

**NEW ISSUE
BOOK-ENTRY ONLY****NOT RATED**

In the opinion of Bond Counsel, interest on the Notes is excluded from gross income for purposes of federal income taxation under existing statutes, regulations, rulings and court decisions, subject to the conditions described in "TAX MATTERS -- Federal" herein. Interest on the Notes will not be a specific preference item for purposes of the individual and corporate alternative minimum taxes; however, such interest is taken into account in computing the alternative minimum tax for certain corporations and may be subject to certain other federal taxes affecting corporate holders of the Notes. Under the laws of the State of New Jersey, as enacted and construed on the date hereof, interest on the Notes and any gain from the sale thereof are excluded from gross income for purposes of the New Jersey Gross Income Tax Act. For a more complete discussion see "TAX MATTERS" herein

\$17,650,905
TOWNSHIP OF BERKELEY
IN THE COUNTY OF OCEAN, NEW JERSEY
BOND ANTICIPATION NOTES
(Non-Callable)
Coupon: ___% Yield: ___%

Dated: Date of Delivery**Due: May 25, 2016**

The \$17,650,905 aggregate principal amount of Bond Anticipation Notes, dated the date of delivery (the "Notes"), are general obligations of the Township, payable in the first instance from the proceeds of the sale of the bonds in anticipation of the issuance of which the Notes are issued, but if not so paid or if not paid from other sources, are payable ultimately from *ad valorem* taxes levied upon all the taxable property within the Township for the payment of the Notes and the interest thereon without limitation as to rate or amount.

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

The Notes will bear interest at the rate per annum, as shown above, commencing from their date of delivery. Interest on the Notes will be payable at maturity, as shown above. Principal of and interest on the Notes will be payable by the Township or a duly designated paying agent at the date of maturity. While DTC is acting as securities depository for the Notes, the principal of and interest on the Notes will be payable by wire transfer to DTC or its nominee, which is obligated to remit such principal and interest payments to DTC Participants. DTC Participants and Indirect Participants will be responsible for remitting such principal and interest payments to the Beneficial Owners of the Notes. See "BOOK-ENTRY ONLY SYSTEM" herein.

The Notes are authorized by, and are issued pursuant to, the provisions of the Local Bond Law and various bond ordinances duly adopted by the Township Council on the dates set forth herein. The Notes are being issued to: (i) refund, on a current basis, the \$11,409,928 aggregate principal amount of outstanding bond anticipation notes of the Township dated August 26, 2014 and maturing August 25, 2015; and (ii) temporarily finance the cost of various capital improvements in and by the Township in the amount of \$6,240,977.

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

The Notes are not debt or obligations, legal, moral or otherwise of the State of New Jersey, or any county, municipality or political subdivision thereof other than the Township. For information concerning the Township, see Appendix A and Appendix B herein.

This cover page and inside front cover page contain certain information for quick reference only. It is not a summary of the issue. Investors must read the entire Official Statement, including all appendices, to obtain information essential to making an informed investment decision.

The Notes are offered when, as and if issued and delivered subject to the approval of the legality thereof by Dilworth Paxson LLP, Red Bank, New Jersey, Bond Counsel, and certain other conditions. Phoenix Advisors, LLC, Bordentown, New Jersey has served as Financial Advisor to the Township in connection with the issuance of the Notes. Certain legal matters will be passed upon for the Township by the Township Attorney, George Gilmore, Esq., Gilmore & Monahan, P.A., Toms River, New Jersey. It is anticipated that the Notes will be available for delivery through DTC on or about August 25, 2015.

**BIDS FOR THE NOTES, IN ACCORDANCE WITH THE FULL NOTICE OF SALE FOR THE NOTES, WILL BE RECEIVED
 BY THE FINANCIAL ADVISOR, ON BEHALF OF THE TOWNSHIP, UNTIL 11:00 A.M. ON AUGUST 19, 2015,
 TELECOPIER: (609) 291-9940, OR EMAIL: AINVERSO@MUNIADVISORS.COM.**

**TOWNSHIP OF BERKELEY
IN THE COUNTY OF OCEAN, NEW JERSEY
627 PINEWALD-KESWICK ROAD
BAYVILLE, NJ 08721
(732) 244-7400**

MAYOR

Carmen F. Amato, Jr.

TOWNSHIP COUNCIL

Judy Noonan - President
John Bacchione - Vice President
Anthony G. DePaola
L. Thomas Grosse, Jr.
James J. Byrnes
Angelo Guadagno
Sophia Gingrich

BUSINESS ADMINISTRATOR

Christopher Reid, Esq.

CHIEF FINANCIAL OFFICER/TREASURER/ASSISTANT ADMINISTRATOR

Frederick C. Ebenau

TAX COLLECTOR

Danielle C. Peacock, CTC

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George Gilmore, Esq.
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Toms River, New Jersey

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Holman Frenia Allison, P.C.
Toms River, New Jersey

BOND COUNSEL

Dilworth Paxson LLP
Red Bank, New Jersey

FINANCIAL ADVISOR

Phoenix Advisors, LLC
Bordentown, New Jersey

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 Notes other than those contained in this document, 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 of accuracy or completeness and such information is not to be construed as a representation of warranty by the Underwriter or, as to information from sources other than itself, by the Township. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this document nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in any of the information herein since the date hereof, or the date as of which such information is given, if earlier.

References in this document 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.

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

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**OFFICIAL STATEMENT
OF THE
TOWNSHIP OF BERKELEY
IN THE COUNTY OF OCEAN, NEW JERSEY
RELATING TO
\$17,650,905 BOND ANTICIPATION NOTES**

INTRODUCTION

This Official Statement, which includes the cover page, inside cover page and the appendices attached hereto, has been prepared by the Township of Berkeley (the “Township”), in the County of Ocean (the “County”), New Jersey (the “State”) in connection with the sale and issuance of \$17,650,905 aggregate principal amount of Bond Anticipation Notes (the “Notes”) of the Township.

THE NOTES

General Description

The Notes shall be dated and shall bear interest from their date of delivery and shall mature as shown on the cover of this Official Statement. The Notes shall bear interest at the rate as indicated on the cover of this Official Statement, payable upon maturity. Interest on the Notes is calculated on the basis of twelve (12) thirty (30) day months in a three hundred sixty (360) day year.

The Notes will be issued as fully registered notes in book-entry only form, and when issued, will be registered in the name of and held by Cede & Co., as nominee of DTC. DTC will act as securities depository for the Notes. Principal of and interest on the Notes will be payable by the Township or a duly designated paying agent on the date of maturity by wire transfer of immediately available funds to DTC or its nominee. Purchases of beneficial interests in the Notes will be made in book-entry only form, without certificates, in denominations of \$5,000 or any integral multiple thereof, except that those Notes in excess of the largest principal amount thereof not equaling a multiple of \$5,000 shall be in denominations of \$1,000 or any integral multiple thereof (or any necessary odd denomination), through book entries made on the books and records of DTC and its participants. Under certain circumstances, such beneficial interests in the Notes are exchangeable for one or more fully registered Note certificates in authorized denominations.

The Note certificate will be on deposit with DTC. DTC will be responsible for maintaining a book-entry system for recording the interests of its participants and transfers of the interests among its participants. The participants will be responsible for maintaining records regarding the beneficial ownership interests in the Notes on behalf of the individual purchasers. Individual purchasers of the Notes will not receive certificates representing their beneficial ownership interests in the Notes, but each book-entry owner will receive a credit balance on the books of its nominee, and this credit balance will be confirmed by an initial transaction statement stating the details of the Notes purchased. So long as DTC or its nominee, Cede & Co., is the registered owner of the Notes, payments of the principal of and interest on the Notes will be made by the Township or a duly designated paying agent directly to DTC or its nominee, Cede & Co., which will in turn remit such payments to DTC Participants, which will in turn remit such payments to the beneficial owners of the Notes. See “Book-Entry-Only System” herein.

Purpose of the Notes

The Notes are being issued to (i) refund, on a current basis, the \$11,409,928 aggregate principal amount of outstanding bond anticipation notes of the Township dated August 26, 2014 and maturing

August 25, 2015 (the “Prior Notes”); and (ii) temporarily finance the cost of various capital improvements in and by the Township in the amount of \$6,240,977. The Notes, and the improvements or purposes for which the Notes are to be issued, have been authorized by bond ordinances duly adopted by the Township, which bond ordinances are described in the following table by ordinance number, description and date of final adoption, and amount of Notes to be issued for such purposes:

Ordinance Number	Description	Amount of Prior Notes Being Refunded with the Notes	Amount of New Money
12-14-OA	Various Capital Improvements, finally adopted July 10, 2012	\$1,132,904	\$0
13-26-OA	Various Capital Improvements, finally adopted July 8, 2013	4,376,666	0
14-03-OA	Various Capital Improvements and the Acquisition of Various Capital Equipment, finally adopted February 24, 2014	5,900,358	0
15-01-OA	Various Capital Improvements and the Acquisition of Various Capital Equipment, finally adopted January 26, 2015	<u>0</u>	<u>6,240,977</u>
TOTAL:		<u>\$11,409,928</u>	<u>\$6,240,977</u>

Payment of Notes

As hereinafter stated, the Notes are general obligations of the Township for which the full faith and credit of the Township will be pledged. The Township is authorized and required by law to levy *ad valorem* taxes on all taxable property within the Township for the payment of principal of and interest on Notes without limitation as to rate or amount.

Optional Redemption

The Notes are not subject to redemption prior to maturity.

Authorization for the Issuance of the Notes

The Notes have been authorized and are being issued pursuant to the Local Bond Law. The Notes are authorized by the bond ordinances adopted by the Township Council on the dates set forth under “Purpose of the Notes” herein and published and approved as required by law.

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

SECURITY FOR THE NOTES

The Notes are general obligations of the Township, and the Township has pledged its full faith and credit for the payment of the principal, redemption premium, if any, and the interest on the Notes. The Township is required by law to levy *ad valorem* taxes on all taxable real property in the Township for the payment of the principal, redemption premium, if any, of and the interest on the Notes, without limitation as to rate or amount.

The Township

The Township is located along the central coastline of Ocean County, New Jersey. See Appendix “A” for demographic and statistical information concerning the Township.

SUPERSTORM SANDY

On October 29, 2012, Superstorm Sandy, then a Category 1 post-tropical cyclone, struck the southern Atlantic coast of New Jersey (the “Storm”). The resulting Storm surge and winds caused catastrophic damage to many coastal and riverfront communities, as well as widespread physical damage (including loss of electrical power and other utilities) throughout the State. In the days following the Storm, most schools and businesses – and many roads, bridges and public transportation systems – were closed.

Certain expenses relating to debris removal, emergency protective measures, repairs and reconstruction of roads, bridges, utility systems and governmental buildings, and restoration of parks may be eligible for financial assistance from FEMA. New Jersey law permits governmental entities to borrow to pay for certain extraordinary expenses caused by natural disasters such as the Storm. To date, the Township has received \$1,193,949.91 in reimbursements from FEMA. In addition, \$86,805.41 has been received from insurance.

The Township has more waterfront communities than any other town in the County and, therefore, sustained significant wind and flood damage from the Storm. The Township lost electrical power, transportation was temporarily disrupted, and many homes had substantial water damage as a result of the Storm. Approximately 11% of all residential structures in the Township were impacted by the Storm, which equates to approximately 3,200 structures (all of which are bay-front properties) out of a total of approximately 23,000 residential dwellings. Only 41 homes were severely damaged and need to be demolished while 500 additional homes were substantially damaged. All residential structures are expected to be or have been repaired or rebuilt for occupancy. None of the top ten taxpayers in the Township incurred significant damage due to the Storm. The property damage inflicted by the Storm had increased property tax appeals, however, in 2015, ratables have begun to increase and fewer property tax appeals have been filed.

The Township currently has \$3,600,000 of Special Emergency Notes outstanding (originally issued in the amount of \$6,000,000 on March 15, 2013), which was used to fund certain expenses related to the Storm. Such Special Emergency Notes are to be paid by budget appropriations in each of the Township’s next five budgets following issuance, in the amount of one-fifth of the amount issued. To date, the Township has made such required budgetary appropriations.

BOOK-ENTRY-ONLY SYSTEM

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

DTC will act as securities depository for the Notes. The Notes 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 certificate will be issued in the aggregate principal amount of the Notes deposited with DTC.

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

Purchases of the Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC's records. The ownership interest of each actual purchaser of the Notes ("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 Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Notes, except in the event that use of the book-entry system for the Notes 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 Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Notes unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Township or its designated Paying Agent 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 Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

DTC may discontinue providing its services as depository with respect to the Notes at any time by giving reasonable notice to the Township or its designated Paying Agent. Under such circumstances, in the event that a successor 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.

NEITHER THE TOWNSHIP NOR ITS DESIGNATED PAYING AGENT WILL HAVE THE RESPONSIBILITY OR OBLIGATION TO THE DIRECT PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS TO OR PROVIDING OF NOTICE FOR THE DIRECT PARTICIPANTS, OR THE INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS.

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

Discontinuance of Book-Entry Only System

In the event that the book-entry only system is discontinued and the Beneficial Owners become registered owners of the Notes, the following provisions apply: (i) the Notes may be exchanged for an equal aggregate principal amount of Notes in other authorized denominations and of the same maturity, upon surrender thereof at the office of the Township or its designated paying agent; (ii) the transfer of any Notes may be registered on the books maintained by the paying agent for such purposes only upon the surrender thereof to the Township, or its designated paying agent, together with the duly executed assignment in form satisfactory to the Township, or its designated paying agent; and (iii) for every exchange or registration of transfer of Notes, the Township or its designated paying agent, may make a charge sufficient to reimburse for any tax or other governmental charge required to be paid with respect to such exchange or registration of transfer of the Notes. Interest on the Notes will be payable by check or draft, mailed on each Interest Payment Date to the registered owners thereof as of the close of business at maturity with respect to the Notes.

MUNICIPAL FINANCE – FINANCIAL REGULATION OF COUNTIES AND MUNICIPALITIES

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

The Local Bond Law generally governs the issuance of bonds 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, with no annual principal payment greater than 100% of the smallest amount of any prior year's principal amount. A 5% cash down payment is generally required toward the financing of expenditures for municipal purposes, except for the issuance of refunding bonds. All bonds issued by the Township are general full faith and credit obligations.

Debt Limits

The authorized bonded indebtedness of the Township is limited by statute, subject to the exceptions noted below, to an amount equal to 3½% of its average equalized valuation basis over the past three years. The equalized valuation basis of a municipality is set by statute as the average for the last three preceding years of the equalized value of all taxable real property and improvements and certain Class II railroad property within its boundaries, as determined annually by the State Director of Taxation. Certain categories of debt, which include the portion of school debt within a school district's debt limitation and the self-liquidating portion of a utility's debt, are permitted by statute to be deducted for

purposes of computing the statutory debt limit. As indicated in Appendix "A", the Township has not exceeded its statutory debt limit.

Exceptions to Debt Limits - Extensions of Credit

The Township may exceed its debt limit with the approval of the Local Finance Board, a State regulatory agency, and as permitted by other statutory exceptions. If all or any part of a proposed debt authorization would exceed its debt limit, the Township may apply to the Local Finance Board for an extension of credit. If the Local Finance Board determines that a proposed debt authorization would not materially impair the credit of the Township or substantially reduce the ability of the Township to meet its obligations or to provide essential public improvements and services, or makes certain other statutory determinations, approval is granted. In addition, debt in excess of the statutory limit may be issued by the Township, without approval of the Local Finance Board, 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).

Short Term Financing

The Township may sell short-term "bond anticipation notes" to temporarily finance a capital improvement or project in anticipation of the issuance of bonds, if the bond ordinance or subsequent resolution so provides. Bond anticipation notes for capital improvements may be issued in an aggregate amount not exceeding the amount specified in the ordinance, as may be amended and supplemented, creating such capital expenditure. A local unit's bond anticipation notes may be issued for one year periods, with the last date of issuance not to exceed ten years and four months from the original issuance date. 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 ("Director") prior to final adoption. The Local Budget Law requires each local unit to appropriate sufficient funds for payment of current debt service, and the Director is required to review the adequacy of such appropriations.

Tax Anticipation Notes are limited in amount by law and must be paid off 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 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 and drainage map preparation for flood control purposes which may be amortized over five years. Of course, emergency appropriations for capital projects may be financed through the adoption of a bond ordinance and amortized over the useful life of the project.

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

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

Appropriation "CAP"

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" if the index rate is greater than 2.5%. The "Index Rate" is the rate of annual percentage increase, rounded to the nearest one-half percent, in the Implicit Price Deflator for State and Local Government purchases of goods and services computed by the U.S. Department of Commerce. Exceptions to the limitations imposed by the Cap Law also exist for other things including capital expenditures; extraordinary expenses approved by the Local Finance Board for implementation of an interlocal services agreement; expenditures mandated as a result of certain emergencies; and certain expenditures for services mandated by law. Counties are also prohibited from increasing their tax levies by more than the lesser of 2.5% or the Index Rate subject to certain exceptions. Municipalities by ordinance approved by a majority of the full membership of the governing body may increase appropriations up to 3.5% over the prior year's appropriation and counties by resolution approved by a majority of the full membership of the governing body may increase the tax levy up to 3.5% over the prior years' tax levy in years when the Index Rate is 2.4% or less.

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

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

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 next 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 Appeals

The New Jersey Statutes provide a taxpayer with remedial procedures for appealing an assessment deemed excessive. Prior to February 1 in each year, the Township must mail to each property owner a notice of the current assessment and taxes on the property. The taxpayer has a right to petition the County Tax Board on or before the April 1 for review. The County Board of Taxation has the

authority after a hearing to decrease or reject the appeal petition. These adjustments are usually concluded within the current tax year and reductions are shown as canceled or remitted taxes for that year. If the taxpayer feels his petition was unsatisfactorily reviewed by the County Board of Taxation, 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 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 units 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 each local unit is on file with the Clerk and is available for review during business hours.

