

**NEW ISSUE
BOOK-ENTRY ONLY**

NOT RATED

In the opinion of Bond Counsel, assuming compliance by the Township with certain tax covenants described herein, under existing law, interest on the Notes is excluded from the gross income of the owners of the Notes for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and interest on the Notes is not an item of tax preference under Section 57 of the Code for purposes of computing alternative minimum tax. Based upon existing law, interest on the Notes and net gains from the sale thereof are exempt from the tax imposed by the New Jersey Gross Income Tax Act. See TAX MATTERS herein.

\$14,986,000
TOWNSHIP OF SOUTH BRUNSWICK
COUNTY OF MIDDLESEX, NEW JERSEY
BOND ANTICIPATION NOTES, SERIES 2019A
Consisting of:
\$4,530,000 General Capital Bond Anticipation Notes
and
\$10,456,000 Water-Sewer Utility Bond Anticipation Notes
INTEREST RATE: ____%
YIELD: ____%
CUSIP*: 836785 ____

DATED: Date of Delivery

DUE: September 30, 2020

The \$14,986,000 aggregate principal amount of Bond Anticipation Notes, Series 2019A consisting of \$4,530,000 General Capital Bond Anticipation Notes (the "General Capital Notes") and \$10,456,000 Water-Sewer Utility Bond Anticipation Notes (the "Water-Sewer Utility Notes") and together with the General Capital Notes, the "Notes") are general obligations of the Township of South Brunswick, in the County of Middlesex, New Jersey (the "Township"), and are secured by a pledge of the full faith and credit of the Township for payment of the principal thereof and interest thereon. The Notes are payable, if not paid from other sources, from ad valorem taxes which may be assessed upon all the taxable property within the jurisdiction of the Township without limitation as to rate or amount.

The Notes shall be issued in the form of one certificate in the aggregate principal amount of the Notes of each series and will be registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company ("DTC"), which will maintain a book-entry system for recording ownership interests of DTC Participants. Individual purchases of the beneficial ownership interests in the Notes may be in book-entry form only on the records of DTC and its Participants and only in the principal amount of \$5,000 or any integral multiple thereof, except that such minimum amount of the Notes in excess of the largest principal amount thereof equaling a multiple of \$5,000 will be in the denomination required to issue the authorized principal amount of the Notes. Beneficial Owners of the Notes will not receive certificates representing their interests in the Notes. As long as Cede & Co. is the registered owner, as nominee of DTC, references in this Official Statement to the registered owners shall mean Cede & Co., and not the Beneficial Owners of the Notes. See "BOOK-ENTRY ONLY SYSTEM" herein.

Interest on the Notes will be payable at maturity on September 30, 2020. Principal and interest on the Notes will be paid to DTC by the Township. 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 are not subject to redemption prior to maturity.

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

The Notes are offered when, as and if issued and delivered to the Purchaser, subject to prior sale, to withdrawal or modification of the offer without notice and to approval of legality by the law firm of McCarter & English, LLP, Newark, New Jersey, and certain other conditions described herein. It is expected that the Notes will be available for delivery to DTC on or about October 1, 2019.

Bids for the Notes, in accordance with the full Notice of Sale for the Notes, will be received by the Township, until 11:00 am on September 26, 2019, facsimile: (609) 291-9940, email: stracey@muniadvisors.com or electronically via the Parity Electronic Bid Submission System.

* CUSIP is a registered trademark of the American Bankers Association ("ABA"). CUSIP numbers are provided by CUSIP Global Service, managed by S&P Global Market Intelligence on behalf of ABA and are being provided solely for the convenience of holders of the Notes only at the time of issuance of the Notes and the Township does not make any representations with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number is subject to being changed after the issuance of the Notes as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of the Notes.

**TOWNSHIP OF SOUTH BRUNSWICK
MUNICIPAL BUILDING
540 RIDGE ROAD
MONMOUTH JUNCTION, NEW JERSEY 08852**

Mayor

Charles Carley

Township Council

Joseph Camarota Jr. (Deputy Mayor)

Kenneth Bierman

Archana Grover

Josephine Hochman

Township Manager

Bernard P. HvozdoVIC Jr.

Township Chief Financial Officer

John Bolcato

Tax Collector

Kathie Gilliland

Township Clerk

Barbara Nyiatri

Township Solicitor

Donald J. Sears, Esquire

Township Auditor

Wiss & Company, LLP

Livingston, New Jersey

Bond Counsel

McCarter & English, LLP

Newark, New Jersey

Municipal 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 Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the Township. The information contained herein has been obtained from the Township, DTC and other sources which are believed to be reliable; however, such information is not guaranteed as to accuracy or completeness, and is not to be construed as a representation or warranty of the Township. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any 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. The information in this Official Statement concerning DTC and DTC's book-entry system has been obtained from DTC, and the Township takes no responsibility for the accuracy thereof. Such information has not been independently verified by the Township, and the Township makes no representation as to the accuracy and completeness of such information.

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

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

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Notes in any jurisdiction in which it is unlawful for any person to make such an offer, solicitation or sale.

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

The presentation of information in this Official Statement is intended to show recent historic information and, except as expressly stated otherwise, it is not intended to indicate future or continuing trends in the financial condition or other affairs of the Township. No representation is made that past experience, as is shown by the financial and other information, will necessarily continue or be repeated in the future.

This Official Statement is not to be construed as a contract or an agreement between the Township and the purchasers or holders of any of the Notes. Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as opinions and not as representations of fact. The information, estimates and expressions of opinion herein are subject to change without notice. The delivery of this Official Statement or any sale of the Notes made hereunder shall not, under any circumstances, create any implication that there has been no change in the affairs of the Township since the date hereof. This Official Statement is submitted in connection with the sale of the Notes referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

McCarter & English, LLP has not participated in the preparation of the financial statements or statistical information contained in this Official Statement, nor has it verified the accuracy, completeness, or fairness thereof, and accordingly, express no opinion with respect thereto. McCarter & English, LLP has not verified the accuracy, completeness or fairness of the information contained herein, except under the heading "TAX MATTERS" and, accordingly, assumes no responsibility therefore and will express no opinion with respect thereto.

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

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

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

\$14,986,000 BOND ANTICIPATION NOTES, SERIES 2019A
Consisting of
\$4,530,000 GENERAL CAPITAL BOND ANTICIPATION NOTES
and
\$10,456,000 WATER-SEWER UTILITY BOND ANTICIPATION NOTES

INTRODUCTION

This Official Statement (the "Official Statement"), which includes the cover page and the appendices attached hereto, has been prepared by the Township of South Brunswick (the "Township"), in the County of Middlesex (the "County"), State of New Jersey (the "State"), to provide certain information in connection with the sale and issuance by the Township of its \$14,986,000 Bond Anticipation Notes, Series 2019A consisting of \$4,530,000 General Capital Bond Anticipation Notes (the "General Capital Notes") and \$10,456,000 Water-Sewer Utility Bond Anticipation Notes (the "Water-Sewer Utility Notes", and together with the General Capital Notes, the "Notes"), dated the date of delivery thereof.

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

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

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

Prior to the issuance of the Notes, the Township will execute an agreement for the benefit of the holders of the Notes to comply with the secondary market disclosure requirements of Rule 15c2-12 ("Rule 15c2-12") applicable to the Notes. See "CONTINUING DISCLOSURE" herein.

THE NOTES

General Description

The Notes shall be dated and shall bear interest from their dated date, and will mature on the date and in the amount, as shown on the front cover page hereof. The Notes shall bear interest, which is payable at maturity, at the interest rate set forth on the front cover page hereof. 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 The Depository Trust Company ("DTC"). DTC will act as securities depository for the Notes. 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 such minimum amount of the Notes in excess of the largest principal amount thereof equaling a multiple of \$5,000 will be in the denomination required to issue the authorized principal amount of the Notes. Under certain circumstances, such beneficial interests in the Notes are exchangeable for one or more fully registered Note certificates in authorized denominations.

The Note certificates will be on deposit with DTC. DTC will be responsible for maintaining a book-entry system for recording the interests of its Direct Participants and transfers of the interests among its Direct Participants. The Direct Participants and Indirect 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 Direct Participants, which will in turn remit such payments to the beneficial owners of the Notes.

Prior Redemption

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

BOOK-ENTRY ONLY SYSTEM

The description which follows of the procedures and recordkeeping with respect to beneficial ownership interest in the Notes, payment of principal and interest and other payments on the Notes to Direct Participants and Indirect Participants (defined below) or Beneficial Owners (defined below), confirmation and transfer of beneficial ownership interests in the Notes and other related transactions by and between DTC, Direct 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 notes registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Note certificate will be issued for each series of the Notes, in the aggregate principal amount of such series, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agents. 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 Note ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the

Direct Participant 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 Participants and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 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 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 Participants and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Notes, such as redemptions, tenders, defaults, and proposed amendments to the Note documents. For example, Beneficial Owners of Notes may wish to ascertain that the nominee holding the Notes for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Notes unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Township as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments on the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the paying agent, 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 nor its nominee, the Township as paying agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the paying agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct Participants 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 as paying agent. Under such circumstances, in the event that a successor depository is not obtained, note certificates will be printed and delivered.

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

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 ANY PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO THE PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH

RESPECT TO THE PAYMENTS TO OR PROVIDING OF NOTICE FOR THE DIRECT PARTICIPANTS, 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.

Discontinuation of Book-Entry Only System

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

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

AUTHORIZATION AND PURPOSE OF THE NOTES

The Notes are being authorized and issued pursuant to the laws of the State, including the Local Bond Law, Chapter 2 of Title 40A of the New Jersey Statutes, as amended (the "Local Bond Law"), a resolution to be adopted by the Township Council on September 24, 2019, and the various bond ordinances of the Township, as set forth below. In the event that the resolution is not adopted, the Notes may not be issued by the Township. The bond ordinances were published in full or by 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 ordinances 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.

The Notes, along with other funds of the Township in the amount of \$327,000, are being issued to: (i) currently refund the Township's outstanding Bond Anticipation Notes in the amount of \$15,313,000 maturing October 2, 2019 (the "Prior Notes") and (ii) pay costs and expenses incidental to the issuance of the delivery of the Notes.

General Capital Bond Anticipation Notes

<u>Ordinance No.</u>	<u>Purpose</u>	<u>Amount of Prior Notes Being Refunded with the Notes</u>
2012-10	Improvements to Senior Center / Reichler Park	\$260,000
2014-24	Various Capital Improvements	355,000
2015-24	Various Capital Improvements	815,000
2017-27	Various Capital Improvements	1,100,000
2018-22	Various Capital Improvements	1,800,000
2018-23	Purchase of a Bookmobile	200,000
Total General Capital Notes:		<u>\$4,530,000</u>

Water-Sewer Utility Bond Anticipation Notes

<u>Ordinance No.</u>	<u>Purpose</u>	<u>Amount of Prior Notes Being Refunded with the Notes</u>
1997-52	Pump Station #10	\$500
2007-35	Various Improvements	250
2011-21	Various Capital Improvements	400,000
2015-25	Various Capital Improvements	8,504,900
2016-18	Various Capital Improvements	670,350
2017-28	Various Capital Improvements	880,000
Total Water-Sewer Utility Notes:		<u>\$10,456,000</u>
Grand Total Notes:		<u>\$14,986,000</u>

SECURITY AND SOURCE OF PAYMENT

The Notes are general obligations of the Township, and the Township has pledged its full faith and credit for the payment of the principal of and the interest on the Notes. The Notes are direct obligations of the Township and, to the extent that other monies are not available, the Township is required by law to levy ad valorem taxes upon all the property taxable within the jurisdiction of the Township for the payment of the principal of and interest on the Notes without limitation as to rate or amount.

NO DEFAULT

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

CERTAIN STATUTORY PROVISIONS FOR THE PROTECTION OF GENERAL OBLIGATION DEBT

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

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

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. An annual, independent audit of the local unit's accounts for the previous year must be performed by a licensed Registered Municipal Accountant. The audit, conforming to the Division of Local Government Services "Requirements of Audit," includes recommendations for improvement of the local unit's financial procedures and must be filed with the Director within six months after the close of the fiscal year. A synopsis of the audit report, together with all recommendations made, must be published in a local newspaper within 30 days of its completion.

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

The Township's annual audit report is filed with the Township Clerk and is available for review during business hours.

Debt Limits

The authorized bonded indebtedness of a municipality in the State is limited by statute, subject to the exceptions noted below, to an amount equal to 3-1/2% of its equalized valuation basis. The equalized valuation basis of the municipality is set by statute as the average for the last three years of the equalized value of all taxable real property and improvements and certain class II railroad property within its boundaries as annually determined by the State Board of Taxation.

Certain categories of debt are permitted by statute to be deducted for purposes of computing the statutory debt limit.

Exceptions to Debt Limits-Extensions of Credit

The debt limit of the Township may be exceeded with the approval of the Local Finance Board, in the Division of Local Government Services, Department of Community Affairs, State of New Jersey, a State regulatory agency (the "Board"). If all or any part of a proposed debt authorization would exceed its debt limit, the Township must apply to the Board for an extension of credit. If the Board determines that a proposed debt authorization would not materially impair the ability of the Township to meet its obligations or to provide essential services, or makes other statutory determinations, approval is granted. In addition to the aforesaid, debt in excess of the debt limit may be issued without the approval of the Board to fund certain bonds and notes, for self-liquidating purposes and, in each fiscal year, in an amount not exceeding two-thirds of the amount budgeted in such fiscal year for the retirement of outstanding obligations (exclusive of obligations issued for utility or assessment purposes).

Short-Term Financing

The Township may issue bond anticipation notes to temporarily finance capital improvements. Bond anticipation notes, which are general obligations of the Township, may be issued for a period not exceeding one year. Generally, bond anticipation notes may not be outstanding longer than 10 years. Additionally, beginning in the third year, the amount of outstanding notes that may be renewed is decreased by not less than the minimum amount required for the first year principal payment of bonds in anticipation of which such notes are issued.

School Debt Subject to Voter Approval

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

MUNICIPAL BUDGET

Pursuant to the Local Budget Law (N.J.S.A. 40A:4-1 et seq.) the Township is required to have a balanced budget in which debt service is included in full for each fiscal year.

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. The Township must adopt an operating budget in the form required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"). Items of revenue and appropriation are regulated by law and must be certified by the Director of the Division (the "Director") prior to final adoption of the budget. 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, among others, for certification.

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. Local budgets, by law and regulation, must be in balance on a "cash basis". No budget or amendment thereof shall be adopted unless the Director shall have previously certified his approval thereof (N.J.S.A. 40A:4-10).

The principal sources of Township revenues are real estate taxes and miscellaneous revenues.

In any year, the municipality may authorize, by resolution, the issuance of tax anticipation notes which may be issued in anticipation of the collection of taxes for such year. Tax anticipation notes are limited in amount by law and must be paid off in full by a municipality within one hundred and twenty (120) days after the close of the fiscal year.

Real Estate Taxes

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

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

The provision requires that an additional amount (the "reserve for uncollected taxes") be added to the tax levy required to balance the budget so that when the percentage of the prior year's tax collection is applied to the combined total, the product will at least be equal to the tax levy required to balance the budget. The reserve requirement is calculated as follows:

Levy Required to Balance Budget

$$\frac{\text{Prior Year's Percentage of Current Tax Collections (or lesser \%)}}{\text{Total Taxes to be Levied}} = \text{Levy Required to Balance Budget}$$

Miscellaneous Revenues

Section 26 of the Local Budget Law provides: "no miscellaneous revenues from any source shall be included as an anticipated revenue in the budget in an amount in excess of the amount actually realized in cash from the same source during the next preceding fiscal year, unless the Director shall determine upon application by the governing body that the facts clearly warrant the expectation that such excess amount will actually be realized in cash during the fiscal year and shall certify such determination, in writing, to the local unit." The exception to this is the inclusion of categorical grants-in-aid contracts for their face amount with an offsetting appropriation. The fiscal years for such grants rarely coincide with the municipality's calendar fiscal year.

Limitations on Municipal Appropriations and Tax Levy

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 "cost-of-living adjustment". The cost-of-living adjustment 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 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 cost-of-living adjustment 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 cost-of-living adjustment is 2.5% or less.

Additionally, P.L 2007, c. 62, effective April 3, 2007, imposed a 4% cap on the tax levy of a municipality, county, fire district, or solid waste collection district, with certain exclusions and allowing waivers by the Board, and on July 13, 2010, P.L. 2010, c. 44 was approved, effective for budget years following enactment, reducing the tax levy cap to 2% and limiting the exclusions to amounts required to be raised by taxation for capital expenditures, including debt service as defined by law, certain pension contributions and health care costs in excess of 2% and extraordinary costs directly related to a declared emergency. Voter approval may be requested to increase the amount to be raised by taxation by more than the allowable adjusted tax levy.

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

Deferral of Current Expense

Emergency appropriations, those made after the adoption of the budget and determination of the tax rate, may be authorized by the governing body of the municipality. With minor exceptions, however, such appropriations must be included in full in the following year's budget. When such appropriations exceed 3% of the adopted operating budget, consent of the Director must be obtained.

The exceptions are certain enumerated quasi-capital projects such as ice, snow and flood damage to streets, roads and bridges, which may be amortized over three years, and tax map preparation, revaluation of real property, codification of ordinances, master plan preparations and contractually required severance liabilities, which may be amortized over five years.

Budget Transfers

Budget transfers provide a degree of flexibility and afford a control mechanism. Transfers between major appropriation accounts are prohibited until the last two months of the year and, although sub-accounts within an appropriation are not subject to the same year-end transfer restriction, they are subject to internal review and approval by the governing body.

Fiscal Year

The Township's fiscal year is the calendar year. Chapter 75 of the Pamphlet Laws of 1991 of New Jersey required municipalities with populations in excess of 35,000 or which received Municipal Revitalization Aid from the State in 1990 or 1991 to change their fiscal year from the calendar year to the State fiscal year (July 1 to June 30), unless an exemption is granted. Municipalities not meeting the criteria for a mandatory change have the option to choose to change to the State fiscal year. The Township did not meet the criteria to change to the State fiscal year and does not presently intend to optionally make such a change in the future.

Budget Process

Primary responsibility for the Township's budget process lies with the Township Council. As prescribed by the Local Budget Law, adoption should occur by the end of March, however, extensions may be granted by the Division to any local governmental unit. In the first quarter in which the budget formulation is taking place, the Township operates under a temporary budget which may not exceed 26.25% of the previous fiscal year's adopted budget. In addition to the temporary budget, the Township may approve emergency temporary appropriations for any purpose for which appropriations may lawfully be made.

TAX MATTERS

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

The Internal Revenue Code of 1986, as amended (the “Code”) imposes certain requirements that must be met on a continuing basis subsequent to the issuance of the Notes in order to assure that interest on the Notes will be excluded from gross income for federal income tax purposes under Section 103 of the Code. Failure of the Township to comply with such requirements may cause interest on the Notes to be included in gross income for federal income tax purposes, retroactive to the date of issuance of the Notes. The Township has covenanted to comply with the provisions of the Code applicable to the Notes and has covenanted not to take any action or permit any action that would cause the interest on the Notes to be included in gross income under Section 103 of the Code or cause interest on the Notes be an item of tax preference under Section 57 of the Code.

In the opinion of Bond Counsel, assuming continuing compliance by the Township with the tax covenants referred to above, under existing law, interest on the Notes is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax.

Except as described above, Bond Counsel will express no opinion regarding the federal income tax consequences resulting from the ownership of, receipt or accrual of interest on, or disposition of the Notes. Bond Counsel will render its opinion as of the date of issuance of the Notes, and will assume no obligation to update the opinion after the issue date to reflect any future facts or circumstances, or any future changes in law or interpretation, or otherwise. Moreover, the opinion of Bond Counsel is only an opinion and not a warranty or guaranty of the matters discussed.

