pension Liability* – the following presents the net pension liability of PERS participating employers as of June 30, 2015, calculated using the discount rates as disclosed above as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage rate higher than the current rate:

	<u>At 1% Decrease</u> <u>(3.90%)</u>	<u>At current discount rate</u> <u>(4.90%)</u>	<u>At 1% increase</u> <u>(5.90%)</u>
State	\$27,802,122,942	\$23,722,135,537	\$20,314,768,782
Local	<u>27,900,112,533</u>	<u>22,447,996,119</u>	<u>17,876,981,108</u>
PERS Plan Total	<u>\$55,702,235,457</u>	<u>\$46,170,131,656</u>	<u>\$38,191,749,890</u>

*Plan Fiduciary Net Position* – The plan fiduciary net position for PERS, including the State of New Jersey, at June 30, 2014 was \$28,999,581,773. Information regarding the portion of the Plan Fiduciary Net Position that was allocable to the Local (Non-State) Group was not available.

B. Police and Firemen's Retirement System (PFRS) - The Police and Firemen's Retirement System is a cost-sharing, multiple employer defined benefit pension plan as defined in GASB Statement No. 68. The Plan is administered by The New Jersey Division of Pensions and Benefits (Division). The more significant aspects of the PFRS Plan are as follows:

*Plan Membership and Contributing Employers*- Substantially all full-time county and municipal police or firemen and state firemen or officer employees with police powers appointed after June 30, 1944 are enrolled in PFRS. Membership and contributing employers of the defined benefit pension plans consisted of the following at June 30, 2015:

Inactive plan members or beneficiaries currently receiving benefits	44,252
Inactive plan members entitled to but not yet receiving benefits	51
Active plan members	<u>40,359</u>
Total	<u>84,662</u>

Contributing Employers – 585.

*Significant Legislation* – For State of New Jersey contributions to PFRS, Chapter 1, P.L. 2010, effective May 21, 2010, required the State to resume making actuarially recommended contributions to the pension plan on a phased-in basis over a seven year period beginning in the fiscal year ended June 30, 2012. For State fiscal year 2014, the State was required to make a minimum contribution representing 3/7<sup>th</sup> of the actuarially determined contribution amount based on the July 1, 2012 actuarial valuation.

Chapter 19, P.L. 2009, effective March 17, 2009, provided an option for local employers of PFRS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State Fiscal Year 2009. Such an employer will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of PFRS, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 8. PENSION PLANS (CONT'D.)

#### B. Police and Firemen's Retirement System (PFRS) (Cont'd.)

liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial

value of assets. Pursuant to the provision of Chapter 78, P.L. 2011, COLA increases were suspended for all current and future retirees of PFRS.

For the year ended June 30, 2016 the Township's total payroll for all employees was \$20,775,383.78. Total PFRS covered payroll was \$9,129,749. Covered payroll refers to all compensation paid by the Township to active employees covered by the Plan.

*Specific Contribution Requirements and benefit provisions* – The contribution policy is set by N.J.S.A 43:16A and requires contributions by active members and contributing employers. Employers' contribution amounts are based on an actuarially determined rate. The annual employer contributions include funding for basic retirement allowances and noncontributory death benefits. The Township's cash basis contributions to the Plan for the years ended June 30, 2015 and 2016 were \$2,101,663 and \$2,350,727, respectively. Township Contributions are due and payable on April 1<sup>st</sup> in the second fiscal period subsequent to plan year for which the contribution requirements were calculated. Township payments to PFRS for the years ending June 30, 2015 and 2016 consisted of the following:

	<u>2015</u>	<u>2016</u>
Normal Cost	\$ 720,920	\$ 788,104
Amortization of Accrued Liability	<u>1,286,470</u>	<u>1,457,831</u>
Total Pension	2,007,390	2,245,935
NCGI Premiums	<u>94,273</u>	<u>104,792</u>
Total PFRS Payment	<u>\$2,101,663</u>	<u>\$2,350,727</u>

The vesting and benefit provisions are set by N.J.S.A. 43:16A. PFRS provides retirement as well as death and disability benefits. All benefits vest after ten years of service, except disability benefits which vest after four years of service.

The following represents the membership tiers for PFRS:

<u>Tier</u>	<u>Definition</u>
1	Members who were enrolled prior to May 22, 2010
2	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
3	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits are available at age 55 and are generally determined to be 2% of final compensation for each year of creditable service, as defined, up to 30 years plus 1% for each year of service in excess of 30 years. Members may seek special retirement after achieving 25 years of creditable service, in which benefits would equal 65% (tiers 1 and 2 members) and 60% (tier 3 members) of final compensation plus 1% for each year of creditable service over 25 years but not to exceed 30 years. Members may elect

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 8. PENSION PLANS (CONT'D.)