School Debt Subject to Voter Approval

State law permits local school districts, upon approval of the voters in a Type II school district, to authorize school district debt, including debt in excess of its independent debt limitation by using the available borrowing capacity of the Township. If such debt is in excess of the school district's debt limit and the remaining borrowing capacity of the Township, the State Commissioner of Education and the Local Finance Board must approve the proposed debt authorization before it is submitted to the voters for approval.

TAX MATTERS

Federal

Bond Counsel will deliver, concurrently with the issuance of the Notes, their opinion to the effect that under existing statutes, regulations, rulings and court decisions, interest on the Notes is excluded from gross income for federal income tax purposes. Interest paid on the Notes will not be a specific preference item for purposes of calculating individual or corporate alternative minimum taxable income; however, interest on the Notes is included in the adjusted current earnings of corporations for purposes of computing the alternative minimum tax imposed on corporations. In addition, interest on the Notes may be included in a foreign corporation's effectively connected earnings and profits upon which certain foreign corporations are required to pay the foreign branch profits tax imposed under Section 884 of the Internal Revenue Code of 1986, as amended (the "Code").

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Notes. Ongoing requirements include, among other things, the provisions of Section 148 of the Code which prescribe yield and other limits within which the proceeds of the Notes are to be invested and which may require that certain excess earnings on investments made with the proceeds of the Notes be rebated on a periodic basis to the United States. The Township has made certain representations and undertaken certain

agreements and covenants in its tax compliance agreement to be delivered concurrently with the issuance of the Notes designed to ensure compliance with the applicable provisions of the Code. The inaccuracy of these representations or the failure on the part of the Township to comply with such covenants and agreements could result in the interest on the Notes being included in the gross income of a holder for federal income tax purposes, in certain cases retroactive to the date of original issuance of the Notes.

The opinion of Bond Counsel assumes the accuracy of these representations and the future compliance by the Township with its covenants and agreements. Moreover, Bond Counsel has not undertaken to evaluate, determine or inform any person, including any holder of the Notes, whether any actions taken or not taken, events occurring or not occurring, or other matters that might come to the attention of Bond Counsel would adversely affect the value of, or tax status of the interest on, the Notes.

Ownership of the Notes may result in collateral federal tax consequences to certain taxpayers, including, without limitation, financial institutions, S corporations with excess net passive income, property and casualty companies, individual recipients of social security or railroad retirement benefits and taxpayers who may be deemed to have incurred indebtedness to purchase or carry the Notes. Bond Counsel will express no opinion with respect to these or any other collateral tax consequences of the ownership of the Notes. The nature and extent of the tax benefit to a taxpayer of ownership of the Notes will generally depend upon the particular nature of such taxpayer or such taxpayer's own particular circumstances, including other items of income or deduction. Accordingly, prospective purchasers of the Notes should consult their tax advisers.

There can be no assurance that currently existing or future legislative proposals by the United States Congress limiting or further qualifying the excludability of interest on tax exempt bonds from gross income for federal tax purposes, or changes in federal tax policy generally, will not adversely affect the tax status of the interest on, or the market for, the Notes.

Section 265(b) of the Code generally denies to institutions any deduction for that portion of interest expense incurred to purchase or carry tax-exempt obligations. An exception is provided certain small issuers who designate the obligations as "qualified tax-exempt obligations" under Section 265(b)(3) of the Code and, provided certain conditions are met, for obligations the proceeds of which refund obligations which were designated as qualified tax-exempt obligations. Such obligations will be subject to a reduced disallowance rule. The Notes **will not be** designated by the Township as qualified tax exempt obligations under Section 265(b) of the Code.

New Jersey

Bond Counsel will also deliver an opinion to the effect that under existing law as enacted and construed on the date of such opinion, interest on the Notes and any gain from the sale thereof are excluded from gross income for purposes of the New Jersey Gross Income Tax Act. The Notes and the interest thereon may be subject to state or local taxes in jurisdictions other than New Jersey under applicable state or local tax laws.

PROSPECTIVE PURCHASERS OF THE NOTES SHOULD CONSULT THEIR TAX ADVISERS WITH RESPECT TO THE FEDERAL, STATE AND LOCAL INCOME TAX CONSEQUENCES OF OWNERSHIP OF THE NOTES AND ANY CHANGES IN THE STATUS OF PENDING OR PROPOSED TAX LEGISLATION.

LEGALITY FOR INVESTMENT

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

COMPLIANCE WITH SECONDARY MARKET DISCLOSURE REQUIREMENTS FOR THE NOTES

The Township has covenanted for the benefit of the holders of the Notes to provide notices of the occurrence of certain enumerated events with respect to the Notes, as set forth in section (b)(5)(i)(C) of the Rule (the "Notices"). The Notices will be filed by the Township with the MSRB. The specific nature of the Notices will be detailed in a certificate to be executed on behalf of the Township by its Chief Financial Officer, in the form appearing in Appendix "C" (the "Form of Certificate of Compliance with Secondary Market Disclosure Requirements for the Notes") hereto, such certificate to be delivered concurrently with the delivery of the Notes.

The Township previously failed to file, in accordance with the Rule, in a timely manner, under previous filing requirements: (i) operating data for the fiscal years ending December 31, 2009, 2010, 2011 and 2012; and (ii) audited financial information for the fiscal years ending December 31, 2009, 2010, 2011 and 2012. Additionally, the Township acknowledges that it previously failed to file material event notices and late filing notices in connection with its timely filings of (i) audited financial information; (ii) operating data; and (iii) certain rating changes. Such notices of material events and late filings have since been filed with EMMA. The Township has appointed Phoenix Advisors, LLC to serve as continuing disclosure agent.

LITIGATION

Upon delivery of the Notes, the Township shall furnish a certificate of George Gilmore, Esq., Gilmore & Monahan, P.A., Toms River, New Jersey (the "Township Attorney"), dated the date of delivery of the Notes, to the effect that there is no litigation of any nature pending or, to his knowledge, threatened, to restrain or enjoin the issuance, sale, execution or delivery of the Notes, or in any way contesting or affecting the validity of the Notes or any of the proceedings taken with respect to the issuance and sale thereof or the application of moneys to the payment of the Notes. In addition, such certificate shall state that there is no litigation of any nature now pending or threatened by, or against, the Township wherein an adverse judgment or ruling could have a material adverse impact on the financial condition of the Township or adversely affect the power of the Township to levy, collect and enforce the collection of taxes or other revenues for the payment of its bonds or notes, which has not been disclosed in this Official Statement.

MUNICIPAL BANKRUPTCY

The undertakings of the Township should be considered with reference to Chapter IX of the Bankruptcy Act, 11 U.S.C. Section 401, et seq., as amended by Public Law 95-598, approved November 6, 1978, and as further amended on November 3, 1988, by an Act to Amend the Bankruptcy Law to

Provide for Special Revenue Bonds, and for Other Purposes, and on October 22, 1994, by the Bankruptcy Reform Act of 1994, and by other bankruptcy laws affecting creditors' rights and municipalities in general. Chapter IX permits a state or any political subdivision, public agency or instrumentality that is insolvent or unable to meet its debts to file a petition in a bankruptcy court for the ultimate purpose of effecting a plan to adjust its debts. Chapter IX directs such a petitioner to file with the Bankruptcy Court a list of the petitioner's creditors; provides that a petition filed under this chapter shall operate as a stay of the commencement or continuation of any judicial or other proceeding against the petitioner, with the exception that such petition does not operate as a stay of application of pledged special revenues to the payment of indebtedness secured by such revenues; grants priority to administrative and operational expenses and to debts owed for services or material, up to \$4,000 per individual or corporation, actually provided within ninety (90) days of the filing of the petition; directs a petitioner to file a plan for the adjustment of its debts; provides that any securities issued under a reorganization plan will be exempt from the securities laws and, therefore, exempt from registration requirements; permits the petitioner, during bankruptcy proceedings, to continue to pay pre-petition debt without prior court approval; and provides that the plan must be accepted by a class of creditors, in writing, by or on behalf of creditors holding at least two-thirds in amount and more than one-half in number of the allowed claims of such class held by creditors. A plan shall not be approved by the Bankruptcy Court unless it is in the best interests of creditors and is feasible.

Reference should also be made to N.J.S.A. 52:27-40 through 52:27-45.11, which provides that any county, municipality, or other political subdivision of this State has the power to file a petition with any Bankruptcy Court, provided the approval of the municipal finance commission has been obtained, and such petition has been authorized by ordinance of the governing body of the political subdivision. 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. However, the Bankruptcy Act does provide that a municipality must obtain any regulatory or electoral approval necessary under constitutional, statutory, or charter provisions, for actions taken under the reorganization plan.

CERTAIN REFERENCES

The foregoing statements and descriptions of provisions of the New Jersey Constitution, the Local Bond Law and other laws of the State of New Jersey, the Federal Bankruptcy Code, the Ordinances and the Resolution of the Township and the Notes and all references to other material not purported to be quoted in full are only brief, generalized descriptions thereof, do not purport to be complete, and are in all respects subject to and qualified in their entireties by express reference to the complete provisions thereof. Copies of the bond ordinances and the Resolution will be furnished by the Township on request.

All estimates and assumptions herein are believed to be reasonable, but no warranty, guaranty or other representation is made that such estimates or assumptions will be realized or are correct. So far as any statements herein involve matters of opinion, whether or not expressly so stated, they are intended merely as such and not as representations of fact.

CERTIFICATION OF OFFICIAL STATEMENT

The Township hereby states that the descriptions and statements herein relating to the Township are true and correct in all material respects and, upon request, it will confirm to the purchasers of the Notes, by certificates signed by the Township Chief Financial Officer, that to his/her knowledge such descriptions and statements, as of the date hereof, and as of the date of delivery of the Notes, 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.

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

Dilworth Paxson LLP has not participated in the preparation of the financial or statistical information contained in this Official Statement, nor has it verified the accuracy, completeness or fairness thereof and, accordingly, expresses no opinion with respect thereto.

RATING

The Notes have not been rated.

UNDERWRITING

The Notes have been purchased from the Township at a public sale by _____ (the "Underwriter") at a price of \$_____.

The Underwriter may offer and sell the Notes to certain dealers (including dealers depositing the Notes into investment trusts) at a yield higher than the public offering yield stated on the front cover hereof.

FINANCIAL ADVISOR

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

APPROVAL OF LEGAL PROCEEDINGS

All legal matters incident to the authorization, the issuance, the sale and the delivery of the Bond and Notes are subject to the approval of Dilworth Paxson LLP, Red Bank, New Jersey, Bond Counsel to the Township, whose approving legal opinion will be delivered with the Notes substantially in the forms set forth as Appendix "D". Certain legal matters will be passed on for the Township by the Township Attorney.

FINANCIAL STATEMENTS

Appendix "B" contains certain audited financial data of the Township for the Township's fiscal year ending December 31, 2014. The audited financial data was prepared by Holman Frenia Allison, P.C., Toms River, New Jersey (the "Auditor"), to the extent and for the period set forth in their report appearing in Appendix "B", and are included herein in reliance upon the authority of such firm.

ADDITIONAL INFORMATION

Inquiries regarding this Official Statement, including any information additional to that contained herein, may be directed to the Township's Chief Financial Officer/Treasurer/Assistant Administrator, 627 Pinewald Keswick Road, Bayville, New Jersey 08721, telephone (732) 244-7400 or its Financial Advisor, Phoenix Advisors, LLC, 4 West Park Street, Bordentown, New Jersey, telephone (609) 291-0130.

MISCELLANEOUS

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

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

**TOWNSHIP OF BERKELEY,
IN THE COUNTY OF OCEAN, NEW JERSEY**

By: _____
Frederick C. Ebenau,
Chief Financial Officer/Treasurer/Assistant Administrator

Dated: August __, 2015

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APPENDIX A
GENERAL INFORMATION REGARDING THE TOWNSHIP

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INFORMATION REGARDING THE TOWNSHIP¹

The following material presents certain economic and demographic information of Township of Berkeley (the "Township"), in the County of Ocean (the "County"), State of New Jersey (the "State").

General Information

The Township was incorporated in 1875 and consists of an area of approximately 41.9 square miles. The Township is located in the central part of the County along the Atlantic Ocean and Barnegat Bay, which bay is part of the inland waterway running along the eastern seaboard of the continental United States. Approximately 72% of the Township's land area is the federally designated Pinelands National Reserve and approximately 38% of the Pinelands National Reserve is within the State's Pinelands Reserve Area. See "Environment and Growth Information" herein. Toms River, the County seat, forms the northern border of the Township, Cedar Creek and Lacey Township form the Township's southern border, and the barrier island, on which South Seaside Park and Island Beach State Park are situated, form the Township's eastern border.

The Township is primarily a residential community offering the wide beaches of Island Beach State Park on the Atlantic Ocean and the vast expanses of the Barnegat Bay and the Toms River for sailing and water sports.

Within the Township are the unincorporated areas known as South Seaside Park, Bayville, Pinewald, Manitou Park and Pelican Island in the Barnegat Bay.

Prior to 1950, the portion of the Township to the west of State Highway Route 9 was undeveloped. Residential and commercial development was concentrated in the areas of the Township known as Pinewald and Bayville along the coastline. With the opening of the Garden State Parkway and improvements to Federal, State and County highways and roadways after 1950, residential development increased and commercial development soon thereafter. For several decades, the County's population and development have increased the fastest of all counties in the State. The Township has experienced a growth in its ratables as a result of the increase in residential and commercial development. The Township is located south of the New York-Northern New Jersey metropolitan area and to the east of the Greater Philadelphia metropolitan area, each respectively being approximately 68 miles and 60 miles from the Township.

The Township is located along or near major transportation corridors to the south of the New York-Northern New Jersey metropolitan area and to the east of the Greater Philadelphia metropolitan area. The principal north to south routes in the Township are the Garden State Parkway, with three (3) access and egress ramps in or near the Township, and State Highway Route 9. The Garden State Parkway proceeds north to the New York-Northern New Jersey metropolitan area and south to Atlantic City and Cape May. State Highway Route 37 runs

¹ Source: The Township (unless otherwise indicated).

westerly from the barrier island to State Highway Route 70, the principal State artery leading to the Greater Philadelphia metropolitan area.

The Township is located south of Interstate 195 and north of the Atlantic City Expressway. Interstate 195 proceeds westerly to Interstate 95 which is a major beltway serving the eastern seaboard of the United States. The Atlantic City Expressway connects Atlantic City with the Greater Philadelphia metropolitan area.

Form of Government

Under the Optional Municipal Charter Law, N.J.S.A. 40:69a-1 et seq., as amended and supplemented, the Township is governed by the Mayor-Council Plan form of government. Under this plan, the Mayor is elected to a four (4) year term and a Township Council consists of seven (7) members each elected to terms of four (4) years on a staggered basis.

Environmental and Growth Information

A portion of the Township is subject to the Pinelands Protection Act, the purpose of which is to limit the impact of development on the Pinelands ecosystem, which contains a vast reservoir of potable water. The Pinelands Protection Act defines the Pinelands Area in the Township to include all lands in the Township west of the Garden State Parkway (the "Pinelands Area"). The Pinelands Protection Act further delineates a portion of the Pinelands Area into a Preservation Area, which portion contains the lands west of the Garden State Parkway and within the Cedar Creek Drainage Basin. The remaining lands within the Pinelands Area have been designated a Protection Area.

A large portion of the Township lies within the federally designated Pinelands National Reserve. Said land includes all areas east and west of the Garden State Parkway, specifically all lands south of State Highway Route 37 extending out to the barrier island known as Island Beach State Park. These lands fall within the oversight of the Pinelands Commission (the "Pinelands Commission"). Presently, all proposed development plans in the Pinelands Area are reviewed by the Pinelands Commission. The Pinelands Commission retains development oversight responsibility and authority over the Pinelands Area.

As per the 2010 Census, the population in the Township is 41,255 for the year 2010. Projection of population directly depend upon the Pinelands Commission's continued agreement to define housing needs in the western portion of the Township as previously accepted by the Pinelands Commission, the County, and the Township.

Education

Township students attend Berkeley Township School District (the "School District") for grades Pre-K to 6. The School District is coterminous with the boundaries of the Township and contains four (4) school facilities. Students in grades 7 to 12 attend the Central Regional School District.

Volunteer Emergency Groups

The Township is serviced by three (3) volunteer fire companies. These fire companies are known as Fire Company Number 1 - Bayville Volunteer Fire Company, Fire Company Number 2 - Pinewald Pioneer Volunteer Fire Company and Fire Company Number 3 - Manitou Park Volunteer Fire Company.

The Township is also serviced by six (6) volunteer rescue squads. These rescue squads are known as Holiday Heights First Aid Station, Holiday City Berkeley First Aid Squad, Bayville First Aid Squad, Silver Ridge Park First Aid Squad, Inc., South Toms River First Aid Squad, Inc. and Tri-Boro First Aid Squad.

Retirement Systems

All full-time permanent or qualified Township employees who began employment after 1944 must enroll in one of three retirement systems depending upon their employment status. These systems were established by acts of the State Legislature. Benefits, contributions, means of funding and the manner of administration are set by State law. The Division of Pensions within the New Jersey Department of Treasury (the "Division") is the administrator of the funds with the benefit and contribution levels set by the State. The Township is enrolled in the Public Employees' Retirement System ("PERS"), the Police and Firemen's Retirement System ("PFRS"), and the Defined Contribution Program ("DCRP").

Pension Information

Employees, who are eligible to participate in a pension plan, are enrolled in PERS or PFRS administered by the Division. The Division annually charges municipalities and other participating governmental units for their respective contributions to the plans based upon actuarial calculations. The employees contribute a portion of the cost. The Township's share of pension costs in 2015, which is based upon the annual billings received from the State, amounted to \$828,915 for PERS and \$1,601,512 for PFRS.