Additional Federal Income Tax Consequences

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

The Internal Revenue Service (the “IRS”) has established an on-going program to audit tax-exempt obligations to determine whether interest on such obligations is includible in gross income for federal income tax purposes. Bond Counsel cannot predict whether the IRS will commence an audit of the Notes. Owners of the Notes are advised that, if the IRS does audit the Notes, under current IRS procedures, at least during the early stages of an audit, the IRS will treat the Township as the taxpayer, and the owners of the Notes may have limited rights to participate in such procedure. The commencement of audit could adversely affect the market value and liquidity of the Notes until the audit is concluded, regardless of the ultimate outcome.

State Taxation

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

Changes in Law

Federal, state or local legislation, administrative pronouncements or court decisions may affect the tax-exempt status of interest on the Notes, gain from the sale or other disposition of the Notes, the market value of the Notes, or the marketability of the Notes, or otherwise prevent the owners of the Notes from realizing the full current benefit of the exclusion from gross income of the interest thereon. It is not possible to predict whether any legislative or administrative actions or court decisions having an adverse impact on the federal or state income tax treatment of holders of the Notes may occur. Prospective purchasers of the Notes should consult their own tax advisors regarding the impact of any change in law on the Notes.

LITIGATION

To the knowledge of the Township Attorney, there is no litigation of any nature now pending or threatened that seeks to restrain or enjoin the issuance or the delivery of the Notes, the levy or the collection of any taxes to pay the principal of or the interest on the Notes or in any manner questioning the authority or the proceedings for the issuance of the Notes or for the levy or the collection of the taxes, affecting the validity of the Notes or the levy or the collection of taxes or contesting the corporate existence or the boundaries of the Township or the title of any of the present officers of the Township to their respective offices.

Additionally, there is at present no single action pending or threatened against the Township which would impose an undue financial burden on the Township. In New Jersey's courts of general jurisdiction, unliquidated money damages are pleaded generally without specifying a dollar amount. The Township is a party-defendant in certain law suits, none of a kind unusual for a Township of its size, and none of which, in the opinion of the Township Attorney, would adversely impair the Township's ability to pay its noteholders. All of the Township's tort actions are being defended by either an insurance company or insurance underwriters. Pending municipal real estate tax appeals are limited in number. The Township would fund the ultimate liability arising from tax appeals from amounts currently reserved, succeeding years' budgets or fund balance. Such resolution would not in any way endanger the Township's ability to pay its noteholders.

THE FEDERAL BANKRUPTCY ACT

The undertakings of the Township should be considered with reference to Chapter IX of the Bankruptcy Act, 11 U.S.C. Section 901 *et seq.*, as amended by Public Law 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 creditor's 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 thru 52:27-45.11, which provides that any county, municipality, or other political subdivision of the 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 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.

THE ABOVE REFERENCES TO THE FEDERAL AND STATE BANKRUPTCY LAWS ARE NOT TO BE CONSTRUED AS AN INDICATION THAT THE TOWNSHIP EXPECTS TO RESORT TO THE PROVISIONS

OF SUCH BANKRUPTCY LAWS OR THAT, IF IT DID, SUCH ACTION WOULD BE APPROVED BY THE BOARD, OR THAT ANY PROPOSED PLAN WOULD INCLUDE A DILUTION OF THE SOURCES OF PAYMENT OF AND SECURITY FOR THE NOTES.

APPROVAL OF LEGAL PROCEEDINGS

All legal matters incident to the authorization, sale, issuance and delivery of the Notes are subject to the approval of McCarter & English, LLP, Newark, New Jersey, Bond Counsel to the Township, whose approving legal opinion will be delivered with the Notes substantially in the form provided in Appendix C. Certain legal matters will be passed on for the Township by its Counsel, Donald J. Sears Esq., South Brunswick, New Jersey.

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

CONTINUING DISCLOSURE

The Township has covenanted to provide certain secondary market disclosure in compliance with Rule 15c2-12. Specifically, the Township will provide, in a timely manner not in excess of ten (10) business days after the occurrence of any of the following events, to the Municipal Securities Rulemaking Board (the “MSRB”) through the MSRB’s Electronic Municipal Markets Access System (EMMA”), notice of any of the following events with respect to the Notes:

1. Principal and interest payment delinquencies.
2. Non-payment related defaults, if material.
3. Unscheduled draws on debt service reserves reflecting financial difficulties.
4. Unscheduled draws on credit enhancements reflecting financial difficulties.
5. Substitution of credit or liquidity providers or their failure to perform.
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Notes, or other material events affecting the tax status of the Notes.
7. Modifications to rights of holders of the Notes, if material.
8. Bond calls, if material, and tender offers.
9. Defeasances.
10. Release, substitution or sale of property securing repayment of the Notes, if material.
11. Rating changes.
12. Bankruptcy, insolvency, receivership or similar event of the Township.
13. The consummation of a merger, consolidation, or acquisition involving the Township or the sale of all or substantially all of the assets of the Township, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
14. Appointment of a successor or additional trustee, or the change of name of a trustee, if material.

15. Incurrence of a Financial Obligation of the Township, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Township, any of which affect holders of the Note, if material.
16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Township, any of which reflect financial difficulties.

The term "Financial Obligation" as used in paragraphs (15) and (16) above means a (i) debt obligation, (ii) derivative instrument entered into connection with, or pledged as security or a source of payment for, an existing or planned debt obligation or (iii) guarantee of (i) or (ii); provided, however, that the term "Financial Obligation" shall not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule 15c2-12, and

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

The undertaking may be amended by the Township from time to time, without the consent of the Noteholders or the beneficial owners of the Notes, in order to make modifications required in connection with a change in legal requirements or change in law, which in the opinion of nationally recognized bond counsel complies with the Rule 15c2-12.

The Township has previously entered into continuing disclosure undertakings under the Rule 15c2-12. The Township appointed Phoenix Advisors, LLC, Bordentown, New Jersey in March of 2013 to act as Continuing Disclosure Agent/Dissemination Agent to assist in the filing of certain information on EMMA as required under its obligations.

MUNICIPAL ADVISOR

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

UNDERWRITING

The Notes have been purchased by _____ at a purchase price of \$_____.

FINANCIAL STATEMENTS

The financial statements of the Township for the years ended December 31, 2018 and 2017, together with the notes to the Financial Statements, are presented in Appendix B to this Official Statement. The financial statements of the Township for the years ended December 31, 2018 and 2017 have been audited by Wiss & Company, LLP, independent auditors, as stated in their Independent Auditors' Report appearing in Appendix B to this Official Statement.

PREPARATION OF OFFICIAL STATEMENT

The Township hereby states that the descriptions and statements herein, including financial statements, are true and correct in all material respects and it will confirm to the purchaser of the Notes, by certificate signed by the Chief Financial Officer, that to his knowledge such descriptions and statements, as of the date of this Official Statement, are true and correct in all material respects and do not contain any untrue statement of a material fact or omit to

state a material fact necessary to make the statements herein, in light of the circumstances under which they were made, not misleading.

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

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

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

ADDITIONAL INFORMATION

Inquiries regarding this Official Statement including information additional to that contained herein may be directed to John Bolcato, Chief Financial Officer, Township of South Brunswick, 540 Ridge Road, Monmouth Junction, New Jersey, 08852, telephone (732) 329-4000.

MISCELLANEOUS

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

This Official Statement 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 herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there have been no changes in the affairs in the Township, the County, the State or any of their agencies or authorities, since the date hereof.

This Official Statement has been duly executed and delivered on behalf of the Township by its Chief Financial Officer.

TOWNSHIP OF SOUTH BRUNSWICK

By: _____
John Bolcato
Chief Financial Officer

Dated: September __, 2019

APPENDIX A

**ECONOMIC AND DEMOGRAPHIC INFORMATION RELATING
TO THE TOWNSHIP OF SOUTH BRUNSWICK, IN THE COUNTY OF MIDDLESEX, NEW JERSEY**

Township of South Brunswick, in the County of Middlesex, New Jersey

GOVERNING BODY AND ADMINISTRATION

The governing body of the Township of South Brunswick, in the County of Middlesex, New Jersey (the “Township” or “South Brunswick”) consists of the Mayor and four (4) elected at-large members of the Township Council, each of whom serve a four-year term. Terms are staggered by two-year intervals. The Council serves as a legislative arm of the government and establishes the policies of the Township. The Township Council conducts meetings on the second and fourth Tuesday of the month at which it enacts ordinances and resolutions. On the first Tuesday of each month, work sessions are held for Council to discuss pending actions and policies. All meetings are held in accordance with the State’s Open Public Meetings Act. Since 1995, all meetings of Council have been televised on the local television station.

The Township Manager is the Chief Executive Officer of the Township and is responsible for carrying out the policies of the Township Council. The responsibilities of the Township Manager include being accountable for all employees, proposing the annual budget and coordinating all activities of all departments within the Township. Most of the Department Heads have professional and/or State Licenses in their respective field, which greatly contributes to the high quality of municipal management. The Township employs a full-time licensed Planner who advises the administration and elected and appointed officials on development within the Township. The Township employs approximately two hundred sixty-eight (268) full-time employees, and fifteen (15) part-time employees.

Labor Relations

The following is a summary of the labor organizations which represent various Township employees.

<u>Union</u>	<u>Representing</u>	<u>Number of Employees</u>	<u>Date of Contract Expiration</u>
PBA	Patrol Officers	52	12/31/2022
FOP	Superior Officers	25	12/31/2022
SBSA	Administrative	14	12/31/2019
AFSCME	Administrative	63	12/31/2020
CWA	Library	22	12/31/2022
PWEA	Public Works	60	12/31/2020
FMBA	Dispatch/Fire	15	12/31/2019

Employee Pensions

Eligible Township employees are enrolled in pension plans administered by the State. State law regulates the administration of the pension fund system. State law requires that all systems are subject to actuarial valuation every year and actuarial investigation every three years. Such valuations and investigations are designed to insure that these programs adequately recognize the additional costs resulting from experience or legislative changes in the benefits to be paid.

State law also provides that any changes in pension fund benefits must be approved by the Legislature, and that each bill submitted to the Legislature must be accompanied by a fiscal note stating the cost of the proposal. State law provides that pension fund benefits are not subject to negotiations between public employers and the employee members of the plan.

Township employees are also covered by the Federal Insurance Contribution Act (Social Security). The following table shows the Township’s expenditures for pension costs:

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<u>State Pensions:</u>					
Township:	\$3,107,927	\$3,292,825	\$3,493,392	\$3,492,278	\$3,838,800
Water & Sewer:	<u>380,000</u>	<u>400,000</u>	<u>450,000</u>	<u>462,000</u>	<u>495,000</u>
Total:	<u>\$3,487,927</u>	<u>\$3,692,825</u>	<u>\$3,943,392</u>	<u>\$3,954,278</u>	<u>\$4,333,800</u>
<u>Social Security:</u>					
Township:	\$1,650,000	\$1,636,166	\$1,715,000	\$1,800,000	\$1,757,000
Water & Sewer:	<u>205,000</u>	<u>210,000</u>	<u>210,000</u>	<u>220,000</u>	<u>220,000</u>
Total:	<u>\$1,855,000</u>	<u>\$1,846,166</u>	<u>\$1,925,000</u>	<u>\$2,020,000</u>	<u>\$1,977,000</u>

Insurance and Health Benefits

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<u>Liability Insurance:</u>					
Current Budget	\$364,503	\$407,346	\$412,140	\$368,900	\$400,000
Water Budget	100,000	100,000	100,000	130,000	132,500
Sewer Budget	100,000	100,000	100,000	130,000	132,500
Library Budget	<u>113,000</u>	<u>113,000</u>	<u>113,000</u>	<u>113,000</u>	<u>117,100</u>
Total:	<u>\$677,503</u>	<u>\$720,346</u>	<u>\$725,140</u>	<u>\$741,900</u>	<u>\$782,100</u>
<u>Workers Comp:</u>					
Current Budget	\$66,497	\$195,000	\$122,860	\$135,000	\$123,700
Water Budget	90,000	90,000	90,000	95,000	100,000
Sewer Budget	90,000	90,000	90,000	95,000	100,000
Library Budget	<u>16,000</u>	<u>15,468</u>	<u>16,000</u>	<u>16,000</u>	<u>17,000</u>
Total:	<u>\$262,497</u>	<u>\$390,468</u>	<u>\$318,860</u>	<u>\$341,000</u>	<u>\$340,700</u>
<u>Health Insurance:</u>					
Current Budget	\$5,739,200	\$6,429,150	\$8,552,100	\$9,779,100	\$8,662,000
Water Budget	412,500	412,500	446,200	446,200	517,500
Sewer Budget	412,500	412,500	446,200	446,200	517,500
Library Budget	395,000	350,000	450,000	383,000	400,000
Court	<u>30,000</u>	<u>30,000</u>	<u>34,500</u>	<u>34,500</u>	<u>0</u>
Total:	<u>\$6,989,200</u>	<u>\$7,634,150</u>	<u>\$9,929,000</u>	<u>\$11,089,000</u>	<u>\$10,097,000</u>

Police and Fire Protection

The Police Department consists of eighty-seven (87) full-time professional officers. Additional employees serve on a full-time and part-time basis as dispatchers, auxiliary officers, school crossing guards, and administrative and clerical support. The department uses a state of the art Police Information Management System, operated on the Township's computer network. The Township equips police vehicles with Mobile Data Computers (MDCs) that give officers the latest in technology, efficiency, and safety, and most police vehicles are equipped with in-car video systems. The department's MDCs are among the first

in the State of New Jersey. The Township provides and services nine area law enforcement departments with MDCs through interlocal service agreements. These agreements help defray the Township's cost of the program.

Three (3) volunteer fire companies (within independent fire districts with separate taxing power) provide fire protection to the Township.

Water and Sewer Utility

The Township-owned Water and Sewer Utility provides potable water and sewerage service. The utility pumps water from New Jersey's largest aquifer to storage facilities throughout the developed area of the Township. The Township has storage capacity for 10 million gallons representing two days' average usage.

The Township also uses an interconnection with the American Water Company to supplement its water supply. The Township currently draws 3.7 million gallons a day from the American Water source. The Township's water supply is sufficient to meet all approved development. The Township also has four (4) emergency interconnections with three (3) neighboring utilities.

The Township is a member of the Stony Brook Regional Sewerage Authority ("Stony Brook") and a customer of the Middlesex County Utilities Authority (the "MCUA"). All sanitary sewage is pumped by the Township to either the Stony Brook tertiary treatment facility or the MCUA secondary treatment facility. It is estimated that both facilities have sufficient capacity. No sewer moratoriums or bans are in effect in the Township.

The utility maintains a budget separate from the general Township operating fund, which is funded through water and sewer charges. Water and sewer rates are charged at levels sufficient to finance all operating costs and debt service for the current year to maintain the utility's self-liquidating status. The Township periodically reviews water and sewer rates to ensure a self-liquidating status. The last increases in water and sewer rates went into effect in 2014. Water and sewer utility charges are billed quarterly.

Solid Waste Disposal

The Township is currently under contract with a private hauler for the disposal of the Township's solid waste. The Township expects overall costs to remain stable due to the high level of competition among the many private haulers in central New Jersey. The Township also has a highly successful recycling program that has been a model for other municipalities.

EDUCATION

The School District serving South Brunswick is an independent legal entity under the laws of New Jersey but is geographically coterminous with the Township. It provides a comprehensive program for students from pre-K to grade 12.

Organization and Staffing

The School District is managed from a central administrative complex which includes garage and maintenance facilities.

The Superintendent is the chief administrative officer of the School District. The building principals, Director of Curriculum and Instruction, and Director of Special Services are responsible to the Superintendent of Schools. The Board Secretary/Business Administrator oversees the School District's business functions and reports through the Superintendent to the Board of Education.

The business functions include purchasing, accounting and reporting which are integrated using automated business systems. They also include the School District's support service, food service, transportation, school maintenance and custodial operations.

There are approximately 1,206 full and part-time employees of the School District; 737 are teaching professionals. The balance is administrative, maintenance, transportation and clerical personnel and para professionals.

Curriculum

The School District offers a wide range of courses in the traditional academic disciplines. From the beginning, education is directed toward the fullest development of the student. In the elementary level, the schools place the child in the learning environment which best meets the child's individual needs. In the Middle School, the students have the opportunity to begin high school level math and language skills. They also begin to select classes in music, art and the industrial arts.

The High School offers honors and advanced placement courses and also programs in academic areas which spread the normal curriculum over a longer span of time. Work-study programs are also available for students in office and industrial skills. Inter-scholastic competition is available in most sports. A special program offering career exploration, community service and intensive pursuit of an academic or cultural interest is available. This program is closely monitored and students are carefully selected.

A Department of Special Services is maintained for children with special needs, physical handicaps and learning disabilities. Most children are assigned to regular classes with extra help provided through resource room teachers or aides.

Approximately two-thirds of the School District's graduates pursue additional education. Adult evening classes have recently been added to help meet the community's continuing educational needs.

Pupil Enrollments

The following tables present the historical annual pupil enrollment through the school year 2017-2018.

Pupil Enrollments	
<u>School Year</u>	<u>Enrollment</u>
2017-2018	8,719
2016-2017	8,688
2015-2016	8,755
2014-2015	8,633
2013-2014	8,870

Source: Comprehensive Annual Financial Report of the School District

District School Facilities

The School District operates the following ten schools:

Facility	Grade Level	Student Enrollment (As of 6/30/18)
Brooks Crossing	K-5	600
Brunswick Acres	K-5	539
Cambridge	K-5	530
Constable	K-5	472
Green Brook	K-5	408
Indian Fields	K-5	698
Monmouth Junction	K-5	334
Crossroads North	6-8	1,046
Crossroads South	6-8	1,145
High School	9-12	2,965

Source: Comprehensive Annual Financial Report of the School District

GENERAL AND DEMOGRAPHIC INFORMATION

Location and Transportation

The Township encompasses 41.7 square miles in the southern part of Middlesex County and is strategically located about sixty (60) miles from New York City, ten (10) miles from Princeton and sixty (60) miles from Philadelphia. The Township is within thirty (30) minutes of Newark Liberty International Airport. LaGuardia, Kennedy and Philadelphia airports are within ninety (90) minutes.

AMTRAK and New Jersey Transit operate their commuter rail service, the Northeast Corridor, through the Township. Access to commuter rail service facilities is located in nearby Princeton Junction and New Brunswick. Conrail serves as the freight line for the rail service.

The Township is serviced by a network of well-maintained state, county and local roads, including the New Jersey Turnpike, Route 1, Route 130, Route 27 and Route 522.

The location and transportation alternatives make the Township an ideal area for businesses and commuters.

Life Style and Recreation

The Township has a comfortable suburban environment, recreational and cultural opportunities and an outstanding school system. With its country living and easy access to all urban amenities, the Township achieves the best of both worlds. Space is available for growth that the Township has carefully planned so that it will not jeopardize the natural environment.

The Township offers outstanding recreational programs year-round through its Senior Citizen Center, Youth Center and Community Center. The Community Center is centrally located and contains lighted ball fields, tennis courts and handball courts. The scenic Delaware/Raritan Canal tow path offers opportunities for walking, jogging, hiking, canoeing and nature study. The Township maintains twenty-five (25) parks covering over 1,016 acres.

<u>Name</u>	<u>Acreage</u>	<u>Name</u>	<u>Acreage</u>
Bedford Park	2.9	Kendall Woods Park	100
Beechwoods Park	90.0	Kingsley Park	6.9
College Park	7.0	Mapleton Preserve	100
Dayton Mini Park	0.5	Rowland Park	79.5
Dobin Park	41.2	Richler Park	49
Environmental Center	17.5	Sondek Park	110.7
Freedom Trail	4.5	Summerfield I	6
Friendship Park	31.5	Summerfield II	35
Haven Pond Park	36.0	Tall Timbers	23.2
Harvest Woods Park	77.5	Veterans Park	15
Heathcote Park	19.0	Wetherhill	3.5
Ireland Brook Park	3.0	<u>Woodlot Park</u>	<u>156.6</u>
Junction Springs Park	0.4	Total Acreage:	1,016.40

The Township library provides access to approximately 750,000 volumes through its county co-op system and offers movies, senior citizens and youth projects and special activities to residents. The Township's state of the art public library is open 7 days a week. Nearby Princeton and New Brunswick and the universities located there provide opportunities for attendance at concerts, theater, ballet and other cultural events.

