

OFFICIAL STATEMENT DATED SEPTEMBER 11, 2019

NEW ISSUE – BOOK ENTRY-ONLY

Rating – Moody's: "MIG 1"
(See "RATING" herein.)

In the opinion of McManimon, Scotland & Baumann, LLC, Bond Counsel, assuming compliance by the Township (as defined herein) with certain tax covenants described herein, under existing law, interest on the Note (as defined herein) is excluded from 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 Note is not an item of tax preference under Section 57 of the Code for purposes of computing alternative minimum tax. Based upon existing law, interest on the Note and any gain on the sale thereof are not included in gross income under the New Jersey Gross Income Tax Act. See "TAX MATTERS" herein.

OFFICIAL STATEMENT
Relating to
TOWNSHIP OF EAST BRUNSWICK
In the County of Middlesex, New Jersey

\$14,530,000 BOND ANTICIPATION NOTE
(Not Bank-Qualified)

DATED DATE: SEPTEMBER 24, 2019
MATURITY DATE: SEPTEMBER 24, 2020

INTEREST RATE: 1.50%
RE-OFFER YIELD: 1.20%
CUSIP: 271281YL5

The \$14,530,000 **Bond Anticipation Note** is being issued by the Township of East Brunswick, in the County of Middlesex, New Jersey (the "Township") to provide funding for various improvements. The Note will be issued in the form of one certificate for the aggregate principal amount of the Note 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. Interest on the Note will be credited to the Participants (as defined herein) of DTC as listed on the records of DTC as of one business day prior to the maturity date set forth above. See "THE NOTE" –Book-Entry-Only System" herein.

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

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

The Note is offered when, as and if issued and delivered to the Underwriter (as defined herein), subject to prior sale, to withdrawal or modification of the offer without notice and to approval of legality by the law firm of McManimon, Scotland & Baumann, LLC, Roseland, New Jersey, and certain other conditions described herein. Phoenix Advisors, LLC, Bordentown, New Jersey served as municipal advisor to the Township in connection with the issuance of the Note. It is expected that the Note will be available for delivery through DTC in New York, New York, on or about September 24, 2019.

Jefferies

**TOWNSHIP OF EAST BRUNSWICK
IN THE COUNTY OF MIDDLESEX
NEW JERSEY**

MAYOR

Doctor Brad Cohen

COUNCIL MEMBERS

Michael Spadafino, D.C.
Sterley Stanley
Kevin McEvoy
Sharon Sullivan
James Wendell

TOWNSHIP ADMINISTRATOR

Joseph Criscuolo

CHIEF FINANCIAL OFFICER

Angel Albanese

ASSISTANT FINANCE DIRECTOR/TAX COLLECTOR

Michelle A. O'Hara

TOWNSHIP CLERK

Nennette Perry

TOWNSHIP ATTORNEY

Michael Baker, Esq.
Hoagland, Longo, Moran, Dunst & Doukas LLP
New Brunswick, NJ

TOWNSHIP AUDITOR

Wiss & Co., LLP
Livingston, NJ

BOND COUNSEL

McManimon, Scotland, Baumann, LLC
Roseland, NJ

MUNICIPAL ADVISOR

Phoenix Advisors, LLC
Bordentown, NJ

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 Note 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, no representation or warranty is made as to its accuracy or completeness and such information is not to be construed as a representation or warranty by the Underwriters or, as to information from sources other than itself, by 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 made hereunder under any circumstances shall create any implication that there has been no change in any of the information herein since the date hereof or since the date as of which such information is given, if earlier.

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.

For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission (the "SEC"), this document, as the same may be supplemented or amended by the Township from time to time (collectively, the "Official Statement"), may be treated as a "Final Official Statement" with respect to the Note described herein that is deemed final as of the date hereof (or of any such supplement or amendment) by the Township.

"CUSIP" is a registered trademark of the American Bankers Association. CUSIP numbers are provided by CUSIP Global Services, which is managed on behalf of the American Bankers Association by Standard & Poor's Capital IQ. The CUSIP numbers listed on the cover page hereof are being provided solely for the convenience of Noteholders only at the time of issuance of the Note and the Township does not make any representations with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number for the Note is subject to being changed after the issuance of the Note as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of the Note or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of the Note.

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE TERMS OF THIS OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. NO REGISTRATION STATEMENTS RELATING TO THE NOTE HAVE BEEN FILED WITH THE SEC OR ANY STATE SECURITIES AGENCY. THE NOTE HAS NOT BEEN APPROVED OR DISAPPROVED BY THE SEC OR ANY STATE SECURITIES AGENCY, NOR HAS THE SEC OR ANY STATE SECURITIES AGENCY PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE

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 Note in any jurisdiction in which it is unlawful for any person to make such an offer, solicitation or sale.

Neither McManimon, Scotland & Baumann, LLC nor Phoenix Advisors, LLC has participated in the preparation of the financial or statistical information contained in this Official Statement nor have they verified the accuracy or completeness thereof, and, accordingly, they express no opinion with respect thereto.

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**OFFICIAL STATEMENT
Relating to**

**TOWNSHIP OF EAST BRUNSWICK,
In the County of Middlesex, New Jersey**

\$14,530,000 BOND ANTICIPATION NOTE

(Not Bank-Qualified)

INTRODUCTION

This Official Statement, which includes the cover page and the appendices attached hereto, has been prepared by the Township of East Brunswick (the "Township"), in the County of Middlesex (the "County"), New Jersey (the "State"), in connection with the sale and the issuance by the Township of the \$14,530,000 Bond Anticipation Note (the "Note"). This Official Statement has been executed by and on behalf of the Township by its Chief Financial Officer and may be distributed in connection with the sale of the Note described herein.

This Official Statement is "deemed final," as of its date, within the meaning of Rule 15c2-12 of the Securities and Exchange Commission.

THE NOTE

General Description

The Note is dated, will mature on the date and in the amount and will bear interest payable at the interest rate as set forth on the cover page hereof. Interest shall be computed on the basis of a 30-day month/360-day year.

The principal of and interest due on the Note will be paid to the registered owners by the Township as paying agent (the "Paying Agent"). Principal of and interest due on the Note will be credited to the registered owner as of the business day immediately preceding the maturity date of the Notes (the "Record Date" for the payment of principal and interest on the Note).

The Note is issuable as fully registered book-entry obligation in the form of one certificate in the total principal amount of the Note. Individual purchases may be made in the principal amount of \$5,000 or any integral multiple thereof, through book-entries made on the books and the records of The Depository Trust Company, New York, New York ("DTC"), and its participants. So long as DTC or its nominee, Cede & Co. (or any successor or assign), is the registered owner of the Note, payments of the principal of and interest on the Note will be made by the Township, acting as Paying Agent, directly to Cede & Co. (or any successor or assign), as nominee for DTC.

Redemption

The Note is not subject to redemption prior to their stated maturity.

Book-Entry-Only System

The description which follows of the procedures and recordkeeping with respect to beneficial ownership interest in the Note, payment of principal of and interest and other payments on the Note to Direct and Indirect Participants (each as defined below) or Beneficial Owners (defined below), confirmation and transfer of beneficial ownership interests in the Note and other related transactions by and between DTC, Direct Participants and Beneficial Owners, is based on certain information furnished by DTC to the Township.

DTC will act as securities depository for the Note. The Note 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 note certificate will be issued in the aggregate principal amount of each series of Note, 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, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

To facilitate subsequent transfers, all notes deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Note with DTC and its 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 Note; DTC's records reflect only the identity of the Direct Participants to whose accounts such Note is credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices, if any, shall be sent to DTC. If less than all of the Note is being redeemed, DTC's practice is to determine by lot the amount of interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Note 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 Note is credited on the Record Date (identified in a listing attached to the Omnibus Proxy).

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

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

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

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

THE TOWNSHIP WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH DTC PARTICIPANTS OR THE PERSONS FOR WHOM IT ACTS AS NOMINEES WITH RESPECT TO THE PAYMENTS TO OR PROVIDING OF NOTICE FOR THE DTC PARTICIPANTS, OR THE INDIRECT PARTICIPANTS, OR BENEFICIAL OWNERS.

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE NOTE, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE NOTEHOLDERS OR REGISTERED OWNERS OF THE NOTE (OTHER THAN UNDER THE CAPTIONS "TAX MATTERS" AND "SECONDARY MARKET DISCLOSURE") SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE NOTE.

Discontinuation of Book-Entry-Only System

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

AUTHORIZATION AND PURPOSE

Note

The Note is authorized by and are being issued pursuant to: (i) the Local Bond Law of the State of New Jersey, N.J.S.A. 40A:2-1 et seq., (the “Local Bond Law”), and (ii) the various bond ordinances of the Township set forth below.

| Ord. # | Date Adopted | Bonds Authorized | Useful Life (Years) | First Issued | Amt of Notes Issued | Date Due | 2019 Payment | New Money | Amount to be Issued | Purpose |
|--------|--------------|------------------|---------------------|--------------|---------------------|------------|----------------|-------------------|---------------------|--|
| 17-31 | 8/28/2017 | 1,100,000 | 8.02 | 10/19/2017 | 880,000 | 10/10/2019 | 220,000 | | 660,000 | Various Shared Services Capital Improvements |
| 19-20 | 7/8/2019 | 13,870,000 | 12.27 | 9/19/2019 | | | | 13,870,000 | 13,870,000 | Various School Capital Improvements |
| | | | | Total | 880,000 | | 220,000 | 13,870,000 | 14,530,000 | |

The proceeds of the Note will be used to (i) currently refund \$660,000 of the Township’s \$880,000 Bond Anticipation Note dated and issued October 10, 2018 and maturing October 10, 2019, (ii) provide new money in the amount of \$13,870,000 to fund various school capital improvements and (iii) pay costs and expenses incidental to the issuance and delivery of the Note.

SECURITY AND SOURCE OF PAYMENT

Except insofar as the enforcement thereof may be limited by any applicable bankruptcy, moratorium or similar laws or application by a court of competent jurisdiction of legal or equitable principles relating to the enforcement of creditors' rights, the Note is valid and legally binding 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 Note. The Township is required by law to levy *ad valorem* taxes upon all the taxable property within the Township for the payment of the principal of and the interest on the Note without limitation as to rate or amount.

MUNICIPAL FINANCE - FINANCIAL REGULATION OF COUNTIES AND MUNICIPALITIES

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

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

The authorized bonded indebtedness of the Township for municipal purposes is limited by statute, subject to the exceptions noted below, to an amount equal to 3½% of its average equalized valuation basis. The average for the last three years of the equalized value of all

taxable real property and improvements and certain Class II railroad property within the boundaries of Township, as annually determined by the State Director of Taxation, is \$7,508,467,456.67. included in Appendix "A".

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, as approved in each case by the Local Finance Board. As of December 31, 2018, the statutory net debt as a percentage of average equalized valuation is included in Appendix "A". As noted above, the statutory limit is 3½%.

The Township may exceed its debt limit with the approval of the Local Finance Board, a State regulatory agency, and as permitted by other statutory exceptions. If all or any part of a proposed debt authorization would exceed its debt limit, the Township may apply to the Local Finance Board for an extension of credit. If the Local Finance Board determines that a proposed debt authorization would not materially impair the credit of the Township or substantially reduce the ability of the Township to meet its obligations or to provide essential public improvements and services, or if it 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 a 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 creating such capital expenditure, as it may be amended and supplemented. A local unit's bond anticipation notes may be issued for periods not greater than one year. Generally, bond anticipation notes may not be outstanding for longer than ten years. An additional period may be available following the tenth anniversary date equal to the period from the notes' maturity to the end of the tenth fiscal year in which the notes mature plus 4 months (May 1) in the next following fiscal year from the date of original issuance. Beginning in the third year, the amount of notes that may be issued is decreased by the minimum amount required for the first year's principal payment for a bond issue.

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 a budget in the form required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"). Certain items of revenue and appropriation are regulated by law and the proposed budget must be certified by the Director of the Division (the "Director") prior to final adoption. The Local Budget Law 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.

The Township is authorized to issue Emergency Notes and Special Emergency Notes pursuant to the Local Budget Law.

Tax Anticipation Notes are limited in amount by law and must be paid off in full within 120 days of the close of the fiscal year.

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

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

The Local Budget Law (N.J.S.A. 40A:4-26) provides that no miscellaneous revenues from any source may 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 determines that the facts clearly warrant the expectation that such excess amount will actually be realized in cash during the fiscal year and certifies that determination to the local unit.

No budget or budget amendment may be adopted unless the Director shall have previously certified his approval of such anticipated revenues except that categorical grants-in-aid contracts may be included for their face amount with an offsetting appropriation. The fiscal years for such grants rarely coincide with the municipality's calendar year. However, grant revenue is generally not realized until received in cash.

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. The maximum amount of delinquent taxes that may be anticipated is limited by a statutory formula, which allows the local unit to anticipate collection at the same rate realized for the collection of delinquent taxes in the previous year. Also, the local unit is required to make an appropriation for a "reserve for uncollected taxes" in accordance with a statutory formula to provide for a tax collection in an amount that does not exceed the percentage of taxes levied and payable in the preceding fiscal year that was received in cash by December 31 of that year. The budget also must provide for any cash deficits of the prior year.

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

The exceptions are certain enumerated quasi-capital projects ("special emergencies") such as ice, snow and flood damage to streets, roads and bridges, which may be amortized over three years, and tax map preparation, re-evaluation programs, revision and codification of ordinances, master plan preparation, drainage map preparation for flood control purposes and contractually required severance liabilities, 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 provide a degree of flexibility and afford a control mechanism. Transfers between appropriation accounts may be made only during the last two months of the year. Appropriation reserves may also be transferred during the first three (3) months of the year, to the previous year's budget. Both types of transfers require a 2/3 vote of the full membership of the governing body; however, transfers cannot be made from either the down payment account or the capital improvement fund. Transfers may be made between sub-account line items within the same account at any time during the year, subject to internal review and approval. In a "CAP" budget, no transfers may be made from excluded from "CAP" appropriations to within "CAP" appropriations nor can transfers be made between excluded from "CAP" appropriations.

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 year's tax levy in years when the Index Rate is 2.5% or less.

Additionally, legislation constituting P.L. 2010, c. 44, approved July 13, 2010, limits tax levy increases for those local units to 2% with exceptions only for capital expenditures including debt service, increases in pension contributions and accrued liability for pension contributions in excess of 2%, certain healthcare increases, extraordinary costs directly related to a declared emergency and amounts approved by a simple majority of voters voting at a special election.

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

In accordance with the Local Budget Law, each local unit must adopt and may from time to time amend rules and regulations for capital budgets, which rules and regulations must require a statement of capital undertakings underway or projected for a period not greater than over the next ensuing six years as a general improvement program. The capital budget, when adopted, does not constitute the approval or appropriation of funds, but sets forth a plan of the possible capital expenditures which the local unit may contemplate over the six years. Expenditures for capital purposes may be made either by ordinances adopted by the governing body setting forth the items and the method of financing or from the annual operating budget if the terms were detailed.

Tax Assessment and Collection Procedure

Property valuations (assessments) 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 result of new assessments on a like basis with established comparable properties for newly assessed or purchased properties. This method assures equitable treatment to like property owners. But 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 1983.

Upon the filing of certified adopted budgets by the Township's local school district and the County, the tax rate is struck by the County Board of Taxation based on the certified amounts in each of the taxing districts for collection to fund the budgets. The statutory provision for the assessment of property, the 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.

Tax bills are mailed annually in June by the Township. The taxes are due August 1 and November 1, respectively, and are adjusted to reflect the current calendar year's total tax liability. The preliminary taxes due February 1 and May 1 of the succeeding year are based upon one-half of the current year's total 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 rates and penalties are the highest permitted under New Jersey statutes. Delinquent taxes open for one year or more are annually included in a tax sale in accordance with New Jersey statutes.

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 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, 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 governments. The chief financial officer of every local unit must file annually, with the Director, a verified statement of the financial condition of the local unit and all constituent boards, agencies or commissions.

An independent examination of each local unit'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", 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 December 31, 2018 for the Township is on file with the Clerk and is available for review during business hours.

TAX MATTERS

Exclusion of Interest on the Note 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 a continuing basis subsequent to the issuance of the Note in order to assure that interest on the Note will be excluded from gross income for federal income tax purposes under Section 103 of the Code. Failure of the Township to comply with such requirements may cause interest on the Note to lose the exclusion from gross income for federal income tax purposes, retroactive to the date of issuance of the Note. The Township will make certain representations in its Arbitrage and Tax Certificate, which will be executed on the date of issuance of the Note, as to various tax requirements. The Township has covenanted to comply with the provisions of the Code applicable to the Note and has covenanted not to take any action or fail to take any action that would cause interest on the Note to lose the exclusion from gross income under Section 103 of the Code. Bond Counsel will rely upon the representations made in the Arbitrage and Tax Certificate and will assume 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 Note from gross income for federal income tax purposes and with respect to the treatment of interest on the Note for the purposes of alternative minimum tax.