Employment and Unemployment Comparisons

For the following years, the New Jersey Department of Labor reported the following annual average employment information for the Township, the County, and the State:

	<u>Total Labor Force</u>	<u>Employed Labor Force</u>	<u>Total Unemployed</u>	<u>Unemployment Rate</u>
<u>Township</u>				
2014	15,887	14,458	1,429	9.0%
2013	13,071	11,385	1,686	12.9%
2012	13,289	11,251	2,038	15.3%
2011	13,143	11,185	1,958	14.9%
2010	13,041	11,140	1,901	14.6%
<u>County</u>				
2014	265,294	246,246	19,048	7.2%
2013	267,684	244,808	22,876	8.5%
2012	269,077	241,941	27,136	10.1%
2011	266,884	240,111	26,773	10.0%
2010	266,404	239,158	27,246	10.2%
<u>State</u>				
2014	4,518,715	4,218,423	300,277	6.6%
2013	4,537,800	4,166,000	371,800	8.2%
2012	4,595,500	4,159,300	436,200	9.5%
2011	4,556,200	4,131,800	424,400	9.3%
2010	4,502,400	4,076,700	425,700	9.5%

Source: New Jersey Department of Labor, Office of Research and Planning, Division of Labor Market and Demographic Research, Bureau of Labor Force Statistics, Local Area Unemployment Statistics

Income (as of 2010)

	<u>Township</u>	<u>County</u>	<u>State</u>
Median Household Income	\$43,049	\$59,620	\$69,811
Median Family Income	58,230	73,672	84,904
Per Capita Income	28,168	29,826	34,858

Source: US Bureau of the Census 2010

Population

The following tables summarize population increases and the decreases for the Township, the County, and the State.

<u>Year</u>	<u>Township</u>		<u>County</u>		<u>State</u>	
	<u>Population</u>	<u>Percent Change</u>	<u>Population</u>	<u>Percent Change</u>	<u>Population</u>	<u>Percent Change</u>
2010	41,255	3.16%	576,567	12.85%	8,791,894	4.49%
2000	39,991	7.16	510,916	17.94	8,414,350	8.85
1990	37,319	61.20	433,203	25.19	7,730,188	4.96
1980	23,151	192.38	346,038	65.99	7,365,001	2.75
1970	7,918	85.35	208,470	92.60	7,168,164	18.15

Source: United States Department of Commerce, Bureau of the Census

Largest Taxpayers

The ten (10) largest taxpayers in the Township and their assessed valuations are listed below:

<u>Taxpayers</u>	<u>2014 Assessed Valuation</u>	<u>% of Total Assessed Valuation</u>
Hovchild Partners	\$34,976,300	0.69%
RK Creek LLC	28,289,800	0.55%
Arlington Beach Co	21,004,600	0.41%
Quaker Malls	17,721,200	0.35%
Baywick Plaza	15,000,000	0.29%
Berkeley Healthcare Assoc LLC	11,500,000	0.23%
NJ Pulverizing Co	11,500,000	0.23%
Shar-A-Dee Apartments LLC	8,759,600	0.17%
BNJ Realty LLC	8,691,700	0.17%
Not Available	<u>N/A</u>	<u>N/A</u>
Total	<u>\$157,443,200</u>	<u>3.09%</u>

Source: School District Comprehensive Annual Financial Report & Municipal Tax Assessor

Comparison of Tax Levies and Collections

<u>Year</u>	<u>Tax Levy</u>	<u>Current Year Collection</u>	<u>Current Year Percentage of Collection</u>
2014	\$99,811,146	\$96,457,125	96.64%
2013	97,466,281	94,388,858	96.84%
2012	95,340,610	91,663,837	96.14%
2011	93,556,484	90,613,969	96.85%
2010	94,445,148	91,457,924	96.84%

Source: Annual Audit Reports of the Township

Delinquent Taxes and Tax Title Liens

<u>Year</u>	<u>Amount of Tax Title Liens</u>	<u>Amount of Delinquent Tax</u>	<u>Total Delinquent</u>	<u>% of Tax Levy</u>
2014	\$678,807	\$3,056,369	\$3,735,176	3.74%
2013	592,522	2,757,789	3,350,311	3.44%
2012	461,551	3,267,100	3,728,651	3.91%
2011	353,029	2,439,454	2,792,483	2.98%
2010	208,883	2,465,165	2,674,048	2.83%

Source: Annual Audit Reports of the Township

Property Acquired by Tax Lien Liquidation

<u>Year</u>	<u>Amount</u>
2014	\$6,590,980
2013	6,361,398
2012	6,361,398
2011	6,361,398
2010	6,361,398

Source: Annual Audit Reports of the Township

Tax Rates per \$100 of Net Valuations Taxable and Allocations

The table below lists the tax rates for the past five (5) years.

<u>Year</u>	<u>Municipal</u>	<u>Municipal Open Space</u>	<u>County</u>	<u>Local School</u>	<u>Regional School</u>	<u>Total Taxes</u>
2014	\$0.600	\$0.010	\$0.407	\$0.555	\$0.383	\$1.955
2013	0.557	0.010	0.404	0.554	0.382	1.907
2012	0.523	0.009	0.393	0.553	0.384	1.862
2011	0.503	0.005	0.388	0.55	0.367	1.813
2010R	0.500	0.005	0.393	0.551	0.370	1.819

R: Revaluation

Source: Abstract of Ratables and State of New Jersey – Property Taxes

Valuation of Property

<u>Year</u>	<u>Aggregate Assessed Valuation of Real Property</u>	<u>Aggregate True Value of Real Property</u>	<u>Ratio of Assessed to True Value</u>	<u>Assessed Value of Personal Property</u>
2014	\$5,089,815,160	\$5,085,746,563	100.08%	\$4,196,262
2013	5,091,904,660	5,105,690,023	99.73	5,768,219
2012	5,113,761,960	5,268,660,581	97.06	6,571,500
2011	5,140,748,300	5,578,068,902	92.16	6,397,133
2010R	5,172,590,600	5,891,333,257	87.80	8,476,005

R: Revaluation

Source: Abstract of Ratables and State of New Jersey – Table of Equalized Valuations

Classification of Ratables

The table below lists the comparative assessed valuation for each classification of real property within the Township for the past five (5) years.

<u>Year</u>	<u>Vacant Land</u>	<u>Residential</u>	<u>Farm</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Apartments</u>	<u>Total</u>
2014	\$149,897,200	\$4,565,575,860	\$711,900	\$291,170,700	\$24,462,500	\$57,997,000	\$5,089,815,160
2013	127,151,900	4,586,354,860	711,900	294,670,400	24,462,500	58,553,100	5,091,904,660
2012	123,862,500	4,586,855,260	711,900	318,920,400	24,764,900	58,647,000	5,113,761,960
2011	132,153,900	4,599,782,500	711,900	324,561,400	24,742,200	58,796,400	5,140,748,300
2010R	142,705,500	4,597,514,300	711,300	344,374,200	28,114,500	59,170,800	5,172,590,600

R: Revaluation

Source: Abstract of Ratables and State of New Jersey – Property Value Classification

Financial Operations

The following table summarizes the Township's Current Fund budget for the past five (5) fiscal years ending December 31. The following summary should be used in conjunction with the tables in the sourced documents from which it is derived.

Summary of Current Fund Budget

<u>Anticipated Revenues</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015*</u>
Fund Balance	\$1,090,000	\$61,646	\$0	\$1,413,000	\$833,000
Miscellaneous Revenues	9,290,800	10,906,659	13,651,765	8,358,730	9,909,373
Receipts from Delinquent Taxes	2,434,000	2,516,500	3,218,000	2,886,180	3,075,000
Amount to be Raised by Taxes for Support of Municipal Budget	<u>25,917,622</u>	<u>26,781,762</u>	<u>28,397,666</u>	<u>30,557,735</u>	<u>31,326,583</u>
Total Revenue:	<u>\$38,732,422</u>	<u>\$40,266,567</u>	<u>\$45,267,431</u>	<u>\$43,215,645</u>	<u>\$45,143,956</u>

Appropriations

General Appropriations	\$31,369,496	\$31,327,688	\$33,317,479	\$32,639,167	\$33,967,167
Operations	1,097,539	854,967	1,545,510	1,335,793	1,993,104
Deferred Charges and Statutory Expenditures	612,170	1,429,057	1,340,369	1,427,756	1,200,000
Judgments	0	0	0	0	29,855
Capital Improvement Fund	58,000	240,000	320,000	520,000	330,000
Municipal Debt Service	3,757,239	4,083,099	4,148,392	4,152,990	4,148,385
Reserve for Uncollected Taxes	<u>1,837,979</u>	<u>2,331,756</u>	<u>4,595,680</u>	<u>3,139,939</u>	<u>3,475,444</u>
Total Appropriations:	<u>\$38,732,422</u>	<u>\$40,266,567</u>	<u>\$45,267,431</u>	<u>\$43,215,645</u>	<u>\$45,143,956</u>

*Introduced Budget

Source: Annual Adopted Budgets of the Township

Fund Balance

Current Fund

The following table lists the Township's fund balance and the amount utilized in the succeeding year's budget for the Current Fund for the past five (5) fiscal years ending December 31.

Fund Balance - Current Fund

	Balance	Utilized in Budget
<u>Year</u>	<u>12/31</u>	<u>of Succeeding Year</u>
2014	\$1,753,008	\$800,000
2013	2,373,336	1,330,000
2012	10,145	0
2011	10,145	61,646
2010	1,100,145	1,090,000

Source: Annual Audit Reports of the Township

Township Indebtedness as of December 31, 2014

General Purpose Debt

Serial Bonds	\$23,737,000
Bond Anticipation Notes	11,409,928
Bonds and Notes Authorized but Not Issued	1,948,354
Other Bonds, Notes and Loans	<u>1,911,648</u>
Total:	\$39,006,929

Local School District Debt

Serial Bonds	\$13,025,000
Temporary Notes Issued	0
Bonds and Notes Authorized but Not Issued	<u>0</u>
Total:	\$13,025,000

Regional School District Debt

Serial Bonds	\$3,200,081
Temporary Notes Issued	0
Bonds and Notes Authorized but Not Issued	<u>0</u>
Total:	\$3,200,081

Self-Liquidating Debt

Serial Bonds	\$0
Bond Anticipation Notes	0
Bonds and Notes Authorized but Not Issued	0
Other Bonds, Notes and Loans	<u>0</u>
Total:	\$0

TOTAL GROSS DEBT

\$55,232,011

Less: Statutory Deductions	
General Purpose Debt	\$986,701
Local School District Debt	13,025,000
Regional School District Debt	3,200,081
Self-Liquidating Debt	<u>0</u>
Total:	\$17,211,782

TOTAL NET DEBT

\$38,020,228

Source: Annual Debt Statement of the Township

Overlapping Debt (as of December 31, 2014)²

<u>Name of Related Entity</u>	<u>Related Entity Debt Outstanding</u>	<u>Township Percentage</u>	<u>Township Share</u>
Local School District	\$13,025,000	100.00%	\$13,025,000
Regional School District	4,728,000	68.00%	3,200,081
County	462,467,711	5.54%	25,608,895
Ocean County Utilities Authority (2013)	186,183,673	6.51%	12,115,234
Berkeley Township Sewerage Authority (2013)	9,539,839	100.00%	9,539,839
Berkeley Township Municipal Utilities Authority (2013)	11,032,676	100.00%	<u>11,032,676</u>
Net Indirect Debt			\$74,521,725
Net Direct Debt			<u>38,020,228</u>
Total Net Direct and Indirect Debt			<u>\$112,541,954</u>

Debt Limit

Average Equalized Valuation Basis (2012, 2013, 2014)	\$5,153,365,722
Permitted Debt Limitation (3 1/2%)	180,367,800
Less: Net Debt	<u>38,020,228</u>
Remaining Borrowing Power	<u>\$142,347,572</u>
Percentage of Net Debt to Average Equalized Valuation	0.74%
Gross Debt Per Capita based on 2010 population of 41,255	\$1,339
Net Debt Per Capita based on 2010 population of 41,255	\$922

Source: Annual Debt Statement of the Township

² Township percentage of County debt is based on the Township's share of total equalized valuation in the County. The Township's share of utilities authority debt is based on the Township's portion of total flow from each respective authority.

APPENDIX B

AUDITED FINANCIAL STATEMENTS OF THE TOWNSHIP FOR THE YEAR ENDED DECEMBER 31, 2014

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members
of the Township Council
Township of Berkeley, New Jersey

Report on the Financial Statements

We have audited the accompanying comparative statements of assets, liabilities, reserves and fund balance--regulatory basis of the various funds and account group of the Township of Berkeley, County of Ocean, State of New Jersey as of December 31, 2014 and 2013, and the related comparative statement of operations and changes in fund balance--regulatory basis for the years then ended, the related statement of revenues--regulatory basis, statement of expenditures--regulatory basis, and the related notes to the financial statements for the year ended December 31, 2014.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and in compliance with audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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

As discussed in Note 1 to the financial statements, the Township of Berkeley prepares its financial statements using accounting practices that demonstrate compliance with regulatory basis of accounting and budget laws of the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the State of New Jersey.

The effects on the financial statements of the variances between these regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township of Berkeley, County of Ocean, State of New Jersey, as of December 31, 2014 and 2013, or the results of its operations and changes in fund balance for the years then ended.

Basis for Qualified Opinion on Regulatory Basis of Accounting

As discussed in Note 1, the financial statements of the Length of Service Award Program Fund (“LOSAP”) Trust Fund has not been audited, and we were not required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, to audit nor were we engaged to audit the LOSAP Trust Fund financial statements as part of our audit of the Township’s financial statements as of and for the years ended December 31, 2014 and 2013. The LOSAP Trust Fund financial activities are included in the Township’s Trust Fund, and represent 18.56% and 17.31% of the assets and liabilities, respectively, of the Township’s Trust Funds as of December 31, 2014 and 2013.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had the LOSAP Trust Fund financial statements been audited as described in the “Basis for Qualified Opinion on Regulatory Basis of Accounting” paragraph, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, reserves and fund balance--regulatory basis of the various funds and account group of the Township of Berkeley, County of Ocean, State of New Jersey, as of December 31, 2014 and 2013, and the results of its operations and changes in fund balance --regulatory basis of such funds for the years then ended, and the related statement of revenues--regulatory basis, statement of expenditures--regulatory basis of the various funds, and the related notes to financial statements, for the year ended December 31, 2014 in conformity with accounting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

Other Matters

Report on Supplementary Information

Our audit was made for the purpose of forming an opinion on the financial statements referred to in the first paragraph as a whole. The supplemental financial statements presented for the various funds are presented for purposes of additional analysis as required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey and is not a required part of the above financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements of each of the respective individual funds and account group taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 2, 2015, on our consideration of the Township of Berkeley's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township of Berkeley's internal control over financial reporting and compliance.

Respectfully submitted,

HOLMAN FRENIA ALLISON, P.C.

Rodney R. Haines
Certified Public Accountant
Registered Municipal Accountant
CR #498

July 2, 2015
Toms River, New Jersey

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HOLMAN | FRENIA
ALLISON, P.C.

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS**

The Honorable Mayor and Members
of the Township Council
Township of Berkeley
County of Ocean
Berkeley, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the Township of Berkeley (herein referred to as "the Township"), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements, and have issued our report thereon dated July 02, 2015. Our report on the financial statements-regulatory basis was modified to indicate that the financial statements were not prepared and presented in accordance with accounting principles generally accepted in the United States of America but rather prepared and presented in accordance with the regulatory basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States, to meet the requirements of the State of New Jersey for municipal government entities as described in Note 1. Further, our report on the financial statements - regulatory basis included a qualified opinion on the financial statements of the Length of Service Award Program Fund ("LOSAP") Trust Fund. The LOSAP Trust Fund financial statements were not audited, and we were not required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, to audit nor were we engaged to audit the LOSAP Trust Fund financial statements as part of our audit of the Township's financial statements as of and for the year ended December 31, 2014. With the exception of the LOSAP Trust Fund our opinion on the financial statements- regulatory basis was unmodified.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey and which is described in the General Comments Section as Finding No 2014-001.

Response to Findings

The Township of Berkeley's response to the findings identified in our audit is described in the accompanying Comments & Recommendations section. The Township of Berkeley's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey in considering the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

HOLMAN FRENIA ALLISON, P. C.

Rodney R. Haines
Certified Public Accountant
Registered Municipal Accountant
CR #498

July 2, 2015
Toms River, New Jersey

BASIC FINANCIAL STATEMENTS

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TOWNSHIP OF BERKELEY - COUNTY OF OCEAN

CURRENT FUND

Exhibit A

COMPARATIVE STATEMENT OF ASSETS, LIABILITIES,

Sheet 1 of 2

RESERVES AND FUND BALANCE - REGULATORY BASIS

DECEMBER 31, 2014 AND 2013

	<u>Ref.</u>	<u>2014</u>	<u>2013</u>
<u>Assets</u>			
Cash	A-4	\$ 5,218,574.72	\$ 6,435,422.09
Cash - Change Fund		3,520.00	3,510.00
		5,222,094.72	6,438,932.09
Due from State of New Jersey (P.L. 1971, Ch. 20)		33,305.77	83,434.25
		5,255,400.49	6,522,366.34
Receivables and Other Assets with Full Reserves:			
Delinquent Property Taxes Receivable	A-5	3,056,369.34	2,757,788.88
Tax Title Liens Receivable	A-6	678,806.79	592,522.16
Property Acquired for Taxes		6,590,979.58	6,361,397.58
Revenue Accounts Receivable	A-7	16,633.87	16,848.15
Due From Municipal Utility Authority		2,339.36	-
Interfunds:			
Trust Other Fund	A-15	42,744.70	-
Animal Control Trust Fund	A-15	1,473.38	11,648.59
Payroll	A-15	13,260.14	68,940.53
Grant Fund	A-16	100,287.21	176,507.04
		10,502,894.37	9,985,652.93
Deferred Charges:			
Deficit in Operations	A-3	-	46,666.68
Special Emergency Authorizations (40A:4-55)	A-8	4,525,665.77	5,711,394.68
FEMA Community Disaster Loan Payable (Memo)		5,061,096.00	5,011,232.88
		9,586,761.77	10,769,294.24
		25,345,056.63	27,277,313.51
<u>Grant Fund</u>			
Grants Receivable	A-17	1,112,186.31	338,316.92
		1,112,186.31	338,316.92
		\$ 26,457,242.94	\$ 27,615,630.43

The accompanying Notes to Financial Statements are an integral part of this statement.