#### B. Police and Firemen's Retirement System (PFRS) (Cont'd.)

deferred retirement benefits after achieving ten years of service, in which case benefits would begin at age 55 equal to 2% of final compensation for each year of service.

*Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions* – The regulatory basis of accounting which is basis for the preparation of the Township's basic financial statements does not require or permit the inclusion of entity-wide, full accrual basis financial statements. Accordingly, the Township does not recognize pension liabilities for any current or prior period until fiscal period in which such payments will become due and payable.

At June 30, 2015, the PFRS reported a net pension liability of \$16,656,514,197 for its Non-State. Non-Special Funding Situation Employer Member Group. The Township's proportionate share of the net pension liability for the Non-State Non-Special Funding Situation Employer Member Group was \$48,169,868 or 0.28920%. At June 30, 2014, the PFRS reported a net pension liability of \$12,579,072,492 for its Non-State. Non-Special Funding Situation Employer Member Group. The Township's proportionate share of the net pension liability for the Non-State Non-Special Funding Situation Employer Member Group was \$34,420,044 or 0.27633%.

*Actuarial Assumptions*- The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.04%
Salary Increases (2012-2021)	2.60-9.48% Based on age
Thereafter	3.60-10.48% Based on age
Investment rate of return	7.90%

Mortality rates were based on the RP-2000 Combined Table for Males or Females, as appropriate with adjustments for mortality improvements based on Scale AA.

# NOTES TO THE FINANCIAL STATEMENTS

## NOTE 8. PENSION PLANS (CONT'D.)

### B. Police and Firemen's Retirement System (PFRS) (Cont'd.)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long -Term Expected Real Rate of Return</u>
Cash	5.00%	1.04%
U.S. Treasuries	1.75%	1.64%
Investment Grade Credit	10.00%	1.79%
Mortgages	2.10%	1.62%
High Yield Bonds	2.00%	4.03%
Inflation-Indexed Bonds	1.50%	3.25%
Broad US Equities	27.25%	8.52%
Developed Foreign Equities	12.00%	6.88%
Emerging Market Equities	6.40%	10.00%
Private Equity	9.25%	12.41%
Hedge Funds/Absolute Return	12.00%	4.72%
Real Estate (Property)	2.00%	6.83%
Commodities	1.00%	5.32%
Global Debt ex US	3.50%	-0.04%
REIT	4.25%	5.12%

*Discount Rate* – The discount rate used to measure the pension liabilities of PFRS was 5.79% as of June 30, 2015. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.90%, and a municipal bond rate of 3.80% as of June 30, 2015, based on Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

*Sensitivity of Net Pension Liability* – the following presents the net pension liability of PFRS calculated using the discount rates as disclosed above as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage rate higher than the current rate:

	<u>At 1% Decrease</u> <u>(4.79%)</u>	<u>At current discount rate</u> <u>(5.79%)</u>	<u>At 1% increase</u> <u>(6.79%)</u>
State	\$ 5,169,538,395	\$ 4,293,672,366	\$ 3,581,810,627
Local	23,884,266,996	18,117,234,618	13,414,734,988
Total	<u>\$ 29,053,805,391</u>	<u>\$ 22,410,906,984</u>	<u>\$ 16,996,545,615</u>

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 8. PENSION PLANS (CONT'D.)

#### B. Police and Firemen's Retirement System (PFRS) (Cont'd.)

*Plan Fiduciary Net Position* – The plan fiduciary net position for PFRS, including the State of New Jersey, at June 30, 2015 was \$25,106,858,921.

#### C. Defined Contribution Retirement System (DCRP)

The Defined Contribution Retirement Plan (DCRP) is a multiple employer defined contribution plan as defined in GASB Statement No. 68. The Plan is administered by The New Jersey Division of Pensions and Benefits (Division). The more significant aspects of the DCRP are as follows:

*Plan Membership and Contributing Employers*- Enrollment in the DCRP is required for state or local officials, elected or appointed on or after July 1, 2007; employees enrolled in TPAF or PERS on or after July 1, 2007, who earn salary in excess of established "maximum compensation" limits; employees otherwise eligible to enroll in TPAF or PERS on or after November 2, 2008, who do not earn the minimum annual salary for tier 3 enrollment but who earn salary of at least \$5,000 annually; and employees otherwise eligible to enroll in TPAF or PERS after May 21, 2010, who do not work the minimum number of hours per week required for tier 4 or tier 5 enrollment, but who earn salary of at least \$5,000 annually. At June 30, 2015, the membership in the DCRP, based on the information within the Division's database, was 36,808.