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

The opinion of Bond Counsel is based on current legal authority and covers certain matters not directly addressed by such authority. It represents Bond Counsel's legal judgment as to exclusion of interest on the Note from gross income for federal income tax purposes but is not a guaranty of that conclusion. The opinion is not binding on the Internal Revenue Service ("IRS") or any court. Bond Counsel expresses no opinion about the effect of future changes in (i) the Code and the applicable regulations under the Code or (ii) the interpretation and enforcement of the Code or those regulations by the IRS.

Bond Counsel's engagement with respect to the Note ends with the issuance of the Note, and, unless separately engaged, Bond Counsel is not obligated to defend the Township or the owners of the Note regarding the tax status of interest thereon in the event of an audit examination by the IRS. The IRS has a program to audit tax-exempt obligations to determine whether the interest thereon is includible in gross income for federal income tax purposes. If the IRS does audit the Note, under current IRS procedures, the IRS will treat the Township as the taxpayer and the beneficial owners of the Note will have only limited rights, if any, to

obtain and participate in judicial review of such audit. Any action of the IRS, including, but not limited to, selection of the Note for audit, or the course or result of such audit, or an audit of other obligations presenting similar tax issues, may affect the market value of the Note.

Payments of interest on tax-exempt obligations, including the Note, are generally subject to IRS Form 1099-INT information reporting requirements. If a Note owner is subject to backup withholding under those requirements, then payments of interest will also be subject to backup withholding. Those requirements do not affect the exclusion of such interest from gross income for federal income tax purposes.

Original Issue Premium

The Note may be sold at an initial offering price in excess of the amount payable at the maturity date (the "Premium Note"). The excess, if any, of the tax basis of the Premium Note to a purchaser (other than a purchaser who holds such Premium Note as inventory, as stock-in-trade or for sale to customers in the ordinary course of business) over the amount payable at maturity is amortizable bond premium, which is not deductible from gross income for federal income tax purposes. Amortizable bond premium, as it amortizes, will reduce the owner's tax cost of the Premium Note used to determine, for federal income tax purposes, the amount of gain or loss upon the sale, redemption at maturity or other disposition of the Premium Note. Accordingly, an owner of a Premium Note may have taxable gain from the disposition of the Premium Note, even though the Premium Note is sold, or disposed of, for a price equal to the owner's original cost of acquiring the Premium Note. Bond premium amortizes over the term of the Premium Note under the "constant yield method" described in regulations interpreting Section 1272 of the Code. Owners of the Premium Note should consult their own tax advisors with respect to the calculation of the amount of bond premium that will be treated for federal income tax purposes as having amortized for any taxable year (or portion thereof) of the owner and with respect to other federal, state and local tax consequences of owning and disposing of the Premium Note.

Additional Federal Income Tax Consequences of Holding the Note

Prospective purchasers of the Note should be aware that ownership of, accrual or receipt of interest on or disposition of tax-exempt obligations, such as the Note, 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.

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

Changes in Federal Tax Law Regarding the Note

Legislation affecting tax-exempt obligations is regularly considered by the United States Congress and may also be considered by the State of New Jersey. Court proceedings may also be filed, the outcome of which could modify the tax treatment of obligations such as the Note. There can be no assurance that legislation enacted or proposed, or actions by a court, after the date of issuance of the Note will not have an adverse effect on the tax status of interest on the Note or the market value or marketability of the Note. These adverse effects could result, for example, from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax) or repeal (or reduction in the benefit) of the exclusion of interest on the Note from gross income for federal or state income tax purposes for all or certain taxpayers.

State Taxation

Bond Counsel is of the opinion that, based upon existing law, interest on the Note and any gain on the sale thereof are not included in gross income under the New Jersey Gross Income Tax Act.

THE OPINIONS EXPRESSED BY BOND COUNSEL WITH RESPECT TO THE NOTE ARE BASED UPON EXISTING LAWS AND REGULATIONS AS INTERPRETED BY RELEVANT JUDICIAL AND REGULATORY CHANGES AS OF THE DATE OF ISSUANCE OF THE NOTE, AND BOND COUNSEL HAS EXPRESSED NO OPINION WITH RESPECT TO ANY LEGISLATION, REGULATORY CHANGES OR LITIGATION ENACTED, ADOPTED OR DECIDED SUBSEQUENT THERETO. PROSPECTIVE PURCHASERS OF THE NOTE SHOULD CONSULT THEIR OWN TAX ADVISORS REGARDING THE POTENTIAL IMPACT OF ANY PENDING OR PROPOSED FEDERAL OR STATE TAX LEGISLATION, REGULATIONS OR LITIGATION.

LITIGATION

To the knowledge of the Township Attorney, Michael Baker, Esq., of Hoagland, Longo, Moran, Dunst & Doukas LLP, New Brunswick, New Jersey, there is no litigation of any nature now pending or threatened, restraining or enjoining the issuance or the delivery of the Note, or the levy or the collection of any taxes to pay the principal of or the interest on the Note, or in any manner questioning the authority or the proceedings for the issuance of the Note or for the levy or the collection of taxes, or contesting the corporate existence or the boundaries of the Township or the title of any of the present officers. Moreover, to the knowledge of the Township Attorney, no litigation is presently pending or threatened that, in the opinion of the Township Attorney, would have a material adverse impact on the financial condition of the Township if adversely decided.

SECONDARY MARKET DISCLOSURE

The Township has covenanted for the benefit of the Noteholders and the beneficial owners of the Note to provide certain secondary market disclosure information pursuant to the Securities and Exchange Commission Rule 15c2-12 (the "Rule"). Specifically, for so long as the Note remain outstanding (unless the Note have been wholly defeased), the Township will provide in a timely manner not in excess of ten business days after the occurrence of the event, to the Municipal Securities Rulemaking Board (the "MSRB"), notice of any of the following events with respect to the Note (herein "Material Events"):

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Note, or other material events affecting the tax status of the Note;
- (7) Modifications to rights of holders of the Note, if material;
- (8) Bond calls, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution or sale of property securing repayment of the Note, if material;
- (11) Rating changes;
- (12) Bankruptcy, insolvency, receivership or similar event of the Township;
- (13) The consummation of a merger, consolidation or acquisition involving an Township or the sale of all or substantially all of the assets of the Township, 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;
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (15) Incurrence of a Financial Obligation of the Township, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Issuer, any of which affect holders of the Note, if material; and
- (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Township, any of which reflect financial difficulties.

The term "Financial Obligation" as used in paragraphs (15) and (16) above means a (i) debt obligation, (ii) derivative instrument entered into connection with, or pledged as security or a source of payment for, an existing or planned debt obligation or (iii) guaranteed of (i) or (ii); provided, however, that the term "Financial Obligation" shall not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule; and

In the event that the Township fails to comply with the above-described undertaking and covenants, the Township shall not be liable for any monetary damages, remedy of the beneficial owners of the Note being specifically limited in the undertaking to specific performance of the covenants.

The undertaking may be amended by the Township from time to time, without the consent of the Noteholders or the beneficial owners of the Note, in order to make modifications

required in connection with a change in legal requirements or change in law, which in the opinion of nationally recognized bond counsel complies with the Rule.

The Township (or The East Brunswick Sewerage Authority, which the Township dissolved and assumed, and previously issued \$4,480,000 Sewer Revenue Bonds, Series 2007 and by this reference is hereby incorporated into the defined term "Township") previously failed to file its annual reports for the years ending December 31, 2013, 2014 and 2016 for its outstanding bonds. The annual reports, and the appropriate late notices, have since been completed and applied to the Township's outstanding bonds. In addition, the Township has failed to file or file in a timely manner, as applicable, (i) certain operating and financial data (Historic Revenues, Expenses and Debt Service Coverage) for the year ending December 31, 2015; (ii) its adopted budget for the year ending December 31, 2015; ~~(ii) its adopted budgets;~~ (iii) its audited financial statements for the year ending December 31, 2013. While the Township has sold and closed on bonds and/or notes in 2014, 2015, 2016 and 2017 with official statements that contain audited financial statements, as well as, operating data, such documents were and are available on the MSRB's EMMA dataport; however, in some instances, those documents were not previously assigned or linked to the Township's outstanding bond issues. When applicable, the aforesaid operating and financial data, adopted budgets and audited financial statements, and the appropriate late notices, have since been completed and applied to the applicable Township outstanding bonds. The Township also acknowledges that it previously failed to file event notices in connection with (a) certain bond insurer rating changes (b) the dissolution of The East Brunswick Sewerage Authority and assumption of same by the Township. The aforesaid event notices, and the appropriate late notices, have since been completed and applied to the applicable Township outstanding bonds. The Township has put certain internal procedures in place to ensure future compliance with the Township's continuing disclosure obligations, including hiring Phoenix Advisors, LLC as its continuing disclosure agent in January of 2018.

In March 2014, the SEC announced its Municipalities Continuing Disclosure Cooperation ("MCDC") Initiative, a voluntary self-reporting program, intended to address potentially widespread violations by municipal issuers and underwriters of the federal securities laws relating to continuing disclosure compliance reporting in municipal bond offering documents. The MCDC Initiative offered favorable settlement terms to issuers that self-report securities law violations, relating to material misstatements or omissions in bond documents about compliance with an issuer's prior undertakings as to continuing disclosure. After a review of its compliance record, as noted above, on December 1, 2014, the Township determined to self-report to the SEC by submitting an MCDC Questionnaire.

The Township reached a Settlement (the "Settlement") with the SEC pursuant to Rule 240(a) when the Township admitted under self-reporting that the Township had not fully complied with Rule 15c2-12 by (a) failing to comply with prior continuing disclosure undertakings by failing to provide continuing disclosure within the timeframes set forth in the continuing disclosure undertakings, and (b) making certain misstatements and omissions in official statements concerning the Township's failures to comply with prior continuing disclosure undertakings. The violations have been corrected and the Settlement to cease and desist has been approved by the Township Council through Resolution #15863 approved on June 13, 2016. An order was entered memorializing the settlement on August 24, 2016 (the "Order").

The Settlement and Order contained no monetary penalties, but requires undertakings by the Township to:

- (a) Within 180 days of the entry of the Order, establish appropriate written policies and procedures and periodic training regarding continuing disclosure obligations to effect compliance with the federal securities laws, including the designation of an individual or officer responsible for ensuring compliance by the Township with such policies and procedures and responsible for implementing and maintaining a record (including attendance) of such training.
- (b) Within 180 days of the entry of the Order, comply with existing continuing disclosure undertakings, including updating past delinquent filings if the Township is not currently in compliance with its continuing disclosure obligations.
- (c) Disclose in a clear and conspicuous fashion the terms of settlement in any final official statement for an offering by the Township within five years of the institution of the cease-and-desist proceedings.
- (d) No later than the one-year anniversary of the institution of cease-and-desist proceedings, certify, in writing, compliance with the undertakings set forth above.
- (e) Cooperate with any subsequent investigation by the SEC Enforcement Division regarding the false statement(s) and/or material omission(s) acknowledged, including the roles of individuals and/or other parties involved.

In accordance with the Settlement and Order, the Township established procedures so that it may meet the terms of the Settlement.

MUNICIPAL BANKRUPTCY

The undertakings of the Township should be considered with reference to Chapter IX of the Bankruptcy Act, 11 U.S.C. Section 901 et seq., as amended by Public Law 94-260, approved April 8, 1976, and as further amended on November 6, 1978 by the Bankruptcy Reform Act of 1978, effective October 1, 1979, as further amended by Public Law 100-597, effective November 3, 1988, and as further amended and other bankruptcy laws affecting creditors, rights and municipalities in general. The amendments of P.L. 94-260 replace former Chapter IX and permit any political subdivision of the State, public agency or instrumentality that is insolvent or unable to meet its debts to file a petition in a court of bankruptcy for the purpose of effecting a plan to adjust its debts; directs such a petitioner to file with the court a list of petitioner's creditors; provides that a petition filed under said chapter shall operate as a stay of the commencement or continuation of any judicial or other proceeding against the petitioner; grants priority to debt owed for services or material actually provided within three months of the filing of the petition; directs a petitioner to file a plan for the adjustment of its debts; and provides that the plan must be accepted in writing by or on behalf of creditors holding at least two-thirds in amount or more than one-half in number of the listed creditors. The 1976 Amendments were incorporated into the Bankruptcy Reform Act of 1978 with only minor changes.

Reference should also be made to N.J.S.A. 52:27-40 et seq., which provides that a municipality has the power to file a petition in bankruptcy provided the approval of the Municipal Finance Commission has been obtained. The powers of the Municipal Finance Commission have been vested in the Local Finance Board. The Bankruptcy Act specifically provides that Chapter IX does not limit or impair the power of a state to control, by legislation or otherwise, the

procedures that a municipality must follow in order to take advantage of the provisions of the Bankruptcy Act.

APPROVAL OF LEGAL PROCEEDINGS

All legal matters incident to the authorization, the issuance, the sale and the delivery of the Note are subject to the approval of McManimon, Scotland & Baumann, LLC, Roseland, New Jersey, Bond Counsel to the Township, whose approving legal opinions will be delivered with the Note substantially in the form set forth as Appendix "C". Certain legal matters will be passed on for the Township by its Attorney, Michael Baker, Esq., New Brunswick, New Jersey.

MUNICIPAL ADVISOR

Phoenix Advisors, LLC, Bordentown, New Jersey, served as Municipal Advisor to the Township (the "Municipal Advisor") with respect to the issuance of the Note. The Municipal Advisor is not obligated to undertake, and has not undertaken, either to make an independent verification of or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement and the Appendices hereto. The Municipal Advisor is a Municipal Advisory firm, and is not engaged in the business of underwriting, marketing or trading municipal securities or any other negotiable instrument.

UNDERWRITING

Jefferies LLC (the "Underwriter"), has agreed, subject to certain customary conditions precedent to closing, to purchase the Note at a purchase price of \$14,569,379.00. The purchase price reflects the principal amount of the Note, plus a bid premium of \$39,379.00. The Note is being offered to the public at the yield set forth on the cover page of this Official Statement, which yield may be changed from time to time by the Underwriter without notice. The Note may be offered and sold to dealers, including the Underwriter and dealers acquiring the Note for their own account or any account managed by them, at a yield higher than the public offering yield.

RATING

Moody's Investors Service, Inc. ("Moody's") has assigned a short-term rating of "MIG 1" to the Note based upon the creditworthiness of the Township. An explanation of the significance of such credit rating may be obtained from Moody's at 7 World Trade Center, 250 Greenwich Street, New York, New York 10007. There is no assurance that such credit rating will continue for any period of time or that such rating will not be revised or withdrawn. Any such revision or withdrawal of such credit rating may have an adverse effect on the market price or marketability of the Note.

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 certificates signed by the Mayor and Chief Financial Officer of the Township, that to their 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.

The demographics and financial information provided herein as **Appendix A** and **Appendix B** have been prepared by and under the direction of the Chief Financial Officer of the Township. The financial information was extracted by the Chief Financial Officer of the Township from prior audits (2014 to 2018) for presentation in this Official Statement. The auditor has not participated in the preparation of this Official Statement.

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

Neither McManimon, Scotland & Baumann, LLC nor Phoenix Advisors, LLC have participated in the preparation of the financial or statistical information contained in this Official Statement, nor have they verified the accuracy, completeness or fairness thereof and, accordingly, expresses no opinion with respect thereto.

ADDITIONAL INFORMATION

Inquiries regarding this Official Statement, including information additional to that contained herein, may be directed to Angel Albanese, Chief Financial Officer, at 1 Civic Center Drive, East Brunswick, New Jersey 08816, telephone (732) 390-6860 or by e-mail at AAalbanese@eastbrunswick.org

MISCELLANEOUS

This Official Statement is not to be construed as a contract or agreement among the Township, the Underwriter and the holders of the Note. 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 Note made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Township (financial or otherwise) since the date hereof. The information contained in this Official Statement is not guaranteed as to accuracy or completeness.