Planning and Development

The Township's excellent geographic location and accessibility have encouraged tremendous growth, which the Township has assumed a prominent role in planning. This growth provides increased ratables and economic opportunity. While the community has been successful in attracting valuable commercial and industrial ratables, it has been equally successful in maintaining and developing high quality residential housing. An Industrial Commission, consisting of active business people and industrialists, works closely with the Township Planning Department in seeking both development and positive community relations. The Industrial Commission produced a fifteen (15) minute video about the Township. The video is available to potential developers. The cost of the video is entirely underwritten by the private sector.

Industrial acreage is available in quantity in the Township. Most of the 8,000 acres zoned for industry are generous tracts, with excellent access to the major roads that traverse the Township.

Well-planned and managed growth has been the key to the Township's success. An approved Township Master Plan guides development and is strictly followed to preserve the quality of life. The Township closely scrutinizes proposed development applications to insure quality construction. The impacts on municipal services are evaluated fully before approvals for any new construction.

Building Permits

The following data shows the dollar value of construction as of December 31.

<u>Year</u>	<u>Value of Residential</u>	<u>Value of Construction</u>
2018	\$38,136,946	\$140,158,432
2017	32,161,608	96,411,287
2016	64,919,542	91,050,508
2015	49,593,591	79,500,701
2014	30,556,025	71,098,412

Source: The Township

Population

The U.S. Census figures for the Township's population is shown below:

<u>Year</u>	<u>Township</u>		<u>County</u>		<u>State</u>	
	<u>Population</u>	<u>% Change</u>	<u>Population</u>	<u>% Change</u>	<u>Population</u>	<u>% Change</u>
2017 Estimate	45,602	5.03%	827,684	2.20%	9,005,644	2.43%
2010	43,417	15.06	809,858	7.96	8,791,894	4.49
2000	37,734	46.30	750,162	11.67	8,414,350	8.85
1990	25,792	50.59	671,780	12.74	7,730,188	4.96
1980	17,127	21.83	595,893	2.07	7,365,001	2.75

Source: US Bureau of the Census, 2017 American Community Survey 5-Year Estimates

Income (2017)

The U.S. Census American Community Survey 5-Year Estimates for median family, median household and per capita income are shown below:

	<u>Township</u>	<u>County</u>	<u>State</u>
Median Household Income	\$113,815	\$83,133	\$76,475
Median Family Income	127,154	99,470	94,337
Per Capita Income	48,639	36,558	39,069

Source: US Bureau of the Census, 2017 American Community Survey 5-Year Estimates

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Employment and Unemployment Comparisons

The high skill level of the Township's work force has helped to insulate it from unemployment problems. This is shown by comparison with state unemployment statistics of the New Jersey Department of Labor Bureau of Labor Statistics, below.

For the years 2014 to 2018, the New Jersey Department of Labor reported the following annual average employment information for the Township, Middlesex County and the State of New Jersey:

	<u>Total Labor Force</u>	<u>Employed Labor Force</u>	<u>Total Unemployed</u>	<u>Unemployment Rate</u>
<u>Township</u>				
2018	25,073	24,328	745	3.0%
2017	25,166	24,307	859	3.4%
2016	24,855	23,913	942	3.8%
2015	24,586	23,559	1,027	4.2%
2014	24,226	22,994	1,232	5.1%
<u>County</u>				
2018	435,053	419,262	15,791	3.6%
2017	436,742	418,904	17,838	4.1%
2016	436,159	416,825	19,334	4.4%
2015	435,612	413,173	22,439	5.1%
2014	432,008	405,617	26,391	6.1%
<u>State</u>				
2018	4,422,900	4,239,600	183,400	4.1%
2017	4,518,838	4,309,708	209,123	4.6%
2016	4,530,800	4,305,515	225,262	5.0%
2015	4,537,231	4,274,685	262,531	5.8%
2014	4,527,177	4,221,277	305,900	6.8%

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

Employment

The Township's highly skilled work force has many employment choices. There are a significant number of residents that commute to the metropolitan areas of New York and Philadelphia. However, there are major employment centers nearby. Virtually every field of employment, from the most highly skilled professional to office and retail, is afforded within a 30-45 minute commute from the Township. Within the Township, major opportunities in pharmaceuticals, healthcare, computer services and finance are provided by Dow Jones & Co., Wyeth-Ayerst and Bloomberg Financial – all of which employ more than 500 people.

Important to the above listing of largest employers are the scores of employment opportunities afforded by the office parks, warehousing, distribution and service industries that populate the Route 1 corridor and the Route 130/New Jersey Turnpike area.

Ten Largest Taxpayers 2018

<u>Taxpayers</u>	<u>2018 Assessed Valuation</u>	<u>% of Total Assessed Valuation</u>
Forsgate Industrial Complex	\$113,126,400	3.01%
Dow Jones & Company, Inc.	47,500,000	1.26%
Royal Oaks Apartments, LLC	29,460,200	0.78%
Windsor South Ridge LLC	28,392,000	0.75%
Heller SBIP, LLC.	26,526,400	0.70%
Middlesex Industrial Developers	23,834,600	0.63%
CNJ Company IV, LLC	23,207,900	0.62%
KTR NJ I, LLC	22,296,600	0.59%
Haddad Docks Corner, LLC	21,085,100	0.56%
South Brunswick Manor, Inc.	<u>20,070,200</u>	<u>0.53%</u>
Total	<u><u>\$355,499,400</u></u>	<u><u>9.45%</u></u>

Source: Township Tax Assessor's Office

Assessed and True Values

<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>	<u>Equalized Valuation</u>
2018	\$3,756,855,300	\$9,975,717,738	37.66%	\$6,783,915	\$9,982,501,653
2017	3,684,892,900	8,630,785,045	42.66%	6,662,532	8,637,447,577
2016	3,634,794,600	8,530,379,254	42.61%	6,523,012	8,536,902,266
2015	3,616,739,200	8,673,235,492	41.70%	7,125,716	8,680,361,208
2014	3,594,136,800	7,816,739,452	45.98%	7,119,252	7,823,858,704

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

Classification of Ratables

<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>
2018	\$80,825,100	\$2,475,693,900	\$15,986,900	\$284,554,900	\$810,800,800	\$88,993,700	\$3,756,855,300
2017	97,053,400	2,420,513,000	16,921,600	285,216,100	776,204,600	88,984,200	3,684,892,900
2016	95,056,600	2,377,216,400	16,951,300	272,150,800	784,435,300	88,984,200	3,634,794,600
2015	91,042,100	2,367,054,100	17,192,600	283,762,500	768,957,900	88,730,000	3,616,739,200
2014	80,498,700	2,342,837,800	17,454,900	283,769,300	780,846,100	88,730,000	3,594,136,800

Source: Township Tax Assessor's Office

Analysis of Tax Rates per \$100 of Assessed Valuation

<u>Year</u>	<u>Municipal</u>	<u>Municipal Open Space</u>	<u>Municipal Library</u>	<u>Local School</u>	<u>County</u>	<u>Total</u>
2018	\$0.847	\$0.039	\$0.076	\$3.025	\$0.930	4.917
2017	0.836	0.040	0.077	3.019	0.938	4.910
2016	0.819	0.040	0.079	2.979	0.941	4.858
2015	0.809	0.040	0.073	2.913	0.874	4.709
2014	0.772	0.040	0.072	2.884	0.866	4.634

Source: Township Tax Collectors Office

Comparisons of Tax Levies and Collections

<u>Year</u>	<u>Tax Levy</u>	<u>Current Year Collection</u>	<u>Current Year % of Collection</u>
2018	\$191,348,198	\$190,497,028	99.56%
2017	187,883,736	186,836,254	99.44%
2016	182,247,838	180,465,008	99.02%
2015	174,120,125	172,365,521	98.99%
2014	171,387,655	169,970,808	99.17%

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>
2018	\$844,491	\$1,476,484	\$2,320,974	1.21%
2017	749,028	872,780	1,621,807	0.86%
2016	610,314	1,208,894	1,819,208	1.00%
2015	540,441	1,744,993	2,285,434	1.31%
2014	608,948	1,375,447	1,984,395	1.16%

Source: Annual Audit Reports of the Township

Water and Sewer Collections

<u>Year</u>	<u>Tax Levy</u>	<u>Current Year Collection</u>	<u>Current Year % of Collection</u>
2018	\$25,596,818	\$25,442,541	99.40%
2017	25,172,100	25,133,449	99.85%
2016	25,399,477	25,342,182	99.77%
2015	24,606,661	24,592,012	99.94%
2014	23,852,465	24,180,093	101.37%

Source: Annual Audit Reports of the Township

Comparative Schedule of Fund Balances (Current Fund)

<u>Year</u>	<u>Fund Balance - Current Fund</u>	
	<u>Balance</u> <u>12/31</u>	<u>Utilized in Budget</u> <u>of Succeeding Year</u>
2018	\$3,857,924	\$3,000,000
2017	4,528,287	4,150,000
2016	3,716,735	3,700,000
2015	3,305,537	3,000,000
2014	3,662,160	3,090,000

Source: Annual Audit Reports of the Township

Water and Sewer Utility Operating Fund

<u>Year</u>	<u>Water and Sewer Utility Operating Fund</u>	
	<u>Balance</u> <u>12/31</u>	<u>Utilized in Budget</u> <u>of Succeeding Year</u>
2018	\$2,139,331	\$2,135,000
2017	3,605,912	3,165,000
2016	4,380,823	1,500,000
2015	2,300,241	1,500,000
2014	149,247	145,000

Source: Annual Audit Reports of the Township

Open Space Trust Fund

The Township passed a referendum creating an Open Space Trust Fund in November of 1996. Costs associated with designating open space purchases, including debt service on any bonds issued for open space acquisition, are payable from the fund. The Open Space Trust Fund was effective January of 1997. In November 2002 voters approved a 2 cent increase in the Open Space Trust Fund (1½ cents for acquisition and debt service and ½ cent for development). This increase was effective on January 1, 2003. The fund is a dedicated trust fund for the acquisition of open space throughout the Township at a rate of \$0.04 of the Township's tax base.

As of December 31, 2018, there was \$35,820.70 in the Open Space Trust Fund. Additionally, as of December 31, 2018, \$5,812,000 of debt is outstanding for Open Space purposes.

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>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Fund Balance Utilized	\$3,090,000	\$3,000,000	\$3,700,000	\$4,150,000	\$3,000,000
Miscellaneous Revenues	13,505,408	15,085,017	16,305,839	16,207,209	17,164,534
Receipts from Delinquent Taxes	1,461,000	1,555,000	1,250,000	965,000	1,250,000
Amount to be Raised by Taxation	<u>31,962,367</u>	<u>32,715,251</u>	<u>33,709,664</u>	<u>34,784,757</u>	<u>37,346,110</u>
Total Revenue:	<u>\$50,018,775</u>	<u>\$52,355,268</u>	<u>\$54,965,503</u>	<u>\$56,106,966</u>	<u>\$58,760,644</u>
<u>Appropriations</u>					
General Appropriations	\$38,143,103	\$40,341,048	\$42,324,011	\$43,896,058	\$45,587,501
Operations (Excluded from CAPS)	3,494,474	3,745,204	3,764,471	3,844,656	4,419,021
Deferred Charges and Statutory Expenditures	835,000	430,000	415,000	370,000	355,000
Judgments	0	0	0	0	0
Capital Improvement Fund	100,000	100,000	410,000	100,000	361,000
Municipal Debt Service	6,010,810	5,928,371	6,191,124	6,663,844	6,351,315
Reserve for Uncollected Taxes	<u>1,435,389</u>	<u>1,810,645</u>	<u>1,860,897</u>	<u>1,232,408</u>	<u>1,686,807</u>
Total Appropriations:	<u>\$50,018,775</u>	<u>\$52,355,268</u>	<u>\$54,965,503</u>	<u>\$56,106,966</u>	<u>\$58,760,644</u>

Source: Annual Adopted Budgets of the Township

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DEBT INFORMATION
As of December 31, 2018

General Purpose Debt

Serial Bonds	\$37,221,000
Bond Anticipation Notes	4,530,000
Bonds and Notes Authorized but Not Issued	2,181,885
Other Bonds, Notes and Loans	<u>0</u>
Total:	\$43,932,885

Local School District Debt

Serial Bonds	\$68,770,000
Temporary Notes Issued	0
Bonds and Notes Authorized but Not Issued	<u>0</u>
Total:	\$68,770,000

Self-Liquidating Debt

Serial Bonds	\$33,942,000
Bond Anticipation Notes	10,783,000
Bonds and Notes Authorized but Not Issued	10,764,472
Other Bonds, Notes and Loans	<u>0</u>
Total:	\$55,489,472

TOTAL GROSS DEBT **\$168,192,357**

Less: Statutory Deductions	
General Purpose Debt	\$0
Local School District Debt	68,770,000
Self-Liquidating Debt	<u>55,226,592</u>
Total:	\$123,996,592

TOTAL NET DEBT **\$44,195,765**

Source: Annual Debt Statement of the Township

Statutory Borrowing Power

Average Equalized Valuation Basis (2016, 2017, 2018)	\$9,045,627,346
Permitted Debt Limitation (3 1/2%)	316,596,957
Less: Net Debt	<u>44,195,765</u>
Remaining Borrowing Power	<u>\$272,401,192</u>
Percentage of Net Debt to Average Equalized Valuation	0.489%

Gross Debt Per Capita based on 2010 population of 43,417	\$3,874
Net Debt Per Capita based on 2010 population of 43,417	\$1,018

Source: Annual Debt Statement of the Township

Overlapping Debt – As of December 31, 2018

<u>Name of Related Entity</u>	<u>Related Entity Debt Outstanding</u>	<u>Township Percentage</u>	<u>Township Share</u>
Local School District	\$68,770,000	100.00%	\$68,770,000
Stony Brook Reg. Sew. Auth ²	21,846,401	40.45%	8,836,869
Middlesex County Improvement Authority	236,001,339	8.52%	20,107,314
County ¹	662,191,350	8.98%	<u>59,468,508</u>
Net Indirect Debt			\$157,182,691
Net Direct Debt			<u>44,195,765</u>
Total Net Direct and Indirect Debt			<u>\$201,378,456</u>

¹ Township percentage based on the Township's share of total equalized valuation in the County

² Township percentage based on the Township's usage

APPENDIX B

**FINANCIAL STATEMENTS OF THE TOWNSHIP OF SOUTH BRUNSWICK,
IN THE COUNTY OF MIDDLESEX, NEW JERSEY**

**TOWNSHIP OF SOUTH BRUNSWICK
COUNTY OF MIDDLESEX, NEW JERSEY**

**FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

TOWNSHIP OF SOUTH BRUNSWICK
MIDDLESEX COUNTY NEW JERSEY

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying basic financial statements – regulatory basis of the Township of South Brunswick ("Township"), County of Middlesex, State of New Jersey, which comprise the comparative balance sheets – regulatory basis of the various funds and account group as of December 31, 2018 and 2017, and the related comparative statements of operations and changes in fund balances – regulatory basis and the related notes to the financial statements for the years then ended, and the related statements of changes in fund balance - regulatory basis, statements of revenue – regulatory basis and statements of expenditures – regulatory basis for the year ended December 31, 2018 as listed in the regulatory basis financial statements section of the accompanying table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the requirements prescribed by the Division. Those standards and the requirements prescribed by the Division 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 auditors' 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 Township'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 Township's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

WISS & COMPANY, LLP

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

As described in Note 1, the financial statements are prepared by the Township on the basis of the financial reporting provisions of the Division (regulatory basis), which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the Division.

The effects on the financial statements of the variances between the 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 as of December 31, 2018 and 2017 or the results of its operations and changes in fund balances for the years then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects the comparative balance sheets-regulatory basis of the various funds and account group of the Township as of December 31, 2018 and 2017, and the results of its operations and changes in fund balances of such funds – regulatory basis for the years then ended, and the revenues - regulatory basis and expenditures – regulatory basis of the various funds for the year ended December 31, 2018 in accordance with the financial reporting provisions of the Division as described in Note 1.



Scott A. Clelland
Registered Municipal Accountant
No. 455



WISS & COMPANY, LLP

Livingston, New Jersey
August 7, 2019

See accompanying notes to the financial statements.

TOWNSHIP OF SOUTH BRUNSWICK
MIDDLESEX COUNTY, NEW JERSEY

Exhibit A-1
1 of 2

CURRENT FUND
COMPARATIVE STATEMENTS OF OPERATIONS AND
CHANGES IN FUND BALANCES - REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>REF.</u>	<u>YEAR 2018</u>	<u>YEAR 2017</u>
<u>REVENUES AND OTHER INCOME</u>			
Fund Balance Utilized	A-2	\$ 4,150,000.00	\$ 3,700,000.00
Miscellaneous Revenues Anticipated	A-2	21,551,162.14	16,098,265.69
Receipts from Delinquent Taxes	A-2	880,830.16	1,031,808.01
Receipts from Current Taxes	A-2	189,662,277.40	186,836,254.13
Non-Budget Revenue	A-2	168,085.24	163,704.77
Other Credits to Income:			
Unexpended Balance of Approp. Reserves	A-12	275,746.02	619,996.41
Cancellation of Local District School Tax	A-20	1.50	
Cancellation of Various Reserves	A-15	14,141.36	
Cancellation of Appropriated Grant Reserves	A-27	399,027.75	9,409.12
Interfund Loans Returned	A	203,112.79	131,752.91
		<hr/>	<hr/>
Total Revenues and Other Income		217,304,384.36	208,591,191.04
		<hr/>	<hr/>
<u>EXPENDITURES</u>			
Budget and Emergency Appropriations:			
Operations:			
Salaries and Wages	A-3	23,509,614.82	22,926,749.57
Other Expenses	A-3	23,762,768.14	18,234,365.85
Capital Improvements	A-3	100,000.00	100,000.00
Municipal Debt Service	A-3	6,620,201.06	6,200,445.88
Def. Charges and Statutory Expend.	A-3	6,103,804.26	5,675,088.00
County Tax	A-7, A-19	32,292,393.00	31,971,588.08
County Open Space Taxes	A-7, A-19	2,639,238.23	2,599,371.07
Cty. Share of Added and Omitted Taxes	A-7, A-19	670,747.55	841,582.06
Local District School Tax	A-7, A-20	113,829,247.00	111,326,094.00
Special District Taxes	A-7, A-18	2,323,890.00	2,281,903.00
Municipal Open Space Taxes	A-4, A-7	1,505,455.00	1,475,422.00
Refund of Prior Year Revenue and Tax Appeals	A-4	150,726.84	239,681.02
Cancellation of Grants Receivable	A-25	524,041.59	450.00
Interfunds Established	A	296,217.39	210,112.79
		<hr/>	<hr/>
Total Expenditures		214,328,344.88	204,082,853.32
		<hr/>	<hr/>

See accompanying notes to the financial statements.

TOWNSHIP OF SOUTH BRUNSWICK
MIDDLESEX COUNTY, NEW JERSEY

Exhibit A-1
2 of 2

CURRENT FUND
COMPARATIVE STATEMENTS OF OPERATIONS AND
CHANGES IN FUND BALANCES - REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>REF.</u>	<u>YEAR 2018</u>	<u>YEAR 2017</u>
Excess in Revenues		\$ 2,976,039.48	\$ 4,508,337.72
Adjustments to Income before Fund Balance:			
Expenditures Included Above Which are by			
Statute Deferred Charges to Budgets of			
Succeeding Year -			
Overexpenditure of Appropriations	A, A-3	28,597.68	3,214.88
Special Emergency Authorization	A-22	475,000.00	
		503,597.68	3,214.88
Statutory Excess to Fund Balance		3,479,637.16	4,511,552.60
<u>FUND BALANCE</u>			
Balance - January 1	A	4,528,287.24	3,716,734.64
		8,007,924.40	8,228,287.24
Decreased by:			
Utilization as Anticipated Revenue	A-1, A-2	4,150,000.00	3,700,000.00
Balance - December 31	A	\$ 3,857,924.40	\$ 4,528,287.24

See accompanying notes to the financial statements.