*Contribution Requirement and Benefit Provisions* - State and local government employers contribute 3% of the employees base salary. Active members contribute 5.5% of base salary.

Eligible members are provided with a defined contribution retirement plan intended to qualify for favorable Federal income tax treatment under IRC Section 401(a), a noncontributory group life insurance plan and a noncontributory group disability benefit plan. A participant's interest in that portion of his or her defined contribution retirement plan account attributable to employee contributions shall immediately become and shall at all times remain fully vested and non forfeitable. A participant's interest in that portion of his or her defined contribution retirement plan account attributable to employer contributions shall be vested and non forfeitable on the date the participant commences the second year of employment or upon his or her attainment of age 65, while employed by an employer, whichever occurs first.

For the year ended June 30, 2015 the Township's total payroll for all employees was \$20,775,383.78. Total DCRP covered payroll was \$4,466,596.78. Covered payroll refers to all compensation paid by the Township to active employees covered by the Plan. Township and employee contributions to the DCRP for the year ended June 30, 2015 were \$4,169.57 and \$7,651.10, respectively.

### Note 9: POST-RETIREMENT HEALTH CARE BENEFITS

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

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

## NOTES TO THE FINANCIAL STATEMENTS

### Note 9: POST-RETIREMENT HEALTH CARE BENEFITS

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](http://www.state.nj.us/treasury/pensions).

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

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

At June 30, 2016 and 2015, Fifty-Two (52) and Forty-Nine (49) retirees were receiving post retirement health care benefits at an annual cost to the Township of approximately \$1,432,870.27 and \$1,183,661.51.

### Note 10: ACCRUED SICK AND VACATION BENEFITS

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

Sick Leave - Sick Leave shall accumulate at the rate of one (1) day per month for the first year of service and fifteen (15) days for each subsequent year for all permanent employees and shall be cumulative from year to year without limit. Upon retirement, the employee is entitled to receive partial payment for any unused accumulated sick leave computed on the basis of final wages and subject to limitations 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 \$5,995,893.00 and \$5,148,129.00 at June 30, 2016 and 2015. This amount represents the current value of all accumulations, and is not intended to portray amounts that would be recorded under GAAP. The Township has not discounted the total based upon a study of utilization by employees separating from service. Neither has it excluded the accumulations of any employees based upon the likelihood that the right to receive termination payments for such accumulations will vest with the employees. The amount that the valuation reported above would be reduced under either of the methodologies permitted under GAAP has not been determined. Expenditures for payment of accrued sick and vacation benefits are recorded in the period in which payments are made as part of the current year's operating budget appropriations.

## NOTES TO THE FINANCIAL STATEMENTS

### Note 11: RISK MANAGEMENT

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 severely 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; house flooding; underground storage tanks; auto physical; blanket bond; auto liability; general liability; law enforcement liability; public official liability and worker compensation and employer liability.

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. At December 31, 2015, the Fund reported total assets of \$38,462,473, liabilities and reserves of \$38,229,591, which includes case reserves of \$24,242,036 and IBNR of \$13,429,258 and a fund balance of \$232,822.

### Note 12: LENGTH OF SERVICE AWARD PROGRAM (LOSAP) - UNAUDITED

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

### Note 13: 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 14: WATER AND SEWER UTILITY AGREEMENTS

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 transferred the responsibilities for the operation, management, maintenance and repairs of the water system to the Water Operator.

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.



## NOTES TO THE FINANCIAL STATEMENTS

### Note 14: WATER AND SEWER UTILITY AGREEMENTS

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.

On September 24, 2006, the Township of North Brunswick terminated its agreement with United Water, Inc. (“aka 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.

On October 2011, the Township of North Brunswick issued \$20,105,000 General Obligations Water/Wastewater System Refunding Bonds, Series 2011A and \$400,000 General Obligation Water/Wastewater System Refunding Bonds, Series 2011B and refunded \$23,105,000 outstanding principal balance of the \$34,805,000 Township of North Brunswick Lease Revenue Bonds (Water/Wastewater System Project) Series 2002A, dated September 15, 2002, issued by the Middlesex County Improvement Authority. Interest rates on the refunding bonds ranged from 0.650% to 5.00% with yields of 0.650% to 2.61%.