TOWNSHIP OF EAST BRUNSWICK

By: /s/ Angel Albanese
Angel Albanese
Chief Financial Officer

Dated: September 11, 2019

APPENDIX A

**Certain Economic and Demographic Information About the
Township of East Brunswick, in the County of Middlesex, New Jersey**

GENERAL INFORMATION

Information

The Township of East Brunswick Township (the "Township") was formally established on February 28, 1860 by an Act of the New Jersey Legislature in accordance with the Jersey Town Act of 1798. The Township is located the county of Middlesex in central northeastern New Jersey astride a major transportation corridor, the Township is in close distance to New York City and Philadelphia.

Governmental Structure

The Township is managed under a Mayor-Council form of government authorized under Plan E of the Faulkner Act of 1950. This form of government, adopted in 1965 by Township voters, provides for, among other things, the direct election of the Mayor and Council by the electorate, the separation of legislative power from administrative functions, and the employment of full time professional personnel in Finance, Public Safety, Purchasing, Administration and Health and Welfare. All governmental units are housed in a modern Municipal Complex.

Utilities

The Township operates a number of utilities which are different than the traditional authorities which are often created by county and local governments. A utility is a self-liquidating, enterprise account and the Mayor and Council serve as the Board of Directors for the operating utility. The utility is part of the general governmental structure and the Township has operated the following utilities which are described in this Official Statement.

Water Utility. This utility provides water to 98.0% of Township residents and has operated since 1952. The utility is self-liquidating and fees cover all operational and debt service costs. The Township holds a water diversion privilege from the New Jersey State Water Supply Authority which operates the Spruce Run/Round Valley Reservoir. The Township has a long term contract with Middlesex Water Company to treat and pump the Township's waste division. A Consumer Confidence Report is available upon request. The Water Utility is self-liquidating.

Sewer Utility. This utility provides sewerage collection service to approximately 86% of Township residents and commercial properties. The balance of the Township is served by private septic systems. The Sewer Utility will distribute approximately 4.7 million gallons per day (MGD) to the treatment plant through three connection points. The treatment plant is operated by the Middlesex County Utilities Authority (MCUA). The East Brunswick Sewer Utility consists of 350 miles of gravity sewer mains and approximately 12 to 15 miles of force mains. There are 21 pump stations throughout the service area where sewerage is collected and then distributed through the three interconnection points with the MCUA facility. The Sewer Utility is self-liquidating.

Prior to July 1, 2010 the East Brunswick Sewerage Authority operated the system. The Governing Body, in accordance with state law and approval by the New Jersey Department of Community Affairs Local Finance Board, dissolved the East Brunswick Sewerage Authority and created a Sewer Utility. The results were cost savings to the operation of the system. The Township has assumed all outstanding debt issued by the East Brunswick Sewerage Authority. The Sewer Utility operates on a self-liquidating basis.

Pool Utility. The Township has operated a municipal pool utility for more than thirty (30) years. In 1995, the lake was filled and a new blue water facility known as Crystal Springs Family Water Park was developed. Crystal Springs consists of seven (7) water facilities, one of which is a lazy river, two slides, a children's pool, two Olympic sized pools and other activity pools. The Crystal Springs Family Water Park has proven to be very successful and operates on a self-liquidating basis. The Township provides

recreational activities over the 100 day season to about 90,000 guests each year. The Pool Utility is self-liquidating.

Parking Utility. The Township commenced a parking utility in 1980 when it purchased from bankruptcy a large parcel of property along Route 18. The utility was expanded to a second site with the construction of the Tower Centers Parking Garage at the intersection of the New Jersey Turnpike and Route 18. A new 1,685 stall parking garage was constructed at Route 18 and Tices Lane. The two facilities, i.e.: Transportation and Commerce Center and the Neilson Plaza will permit the Township to commute on average 3,000 commuters each day. The Township controls the parking by charging a fee and has a contract with Coach USA-Suburban bus to provide commuter service. The Township receives a rental fee from Coach USA-Suburban and the Township retains all of the parking revenues. The Parking Utility is self-liquidating.

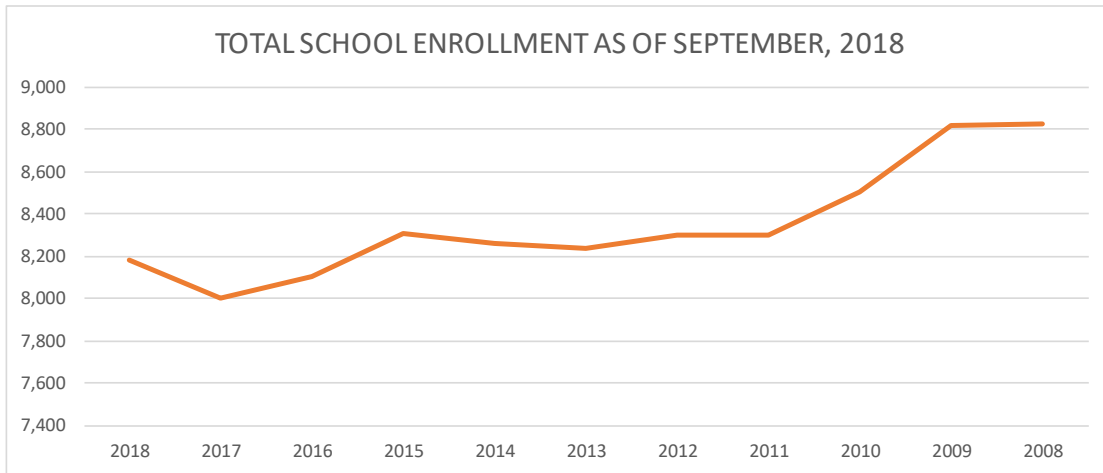
Police Firearms Training Utility. In October 1999, the Township opened a new Police Firearms Training facility which consists of twelve (12) ports permitting twelve (12) individuals to qualify at one time. Beyond the twelve (12) shooting ports, the Township has implemented a program which allows for three dimensional real live training programs to be offered to uniform personnel. The Township has more than thirty (30) scenarios developed in conjunction with a professional training firm with additional programs being added. The Township also has available a classroom within the facility and the Township hopes to have contracts with communities throughout the state to qualify Public Safety officers. Current requirements are for uniformed personnel to qualify with their weapons twice annually and qualifications require a minimum of sixty (60) rounds each time with day and night shooting. The Township also is the only facility in the state that has what is referred to as a running man target which allows one to improve their proficiency with the weapon. The Attorney General has recommended that all uniformed personnel have access to or qualify with a running man target beyond the normal qualification process. It will be restricted to uniformed qualified personnel only and it will enhance the capabilities of our uniformed personnel. The Police Firearms Training Utility is self-liquidating.

Governmental Services

Education. The Township has 8 elementary schools (K-5), one middle school (6 & 7), one junior high school (8 & 9) and a senior high school (10-12).

TOTAL SCHOOL ENROLLMENT AS OF SEPTEMBER, 2018

| | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 |
|-------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Bowne | 219 | 224 | 205 | 215 | 214 | 213 | 237 | 238 | 256 | 297 |
| Central | 414 | 399 | 418 | 439 | 435 | 426 | 407 | 424 | 428 | 443 |
| Chittick | 500 | 437 | 397 | 426 | 419 | 453 | 462 | 515 | 494 | 495 |
| Frost | 472 | 463 | 442 | 435 | 432 | 423 | 429 | 457 | 491 | 504 |
| Irwin | 473 | 449 | 464 | 472 | 468 | 459 | 459 | 417 | 409 | 441 |
| Law. Brook | 451 | 439 | 406 | 412 | 419 | 426 | 432 | 513 | 524 | 572 |
| Memorial | 570 | 537 | 494 | 525 | 511 | 499 | 489 | 337 | 348 | 377 |
| Warnsdorfer | 449 | 461 | 472 | 492 | 484 | 443 | 415 | 429 | 461 | 500 |
| Hammarskjol | 1,280 | 1,197 | 1,294 | 1,318 | 1,310 | 1,357 | 1,298 | 1,298 | 1,388 | 1,441 |
| Churchill | 1,273 | 1,335 | 1,390 | 1,391 | 1,382 | 1,315 | 1,462 | 1,462 | 1,469 | 1,461 |
| High School | 2,082 | 2,064 | 2,125 | 2,186 | 2,190 | 2,225 | 2,208 | 2,208 | 2,234 | 2,284 |
| | 8,183 | 8,005 | 8,107 | 8,311 | 8,264 | 8,239 | 8,298 | 8,298 | 8,502 | 8,815 |



Management, Discussion and Analysis

The Governmental Accounting Standards Board (GASB) promulgated a governmental financial reporting model for state and local governments in June of 1999. An area of controversy was reporting model to require local and state governments to present general government infrastructure assets in their financial statement based upon historical costs. The Government Finance Officers Association (GFOA) found this position to be unacceptable and under Generally Accepted Accounting Principles (GAAP) state and local governments are not required to report the infrastructure assets in their financial statement. East Brunswick Township agrees with the Government Finance Officers Association and is opposed to reporting governmental assets. That being said there are valid recommendations contained within the GASB reporting model.

Often a criticism of local government is the amount of time which elapses between the authorization of a project and completion. In some cases, authorizations have been made through capital appropriations and the projects not completed for many years. To provide full disclosure a table summarizing capital authorizations from 2009 through 2018 has been prepared. The table delineates the authorization by ordinance for each particular year and the general purpose of the ordinance. The table reports the year the indebtedness was incurred and summary information on annual and total pay down for years 2009 through 2018. The Township has authorized debt of \$82,063,204. The aggregate pay down in the forms of either bond retirement or note pay down has been \$82,557,888. Please observe the Township has adopted a very aggressive pay down schedule and expects to continue this aggressiveness into the future.

The primary purpose of this table and dialogue is to report to bondholders and noteholders how the Township has expended funds and paid down debt as projects are completed. One can see most of the projects have been completed or soon to be completed and observe that East Brunswick uses its ability to enter the capital market to assist the Board of Education in receiving least cost financing for improving schools. The Township believes it is one of the few Type II school/municipalities in the State of New Jersey that offers a lease purchase agreement to the Board of Education, thereby not causing the Board to issue Certificates of Participation (COPs) through the regular market. This level of cooperation between the two political bodies (Township Council and the Board of Education), ultimately results in significant savings for the taxpayers. This same process is used by all three fire districts to meet their capital needs.

| History - General Capital 2009 -2018 | | | | | | | |
|---|---------------|--|-----------------------------|-----------------------------|---------------------------------|-------------------|---------------|
| Year | Ord. # | Description | Indebtedness | | Annual Principal Paydown | | Status |
| | | | Incurred by Year | New Debt By Year | Bond | Note | |
| | | | | | Principal Retired | Paydown | |
| 2018 | 18-06 | Various School Capital Improvements | 5,800,000 | | | | In Process |
| | 18-24 | Various Road Improvements | 2,970,500 | | | | In Process |
| | 18-37 | Various Capital Improvements | 890,500 | | | | In Process |
| | 18-38 | Acquire Property by Contract or Eminent Domain | 8,200,000 | 17,861,000 | | | In Process |
| 2018 | | Debt Paydown 2018 | | | 2,105,000 | 9,798,075 | |
| 2017 | 17-18 | Various Capital | 5,535,000 | | 0 | 0 | In Process |
| | 17-29 | Various Water Utility Improvements | 2,000,000 | | | | In Process |
| | 17-30 | Refunding Certain Sewer Revenue Bonds | 2,010,000 | | | | In Process |
| | 17-31 | Various Shared Services Cap. Improvement | 1,155,000 | | | | In Process |
| | 17-39 | FD #2 Pumper Truck | 800,000 | 11,500,000 | | | |
| 2017 | | Debt Paydown 2017 | | | 875,000 | 7,162,050 | |
| 2016 | 16-07 | Fire District 3 Truck & Various Cap. Imprv. | 1,243,500 | | | 0 | Completed |
| | 16-10 | School HVAC & Computers | 6,200,000 | 7,443,500 | 0 | 0 | Completed |
| 2016 | | Debt Payment 2016 | | | 875,000 | 6,282,000 | |
| 2015 | 15-02 | General Capital Improvements | 2,906,050 | | 0 | 0 | Completed |
| | 15-08 | Board of Education Building Improvements | 5,800,000 | | 0 | 0 | Completed |
| | 15-30 | Utility Capital | 2,048,579 | 10,754,629 | 0 | 0 | Completed |
| 2015 | | Debt Payment 2015 | 0 | 0 | 2,170,000 | 6,619,000 | Completed |
| 2014 | 14-05 | Crystal Springs Improvement | 2,125,000 | 2,125,000 | 0 | 100,000 | Completed |
| 2014 | 14-01 | Various General Capital Improvements | 2,540,000 | 2,540,000 | 850,000 | 5,881,000 | In Process |
| 2013 | 13-01 | Amending 11-22-FD #2 Radio purchase | 200,000 | | 905,000 | 6,591,000 | Completed |
| | 13-11 | Various Capital Improvements | 1,161,075 | | | | Completed |
| | 13-17 | Acquisition of DPW Vehicles & Equipment | 890,000 | | | | Completed |
| | 13-23 | Acquisition of a Fire Engine for F.D. #1 | 750,000 | | | | Completed |
| | 13-24 | Various Crystal Springs Improvements | 1,575,000 | | | | Completed |
| | 13-25 | Various Capital Improvements Bike Path | 717,000 | 5,293,075 | | | In Process |
| 2012 | 12-04 | Multi Purpose Bond Ordinance | 1,417,000 | | 680,000 | 8,123,220 | Completed |
| | 12-11 | Fire House Renovation-Fire District #3 | 2,000,000 | | | 100,000 | In Process |
| | 12-12 | Various Water Line Replacements | 1,250,000 | 4,667,000 | | | Completed |
| 2011 | 11-01 | Various Capital Improvements | 2,347,000 | | | | Completed |
| | 11-18 | Refunding Bonds | 1,077,000 | | | | Completed |
| | 11-22 | Communication System Upgrade | 4,185,000 | 7,609,000 | 680,000 | 7,695,000 | Completed |
| 2010 | 10-01 | Multi Purpose Bond Ordinance | 2,340,000 | | | | Completed |
| | 10-07 | Various Capital Improvements | 1,620,000 | | | | Completed |
| | 10-21 | Refunding Bonds | 485,000 | | | | Completed |
| | 10-26 | Various Capital Improvements | 1,655,000 | 6,100,000 | 710,000 | 5,811,249 | Completed |
| 2009 | 09-02 | Reconstruction of Various Roads | 1,500,000 | | | | Completed |
| | 09-05 | Fire District #3 - New Fire Truck | 570,000 | | | | Completed |
| | 09-08 | Water Main Replacement | 3,700,000 | | | | Completed |
| | 09-14 | Reconstruction of Harts Lane | 400,000 | 6,170,000 | 730,000 | 7,815,294 | Completed |
| | | Totals | 82,063,204 | 82,063,204 | 10,580,000 | 71,977,888 | |

Post Employment Health Benefits

In addition to the pension and retirement plans the Township provides post-employment health care benefits, in accordance with State statute N.J.S.A. 40A:10-23 to employees who retire with at least 25 years of service with the Township, or go out on disability with 10 years of service or more. The Township does not issue a publicly available financial report for the plan. Benefit provisions for the plan are established and amended with the approval of the Township's governing body and there is no statutory requirement for the Township to continue this plan for future Township employees. The plan is a contributory plan for employees hired after June 2011 based on Chapter 2 P.L. 2010 and Chapter 78 P.L. 2011.

GASB Statement 75 requires that the Township disclose its annual OPEB liability and cost and related changes to the liability for the plan, an amount actuarially determined in accordance with the parameters of GASB Statement 75. The actual amounts paid for the OPEB medical benefits, accounted for on the pay-as-you-go basis, for retired Township employees and their spouses for 2018, 2017 and 2016 totaled \$7,511,564, \$4,037,780, \$3,507,054, respectively.

As of December 31, 2018, there were two-hundred and seventy-two retired employees and two-hundred and thirty-three active employees covered by the plan. The total OPEB actuarial accrued liability from the Township's plan as of December 31, 2018 and 2017 all of which is unfunded is \$145,957,431 and \$142,998,870, respectively.

The actuarial valuation date is December 31, 2018. Actuarial valuations involve estimates of the value reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funding status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the Township and the plan members to that point. Actuarial calculations reflect a long-term perspective and employee methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

For the December 31, 2018 actuarial valuation, actuarial assumptions included a 4.1% discount rate and an annual healthcare cost trend rate of 5.8% for Medical, 10.0% for prescription and 3.5% for Dental. Of the 276 former employees receiving benefits, currently 23 receiving single benefits and 88 receiving family coverage are under 65; and, 100 are receiving family coverage and 65 are receiving single coverage are 65 or older. Those retirees 65 or older are obligated to pay their Medicare Part B portion and the Township only funds the exceptions to Medicare. Additionally, as of December 31, 2018, there are 254 active participants in the plan, with 179 and 75 receiving family and single coverage respectively. The cost of family coverage before employee contribution is \$24,372.00 per family unit and single coverage is \$10,644 per participant for medical, dental and prescription drug.