TOWNSHIP OF SOUTH BRUNSWICK
MIDDLESEX COUNTY, NEW JERSEY

CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2018

	REF.	ANTICIPATED		REALIZED	EXCESS OR (DEFICIT)
		2018 BUDGET	N.J.S.A. 40A:4-87		
Surplus Anticipated	A-1	\$ 4,150,000.00		\$ 4,150,000.00	
Miscellaneous Revenues:					
Licenses:					
Alcoholic Beverages	A-11	55,000.00		58,752.00	\$ 3,752.00
Other	A-11	35,000.00		55,261.67	20,261.67
Fees and Permits:					
Other	A-11	713,000.00		697,434.38	(15,565.62)
Fines and Costs:					
Municipal Court	A-11	850,000.00		701,147.49	(148,852.51)
Interest and Costs on Taxes	A-11	300,000.00		272,949.82	(27,050.18)
Interest on Investments and Deposits	A-2	100,000.00		196,481.75	96,481.75
Cable TV Franchise Fee	A-11	525,000.00		527,369.73	2,369.73
Energy Receipts Tax	A-11	4,882,235.00		4,882,235.00	
Supplemental Energy Receipts Tax	A-11	281,706.00		281,706.00	
Watershed Moratorium Offset Aid	A-11	987.00		987.00	
Garden State Aid Trust Fund	A-11	26,751.00		26,751.00	
Uniform Construction Code Fees	A-11	2,190,000.00		2,612,258.10	422,258.10
Fire District #1 contract	A-11	135,000.00		144,757.66	9,757.66
Fire District #2 contract	A-11	150,000.00		208,414.49	58,414.49
Fire District #3 contract	A-11	155,000.00		114,613.63	(40,386.37)
Spotswood Contract - Data Processing	A-11	18,000.00		23,881.10	5,881.10
Milltown Contract - Data Processing	A-11	13,100.00		13,450.00	350.00
Cranbury Contract - Data Processing	A-11	60,000.00		64,282.88	4,282.88
Monroe Contract - Data Processing	A-11	45,000.00		54,750.00	9,750.00
Helmetta Contract - Data Processing	A-11	6,000.00		1,500.00	(4,500.00)
Middlesex County College:					
Contract - Data Processing	A-11	16,000.00		14,813.72	(1,186.28)
Interlocal Cranbury Dispatch	A-11	80,000.00		93,305.00	13,305.00
Public and Private Revenues Offset with Approp:					
Distracted Driver	A-25		\$ 6,325.00	6,325.00	
Body Armor Replacement Grant	A-25	6,927.61	834.90	7,762.51	
Clean Communities	A-25	84,829.93	80,266.87	165,096.80	
Recycling Tonnage Grant	A-25	191,149.92		191,149.92	
Middlesex County Recycling Grant	A-25	26,307.00		26,307.00	
Middlesex County Cultural Heritage Grant	A-25	960.00		960.00	
Drive Sober or Get Pulled Over	A-25	4,675.00	5,087.50	9,762.50	
NJ TTF	A-25		650,000.00	650,000.00	
NJ DOT Local Freight Impact	A-25		4,000,000.00	4,000,000.00	
Click it or Ticket	A-25		4,125.00	4,125.00	
DDEF	A-25	6,560.38	5,836.17	12,396.55	
Recycling Enhancement	A-25	1,000.00		1,000.00	
EMAA	A-25		9,400.00	9,400.00	
Other Special items:					
Uniform Fire Safety Act - Life Hazard					
Use Fees	A-11	280,000.00		355,435.54	75,435.54
Sale of Recycling Materials	A-11	2,000.00			(2,000.00)
Site Leasing - Antennae	A-11	270,000.00		269,198.44	(801.56)
PILOT - South Brunswick Community					
Development Corp.	A-11	35,000.00		37,258.81	2,258.81
PILOT - CIL Woods	A-11	10,000.00		13,030.96	3,030.96
PILOT- Oakwoods	A-11	40,000.00		42,810.44	2,810.44
PILOT- VOA	A-11	4,000.00		2,895.42	(1,104.58)
Utility Payments for SW Chargebacks	A-11	1,410,020.00		1,410,020.00	
Hotel/Motel Tax	A-11	825,000.00		840,004.77	15,004.77
Reserve for Debt Service	A-11	311,000.00		311,000.00	
Reserve for Quasi Duty - Other Trust Fund	A-11	200,000.00		150,000.00	(50,000.00)
Planning - Land Use Charges	A-11	35,000.00		53,120.06	18,120.06
Prior Year Utility Surplus	A-11	1,625,000.00		1,625,000.00	
School Resource Officer	A-11	200,000.00		310,000.00	110,000.00
Total Miscellaneous Revenues	A-1, A-2	16,207,208.84	4,761,875.44	21,551,162.14	582,077.86

See accompanying notes to the financial statements.

TOWNSHIP OF SOUTH BRUNSWICK
MIDDLESEX COUNTY, NEW JERSEY

CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2018

REF.	ANTICIPATED		REALIZED	EXCESS OR (DEFICIT)
	2018 BUDGET	N.J.S.A. 40A:4-87		
Receipts from Delinquent Taxes	A-1, A-2	\$ 965,000.00	\$ 880,830.16	\$ (84,169.84)
Subtotal General Revenues		21,322,208.84	26,581,992.30	497,908.02
Amount to be Raised by Taxation for				
Support of Municipal Budget:				
Local Tax for Mun. Purposes	A-7	31,905,610.85	34,754,568.50	2,848,957.65
Minimum Library Tax Levy	A-7	2,879,146.00	2,879,146.00	
	A-2	34,784,756.85	37,633,714.50	2,848,957.65
Total Budget Revenues		56,106,965.69	64,215,706.80	3,346,865.67
Non-Budget Revenues	A-1, A-4, Below		168,085.24	168,085.24
GRAND TOTALS		\$ 56,106,965.69	\$ 64,383,792.04	\$ 3,514,950.91
	REF.	A-3	A-3	
<u>ANALYSIS OF REALIZED REVENUES</u>				
Receipts from Delinquent Taxes:				
Cash Receipts - Taxes	A-7		\$ 834,750.17	
Cash Receipts - Tax Title Liens	A-9		46,079.99	
Delinquent Tax Collections	A-1, A-2		\$ 880,830.16	
Allocation of Current Tax Collections:				
2018 Cash Collections	A-7		\$ 174,357,787.11	
Prepaid Taxes Applied	A-7, A-14		15,164,346.79	
State Share for Senior Citizen and Veteran Deductions	A-7, A-8		140,143.50	
	A-1		189,662,277.40	
Allocated to:				
School, County, Open Space and Special District Taxes	A-7		153,260,970.78	
			36,401,306.62	
Add: Reserve For Uncollected Taxes	A-3		1,232,407.88	
	A-2		\$ 37,633,714.50	
<u>Analysis of Miscellaneous Revenue Anticipated</u>				
Revenue Accounts Receivable	A-11		\$ 16,461,755.36	
Federal and State Grants Receivable	A-25		5,084,285.28	
Due from Payroll Fund	A-6	\$ 5.10		
Due from General Capital	A-6	4,478.93		
Due from Animal Control Fund	A-6	2.15		
Due from Other Trust Fund	A-6	635.32		
			5,121.50	
	A-2		\$ 21,551,162.14	
<u>Analysis of Interest Earned on Investments</u>				
Due from General Capital Fund	A-6	\$ 4,478.93		
Due from Animal Control Fund	A-6	2.15		
Due from Payroll Fund	A-6	5.10		
Due from Other Trust Fund	A-6	635.32		
Cash Receipts	A-11		\$ 5,121.50	
	A-2		\$ 191,360.25	
			\$ 196,481.75	
<u>Analysis of Non-Budget Revenues</u>				
Various Departments	A-2		\$ 52,620.84	
Miscellaneous	A-2		83,506.97	
Veteran Administration Fee	A-2		2,845.37	
PILOT	A-2		3,908.06	
Wellness Rent	A-2		25,204.00	
	Above		\$ 168,085.24	

See accompanying notes to the financial statements.

TOWNSHIP OF SOUTH BRUNSWICK
MIDDLESEX COUNTY, NEW JERSEY

CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2018

	2018 BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	EXPENDED		UNEXPENDED BALANCE CANCELLED
				ENCUMBERED	RESERVED	
OPERATIONS WITHIN "CAPS"						
Township Council						
Salaries and Wages	\$ 48,000.00	\$ 48,800.00	\$ 48,997.81			
Other Expenses	52,865.00	52,865.00	34,662.12	\$ 9,101.54	\$ 9,101.34	\$ 197.81
Township Manager						
Salaries and Wages	380,800.00	380,800.00	379,947.84		852.16	
Other Expenses	136,350.00	109,350.00	101,917.93		7,432.07	
Township Clerk						
Salaries and Wages	272,000.00	286,000.00	285,805.59		194.41	
Other Expenses	34,615.00	34,615.00	29,786.13	2,362.73	2,466.14	
Elections						
Salaries and Wages	5,400.00	5,400.00	4,039.45		1,360.55	
Other Expenses	17,750.00	17,750.00	16,411.84	42.27	1,295.89	
CATV Advisory Commission (N.J.S.A. 48A:56A-26)						
Salaries and Wages	9,200.00	9,200.00	5,460.48		3,739.52	
Other Expenses	700.00	700.00	513.00		187.00	
Financial Administration						
Salaries and Wages	464,000.00	447,000.00	446,036.32		963.68	
Other Expenses	24,600.00	24,600.00	23,796.84	31.61	771.55	
Purchasing						
Salaries and Wages	130,500.00	125,500.00	124,434.65		1,065.35	
Other Expenses	79,000.00	79,000.00	64,690.80	5,159.24	9,149.96	
Computerized Data Processing Center						
Salaries and Wages	200,400.00	285,400.00	290,880.32			
Other Expenses	180,700.00	180,700.00	166,449.74	14,245.54	4.72	5,480.32
Collection of Taxes						
Salaries and Wages	246,750.00	247,250.00	246,987.05		262.95	
Other Expenses	11,700.00	11,700.00	5,862.88	1,224.40	4,612.72	
Annual Audit						
Other Expenses	16,500.00	16,500.00		16,500.00		
Assessment of Taxes						
Salaries and Wages	287,000.00	287,000.00	287,597.47			
Other Expenses	129,575.00	129,575.00	62,211.37	5,885.50	61,478.13	597.47
Engineering Services						
Other Expenses	5,000.00					
Legal Service and Costs						
Salaries and Wages	82,800.00	67,800.00	61,234.41		6,565.59	
Other Expenses	42,500.00	43,500.00	42,771.33	113.00	615.67	

See accompanying notes to the financial statements.

TOWNSHIP OF SOUTH BRUNSWICK
MIDDLESEX COUNTY, NEW JERSEY

CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2018

	2018 BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	EXPENDED		RESERVED	OVEREXPENDED	UNEXPENDED BALANCE CANCELLED
				ENCUMBERED				
OPERATIONS WITHIN "CAPS"								
Affordable Housing Agency								
Salaries and Wages	\$ 250,000.00	\$ 275,000.00	\$ 221,126.61	\$ 50,988.61	\$ 2,884.78			
Other Expenses							\$ 2,097.86	
Planning Board								
Salaries and Wages	352,900.00	353,900.00	355,997.86					
Other Expenses	38,600.00	23,600.00	12,950.18	1,137.61	9,512.21			
Zoning Board								
Salaries and Wages	13,500.00	13,500.00	10,607.05	1,666.70	1,226.25			
Other Expenses	20,100.00	5,100.00	1,451.99		3,648.01			
Industrial Commission (N.J.S.A. 40A:55-56A-5)								
Salaries and Wages	2,240.00	2,240.00	1,551.59		688.41			
Other Expenses	3,000.00	3,000.00	2,223.94		776.06			
Environmental Commission (N.J.S.A. 40:56A-10)								
Salaries and Wages	1,000.00	1,000.00	368.92		631.08			
Other Expenses	500.00	500.00			500.00			
Transportation Advisory Committee								
Salaries and Wages	300.00	300.00	188.87	144.24	300.00			
Other Expenses	1,000.00	1,000.00			666.89			
Public Building and Grounds								
Salaries and Wages	167,500.00	297,500.00	297,643.87		2,113.88		143.87	
Other Expenses	198,280.00	223,280.00	221,166.12					
Maintenance of Parks								
Salaries and Wages	836,500.00	870,500.00	853,594.79		16,905.21			
Other Expenses	76,200.00	76,200.00	75,081.58	890.00	228.42			
Shade Tree								
Salaries and Wages	700.00	700.00	575.20		124.80			
Other Expenses	11,500.00	11,500.00	1,125.00	10,000.00	375.00			
Streets and Roads Maintenance								
Salaries and Wages	1,690,000.00	1,927,000.00	1,932,961.33		5,961.33			
Other Expenses	145,365.00	145,365.00	130,869.22	13,915.74	580.04			
Snow Removal								
Salaries and Wages	75,000.00	75,000.00	75,000.00					
Other Expenses								
Vehicle Maintenance								
Salaries and Wages	470,350.00	542,850.00	544,389.86					
Other Expenses	171,825.00	172,825.00	117,441.83	28,770.30	26,612.87		1,539.86	
Recycling								
Salaries and Wages	260,000.00	185,000.00	182,726.12		2,273.88			
Other Expenses	7,200.00	7,200.00	6,271.32	600.00	328.68			

See accompanying notes to the financial statements.

TOWNSHIP OF SOUTH BRUNSWICK
MIDDLESEX COUNTY, NEW JERSEY

CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2018

	2018 BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	EXPENDED		RESERVED	OVEREXPENDED	UNEXPENDED BALANCE CANCELLED
				ENCUMBERED				
OPERATIONS WITHIN "CAPS"								
Transit - Other Public Works Functions								
Salaries and Wages	\$ 371,250.00	\$ 371,250.00	\$ 370,939.93		\$	310.07		
Other Expenses	9,172.00	9,172.00	4,285.28	\$	2,567.86	2,318.86		
Aid to Volunteer Ambulance Companies								
Other Expenses	135,000.00	135,000.00	104,263.00		30,737.00			
Public Safety								
Fire Prevention Service								
Salaries and Wages	355,500.00	355,500.00	355,500.00					
Other Expenses	7,350.00	7,850.00	7,180.91		569.81	99.28		
Other Fire District Payments	13,122.00	13,122.00	13,122.00					
Police								
Salaries and Wages	10,167,000.00	9,947,000.00	9,925,107.70			21,892.30		
Regular Police	150,000.00	150,000.00	149,529.84			470.16		
School Crossing Guards								
Other Expenses	357,645.00	357,645.00	258,612.87		65,283.22	33,748.91		
Regular Police	2,600.00	2,600.00	537.58		1,919.67	142.75		
School Crossing Guards								
Police Dispatch/911							\$ 11,290.71	
Salaries and Wages	846,000.00	864,000.00	875,290.71		496.24	1,143.74		
Other Expenses	15,983.00	15,983.00	14,343.02					
Emergency Management Services								
Salaries and Wages	13,000.00	13,000.00	12,119.25			880.75		
Other Expenses	500.00	500.00	284.41			215.59		
Municipal Prosecutor								
Salaries and Wages	43,000.00	43,000.00	35,866.60		7,083.40	50.00		
Health and Welfare								
Contribution to Social Service Agreement								
Other Expenses	50,000.00	50,000.00				50,000.00		
Board of Health								
Salaries and Wages	364,630.00	289,630.00	285,232.49			4,397.51		
Other Expenses	45,230.00	78,230.00	69,449.53		920.78	7,859.69		
Animal Control Regulation								
Salaries and Wages	88,000.00	102,000.00	103,288.45					
Other Expenses	22,675.00	22,675.00	12,406.65		9,151.17	1,117.18		1,288.45
Recreation Services and Programs								
Salaries and Wages	516,500.00	511,500.00	506,081.16			5,418.84		
Other Expenses	107,150.00	107,150.00	104,931.49		520.66	1,697.85		

See accompanying notes to the financial statements.

TOWNSHIP OF SOUTH BRUNSWICK
MIDDLESEX COUNTY, NEW JERSEY

CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2018

	2018 BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	EXPENDED		RESERVED	OVEREXPENDED	UNEXPENDED BALANCE CANCELLED
				ENCUMBERED				
OPERATIONS WITHIN "CAPS"								
Social Services								
Salaries and Wages	\$ 77,919.00	\$ 79,419.00	\$ 78,790.38			\$ 628.62		
Other Expenses	1,300.00	1,300.00	1,112.88		\$ 47.65	139.47		
Senior Services								
Salaries and Wages	458,500.00	480,700.00	480,432.11			267.89		
Other Expenses	63,970.00	63,970.00	59,471.91		890.96	3,607.13		
Celebration of Public events								
Other Expenses	12,000.00	12,000.00	11,985.00			15.00		
Salary Adjustments								
Salaries and Wages	335,000.00							
Solid Waste Collection								
Other Expenses	2,362,728.00	2,362,728.00	2,350,481.84			12,246.16		
Landfill/Solid Waste Disposal Costs								
Other Expenses	970,000.00	970,000.00	837,388.45			132,611.55		
Condominium Services Act								
Other Expenses	160,000.00	168,000.00	167,793.95			206.05		
Municipal Court								
Salaries and Wages	472,915.00	472,915.00	464,537.64			8,377.36		
Other Expenses	20,950.00	20,950.00	16,635.26		2,626.38	1,688.36		
Public Defender								
Other Expenses	35,000.00	35,000.00	26,766.57		6,233.43	2,000.00		
Insurance								
Group Insurance	8,662,000.00	8,662,000.00	8,634,711.70		13,768.00	13,520.30		
General Liability	471,400.00	528,400.00	527,007.44		1,000.00	392.56		
Unemployment Insurance	1,000.00	1,000.00				1,000.00		
Workers Compensation	123,700.00	123,700.00	123,700.00					
Waiver of Health Benefits	120,000.00	128,000.00	123,809.23			4,190.77		
Construction Official								
Salaries and Wages	997,700.00	915,200.00	914,021.78			1,178.22		
Other Expenses	13,600.00	13,600.00	8,432.72		833.02	4,334.26		
Accumulated Leave Expenses								
Salaries and Wages		475,000.00	475,000.00					

See accompanying notes to the financial statements.

TOWNSHIP OF SOUTH BRUNSWICK
MIDDLESEX COUNTY, NEW JERSEY

CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2018

	2018 BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	EXPENDED		UNEXPENDED BALANCE CANCELLED
				ENCUMBERED	RESERVED	
OPERATIONS WITHIN "CAPS"						
Utilities						
Electricity	\$ 570,000.00	\$ 532,500.00	\$ 395,490.28	\$ 193.73	\$ 136,815.99	
Street Lighting	525,000.00	525,000.00	418,037.56		106,962.44	
Telephone	135,000.00	141,000.00	126,742.05	12,188.00	2,069.95	
Water	27,000.00	29,000.00	28,992.96		7.04	
Sewerage Disposal	11,000.00	12,500.00	12,352.25		147.75	
Fuel Oil	75,000.00	120,000.00	83,287.21		36,712.79	
Gasoline	146,500.00	180,500.00	172,883.03		7,616.97	
Fire Hydrant	31,000.00	31,000.00	29,461.76		1,538.24	
Total Operations Within "CAPS"	38,213,754.00	38,637,254.00	37,553,507.45	319,810.01	792,534.22	\$ 28,597.68
DETAIL:						
Salaries and Wages	21,253,754.00	21,082,935.00	21,023,180.73	7,083.40	79,170.69	26,499.82
Other Expenses	16,960,000.00	17,554,319.00	16,530,326.72	312,726.61	713,363.53	2,097.86
STATUTORY EXPENDITURES MUNICIPAL WITHIN "CAPS"						
Statutory Expenditures:						
Contribution to:						
Public Employee's Retirement System	1,518,035.00	1,538,535.00	1,538,350.13		184.87	
Social Security System (O.A.S.L)	1,757,000.00	1,788,000.00	1,776,096.33		11,903.67	
Police and Firemen's Retirement System of NJ	2,320,765.00	2,320,765.00	2,320,764.00		1.00	
Defined Contribution Retirement Program	18,000.00	18,000.00	16,947.05		1,052.95	
Total Statutory Expenditures Municipal Within "CAPS"	5,613,800.00	5,665,300.00	5,652,157.51	-	13,142.49	
Total General Appropriations for Municipal Purposes Within "CAPS"	43,827,554.00	44,302,554.00	43,205,664.96	319,810.01	805,676.71	28,597.68

See accompanying notes to the financial statements.