### Note 15: 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>2016</u>	<u>June 30</u>	<u>2015</u>
Balance of Tax	\$ 39,962,779.00		\$ 39,283,081.00
Deferred	<u>39,717,758.00</u>		<u>38,867,758.00</u>
Payable	<u>\$ 245,021.00</u>		<u>\$ 415,323.00</u>

## NOTES TO THE FINANCIAL STATEMENTS

### Note 16: AFFORDABLE HOUSING

On June 4, 2012, the governing body of the Township of North Brunswick authorized by resolution an agreement with the North Brunswick Housing Corporation to serve as Administrative Agent for the administration of affordable housing units within the Township of North Brunswick. The resolution also authorized the transfer of funds from the Affordable Housing Trust Fund to the North Brunswick Housing Corporation for affordability assistance in the accordance with the Townships Amended Spending Plan approved by the New Jersey Department of Community Affairs. The Township of North Brunswick transferred funds to the Housing Corporation in fiscal year 2013, as follow:

Housing Rehabilitation Program .....	\$1,075,000.00
Rent Subsidy Program .....	\$1,051,734.00
Market to Affordable Acquisitions and Renovations .....	\$450,000.00
Program Administration .....	\$425,346.80

The funding for the Market to Affordable Acquisition and Renovations program is contingent upon future development fee revenue as described in the spending plan and not projected to be realized until calendar years 2013 through 2018. Also, the Housing Corporation is entitled to a program administration fee to manage the Housing Rehabilitation and Rent Subsidy programs in an amount prescribed by affordable housing regulations at no more than 20% of the project cost and as detailed in the approved spending plan. Annual reporting obligations on behalf of the Corporation are presented to the Township.

### Note 17: 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, 2016 and the date of this report, 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 18: SUBSEQUENT EVENTS

As of the date of the audit report, no events have occurred that would have a material effect on the financial statements.

**APPENDIX C**  
**FORM OF OPINION OF BOND COUNSEL**

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May \_\_, 2017

The Mayor and 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 of its \$10,465,000 aggregate principal amount of General Obligation Refunding Bonds, Series 2017 (the "Bonds"), consisting of General Improvement Refunding Bonds and Water/Sewer Improvement Refunding Bonds. In this capacity, we have examined certified copies of a record of proceedings and such other proofs, documents and instruments submitted to us that we deemed pertinent relative to the issuance and sale by the Township of the Bonds.

The Bonds are dated, mature and bear interest upon the terms and conditions stated therein, in the resolution adopted by the Township on November 7, 2016 (the "Resolution") and as set forth on the cover page of the Official Statement issued in connection with the Bonds. The Bonds are fully registered in form and are issued pursuant to Local Bond Law, constituting Chapter 2 of Title 40A of the Revised Statutes of New Jersey (the "Local Bond Law"), the Resolution and the refunding bond ordinance referred to therein, in all respects duly approved and published as required by law.

The Internal Revenue Code of 1986, as amended (the "Code"), imposes certain requirements that must be met on the date of issuance of the Bonds and on a continuing basis subsequent to the issuance of the Bonds in order for interest on the Bonds to be excluded from gross income for federal income tax purposes under Section 103 of the Code. The Township has made certain representations and covenants in its tax certificate, which is executed on the date of issuance of the Bonds, as to various tax requirements. In addition, the Township has covenanted to comply with the provisions of the Code applicable to the Bonds and has covenanted not to take any action or fail to take any action that would cause the interest on the Bonds to lose the exclusion from gross income under Section 103 of the Code or cause interest on the Bonds to be an item of tax preference under Section 57 of the Code. With your permission, we have relied upon the representations made in the tax certificate and 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 from gross income for federal income tax purposes and with respect to interest on the Bonds not constituting an item of tax preference.

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WILMINGTON  
WASHINGTON, DC

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 real 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 the Bonds without limitation as to rate or amount if not paid from other sources.

We are further of the opinion that under 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 Section 103 of the Code, and interest on the Bonds is not an item of tax preference under Section 57 of the Code for purposes of computing the alternative minimum tax.

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

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

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

We have examined an executed 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 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 otherwise inform the addressee hereof of the amendment, repeal or other modification of the applicable laws or judicial decisions that served as the basis for this opinion letter or of laws or judicial decisions hereafter enacted or rendered which impact on this opinion letter.