Accrued Sick and Vacation Benefits

Under contractual agreements with the various collective bargaining groups, unused sick time is accumulated toward future use or payment upon separation from employment. Under past policy, the Township appropriated sufficient funds to pay the liability to employees who retired or left their position on a current basis. This appropriation was included in the regular appropriations for salary and wages. Effective in 1983, a separate line item appropriation was provided for this purpose in the current fund. Beginning in 1986, employees were limited on payment of unused sick and vacation time so the Township has a very limited liability to fund. The Township offers two deferred compensation programs. Both are under Internal Revenue Code Section 457 and approved by the State Department of Community Affairs. Cash payments are charged as though current income to the employees whereas taxes are deferred on deposits, to the Trust Fund. The "Benefit Trust Funds" amounted to \$40,776,601 and \$3,216,211 on December 31, 2018 and appears on the General Trust Fund balance sheet and is subject to the claims of

general creditors of the Township.

There is also an estimated current liability as of December 31, 2018 in the sum of \$3,334,106 existing for potential claims if everyone would be paid their accumulated sick and vacation time. 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 study of utilization or the likelihood of the amount of accumulations vesting with employees. The expected pays for these accruals are funded through the annual budget, Self-Insurance Plan, the Fringe Benefit Fund and the Cost of Living Pension Health Fund. No amount is accrued for this estimated liability in the financial statements.

Pension Net Liability (GASB 68) Reporting:

The Audit firm of KPMG reported net pension liability for State of New Jersey Pension Systems of which the Township is a participant in two. The net system liabilities as reported for the Public Employee Retirement System (PERS) and the Police and Fire Retirement System (PFRS) for the past five (5) years are detailed below. This reporting complies with Local Finance Notice LFN2015-24 and is further detailed in the Township's annual audited financial statements.

| <u>Year</u> | <u>PERS</u> | <u>PFRS</u> |
|-------------|--------------|--------------|
| 2018 | \$51,027,971 | \$40,799,959 |
| 2017 | 40,494,966 | 45,488,684 |
| 2016 | 50,949,453 | 56,133,234 |
| 2015 | 39,180,500 | 48,706,191 |
| 2014 | 32,144,301 | 36,116,560 |

HISTORICAL ECONOMIC INFORMATION BUILDING PERMITS

| Year | Permits | Construction Value | All Other # of Certificates of Occupancy Issued | # of COs Issued for New Residential Units |
|------|---------|--------------------|---|---|
| 2018 | 2804 | \$ 67,959,964 | 4261 | 45 |
| 2017 | 3168 | 65,078,071 | 4876 | 22 |
| 2016 | 2916 | 61,960,552 | 1691 | 15 |
| 2015 | 2673 | 52,518,442 | 399 | 32 |
| 2014 | 3361 | 54,232,954 | 340 | 54 |
| 2013 | 3197 | 56,126,335 | 264 | 11 |
| 2012 | 3000 | 46,085,679 | 283 | 24 |
| 2011 | 3427 | 39,723,210 | 288 | 24 |
| 2010 | 2470 | 37,435,294 | 291 | 13 |
| 2009 | 2733 | 30,241,699 | 323 | 38 |
| 2008 | 2773 | 48,426,248 | 351 | 28 |
| 2007 | 2751 | 43,415,715 | 408 | 84 |
| 2006 | 2880 | 136,953,299 | 379 | 117 |
| 2005 | 3307 | 60,015,006 | 457 | 77 |
| 2004 | 3209 | 52,252,314 | 611 | 30 |
| 2003 | 3243 | 103,412,481 | 448 | 126 |
| 2002 | 3209 | 127,950,898 | 528 | 101 |

CONSTRUCTION VALUE OF BUILDING PERMITS

| | 2011 | 2012 | 2013 | 2014 |
|-------------------------------|---------------|---------------|---------------|---------------|
| New Residential | \$ 3,093,300 | \$ 2,057,000 | \$ 7,190,100 | \$ 9,104,309 |
| Res. Alterations/Additions | 18,351,691 | 16,031,925 | 19,150,151 | 19,882,003 |
| New Commercial/Industrial | 2,610,000 | 20,502,895 | 13,227,723 | 6,916,213 |
| Comm'l Alternations/Additions | 15,668,219 | 7,493,859 | 21,966,087 | 18,330,429 |
| | \$ 39,723,210 | \$ 46,085,679 | \$ 61,534,061 | \$ 54,232,954 |

| | 2015 | 2016 | 2017 | 2018 |
|-------------------------------|---------------|---------------|---------------|---------------|
| New Residential | \$ 3,703,655 | \$ 3,213,700 | \$ 9,988,381 | \$ 20,120,851 |
| Res. Alterations/Additions | 19,204,099 | 22,168,843 | 23,064,387 | 16,931,100 |
| New Commercial/Industrial | 839,700 | 4,822,697 | 6,355,204 | 10,067,315 |
| Comm'l Alternations/Additions | 28,770,988 | 31,755,312 | 25,670,100 | 20,840,697 |
| | \$ 52,518,442 | \$ 61,960,552 | \$ 65,078,071 | \$ 67,959,963 |

COMPARATIVE REALIZED REVENUE - CURRENT FUND

| Revenue Item | 2015 | 2016 | 2017 | 2018 |
|---------------------------------------|----------------------|----------------------|----------------------|----------------------|
| Fund Balance Anticipated | \$ 2,500,000 | \$ 2,500,000 | \$ 2,500,000 | \$ 3,300,000 |
| Miscellaneous Revenues: | | | | |
| Alcoholic Beverage License | 58,375 | 59,875 | 56,875 | 58,625 |
| Fees and Other Permits | 267,514 | 252,015 | 249,607 | 340,094 |
| Hotel Tax | 645,432 | 624,457 | 660,169 | 645,968 |
| Capital Surplus | 700,000 | 700,000 | 700,000 | 317,874 |
| Interest and Costs on Taxes | 469,259 | 477,425 | 487,630 | 454,777 |
| Int. on Investments & Deposits | 155,450 | 158,800 | 311,833 | 695,118 |
| Recreation Fees | 1,287,269 | 424,894 | 276,551 | 257,329 |
| Camp Fees | - | 976,468 | 1,006,402 | 1,151,031 |
| Sports Camp | 61,820 | 71,093 | 40,721 | 70,242 |
| Sports Programs | 63,849 | 69,016 | 92,283 | - |
| Housing Grant (COACH Fees) | 39,269 | 39,269 | 39,269 | 102,489 |
| In Lieu of Taxes | 714,511 | 515,993 | 742,236 | 1,456,313 |
| Escrow Trustee (Open Space) | 500,000 | 500,000 | 500,000 | 500,000 |
| Discovery Fees | 918 | - | - | - |
| Utility Operating Surplus of Prior | 225,000 | 50,000 | 50,000 | - |
| Sale of Assets - Trust Account | 230,770 | 64,955 | 65,201 | 23,378 |
| C M P T R A | 105,167 | 105,167 | 84,219 | - |
| Energy Receipts Tax | 4,061,430 | 4,061,430 | 4,082,378 | 4,166,597 |
| Watershed Moratorium Offset Ai | 7,567 | 7,567 | 7,567 | 7,567 |
| Municipal Allience on Alcoholism & Di | 46,172 | 46,350 | 46,350 | 49,464 |
| ROID State Handicap Rec | 20,000 | 20,000 | 20,000 | 20,000 |
| FEMA - Storm Sandy Emergency | 105,000 | 105,000 | 175,000 | 5,000 |
| Dept. Forestry Mgmt. Grant | 3,000 | - | - | 30,000 |
| Public Safety Body Armor | 6,800 | 7,400 | 7,236 | 7,168 |
| Alcohol Education & Rehab | 38,000 | 38,000 | 38,000 | - |
| Clean Community Grant | 86,674 | 112,000 | 112,000 | 110,000 |
| Click It or Ticket It | 4,000 | 5,000 | - | 5,500 |
| Nat'l Crime Statistics Exchange | - | - | - | 20,000 |
| Matching Grant | 5,000 | - | - | - |
| Distracted Driver Crckdwn/Cops in Sho | - | - | 5,500 | - |
| Drive Sober Enforcement | 5,000 | 10,000 | 7,500 | - |
| Pedestrian Safety Grant | - | 5,000 | 7,000 | - |
| County Narcotics Grant | 30,000 | 30,000 | - | - |
| County Outreach Grant - Seniors | 16,500 | 17,000 | 17,000 | 17,000 |
| Autism Speaks | - | - | 5,000 | - |
| EB Daisy Association | 20,000 | 20,000 | 28,000 | 20,000 |
| Municipal Recycling Asst Prg MC | 42,637 | - | - | - |
| Interlocal Service Agree - EB BOE | 1,743,000 | 2,903,000 | 3,537,360 | 4,139,667 |
| Interlocal Service Agree. FD 1, 2 & 3 | 967,784 | 902,732 | 1,004,442 | 983,591 |
| Interlocal Service Agree - Radio C | 94,161 | 113,506 | 124,362 | 122,279 |
| East Brunswick Housing Corp. | 15,000 | 15,000 | 15,000 | - |
| MCUA-Host Community Benefits | 3,132,573 | 3,145,000 | 3,173,142 | 3,100,000 |
| MCUA Fees-Add | 1,167,002 | 1,140,000 | 1,202,747 | 1,200,000 |
| Municipal Court | 1,024,652 | 1,009,408 | 982,612 | 923,345 |
| Municipal Recycling Asst Prg MC | 2,500 | - | - | 7,500 |
| Total Miscellaneous Revenues: | 18,169,055 | 18,802,821 | 19,961,192 | 21,007,916 |
| Receipts from Delinquent Taxes | 1,994,491 | 2,107,785 | 1,789,997 | 1,708,385 |
| TOTAL REVENUE | \$ 22,663,546 | \$ 23,410,606 | \$ 24,251,189 | \$ 26,016,301 |

Audited information extracted from annual audit filed in accordance with N.J.S.A. 40A:5-4.

COMPARATIVE ANALYSIS REVENUE

| WATER UTILITY Revenues | 2015 Realized | 2016 Realized | 2017 Realized | 2018 Realized |
|-------------------------------|----------------------|----------------------|----------------------|----------------------|
| Surplus | \$ 1,381,690 | \$ 2,940,281 | \$ 2,223,992 | \$ - |
| Connection Fees | 165,970 | 308,633 | 349,065 | 121,365 |
| Interest on Investments | 1,913 | - | - | 44,132 |
| Water Rents | 7,397,168 | 7,561,006 | 7,368,882 | 8,411,288 |
| Non Budgeted Revenue | 449,205 | 130,599 | 152,783 | 183,779 |
| TOTAL WATER UTILITY | \$ 9,395,946 | \$ 10,940,519 | \$ 10,094,722 | \$ 8,760,564 |

| POOL UTILITY Revenues | 2015 Realized | 2016 Realized | 2017 Realized | 2018 Realized |
|------------------------------|----------------------|----------------------|----------------------|----------------------|
| Surplus | \$ 173,230 | \$ 256,240 | \$ 312,800 | \$ 399,361 |
| Food Stand | 18,500 | 21,000 | 17,825 | 18,355 |
| Pool Fees | 1,089,405 | 1,172,964 | 1,181,696 | 1,253,438 |
| Non Budgeted Revenue | 36,257 | 114,682 | 7,865 | 13,435 |
| TOTAL POOL UTILITY | \$ 1,317,392 | \$ 1,564,886 | \$ 1,520,186 | \$ 1,684,589 |

| Parking Utility Revenues | 2015 Realized | 2016 Realized | 2017 Realized | 2018 Realized |
|---------------------------------|----------------------|----------------------|----------------------|----------------------|
| Surplus | \$ 561,358 | \$ 138,700 | \$ 72,500 | \$ 489,060 |
| Parking Fees | 2,123,322 | 2,385,233 | 2,399,663 | 2,418,207 |
| Rent-Suburban Transit | 1,097,843 | 940,000 | 960,000 | 968,449 |
| Non Budgeted Revenue | 3,628 | 6,361 | 12,199 | 64,943 |
| TOTAL PARKING UTILITY | \$ 3,786,151 | \$ 3,470,294 | \$ 3,444,362 | \$ 3,940,659 |

| Sewer Utility Anticipated Revenues | 2015 Realized | 2016 Realized | 2017 Realized | 2018 Realized |
|---|----------------------|----------------------|----------------------|----------------------|
| Surplus | \$ 1,197,117 | \$ 701,388 | \$ 400,500 | \$ 2,388,310 |
| Connection Fees | 181,394 | 217,530 | 1,192,206 | 206,949 |
| Service Fees | 5,857,451 | 5,696,212 | 5,885,639 | 6,336,585 |
| Interest on Investments | 6,498 | - | - | 37,548 |
| Non Budgeted Revenue | - | 21,665 | 90,165 | 63,101 |
| TOTAL SEWER UTILITY | \$ 7,242,460 | \$ 6,636,795 | \$ 7,568,510 | \$ 9,032,493 |

COMPARATIVE SCHEDULE FUND BALANCE UTILIZED

| CURRENT FUND | | |
|---------------------|--------------------------------|--|
| Year | Balance December 31 | Utilized in Budget of Succeeding Year |
| 2018 | \$ 11,803,787 | \$ 4,325,000 |
| 2017 | 10,206,188 | 3,300,000 |
| 2016 | 7,635,416 | 2,500,000 |
| 2015 | 3,076,567 | 2,500,000 |
| 2014 | 5,056,012 | 2,500,000 |
| 2013 | 2,729,923 | 2,500,000 |
| 2012 | 2,785,907 | 2,500,000 |
| 2011 | 2,812,467 | 2,500,000 |
| 2010 | 3,163,790 | 2,500,000 |
| 2009 | 4,289,404 | 2,900,000 |

| WATER UTILITY | | |
|----------------------|--------------------------------|--|
| Year | Balance December 31 | Utilized in Budget of Succeeding Year |
| 2018 | \$ 936,745 | \$ 284,000 |
| 2017 | 510,410 | - |
| 2016 | 2,223,992 | 2,223,992 |
| 2015 | 4,172,611 | 2,940,281 |
| 2014 | 4,535,934 | 1,381,690 |
| 2013 | 4,042,430 | 1,373,690 |
| 2012 | 4,109,458 | 1,105,665 |
| 2011 | 3,374,505 | 996,747 |
| 2010 | 3,237,346 | 1,255,431 |
| 2009 | 2,584,816 | 1,075,341 |

| PARKING UTILITY | | |
|------------------------|--------------------------------|--|
| Year | Balance December 31 | Utilized in Budget of Succeeding Year |
| 2018 | \$ 3,270,510 | \$ 397,500 |
| 2017 | 3,500,069 | 489,060 |
| 2016 | 3,181,656 | 72,500 |
| 2015 | 2,523,097 | 138,700 |
| 2014 | 2,579,825 | 561,358 |
| 2013 | 1,840,432 | 587,100 |
| 2012 | 1,122,105 | 587,100 |
| 2011 | 516,249 | - |
| 2010 | 202,610 | - |
| 2009 | 659,600 | 659,000 |

| POOL UTILITY | | |
|---------------------|--------------------------------|--|
| Year | Balance December 31 | Utilized in Budget of Succeeding Year |
| 2018 | \$ 537,807 | \$ 472,625 |
| 2017 | 754,405 | 399,361 |
| 2016 | 884,873 | 312,800 |
| 2015 | 678,477 | 256,240 |
| 2014 | 405,451 | 173,230 |
| 2013 | 317,224 | 120,270 |
| 2012 | 394,034 | 75,270 |
| 2011 | 210,682 | 29,088 |
| 2010 | 185,476 | 103,763 |
| 2009 | 115,093 | 83,763 |

| SEWER UTILITY | | |
|----------------------|--------------------------------|--|
| Year | Balance December 31 | Utilized in Budget of Succeeding Year |
| 2018 | \$ 3,608,504 | \$ 1,655,200 |
| 2017 | 5,043,636 | 2,388,310 |
| 2016 | 2,851,770 | 400,500 |
| 2015 | 2,817,270 | 701,388 |
| 2014 | 2,805,165 | 1,197,117 |
| 2013 | 3,372,746 | 1,043,613 |
| 2012 | 3,808,012 | 781,328 |
| 2011 | 3,447,710 | 613,422 |
| 2010 | 2,425,646 | 10,000 |

**EQUALIZED VALUATION OF REAL PROPERTY PLUS ASSESSED
VALUATION OF CLASS II RAILROAD PROPERTY**

| | |
|-----------|--------------------|
| Year 2016 | \$7,230,395,690.00 |
| Year 2017 | \$7,501,956,393.00 |
| Year 2018 | \$7,793,050,287.00 |

Average Equalized Valuation \$7,508,467,456.67

Percentage of Net Debt to Average Equalized Valuation 0.42%

Percentage of Gross Debt to Average Equalized Valuation 2.34%

Statutory Debt Ceiling (3.5%) for East Brunswick permits
Authorization up to \$262,796,360.98

OVERLAPPING DEBT

| | <u>Total Debt</u> | <u>Overlapping Debt</u> |
|---|----------------------|-------------------------|
| Middlesex County as of 12/31/17 | \$476,938,580 | \$33,494,442 |
| Middlesex County Utility Authority as of 12/31/17 | <u>\$ 85,355,645</u> | <u>\$ 3,455,740</u> |
| Total | \$562,294,225 | \$36,950,182 |

Overlapping Debt: Middlesex County has been determined by the ratio of Township Valuation to total County equalization valuation which is 7.022%. Middlesex County Utility Authority overlapping debt is 4.05%.