TOWNSHIP OF SOUTH BRUNSWICK
MIDDLESEX COUNTY, NEW JERSEY

CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2018

	2018 BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	EXPENDED ENCUMBERED	RESERVED	OVEREXPENDED	UNEXPENDED BALANCE CANCELLED
Maintenance of Free Public Library	\$ 1,877,080.00	\$ 1,877,080.00	\$ 1,815,243.29		\$ 61,836.71		
Salaries and Wages	1,002,066.00	1,002,066.00	803,709.25	\$ 54,012.42	144,344.33		
Other Expenses	40,000.00	40,000.00			40,000.00		
Length of Service Award Program (LOSAP)							
Other Expenses							
Interlocal Municipal Services Agreement							
Fire Services							
Salaries and Wages	365,000.00	365,000.00	324,509.57		40,490.43		
Dispatch							
Salaries and Wages	80,000.00	80,000.00	80,000.00				
Data Processing							
Salaries and Wages	158,100.00	158,100.00	158,100.00				
Total Other Operations Excluded from "CAPS"	3,522,246.00	3,522,246.00	3,181,562.11	54,012.42	286,671.47		

OTHER OPERATIONS EXCLUDED FROM "CAPS"

Maintenance of Free Public Library	
Salaries and Wages	
Other Expenses	
Length of Service Award Program (LOSAP)	
Other Expenses	
Interlocal Municipal Services Agreement	
Fire Services	
Salaries and Wages	
Dispatch	
Salaries and Wages	
Data Processing	
Salaries and Wages	
Total Other Operations Excluded from "CAPS"	
OTHER OPERATIONS EXCLUDED FROM "CAPS"	
STATE AND FEDERAL PROGRAMS OFFSET BY REVENUES	
Distracted Driver	
Other Expenses	6,325.00
Drive Sober or Get Pulled Over	
Other Expenses	9,762.50
Recycling Tonnage Grant	
Other Expenses	192,149.92
Middlesex County Recycling Grant	
Other Expenses	26,307.00
NJ Department of Transportation TTF	
Other Expenses	650,000.00
NJ Department of Transportation Local Freight Impact	
Other Expenses	4,000,000.00
Clean Communities	
Other Expenses	165,096.80
Middlesex County Cultural Heritage Grant	
Other Expenses	960.00
DDEF	
Other Expenses	12,396.55

See accompanying notes to the financial statements.

TOWNSHIP OF SOUTH BRUNSWICK
MIDDLESEX COUNTY, NEW JERSEY

CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2018

	2018 BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	EXPENDED ENCUMBERED	RESERVED	OVEREXPENDED	UNEXPENDED BALANCE CANCELLED
OTHER OPERATIONS EXCLUDED FROM "CAPS"							
STATE AND FEDERAL PROGRAMS OFFSET BY REVENUES							
Body Armor Replacement Grant							
Other Expenses	\$ 6,927.61	\$ 7,762.51	\$ 7,762.51				
EMMA							
Other Expenses		9,400.00	9,400.00				
Click it or Tick it Grant							
Other Expenses		4,125.00	4,125.00				
Total Public and Private Revenues Offset by Revenues	322,409.84	5,084,285.28	5,084,285.28				
Total Operations Excluded from "CAPS"	3,844,655.84	8,606,531.28	8,265,847.39	\$ 54,012.42	\$ 286,671.47		
DETAIL:							
Salaries and Wages	2,400,180.00	2,400,180.00	2,297,852.86	-	102,327.14		
Other Expenses	1,444,475.84	6,206,351.28	5,967,994.53	54,012.42	184,344.33		
CAPITAL IMPROVEMENTS - EXCLUDED FROM "CAPS"							
Capital Improvement Fund	100,000.00	100,000.00	100,000.00				
Total Capital Improv. - Excl. from "CAPS"	100,000.00	100,000.00	100,000.00				
MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"							
Payment of Bond Principal	\$ 5,213,055.50	\$ 5,213,055.50	\$ 5,213,055.50				
Interest on Bonds	1,069,561.21	1,069,561.21	1,069,561.21				\$ 36.94
Interest on Notes	13,300.00	13,300.00	13,263.06				43,605.71
Capital Lease Obligation - Principal and Interest	367,927.00	367,927.00	324,321.29				
Total Mun. Debt Service - Excl. from "CAPS"	6,663,843.71	6,663,843.71	6,620,201.06				43,642.65

See accompanying notes to the financial statements.

TOWNSHIP OF SOUTH BRUNSWICK
MIDDLESEX COUNTY, NEW JERSEY

CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2018

	2018 BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	EXPENDED	RESERVED	OVEREXPENDED	UNEXPENDED BALANCE CANCELLED
				ENCUMBERED			
DEFERRED CHARGES - MUNICIPAL EXCLUDED FROM "CAPS"							
Deferred Charges:							
Special Emergency Authorizations - 5 Years (N.J.S.A. 40A:4-53)	\$ 370,000.00	\$ 370,000.00	\$ 370,000.00				
Overexpenditure of Grants	65,289.38	65,289.38	65,289.38				
Overexpenditure of Appropriation Reserves	3,214.88	3,214.88	3,214.88				
Total Deferred Charges - Municipal Excluded from "CAPS"	438,504.26	438,504.26	438,504.26				
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	11,047,003.81	15,808,879.25	15,424,552.71	\$ 54,012.42	\$ 286,671.47		43,642.65
Subtotal General Appropriations	54,874,557.81	60,111,433.25	58,630,217.67	373,822.43	1,092,348.18	\$ 28,597.68	43,642.65
Reserve for Uncollected Taxes	1,232,407.88	1,232,407.88	1,232,407.88				
Total General Appropriations	\$ 56,106,965.69	\$ 61,343,841.13	\$ 59,862,625.55	\$ 373,822.43	\$ 1,092,348.18	\$ 28,597.68	\$ 43,642.65
	REF.	Below	Below	A, A-21	A	A, A-1	A-1
Adopted Budget	A-2						
Special Emergency Authorizations	A-22	\$ 56,106,965.69					
Approp. By N.J.S.A. 40A:4-87	A-2	475,000.00					
	Above	4,761,875.44					
		\$ 61,343,841.13					
Cash Disbursed	A-4		\$ 53,107,428.13				
Deferred Charges - Special Emergency	A-22		370,000.00				
Deferred Charges	A-23		68,504.26				
Reserve for Uncollected Taxes	A-2		1,232,407.88				
Due to Federal and State Grant Fund:							
Reserve for Federal and State Grants Appropriated	A-27		5,084,285.28				
	Above		\$ 59,862,625.55				

See accompanying notes to the financial statements.

TOWNSHIP OF SOUTH BRUNSWICK
MIDDLESEX COUNTY, NEW JERSEY

TRUST FUNDS
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
DECEMBER 31, 2018 AND 2017

ASSETS	REF.	BALANCE DEC. 31, 2018	BALANCE DEC. 31, 2017	LIABILITIES, RESERVES AND FUND BALANCE	REF.	BALANCE DEC. 31, 2018	BALANCE DEC. 31, 2017
Animal Control Fund:				Animal Control Fund:			
Cash and Cash Equivalents - Treasurer	B-1	\$ 60,317.39	\$ 49,018.46	Due to State of New Jersey	B-6	\$ 44.40	\$ 90.00
				Reserve for Encumbrances	B-9	286.00	844.80
				Reserve for Animal Control Expenditures	B-9	43,596.00	42,105.20
				Interfund Payable - Current	B-9	16,390.99	5,978.46
Total Animal Control Fund		60,317.39	49,018.46	Total Animal Control Fund		60,317.39	49,018.46
Other Trust Fund				Other Trust Fund			
Cash and Cash Equivalents - Treasurer	B-1	17,538,341.54	17,692,047.82	Interfund Payable - General Capital	B-3	100,000.00	100,000.00
Interfund Receivable - Current		-	640.00	Interfund Payable - CDBG	B	75,400.29	68,319.66
Interfund Receivable - Payroll Trust	B-3	74,714.59	74,714.59	Interfund Payable - Current	B-3	150,309.80	200,001.43
Due from County of Middlesex	B-4	29,744.16	29,715.61	Reserve for:			
Investments		-	325,000.00	Open Space	B-11	35,820.70	48,534.77
				Other Reserves	B-10	16,841,525.10	16,571,042.98
				Encumbrances	B-10	439,744.40	391,081.18
				Due to Middlesex County-Open Space	B-5	-	743,138.00
Total Other Trust Fund		17,642,800.29	18,122,118.02	Total Other Trust Fund		17,642,800.29	18,122,118.02
Community Development Block Grant Fund:				Community Development Block Grant Fund:			
Interfund Receivable - Other Trust Fund	B	75,400.29	68,319.66				
Accounts Receivable - Community Development Block Grant	B-7	70,947.82	67,008.19	Reserve for Program Expenditures	B-8	146,348.11	135,327.85
Total Community Development Block Grant Fund		146,348.11	135,327.85	Total Community Development Block Grant Fund		146,348.11	135,327.85
		\$ 17,849,465.79	\$ 18,306,464.33			\$ 17,849,465.79	\$ 18,306,464.33

See accompanying notes to the financial statements.

TOWNSHIP OF SOUTH BRUNSWICK
COUNTY OF MIDDLESEX, NEW JERSEY

GENERAL CAPITAL FUND
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
DECEMBER 31, 2018 AND 2017

	<u>REF.</u>	<u>BALANCE</u> <u>DEC. 31, 2018</u>	<u>BALANCE</u> <u>DEC. 31, 2017</u>
<u>ASSETS</u>			
Cash and Cash Equivalents - Treasurer	C-2, C-3	\$ 11,849,714.64	\$ 14,539,296.00
Grants Receivable - State of New Jersey	C-10	207,322.41	400,000.00
Investment in Bond Anticipation Notes	C-12	552,375.00	610,000.00
Interfund Receivable - Other Trust Fund	C-13	100,000.00	100,000.00
Deferred Charges to Future Taxation:			
Funded	C-4	37,221,000.00	43,559,000.00
Unfunded	C-5	6,711,884.70	4,325,634.70
		<u>\$ 56,642,296.75</u>	<u>\$ 63,533,930.70</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
General Serial Bonds Payable	C-14	\$ 37,221,000.00	\$ 43,559,000.00
Bond Anticipation Notes	C-16	4,530,000.00	-
Reserve for Encumbrances	C-15	3,302,271.80	6,682,969.60
Improvement Authorizations:			
Funded	C-6	8,748,983.48	9,245,248.35
Unfunded	C-6	2,022,573.08	2,946,230.52
Interfund Payable - Current Fund	C-11	4,478.93	4,132.90
Capital Improvement Fund	C-8	14,473.58	28,223.58
Reserve for Debt Service	C-7	41,533.53	311,143.40
Reserve for Contributions	C-9	746,167.95	746,167.95
Reserve for Preliminary Costs	C	10,000.00	10,000.00
Fund Balance	C-1	814.40	814.40
		<u>\$ 56,642,296.75</u>	<u>\$ 63,533,930.70</u>

There were Bonds and Notes Authorized but Not Issued at December 31, 2018 and 2017 in the amounts of \$2,181,884.70 and \$4,325,634.70, respectively. See Exhibit C-17.

TOWNSHIP OF SOUTH BRUNSWICK
COUNTY OF MIDDLESEX, NEW JERSEY

GENERAL CAPITAL FUND
STATEMENT OF FUND BALANCE - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2018 AND 2017

	<u>REF.</u>	
Balance, December 31, 2018 and 2017	C	\$ <u>814.40</u>

TOWNSHIP OF SOUTH BRUNSWICK
MIDDLESEX COUNTY, NEW JERSEY

WATER AND SEWER UTILITY FUNDS

COMPARATIVE BALANCE SHEETS - REGULATORY BASIS

DECEMBER 31, 2018 AND 2017

Assets	REF.	BALANCE DEC. 31, 2018	BALANCE DEC. 31, 2017		REF.	BALANCE DEC. 31, 2018	BALANCE DEC. 31, 2017
Operating Fund: Cash and Cash Equivalents Cash - Change Fund	D-6 D	\$ 4,274,679.90 194.25 4,274,874.15	\$ 6,073,067.39 128.74 6,073,196.13		D-5, D-13 D-5, D-13 D-13 D-25 D-12	\$ 1,475,339.06 311,383.36 6,812.15 96,165.07 396,629.67 2,286,329.31	\$ 1,302,716.88 821,573.15 6,812.15 74,105.44 389,655.03 2,588,050.50
Receivables With Offsetting Reserves: Consumer Accounts Receivable Deferred Charges	D-10 D-5	1,404,473.79 146,425.37	1,250,196.22 120,763.68		Reserve D-1	1,404,473.79 2,139,330.64	1,250,196.22 3,605,911.82
Interfund Receivable - Utility Capital Fund	D-8	4,360.43	2.51				
Total Operating Fund		5,830,133.74	7,444,158.54			5,830,133.74	7,444,158.54
Assessment Trust Fund: Cash and Cash Equivalents Deferred Assessments Receivable	D-6 D-16	124,606.54 -	124,606.54 92,453.32		D-17 D-2	- 124,606.54	92,453.32 124,606.54
Total Assessment Trust Fund		124,606.54	217,059.86			124,606.54	217,059.86
Capital Fund: Cash and Cash Equivalents Investments Fixed Capital Fixed Capital - Authorized and Uncompleted Prospective Assessments Funded	D-6, D-7 D-7 D-18 D-19 D-9	8,478,579.64 - 100,812,267.57 44,466,537.10 -	7,197,597.47 1,827,550.00 100,622,267.57 41,643,416.10 103,000.00		D-20 D-26 D-21 D-21 D-24 D-8 D-14 D-15 D-9 D-11 D-22 D-23 D-3	33,942,000.00 10,783,000.00 648,615.04 16,643,697.69 81,109.68 4,360.43 1,674,151.38 3,450.00 - 186,976.10 89,674,833.67 114,500.00 690.32	37,757,000.00 9,134,000.00 802,484.35 14,789,153.68 81,109.68 2.51 2,552,210.83 3,450.00 103,000.00 498,496.10 85,548,233.67 124,000.00 690.32
Total Capital Fund		153,757,384.31	151,393,831.14			153,757,384.31	151,393,831.14
Total Assets		\$ 159,712,124.59	\$ 159,055,049.54			\$ 159,712,124.59	\$ 159,055,049.54

There were Water and Sewer Utility Bonds and Notes Authorized but not Issued at December 31, 2018 and 2017 in the amounts of \$10,764,471.80 and \$9,702,450.80, respectively. See Exhibit D-27.

**TOWNSHIP OF SOUTH BRUNSWICK
MIDDLESEX COUNTY, NEW JERSEY**

**WATER AND SEWER UTILITY OPERATING FUND
COMPARATIVE STATEMENTS OF OPERATIONS AND
CHANGES IN FUND BALANCES - REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

		Year 2018	Year 2017
<u>REVENUES AND OTHER INCOME</u>			
Fund Balance Utilized	D-4	\$ 3,165,000.00	\$ 1,500,000.00
Rents	D-4 , D-10	25,442,540.64	25,133,449.04
Water and Sewer Connection Fees and Charges	D-4	2,282,835.00	1,463,932.45
Miscellaneous	D-4	218,322.77	229,384.65
Reserve for Debt Service	D-4, D-6	408,100.00	106,000.00
Other Credits to Income:			
Refunds	D-6	4,959.00	1,340.00
Appropriation Reserves Lapsed	D-13	282,465.41	459,082.34
Total Revenues and Other Income		<u>31,804,222.82</u>	<u>28,893,188.48</u>
<u>EXPENDITURES</u>			
Budget Appropriations:			
Operations	D-5	22,177,575.00	21,218,185.00
Debt Service	D-5	5,603,890.37	4,888,678.79
Deferred Charges and Statutory Expenditures	D-5	845,764.00	682,000.00
Surplus (General Budget)	D-5	1,625,000.00	1,500,000.00
Total Expenditures		<u>30,252,229.37</u>	<u>28,288,863.79</u>
Excess in Revenues		1,551,993.45	604,324.69
Adjustments to Income before Fund Balance:			
Expenditures Included Above Which are by Statute			
Deferred Charges to Budgets of Succeeding Year-			
Overexpenditure of an appropriation	D-5	<u>146,425.37</u>	<u>120,763.68</u>
Statutory Excess to Fund Balance		1,698,418.82	725,088.37
<u>FUND BALANCE</u>			
Balance - January 1	D	<u>3,605,911.82</u>	<u>4,380,823.45</u>
		5,304,330.64	5,105,911.82
Decreased By:			
Utilization as Anticipated Revenue	D-1, D-4	<u>3,165,000.00</u>	<u>1,500,000.00</u>
Balance - December 31	D	<u>\$ 2,139,330.64</u>	<u>\$ 3,605,911.82</u>

See accompanying notes to the financial statements.

**TOWNSHIP OF SOUTH BRUNSWICK
MIDDLESEX COUNTY, NEW JERSEY**

**WATER AND SEWER UTILITY ASSESSMENT TRUST FUND
STATEMENT OF FUND BALANCE - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>REF.</u>	
Balance - December 31, 2018 and 2017	D	<u>\$ 124,606.54</u>

See accompanying notes to the financial statements.

**WATER AND SEWER UTILITY CAPITAL FUND
STATEMENT OF FUND BALANCE - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>REF.</u>	
Balance - December 31, 2018 and 2017	D	<u>\$ 690.32</u>

See accompanying notes to the financial statements.

**TOWNSHIP OF SOUTH BRUNSWICK
MIDDLESEX COUNTY, NEW JERSEY**

**WATER AND SEWER UTILITY OPERATING FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	REF.	2018 BUDGET	REALIZED	EXCESS
Utility Operating Surplus	D-1	\$ 3,165,000.00	\$ 3,165,000.00	
Water / Sewer Rents	D-1, D-10	25,077,704.00	25,442,540.64	\$ 364,836.64
Water and Sewer Connection Fees	D-1, D-6	1,455,000.00	2,282,835.00	827,835.00
Miscellaneous	D-1, D-4, Below		218,322.77	218,322.77
Reserve for Debt Service	D-1, D-6, D-11	408,100.00	408,100.00	
TOTALS	D-5	\$ 30,105,804.00	\$ 31,516,798.41	\$ 1,410,994.41
<u>Analysis of Miscellaneous:</u>				
Other	D-6		\$ 127,425.34	
Interest	D-6		90,897.43	
	Above		<u>\$ 218,322.77</u>	

TOWNSHIP OF SOUTH BRUNSWICK
MIDDLESEX COUNTY, NEW JERSEY

WATER AND SEWER UTILITY OPERATING FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018

	2018 Budget	Budget After Modification	Paid or Charged	Expended		Overexpended
				Encumbered	Reserved	
Operating:						
Salaries and Wages	\$ 4,568,520.00	\$ 4,568,520.00	\$ 4,496,539.86		\$ 71,980.14	
Other Expenses	17,619,055.00	17,609,055.00	15,897,111.82	\$ 311,383.36	1,400,559.82	
Total Operating	22,187,575.00	22,177,575.00	20,393,651.68	311,383.36	1,472,539.96	
Debt Service:						
Payment of Bond Principal	3,815,000.00	3,815,000.00	3,815,000.00			
Payment of Bond Anticipation Notes and Capital Notes	302,100.00	302,100.00	302,100.00			
Interest on Bonds	1,248,365.00	1,248,365.00	1,252,352.50			\$ 3,987.50
Interest on Notes	92,000.00	92,000.00	234,437.87			142,437.87
Total Debt Service	5,457,465.00	5,457,465.00	5,603,890.37			146,425.37
Deferred Charges and Statutory Expenditures:						
Deferred Charge- Prior Year Overexpenditures	120,764.00	120,764.00	120,763.68		0.32	
Contribution to:						
Public Employees Retirement System	495,000.00	495,000.00	495,000.00			
Social Security System	220,000.00	230,000.00	227,201.22		2,798.78	
Total Deferred Charges and Statutory Expenditures	835,764.00	845,764.00	842,964.90		2,799.10	
Surplus - General Budget	1,625,000.00	1,625,000.00	1,625,000.00			
	\$ 30,105,804.00	\$ 30,105,804.00	\$ 28,465,506.95	\$ 311,383.36	\$ 1,475,339.06	\$ 146,425.37
REF.	D-4	D-4	Below	D	D	D, D-1
Cash Disbursed			\$ 25,232,952.90			
Utilized in Current Fund Budget			1,625,000.00			
Accrued Interest on Bonds and Notes			1,486,790.37			
Deferred Charge			120,763.68			
Above			\$ 28,465,506.95			

See accompanying notes to the financial statements.