TOWNSHIP OF BERKELEY - COUNTY OF OCEAN

CURRENT FUND

Exhibit A

COMPARATIVE STATEMENT OF ASSETS, LIABILITIES,

Sheet 2 of 2

RESERVES AND FUND BALANCE - REGULATORY BASIS

DECEMBER 31, 2014 AND 2013

	<u>Ref.</u>	<u>2014</u>	<u>2013</u>
<u>Liabilities, Reserves and Fund Balance</u>			
Appropriation Reserves	A-3,9	\$ 613,922.72	\$ 381,079.15
Reserve for Encumbrances	A-3,9	249,420.97	362,591.12
Special Emergency Note Payable	A-4	3,600,000.00	4,800,000.00
Prepaid Taxes	A-4	1,097,011.99	1,019,592.25
Due to Municipal Utility Authorities		237.21	1,784.78
Sales Tax Payable		1,151.38	1,482.09
Reserve for Garden State Trust Fund		42,590.00	42,590.00
Reserve for Police Found Money		1,816.28	1,816.28
Accounts Payable		5,573.93	14,420.24
County Taxes Payable	A-12	50,804.21	93,986.18
Tax Overpayments		266,241.91	268,126.39
Reserve for Contractually Required Severance	A-14	277,906.91	261,769.87
Reserve for Revaluation Program	A-14	53,754.35	53,754.35
Reserve for Storm Damage	A-14	1,767,626.90	2,475,490.31
FEMA Community Disaster Loan Payable (Memo)		5,061,096.00	5,011,232.88
Interfunds:			
General Capital Fund	A-15	-	22,108.49
Trust Other Fund	A-15	-	106,500.64
		<u>13,089,154.76</u>	<u>14,918,325.02</u>
Reserve for Receivables and Other Assets		10,502,894.37	9,985,652.93
Fund Balance	A-1	<u>1,753,007.50</u>	<u>2,373,335.56</u>
		<u>25,345,056.63</u>	<u>27,277,313.51</u>
<u>Grant Fund</u>			
Interfund - Current Fund	A-16	100,287.21	176,507.04
Reserve for Encumbrances	A-18	21,379.92	19,436.36
Appropriated Reserves	A-18	990,519.18	133,767.80
Unappropriated Reserves	A-19		8,605.72
		<u>1,112,186.31</u>	<u>338,316.92</u>
		\$ <u>26,457,242.94</u>	\$ <u>27,615,630.43</u>

There were deferred school taxes on December 31, 2014 and 2013 of \$22,511,057.40 and \$22,719,598.28, respectively (Exhibits A-10 and A-11).

The accompanying Notes to Financial Statements are an integral part of this statement.

TOWNSHIP OF BERKELEY - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-1

COMPARATIVE STATEMENT OF OPERATIONS AND

Sheet 1 of 2

CHANGE IN FUND BALANCE - REGULATORY BASIS

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	<u>Year 2014</u>	<u>Year 2013</u>
<u>Revenue and Other Income Realized</u>		
Fund Balance Utilized	\$ 1,330,000.00	\$ -
Fund Balance Utilized with Prior Consent of		
Director of Local Government Services	83,000.00	-
Miscellaneous Revenue Anticipated	8,890,358.07	13,692,757.82
Receipts from Delinquent Taxes	2,941,259.75	3,522,500.13
Receipts from Current Taxes	96,457,124.82	94,388,858.17
Non-Budget Revenues	234,632.50	245,157.65
Other Credits to Income:		
Unexpended Balance of Appropriation Reserves	201,850.81	525,599.68
Note Sale Premiums	51,665.00	-
Accounts Payable Cancelled	11,902.49	-
Animal Control Trust Fund - Statutory Excess	-	11,648.59
Interfunds Returned	100,804.11	-
Grant Fund Net Cancellation of Balances	1,014.64	708.05
Total Income	<u>110,303,612.19</u>	<u>112,387,230.09</u>
<u>Expenditures</u>		
Budget Appropriations within Caps:		
Operations:		
Salaries and Wages	14,833,462.47	15,456,483.73
Other Expenses	14,322,172.32	13,657,451.29
Deferred Charges and Statutory Expenditures	3,712,061.62	4,620,141.05
Budget Appropriations excluded from Caps:		
Operations:		
Salaries and Wages	295,121.80	310,976.99
Other Expenses	1,730,980.13	1,241,033.42
Capital Improvements	520,000.00	320,000.00
Municipal Debt Service	3,383,046.10	4,192,151.34
Deferred Charges	1,427,755.71	1,340,369.01
	<u>40,224,600.15</u>	<u>41,138,606.83</u>
Prior Year Senior Citizen Deductions Disallowed	133,018.72	69,131.61
Local District School Taxes	28,459,405.00	28,140,501.00
Regional School Taxes	19,518,100.88	19,624,436.99
County Taxes	20,785,032.50	20,623,053.95
Local Open Space Tax	510,650.13	512,089.92
Reserve for Miscellaneous Accounts Receivable	2,339.36	-
Interfund Loans Advanced	-	40,308.53
Refunds	-	2,817.83
Prior Year Tax Appeals	119,820.31	320,041.25
Total Expenditures	<u>109,752,967.05</u>	<u>110,470,987.91</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

TOWNSHIP OF BERKELEY - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-1

COMPARATIVE STATEMENT OF OPERATIONS AND

Sheet 2 of 2

CHANGE IN FUND BALANCE - REGULATORY BASIS

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	Year 2014	Year 2013
Excess/(Deficit) in Revenue	\$ <u>550,645.14</u>	\$ <u>1,916,242.18</u>
Adjustments to Income Before Fund Balance:		
Expenditures Included Above Which are by		
Statute Deferred Charges to Budgets of		
Succeeding Years	<u>242,026.80</u>	<u>446,948.55</u>
Statutory Excess to Fund Balance	<u>792,671.94</u>	<u>2,363,190.73</u>
Fund Balance January 1	\$ <u>2,373,335.56</u>	\$ <u>10,144.83</u>
	<u>3,166,007.50</u>	<u>2,373,335.56</u>
Decreased by:		
Utilization as Anticipated Revenue	<u>1,413,000.00</u>	<u>-</u>
Fund Balance December 31	\$ <u><u>1,753,007.50</u></u>	\$ <u><u>2,373,335.56</u></u>

The accompanying Notes to Financial Statements are an integral part of this statement.

TOWNSHIP OF BERKELEY - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-2

STATEMENT OF REVENUES - REGULATORY BASIS

Sheet 1 of 4

FOR THE YEAR ENDED DECEMBER 31, 2014

	Anticipated Budget	Realized	Excess or (Deficit)
	\$	\$	\$
Fund Balance Anticipated	1,330,000.00	1,330,000.00	-
Fund Balance Anticipated with Prior Consent of the Director of Local Government Services	83,000.00	83,000.00	-
	1,413,000.00	1,413,000.00	-
<u>Miscellaneous Revenues</u>			
Licenses:			
Alcoholic Beverages	46,000.00	45,876.00	(124.00)
Other	4,775.00	4,189.00	(586.00)
Fees and Permits	278,600.00	337,613.77	59,013.77
Fines and Costs:			
Municipal Court	220,000.00	233,405.22	13,405.22
Interest and Costs on Taxes	548,500.00	535,281.85	(13,218.15)
Interest on Investments and Deposits	13,500.00	5,963.16	(7,536.84)
Beach Admission Fees	83,000.00	89,577.00	6,577.00
Municipal Golf Course	645,000.00	626,712.64	(18,287.36)
Water and Cable Franchise Fees	202,625.34	202,625.34	-
Hotel and Motel Occupancy Tax	13,000.00	26,287.88	13,287.88
Central Regional Board of Education - Trash	7,500.00	25,500.00	18,000.00
State Aid:			
Energy Receipts Tax	4,213,875.00	4,213,875.00	-
Garden State Trust Fund	42,590.00	42,590.00	-
Special Items of Revenue:			
Interlocal Services Agreements:			
Animal Control Services	24,255.00	18,351.30	(5,903.70)
Berkeley Board of Education Fuel Facilities	105,000.00	111,749.48	6,749.48
Central Regional Board of Education Fuel Facilities	235,000.00	205,358.85	(29,641.15)
Fire Protection	26,500.00	26,500.00	-
Public and Private Programs:			
Clean Communities Program	107,386.37	107,386.37	-
Municipal Alliance on Alcohol and Drug Abuse	15,009.29	15,009.29	-
Municipal Alliance on Alcohol and Drug Abuse	33,638.00	33,638.00	-
Division of Highway Safety-Click-It or Ticket	4,000.00	4,000.00	-
NJ Division of Highway Safety	4,400.00	4,400.00	-
2014 State 966 Program	40,500.00	40,500.00	-

The accompanying Notes to Financial Statements are an integral part of this statement.

TOWNSHIP OF BERKELEY - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-2

STATEMENT OF REVENUES - REGULATORY BASIS

Sheet 2 of 4

FOR THE YEAR ENDED DECEMBER 31, 2014

	Anticipated Budget	Realized	Excess or (Deficit)
Special Items of Revenue (Continued):			
Public and Private Programs (Continued):			
Body Armor Fund	\$ 8,605.72	\$ 8,605.72	\$ -
Department of Transportation-Variou Road Projects	200,000.00	200,000.00	-
Ocean County Municipal Recycling Grant	7,213.00	7,213.00	-
State of NJ-DCA-Post Sandy Planning Assistance Grant	277,000.00	277,000.00	-
State of NJ-DCA-Post Sandy Planning Assistance Grant	26,000.00	26,000.00	-
State of NJ-Dept. of Law & Public Safety-Energy Allocation Initiative	215,400.00	215,400.00	-
NJDEP Mini Grant-Cedar Creek Weir Fish Passage Restoration Project	16,000.00	16,000.00	-
Drive Sober or Get Pulled Over Grant	5,000.00	5,000.00	-
State of NJ-OEM-FY 2015 966 Grant	31,174.85	31,174.85	-
2014 Drive Sober Or Get Pulled Over Year End Holiday Grant	7,500.00	7,500.00	-
2014 Body Armor Fund	6,826.35	6,826.35	-
Bureau of Justice Assistance-Bulletproof Vest Partnership Program Grant	13,631.62	13,631.62	-
CDBG- Parking Facilities Volunteer Community Center	33,000.00	33,000.00	-
FY14 Homeland Security Grant	33,066.00	33,066.00	-
State of NJ-Department of Law & Public Safety-EMMA Grant	5,000.00	5,000.00	-
Other Special Items:			
FEMA Reimbursement - Hurricane Sandy Event	72,722.08	22,722.08	(50,000.00)
Health Care Coverage - Employee Percentage	227,000.00	267,260.18	40,260.18
Sale of Fixed Assets	46,750.00	47,136.54	386.54
Ocean County Recycling Revenue Sharing Program	22,996.43	45,247.22	22,250.79
Refuge Revenue Sharing Act	948.00	948.00	-
Capital Fund Reserve for Cash	110,869.44	110,869.44	-
Grant Proceeds	197,468.00	-	(197,468.00)
Senior/Veteran Administration Fee	36,000.00	35,345.58	(654.42)
Surplus from the Berkeley Township Municipal Utility Authority	81,786.00	81,786.00	-
Surplus from the Berkeley Township Sewer Authority	410,000.00	410,000.00	-
Uniform Fire Safety Act	28,930.44	27,235.34	(1,695.10)
Total Miscellaneous Revenues	9,035,541.93	8,890,358.07	(145,183.86)
Receipts from Delinquent Taxes	2,886,180.00	2,941,259.75	55,079.75
Subtotal General Revenues	13,334,721.93	13,244,617.82	(90,104.11)
Amount to be Raised by Taxes for Support of Municipal Budget	30,557,734.84	30,532,416.52	(25,318.32)
Total General Revenues	43,892,456.77	43,777,034.34	(115,422.43)
Non-Budget Revenues		234,632.50	234,632.50
	\$ 43,892,456.77	\$ 44,011,666.84	\$ 119,210.07

The accompanying Notes to Financial Statements are an integral part of this statement.

TOWNSHIP OF BERKELEY - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-2

STATEMENT OF REVENUES - REGULATORY BASIS

Sheet 3 of 4

FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Ref.</u>	
<u>Analysis of Realized Revenues</u>		
Allocation of Current Tax Collections:		
Revenue from Collections	A-1,5	\$ 96,457,124.82
Allocated to:		
School, County Taxes and Municipal Open Space	A-10,11,12,13	<u>69,064,647.63</u>
Balance for Support of Municipal Budget		
Appropriations		27,392,477.19
Add: Appropriation "Reserve for Uncollected Taxes"	A-3	<u>3,139,939.33</u>
Amount for Support of Municipal Budget		
Appropriations	A-2	<u><u>\$ 30,532,416.52</u></u>
Receipts from Delinquent Taxes:		
Delinquent Tax Collections	A-5	\$ 2,793,256.81
Tax Title Lien Collections	A-6	<u>148,002.94</u>
	A-2	<u><u>\$ 2,941,259.75</u></u>

The accompanying Notes to Financial Statements are an integral part of this statement.

TOWNSHIP OF BARNEGAT - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-2

STATEMENT OF REVENUES - STATUTORY BASIS

Sheet 4 of 4

FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Ref.</u>	
<u>Analysis of Non-Budget Revenue</u>		
Accident Insurance Reimbursements		\$ 39,374.50
2012 Recycling Tonnage Grant		52,626.00
Recycling Fees		4,923.00
Refund of Prior Year Expenses		108,922.64
Sale of Land		3,600.00
Housing Authority-PILOT		6,754.00
Debris Removal		13,124.60
Miscellaneous Other		5,307.76
		<hr/>
		\$ 234,632.50
		<hr/> <hr/>

The accompanying Notes to Financial Statements are an integral part of this statement.

TOWNSHIP OF BERKELEY - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-3

STATEMENT OF EXPENDITURES - REGULATORY BASIS

Sheet 1 of 10

FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended Balance Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
<u>OPERATIONS WITHIN CAPS</u>					
<u>General Government Functions</u>					
General Administration					
Salaries and Wages	\$ 257,279.00	\$ 261,106.10	\$ 248,050.79	\$ 13,055.31	\$ -
Other Expenses	40,000.00	45,852.70	43,530.48	2,322.22	-
Human Resources					
Salaries and Wages	28,000.00	24,792.11	23,552.50	1,239.61	-
Other Expenses	4,000.00	4,454.00	4,453.78	0.22	-
Office of the Mayor					
Salaries and Wages	8,500.00	8,500.00	8,499.92	0.08	-
Other Expenses	1,400.00	1,400.00	1,237.30	162.70	-
Township Council					
Salaries and Wages	48,000.00	49,999.56	49,999.56	-	-
Other Expenses	4,000.00	4,000.00	3,617.70	382.30	-
Municipal Clerk					
Salaries and Wages	215,247.00	194,709.06	194,709.06	-	-
Other Expenses	20,000.00	22,657.67	22,657.67	-	-
Financial Administration					
Salaries and Wages	311,499.00	311,499.00	296,378.28	15,120.72	-
Other Expenses	25,000.00	15,000.00	14,318.50	681.50	-
Contractually Required Severance Liabilities					
Other Expenses	242,026.80	242,026.80	242,026.80	-	-
Audit Services					
Other Expenses	49,000.00	57,150.00	53,721.00	3,429.00	-
Revenue Administration (Tax Collection)					
Salaries and Wages	332,085.00	317,085.00	309,044.79	8,040.21	-
Other Expenses	60,000.00	73,525.61	73,525.61	-	-

The accompanying Notes to Financial Statements are an integral part of this statement.

TOWNSHIP OF BERKELEY - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-3

STATEMENT OF EXPENDITURES - REGULATORY BASIS

Sheet 2 of 10

FOR THE YEAR ENDED DECEMBER 31, 2014

	Appropriated		Expended		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Tax Assessment Administration					
Salaries and Wages	\$ 221,392.00	\$ 210,392.00	\$ 206,785.21	\$ 3,606.79	\$ -
Other Expenses	15,000.00	15,000.00	14,770.80	229.20	-
Legal Services					
Other Expenses	350,000.00	376,782.18	376,782.18	-	-
Senior Citizens Advisory Committee					
Salaries and Wages	1,000.00	600.00	600.00	-	-
Veterans Advisory Council					
Salaries and Wages	1,000.00	-	-	-	-
Waterways Advisory Committee					
Salaries and Wages	1,000.00	1,000.00	1,000.00	-	-
Municipal Court:					
Salaries and Wages	216,581.00	216,581.00	212,653.32	3,927.68	-
Other Expenses	8,000.00	8,000.00	4,986.72	3,013.28	-
Public Defender (P.L. 1997, c256)					
Other Expenses	13,000.00	31,249.50	31,249.50	-	-
Engineering Services					
Other Expenses	125,000.00	225,426.16	225,426.16	-	-
Economic Development Agencies					
Salaries and Wages	1,000.00	1,634.35	1,634.35	-	-
Other Expenses		25.00	25.00	-	-
<u>Land Use Administration</u>					
Planning Board / Director of Planning					
Other Expenses	70,000.00	83,725.42	83,725.42	-	-
Planning Board					
Salaries and Wages	9,600.00	9,100.00	8,657.86	442.14	-
Other Expenses	10,000.00	11,094.58	11,094.58	-	-

The accompanying Notes to Financial Statements are an integral part of this statement.