OUTSTANDING BOND ANTICIPATION NOTES AS OF 12/31/18

| Description | Amount | Maturity |
|---------------------------|---------------|------------|
| General Capital | \$ 2,969,000 | 1/11/2019 |
| | 9,650,000 | 3/14/2019 |
| | 20,562,000 | 7/19/2019 |
| | 880,000 | 10/19/2019 |
| Water Capital | 2,275,000 | 3/14/2019 |
| | 2,550,000 | 7/17/2019 |
| Pool Capital | 1,750,000 | 3/14/2019 |
| | 900,000 | 1/13/2019 |
| Sub Total | \$ 41,536,000 | |
| Authorized But Not Issued | | |
| General Various | 11,737,822 | |
| Sewer | 290,000 | |
| Total | \$ 53,563,822 | |

RATIO OF ASSESSED TO TRUE VALUATION

| <u>Year</u> | <u>Assessed Personal Property</u> | <u>Assessed Valuation Real Property</u> | <u>State Equalized Ratio</u> | <u>Equalized Valuation</u> |
|-------------|---------------------------------------|---|----------------------------------|--------------------------------|
| 2018 | \$2,146,634 | \$1,898,954,650 | 25.34 | \$7,503,988,327 |
| 2017 | 2,031,934 | 1,901,488,650 | 26.22 | 7,259,803,905 |
| 2016 | 2,077,187 | 1,895,809,750 | 26.49 | 7,171,369,479 |
| 2015 | 2,143,448 | 1,893,167,400 | 26.49 | 7,146,724,801 |
| 2014 | 2,044,733 | 1,890,414,300 | 26.39 | 7,031,039,855 |
| 2013 | 2,654,186 | 1,900,518,900 | 26.39 | 7,201,663,129 |
| 2012 | 3,075,073 | 1,930,811,500 | 25.67 | 7,521,665,368 |
| 2011 | 3,056,266 | 1,961,448,900 | 25.16 | 7,999,205,000 |
| 2010 | 3,275,529 | 2,012,600,700 | 24.54 | 8,201,306,845 |
| 2009 | 3,585,743 | 2,022,347,100 | 24.48 | 8,257,325,882 |

History Tax Rates for Real Property (Rate Per \$100 of Assessed Value)

| <u>Year*</u> | <u>Rate</u> | <u>School</u> | <u>Municipal</u> | <u>Library</u> | <u>County</u> | <u>Municipal Open Space</u> | <u>County Open Space</u> |
|--------------|-------------|---------------|------------------|----------------|---------------|-------------------------------------|----------------------------------|
| 2018 | 10.829 | 7.026 | 2.087 | 0.131 | 1.447 | 0.019 | 0.119 |
| 2017 | 10.651 | 6.900 | 2.085 | 0.126 | 1.406 | 0.019 | 0.115 |
| 2016 | 10.431 | 6.801 | 2.015 | 0.124 | 1.358 | 0.020 | 0.113 |
| 2015 | 10.178 | 6.652 | 1.882 | 0.126 | 1.391 | 0.020 | 0.113 |
| 2014 | 9.961 | 6.489 | 1.821 | 0.127 | 1.316 | 0.019 | 0.114 |
| 2013 | 9.600 | 6.311 | 1.714 | 0.128 | 1.255 | 0.019 | 0.112 |
| 2012 | 9.290 | 6.089 | 1.680 | 0.131 | 1.208 | 0.019 | 0.116 |
| 2011 | 9.097 | 5.907 | 1.843 | | 1.131 | 0.020 | 0.119 |
| 2010 | 8.635 | 5.688 | 1.715 | | 1.090 | 0.019 | 0.082 |
| 2009 | 8.570 | 5.650 | 1.690 | | | 0.020 | 0.120 |

*Excludes Fire District Tax Rates for 2018: Fire District #1 0.288 / Fire District #2 0.140 / Fire District #3 0.351

ASSESSED VALUE BY CLASSIFICATION OF REAL PROPERTY

| <u>Year</u> | <u>Total</u> | <u>Residential</u> | <u>Commercial</u> | <u>Industrial</u> | <u>Apartment</u> | <u>Vacant Land/Farm</u> |
|-------------|-----------------|--------------------|-------------------|-------------------|------------------|-----------------------------|
| 2018 | \$1,898,387,050 | \$1,495,898,800 | \$281,670,250 | \$84,108,700 | \$19,733,100 | \$14,581,900 |
| 2017 | 1,901,488,650 | 1,492,910,200 | 268,380,850 | 85,346,700 | 19,733,160 | 14,646,301 |
| 2016 | 1,895,809,750 | 1,489,679,700 | 286,964,750 | 83,421,100 | 19,733,100 | 16,011,100 |
| 2015 | 1,893,167,400 | 1,485,430,500 | 287,524,800 | 85,132,900 | 19,733,100 | 15,346,100 |
| 2014 | 1,890,414,300 | 1,484,263,200 | 285,010,100 | 85,197,400 | 19,733,100 | 14,019,200 |
| 2013 | 1,900,518,900 | 1,487,821,400 | 289,836,100 | 87,643,100 | 19,733,100 | 12,697,200 |
| 2012 | 1,930,811,500 | 1,498,633,500 | 303,218,900 | 91,231,200 | 21,457,100 | 13,483,800 |
| 2011 | 1,961,839,900 | 1,517,369,700 | 309,715,700 | 93,508,000 | 24,317,200 | 14,551,600 |
| 2010 | 2,012,600,700 | 1,555,083,900 | 337,851,900 | 94,190,800 | 28,205,900 | 14,551,600 |
| 2009 | 2,020,347,100 | 1,528,947,400 | 339,965,000 | 94,814,900 | 35,525,900 | 18,081,100 |

CURRENT REAL PROPERTY TAX COLLECTION EXPERIENCE

| Year | Tax Levy | Taxes Collected | Percent Collection |
|------|----------------|-----------------|--------------------|
| 2018 | \$ 210,667,581 | \$ 208,471,893 | 98.96% |
| 2017 | 207,196,248 | 205,178,691 | 99.02 |
| 2016 | 202,811,293 | 200,931,110 | 98.98 |
| 2015 | 197,053,302 | 193,403,302 | 98.15 |
| 2014 | 192,533,752 | 190,184,075 | 98.97 |
| 2013 | 186,398,317 | 183,475,912 | 98.85 |
| 2012 | 183,778,664 | 179,004,295 | 98.20 |
| 2011 | 181,056,096 | 178,256,096 | 98.41 |
| 2010 | 176,665,195 | 174,215,848 | 98.61 |
| 2009 | 177,485,925 | 174,710,624 | 98.43 |

DELINQUENT TAXES AS OF 12/31 YEAR END

| Year | Delinquent Taxes Balance Dec. 31 | Tax Title Liens Balance Dec. 31 | Delinquent Taxes Budgeted | Delinquent Taxes Collected |
|------|----------------------------------|---------------------------------|---------------------------|----------------------------|
| 2018 | \$ 1,918,202 | \$ 5,185 | \$ 1,555,000 | \$ 1,708,385 |
| 2017 | 1,718,453 | - | 1,555,000 | 1,789,997 |
| 2016 | 1,783,945 | 14,489 | 1,555,000 | 2,107,785 |
| 2015 | 2,131,263 | 20,768 | 1,555,000 | 1,959,705 |
| 2014 | 195,823 | 20,755 | 1,953,823 | 2,173,771 |
| 2013 | 2,061,694 | 5,109 | 1,555,000 | 2,716,977 |
| 2012 | 2,698,582 | 8,848 | 1,355,000 | 2,435,314 |
| 2011 | 2,372,945 | 62,377 | 1,355,000 | 2,338,346 |
| 2010 | 2,301,789 | 52,738 | 1,355,000 | 2,339,539 |
| 2009 | 2,274,269 | 114,155 | 1,200,000 | 2,166,596 |

TEN HIGHEST RATABLE

| | 2018 Assessed Valuation |
|------------------------------|----------------------------|
| Brunswick Square Mall | \$ 26,196,900 |
| Mid State Mall | 15,460,000 |
| Tower Center II | 15,159,000 |
| Tower Center I | 13,039,400 |
| East Brunswick UE, LLC | 9,500,000 |
| L.P.E. Partners | 7,813,800 |
| Wyndmoor Apts. | 7,500,000 |
| Summerhill Square LLC | 7,377,100 |
| East Coast Cranbury Crossing | 5,100,000 |
| 3 Tower Center Blvd., LLC | 5,032,000 |
| Total | \$ 112,178,200 |
| % of Total Asset Valuation | 5.91% |

SUMMARY TAX APPEALS 2017 REAL PROPERTY ASSESSMENTS (2018 Filing by April 1)

County Board of Taxation Appeals by Property Class

| | |
|-----------------------|-----|
| Class 1 Vacant | 2 |
| Class 2 Single Family | 104 |
| Class 2 Condos | 23 |
| Class 3A Farm House | 0 |
| Class 4A Commercial | 21 |
| Class 4B Industrial | 3 |
| Class 4C | 2 |
| | 155 |

State Tax Court Direct Appeals*

| | |
|-----------------------|----|
| Class 1 Vacant | 1 |
| Class 2 Single Family | 3 |
| Class 4A Commercial | 22 |
| Class 4B Industrial | 8 |
| Class 4C Apartments | 2 |
| Total | 36 |

HOST COMMUNITY BENEFITS

The State Legislature adopted Public Laws of 1985, Chapter 38 authorizing a minimum of \$1.00 per ton Host Community Benefits to municipalities in which a solid waste disposal facility was sited. The Township has located within its political boundaries a Landfill operated by Middlesex County Utilities Authority (MCUA). The MCUA took over operation of the landfill from the investor owners as of January 1988. Prior to that time, it was operated by a private family.

The Township has received Host Community Benefits in accordance with NJSA 13:1E-136 since 1985. The Township will continue to receive Host Community Benefits for the next twenty years which is the life expectancy of the landfill. The current agreement with the MCUA continues paying the minimum of \$3.5 million each year. The Township had a Host Community Benefit Agreement based upon the recycling of cardboard and paper. It pays \$100,000 each year through 2016. The plant started up on October 1, 2013. The following table illustrates the revenue provided by Host Community Benefits for the past ten (10) years.

Host Community Benefits

| <u>Year</u> | <u>Received</u> <u>Annually</u> |
|-------------|------------------------------------|
| 2018 | \$ 4,330,000 |
| 2017 | 4,387,228 |
| 2016 | 4,300,000 |
| 2015 | 4,314,575 |
| 2014 | 4,282,501 |
| 2013 | 4,243,880 |
| 2012 | 4,346,380 |
| 2011 | 4,599,018 |
| 2010 | 3,728,584 |
| 2009 | 5,031,945 |

SUBDIVISIONS AND DEVELOPMENT

New Jersey Statute Annotated 40:55D-33 requires developers to post guarantees and sureties with the Township before final subdivision, plans or conditions may be approved. A number of communities throughout the State have found their form of guarantee has evaporated as a result of bankruptcy proceedings or unilateral action taken by the Resolution Trust Company (RTC). The Planning Board for the Township has granted subdivisions to various developers all of which are in various stages of completion. The performance guarantees posted with the Township are in the form of both cash and performance bonds provided in accordance with the engineer's estimates. The Township closely monitors these guarantees and is able to report that sufficient surety is available to meet all of the conditions as approved by the Planning Board. Therefore, the installation of water mains, culverts, storm sewers, sanitary sewers and other means of sewerage disposal, drainage structures, erosion control and sedimentation control devices, public improvements of open space and on-site improvements and landscaping will be completed and posing no financial burden on the Township. Developments were approved in a staging fashion and there are no partially completed structures or abandoned structures within the Township.

AMERICANS WITH DISABILITY ACT (ADA)

The Americans with Disabilities Act (Public Law 101-336) was enacted on July 26, 1990. This Act provides comprehensive civil rights protection to individuals with disabilities in the areas of employment, public accommodation, state and local government services and programs plus telecommunications capabilities.

The Township was required to adopt an ADA grievance procedure for prompt and equitable resolution of complaints alleging any acts prohibited by U.S. Department of Justice regulations implementing Title II of the Act. The Township is in compliance with the Federal Legislation and East Brunswick's has funded over \$1 million of improvements to provide access. There will be ongoing capital costs associated with compliance, but it will not be significant and said costs will be part of the annual capital budget. All of the Township's facilities are handicapped accessible or we are in the process of converting same.

INSURANCE

The governing body for the Township provides for liability, property damage and workers compensation coverage in accordance with N.J.S. 40A:10-36. The Township joined the Mid-Jersey Joint Insurance Fund (MJJIF) which through State Law authorizes communities to form a joint pool for the purpose of insuring against liability, property damage and workers compensation. The concept of pooling arose during 1985 and 1986 when insurance premiums and deductibles rose drastically and the amount of coverage available became limited. This has enabled communities to use risk management techniques to insulate themselves from the cyclical nature of the conventional marketplace. The annual financial statement is on file with the rating agency and the New Jersey Department of Banking and Insurance and Department of Community Affairs.

There are statewide seventeen (17) Joint Insurance Funds like MJJIF which have pooled to provide excess liability through a Municipal Excess Liability Joint Insurance Fund (MEL) established in 1987. The MEL provides adequate levels of excess liability insurance at the lowest cost.

The Municipal Excess Liability Insurance fund (MEL) operates under the fleet concept of seventeen (17) affiliated local JIFs, consisting of 400 plus entities. The MEL's annual financial statement is on file with the rating agencies and New Jersey Department of Banking and Insurance and Department of Community Affairs.

The following coverage is provided to East Brunswick through the MJJIF and MEL:

- General Liability, Law Enforcement Professional Liability, Automobile Liability and Employee Benefits
- Liability: Limit of Liability - annually
 - \$7,000,000 per occurrence combined single limit.

Self Insured Retention:

\$100,000 self insured retention per occurrence is retained by the Township of East Brunswick.

Workers' Compensation/Employers' Liability - The MJJIF provides the statutory level of coverage.

Public Official Liability

Limit of Liability

\$2,000,000 each loss and annual aggregate.

Property Coverage

Loss Limit

\$250,000,000 statewide limit

Crime Coverage

Limit of Liability

\$1,000,000 per loss

Money and Securities Limit of Liability

\$1,000,000 per loss

Employment Practices Liability (EPL) - \$5,000 deductible and then 20% of the first \$100,000 for a total of \$25,000

Each year the Township employs an independent consultant to evaluate incurred losses and to estimate incurred but not reported claims. Based upon years of experience during which the Township has managed its limited self-insurance program, the Township has established reserves for general liability which are specifically identified and fully reserved. Also, based upon the independent analysis of the losses, the Township's rates for the forthcoming year are established and funded 100% in each annual budget. Further information on the Township's Risk Management Plan and statistical information on the amount reserved for future claims is available by contacting the Chief Finance Officer.

Health Benefits

The Township offers to its employees a comprehensive health benefit program which consists of medical, dental and prescription in accordance with various collective bargaining agreements. The collective bargaining agreements provides for continuation of medical coverage upon retirement if an employee has worked for the Township for a period of 25 years, for PFRS employees with 20 years of service as of January 1, 2017 who retire prior to December 31, 2019 or the employee has worked for the Township for 15 years and has reached the age of 62 or older at time of retirement. Currently, the Township has 255 retired employees who receive continuation of medical benefits. The cost of providing this post retirement coverage is on a pay as you go budget and funds are fully appropriated as part of the Township's self-insurance program.