TOWNSHIP OF SOUTH BRUNSWICK
MIDDLESEX COUNTY, NEW JERSEY

PAYROLL FUND
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
DECEMBER 31, 2018 AND 2017

<u>ASSETS</u>	<u>REF.</u>	<u>BALANCE</u> <u>DEC. 31, 2018</u>	<u>BALANCE</u> <u>DEC. 31, 2017</u>
Cash and Cash Equivalents	E-1	\$ 621,409.33	\$ 409,318.91
Interfund Receivable - Current Fund	E	-	32.74
		<u>\$ 621,409.33</u>	<u>\$ 409,351.65</u>
 <u>LIABILITIES</u>			
Payroll Deductions Payable	E-3	\$ 546,689.64	\$ 334,637.06
Interfund Payable - Unemployment Fund	E-2	74,714.59	74,714.59
Interfund Payable - Current Fund	E	5.10	-
		<u>\$ 621,409.33</u>	<u>\$ 409,351.65</u>

See accompanying notes to the financial statements.

TOWNSHIP OF SOUTH BRUNSWICK
MIDDLESEX COUNTY, NEW JERSEY
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

Note 1: FORM OF GOVERNMENT

The governing body of the Township of South Brunswick, in the County of Middlesex, New Jersey ("Township") consists of the Mayor and four (4) elected at-large members of the Township Council, each of whom serve a four-year term. Terms are staggered by two-year intervals. The Council serves as a legislative arm of the government and establishes the policies of the Township. The Township Manager is the Chief Executive Officer of the Township and is responsible for carrying out the policies of the Township Council. The responsibilities of the Township Manager include being accountable for all employees, proposing the annual budget and coordinating all activities of all departments within the Township.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

GASB established criteria to be used to determine which component units should be included in the financial statements of the oversight entity. The Division of Local Government Services ("Division") requires the financial statements of the Township of South Brunswick to be reported separately.

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

B. Description of Funds

The accounting policies of the Township of South Brunswick 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 of South Brunswick accounts for its financial transactions through the following separate funds and an account group:

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

TOWNSHIP OF SOUTH BRUNSWICK
MIDDLESEX COUNTY, NEW JERSEY
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Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Trust Fund – records receipts, custodianship and disbursement of funds in accordance with the purpose for which each reserve was created. Pursuant to the provisions of N.J.S.A. 40A:4-39, the financial transactions of the Community Development Block Grant fund are reported within the Trust Funds. In addition, the financial transactions of the following funds and accounts are also reported within the Trust Funds:

Assessment Trust Fund
Other Trust Fund
Animal Control Trust Fund

General Capital Fund – records 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 and Utility Funds, including the status of bonds, notes and loans authorized for said purposes. General bonds, notes and loans payable are recorded in this fund offset by deferred charges to future taxation.

Water and Sewer Utility Fund – records resources and expenditures for the operations and acquisition of capital facilities of the municipally owned Water and Sewer Utility.

Payroll Fund – records resources, deposits of gross salaries of municipal and utility operations into bank accounts of the payroll fund, Social Security and other payroll contributions are also deposited therein. Net salaries and remittances to all federal, state and other agencies are paid from this fund.

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

C. Regulatory Basis Financial Statements

The GASB Codification also defines the financial statements of a governmental unit to be presented in the basic financial statements to be in accordance with GAAP. The Township presents the financial statements listed in the table of contents which are required by the Division and which differ from the financial statements required by GAAP. In addition, the Division requires the financial statements listed in the table of contents to be referenced to the supplementary schedules. This practice differs from GAAP.

D. Basis of Accounting

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

TOWNSHIP OF SOUTH BRUNSWICK
MIDDLESEX COUNTY, NEW JERSEY
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Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues - Revenues are recorded as received in cash except for statutory reimbursements and grant funds, which are due from other governmental units. State and Federal grants, entitlements and shared revenues received for operating purposes are realized as revenues when anticipated in the Township budget.

Receivables for property taxes and water and sewer utility consumer charges are recorded with offsetting reserves within the Current Fund and Water and Sewer Utility Fund, respectively. Other amounts that are due to the Township which are susceptible to accrual are recorded as receivables with offsetting reserves. These reserves are liquidated and revenues are recorded as realized upon receipt of cash. GAAP requires the recognition of revenues for general operations in the accounting period in which they become available and measurable, with the exception of utility consumer charges, which should be recognized in the period they are earned and become measurable.

Expenditures - For purposes of financial reporting, expenditures are recorded as "paid or charged" or "appropriation reserves." Paid or charged refers to the Township's "budgetary" basis of accounting. Generally, these expenditures are recorded when an amount is encumbered for goods or services through the issuance of a purchase order in conjunction with the encumbrance accounting system. Reserves for unliquidated encumbrances at the close of the year are reported as a cash liability. Encumbrances do not constitute expenditures under GAAP. Appropriation reserves refer to unexpended appropriation balances at the close of the year. Appropriation reserves are automatically created and recorded as a cash liability, except for amounts, which may be cancelled by the governing body. Appropriation reserves are available until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred and not recorded in the preceding fiscal year. Lapsed appropriation reserves are recorded as income. Generally, unexpended balances of budget appropriations are not recorded as expenditures under GAAP. Expenditures for compensated absences, i.e., accumulations of earned but unused vacations and sick leave, are recorded in the accounting period in which the payments are made. GAAP requires that expenditures be recorded in the governmental (Current) fund in an amount that would normally be liquidated with available financial resources, and that expenditures be recorded in the enterprise (Water and Sewer Utility) fund on a full accrual basis.

For the purposes of calculating the results of Current Fund operations, the regulatory basis of accounting utilized by the Township requires that certain expenditures be deferred and raised as items of appropriation in budgets of succeeding years. These deferred charges include the two general categories of overexpenditures and emergency appropriations. Overexpenditures occur when expenditures recorded as "paid or charged" exceed available appropriation balances. Emergency appropriations occur when, subsequent to the adoption of a balanced budget, the governing body authorizes the establishment of additional appropriations based on unforeseen circumstances or for other special purposes as defined by statute. Overexpenditures and emergency appropriations are deducted from total expenditures in the calculation of operating results and are established as assets (Deferred Charges) on the balance sheets.

GAAP does not permit the deferral of overexpenditures to succeeding budgets. In addition, GAAP does not recognize expenditures based upon the authorization of an appropriation. Instead, the authorization of special purpose expenditures, such as the preparation of tax maps or the revaluation of assessable real property, would represent the designation of fund balance.

TOWNSHIP OF SOUTH BRUNSWICK
MIDDLESEX COUNTY, NEW JERSEY
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Local Budget Law (N.J.S.A. 40A:4-1 et seq.) requires that certain transfers between funds, such as transfers from the Current Fund or Utility Operating Funds to a Self-insurance Trust Fund, transfers of anticipated operating surpluses among the Current Fund, Water and Sewer Utility Fund, transfers from utility operating funds to capital funds (i.e., finance capital projects) and transfers from the Current Fund to the Trust Funds or General Capital Fund are required to be included in the Township's annual budgets as budget appropriations. Expenditures are recorded upon the adoption of the budget for legally required transfers, and upon the determination of availability of funds for any discretionary transfers. Under GAAP, transfers are not recognized as expenditures.

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

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

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

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

Grants Received - Federal and State Grants, entitlements or shared revenues received for purposes normally financed through the Current Fund are recognized when anticipated in the Township's Budget. GAAP requires such revenues to be recognized in the accounting period when they become susceptible to accrual.

TOWNSHIP OF SOUTH BRUNSWICK
MIDDLESEX COUNTY, NEW JERSEY
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-term debt - The Township's long-term debt is stated at face value. The debt is not traded and it is not practicable to determine its fair value without incurring excessive cost. Additional information pertinent to the Township's long-term debt is provided in Note 4 to the financial statements.

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

The Township has developed a general fixed asset accounting and reporting system that utilizes multiple dollar thresholds for the inclusion of certain assets and also utilizes estimated fair values, which are updated annually to reflect current appraisal values, for inventoried structures. Accordingly, a statement of general fixed assets, developed using recognized valuation methods and uniform capitalization rules, which is required pursuant to generally accepted accounting principles and accounting practices prescribed for municipalities by the State of New Jersey, is included in the financial statements.

Length of Service Award Program (LOSAP) – the Division does not require the LOSAP to be included as part of the balance sheet of the Trust Fund in the regulatory basis financial statements of the Township. GAAP requires the inclusion of such information to be recorded in the financial statements.

Net Pension Liability and Pension Related Deferred Outflows of Resources and Deferred Inflows of Resources and Pension Expense – the requirements of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68* require governmental entities to record their distributive shares of net pension liability, deferred outflows of resources, deferred inflows of resources and total pension related expense. Accounting principles applicable to municipalities, which have been prescribed by the Division, do not require the recording of these liabilities, deferrals and expenses, but do require the disclosure of these amounts. Since the Township does not follow generally accepted accounting principles, the GASBs did not result in a change in the Township's assets, liabilities and contribution requirements. Refer to Note 9 for these disclosures.

Other Post Employment Benefits Other Than Pensions - The requirements of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)* that is provided by other entities require governmental entities to record in their financial statements a share of the other governments net OPEB liability, deferred outflows of resources, deferred inflows of resources and total OPEB expense. Accounting principles applicable to municipalities, which have been prescribed by the Division, do not require the recording of these liabilities, deferrals and expenses, but do require the disclosure of the amounts. Since the Township does not follow generally accepted accounting principles, the GASB did not result in a change in the Township's assets, liabilities and contribution requirements.

TOWNSHIP OF SOUTH BRUNSWICK
MIDDLESEX COUNTY, NEW JERSEY
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

However, it did result in additional note disclosures as required by the GASB. See Note 10 for these disclosures.

E. Comparative Data

Comparative data for the prior year has been presented in order to provide an understanding of changes in the Township's financial position and operations. However, comparative data has not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

F. Recent Pronouncements

The GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* in June 2015. This Statement replaces the requirements of Statement No. 45 and the primary objective of this Statement is to improve accounting and reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local government employers about financial support for OPEB that is provided by other entities. The requirements of this Statement are effective for financial statements for reporting periods beginning after June 30, 2017. The Township has adopted GASB No. 75 during the year ended December 31, 2018, which resulted in additional disclosures in the notes to the basic financial statements.

The GASB issued Statement No. 84, *Fiduciary Activities* in January 2017. This Statement establishes standards of accounting and financial reporting for fiduciary activities. The requirements of this Statement are effective for periods beginning after December 15, 2018. Management has not determined the impact of the statement on the financial statements.

The GASB issued Statement No. 87, *Leases* in June 2017. This Statement establishes standards of accounting and financial reporting for leases by lessees and lessors. The requirements of this Statement are effective for periods beginning after December 15, 2019. Management has not determined the impact of the statement on the financial statements.

G. Subsequent Events

Management has reviewed and evaluated all events and transactions that occurred from December 31, 2018 through August 7, 2019, that date that the financial statements were issued, and the effects of those that provided additional pertinent information about conditions that existed at the balance sheet date, have been recognized in the accompanying financial statements.

Note 3: DEFERRED COMPENSATION PLAN

The Deferred Compensation Plan was established pursuant to Section 457 of the Internal Revenue Code and P.L. 1977, C. 381; P.L. 1978, C. 39; and P.L. 1980, C. 78 of the Statutes of New Jersey. The Plan is an arrangement whereby a public employer may establish a plan and permit its employees to voluntarily authorize a portion of their current salary to be withheld and invested in one or more of the types of investments permitted under the governing regulations. The program balances are not recorded in the Trust Fund of the Township. The deferred compensation plans are administered by the ICMA Retirement

TOWNSHIP OF SOUTH BRUNSWICK
MIDDLESEX COUNTY, NEW JERSEY
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

Note 3: DEFERRED COMPENSATION PLAN (Continued)

Corporation, the Lincoln National Life Insurance Company, Metlife, Nationwide Mutual Insurance Company and MassMutual. The Township does not make any contributions to the plan and the deferred compensation is not available to employees until termination, retirement, death or unforeseeable hardship.

In accordance with the requirements of the Small Business Job Protection Act of 1996 and the funding requirements of the Internal Revenue Code Section 457(g), the Township's plan was amended to require that all amounts of compensation deferred under the Plan are held for the exclusive benefits of plan participants and beneficiaries. All assets and income under the plan are held in trust, in annuity contracts or custodial accounts. The plan's assets are not the property of the Township and therefore are not presented in the financial statements.

As of December 31, 2018 and 2017, the amounts held in trust amounted to \$20,038,860.47 and \$21,108,997.88, respectively.

Note 4: DEBT, DEBT SERVICE AND STATUTORY DEBT CONDITION

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

A. Summary of Municipal Debt for Capital Projects

	<u>Year 2018</u>	<u>Year 2017</u>
General:		
Bond Anticipation Notes	\$ 4,530,000.00	
Bonds	37,221,000.00	\$ 43,559,000.00
Water and Sewer Utility:		
Bond Anticipation Notes	10,783,000.00	9,134,000.00
Bonds	33,942,000.00	37,757,000.00
Total debt issued	86,476,000.00	90,450,000.00
Less:		
Funds temporarily held to pay		
Bonds and notes	228,509.63	809,639.50
	86,247,490.37	89,640,360.50
Authorized but not issued:		
General:		
Bonds and notes	2,181,884.70	4,325,634.70
Water and Sewer Utility:		
Bonds and notes	10,764,471.80	9,702,450.80
Total authorized but not issued	12,946,356.50	14,028,085.50
Net bonds and notes issued and authorized but not issued	\$ 99,193,846.87	\$ 103,668,446.00

TOWNSHIP OF SOUTH BRUNSWICK
MIDDLESEX COUNTY, NEW JERSEY
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

Note 4: DEBT, DEBT SERVICE AND STATUTORY DEBT CONDITION (Continued)

B. Summary of Statutory Debt Condition - Annual Debt Statement – 2018

The summarized statement of debt condition which follows is reported in accordance with the required method for preparation of the Annual Debt Statement and indicates a statutory net debt of 0.485%.

	Gross Debt	Deductions	Net Debt
Local school district debt	\$ 68,770,000.00	\$ 68,770,000.00	
Water and sewer utility debt	55,489,471.80	55,489,471.80	
General debt	43,932,884.70	41,533.53	\$ 43,891,351.17
	<u>\$ 168,192,356.50</u>	<u>\$ 124,301,005.33</u>	<u>\$ 43,891,351.17</u>

Net Debt \$43,891,351.17 Divided by Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended \$9,045,627,345.67 equals 0.485%.

EQUALIZED VALUATION BASIS

2016 Equalized Valuation Basis of Real Property	\$ 8,530,379,254.00
2017 Equalized Valuation Basis of Real Property	8,630,785,045.00
2018 Equalized Valuation Basis of Real Property	<u>9,975,717,738.00</u>

Average Equalized Valuation	<u>\$ 9,045,627,345.67</u>
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BORROWING POWER UNDER N.J.S.A 40A:2-6 AS AMENDED

3 1/2% of Equalized Valuation Basis Municipal	\$ 316,596,957.10
Net Debt	<u>43,891,351.17</u>

Remaining Borrowing Power	<u>\$ 272,705,605.93</u>
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The Township's water and sewer utility fund was self-liquidating as of December 31, 2018 and 2017.

The Township of South Brunswick Board of Education is a Type II School District. As such, the members of the Board of Education are elected by the citizens of the Township and school appropriations are set by the Board of Education. Bonds and notes authorized by voter referendum to finance capital expenditures are general obligations of the Board of Education and, as such, are reported on the balance sheet of the Board of Education.

TOWNSHIP OF SOUTH BRUNSWICK
MIDDLESEX COUNTY, NEW JERSEY
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

Note 4: DEBT, DEBT SERVICE AND STATUTORY DEBT CONDITION (Continued)

C. Schedule of Annual Debt Service for Principal and Interest for the
Next Five Years and in Five Year Increments Thereafter for Bonded Debt Issued and Outstanding

Fiscal Year	General		Water and Sewer Utility		Total
	Principal	Interest	Principal	Interest	
2019	\$ 6,510,000.00	\$ 1,206,426.26	\$ 3,895,000.00	\$ 1,141,597.50	\$ 12,753,023.76
2020	6,730,000.00	970,801.26	4,025,000.00	1,001,597.50	12,727,398.76
2021	6,050,000.00	721,910.63	4,120,000.00	850,997.50	11,742,908.13
2022	3,440,000.00	540,645.00	3,185,000.00	715,347.50	7,880,992.50
2023	2,655,000.00	444,395.00	3,210,000.00	605,347.50	6,914,742.50
2024-2028	8,501,000.00	1,231,110.00	9,317,000.00	1,707,945.00	20,757,055.00
2029-2033	3,335,000.00	237,400.00	3,390,000.00	725,900.00	7,688,300.00
2034-2037	-	-	2,800,000.00	210,000.00	3,010,000.00
Total	<u>\$ 37,221,000.00</u>	<u>\$ 5,352,688.15</u>	<u>\$ 33,942,000.00</u>	<u>\$ 6,958,732.50</u>	<u>\$ 83,474,420.65</u>

General Capital Fund

\$3,190,000.00 2009 Refunding Bonds due in annual installments of \$265,000.00 to \$270,000 through September 1, 2021 at an interest rate of 4.000% \$ 805,000.00

\$3,168,000.00 2010 Open Space Obligation Bonds due in annual installments of \$145,000.00 to \$200,000.00 through October 1, 2030 at interest rates ranging from 3.000% to 3.500%. 2,198,000.00

\$6,650,000.00 2010 Refunding Bonds due in annual installments of \$605,000.00 to \$630,000.00 through January 15, 2021 at interest rates ranging from 2.500% to 2.625%. 1,855,000.00

\$9,987,000.00 2011 Refunding Bonds due in annual installments of \$1,440,000.00 to \$1,465,000.00 through July 1, 2021 at interest rates ranging from 3.600% to 4.630%. 4,360,000.00

\$5,101,000.00 2012 General Improvement Bonds due in annual installments of \$370,000.00 to \$510,000.00 through November 15, 2025 at interest rates ranging from 2.125% to 3.000%. 3,271,000.00

\$1,438,000.00 2012 Open Space Bonds due in annual installments of \$80,000.00 to \$160,000.00 through November 15, 2025 at interest rates ranging from 2.000% to 3.000%. 958,000.00

TOWNSHIP OF SOUTH BRUNSWICK
MIDDLESEX COUNTY, NEW JERSEY
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

Note 4: DEBT, DEBT SERVICE AND STATUTORY DEBT CONDITION (Continued)

General Capital Fund (continued)