TOWNSHIP OF BERKELEY - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-3

STATEMENT OF EXPENDITURES - REGULATORY BASIS

Sheet 3 of 10

FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended Balance Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
Division of Zoning					
Salaries and Wages	\$ 51,025.00	\$ 53,649.71	\$ 53,649.71	-	-
Other Expenses	2,000.00	2,000.00	1,499.52	500.48	-
Zoning Board of Adjustment					
Salaries and Wages	13,400.00	9,500.00	9,146.14	353.86	-
Other Expenses	20,000.00	24,842.01	24,842.01	-	-
<u>Insurances</u>					
General Liability	1,300,000.00	1,284,310.00	1,231,873.19	52,436.81	-
Workers Compensation	325,000.00	384,491.00	383,165.82	1,325.18	-
Employee Group Insurance	5,910,072.00	6,084,540.35	6,084,540.35	-	-
Unemployment Insurance	25,000.00	-	-	-	-
<u>Public Safety Functions</u>					
Police Department					
Salaries and Wages	8,288,915.00	8,138,915.00	7,966,310.37	172,604.63	-
Other Expenses	363,225.00	273,225.00	247,787.60	25,437.40	-
Emergency Management					
Salaries and Wages	10,000.00	4,494.62	4,494.62	-	-
Other Expenses	5,000.00	3,700.00	3,573.71	126.29	-
Aid to Volunteer Fire Companies					
Salaries and Wages	15,000.00	15,002.00	15,002.00	-	-
Other Expenses	208,000.00	208,000.00	207,573.91	426.09	-
First Aid Contribution					
Other Expenses	125,000.00	125,000.00	125,000.00	-	-
Fire Department					
Salaries and Wages	113,670.16	113,670.16	112,614.37	1,055.79	-
Other Expenses	5,000.00	5,000.00	2,753.79	2,246.21	-
Uniform Fire Safety Act (P.L. 1983, Ch. 383):					
Salaries and Wages	28,930.44	28,930.44	28,930.44	-	-
Municipal Prosecutor:					
Other Expenses	50,000.00	44,520.00	39,520.00	5,000.00	-

The accompanying Notes to Financial Statements are an integral part of this statement.

TOWNSHIP OF BERKELEY - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-3

STATEMENT OF EXPENDITURES - REGULATORY BASIS

Sheet 4 of 10

FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended Balance Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
<u>Public Works Functions</u>					
Streets and Roads Maintenance:					
Salaries and Wages	\$ 411,111.00	\$ 374,111.00	\$ 363,776.38	\$ 10,334.62	\$ -
Other Expenses	160,000.00	213,986.00	212,942.28	1,043.72	-
Contractual	451,000.00	451,000.00	450,569.32	430.68	-
Other Public Works Functions/Signs, Maintenance					
Salaries and Wages	119,893.00	127,170.07	127,170.07	-	-
Other Expenses	20,000.00	20,000.00	18,899.87	1,100.13	-
Other Public Works Functions/ Building Demolition					
Other Expenses	10,000.00	-	-	-	-
Sanitation/Solid Waste Collection:					
Salaries and Wages	1,778,123.00	1,920,678.73	1,920,678.73	-	-
Other Expenses	174,000.00	174,000.00	173,820.84	179.16	-
Solid Waste Collection/Recycling					
Salaries and Wages	392,875.00	392,875.00	391,440.78	1,434.22	-
Other Expenses	21,000.00	21,000.00	21,000.00	-	-
Buildings and Grounds:					
Salaries and Wages	160,531.00	178,613.43	171,468.89	7,144.54	-
Other Expenses	50,000.00	50,000.00	47,998.25	2,001.75	-
Equipment Maintenance					
Salaries and Wages	486,362.00	407,362.00	396,899.53	10,462.47	-
Other Expenses	30,000.00	30,000.00	29,153.17	846.83	-
<u>Health and Human Services</u>					
Environmental Health Services					
Other Expenses	1,000.00	425.00	425.00	-	-
Animal Control Services					
Salaries and Wages	114,584.00	114,584.00	113,543.00	1,041.00	-
Other Expenses	8,190.00	3,190.00	2,298.22	891.78	-

The accompanying Notes to Financial Statements are an integral part of this statement.

TOWNSHIP OF BERKELEY - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-3

STATEMENT OF EXPENDITURES - REGULATORY BASIS

Sheet 5 of 10

FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Appropriated</u>		<u>Budget After</u>		<u>Expended</u>		<u>Unexpended</u>
	<u>Budget</u>	<u>\$</u>	<u>Modification</u>	<u>\$</u>	<u>Paid or</u>	<u>Reserved</u>	
					<u>Charged</u>		<u>Balance</u>
							<u>Cancelled</u>
Contribution - Providence House (N.J.S.A. 40:23-8.17)	\$	930.00	\$	930.00	\$	-	\$ -
Contribution - Community Services Inc. (N.J.S.A. 40:48-9.4)		930.00		930.00	930.00	-	-
<u>Parks and Recreation</u>							
Recreation Services and Programs							
Salaries and Wages	441,076.00		442,558.24		442,558.24	-	-
Other Expenses	50,000.00		39,500.00		37,139.67	2,360.33	-
Recreation Services and Programs/Golf Course							
Salaries and Wages	521,005.00		523,883.89		523,883.89	-	-
Other Expenses	100,000.00		100,000.00		97,162.56	2,837.44	-
Maintenance of Parks							
Salaries and Wages	174,952.00		148,952.00		146,767.17	2,184.83	-
Other Expenses	70,000.00		61,000.00		59,687.38	1,312.62	-
Beach and Boardwalk Operations							
Salaries and Wages	100,000.00		85,491.00		85,490.04	0.96	-
Other Expenses	8,000.00		11,718.00		11,717.52	0.48	-
<u>Utilities and Bulk Purchases</u>							
Utilities							
Other Expenses	500,000.00		500,000.00		488,960.59	11,039.41	-
Street Lighting							
Other Expenses	500,000.00		484,881.92		446,525.75	38,356.17	-
Gasoline							
Other Expenses	840,000.00		840,000.00		767,278.54	72,721.46	-
Fire Hydrants							
Other Expenses	150,000.00		150,000.00		140,660.90	9,339.10	-
<u>Landfill/Solid Waste</u>							
Landfill/Solid Waste Disposal Costs							
Other Expenses/Tipping	1,600,000.00		1,506,613.42		1,506,582.42	31.00	-

The accompanying Notes to Financial Statements are an integral part of this statement.

TOWNSHIP OF BERKELEY - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-3

STATEMENT OF EXPENDITURES - REGULATORY BASIS

Sheet 6 of 10

FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Balance Cancelled</u>
<u>Code Enforcement and Administration</u>					
Other Code Enforcement Functions:					
Salaries and Wages	\$ 146,723.00	\$ 146,023.00	\$ 143,146.84	2,876.16	\$ -
Other Expenses	4,000.00	4,000.00	3,901.36	98.64	-
Total Operations within Caps	29,144,132.40	29,153,634.79	28,656,399.59	497,235.20	-
Contingent	2,000.00	2,000.00	29.55	1,970.45	-
Total Operations within Caps including Contingent	29,146,132.40	29,155,634.79	28,656,429.14	499,205.65	-
Detail:					
Salaries and Wages	15,020,358.60	14,833,462.47	14,578,536.85	254,925.62	-
Other Expenses	14,125,773.80	14,322,172.32	14,077,892.29	244,280.03	-
<u>DEFERRED CHARGES AND STATUTORY EXPENDITURES</u>					
<u>WITHIN CAPS</u>					
<u>Deferred Charges</u>					
Prior Year Bills:					
Meridian Occupational Health PC 12/20/10	95.00	95.00	95.00	-	-
Meridian Occupational Health PC 7/12/11	95.00	95.00	95.00	-	-
Deficit in Operation	46,666.68	46,666.68	46,666.68	-	-
Overexpenditure Construction Trust Fund	46,695.38	46,695.38	46,695.38	-	-
<u>Statutory Expenditures</u>					
Contribution to:					
Social Security System	1,219,835.56	1,196,835.56	1,185,577.94	11,257.62	-
Police and Firemen's Retirement System of NJ	1,595,904.00	1,595,904.00	1,595,904.00	-	-
Public Employee Retirement System	825,770.00	825,770.00	825,770.00	-	-
Total Deferred Charges and Statutory Expenditures within Caps	3,735,061.62	3,712,061.62	3,700,804.00	11,257.62	-
Total Appropriations within Caps	32,881,194.02	32,867,696.41	32,357,233.14	510,463.27	-

The accompanying Notes to Financial Statements are an integral part of this statement.

TOWNSHIP OF BERKELEY - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-3

STATEMENT OF EXPENDITURES - REGULATORY BASIS

Sheet 7 of 10

FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Balance Cancelled</u>
<u>OPERATIONS EXCLUDED FROM CAPS</u>					
Insurance (N.J.S.A. 40A:4-45.3(00))	\$ 141,928.00	\$ 141,928.00	\$ 141,928.00	\$ -	\$ -
Employee Group Health Insurance					
Length of Service Awards Program (N.J.A.C. 5:30-14.25)	220,000.00	220,000.00	204,347.00	15,653.00	-
Other Expenses					
Stormwater and Water Pollution (N.J.S.A. 40A: 4-45.3(cc))	168,999.00	182,496.61	182,496.61	-	-
Salaries and Wages	60,000.00	60,000.00	59,913.28	86.72	-
Other Expenses					
Recycling Enhancement Act (P.L. 2007 c.311)	91,542.00	91,542.00	91,542.00	-	-
Other Expenses					
<u>Interlocal Municipal Service Agreements</u>					
Ocean County Health - Animal Control	35,000.00	35,000.00	1,806.00	33,194.00	-
Other Expenses					
Ocean County Social Services - Relocation Expenses	2,500.00	2,500.00	-	2,500.00	-
Other Expenses					
Fire Protection - South Toms River	26,500.00	26,500.00	26,500.00	-	-
Other Expenses					
Animal Control - Pine Beach, South Seaside Park, Ocean Gate	24,255.00	24,255.00	24,255.00	-	-
Salaries and Wages					
Berkeley Board of Education - Fuel	105,000.00	105,000.00	105,000.00	-	-
Other Expenses					
Central Regional Board of Education - Fuel	235,000.00	235,000.00	182,974.27	52,025.73	-
Other Expenses					
<u>Public and Private Programs Offset by Revenues</u>					
Body Armor Fund	15,432.07	15,432.07	15,432.07	-	-
Bullet Proof Vest Partnership 2014	13,631.62	13,631.62	13,631.62	-	-
CDBG Parking Facilities/Volunteer Community Center	33,000.00	33,000.00	33,000.00	-	-

TOWNSHIP OF BERKELEY - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-3

STATEMENT OF EXPENDITURES - REGULATORY BASIS

Sheet 8 of 10

FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended Balance Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
Clean Communities Grant	\$	\$	\$		\$
Salaries and Wages	62,386.37	62,386.37	62,386.37	-	-
Other Expenses	45,000.00	45,000.00	45,000.00	-	-
Click It or Ticket	4,000.00	4,000.00	4,000.00	-	-
Drive Sober or Get Pulled Over 2014	5,000.00	5,000.00	5,000.00	-	-
Drive Sober or Get Pulled Over 2014 Holiday Grant	7,500.00	7,500.00	7,500.00	-	-
Energy Allocation Initiative	215,400.00	215,400.00	215,400.00	-	-
Homeland Security Grant - FY 2013	40,500.00	40,500.00	40,500.00	-	-
Homeland Security Grant - FY 2014	33,066.00	33,066.00	33,066.00	-	-
Municipal Alliance - 2014	7,213.00	7,213.00	7,213.00	-	-
Municipal Alliance Grant - Municipal Share					
Salaries and Wages	3,750.00	3,750.00	3,750.00	-	-
Municipal Alliance Grant - Municipal Share					
Salaries and Wages	7,779.12	7,779.12	7,779.12	-	-
Municipal Alliance Grant - Municipal Share (Fiscal Year)					
Salaries and Wages	5,045.70	5,045.70	5,045.70	-	-
Other Expenses	28,592.30	28,592.30	28,592.30	-	-
Municipal Alliance Grant - State Share (Transition Year)					
Salaries and Wages	9,409.00	9,409.00	9,409.00	-	-
Other Expenses	5,600.29	5,600.29	5,600.29	-	-
NJ 966 Reimbursement Program	31,174.85	31,174.85	31,174.85	-	-
NJ DEP Mini Grant-Cedar Creek Fish Project	16,000.00	16,000.00	16,000.00	-	-
NJ Division of Highway Safety	4,400.00	4,400.00	4,400.00	-	-
Ocean County EUM FY 12	5,000.00	5,000.00	5,000.00	-	-
Post Sandy Planning Assistance Grant	303,000.00	303,000.00	303,000.00	-	-
Total Operations excluded from Caps	2,012,604.32	2,026,101.93	1,922,642.48	103,459.45	-
Detail:					
Salaries and Wages	281,624.19	295,121.80	282,296.98	-	-
Other Expenses	1,730,980.13	1,730,980.13	1,640,345.50	103,459.45	-

The accompanying Notes to Financial Statements are an integral part of this statement.

TOWNSHIP OF BERKELEY - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-3

STATEMENT OF EXPENDITURES - REGULATORY BASIS

Sheet 9 of 10

FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended Balance Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
<u>CAPITAL IMPROVEMENTS EXCLUDED FROM CAPS</u>					
Capital Improvement Fund	\$ 320,000.00	\$ 320,000.00	\$ 320,000.00	\$ -	\$ -
New Jersey DOT Trust Fund Authority Act	200,000.00	200,000.00	200,000.00	-	-
	<u>520,000.00</u>	<u>520,000.00</u>	<u>520,000.00</u>	<u>-</u>	<u>-</u>
Total Capital Improvements excluded from Caps					<u>-</u>
<u>MUNICIPAL DEBT SERVICE EXCLUDED FROM CAPS</u>					
Payment of Bond Principal	3,125,000.00	3,125,000.00	2,374,965.44	-	750,034.56
Interest on Bonds	846,668.75	846,668.75	843,526.25	-	3,142.50
Interest on Notes	45,952.00	45,952.00	45,952.00	-	-
NJEIT					
Loan Repayments for Principal and Interest	135,369.44	135,369.44	118,602.41	-	16,767.03
Total Municipal Debt Service excluded from Caps	<u>4,152,990.19</u>	<u>4,152,990.19</u>	<u>3,383,046.10</u>	<u>-</u>	<u>769,944.09</u>
<u>DEFERRED CHARGES EXCLUDED FROM CAPS</u>					
Special Emergency Authorizations - 5 Years (N.J.S. 40A:4-55)	1,200,000.00	1,200,000.00	1,200,000.00	-	-
Special Emergency Authorizations - From 2011	87,026.90	87,026.90	87,026.90	-	-
Special Emergency Authorizations - From 2012	51,339.10	51,339.10	51,339.10	-	-
Special Emergency Authorizations - From 2013	89,389.71	89,389.71	89,389.71	-	-
Total Deferred Charges excluded from Caps	<u>1,427,755.71</u>	<u>1,427,755.71</u>	<u>1,427,755.71</u>	<u>-</u>	<u>-</u>
Total General Appropriations excluded from Caps	<u>8,113,350.22</u>	<u>8,126,847.83</u>	<u>7,253,444.29</u>	<u>103,459.45</u>	<u>769,944.09</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

TOWNSHIP OF BERKELEY - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-3

STATEMENT OF EXPENDITURES - REGULATORY BASIS

Sheet 10 of 10

FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Balance Cancelled</u>
Subtotal General Appropriations	\$ 40,994,544.24	\$ 40,994,544.24	\$ 39,610,677.43	\$ 613,922.72	\$ 769,944.09
Reserve for Uncollected Taxes	3,139,939.33	3,139,939.33	3,139,939.33	-	-
Total General Appropriations	\$ 44,134,483.57	\$ 44,134,483.57	\$ 42,750,616.76	\$ 613,922.72	\$ 769,944.09
Adopted Budget		\$ 43,215,644.95			
Appropriations added by 40A:4-87		676,811.82			
Special Emergency Authorizations		242,026.80			
		\$ 44,134,483.57			
Reserve for:					
Encumbrances			\$ 249,420.97		
Uncollected Taxes			3,139,939.33		
Disbursements			36,542,926.95		
Special Emergency Authorization:					
Reserve for Contractually Required Severance			242,026.80		
Deferred Charges Raised:					
Special Emergency Appropriations			1,427,755.71		
Deficit in Operation			46,666.68		
Interfund - Grant Fund			1,101,880.32		
			\$ 42,750,616.76		

The accompanying Notes to Financial Statements are an integral part of this statement.