**MISCELLANEOUS REVENUES
OTHER THAN PROPERTY TAX**

"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 proceeding 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." Section 40A:4-26, N.J.S.A. No budget or amendment thereof shall be adopted unless the Director shall have previously certified his approval thereof." Section 40A:4-10, N.J.S.A. The exception to miscellaneous revenues is the inclusion of categorical grants-in-aid contracts for their face amount with an offsetting budget appropriation. The fiscal years for such grants rarely coincide with the municipality's calendar fiscal year.

REAL ESTATE TAXES

The same general principal is carried forward in regards to property taxes. Section 40A:4-29 delineates how one may anticipate delinquent tax collections as part of the annual budget.

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

In regard to current taxes: "Receipts from the collections 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 December 31 of such preceding fiscal year." Section 40A:4-41, N.J.S.A.

RESERVE FOR UNCOLLECTED TAXES

This provision requires that an additional amount 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 equal the tax levy required to balance the budget. The Reserve requirement is calculated as follows:

Levy required to balance budget

Prior year's % of current tax collection = Total Taxes to be Levied
(or lesser %)

PENSION INFORMATION

Full time Township employees who are eligible for pension coverage are enrolled in one of two State of New Jersey pension systems. The pension systems are established by act of the State Legislature and benefits, contributions, means of funding and the manner of administration are determined by State Legislation. All levies are paid in full each year.

The State administered pension funds are: the Police and Firemen's Retirement System (PFRS) (N.J.S. 43:16A) (funded based on latest Valuation at 72% for local's obligation) and the Public Employees' Retirement System (PERS) (N.J.S. 43:15A) (funded based on latest Valuation at 71% for local's obligation). The Division of Pensions within the Treasury Department of the State of New Jersey is the administrator of the funds. This Division charges annually counties and other governmental units for their respective contributions which are to be paid as of April 1st each year. Full audited information is available through the State Division of Pensions.

State law regulates the administration of the Pension System. State law provides that all funds within the Pension System are subject to actuarial valuation every year and actuarial experience investigation every three years. Such valuations and investigations are designed to insure that the Pension System Components adequately recognize the additional costs resulting from experience or legislative changes in the benefits to be paid. As these Pension System Components are designed to be fully funded reserve programs, any amendment increasing liabilities is met by an increase in the normal (employer) contribution as well as the establishment of an accrued liability to be financed over a period of years

The Division of Investment of the New Jersey Department of the Treasury, which is under the independent supervision of the State Investment Council, invests the assets of the Pension System. State law generally regulates the types of investments which are permitted.

The Township makes two types of contributions on an annual basis to fund the Township's obligations under the Pension System, consisting of a "normal" contribution to cover costs of members and an "unfunded accrued liability contribution" representing pension benefits earned in prior years which,

pursuant to standard actuarial practices, are not yet fully funded. The local portion of PERS in 2014 was funded as billed and payment will be made April 1, 2019. The PFRS was funded as billed and payment by the Township will be made April 1, 2019.

Employees enrolled in PERS and PFRS are required to make contributions to the pension as well. Employees in PERS contribute an additional 7.5%. Members of PFRS contribute 10%.

APPENDIX B

**Comparative Financial Information of the
Township of East Brunswick, in the County of Middlesex, New Jersey**

CURRENT FUND
COMPARATIVE BALANCE SHEET

| | Balance 12/31/2018 | Balance 12/31/2017 | Balance 12/31/2016 | Balance 12/31/2015 | Balance 12/31/2014 |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| ASSETS: | | | | | |
| Cash & Cash Equivalents | \$ 13,335,017 | \$ 37,077,519 | \$ 14,143,489 | \$ 9,338,664 | \$ 12,035,790 |
| Change Funds | 2,000 | 2,000 | 2,000 | 2,000 | 2,000 |
| Investments | 7,275,867 | - | - | - | - |
| Exempt Due from State of NJ | 7,830 | 9,501 | 13,370 | 15,080 | 12,369 |
| | 20,620,714 | 37,089,020 | 14,158,859 | 9,355,744 | 12,050,159 |
| Receivables with Full Reserves: | | | | | |
| Taxes Receivable | 1,918,202 | 1,718,453 | 1,783,945 | 2,131,264 | 1,955,660 |
| Tax Title Lines | 5,185 | - | 14,849 | 20,768 | 54,450 |
| Foreclosed Property | 15,768 | 15,768 | - | - | 89,434 |
| Revenue Accounts Receivable | 65,525 | 66,993 | 75,222 | 79,995 | 104,647 |
| Interfunds - Trust | 2,613,375 | 3,365,636 | 4,159,313 | 5,587,702 | 360,344 |
| Special District Taxes Receivable | - | - | - | - | 2,389 |
| Other Receivables | 6,500 | 11,024 | 25,700 | 20,915 | 18,322 |
| | 4,624,555 | 5,177,874 | 6,059,029 | 7,840,644 | 2,585,246 |
| TOTAL ASSETS | \$ 25,245,269 | \$ 42,266,894 | \$ 20,217,888 | \$ 17,196,388 | \$ 14,635,405 |
| Federal & State Grant Fund | | | | | |
| Cash | 610,987 | 153,720 | 114,739 | 87,869 | 164,834 |
| Fed & St Grant Fund Receivable | 274,835 | 196,847 | 346,997 | 422,162 | 346,622 |
| Interfund Receivable | 18,264 | 418,333 | 200,000 | 10,629 | - |
| Deferred Charges | - | - | - | 1,664 | 1,664 |
| | \$ 904,086 | \$ 768,900 | \$ 661,736 | \$ 522,324 | \$ 513,120 |
| LIABILITIES, RESERVES & FUND BALANCE | | | | | |
| Expenditure Reserves: | | | | | |
| Encumbrances | \$ 1,467,664 | \$ 1,099,328 | \$ 813,935 | \$ 830,174 | \$ 319,967 |
| Appropriation Reserves | 3,122,533 | 2,440,418 | 2,571,490 | 2,289,073 | 3,427,266 |
| Accounts Payable | 296,510 | 130,292 | 38,882 | 32,117 | 39,166 |
| Payables: | | | | | |
| Fees due to St. of NJ | 20,361 | 18,396 | 39,206 | 16,035 | 47,776 |
| Tax Overpayments | 175,928 | 127,165 | 200,776 | 178,374 | 68,365 |
| Reserve for Tax Appeals | 871,867 | 1,000,000 | 1,010,455 | 1,258,315 | 1,413,548 |
| County Taxes Payable | 89,535 | 53,931 | 144,548 | 82,259 | 85,641 |
| Prepaid Taxes | 1,227,393 | 16,523,130 | 1,005,984 | 846,507 | 756,635 |
| Reserve for Public Defender | 23,659 | 23,659 | 23,659 | 23,659 | 23,659 |
| Rec/Parks Refund | 4,151 | 436 | - | - | - |
| Interfunds Payable | 1,517,325 | 5,466,077 | 674,508 | 731,674 | 812,124 |
| | 8,816,926 | 26,882,832 | 6,523,443 | 6,288,187 | 6,994,147 |
| Fund Balance | 11,803,788 | 5,177,874 | 6,059,029 | 7,840,644 | 2,585,246 |
| Liabilities & Reserves | 4,624,555 | 10,206,188 | 7,635,416 | 3,067,557 | 5,056,012 |
| LIABILITES, RESERVES AND FUND BALANCE | \$ 25,245,269 | \$ 42,266,894 | \$ 20,217,888 | \$ 17,196,388 | \$ 14,635,405 |
| Federal & State Grant Fund | | | | | |
| Interfunds Payable | 595,268 | 465,813 | 428,704 | 226,231 | 140,948 |
| Reserve for Encumbrances | 19,349 | 26,694 | 13,139 | 32,430 | - |
| Accounts Payable | 400 | 200 | 200 | 200 | 200 |
| Unappropriated Reserves | 38,471 | 53,084 | 63,438 | 75,308 | 34,580 |
| Appropriation Reserves | 250,598 | 223,109 | 156,255 | 188,155 | 337,392 |
| | \$ 904,086 | \$ 768,900 | \$ 661,736 | \$ 522,324 | \$ 513,120 |

Audited information extracted from annual audit filed in accordance with N.J.S.A. 40A:5-4.

**CURRENT FUND
COMPARATIVE STATEMENT OF OPERATIONS & CHANGES IN FUND BALANCE**

| | Balance 12/31/2018 | Balance 12/31/2017 | Balance 12/31/2016 | Balance 12/31/2015 | Balance 12/31/2014 |
|---|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| Revenue & Other Income: | | | | | |
| Fund Balance Utilized | \$ 3,300,000 | \$ 2,500,000 | \$ 2,500,000 | \$ 2,500,000 | \$ 2,500,000 |
| Misc. Revenue Anticipated | 21,009,384 | 19,961,192 | 18,802,821 | 18,169,055 | 18,505,402 |
| Receipts from Delinquent Taxes | 1,708,385 | 1,789,997 | 2,107,785 | 1,994,491 | 2,173,771 |
| Receipts from Current Taxes | 208,471,893 | 205,178,692 | 200,931,109 | 194,817,685 | 189,684,075 |
| Non Budget Revenue | 217,688 | 207,159 | 202,004 | 181,617 | 122,650 |
| Other Credits to Income: | | | | | |
| Unexpended Bal. of Appr. Reserve | 1,481,013 | 2,141,815 | 2,062,290 | 2,605,820 | 2,184,173 |
| Prior Year Interfunds Refund | 3,365,636 | 4,159,313 | 5,587,702 | 360,344 | 355,539 |
| Grant Appropriated Reserves Canceled | - | - | - | 10,000 | 77,148 |
| Refunds | 17,451 | - | - | - | - |
| | <u>239,571,450</u> | <u>235,938,168</u> | <u>232,193,711</u> | <u>220,639,012</u> | <u>215,602,758</u> |
| Expenditures | | | | | |
| Operations: | | | | | |
| Operating | 42,274,938 | 42,087,139 | 44,857,912 | 42,895,214 | 41,406,846 |
| State & Fed. Programs Off-Set by Rev. | 5,369,148 | 4,522,786 | 538,019 | 653,616 | 584,956 |
| Other Expenses | - | - | - | 26,481 | 3,387 |
| Capital Improvements | 750,000 | 330,000 | 200,000 | 30,000 | 20,000 |
| Municipal Debt Service | 9,030,100 | 9,027,036 | 7,866,170 | 6,824,168 | 7,586,631 |
| Deferred Charges & Statutory Expenditures | 6,206,731 | 6,049,263 | 6,010,400 | 5,329,000 | 5,239,561 |
| Cash Deficit of Preceeding Year | - | - | 1,664 | - | - |
| Local District School Tax | 133,530,328 | 131,301,007 | 129,058,216 | 126,077,799 | 122,792,611 |
| County Taxes | 29,817,656 | 28,982,986 | 28,046,772 | 28,462,755 | 28,538,580 |
| Fire District Tax | 4,233,882 | 4,111,204 | 3,993,849 | 3,843,597 | 3,751,090 |
| Municipal Open Space Reserve | 381,088 | 381,278 | 379,578 | 379,062 | 378,490 |
| Interfunds | 2,566,691 | 3,339,870 | 4,159,313 | 5,587,702 | 360,344 |
| Grant Receivable Cancelled | - | - | - | 5,000 | 99,347 |
| Sr Cit/Vets Accts. Rec. | 13,288 | 2,376 | 13,959 | 13,073 | 14,826 |
| | <u>234,173,850</u> | <u>230,134,945</u> | <u>225,125,852</u> | <u>220,127,467</u> | <u>210,776,669</u> |
| STATUTORY EXCESS TO | | | | | |
| FUND BALANCE | 4,897,600 | 5,070,772 | 7,067,859 | 511,545 | 4,826,089 |
| Fund Balance, January 1 Restatement | 10,206,188 | 7,635,416 | 3,067,557 | 5,056,012 | 2,729,923 |
| | <u>15,103,788</u> | <u>12,706,188</u> | <u>10,135,416</u> | <u>5,567,557</u> | <u>7,556,012</u> |
| Decreased by: | | | | | |
| Utilized as Anticipated Revenue | 3,300,000 | 2,500,000 | 2,500,000 | 2,500,000 | 2,500,000 |
| FUND BALANCE, DEC. 31 | <u>\$ 11,803,788</u> | <u>\$ 10,206,188</u> | <u>\$ 7,635,416</u> | <u>\$ 3,067,557</u> | <u>\$ 5,056,012</u> |

Audited information extracted from annual audit filed in accordance with N.J.S.A. 40A:5-4.

**WATER UTILITY
COMPARATIVE BALANCE SHEET**

| | Balance 12/31/2018 | Balance 12/31/2017 | Balance 12/31/2016 | Balance 12/31/2015 | Balance 12/31/2014 |
|---|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| ASSETS: | | | | | |
| Operating Fund: | | | | | |
| Cash-Treasurer | \$ 2,779,110 | \$ 1,661,293 | \$ 2,728,660 | \$ 4,361,705 | \$ 3,867,989 |
| Change Funds | 250 | 250 | 250 | 250 | 250 |
| Interfunds Receivable | 6,695 | 68,108 | 1,669,243 | 1,341,920 | 1,402,108 |
| | <u>2,786,055</u> | <u>1,729,651</u> | <u>4,398,153</u> | <u>5,703,875</u> | <u>5,270,347</u> |
| Receivables with Full Reserves: | | | | | |
| Consumer Accounts Receivable | 674,816 | 435,148 | 763,207 | 808,754 | 509,895 |
| | <u>674,816</u> | <u>435,148</u> | <u>763,207</u> | <u>808,754</u> | <u>509,895</u> |
| Capital Fund: | | | | | |
| Cash-Treasurer-Anticipated Rev. | 178,522 | 386,494 | 720,473 | 4,688,888 | 1,532,613 |
| Investments | 2,561,530 | 1,101,760 | 316,000 | - | - |
| Interfunds Receivable | 860,053 | - | 792,200 | 792,200 | - |
| Fixed Capital | 34,404,945 | 34,268,628 | 32,500,254 | 32,309,901 | 32,091,639 |
| Fixed Cap. Authorized & Uncompleted | 9,750,000 | 9,750,000 | 7,750,000 | 7,750,000 | 7,979,019 |
| Total Capital Fund | <u>47,755,050</u> | <u>45,506,882</u> | <u>42,078,927</u> | <u>45,540,989</u> | <u>41,603,271</u> |
| TOTAL ASSETS | \$ 51,215,921 | \$ 47,671,681 | \$ 47,240,287 | \$ 52,053,618 | \$ 47,383,513 |
| LIABILITIES, RESERVES & FUND BALANCE: | | | | | |
| Operating Fund - Cash Liabilities: | | | | | |
| Accounts Payable | 50,472 | 4,965 | 1,824 | 1,824 | 18,131 |
| Various Reserves | 89,780 | 104,212 | 301,096 | 284,978 | 273,742 |
| Encumbrances | 477,295 | 323,838 | 161,462 | 65,028 | 64,188 |
| Appropriation Reserves | 756,862 | 697,517 | 1,621,820 | 497,976 | 266,487 |
| Accrued Interest | 88,858 | 31,825 | 39,522 | 38,422 | 14,624 |
| Water Rent Overpayments | 40,468 | 56,884 | 46,787 | 53,869 | 49,202 |
| Interfunds Payables | 345,575 | - | 1,650 | 589,167 | 48,039 |
| | <u>1,849,310</u> | <u>1,219,241</u> | <u>2,174,161</u> | <u>1,531,264</u> | <u>734,413</u> |
| Reserve for Receivables | 674,816 | 435,148 | 763,207 | 808,754 | 509,895 |
| Fund Balance | 936,745 | 510,410 | 2,223,992 | 4,172,611 | 4,535,934 |
| | <u>3,460,871</u> | <u>2,164,799</u> | <u>5,161,360</u> | <u>6,512,629</u> | <u>5,780,242</u> |
| Capital Fund: | | | | | |
| Reserve for Refunded Assessments | | | | | |
| Capital Fund: | | | | | |
| Interfunds Payable | 1,425,000 | 25,000 | 1,058 | 2,639,701 | - |
| Serial Bonds Payable | - | 2,900,000 | 3,800,000 | 4,700,000 | 2,850,000 |
| Reserve for Encumbrances | - | - | - | 422,570 | - |
| Bond Anticipation Notes | 4,825,000 | - | - | - | - |
| Reserve for Specific Expenditure | 140,405 | 40,405 | 40,405 | 40,405 | 40,405 |
| Reserve for Debt Service | 175,961 | 207,199 | 207,199 | 208,597 | 308,597 |
| Improvement Authorizations: | | | | | |
| Funded | 377,477 | 477,680 | - | - | - |
| Unfunded | 760,376 | 2,075,752 | 927,035 | 1,561,469 | 3,560,704 |
| Capital Improvement Fund | 264,965 | 264,965 | 289,965 | 289,965 | 289,965 |
| Reserve for Amortization | 38,870,350 | 38,659,033 | 35,990,659 | 34,900,306 | 33,961,063 |
| Def. Res. For Amortization | 459,595 | 459,595 | 459,595 | 459,595 | 459,595 |
| Fund Balance | 455,921 | 397,253 | 363,011 | 318,381 | 132,942 |
| Total Capital Fund | <u>47,755,050</u> | <u>45,506,882</u> | <u>42,078,927</u> | <u>45,540,989</u> | <u>41,603,271</u> |
| TOTAL LIABILITIES, RESERVES AND FUND BALANCE | \$ 51,215,921 | \$ 47,671,681 | \$ 47,240,287 | \$ 52,053,618 | \$ 47,383,513 |

Audited informaton extracted from annual audit filed in accordance with N.J.S.A. 40A:5-4.