\$4,638,000.00 2013 General Improvement Bonds due in annual installments of \$250,000.00 to \$400,000.00 through October 1, 2028 at interest rates ranging from 3.000% to 4.000%.	\$ 3,538,000.00
\$361,000.00 2013 Open Space Obligation Bonds due in annual installments of \$25,000.00 to \$26,000.00 through October 1, 2028 at interest rates ranging from 3.000% to 4.000%.	251,000.00
\$8,390,000.00 2014 General Improvement Refunding Bonds due in annual installments of \$290,000.00 to \$970,000.00 through September 1, 2024 at interest rates ranging from 4.000% to 5.000%.	3,935,000.00
\$3,545,000.00 2014 Open Space Refunding Bonds due in annual installments of \$100,000.00 to \$705,000.00 through September 1, 2023 at interest rates ranging from 4.000% to 5.000%.	1,720,000.00
\$5,396,000.00 2015 General Improvement Refunding Bonds due in annual installments of \$650,000.00 to \$1,180,000.00 through March 1, 2022 at an interest rate of 4.000%.	4,185,000.00
\$363,000.00 Open Space Refunding Bonds due in annual installments of \$65,000.00 to \$75,000.00 through March 1, 2022 at an interest rate of 4.000%.	290,000.00
\$9,837,000.00 2017 General Improvement Bonds due in annual installments of \$430,000.00 to \$750,000.00 through April 1, 2032 at interest rates ranging from 2.000% to 4.000%.	9,460,000.00
\$416,000.00 2017 Open Space Bonds due in annual installments of \$20,000.00 to \$35,000.00 through April 1, 2032 at interest rates ranging from 2.000% to 4.000%.	<u>395,000.00</u>
	<u><u>\$ 37,221,000.00</u></u>

TOWNSHIP OF SOUTH BRUNSWICK
MIDDLESEX COUNTY, NEW JERSEY
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

Note 4: DEBT, DEBT SERVICE AND STATUTORY DEBT CONDITION (Continued)

Water and Sewer Utility Capital Fund

\$1,370,000.00 2009 Refunding Bonds due in annual installments of \$115,000.00 through July 15, 2021 at an interest rate of 4.000%	\$ 345,000.00
\$5,942,000.00 2010 Bonds due in annual installments of \$500,000.00 to \$617,000.00 through October 1, 2025 at an interest rate of 3.000%	3,917,000.00
\$7,608,000.00 2011 Refunding Bonds due in annual installments of \$965,000.00 to \$970,000.00 through July 1, 2021 at interest rates ranging from 3.600% to 4.630%.	2,900,000.00
\$3,000,000.00 2012 Bonds due in annual installments of \$250,000.00 through November 15, 2025 at interest rates ranging from 2.000% to 3.000%.	1,750,000.00
\$7,760,000.00 2013 Bonds due in annual installments of \$500,000.00 to \$600,000.00 through October 1, 2028 at interest rates ranging from 3.000% to 4.000%.	5,850,000.00
\$7,465,000.00 Refunding Bonds due in annual installments pf \$445,000.00 to \$990,000.00 through September 1, 2024 at interest rates ranging from 4.000% to 5.000%.	5,065,000.00
\$2,561,000.00 2015 Refunding Bonds due in annual installments of \$225,000.00 to \$285,000.00 through March 1, 2027 at interest rates ranging from 3.480% to 5.000%.	2,320,000.00
\$12,147,000.00 2017 Bonds due in annual installments of \$400,000.00 to \$700,000.00 through October 1, 2037 at interest rates ranging from 2.000% to 4.000%.	<u>11,795,000.00</u>
	<u><u>\$ 33,942,000.00</u></u>

TOWNSHIP OF SOUTH BRUNSWICK
MIDDLESEX COUNTY, NEW JERSEY
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

Note 4: DEBT, DEBT SERVICE AND STATUTORY DEBT CONDITION (Continued)

During 2017, the Township issued \$22,400,000.00 of General Obligation Bonds, consisting of \$9,837,000.00 General Improvement Bonds, \$12,147,000.00 Water-Sewer Utility Bonds and \$416,000.00 Open Space Bonds. The purpose of the bonds is to refund \$5,366,000.00 of the Township's bond anticipation notes in the amount of \$6,000,000.00 dated October 5, 2016, maturing October 4, 2017, refund \$7,882,000.00 of the Township's bond anticipation notes in the amount of \$16,382,000.00, dated January 26, 2017, maturing October 4, 2017 and permanently finance \$9,152,000.00 of various new capital projects.

For detail of future years serial bonds required debt principal payments see Exhibit C-14 and Exhibit D-20.

D. Notes

As of December 31, 2018, the Township had a special emergency note outstanding in the amount of \$980,000.00 in the current fund. These notes mature on December 13, 2019 with an interest rate of 2.50%.

As of December 31, 2018, the Township had outstanding bond anticipation notes in the water and sewer utility capital fund in the amount of \$10,783,000.00. The notes mature on October 2, 2019 with an interest rate of 3.00%.

Note 5: FUND BALANCES APPROPRIATED

Fund balances at December 31, 2018 and 2017 were appropriated and included as anticipated revenue in their own respective funds for the "Fiscal Year" ending December 31, 2019 and 2018 as follows:

	2019	2018
Current fund	\$ 3,000,000.00	\$ 4,150,000.00
Water and Sewer Utility Operating fund	\$ 2,135,000.00	\$ 3,165,000.00

Note 6: DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

Certain expenditures are required to be deferred to budgets of succeeding years.

The following deferred charges were shown on the December 31, 2018 and 2017 balance sheets of the Township's Current Fund, Grant Fund and Water and Sewer Utility Operating Fund.

	2018	2017
Overexpenditure of Appropriation Reserves - Current Fund	\$ 3,359.42	\$ 3,214.88
Overexpenditure of Appropriations - Current Fund	28,597.68	
Overexpenditure of Grants - Grant Fund	8,625.00	65,289.38
Special Emergency Authorizations (40A:4-53) - Current Fund	980,000.00	875,000.00
Overexpenditure of Appropriation - Water and Sewer Utility Operating Fund	146,425.37	120,763.68
	<u>\$ 1,167,007.47</u>	<u>\$ 1,064,267.94</u>

TOWNSHIP OF SOUTH BRUNSWICK
MIDDLESEX COUNTY, NEW JERSEY
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

Note 6: DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS (Continued)

The overexpenditures represent budgetary over-expenditures of certain current year budgetary appropriations and grant programs.

The special emergency authorizations consist of \$980,000.00 of appropriations to pay the costs associated with accumulated sick leave and severance payouts due to former employees who retired from the Township. Of these balances, one-fifth of the deferred charges for each year will be raised in the Township's Current Fund budget. The remaining deferred charges from the special emergencies in the current fund will be raised in the Township's 2019-2022 budgets.

Note 7: DEPOSITS AND INVESTMENTS

Deposits

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

Cash on deposit is partially insured by federal deposit insurance in the amount of \$250,000.00 in each depository. Balances above the federal deposit insurance amount are insured by the Government Unit Deposit Protection Act (GUDPA), N.J.S.A. 17:941, et seq., which insures all New Jersey governmental units' deposits in excess of the federal deposit insurance maximums.

Based on GASB criteria, the Township considers cash and cash equivalents to include petty cash, change funds, demand deposits, money market accounts, short-term investments and cash management money market mutual funds such as Pillar Funds, and are either any direct and general obligation of the United States of America and its agencies or certificates of deposit issued by any bank, savings and loan association or national banking association if qualified to serve as a depository for public funds under the provisions of the Government Unit Depository Protection Act. Cash and cash equivalents have original maturities of three months or less from the date of purchase. Investments are stated at cost, which approximates fair value.

At December 31, 2018 and 2017, the book values of the cash and cash equivalents of the Township consisted of the following:

	Book Balance	
	2018	2017
Cash (Demand Accts)	\$ 43,801,600.57	\$ 61,788,749.41
NJ ARM	5,106,745.20	4,216,791.07
Change Funds (On-Hand)	194.25	128.74
Total	<u>\$ 48,908,540.02</u>	<u>\$ 66,005,669.22</u>

There was \$621,161.12 and \$409,657.18 of funds held in Township agency accounts at December 31, 2018 and 2017, respectively, that were not covered by GUDPA.

TOWNSHIP OF SOUTH BRUNSWICK
MIDDLESEX COUNTY, NEW JERSEY
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

Note 7: DEPOSITS AND INVESTMENTS (Continued)

Custodial Credit Risk - Deposits - Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned. The government does not have a specific deposit policy for custodial credit risk other than those policies that adhere to the requirements of statute and to deposit all of its funds in banks covered by FDIC and GUDPA. At least five percent of the Township's deposits were fully collateralized by funds held by the financial institution, but not in the name of the Township. Due to the nature of GUDPA, further information is not available regarding the full amount that is collateralized.

The Township of South Brunswick had the following depository accounts:

	Bank Balance	
	2018	2017
Insured-FDIC	\$ 972,189.76	\$ 972,662.58
Insured-NJGUDPA (N.J.S.A. 17:941)	41,717,828.15	52,471,443.30
Total	<u>\$ 42,690,017.91</u>	<u>\$ 53,444,105.88</u>

Investments

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

1. Bonds or other obligations of the United States of America or obligations guaranteed by the United States;
2. Government money market mutual funds;
3. Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided such obligation bear a fixed rate of interest not dependent on any index or other external factor;
4. Bonds or other obligations of the Township or bonds or other obligations of school districts of which the Township is a part and within which the school district is located.
5. Bonds or other obligations having a maturity date of not more than 397 days from the date of purchase that are approved by the Division of Investment of the Department of Treasury for investment by local units;
6. Local government investment pools;
7. Deposits with the State of New Jersey Cash Management Fund established pursuant to section I of P.L. 1997, c. 281 (C.52:IXA-90G4);
8. Deposits with the New Jersey Asset and Rebate Management Fund ("NJARM"); or
9. Agreements for the repurchase of fully collateralized securities, if:
 - a. the underlying securities are permitted investments pursuant to paragraphs (1) and (3);
 - b. the custody collateralized is transferred to a third party;
 - c. the maturity of the agreement is not more than 30 days; and
 - d. the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c.236 (C.199-41) and for which a master repurchase agreement providing for the custody and security of the collateral is executed.

TOWNSHIP OF SOUTH BRUNSWICK
MIDDLESEX COUNTY, NEW JERSEY
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

Note 7: DEPOSITS AND INVESTMENTS (Continued)

GASB Statement No. 40 - *Deposit and Investment Risk Disclosures* requires the Township to disclose its deposits and investment policies regarding certain types of investment risks.

New Jersey Asset and Rebate Management

The Township also invests funds in the New Jersey Asset and Rebate Management Fund ("NJARM"), which is an investment pool managed by Public Financial Management Company. NJARM allows governments within the state to pool their funds for investment purposes and the Securities and Exchange Commission (SEC) does not restrict the pool. Earnings are allocated to all participants based upon shares held in the pool and distributed on the last day of each month. In addition, the fair value of the Township's portion of the pool is the same as the value of its shares. Agencies that participate in the NJARM typically earn returns that mirror short-term investment rates. Monies can be freely added or withdrawn from the NJARM on a daily basis without penalty. At December 31, 2018 and 2017, the Township's balance in NJARM was \$5,106,745.20 and \$4,216,791.07, respectively. NJARM is rated AAA by Standard & Poors.

GASB Statement No. 72

GASB Statement No. 72 established a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurement.) The three levels of the fair value hierarchy under GASB 72 are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Authority has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

TOWNSHIP OF SOUTH BRUNSWICK
MIDDLESEX COUNTY, NEW JERSEY
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

Note 7: DEPOSITS AND INVESTMENTS (Continued)

The Township's investments consisted of certificates of deposit and bond anticipation notes purchased by the Township during the year and all investments were held directly by the Township. The investments in certificates of deposit are considered level 1 investments as they are quoted prices for identical assets which are held for less than one year. The Township had investments of \$1,000,000.00 in certificates of deposit at December 31, 2017, recorded in the Water and Sewer Utility Capital Fund. The investments in bond anticipation notes are considered level 2 investments as they are in an inactive market and inputs other than quoted prices are observable. The investments are held for one year. The balance of these investments at December 31, 2018 and 2017 were as follows:

Description of Investment	Interest Rates	Amount	
Current Fund		<u>2018</u>	<u>2017</u>
Township of Weymouth, NJ			
Bond Anticipation Notes - maturing 6/18/2019	1.50%	\$ 458,000.00	
Township of Weymouth, NJ			
Bond Anticipation Notes - maturing 6/18/2019	1.50%	463,025.00	
Borough of Buena, NJ			
Bond Anticipation Notes - maturing 7/10/2019	1.50%	347,514.00	
Borough of Buena, NJ			
Bond Anticipation Notes - maturing 7/17/2019	1.50%	375,000.00	
Borough of West Wildwood, NJ			
Bond Anticipation Notes - maturing 3/22/2019	1.30%	134,398.00	
Borough of West Wildwood, NJ			
Bond Anticipation Notes - maturing 3/22/2019	1.30%	837,827.00	
Town of Hammontown, NJ			
Special Emergency Notes - maturing 10/31/2019	2.10%	72,820.60	
City of West Wildwood, NJ			
Bond Anticipation Notes - matured 5/12/2018	1.50%		\$ 440,000.00
City of West Wildwood, NJ			
Bond Anticipation Notes - matured 7/20/2018	1.30%		1,055,460.00
Township of Kearney, NJ			
Bond Anticipation Notes - matured 12/14/2018	1.50%		610,000.00
City of Pleasantville, NJ			
Bond Anticipation Notes - matured 4/23/2018	1.30%		899,370.00
Total Current Fund		<u>\$ 2,688,584.60</u>	<u>\$ 3,004,830.00</u>
Open Space Trust Fund			
Salem County			
Bond Anticipation Notes - matured 6/21/2018	1.30%		\$ 325,000.00
Total Open Space Trust Fund		<u>\$ -</u>	<u>\$ 325,000.00</u>

TOWNSHIP OF SOUTH BRUNSWICK
MIDDLESEX COUNTY, NEW JERSEY
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

Note 7: DEPOSITS AND INVESTMENTS (Continued)

Description of Investment	Interest Rates	Amount
<u>General Capital Fund</u>		
Borough of Pennington, NJ		
Bond Anticipation Notes - maturing 8/28/2019	2.60%	\$ 324,000.00
Township of Mullica, NJ		
Bond Anticipation Notes - maturing 5/7/2019	1.25%	228,375.00
Township of Kearney, NJ		
Bond Anticipation Notes - matured 12/14/2018	1.50%	\$ 610,000.00
Total General Capital Fund		<u>\$ 552,375.00</u> <u>\$ 610,000.00</u>
<u>Water and Sewer Utility Capital Fund</u>		
Borough of Barnegat Light		
Bond Anticipation Notes - matured 2/23/2018	1.10%	\$ 827,550.00
Total Water and Sewer Utility Capital Fund		<u>\$ -</u> <u>\$ 827,550.00</u>
Grand Total		<u>\$ 3,240,960.00</u> <u>\$ 4,767,380.00</u>

Interest Rate Risk – As a means of limiting its exposure to fair value losses arising from increasing interest rates, the Township generally limits its investment maturities to within two years of the date of purchase.

Credit Risk – As of December 31, 2018, the Township's various investments with the Township of Weymouth, Township of Buena, Township of West Wildwood, Town of Hammontown, Township of Pennington, and Township of Mullica were not rated by a nationally recognized bond rating agency.

Custodial Credit Risk – For investments, custodial credit risk is the risk that in the event of the failure of the counter-party, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of the outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured and are not registered in the name of the Township. The Township manages custodial credit risk by limiting its investments to the debt of other governmental units within the State of New Jersey.

Concentration of Credit Risk – The Township places no limit on the amount the Township may invest in any one issuer. As of December 31, 2018 the Township had amounts invested with the Township of Weymouth, Township of Buena, Township of West Wildwood, Town of Hammontown, Township of Pennington, and Township of Mullica, representing 28.42%, 22.29%, 30.00%, 2.25%, 10.00%, and 7.05%, respectively, of the total carrying amount of the Township's investments.

TOWNSHIP OF SOUTH BRUNSWICK
MIDDLESEX COUNTY, NEW JERSEY
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

Note 8: ASSESSMENT AND COLLECTION OF PROPERTY TAXES

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

Tax bills are prepared and mailed by the Collector of Taxes 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 previous year's tax. The preliminary payments are due and payable on February 1st and May 1st. NJ 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% to 18% of the amounts delinquent, and if a delinquency (including interest) is in excess of \$10,000.00 and remains in arrears after December 31, an additional flat penalty of 6% shall be charged against the delinquency. 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 9: PENSION AND RETIREMENT PLANS

Substantially, all Township employees participate in the Public Employees' Retirement System and Police and Firemen's Retirement System. The Division of Pensions within the Treasury Department of the State of New Jersey is the administrator of the funds and charges municipalities annually for their respective contributions. The plans provide retirement and disability benefits, annual cost of living adjustments and benefits to plan members and beneficiaries.

The plans are cost sharing multiple-employer defined benefit plans and as such do not maintain separate records for each municipality in the state and, therefore, the actuarial data for the Township is not available.

The Division of Pensions issues publicly available financial reports for each of the plans that include financial statements and required supplementary information. The reports may be obtained by writing the State of New Jersey, Division of Pensions.

Covered employees are required by State statute to contribute a certain percentage of their salary to the plan. In addition, the PERS and PFRS bills the Township annually at an actuarially determined rate for its required contribution. The current rate of required contribution of annual covered payroll is 7.50% for PERS employees and 10.00% for PFRS.

The contribution requirements of plan members and the Township are established and may be amended by the Board of Trustees of the respective plans. The Township's contributions to the PERS for the years ended December 31, 2018, 2017 and 2016 were \$1,915,364.00, \$1,816,742.00, and \$1,832,347.00, respectively. The Township's contributions to the PFRS for the years ended December 31, 2018, 2017 and 2016 were \$2,195,753.00, \$1,942,619.00, and \$1,972,466.00, respectively. In 2009, the State of New Jersey permitted Municipalities to defer up to 50% of their contributions due in 2009. The Township elected this option, resulting in the deferral of their 2009 PERS and PFRS bills in the amounts of \$498,160.50 and

TOWNSHIP OF SOUTH BRUNSWICK
MIDDLESEX COUNTY, NEW JERSEY
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

Note 9: PENSION AND RETIREMENT PLANS (Continued)

\$814,062.00, respectively. In accordance with state regulations, the Township began repaying this liability in April 2012 over a 15 year period and included in the payments identified above during 2018 for PERS and PFRS were principal payments of \$40,323.00 and \$64,391.00, respectively for repayment of this deferred liability.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Public Employee's Retirement System (PERS)

At December 31, 2018 and 2017, the Township's liability for its proportionate share of the net pension liability was \$41,090,530.00 and \$48,129,253.00, respectively. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017 which was rolled forward to June 30, 2018. The Township's proportion of the net pension liability was based on a projection of the Township's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2018, the Township's proportion was 0.2086925900 percent, which was a increase of 0.1937618400 from its proportion measured as of June 30, 2017.

At December 31, 2018, the Township's deferred outflows of resources and deferred inflows of resources related to PERS were from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 6,771,039.00	\$ 13,138,567.00
Difference between expected and actual experience	783,603.00	211,876.00
Net difference between projected and actual earnings on pension plan investments		385,431.00
Changes in proportion and differences between Township contributions and proportionate share of contributions	1,005,471.00	43,658.00
Township contributions subsequent to the measurement date	1,041,850.00	
	<u>\$ 9,601,963.00</u>	<u>\$ 13,779,532.00</u>

At December 31, 2017, the Township's deferred outflows of resources and deferred inflows of resources related to PERS were from the following sources:

TOWNSHIP OF SOUTH BRUNSWICK
MIDDLESEX COUNTY, NEW JERSEY
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

Note 9: PENSION AND RETIREMENT PLANS (Continued)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ 9,696,386.00	\$ 9,660,837.00
Difference between expected and actual experience	1,133,278.00	
Net difference between projected and actual earnings on pension plan investments	327,728.00	
Changes in proportion and differences between Township contributions and proportionate share of contributions	901,708.00	61,974.00
Township contributions subsequent to the measurement date	957,682.00	
	<u>\$ 13,016,782.00</u>	<u>\$ 9,722,811.00</u>

\$1,041,850.00 and \$957,682.00 as of December 31, 2018 and 2017, respectively, are reflected above as deferred outflows of resources related to pensions resulting from Township contributions subsequent to the measurement date. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions would be recognized in pension expense as follows, if the financial statements were prepared in accordance with GAAP.