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

Very truly yours,

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**APPENDIX D**

**FORM OF CONTINUING DISCLOSURE CERTIFICATE**

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## CONTINUING DISCLOSURE CERTIFICATE

THIS CONTINUING DISCLOSURE CERTIFICATE (the “Certificate”) is made this 24<sup>th</sup> day of May, 2017 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 Refunding Bonds, Series 2017 consisting of General Improvement Refunding Bonds and Water/Sewer Improvement Refunding Bonds, each dated as of the date hereof, (collectively, the “Bonds”) on the date hereof; and

WHEREAS, the Bonds are being issued pursuant to the Local Bond Law, constituting Chapter 2 of Title 40A of the Revised Statutes of New Jersey, a refunding bond ordinance duly and finally adopted by the Issuer on November 7, 2016 and a resolution adopted by the Issuer on November 7, 2016; and

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

WHEREAS, the Issuer represented in the Bond Purchase Contract dated May 10, 2017 (the “Purchase Contract”) that it would deliver on the closing date for the Bonds a “Continuing Disclosure Certificate” pursuant to which the Issuer will agree to provide at the times and to the persons described in Rule 15c2-12 the annual financial information and material event notices on a continual basis pursuant to Rule 15c2-12; and

WHEREAS, on May 10, 2017, the Issuer executed the Purchase Contract with Raymond James & Associates, Inc., as the underwriter (the “Participating Underwriter”) for the purchase of the Bonds; and

WHEREAS, the execution and delivery of this Certificate has been duly authorized by the Issuer and all conditions, acts and things necessary and required to exist, to have happened, or to have been performed precedent to and in the execution and delivery of this Certificate, do exist, have happened and have been performed in regular form, time and manner; and

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

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

## ARTICLE I

### DEFINITIONS

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

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

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

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

“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 May 10, 2017 pertaining to the Bonds.

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

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

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

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

“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 the April 30<sup>th</sup> 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, 2017, an Annual Report in Prescribed Form in accordance with EMMA to the MSRB; provided that if the Township changes its Fiscal Year, the Annual Report shall be due on the last day of the tenth month following the end of such revised Fiscal Year.

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

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

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

- (i) Principal and interest payment delinquencies;
- (ii) Non-payment related defaults, if material;
- (iii) Unscheduled draws on the debt service reserve fund reflecting financial difficulties;
- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) Substitution of credit or liquidity providers, or their failure to perform;
- (vi) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax-exempt status of the Bonds;
- (vii) Modifications to rights of Holders of the Bonds, if material;
- (viii) Bond calls, if material, and tender offers;
- (ix) Defeasances;

- (x) Release, substitution, or sale of property securing repayment of the Bonds, if material;
- (xi) Rating changes;
- (xii) Bankruptcy, insolvency, receivership or similar events of the Issuer, which shall be considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under State or Federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer;
- (xiii) The consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (xiv) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

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

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

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

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

Section 2.3 Form of Annual Report.

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

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

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

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

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

(b) The 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 attorney's fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the Issuer under this subsection shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

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



## ARTICLE III

### REMEDIES

#### Section 3.1 Remedies.

(a) Any Holder, for the equal benefit and protection of all Holders 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 Holder 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 Holder, then and in every such case the Issuer and any Holder shall be restored respectively to their several positions and rights hereunder, and all rights, remedies and powers of the Issuer and any Holder shall continue as though no such proceeding had been taken.

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

## ARTICLE IV

### MISCELLANEOUS

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

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

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

Section 4.4 Severability. If any provision of this Certificate shall be held or deemed to be or shall, in fact, be illegal, inoperative or unenforceable, the same shall not affect any other

provision or provisions herein contained or render the same invalid, inoperative or unenforceable to any extent whatever.

Section 4.5 Amendments, Changes and Modifications.

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

(i) to add to covenants and agreements of the Issuer hereunder for the benefit of the Holders, 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 Holders in any material respect.

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

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

Section 4.6 Amendments Required by Rule 15c2-12. The Issuer recognizes that the provisions of this Certificate are intended to enable the Participating Underwriter to comply with Rule 15c2-12. If, as a result of a change in Rule 15c2-12 or in the interpretation thereof, a change in this Certificate shall be permitted or necessary to assure continued compliance with Rule 15c2-12 and upon delivery by the Participating Underwriter of an opinion of counsel nationally recognized as expert in federal securities law acceptable to the Issuer to the effect that such amendments shall be permitted or necessary to assure continued compliance with Rule

15c2-12 as so amended or interpreted, then the Issuer shall amend this Certificate to comply with and be bound by any such amendment to this Certificate to the extent necessary or desirable to assure compliance with the provisions of Rule 15c2-12 and provide the written notice of such amendment as required by subsection 4.5(b) hereof.

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

Section 4.8 Termination of Issuer's Continuing Disclosure Obligations. The continuing obligation of the Issuer under Section 2.1 hereof to provide the Annual Report and any Disclosure Event Notice and to comply with the other requirements of said Section shall terminate if and when either (a) the Bonds are no longer Outstanding or (b) the Issuer no longer remains an "obligated person" (as defined in Rule 15c2-12(f)(10)) with respect to the Bonds, and in the event of clause (b) 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.

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

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