WATER UTILITY

COMPARATIVE STATEMENT OF OPERATIONS & CHANGES IN FUND BALANCE

| | Balance 12/31/2018 | Balance 12/31/2017 | Balance 12/31/2016 | Balance 12/31/2015 | Balance 12/31/2014 |
|---------------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| Revenue & Other Income: | | | | | |
| Fund Balance Utilized | \$ - | \$ 2,223,992 | \$ 2,940,281 | \$ 1,381,690 | \$ 1,373,690 |
| Rents | 8,411,288 | 7,368,884 | 7,561,006 | 7,397,168 | 7,614,225 |
| Connection Fees | 121,365 | 349,065 | 308,633 | 165,970 | 145,650 |
| Interest on Investments | 44,132 | - | | 1,913 | 1,765 |
| Non Budget Revenue | 183,779 | 152,783 | 130,599 | 449,205 | 894,748 |
| Other Credits to Income: | | | | | |
| PERS Rate Adj. Reserve Released | - | 30,255 | - | - | - |
| Appropriation Reserve Lapsed | 335,771 | 421,357 | 191,424 | 110,528 | 167,810 |
| Accounts Payable Cancelled | - | - | - | 16,307 | - |
| | <u>9,096,335</u> | <u>10,546,336</u> | <u>11,131,943</u> | <u>9,522,781</u> | <u>10,197,888</u> |
| Expenditures: | | | | | |
| Operations: | | | | | |
| Salaries & Wages | 1,430,800 | 1,415,200 | 1,322,281 | 1,212,280 | 1,178,980 |
| Other Expenses | 6,672,200 | 6,697,424 | 6,173,000 | 5,746,960 | 5,794,060 |
| Capital Improvements | 87,723 | 700,000 | 1,400,000 | 150,000 | 100,000 |
| Municipal Debt Service | 169,276 | 968,302 | 975,000 | 900,174 | 842,655 |
| Statutory Expenditures | 260,000 | 255,000 | 270,000 | 270,000 | 190,000 |
| Prior Year Adjustment | 50,001 | - | - | - | - |
| | <u>8,670,000</u> | <u>10,035,926</u> | <u>10,140,281</u> | <u>8,279,414</u> | <u>8,105,695</u> |
| EXCESS (DEFICIT) IN REVENUE | 426,335 | 510,410 | 991,662 | 1,243,367 | 2,092,193 |
| Fund Balance, January 1 | 510,410 | 2,223,992 | 4,172,611 | 4,535,934 | 4,042,431 |
| | <u>936,745</u> | <u>2,734,402</u> | <u>5,164,273</u> | <u>5,779,301</u> | <u>6,134,624</u> |
| Decreased by: | | | | | |
| Utilized above As Anticipated Revenue | - | 2,223,992 | 2,940,281 | 1,381,690 | 1,373,690 |
| Surplus Transferred to Current Fund | - | - | - | 225,000 | 225,000 |
| FUND BALANCE, DEC. 31 | <u><u>\$ 936,745</u></u> | <u><u>\$ 510,410</u></u> | <u><u>\$ 2,223,992</u></u> | <u><u>\$ 4,172,611</u></u> | <u><u>\$ 4,535,934</u></u> |

Audited information extracted from annual audit filed in accordance with N.J.S.A. 40A:5-4.

**PARKING UTILITY
COMPARATIVE BALANCE SHEET**

| | Balance 12/31/2018 | Balance 12/31/2017 | Balance 12/31/2016 | Balance 12/31/2015 | Balance 12/31/2014 |
|---|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| ASSETS: | | | | | |
| <i>Operating Fund</i> | | | | | |
| Cash & Investments - Treasurer | \$ 4,273,219 | \$ 4,617,053 | \$ 3,761,019 | \$ 3,584,549 | \$ 2,409,782 |
| Interfund Receivables | 12,946 | 2,665 | 1,613 | 165,209 | 169,643 |
| Cash - change fund | 400 | 400 | 400 | 400 | 400 |
| | <u>4,286,565</u> | <u>4,620,118</u> | <u>3,763,032</u> | <u>3,750,158</u> | <u>2,579,825</u> |
| <i>Capital Fund:</i> | | | | | |
| Cash & Investments - Treasurer | 788,506 | 757,125 | 944,569 | 945,083 | 944,460 |
| Uncompleted | 8,200,000 | - | - | - | - |
| Fixed Capital Amount | 50,814,099 | 50,243,796 | 49,981,985 | 49,798,015 | 49,594,955 |
| | <u>59,802,605</u> | <u>51,000,921</u> | <u>50,926,554</u> | <u>50,743,098</u> | <u>50,539,415</u> |
| TOTAL ASSETS: | <u>\$ 64,089,170</u> | <u>\$ 55,621,039</u> | <u>\$ 54,689,586</u> | <u>\$ 54,493,256</u> | <u>\$ 53,119,240</u> |
| LIABILITIES, RESERVES & FUND BALANCE: | | | | | |
| <i>Operating Fund</i> | | | | | |
| Appropriate Reserves | 362,228 | 370,837 | 274,389 | 393,202 | 609,806 |
| Accounts Payable | 9,316 | 5,475 | 5,475 | 284 | 284 |
| Accrued Interest | 92,320 | 95,532 | 98,528 | 102,080 | 104,783 |
| Encumbrances | 442,566 | 153,872 | 202,984 | 161,177 | 24,520 |
| Interfunds Payable - Current Fur | 109,626 | 494,333 | - | 570,318 | - |
| | <u>1,016,056</u> | <u>1,120,049</u> | <u>581,376</u> | <u>1,227,061</u> | <u>739,393</u> |
| Fund Balance | <u>3,270,509</u> | <u>3,500,069</u> | <u>3,181,656</u> | <u>2,523,097</u> | <u>1,840,432</u> |
| | <u>4,286,565</u> | <u>4,620,118</u> | <u>3,763,032</u> | <u>3,750,158</u> | <u>2,579,825</u> |
| <i>Capital Fund:</i> | | | | | |
| Serial Bonds Payable | 23,160,000 | 24,360,000 | 25,480,000 | 26,600,000 | 27,600,000 |
| <i>Improvement Authorizations:</i> | | | | | |
| Improvement Authorizations | 8,200,000 | - | - | - | - |
| Capital Improvement Fund | 52,984 | 52,984 | 52,984 | 242,984 | 242,984 |
| Inter Fund Payable | 12,946 | 2,665 | 190,109 | 623 | - |
| Unfunded | - | - | - | - | 31,162 |
| <i>Reserves for Future Debt Service</i> | | | | | |
| Costs | 27,290 | 27,290 | 27,290 | 27,290 | 27,290 |
| Reserve for Amoritization | 27,654,099 | 25,883,796 | 24,501,985 | 23,198,015 | 21,994,955 |
| Reserved for Basement Repairs | 27,100 | 6,000 | 6,000 | 6,000 | 6,000 |
| Fund Balance | <u>668,186</u> | <u>668,186</u> | <u>668,186</u> | <u>668,186</u> | <u>637,024</u> |
| | <u>59,802,605</u> | <u>51,000,921</u> | <u>50,926,554</u> | <u>50,743,098</u> | <u>50,539,415</u> |
| TOTAL LIABILITIES, RESERVES & FUND BALANCE | <u>\$ 64,089,170</u> | <u>\$ 55,621,039</u> | <u>\$ 54,689,586</u> | <u>\$ 54,493,256</u> | <u>\$ 53,119,240</u> |

Audited information extracted from annual audit filed in accordance with N.J.S.A. 40A:5-4.

PARKING UTILITY

COMPARATIVE STATEMENT OF OPERATIONS & CHANGES IN FUND BALANCE

| | Balance 12/31/2018 | Balance 12/31/2017 | Balance 12/31/2016 | Balance 12/31/2015 | Balance 12/31/2014 |
|-----------------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| Revenue & Other Income | | | | | |
| Fund Balance Utilized | \$ 489,060 | \$ 72,500 | \$ 138,700 | \$ 561,358 | \$ 587,100 |
| Parking Fees | 2,418,207 | 2,399,663 | 2,385,233 | 2,123,322 | 2,206,056 |
| Rents and Other | 968,449 | 960,000 | 940,000 | 1,097,842 | 880,710 |
| Non-Budgeted Revenue | 64,963 | 12,199 | 6,361 | 3,628 | 440 |
| Interest on Investments | - | - | - | - | 1,725 |
| Other Credits to Income: | | | | | |
| Appropriation Reserves Lapsed | 93,732 | 281,406 | 398,140 | 629,662 | 42,690 |
| | <u>4,034,411</u> | <u>3,725,768</u> | <u>3,868,434</u> | <u>4,415,812</u> | <u>3,718,721</u> |
| Expenditures | | | | | |
| Operations: | | | | | |
| Salaries & Wages | 487,560 | 478,000 | 372,300 | 367,000 | 338,000 |
| Other | 746,500 | 460,500 | 407,400 | 413,835 | 413,835 |
| Capital Improvements | 600,000 | 500,000 | 400,000 | 650,000 | 613,700 |
| Municipal Debt Service | 1,840,850 | 1,782,355 | 1,802,475 | 1,702,954 | 1,717,700 |
| Surplus (General Budget) | - | 50,000 | 50,000 | - | - |
| Statutory Expenditures | 100,000 | 64,000 | 39,000 | 38,000 | 38,000 |
| | <u>3,774,910</u> | <u>3,334,855</u> | <u>3,071,175</u> | <u>3,171,789</u> | <u>3,121,235</u> |
| EXCESS IN REVENUE | 259,501 | 390,913 | 797,259 | 1,244,023 | 597,486 |
| Fund Balance, January 1 | 3,500,069 | 3,181,656 | 2,523,097 | 1,840,432 | 1,830,046 |
| | <u>3,759,570</u> | <u>3,572,569</u> | <u>3,320,356</u> | <u>3,084,455</u> | <u>2,427,532</u> |
| Decreased by: | | | | | |
| Utilized As Anticipated Revenue | 489,060 | 72,500 | 138,700 | 561,358 | 587,100 |
| FUND BALANCE, DEC. 31 | <u><u>\$ 3,270,510</u></u> | <u><u>\$ 3,500,069</u></u> | <u><u>\$ 3,181,656</u></u> | <u><u>\$ 2,523,097</u></u> | <u><u>\$ 1,840,432</u></u> |

Audited information extracted from annual audit filed in accordance with N.J.S.A. 40A:5-4.

POOL UTILITY
COMPARATIVE BALANCE SHEET

| | Balance 12/31/2018 | Balance 12/31/2017 | Balance 12/31/2016 | Balance 12/31/2015 | Balance 12/31/2014 |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| ASSETS: | | | | | |
| <i>Operating Fund:</i> | \$ 797,038 | \$ 317,682 | \$ 987,032 | \$ 301,611 | \$ 510,406 |
| Interfunds Receivable | 2,642 | 576,186 | 7,675 | 440,519 | 5,448 |
| | <u>799,680</u> | <u>893,868</u> | <u>994,707</u> | <u>742,130</u> | <u>515,854</u> |
| <i>Capital Fund:</i> | | | | | |
| Cash | 465,270 | 513,945 | 640,893 | 54,681 | 365,057 |
| Investments | - | - | 254,000 | - | - |
| Fixed Capital - Completed | 4,473,598 | 4,357,978 | 4,250,290 | 4,172,894 | 3,038,833 |
| Fixed Capital - Authorized & uncompleted | 2,673,726 | 2,673,726 | 2,673,726 | 2,673,726 | 3,700,000 |
| Interfund Receivable | 23,610 | | | 262,814 | 435,748 |
| Total Capital Fund | <u>7,636,204</u> | <u>7,545,649</u> | <u>7,818,909</u> | <u>7,164,115</u> | <u>7,539,638</u> |
| TOTAL ASSETS | \$ 8,435,884 | \$ 8,439,517 | \$ 8,813,616 | \$ 7,906,245 | \$ 8,055,492 |
| LIABILITIES, RESERVES & FUND BALANCE: | | | | | |
| <i>Operating Fund:</i> | | | | | |
| Encumbrances | 52,848 | 29,729 | 16,586 | 35,486 | 6,800 |
| Appropriation Reserves | 101,310 | 87,239 | 62,879 | 13,778 | 88,234 |
| Current Fund | | | | | |
| Interfund Payable | 41,240 | - | 1 | - | - |
| Accrued Int. on Notes | 63,521 | 20,917 | 27,340 | 11,361 | 12,341 |
| Accounts Payable | 2,954 | 1,578 | 3,028 | 3,028 | 3,028 |
| Principal | <u>261,873</u> | <u>139,463</u> | <u>109,834</u> | <u>63,653</u> | <u>110,403</u> |
| Fund Balance | 537,807 | 754,405 | 884,873 | 678,477 | 405,451 |
| | <u>\$ 799,680</u> | <u>\$ 893,868</u> | <u>\$ 994,707</u> | <u>\$ 742,130</u> | <u>\$ 515,854</u> |
| <i>Capital Fund:</i> | | | | | |
| Bond Anticipation Notes | 2,650,000 | 2,020,000 | 2,375,000 | 1,450,000 | 1,575,000 |
| Improve Author. - Unfunded | 173,175 | 234,753 | 1,841,399 | 2,097,782 | 2,899,208 |
| Reserve for Encumbrances | - | - | - | 38,356 | - |
| Reserve for Amortization | 4,497,324 | 4,011,704 | 3,549,016 | 3,271,620 | 3,038,833 |
| Interfund Payable | 233,642 | 1,226,165 | 467 | 269,422 | - |
| Fund Balance | 82,063 | 53,027 | 53,027 | 36,935 | 26,597 |
| | <u>7,636,204</u> | <u>7,545,649</u> | <u>7,818,909</u> | <u>7,164,115</u> | <u>7,539,638</u> |
| TOTAL LIABILITIES, RESERVES & FUND BALANCE | \$ 8,435,884 | \$ 8,439,517 | \$ 8,813,616 | \$ 7,906,245 | \$ 8,055,492 |

Audited information extracted from annual audit filed in accordance with N.J.S.A. 40A:5-4.

POOL UTILITY

COMPARATIVE STATEMENT OF OPERATIONS & CHANGES IN FUND BALANCE

| | Balance 12/31/2018 | Balance 12/31/2017 | Balance 12/31/2016 | Balance 12/31/2015 | Balance 12/31/2014 |
|-----------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Revenue & Other Income | | | | | |
| Fund Balance Utilized | \$ 399,361 | \$ 312,800 | \$ 256,240 | \$ 173,230 | \$ 120,270 |
| Pool Fees | 1,253,438 | 1,181,696 | 1,172,964 | 1,089,405 | 755,019 |
| Food Stand Revenue | 18,355 | 17,825 | 21,000 | 18,500 | 13,000 |
| Non Budget Revenue | 13,435 | 7,865 | 114,682 | 36,257 | 7,828 |
| Other Credits to Income: | | | | | |
| Accounts Payable Cancelled | - | 1,450 | - | - | - |
| Appropriation Reserves Lapsed | 14,534 | 68,791 | 26,990 | 70,065 | 48,491 |
| TOTAL RECEIVED | 1,699,123 | 1,590,427 | 1,591,876 | 1,387,457 | 944,608 |
| Expenditures | | | | | |
| Operations: | | | | | |
| Salaries & Wages | 518,657 | 475,000 | 490,000 | 429,000 | 387,000 |
| Other Expenses | 380,861 | 397,800 | 280,740 | 251,230 | 208,270 |
| Capital Outlay | 150,000 | 120,000 | 100,000 | 92,700 | 100,000 |
| Municipal Debt Service | 436,343 | 384,795 | 230,000 | 139,771 | 12,341 |
| Statutory Expenditures | 30,500 | 30,500 | 28,500 | 28,500 | 28,500 |
| | 1,516,361 | 1,408,095 | 1,129,240 | 941,201 | 736,111 |
| EXCESS IN REVENUE | 182,762 | 182,332 | 462,636 | 446,256 | 208,497 |
| Fund Balance, January 1 | 754,405 | 884,873 | 678,477 | 405,451 | 317,224 |
| | 937,167 | 1,067,205 | 1,141,113 | 851,707 | 525,721 |
| Decreased by: | | | | | |
| Utilized as Anticipated Revenue | 399,361 | 312,800 | 256,240 | 173,230 | 120,270 |
| FUND BALANCE, DEC. 31 | \$ 537,806 | \$ 754,405 | \$ 884,873 | \$ 678,477 | \$ 405,451 |

Audited information extracted from annual audit filed in accordance with N.J.S.A. 40A:5-4.