TOWNSHIP OF BERKELEY - COUNTY OF OCEAN

OTHER TRUST FUND

Exhibit B

COMPARATIVE STATEMENT OF ASSETS, LIABILITIES,

RESERVES AND FUND BALANCE - REGULATORY BASIS

DECEMBER 31, 2014 AND 2013

	<u>Ref.</u>	<u>2014</u>	<u>2013</u>
<u>Assets</u>			
<u>Animal Control Trust Fund</u>			
Cash	B-1	\$ 74,491.98	\$ 84,702.59
<u>Other Trust Fund</u>			
Cash	B-1	7,494,191.27	7,820,392.05
Due From Regional School District	B-5	-	20,000.00
Interfund - Current Fund	B-4	-	106,500.64
Deficit in Reserve for Construction Code	B-1	-	46,695.38
		<u>7,494,191.27</u>	<u>7,993,588.07</u>
Length of Service Awards Program Fund (LOSAP) - Unaudited:			
Funds Held by Trustee	B-7	<u>1,725,024.56</u>	<u>1,691,740.62</u>
		<u>\$ 9,293,707.81</u>	<u>\$ 9,770,031.28</u>
<u>Liabilities and Reserves</u>			
<u>Animal Control Trust Fund</u>			
Reserve for Animal Control Trust Fund	B-2	\$ 73,018.60	\$ 73,018.60
Due to State of New Jersey	B-3	-	35.40
Interfund - Current Fund	B-2, A	<u>1,473.38</u>	<u>11,648.59</u>
		<u>74,491.98</u>	<u>84,702.59</u>
<u>Other Trust Fund</u>			
Interfund - Current Fund	B-4	42,744.70	-
Due to State of New Jersey		675.00	25,579.00
Reserve for:			
Miscellaneous Reserves	B-5	6,678,907.56	7,199,871.37
Open Space	B-6	<u>771,864.01</u>	<u>768,137.70</u>
		<u>7,494,191.27</u>	<u>7,993,588.07</u>
Length of Service Awards Program Fund (LOSAP) - Unaudited:			
Funds Held by Trustee	B-7	<u>1,725,024.56</u>	<u>1,691,740.62</u>
		<u>\$ 9,293,707.81</u>	<u>\$ 9,770,031.28</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

TOWNSHIP OF BERKELEY- COUNTY OF OCEAN

GENERAL CAPITAL FUND

Exhibit C

**COMPARATIVE STATEMENT OF ASSETS, LIABILITIES,
RESERVES AND FUND BALANCE - REGULATORY BASIS**

DECEMBER 31, 2014 AND 2013

	<u>Ref.</u>	<u>2014</u>	<u>2013</u>
<u>Assets</u>			
Cash	C-1	\$ 4,995,609.85	\$ 791,143.11
Deferred Charges to Future Taxation:			
Funded	C-3	26,564,719.77	29,085,423.35
Unfunded	C-4	13,358,282.50	7,257,924.00
Interfund - Current Fund	C-1	-	22,108.49
Grants Receivable	C-6	668,500.42	1,132,551.92
		<u>\$ 45,587,112.54</u>	<u>\$ 38,289,150.87</u>
<u>Liabilities, Reserves and Fund Balance</u>			
Capital Improvement Fund	C-5	\$ 19,756.47	\$ 20,827.97
Reserve for Debt Service	C-1	70,629.00	-
Improvement Authorizations:			
Funded	C-7	320,904.91	399,831.42
Unfunded	C-7	3,827,840.73	5,517,119.26
Reserve for Encumbrances	C-7	3,373,333.66	2,405,044.87
Bond Anticipation Notes	C-11	11,409,928.00	-
Environmental Infrastructure Trust Fund Loans	C-8	2,021,155.46	2,197,659.00
Serial Bonds	C-9	23,737,000.00	26,862,000.00
Green Trust Loan Payable	C-10	806,564.31	886,668.35
		<u>\$ 45,587,112.54</u>	<u>\$ 38,289,150.87</u>

There were bonds and notes authorized but not issued on December 31, 2014 and 2013 of \$1,948,354.50 and \$7,257,924.00, respectively (Schedule C-12).

The accompanying Notes to Financial statements are an integral part of this statement.

TOWNSHIP OF BERKELEY - COUNTY OF OCEAN

PAYROLL FUND

Exhibit G

COMPARATIVE STATEMENT OF ASSETS AND LIABILITIES

REGULATORY BASIS

DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
<u>Assets</u>		
Cash	\$ <u>155,714.83</u>	\$ <u>252,426.12</u>
<u>Liabilities</u>		
Interfund Payable - Current Fund	\$ 13,260.14	\$ 68,940.53
Payroll Deductions Payable	<u>142,454.69</u>	<u>183,485.59</u>
	\$ <u>155,714.83</u>	\$ <u>252,426.12</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

TOWNSHIP OF BERKELEY - COUNTY OF OCEAN

GENERAL FIXED ASSETS ACCOUNT GROUP

Exhibit H

COMPARATIVE STATEMENT OF ASSETS AND LIABILITIES

REGULATORY BASIS

DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
General Fixed Assets:		
Land	\$ 6,531,802.00	\$ 6,531,802.00
Buildings and Improvements	7,625,923.00	7,625,923.00
Machinery and Equipment	<u>26,691,148.83</u>	<u>25,256,494.72</u>
	<u>\$ 40,848,873.83</u>	<u>\$ 39,414,219.72</u>
Investment in General Fixed Assets	<u>\$ 40,848,873.83</u>	<u>\$ 39,414,219.72</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

**TOWNSHIP OF BERKELEY
COUNTY OF OCEAN**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014**

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TOWNSHIP OF BERKELEY - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The financial statements of the Township of Berkeley, County of Ocean, New Jersey (the "Township"), include every board, body, office or commission supported and maintained wholly or in part by funds appropriated by the Township as required by N.J.S. 40A:5-5. The financial statements of the Township do not include the operations of the Board of Education, first aid organization or volunteer fire companies which are subject to separate audits.

The Governmental Accounting Standards Board ("GASB") Statement 14 established criteria to be used to determine which component units should be included in the financial statements of the oversight entity. The criteria differ from the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division") requirements where certain boards, commissions, and agencies of the Township, by statute or other directive, report separately on their financial statements. The financial statements of the Berkeley Township Sewerage Authority and Berkeley Township Municipal Utilities Authority are reported separately.

B. Descriptions of Funds

The GASB is the recognized standard-setting body for establishing governmental generally accepted accounting and financial reporting principles.

The accounting policies of the Township conform to the accounting principles applicable to municipalities which have been prescribed by the Division. Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. Under this method of accounting, the Township accounts for its financial transactions through the following separate funds which differs from the fund structure required by generally accepted accounting principles ("GAAP"):

Current Fund - revenues and expenditures for governmental operations of a general nature, including federal and state grant funds.

Animal Control Trust Fund - animal control license revenues and expenditures.

Other Trust Fund - sundry deposits held for satisfactory completion of specific work; receipts and disbursements for dedicated purposes.

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Description of Funds (Continued)

Payroll Fund - receipt and disbursement for payroll costs and payroll taxes.

General Fixed Assets Account Group - used to account for fixed assets used in general government operations.

C. Basis of Accounting

The accounting principles and practices prescribed for municipalities by the Division differ in certain respects from GAAP applicable to local governmental units. The more significant differences are as follows:

A modified accrual basis of accounting is followed with minor exceptions.

Property Taxes and Other Revenues - property taxes and other revenues are recognized on a cash basis. Receivables for property taxes and other items that are susceptible to accrual are recorded with offsetting reserves on the balance sheet of the Township's Current Fund. GAAP requires such revenue to be recognized in the accounting period when they become susceptible to accrual, reduced by an allowance for doubtful accounts.

Grant Revenues - Federal and State grants, entitlement or shared revenues received for purposes normally financed through the Current Fund are recognized when anticipated in the Township's budget. Federal and State grant revenues received for purposes of capital projects financed by capital ordinances are recognized when received. GAAP requires such revenues to be recognized in the accounting period when they become susceptible to accrual.

Expenditures - unexpended or uncommitted appropriations, at December 31, are reported as expenditures through the establishment of appropriation reserves unless cancelled by the governing body. GAAP requires expenditures to be recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt, which should be recognized when due.

Encumbrances - contractual orders at December 31, are reported as expenditures through the establishment of a reserve for encumbrances. Encumbrances do not constitute expenditures under GAAP.

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

Deferred Charges - the regulatory basis of accounting utilized by the Township requires that certain expenditures be deferred, and raised as items of appropriation in budgets of succeeding years. These deferred charges include the two general categories, overexpenditures and emergency appropriations. Overexpenditures occur when expenditures recorded as “paid or charged” exceed available appropriation balances. Emergency appropriations occur when, subsequent to the adoption of a balanced budget, the governing body authorizes the establishment of additional appropriations based on unforeseen circumstances or for other special purposes as defined by statute. Overexpenditures and emergency appropriations are deducted from total expenditures in the calculation of operating results and are established as assets for Deferred Charges on the respective balance sheets. GAAP does not permit the deferral of overexpenditures to succeeding budgets. In addition, GAAP does not recognize expenditures based on the authorization of an appropriation. Instead, the authorization of special purpose expenditures, such as the preparation of tax maps or revaluation of assessable real property, would represent the designation of fund balance. The status of deferred charges at December 31, 2014 is set forth in Note 9.

Compensated Absences - expenditures relating to obligations for unused vested accumulated vacation and sick pay are not recorded until paid. GAAP requires that the amount which would normally be liquidated with expendable available financial resources be recorded as an expenditure in the Current Fund and the remaining obligations be recorded as a long-term obligation. The compensated absence liability at December 31, 2014 is set forth in Note 4.

Property Acquired for Taxes - is recorded in the Current Fund at the assessed valuation when such property was acquired and fully reserved. GAAP requires such property to be recorded at its market value.

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

Interfunds - advances in the Current Fund are reported as interfund receivables with offsetting reserves which are created by charges to operations. Income is recognized in the year the receivables are liquidated. GAAP does not require the establishment of an offsetting reserve.

Inventories of Supplies - The costs of inventories of supplies for all funds are recorded as expenditures at the time individual items are purchased. The costs of inventories are not included on the various balance sheets. GAAP requires that the cost of inventories be reflected on the balance sheet until utilized and expended.

General Fixed Assets - In accordance with the New Jersey Administrative Code, which differs in certain respects from GAAP, the Township has developed a fixed assets accounting and reporting system.

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

General Fixed Assets (Continued)

GAAP does not require utilization of a general fixed asset account group.

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available.

Depreciation is not recorded in the General Fixed Assets Account Group.

Expenditures for construction in progress are required to be recorded in the Capital Funds until such time as the construction is completed and put into operation.

Fixed assets acquired through grants in aid or contributed capital have not been accounted for separately.

During 2014 and 2013 the following changes occurred in the fixed assets of the Township:

	<u>Balance</u> <u>Jan. 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>Dec. 31, 2014</u>
General Fixed Assets Account Group:				
Land	\$ 6,531,802.00	\$	\$	\$ 6,531,802.00
Improvements	7,625,923.00			7,625,923.00
Machinery and Equipment	<u>25,256,494.72</u>	<u>1,509,054.11</u>	<u>74,400.00</u>	<u>26,691,148.83</u>
	<u>\$ 39,414,219.72</u>	<u>\$ 1,509,054.11</u>	<u>\$ 74,400.00</u>	<u>\$ 40,848,873.83</u>
	<u>Balance</u> <u>Jan. 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>Dec. 31, 2013</u>
General Fixed Assets Account Group:				
Land	\$ 6,531,802.00	\$	\$	\$ 6,531,802.00
Improvements	7,625,923.00			7,625,923.00
Machinery and Equipment	<u>25,284,436.00</u>	<u>1,384,749.72</u>	<u>1,412,691.00</u>	<u>25,256,494.72</u>
	<u>\$ 39,442,161.00</u>	<u>\$ 1,384,749.72</u>	<u>\$ 1,412,691.00</u>	<u>\$ 39,414,219.72</u>

D. Financial Statements

The GASB Codification requires the financial statements of a governmental unit to be presented in accordance with GAAP. The Township presents its financial statements in accordance with another comprehensive basis of accounting as promulgated by the Division which differs from the financial statements required by GAAP. In addition, the Division requires the financial statements to be referenced to the supplementary schedules. This practice differs from GAAP.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgets and Budgetary Accounting

An annual budget is required to be adopted and integrated into the accounting system to provide budgetary control over revenues and expenditures. Budget amounts presented in the accompanying financial statements represent amounts adopted by the Township and approved by the Division in accordance with applicable statutes.

F. Subsequent Events

The Township has evaluated subsequent events through July 2, 2015, the date the financial statements were available to be issued. See Note 19 for more information.

NOTE 2. CASH AND CASH EQUIVALENTS

A. Deposits

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

The market value of the collateral must equal five percent of the average daily balance of public funds; or

If the public funds deposited exceed 75 percent of the funds of the depository, the depository must provide collateral having a market value equal to 100 percent of the amount exceeding 75 percent.

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

At year-end the carrying amount of the Township's deposits was \$17,984,598 and the bank balance amount was \$19,145,944. Of this amount \$456,753 was covered by federal depository insurance and a collateral pool under New Jersey's Governmental Unit Deposit Protection Act covered \$16,215,698. An amount of \$2,473,493 was on deposit in the name of various developers for escrow and is insured by federal depository insurance or uninsured depending on the deposits of the individual developer in the depository.

B. Investments

a. When authorized by a cash management plan approved pursuant to N.J.S. 40A:5-14, the Township may use available funds for the purchase of the following types of securities which, if suitable for registry, may be registered in the name of the Township:

- (1) Bonds or other obligations of the United States or obligations guaranteed by the United States.
- (2) Government money market mutual funds.

NOTE 2. CASH AND CASH EQUIVALENTS (CONTINUED)

B. Investments (Continued)

- a. (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor.
- (4) Bonds or other obligations of the Township, or bonds or other obligations of school districts of which the Township is a part or within which the school district is located.
- (5) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investments, New Jersey Department of the Treasury.
- (6) Municipal investment pools.
- (7) Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c. 281; or
- (8) Agreements for the repurchase of fully collateralized securities, if:
 - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this section;
 - (b) the custody of collateral is transferred to a third party;
 - (c) the maturity of the agreement is not more than 30 days;
 - (d) the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c. 236 (C.17:9-41);
 - (e) a master repurchase agreement providing for the custody and security of collateral is executed.

b. Any investment instruments in which the security is not physically held by the Township shall be covered by a third party custodial agreement, which shall provide for the designation of such investments in the name of the Township and prevent unauthorized use of such investments.

- c. Investments are further regulated and restricted in accordance with N.J.S. 40A:5-15.1.

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

NOTE 2. CASH AND CASH EQUIVALENTS (CONTINUED)

C. Cash Management Plan

In accordance with N.J.S. 40A:5-14, every municipality shall adopt a cash management plan and shall deposit and invest its funds pursuant to that plan. The plan shall be approved annually by majority vote of the governing body and may be modified from time to time in order to reflect changes in federal or state law or regulations. The chief financial officer shall be charged with administering the plan.

When an investment in bonds maturing in more than one year is authorized, the maturity of those bonds shall approximate the prospective use of the funds invested.

The plan also requires a monthly report to the governing body summarizing all investments made or redeemed since the previous report and shall include, at a minimum, the specific detailed information as set forth in the statute.

D. Credit Risk Categories

All bank deposits and investments as of the balance sheet date are classified as to credit risk by the following categories described below:

<u>Depository Account</u>	<u>Bank Balance</u>	
	<u>2014</u>	<u>2013</u>
Insured:		
FDIC	\$ 456,753	\$ 464,458
GUDPA	16,215,698	14,252,332
Various Escrows	<u>2,473,493</u>	<u>1,980,756</u>
	\$ <u>19,145,944</u>	\$ <u>16,697,546</u>

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. The Township does not have a formal policy for custodial credit risk.

State law limits investments as noted above.

During the year, the Township had none of its idle funds invested in repurchase agreements collateralized by eligible securities. At the close of the year, no such investments were held by the Township.

NOTE 3. DEBT**SUMMARY OF MUNICIPAL DEBT**

	<u>Year 2014</u>	<u>Year 2013</u>	<u>Year 2012</u>
<u>Issued and Outstanding</u>			
General:			
Bonds, Notes and Loans	\$ 37,974,647	\$ 29,946,327	\$ 33,456,528
Less Deductions:			
Reserve for Debt Service	70,629		
Open Space Trust	<u>916,072</u>	<u>981,706</u>	<u>1,048,301</u>
Net Debt Issued	<u>36,987,946</u>	<u>28,964,621</u>	<u>32,408,227</u>
<u>Authorized but not Issued</u>			
General:			
Bonds and Notes	<u>1,948,355</u>	<u>7,257,924</u>	<u>1,465,020</u>
Net Bonds and Notes Issued and Authorized but not Issued	<u>\$ 38,936,301</u>	<u>\$ 36,222,545</u>	<u>\$ 33,873,247</u>

SUMMARY OF STATUTORY DEBT CONDITION - ANNUAL DEBT STATEMENT

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a Statutory Net Debt of 0.75%

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School District Debt	\$ 13,025,000	\$ 13,025,000	\$ -0-
Regional School District Debt	4,251,695	4,251,695	-0-
General Debt	<u>39,923,002</u>	<u>986,701</u>	<u>38,936,301</u>
	<u>\$ 57,991,697</u>	<u>\$ 18,263,396</u>	<u>\$ 38,936,301</u>

Net Debt \$38,936,301 divided by Equalized Valuation basis per N.J.S.A. 40A:2-6 as amended \$5,153,365,722 = 0.75%.

BORROWING POWER UNDER N.J.S.A. 40A:2-6

3.5% of Equalized Valuation Basis (Municipal)	\$ 180,367,800
Net Debt	<u>38,936,301</u>
Remaining Borrowing Power	<u>\$ 141,431,499</u>

The Local Bond Law governs the issuance of bonds and notes to finance general municipal capital expenditures. Bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the Township are general obligation bonds, backed by the full faith and credit of the Township. Bond anticipation notes are issued to temporarily finance capital projects, prior to the issuance of serial bonds. The term of the notes cannot exceed one year but the notes may be renewed from time to time for a period not exceeding one year. All such notes must be paid no later than the tenth anniversary of the date of the original note. The State of New Jersey also prescribes that on or before the third anniversary date of the original note

NOTE 3. DEBT (CONTINUED)

a payment of at least equal to the first legally payable installment of the bonds in anticipation of which such notes were issued be paid. A second legal installment must be paid if the notes are to be renewed beyond the fourth anniversary date of the original issuance and so on. Tax anticipation notes are issued if the cash on hand is not sufficient to carry on normal operations of the municipality at any time during the year. Such notes are authorized by a resolution adopted by the governing body.