**POLICE TRAINING UTILITY
COMPARATIVE BALANCE SHEET**

| | Balance 12/31/2018 | Balance 12/31/2017 | Balance 12/31/2016 | Balance 12/31/2015 | Balance 12/31/2014 |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| ASSETS: | | | | | |
| Operating Fund: | | | | | |
| Cash - Treasurer | \$ 644,486 | \$ 577,149 | \$ 505,812 | \$ 474,818 | \$ 416,927 |
| Interfund Receivable | - | 240 | - | - | 4,656 |
| TOTAL ASSETS | \$ 644,486 | \$ 577,389 | \$ 505,812 | \$ 474,818 | \$ 421,583 |
| LIABILITIES, RESERVES & FUND BALANCE: | | | | | |
| Reserve for Encumbrances | 65,300 | 55,847 | 10,112 | 2,523 | 463 |
| Interfund Payable | - | - | - | 34,379 | - |
| Appropriation Reserves | 100,629 | 76,009 | 154,618 | 180,176 | 194,197 |
| Accounts Payable | 615 | 545 | 545 | - | - |
| | 166,544 | 132,401 | 165,275 | 217,078 | 194,660 |
| Fund Balance | 477,943 | 444,988 | 340,537 | 257,740 | 226,923 |
| TOTAL LIABILITIES, RESERVES & FUND BALANCE | \$ 644,487 | \$ 577,389 | \$ 505,812 | \$ 474,818 | \$ 421,583 |

Audited information extracted from annual audit filed in accordance with N.J.S.A. 40A:5-4.

POLICE TRAINING UTILITY

COMPARATIVE STATEMENT OF OPERATIONS & CHANGES IN FUND BALANCE

| | Balance 12/31/2018 | Balance 12/31/2017 | Balance 12/31/2016 | Balance 12/31/2015 | Balance 12/31/2014 |
|------------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Revenue and Other Income: | | | | | |
| Fund Balance | \$ 94,200 | \$ 93,000 | \$ 165,000 | \$ 190,000 | \$ 190,000 |
| Shooting Qualifications | 172,865 | 182,443 | 152,941 | 109,810 | 126,250 |
| Non-Budgeted Revenue | 28,538 | 37,958 | 17,648 | 25,252 | 28,095 |
| Other Credits to Income: | | | | | |
| Unexpended Bal. of Appr. Reserve | 77,752 | 127,050 | 180,208 | 188,755 | 107,467 |
| | <u>373,355</u> | <u>440,451</u> | <u>515,797</u> | <u>513,817</u> | <u>451,812</u> |
| Expenditures: | | | | | |
| Salaries & Wages | 61,200 | 60,000 | 60,000 | 53,000 | 53,000 |
| Other Expenses | 85,000 | 83,000 | 103,000 | 140,000 | 140,000 |
| Capital Outlay | 100,000 | 100,000 | 100,000 | 100,000 | 100,000 |
| Statutory Expenditures | - | - | 5,000 | - | - |
| | <u>246,200</u> | <u>243,000</u> | <u>268,000</u> | <u>293,000</u> | <u>293,000</u> |
| EXCESS IN REVENUE | 127,155 | 197,451 | 247,797 | 220,817 | 158,812 |
| Fund Balance, January 1 | 444,988 | 340,537 | 257,740 | 226,923 | 258,111 |
| | <u>572,143</u> | <u>537,988</u> | <u>505,537</u> | <u>447,740</u> | <u>416,923</u> |
| Decreased by: | | | | | |
| Utilization as Anticipated Revenue | 94,200 | 93,000 | 165,000 | 190,000 | 190,000 |
| FUND BALANCE, DEC. 31 | <u><u>\$ 477,943</u></u> | <u><u>\$ 444,988</u></u> | <u><u>\$ 340,537</u></u> | <u><u>\$ 257,740</u></u> | <u><u>\$ 226,923</u></u> |

Audited information extracted from annual audit filed in accordance with N.J.S.A. 40A:5-4.

**SEWER UTILITY
COMPARATIVE BALANCE SHEET**

| | Balance 12/31/2018 | Balance 12/31/2017 | Balance 12/31/2016 | Balance 12/31/2015 | Balance 12/31/2014 |
|---|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| ASSETS: | | | | | |
| Operating Fund: | | | | | |
| Cash Investments | \$ 6,786,862 | \$ 891,035 | \$ 8,041,622 | \$ 6,443,643 | \$ 5,010,116 |
| Interfunds Receivable | - | 5,241,363 | 7,343 | 441,080 | - |
| Due from Sewer Utility Cap. Fund | 3,890 | - | - | - | - |
| | <u>6,790,752</u> | <u>6,132,398</u> | <u>8,048,965</u> | <u>6,884,723</u> | <u>5,010,116</u> |
| Receivables with Full Reserves: | | | | | |
| Consumer Accts. Receivable | 967,805 | 371,614 | 377,162 | 386,189 | 422,300 |
| Deferred Charge: | | | | | |
| Emergency Appropriations | - | - | - | 176,117 | 176,117 |
| Over Expenditure of an Appropriation | - | - | - | 20,221 | 20,221 |
| Total Operating Fund | <u>7,758,557</u> | <u>6,504,012</u> | <u>8,426,127</u> | <u>7,467,250</u> | <u>5,628,754</u> |
| Capital Fund | | | | | |
| Cash & Investments | 319,025 | 324,526 | 845,351 | 852,414 | 855,162 |
| Interfund Receivable | - | 109,615 | - | 2,872 | - |
| Fixed Capital | 27,515,483 | 26,970,072 | 25,872,736 | 25,872,736 | 25,790,404 |
| Fixed Capital - Authorized & Uncompleted | 2,010,000 | 2,250,000 | 5,353,773 | 5,353,773 | 5,353,773 |
| Due from General Capital | - | - | - | - | - |
| Total Capital Fund | <u>29,844,508</u> | <u>29,654,213</u> | <u>32,071,860</u> | <u>32,081,795</u> | <u>31,999,339</u> |
| TOTAL ASSETS | \$ 37,603,065 | \$ 36,158,225 | \$ 40,497,987 | \$ 39,549,045 | \$ 37,628,093 |
| LIABILITIES, RESERVES & FUND BALANCE: | | | | | |
| Operating Fund - Cash Liabilities: | | | | | |
| Appropriation Reserves | 904,415 | 796,011 | 1,021,200 | 469,539 | 150,000 |
| Encumbrances Payable | 352,187 | 104,877 | 32,250 | 25,885 | 139,593 |
| Accounts Payable | 2,214 | 3,286 | 2,935 | 2,907 | 29,585 |
| Interfund Payable | 1,815,326 | 79,199 | 3,525,743 | 3,145,619 | 1,431,405 |
| Accrued Interest on Bonds | - | 8,481 | 4,331 | 4,892 | 5,598 |
| Reserve for Bond Resere Fund | - | - | 250,000 | 289,000 | 318,500 |
| Capital Improvement Fund | - | - | 258,000 | 250,000 | 250,000 |
| Various Reserves | 74,403 | 74,403 | 74,403 | 74,403 | 74,403 |
| Due to: | | | | | |
| Rent Overpayments | 18,499 | 22,505 | 28,333 | 1,549 | 2,205 |
| | <u>3,167,044</u> | <u>1,088,762</u> | <u>5,197,195</u> | <u>4,263,794</u> | <u>2,401,289</u> |
| Reserve for Receivables | 967,805 | 371,614 | 377,162 | 386,189 | 422,300 |
| Fund Balance | 3,623,708 | 5,043,636 | 2,851,770 | 2,817,270 | 2,805,165 |
| Total Operating Fund | <u>7,758,557</u> | <u>6,504,012</u> | <u>8,426,127</u> | <u>7,467,253</u> | <u>5,628,754</u> |
| Capital Fund | | | | | |
| Bond Anticipation Notes | - | 1,720,000 | - | - | - |
| Interfund Payable | 53,890 | 20,000 | 2,014 | 11,949 | - |
| Serial Bonds | - | - | 2,260,000 | 2,580,000 | 2,890,000 |
| Resere for Amoritization | 29,235,483 | 26,740,072 | 24,382,736 | 24,062,736 | 23,670,404 |
| Reserve to Pay Note Principal | - | 470,000 | 470,000 | 470,000 | 470,000 |
| Reserve for Debt Service | 210,456 | 260,456 | 381,456 | 381,456 | 393,281 |
| Capital Improvement FUnd | 2,116 | 2,116 | 122,116 | 122,116 | 122,116 |
| Fund Balance | 112,927 | 112,927 | 24,896 | 24,896 | 24,896 |
| Improvement Authorizations: | | | | | |
| Funded | 153,286 | 243,642 | 314,869 | 314,869 | 314,869 |
| Unfunded | 76,350 | 85,000 | 4,113,773 | 4,113,773 | 4,113,773 |
| Total Capital Fund | <u>29,844,508</u> | <u>29,654,213</u> | <u>32,071,860</u> | <u>32,081,795</u> | <u>31,999,339</u> |
| TOTAL LIABILITIES, RESERVES & FUND BALANCE | \$ 37,603,065 | \$ 36,158,225 | \$ 40,497,987 | \$ 39,549,048 | \$ 37,628,093 |

Audited informaton extracted from annual audit filed in accordance with N.J.S.A. 40A:5-4.

SEWER UTILITY

COMPARATIVE STATEMENT OF OPERATIONS & CHANGES IN FUND BALANCE

| | Balance 12/31/2018 | Balance 12/31/2017 | Balance 12/31/2016 | Balance 12/31/2015 | Balance 12/31/2014 |
|---|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| Revenue & Other Income Realized: | | | | | |
| Fund Balance Utilized | \$ 2,388,310 | \$ 400,500 | \$ 701,388 | \$ 1,197,117 | \$ 1,043,613 |
| Rents | 6,336,585 | 5,885,639 | 5,696,212 | 5,857,451 | 5,680,106 |
| Connection Fees | 206,949 | 1,192,207 | 217,530 | 181,394 | 52,127 |
| Interest on Investment | 37,548 | - | - | 6,498 | 2,938 |
| Non-budgeted Revenue | 63,101 | 90,165 | 21,665 | 39,158 | 30,442 |
| Other Credits to Income: | | | | | |
| Transfer of Reserves, net | - | - | 31,000 | 29,500 | 18,974 |
| Canceled Accounts Payable | - | 508,000 | - | 28,413 | - |
| Unexpended Bal. of Approp. Res. | 479,418 | 697,217 | 458,632 | 104,808 | 150,794 |
| Total Revenue | 9,511,911 | 8,773,728 | 7,126,427 | 7,444,339 | 6,978,994 |
| Expenditures: | | | | | |
| Operations: | | | | | |
| Salary & Wages | 771,310 | 730,500 | 745,500 | 766,200 | 717,000 |
| Other Expenses | 4,852,000 | 4,531,000 | 4,532,550 | 4,534,400 | 4,632,038 |
| Debt Service | 2,160,219 | 434,862 | 431,151 | 421,582 | 1,037,552 |
| Capital Improvements | 500,000 | 185,000 | 300,000 | 329,935 | 150,000 |
| Deferred Charges | - | - | 176,117 | - | - |
| Statutory Expenditures | 260,000 | 300,000 | 185,000 | 183,000 | 155,000 |
| Deficit in Operations in prior year | - | - | 20,221 | - | 7,710 |
| Total Expenditures | 8,543,529 | 6,181,362 | 6,390,539 | 6,235,117 | 6,699,300 |
| EXCESS IN REVENUE | 968,382 | 2,592,366 | 735,888 | 1,209,222 | 279,694 |
| Adjustments to income before fund balance: | | | | | |
| Deferred Charges to Budgets of Succeeding Years: | | | | | |
| Emergency Appropriation | - | - | - | - | 176,117 |
| Overexpenditure of an Appropriation | - | - | - | - | 20,221 |
| Total Adjustments to Income Before Fund Bal. | - | - | - | - | 196,338 |
| Excess in Revenue | 968,382 | 2,592,366 | 735,888 | 1,209,222 | 476,032 |
| Fund Balance January 1 | 5,043,636 | 2,851,770 | 2,817,270 | 2,805,165 | 3,372,746 |
| | 6,012,018 | 5,444,136 | 3,553,158 | 4,014,387 | 3,848,778 |
| Decreased by: | | | | | |
| Utilized as Anticipated Revenue | 2,388,310 | 400,500 | 701,388 | 1,197,117 | 1,043,613 |
| FUND BALANCE, DEC. 31 | \$ 3,623,708 | \$ 5,043,636 | \$ 2,851,770 | \$ 2,817,270 | \$ 2,805,165 |

Audited informaton extracted from annual audit filed in accordance with N.J.S.A. 40A:5-4.

AUDITED FINANCIAL STATEMENTS
Are available at

https://www.eastbrunswick.org/filestorage/1137/1159/2018_Audit_.pdf

APPENDIX C

**Form of Approving Legal Opinion of
Bond Counsel for the Note**



_____, 2019

Township Council of the
Township of East Brunswick, in the
County of Middlesex, New Jersey

Dear Council Members:

We have acted as bond counsel to the Township of East Brunswick, in the County of Middlesex, New Jersey (the "Township") in connection with the issuance by the Township of a \$14,530,000 Bond Anticipation Note (the "Note"). In order to render the opinions herein, we have examined laws, documents and records of proceedings, or copies thereof, certified or otherwise identified to our satisfaction, and have undertaken such research and analyses as we have deemed necessary.

The Note is issued pursuant to the Local Bond Law of the State of New Jersey and the bond ordinances of the Township listed in the Certificate of Determination and Award dated the date hereof, each in all respects duly approved and published as required by law. The Note is a temporary obligation issued in anticipation of the issuance of bonds.

In our opinion, except insofar as the enforcement thereof may be limited by any applicable bankruptcy, moratorium or similar laws or application by a court of competent jurisdiction of legal or equitable principles relating to the enforcement of creditors' rights, the Note is valid and legally binding obligations of the Township, payable in the first instance from the proceeds of the sale of the bonds in anticipation of which the Note is issued, but, if not so paid, payable ultimately from *ad valorem* taxes that may be levied upon all the taxable real property within the Township without limitation as to rate or amount.

On the date hereof, the Township has covenanted in its Arbitrage and Tax Certificate (the "Certificate") to comply with certain continuing requirements that must be satisfied subsequent to the issuance of the Notes in order to preserve the tax-exempt status of the Notes pursuant to Section 103(a) of the Internal Revenue Code of 1986, as amended (the "Code"). Pursuant to Section 103(a) of the Code, failure to comply with these requirements could cause interest on the Notes to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Notes. In the event that the Township continuously complies with its covenants and in reliance on representations, certifications of fact and statements of reasonable expectations made by the Township in the Certificate, it is our opinion that, under existing law, interest on the Notes is excluded from gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Code. Interest on the Notes is not an item of tax preference under Section 57 of the Code for purposes of computing alternative minimum tax. We express no opinion regarding other federal tax consequences arising with respect to the Notes. Further, in our opinion, based upon existing law, interest on the Notes and any gain on the sale thereof are not included in gross income under the New Jersey Gross Income Tax Act. These opinions are based on existing statutes, regulations, administrative pronouncements and judicial decisions.

This opinion is issued as of the date hereof. We assume no obligation to update, revise or supplement this opinion to reflect any facts or circumstances that may come to our attention or any changes in law or interpretations thereof that may occur after the date of this opinion or for any reason whatsoever.

Very truly yours,