A. Long-Term Debt

The Township's long-term debt is summarized as follows:

General Capital Fund

\$8,103,000 2004 Bonds due in annual installments ranging from \$690,000 to \$973,000 through 2015 at interest rates ranging from 4.00% to 4.25%	\$ 973,000
\$9,384,000 2006 Bonds due in annual installments ranging from \$719,000 to \$720,000 through 2020 at interest rates ranging from 4.00% to 4.50%	4,319,000
\$12,745,000 2010 Bonds due in annual installments ranging from \$500,000 to \$995,000 through 2024 at interest rates ranging from 3.00% to 4.00%	9,545,000
\$9,950,000 2012 Bonds due in annual installments ranging from \$525,000 to \$1,050,000 through 2023 at interest rates ranging from 2.125% to 3.00%	<u>8,900,000</u>
	<u>\$ 23,737,000</u>

The bonds mature serially in installments to the year 2024. Debt service requirements during the next five fiscal years and thereafter are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 3,168,000	\$ 793,769	\$ 3,961,769
2016	2,695,000	633,630	3,328,630
2017	2,720,000	531,292	3,251,292
2018	2,720,000	449,393	3,169,393
2019	2,720,000	366,305	3,086,305
2020-2024	<u>9,714,000</u>	<u>731,486</u>	<u>10,445,486</u>
	<u>\$ 23,737,000</u>	<u>\$ 3,505,875</u>	<u>\$ 27,242,875</u>

Green Trust Loan Programs

During 2001, the Township closed on a Green Trust Loan in the sum of \$185,825 for the Berkeley Recreation Acquisition at an interest rate of 2%. Additionally, during 2001, the Township received proceeds from a Green Trust Loan in the amount of \$409,630 for Veterans' Park Driving Range, at an interest rate of 2%. On December 19, 2007, the Township closed on a Green Trust Loan in the sum of \$500,000 for the Toms River Park at an interest rate of 2%. On May 19, 2008, the Township closed on a Green Trust Loan in the sum of \$289,203 for Toms River Park Phase II at an interest rate of 2%

NOTE 3. DEBT (CONTINUED)**A. Long-Term Debt (Continued)**

Debt service requirements during the next five fiscal years and thereafter are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 81,714	\$ 15,725	\$ 97,439
2016	83,357	14,082	97,439
2017	85,032	12,407	97,439
2018	72,669	10,768	83,437
2019	74,130	9,307	83,437
2020-24	272,088	27,174	299,262
2025-28	<u>137,574</u>	<u>4,614</u>	<u>142,188</u>
	<u>\$ 806,564</u>	<u>\$ 94,077</u>	<u>\$ 900,641</u>

Environmental Infrastructure Trust Fund Loans

During 2007, the Township entered into loan agreements funded by the New Jersey Environmental Trust in the amount of \$1,320,000 for Potters Creek. \$345,000 was funded by a trust loan with interest rates ranging from 3.40% to 5.00%. The remaining \$975,000 was funded by a fund loan with 0.00% interest. The loan matures in 2027.

During 2008, the Township entered into loan agreements funded by the New Jersey Environmental Trust in the amount of \$814,303 for storm water management, roadway and drainage improvements. \$405,000 was funded by a trust loan with interest rates ranging from 5.00% to 5.50%. The remaining \$409,303 was funded by a fund loan with 0.00% interest. The loan matures in 2021.

During 2010 the Township entered into a loan agreement funded by the New Jersey Environmental Trust in the amount of \$1,005,700 for storm water management. \$250,000 will be funded by a trust loan with interest rates ranging from 3.845% to 4.25%. The remaining \$755,700 will be funded by an interest free fund loan. The loan is payable in installments commencing August 1, 2011 and maturing on August 1, 2029.

Debt service requirements during the next five fiscal years and thereafter are as follows:

<u>Year</u>	<u>Fund Loan Principal</u>	<u>Trust Loan Principal</u>	<u>Trust Loan Interest</u>
2015	\$ 123,024	\$ 60,000	\$ 34,638
2016	120,398	60,000	31,638
2017	117,771	60,000	28,638
2018	124,292	65,000	25,638
2019	124,792	70,000	22,388
2020-2024	488,416	265,000	64,013
2025-2029	231,972	160,000	17,210
Deobligation	<u> </u>	<u>(49,510)</u>	<u> </u>
	<u>\$ 1,330,665</u>	<u>\$ 690,490</u>	<u>\$ 224,163</u>

NOTE 3. DEBT (CONTINUED)

A. Long-Term Debt (Continued)

A deobligation of undisbursed loan proceeds occurred in 2013. Revised amortization schedules were not made available to the Township.

B. Short-Term Debt

On December 31, 2014, the Township's outstanding bond anticipation notes were as follows:

<u>Ordinance Number</u>	<u>Description</u>	<u>Amount</u>	<u>Interest Rate</u>
12-14	Various Capital Improvements	\$ 1,132,904	1.50%
13-26	Various Capital Improvements	4,376,666	1.50%
14-03	Various Capital Improvements	<u>5,900,358</u>	1.50%
		\$ <u>11,409,928</u>	

C. Bonds and Notes Authorized but not Issued

At December 31 the Township had authorized but not issued bonds and notes as follows:

	<u>2014</u>	<u>2013</u>
General Capital Fund	\$ 1,948,355	\$ 7,257,924

D. Borrowing Power

New Jersey statutes limit the debt of a municipality to 3.5% of the average of the last three preceding years equalized valuations of the taxable real estate and improvements. The Township's statutory net debt at December 31, 2014 was 0.74%. The Township's remaining borrowing power is 2.76%.

The summary of municipal debt for the last three years and the calculation of statutory net debt is presented in the Supplementary Data section of this report.

E. Summary of Long-Term Obligations

During 2014 and 2013 the following changes occurred in the long-term obligations of the Township:

NOTE 3. DEBT (CONTINUED)

	Balance Jan. 1, 2014	Issued	Retired	Balance Dec. 31, 2014	Due Within One Year
Current Fund:					
Special Emergency Notes	\$ 4,800,000	\$ 3,600,000	\$ 4,800,000	\$ 3,600,000	\$ 3,600,000
General Capital:					
Serial Bonds	26,862,000	-	3,125,000	23,737,000	3,168,000
Bond Anticipation Notes	-	11,409,928	-	11,409,928	11,409,928
Green Trust Loans	886,668	-	80,104	806,564	81,714
NJEIT Loans	2,197,659	-	176,504	2,021,155	183,024
Other:					
Accumulated Absences	3,057,644	-	213,746	2,843,898	-
	<u>\$ 37,803,971</u>	<u>\$ 15,009,928</u>	<u>\$ 8,395,354</u>	<u>\$ 44,418,545</u>	<u>\$ 18,442,666</u>

	Balance Jan. 1, 2013	Issued	Retired	Balance Dec. 31, 2013	Due Within One Year
Current Fund:					
Special Emergency Notes	\$ -	\$ 4,800,000	\$ -	\$ 4,800,000	\$ 4,800,000
General Capital:					
Serial Bonds	29,937,000	-	3,075,000	26,862,000	3,125,000
Green Trust Loans	965,194	-	78,526	886,668	80,104
NJEIT Loans	2,554,334	-	356,675	2,197,659	176,504
Other:					
Accumulated Absences	3,678,132	-	620,488	3,057,644	-
	<u>\$ 37,134,660</u>	<u>\$ 4,800,000</u>	<u>\$ 4,130,689</u>	<u>\$ 37,803,971</u>	<u>\$ 8,181,608</u>

NOTE 4. ACCRUED SICK AND VACATION BENEFITS

As discussed in Note 1 and in accordance with accounting principles prescribed by the State of New Jersey, the cash basis of accounting is followed for recording the Township's liability related to unused vacation and sick pay. The Township permits certain employees within limits to accumulate unused vacation and sick pay, which may be taken as time off or paid at a later date at an agreed upon rate. The estimated current cost of such unpaid compensation approximates \$2,843,898 and \$3,057,644 at December 31, 2014 and 2013, respectively. A reserve is maintained in the Other Trust Fund and had no balance as of December 31, 2014. In accordance with New Jersey accounting principles, this amount is not reported as an expenditure or liability in the accompanying financial statements.

NOTE 5. FUND BALANCES APPROPRIATED

The fund balances at December 31 which have been appropriated and included as anticipated revenue in the municipal budget for the year ending December 31 of the succeeding years are as follows:

	<u>2014</u>	<u>2013</u>
Current Fund	\$ 800,000 *	\$ 1,330,000

* Introduced

NOTE 5. FUND BALANCES APPROPRIATED (CONTINUED)**COMPARATIVE SCHEDULE OF FUND BALANCES**

<u>Year</u>	<u>Balance</u>	<u>Utilized in</u>
<u>Current Fund</u>	<u>December 31</u>	<u>Budget of</u>
		<u>Succeeding Year</u>
2014	\$ 1,753,008	\$ 800,000 *
2013	2,373,336	1,330,000
2012	10,145	-0-
2011	10,145	61,646
2010	1,100,145	1,090,000

* Introduced

NOTE 6. TAXES COLLECTED IN ADVANCE

Taxes collected in advance set forth as cash liabilities in the financial statements, are as follows:

	<u>Balance December 31</u>	
	<u>2014</u>	<u>2013</u>
Prepaid Taxes	\$ 1,097,012	\$ 1,019,592

NOTE 7. ASSESSMENT AND COLLECTION OF PROPERTY TAXES**COMPARATIVE SCHEDULE OF TAX RATE INFORMATION**

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Tax Rate	\$ <u>1.955</u>	\$ <u>1.907</u>	\$ <u>1.862</u>
Apportionment of Tax Rate			
Municipal	.600	.557	.523
Municipal Open Space	.010	.010	.009
County	.395	.392	.379
Local School District	.555	.554	.553
Regional School District	.383	.382	.384
County Open Space	.012	.012	.014
Assessed Valuation			
2014	\$ 5,094,011,422		
2013		\$ 5,097,672,879	
2012			\$ 5,120,333,460

NOTE 7. ASSESSMENT AND COLLECTION OF PROPERTY TAXES (CONTINUED)**COMPARISON OF TAX LEVIES AND COLLECTION CURRENTLY**

A study of this tabulation could indicate a possible trend in future tax levies. A decrease in the percentage of current collection could be an indication of a probable increase in future levies.

<u>Year</u>	<u>Tax Levy</u>	<u>Currently</u>	
		<u>Cash Collection</u>	<u>Percentage of Collection</u>
2014	\$ 99,811,146	\$ 96,457,125	96.63%
2013	97,466,281	94,388,858	96.84%
2012	95,340,610	91,663,837	96.14%

DELINQUENT TAXES AND TAX TITLE LIENS

This tabulation includes a comparison, expressed in percentage, of the total of delinquent taxes and tax title liens in relation to the tax levies of the last three years.

<u>Year Ended December 31</u>	<u>Amount of Tax Title Liens</u>	<u>Amount of Delinquent Taxes</u>	<u>Total Delinquent</u>	<u>Percentage of Tax Levy</u>
2014	\$ 678,807	\$ 3,056,369	\$ 3,735,176	3.74%
2013	592,522	2,757,789	3,350,311	3.44%
2012	461,551	3,267,100	3,728,651	3.91%

New Jersey statutes require that taxable valuation of real property be prepared by the Township Tax Assessor as of October 1 in each year and filed with the County Board of Taxation (the "Board") by January 10 of the following year. Upon the filing of certified adopted budgets by the Township, Regional School District and County, the tax rate is struck by the Board based on the certified amounts in each of the taxing districts for collection to fund the budgets. Pursuant to statute, this process is to be completed on or before May 3, with a completed duplicate of the tax rolls to be delivered to the Township Tax Collector (the "Collector") on or before May 13th.

Tax bills are prepared then mailed by the Collector of the Township annually and set forth the final tax for the tax year. The bill contains a credit for preliminary amounts billed previously with the balance payable in equal installments on August 1st and November 1st of the tax year. In addition the property owner receives a preliminary bill for the succeeding year based on one half of the prior year's tax. The preliminary payments are due and payable on February 1st and May 1st. The N.J. Statutes allow a grace period of 10 days for each payment period and the Township granted this option to taxpayers. Taxes become delinquent if not paid on the installment dates and become subject to interest penalties of 8% or 18% of the amount delinquent. If taxes are delinquent on or after April 1st of the succeeding year, the delinquent amount is subject to "Tax Sale" which places a tax lien on the property allowing the holder to enforce the tax lien by collection or foreclosure. New Jersey property tax laws establish a tax lien on real estate as of January 1st of the current tax year even though the amount due is not known.

NOTE 8. DEFERRED CHARGES TO FUTURE TAXATION FUNDED AND UNFUNDED

Upon the authorization of capital projects, the Township establishes deferred charges for the cost of the capital projects to be raised by future taxation. Funded deferred charges relate to permanent debt issued, whereas unfunded deferred charges relate to temporary or non-funding of the authorized cost of capital projects. According to the New Jersey Statutes Annotated 40A:2-4, the Township may levy taxes on all taxable property within the local unit to repay the debt. Annually, the Township raises the debt requirements for the particular year in the current budget. As funds are raised, the deferred charges are reduced.

NOTE 9. DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

As noted in Note 1, certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2014, the following deferred charges are shown on the balance sheet of the various funds:

	<u>Balance</u> <u>Dec. 31, 2014</u>	<u>Required to</u> <u>be Raised as</u> <u>2015 Budget</u> <u>Appropriation</u>	<u>Balance to</u> <u>Succeeding</u> <u>Years</u>
Current Fund:			
Special Emergency Authorizations (N.J.S. 40A:4-55):			
2011 Contractually Required Severance Liabilities	\$ 172,063	\$ 87,030	\$ 85,033
2012 Contractually Required Severance Liabilities	154,017	51,339	102,678
Superstorm Sandy	3,600,000	1,200,000	2,400,000
2013 Contractually Required Severance Liabilities	357,559	89,390	268,169
2014 Contractually Required Severance Liabilities	<u>242,027</u>	<u>48,405</u>	<u>193,622</u>
	\$ <u>4,525,666</u>	\$ <u>1,476,164</u>	\$ <u>3,049,502</u>

The Current Fund has a 0.74% emergency note outstanding at December 31, 2014 in the amount of \$3,600,000 for expenses related to Superstorm Sandy. The note is required to be repaid at a minimum amount of 20% of the original emergency per year or a maximum of five years.

NOTE 10. PENSION PLANS

Substantially all of the Township's employees participate in one of the following pension plans which have been established by State statute, and are administered by the New Jersey Division of Pensions and Benefits ("the Division"): the Police and Firemen's Retirement System ("the PFRS"), the Public Employees' Retirement System ("the PERS") or the Defined Contribution Retirement Program ("the DCRP"). Each plan has a Board of Trustees that is primarily responsible for its administration. The Division issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the State of New Jersey, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey, 08625-0295.

Public Employees' Retirement System (PERS)

The PERS was established in 1955. The PERS provides retirement, death, and disability, and medical benefits to qualified members. Vesting and benefit provisions are established by N.J.S.A. 43:15A and 43:3B.

The contribution requirements of plan members are determined by State statute. In accordance with Chapter 92 and Chapter 103, P.L. 2007, plan members are required to contribute 5.5% of their annual covered salary. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate was **NOTE**

10. PENSION PLANS (CONTINUED)

Public Employees' Retirement System (PERS) (CONTINUED)

increased to 6.5% plus an additional 1.0% phased-in over seven years beginning in the first year. The phase-in of the additional incremental member contribution amount will take place in July of each subsequent year. The State Treasurer has the right under the current law to make temporary reductions in member rates based on the existence of surplus pension assets in the retirement system; however the statute also requires the return to the normal rate when such surplus pension assets no longer exist.

The Township is billed annually for its normal contribution plus any accrued liability. These contributions, equal to the required contributions are detailed below.

Police and Firemen's Retirement System (PFRS)

The PFRS was established in 1944. The PFRS provides retirement, death, and disability, and medical benefits to qualified members. Vesting and benefit provisions are established by N.J.S.A. 43:16A and 43:3B.

The contribution requirements of plan members are determined by State statute. In accordance with Chapter 204, P.L. 1989, plan members enrolled in the PFRS are required to contribute 8.5% of their annual covered salary. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate was increased to 10% in October 2011. The State Treasurer has the right under the current law to make temporary reductions in member rates based on the existence of surplus pension assets in the retirement system; however the statute also requires the return to the normal rate when such surplus pension assets no longer exist.

The Township is billed annually for its normal contributions plus any accrued liability. These contributions, equal to the required contributions are detailed below.

Defined Contribution Retirement Program (DCRP)

The DCRP was established in 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 (N.J.S.A. 43:15C-1 et seq.), and expanded under the provisions of Chapter 89, P.L. 2008 and Chapter 1, P.L. 2010. The DCRP Board oversees the DCRP, which is administered by Prudential Financial on behalf of the Division. The DCRP provides eligible members, and their beneficiaries, with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting and benefit provisions are established by N.J.S.A. 43:15C-1 et seq.

The contribution requirements of plan members are determined by State statute. Plan members are required to contribute 5.5% of their annual covered salary and the Township is required to contribute 3% of the annual salary. The employee contributions along with the Township's contribution for each pay period are transmitted to Prudential Financial not later than the fifth business day after the date on which the employee is paid for that pay period.

There were 10 Township employees enrolled in the DCRP for the years ended December 31, 2014, 2013, and 2012. Employer DCRP contribution amounts were not available.

Other Information

The Township's contributions, equal to the required contribution for each fiscal year, were as follows:

NOTE 10. PENSION PLANS (CONTINUED)**Other Information (Continued)**

	2014		2013		2012	
	PERS	PFRS	PERS	PFRS	PERS	PFRS
Normal Contribution	\$ 78,415	\$ 450,999	\$ 227,967	\$ 718,155	\$ 252,203	\$ 722,307
Accrued Liability	344,759	591,965	545,074	908,196	504,406	779,856
Total Regular Pension Contribution	423,174	1,042,964	773,041	1,626,351	756,609	1,502,163
Non-Contributory Group Life Insurance	7,197	43,588	46,009	68,855	48,205	56,331
Chapter 19, P.L. 2009 Deferred Contribution	18,027	37,099	38,796	113,542	38,298	112,720
Total Due	\$ 448,398	\$ 1,123,651	\$ 857,846	\$ 1,808,748	\$ 843,112	\$ 1,671,214

The Division does not invest in securities issued by the Township.

NOTE 11. OTHER POST-EMPLOYMENT BENEFITS**Plan Description**

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

The SHBP was extended to employees, retirees, and dependents of participating local public employers in 1964. Local employers must adopt a resolution to participate in the SHBP. In 1990, the Township authorized participation in the SHBP’s post-retirement benefit program through Resolution Number 89-256. The Township adopted the provisions of Chapter 88, P.L. 1974 that provides medical benefits to any employee who has over 25 years of pension service credit.

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

Funding Policy

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

Contributions to pay for health premiums of participating retirees in the SHBP are billed to the Township on a monthly basis.

NOTE 11. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)**Funding Policy (Continued)**

The Township contributions to SHBP for the years ended December 31, 2014, 2013 and 2012 were \$1,895,558, \$1,729,084 and \$1,480,246, respectively, which equaled the required contributions for each year. There were approximately 116, 107 and 103 retired participants eligible at December 31, 2014, 2013 and 2012, respectively.

NOTE 12. RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township is a member of the Ocean County Municipal Joint Insurance Fund, and the Municipal Excess Liability Fund, public entity risk pools currently operating as a common risk management and insurance programs for municipalities within the state. The Township pays an actuarially determined annual assessment to Garden State Municipal Joint Insurance Fund for its insurance coverage and that of the Municipal Excess Liability Fund. Supplemental assessments may be levied to supplement the funds. The Township has not been notified on any supplemental assessments.

Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three years.

NOTE 13. SCHOOL TAXES

Local District School and Regional School Taxes have been raised and liabilities deferred. Section 13 of P.L. 1991, C. 63 required that any municipality that levied school taxes on a school year basis shall defer from the 1991 municipal purposes tax levy at least 25% of the amount allowable to be deferred (which is 50% (fifty percent) of the levy). The remainder of the allowable amount shall be deferred from the levy in each of the next three years (1992-1994). The amounts so deferred shall be regarded as fund balance and shall be used to offset the local property tax levy for local purposes. In 1992 at least 50% of the amount allowable to be deferred from the 1992 tax levy was required to offset the 1993 local property tax levy and the total amount of deferral at December 31, 1993 was 75% of the amount allowable to be deferred based on the 1993 tax levy.

In 1994 Section 13, P.L. 1991, C. 63 was amended to provide municipalities with the option to determine the percentage if any of the amount allowable to be deferred to offset the local property tax levy for local purposes.

	Local District School Tax		Regional School Tax	
	Balance December 31		Balance December 31	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Balance of Tax	\$ 13,463,958	\$ 13,671,002	\$ 9,047,099	\$ 9,048,596
Deferred	<u>13,463,958</u>	<u>13,671,002</u>	<u>9,047,099</u>	<u>9,048,596</u>
Tax Payable	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>

NOTE 14. CONTINGENT LIABILITIES

State and Federal Financial Assistance

The Township receives financial assistance from the State of New Jersey and the U.S. government in the form of grants. Entitlement to the funds is generally conditional upon compliance with terms and conditions of the financial assistance agreements and applicable regulations, including the expenditure of the funds for eligible purposes. Substantially all grants, entitlements and cost reimbursements are subject to financial and compliance audits by grantors. As a result of these audits, costs previously reimbursed could be disallowed and require repayment to the grantor agency. As of December 31, 2014, the Township estimates that no material liabilities will result from such audits.

Major Tax Assessments

It was noted that there were no assessments in excess of 1% of the total assessed valuation during the 2014 year.

Pending Litigation

It is the opinion of the Township officials that there is no litigation threatened or pending that would materially affect the financial position of the Township or adversely affect the Township's ability to levy, collect and enforce the collection of taxes or other revenue for the payment of its bonds or other obligations.

The Township officials believe that negligence and other types of liability suits, of which the Township is aware, appear to be within the stated policy limits and would be deferred by the respective carriers.

NOTE 15. INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances remained on the balance sheets at December 31, 2014:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Current Fund	\$ 157,765	\$
Grant Fund		100,287
Animal Control Trust Fund		1,473
Trust Other Fund		42,745
Payroll Fund		<u>13,260</u>
	<u>\$ 157,765</u>	<u>\$ 157,765</u>

Interfund balances remaining at year-end were primarily caused by the Grant Fund not having a separate bank account and temporary short-term advances between funds.

NOTE 16. LENGTH OF SERVICE AWARD PROGRAM (“LOSAP”) - UNAUDITED

The Township has established a Volunteer Length of Service Award Plan (“LOSAP”) (“Plan”) to ensure retention of the Township’s volunteer firefighters and volunteer members of emergency service squads. The Plan shall be construed under the laws of the State of New Jersey and is established with the intent that it meets the requirements of a length of service award plan under Section 457(e)11 of the Internal Revenue Code”.

Annual Contributions - The annual contribution to be made by the Township for each active volunteer member shall be \$1,150 per year of active emergency service, commencing with the year 2002.

Appropriations - Appropriations for the purpose of funding the Township’s LOSAP shall be included as a separate line item in the Township’s budget, commencing with the year 2002.

Periodic Increases - Notwithstanding the provisions above, the annual contribution to be made by the Township for each active volunteer member shall be subject to periodic increases based upon the “consumer price index factor” pursuant to subsection f. of section 3 of P.L. 1997, c. 388 (N.J.S.A. 40A:14-185).

Criteria for Eligibility; Contributions; Points - Any active volunteer member shall be eligible to participate in the LOSAP Plan immediately upon commencement of the member’s performance of active voluntary services in the emergency service organization. Annual contributions shall only be made by the Township, however, for those active volunteer members who have earned the minimum number of points for performing certain volunteer services on a yearly basis.

Determination as to Eligibility - Each emergency service organization shall provide to the Township Administrator, acting as the Plan Administrator of LOSAP Plan, a certified list as to the active volunteer members who are initially eligible to participate in the Plan and those who are eligible to participate as each January 1 thereafter. The Plan Administrator shall forward said certified list to the Township Council for approval, in accordance with the provision of N.J.A.C. 5:30-14.10. The decision of the Township Council as to such active member’s eligibility shall be binding upon the Plan Administrator, participants, beneficiaries and any and all other persons having an interest hereunder, subject to appropriate judicial review.

Terms of Participation - The Plan Administrator shall have the right to require any active volunteer member at the time of his or her becoming a participant to agree, in writing, to be bound by the terms, covenants and conditions of the LOSAP and accompanying trust. Each participant shall furnish to the Plan Administrator all pertinent information required for the administration of the LOSAP. The Plan Administrator shall rely upon all such information furnished.

Vesting - The active volunteer member shall not be permitted to receive a distribution of the fund in his or her LOSAP account until the completion of a five-year vesting period.

Termination of Service - Any participant who terminates service as an active volunteer member shall cease to participate hereunder. A former participant may resume participation immediately upon returning to the service of the emergency service organization as an active volunteer member. Any active volunteer member who terminates service with the emergency service organization, subsequently returns to service and again becomes a participant shall be treated as a new participant for purposes of eligibility unless said participant was fully vested prior to his or her termination from service.

Reporting Requirements - N.J.A.C. 5:30-14.49 requires that the Township perform a separate review report of the Plan in accordance with the American Institute of Certified Public Accountants Statements for Accounting and Auditing Review Services.

NOTE 17. SERVICE CONTRACT - UTILITY AUTHORITIES

The Township adopted an ordinance on April 19, 1961 providing a service contract between the Township and the Berkeley Township Sewerage Authority and also adopted an ordinance on February 16, 1988 providing a service contract between the Township and the Berkeley Township Utilities Authority. The contracts, among other things, obligates the Township to pay to the Authorities such sums of money as may be necessary to provide for deficits which result from failure of the Authorities to provide adequate revenues from their operations.

NOTE 18. FEMA COMMUNITY DISASTER LOAN

On May 21, 2013, the Township submitted a formal request for a FEMA Community Disaster Loan (CDL) in the amount of \$5,000,000 in relation to Super Storm Sandy losses and expenditures. The Township drew down \$5,000,000 of the total amount in October 2013. The Township's accrued interest at December 31, 2014 and 2013 is \$61,096.00 and 11,232.88, respectively.

The interest rate on the loan is the U.S. Treasury rate for 5-year maturities on the date the Promissory Note is executed, in this case May 30, 2013. The term of the loan is usually 5 years, but may be extended. Interest accrues on the funds as they are disbursed. When applicable, the Assistance Administrator of the Disaster Assistance Directorate may cancel repayment of all or part of the loan if the revenues of the applicant in the three fiscal years following the financial year of the disaster are insufficient to meet the operating budget because of disaster related revenue losses and unreimbursed disaster related operating expenses.

The funds were recognized as revenue for the year ended December 31, 2013 in the Current Fund.

NOTE 19. SUBSEQUENT EVENTS

Residents of South Seaside Park have filed a petition with the Township's Planning Board to begin the de-annexation process from the Township of Berkeley. The matter is being heard before the Township's Planning Board and as of the date of this report, hearings are ongoing and no determination has been made.

On January 12, 2015 the Township adopted an ordinance appropriating \$6,569,450 for various capital improvements and the acquisition of various capital equipment and authorizing the issuance of \$6,240,978 in general improvement bonds or notes to finance same.

On March 9, 2015, the Township adopted an ordinance authorizing the refunding of outstanding bonds for an amount not to exceed \$3,250,000.

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APPENDIX C
FORM OF CERTIFICATE OF COMPLIANCE WITH SECONDARY MARKET DISCLOSURE
REQUIREMENTS FOR THE NOTES

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**CERTIFICATE OF COMPLIANCE WITH
SECONDARY MARKET DISCLOSURE REQUIREMENTS FOR THE NOTES**

I, FREDERICK C. EBENAU, Chief Financial Officer of the Township of Berkeley, in the County of Ocean, State of New Jersey (the "Township"), DO HEREBY CERTIFY on behalf of the Township to _____ (the "Purchaser") of the Bond Anticipation Notes in the principal amount of _____, dated August __, 2015, and maturing May __, 2016 (the "Notes"), in connection with the issuance of the Notes, that pursuant to requirement of Rule 15c2-12 promulgated by the Securities and Exchange Act of 1934, as amended and supplemented (the "Rule"), specifically subsections (d)(3) and (b)(5)(i)(C) thereof, the Municipal Securities Rule Making Board (the "MSRB"), of any of the following events with respect to the Notes herein described, as applicable: (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 a proposed or final determination of taxability, Notice of Proposed Issue (IRS Form 5701 – TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) bond calls, if material; (9) defeasances; (10) release, substitution, or sale of property securing payment of the Bonds, if material; (11) rating changes; (12) tender offers for the Bonds; (13) bankruptcy, insolvency, receivership or similar events of the Township; (14) the consummation of a merger, consolidation, or acquisition involving the Township or the sale of all or substantially all 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; and (15) the appointment of a successor or additional trustee, or the change of a trustee, if material.

Whenever the Township obtains actual knowledge of the occurrence of any of the aforementioned events and when the occurrence of such events will constitute material information to the holders of the Notes, the Township shall, in a timely manner not in excess of ten (10) business days after each such occurrence, electronically file a notice with the MSRB.

The Township's obligation under this Certificate shall terminate upon the defeasance or payment in full of the Notes.

In the event the Township fails to comply with any provision of this Certificate, any Noteholder may take such action as a may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Township to comply with its obligations under the Certificate. Notwithstanding the above, the remedy for breach of the provisions of this Certificate or the Township's failure to perform hereunder shall be limited to bringing action to compel specific performance.

This Certificate is solely for the benefit of the Township, the Purchaser and the holders of the Notes, and shall create no further rights in any other person or entity hereunder.

IN WITNESS WHEREOF, I have hereunto set my hand on behalf of the Township as of this ____ day of _____, 2015.

TOWNSHIP OF BERKELEY

FREDERICK C. EBENAU,
Chief Financial Officer

APPENDIX D
FORM OF BOND COUNSEL'S OPINION FOR THE NOTES

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Meghan Bennett Clark
New Jersey Resident Partner

*An opinion in substantially the following form
will be delivered at Closing assuming no
material changes in facts or law.*

August __, 2015

Mayor and Township Council
Township of Berkeley
Ocean County, New Jersey

**RE: Township of Berkeley, County of Ocean, New Jersey
\$ _____ Bond Anticipation Notes**

Dear Members of the Township Council:

We have examined a record of the proceedings relating to the issuance of \$ _____ Bond Anticipation Notes (the "Notes") of the Township of Berkeley, in the County of Ocean, a municipal corporation of the State of New Jersey (the "Township"). The Notes are dated August __, 2015, mature May __, 2016, and bear interest at the rate of _____ per centum (____%) per annum payable at maturity. The Notes are initially registered in the name of, and held by, Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), in book-entry-only form and are not subject to redemption prior to maturity. The Notes are issued pursuant to the Local Bond Law of the State of New Jersey (Chapter 2 of Title 40A of the New Jersey Statutes, as amended), and in anticipation of the issuance of bonds and are authorized by virtue of the Bond Ordinances described in the Certificate of Determination and Award dated the date hereof.

The Notes are being issued for the purpose to (i) currently refund the Township's Bond Anticipation Notes, Series 2014A, originally issued in the aggregate principal amount of \$11,409,928, dated August 26, 2014 and maturing August 25, 2015; (ii) temporarily finance the cost of various capital improvements and equipment acquisitions; and (iii) pay the costs associated with the issuance of the Notes.

In forming our opinion, we have examined certified copies of the Bond Ordinances and the unexecuted note. We also have examined originals (or copies certified or otherwise identified to our satisfaction) of such other instruments, certificates and documents as we have deemed necessary or appropriate, including the Non-Arbitrage and Use of Proceeds Certificate of the Township dated the date of the Notes (the "Non-Arbitrage Certificate") for the purpose of

A Limited Liability Partnership Formed in Pennsylvania

the opinions rendered below. In such examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity to the original documents of all documents submitted to us as copies. As to any facts material to our opinion, we have, when relevant facts were not independently established, relied upon the aforesaid instruments, certificates and documents. We have relied, as to the execution and delivery of the Notes, on a certificate of the Township executed by the Mayor, Clerk, and Chief Financial Officer. We have not reviewed and are not passing upon any statistical or financial data or other information relating to the Township which may have been provided to any purchaser or prospective purchaser of the Notes.

The Internal Revenue Code of 1986, as amended (the "Code"), sets forth certain requirements that must be met subsequent to the issuance and delivery of the Notes in order that interest thereon will be and will remain excluded from gross income pursuant to Section 103 of the Code. The Township has provided the Non-Arbitrage Certificate which contains provisions and procedures regarding compliance with the requirements of the Code. In executing the Non-Arbitrage Certificate, the Township has certified to the effect that it expects to be able to, and will, comply with the provisions and procedures set forth therein and that to the extent authorized by law will do and perform all acts and things necessary or desirable to assure that interest paid on the Notes is not includable in gross income under Section 103 of the Code. In rendering this opinion, we have assumed compliance by the Township with the covenants contained in the Notes and the statements contained in the Non-Arbitrage Certificate that are intended to comply with the provisions of the Code relating to actions to be taken by the Township in respect of the Notes after the issuance thereof to the extent necessary to effect or maintain the federal tax-exempt status of the interest on the Notes. These covenants and statements relate to, *inter alia*, the use of proceeds of the Notes and the property financed or refinanced thereby and the rebating to the United States Treasury of specified arbitrage earnings, if required. We have assumed that the Township will comply with the provisions of the Non-Arbitrage Certificate. Furthermore, we take no responsibility for the continuing review or verification as to the satisfaction of the requirements under the Code, or any similar or related legislation when enacted or amended, for compliance by the Township therewith.

Based upon and subject to the foregoing, we are of the opinion that:

1. The Notes are valid and legally binding obligations of the Township and the Township has the power and is obligated to levy *ad valorem* taxes upon all the taxable property within the Township for the payment of the principal of the Notes and the interest thereon, without limitation as to rate or amount. The enforceability of rights or remedies with respect to the Notes may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or affecting the enforcement of creditors' or other equitable rights in general.

2. Interest on the Notes and any gain from the sale thereof are not included in gross income under the New Jersey Gross Income Tax Act.

3. Under existing statutes, regulations, rulings and court decisions, interest on the Notes will not be includible in gross income of the holders thereof for federal income tax purposes and will not be a specific preference item for purposes of computing the federal

alternative minimum tax imposed on individuals and corporations. We express no opinion regarding any other federal income tax consequences arising with respect to the Notes.

The opinions set forth herein are given solely for the benefit of the original purchaser of the Notes and the addressee hereof and may not be relied on by any other person or entity without our express prior written consent. This opinion is rendered on the basis of federal law and the laws of the State of New Jersey as enacted and construed on the date hereof. We express no opinion as to any matter not set forth in the numbered paragraphs above, including, without limitation, with respect to, and assume no responsibility for, the accuracy, adequacy or completeness of any financial or other information relating to the Township furnished in connection with the sale of the Notes and make no representation that we have independently verified any such information. The opinions set forth herein are given solely as of the date hereof, and we do not undertake to update or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Very truly yours,

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