Year ended December 31:

2019	\$ 555,705.00
2020	(136,944.00)
2021	(2,611,017.00)
2022	(2,253,744.00)
2023	(773,419.00)
	<u>\$ (5,219,419.00)</u>

Actuarial Assumptions

The total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018. This actuarial valuation used the following actuarial assumptions:

Inflation rate	2.25%
Salary increase through 2026	1.65 - 4.15%
	based on age
Thereafter	2.65 - 5.15%
	based on age
Investment rate of return	7.00%

TOWNSHIP OF SOUTH BRUNSWICK
MIDDLESEX COUNTY, NEW JERSEY
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Note 9: PENSION AND RETIREMENT PLANS (Continued)

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014.

The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. This actuarial valuation used the following actuarial assumptions:

Inflation rate	2.25%
Salary increase through 2026	1.65 - 4.15%
	based on age
Thereafter	2.65 - 5.15%
	based on age
Investment rate of return	7.00%

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014.

Mortality Rates

Pre-retirement mortality rates were based on the RP-2000 Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified 2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back one year for males and females) for service retirements and beneficiaries of former members. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from 2012 to 2013 using Projection Scale AA and using a generational approach based on the actuary's 2014 projection scale thereafter. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back three years for males and set forward one year for females).

Long-Term Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2018) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2018 are summarized in the following table:

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MIDDLESEX COUNTY, NEW JERSEY
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

Note 9: PENSION AND RETIREMENT PLANS (Continued)

Asset Class	Allocation	Long-Term Expected Real Rate of Return
Risk Mitigation Strategies	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
High Yield	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%
Private Real Estate	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. Developed Markets Equity	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%
Buyouts/Venture Capital	8.25%	13.08%
	100.00%	

Discount Rate

The discount rate used to measure the total pension liability was 5.66% as of June 30, 2018. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.87% as of June 30, 2018 based on the Bond Buyer GO 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 50% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2046. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2046 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

TOWNSHIP OF SOUTH BRUNSWICK
MIDDLESEX COUNTY, NEW JERSEY
NOTES TO THE FINANCIAL STATEMENTS
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Note 9: PENSION AND RETIREMENT PLANS (Continued)

The discount rate used to measure the total pension liability was 5.00% as of June 30, 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.58% as of June 30, 2017 based on the Bond Buyer GO 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 40% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2034. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the Township's proportionate share of the net pension liability to changes in the discount rate

The following presents the Township's proportionate share of the net pension liability as of December 31, 2018 calculated using the discount rate as disclosed above as well as what the Township's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.66 percent) or 1-percentage-point higher (6.66 percent) than the current rate:

	At 1% decrease (4.66%)	At current discount rate (5.66%)	At 1% increase (6.66%)
Township's proportionate share of the net pension liability	\$ 51,666,607.00	\$ 41,090,530.00	\$ 32,217,878.00

The following presents the Township's proportionate share of the net pension liability as of December 31, 2017 calculated using the discount rate as disclosed above as well as what the Township's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.00 percent) or 1-percentage-point higher (6.00 percent) than the current rate:

	At 1% decrease (4.00%)	At current discount rate (5.00%)	At 1% increase (6.00%)
Township's proportionate share of the net pension liability	\$ 59,707,604.78	\$ 48,129,253.00	\$ 38,483,051.09

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MIDDLESEX COUNTY, NEW JERSEY
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Note 9: PENSION AND RETIREMENT PLANS (Continued)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report for the State of New Jersey Public Employees Retirement System.

Additional Information

Collective balances of the Local Group at June 30, 2018 are as follows:

Deferred outflows of resources	\$ 4,684,852,302.00
Deferred inflows of resources	\$ 7,646,736,226.00
Net pension liability	\$ 19,689,501,539.00
 Township's Proportion	 0.2086925900%

Collective balances of the Local Group at June 30, 2017 are as follows:

Deferred outflows of resources	\$ 6,424,455,842.00
Deferred inflows of resources	\$ 5,700,625,981.00
Net pension liability	\$ 23,278,401,588.00
 Township's Proportion	 0.2067549716%

Collective pension expense for the Local Group for the measurement period ended June 30, 2018 and 2017 were \$1,099,708,157.00 and \$1,679,030,145.00, respectively.

The average of the expected remaining service lives of all plan members is 5.63 and 5.48 years for 2018 and 2017, respectively.

Police and Firemen's Retirement System (PFRS)

At December 31, 2018 and 2017, the Township's liability for its proportionate share of the net pension liability was \$33,488,503.00 and \$38,302,231.00, respectively. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018. The Township's proportion of the net pension liability was based on a projection of the Township's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2018, the Township's proportion was 0.2474828006 percent, which was a decrease of 0.0006197085 from its proportion measured as of June 30, 2017.

TOWNSHIP OF SOUTH BRUNSWICK
MIDDLESEX COUNTY, NEW JERSEY
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

Note 9: PENSION AND RETIREMENT PLANS (Continued)

At December 31, 2018, the Township's deferred outflows of resources and deferred inflows of resources related to PFRS were from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 2,874,537.00	\$ 8,582,525.00
Differences between expected and actual experience	340,702.00	138,583.00
Net difference between projected and actual earnings on pension plan investments		\$ 183,212.00
Changes in proportion and differences between Township contributions and proportionate share of contributions	1,117,642.00	365,841.00
Township contributions subsequent to the measurement date	1,209,754.50	
	<u>\$ 5,542,635.50</u>	<u>\$ 9,270,161.00</u>

At December 31, 2017, the Township's deferred outflows of resources and deferred inflows of resources related to PFRS were from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 4,723,092.00	\$ 6,272,785.00
Differences between expected and actual experience	248,482.00	224,802.00
Net difference between projected and actual earnings on pension plan investments	730,896.00	
Changes in proportion and differences between Township contributions and proportionate share of contributions	1,499,236.00	395,781.00
Township contributions subsequent to the measurement date	1,097,877.00	
	<u>\$ 8,299,583.00</u>	<u>\$ 6,893,368.00</u>

\$1,209,754.50 and \$1,097,877.00 as of December 31, 2018 and 2017, respectively were reported as deferred outflows of resources related to pensions resulting from Township contributions subsequent to the measurement date. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions would be recognized in pension expense as follows, if the financial statements were prepared in accordance with GAAP.

TOWNSHIP OF SOUTH BRUNSWICK
MIDDLESEX COUNTY, NEW JERSEY
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YEARS ENDED DECEMBER 31, 2018 AND 2017

Note 9: PENSION AND RETIREMENT PLANS (Continued)

Year ended December 31:

2019	\$ 496,618.00
2020	(803,223.00)
2021	(2,485,101.00)
2022	(1,583,787.00)
2023	(561,789.00)
	<u>\$ (4,937,282.00)</u>

Actuarial Assumptions

The total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018. This actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

Inflation rate	2.25%
Salary increase through 2026	2.10 - 8.98%
	based on age
Thereafter	3.10 - 9.98%
	based on age
Investment rate of return	7.00%

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2013.

The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. This actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

Inflation rate	2.25%
Salary increase through 2026	2.10 - 8.98%
	based on age
Thereafter	3.10 - 9.98%
	based on age
Investment rate of return	7.00%

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2013.

TOWNSHIP OF SOUTH BRUNSWICK
MIDDLESEX COUNTY, NEW JERSEY
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

Note 9: PENSION AND RETIREMENT PLANS (Continued)

Mortality Rates

Pre-retirement mortality rates were based on the RP-2000 Combined Healthy Mortality tables projected on a generational basis from the base year of 2000 to 2013 using Projection Scale BB and the actuary's modified 2014 projection scale thereafter. For preretirement accident mortality, a custom table with representative rates was used and there is no mortality improvement assumed. Post-retirement mortality rates for male service retirements are based on the RP-2000 Combined Healthy Mortality Tables projected on a generation basis using Projection Scale AA from the base year of 2012 to 2013 and the actuary's modified 2014 projection scale thereafter. Postretirement mortality rates for female service retirements and beneficiaries were based on the RP-2000 Combined Healthy Mortality Tables projected on a generational basis from the base year 2000 to 2013 using Projection Scale BB and the actuary's modified 2014 projection scales thereafter. Disability mortality rates were based on a custom table with representative rates and no mortality improvement assumed.

Long-Term Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in PFRS's target asset allocation as of June 30, 2018 are summarized in the following table:

Asset Class	Allocation	Long-Term Expected Real Rate of Return
Risk Mitigation Strategies	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
High Yield	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%
Private Real Estate	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. Developed Markets Equity	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%
Buyouts/Venture Capital	8.25%	13.08%
	<u>100.00%</u>	

TOWNSHIP OF SOUTH BRUNSWICK
MIDDLESEX COUNTY, NEW JERSEY
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

Note 9: PENSION AND RETIREMENT PLANS (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 6.51% as of June 30, 2018. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.87% as of June 30, 2018 based on the Bond Buyer GO 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 50% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2062. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2062, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

The discount rate used to measure the total pension liability was 6.14% as of June 30, 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.58% as of June 30, 2017 based on the Bond Buyer GO 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 40% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2057. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2057, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the Township's proportionate share of the net pension liability to changes in the discount rate

The following presents the Township's proportionate share of the net pension liability as of December 31, 2018 calculated using the discount rate as disclosed above as well as what the Township's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.51 percent) or 1-percentage-point higher (7.51 percent) than the current rate:

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MIDDLESEX COUNTY, NEW JERSEY
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Note 9: PENSION AND RETIREMENT PLANS (Continued)

	At 1% decrease (5.51%)	At current discount rate (6.51%)	At 1% increase (7.51%)
Township's proportionate share of the net pension liability	\$ 44,820,206.00	\$ 33,488,503.00	\$ 24,141,913.00

The following presents the Township's proportionate share of the net pension liability as of December 31, 2017 calculated using the discount rate as disclosed above as well as what the Township's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.14 percent) or 1-percentage-point higher (7.14 percent) than the current rate:

	At 1% decrease (5.14%)	At current discount rate (6.14%)	At 1% increase (7.14%)
Township's proportionate share of the net pension liability	\$ 50,466,343.63	\$ 38,302,231.00	\$ 28,308,029.31

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report for the State of New Jersey Police and Firemen's Retirement System.

Additional Information

Collective balances of the Local Group at June 30, 2018 are as follows:

Deferred outflows of resources	\$ 1,988,215,695.00
Deferred inflows of resources	\$ 4,286,994,294.00
Net pension liability	\$ 15,369,699,278.00

Township's Proportion 0.2474828006%

Collective balances of the Local Group at June 30, 2017 are as follows:

Deferred outflows of resources	\$ 2,941,952,753.00
Deferred inflows of resources	\$ 3,262,432,093.00
Net pension liability	\$ 17,167,260,198.00

Township's Proportion 0.2481025091%

TOWNSHIP OF SOUTH BRUNSWICK
MIDDLESEX COUNTY, NEW JERSEY
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

Note 9: PENSION AND RETIREMENT PLANS (Continued)

Collective pension expense for the Local Group for the measurement period ended June 30, 2018 and 2017 is \$1,270,762,352 and \$1,624,455,951, respectively.

The average of the expected remaining service lives of all plan members is 5.73 and 5.59 years for 2018 and 2017, respectively.

Special Funding Situation

Under N.J.S.A 43:16A-15, local participating employers are responsible for their own contributions based on actuarially determined amounts, except where legislation was passed which legally obligated the State if certain circumstances occurred. The amounts contributed on behalf of the local participating employers under this legislation is considered to be a special funding situation and the State is treated as a non-employer contributing entity. The non-employer contributing entities' total proportionate share of the collective net pension liability that is associated with the Township as of June 30, 2018 and 2017 for police and fire is 0.2474828006% and 0.2481025091% respectively, and the non-employer contributing entities' contribution for the year ended June 30, 2018 and 2017 for police and fire was \$269,402.00 and \$214,527.00, respectively. The state's proportionate share of the net pension liability attributable to the Township as of June 30, 2018 and 2017 is \$4,548,859.00 and \$4,290,172.00, respectively.

Note 10: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Plan Description – Township Plan

In addition to the pension and retirement plans described in Note 9, the Township provides post-retirement health care benefits, in accordance with State statute N.J.S.A. 40A:10-23 to employees who retire with at least 25 years of pension service credit and 15 years of consecutive service with the Township, or go out on disability with 10 years of service or more. The Township does not issue a publicly available financial report for the plan. Benefit provisions for the plan are established and amended with the approval of the Township's governing body and there is no statutory requirement for the Township to continue this plan for future Township employees. The plan is a contributory plan with all payments for plan benefits being funded by the Township.

GASB Statement 75 requires that the Township disclose its annual OPEB expense, liability and related changes in the liability, an amount actuarially determined in accordance with the parameters of GASB Statement 75. The actual amounts paid for the OPEB medical benefits, accounted for on the pay-as-you-go basis, for retired Township employees and their spouses during 2018, 2017 and 2016 totaled \$4,517,427.00, \$4,037,779.56 and \$3,507,054.35, respectively.

The Township hired an actuary to perform the calculation as of December 31, 2018 for the Township and the required information is presented on the following pages.

TOWNSHIP OF SOUTH BRUNSWICK
MIDDLESEX COUNTY, NEW JERSEY
NOTES TO THE FINANCIAL STATEMENTS
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Note 10: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

Employees Covered by Benefit Terms

At December 31, 2018, there were one-hundred and sixty-three retired employees and two-hundred and fifty-six active employees covered by the plan.

Total and Net OPEB Liability

The total and net OPEB liability from the Township's plan as of December 31, 2018 and 2017 is \$161,855,277 and \$156,468,990, respectively.

Actuarial assumptions and other inputs

The total OPEB liability of \$161,855,277 was reported in the December 31, 2018 actuarial valuation prepared by the Township's actuary, Danziger and Markhoff LLP, which was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	3.64%
Healthcare cost trend rates	8.00% decrease to 5.00% increase

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study as of January 1, 2018.

Changes in the total OPEB liability reported for the year ended December 31, 2018 is as follows:

	<u>Total OPEB Liability</u>
Balance at January 1	\$ 156,468,990.00
Changes for the year:	
Service cost	2,627,318.00
Interest	5,613,254.00
Benefit payments	(4,517,427.00)
Effect of economic/demographic gains or losses	1,663,142.00
Net changes	<u>5,386,287.00</u>
Balance at December 31	<u>\$ 161,855,277.00</u>

Changes of assumptions and other inputs reflect a discount rate of 3.64% in 2018.

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MIDDLESEX COUNTY, NEW JERSEY
NOTES TO THE FINANCIAL STATEMENTS
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Note 10: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

Sensitivity of the total and net OPEB liability to changes in the discount rate

The following presents the total OPEB liability of the Township for retirees, as well as what the Township's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.64%) or 1-percentage-point higher (4.64%) than the current discount rate:

	At 1% Decrease (2.64%)	At Current Discount Rate (3.64%)	At 1% Increase (4.64%)
Net OPEB liability	\$ 189,730,176.00	\$ 161,855,277.00	\$ 133,980,377.00

Sensitivity of the total OPEB liability to changes in the healthcare trend rates

The following presents the total OPEB liability of the Township for Township retirees, as well as what the Township's total OPEB liability would be if it were calculated using healthcare trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	At 1% Decrease	At Current Healthcare Trend Rate	At 1% Increase
Net OPEB liability	\$ 135,062,919.00	\$ 161,855,277.00	\$ 193,574,177.00

Funding Status and Funding Progress

As of December 31, 2018, the date of the most recent actuarial valuation, the plan is currently unfunded. The expense for the year ended December 31, 2018 was \$8,517,762.00.

The projection of future benefit payments for an ongoing plan involves estimates of the value or reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and includes the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of

TOWNSHIP OF SOUTH BRUNSWICK
MIDDLESEX COUNTY, NEW JERSEY
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Note 10: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The following simplifying assumptions were made:

Retirement age for active employees – 100% of Police Officers and Firefighters are assumed to retire at age 65 (which is mandated under New Jersey State Law), regardless of service and 100%.

Mortality – Life expectancies were based on the RF-2014 Mortality Table with MP-2016 Projection.

The cost of medical benefits range from \$285 through \$2,984 per month and for dental benefits range from \$18 through \$133 per month.

Plan Description – State Plan

Plan description and benefits provided

The Township participates in the State Health Benefit Local Government Retired Employees Plan (Plan), a cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plan administered by the State of New Jersey Division of Pension and Benefits. The Plan covers employees of local government employers that have adopted a resolution to participate in the Plan. The Plan provides medical and prescription drug coverage to retirees and their covered dependents. Rules governing the operation and administration of the program are found in Chapter 88, P.L. 1974 and Chapter 48, P.L. 1999. Additional information about the Plan is available from the State of New Jersey, Division of Pensions and Benefits Comprehensive Annual Financial Report, which can be found at <https://www.state.nj.us/treasury/pensions/financial-reports.shtml>.

Actuarial Assumptions

The total OPEB liability as of June 30, 2018 was determined by an actuarial valuation as of June 30, 2017, which was rolled forward to June 30, 2018. The actual assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation rate	2.50%
Salary increase through 2026	1.65 - 8.98%
	based on age
Thereafter	2.65% - 9.98%
	based on age

The total OPEB liability as of June 30, 2017 was determined by an actuarial valuation as of June 30, 2016, which was rolled forward to June 30, 2017. The total OPEB liability as of June 30, 2016 was determined by an actuarial valuation as of June 30, 2016. The actual assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

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Note 10: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

Inflation rate	2.50%
Salary increase through 2026	1.65 - 8.98%
	based on age
Thereafter	2.65% - 9.98%
	based on age

Discount Rate

The discount rate for June 30, 2018 and 2017 was 3.87% and 3.58%, respectively. This represents the municipal bond return rate as chosen by the State. The source is the Bond Buyer GO 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

Mortality Rates

Preretirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Employee Male/Female Mortality table with fully generational mortality improvement projections from the central year using the MP-2017 scale. Postretirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Annuitant Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale. Disability mortality was based on the RP-2006 Headcount-Weighted Disabled Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale.

Certain actuarial assumptions used in the June 30, 2017 valuation were based on the results of the pension plan's experience studies for which the members are eligible for coverage under this Plan – PFRS and PERS. The PFRS and PERS experience studies were prepared for the periods July 1, 2010 to June 30, 2013 and July 1, 2011 to June 30, 2014, respectively.

Health Care Trend Assumptions

For pre-Medicare preferred provider organization (PPO) and health maintenance organization (HMO) medical benefits, the trend rate is 5.8% and decreases to a 5.0% long-term trend rate after eight years. For self-insured post-65 PPO and HMO medical benefits, the trend rate is 4.5%. For prescription drug benefits, the initial trend rate is 8.0% decreasing to a 5.0% long-term trend rate after seven years. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

Police and Fire - Special Funding Situation

Under Chapter 330, P.L. 1997, the State is responsible for payment of the premium or periodic charges for the qualified local police and firefighter retirees and dependents equal to 80 percent of the premium or periodic charge for the category of coverage elected by the qualified retiree under the State managed care plan or a health maintenance organization participating in the program providing the lowest premium or periodic charge. The State also provides funding for retiree health benefits to survivors of local police officers and firefighters who die in the line of duty under Chapter 271, P.L. 1989.

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MIDDLESEX COUNTY, NEW JERSEY
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Note 10: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

Therefore, these employers are considered to be in a special funding situation as defined by GASB Statement No. 75 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute directly to the plan, there is no net OPEB liability, deferred outflows of resources or deferred inflows of resources to report in the financial statements of the local participating employers. However, the notes to the financial statements of the local participating employers must disclose the portion of the nonemployer contributing entities' total proportionate share of the net OPEB liability that is associated with the local participating employer. The State's proportionate share of the net OPEB liability associated with the Township as of June 30, 2018 was \$17,275,233.00. The Township's proportionate share was \$0. The State's proportionate share of the net OPEB liability associated with the Township as of June 30, 2017 was \$23,741,782.00. The Township's proportionate share was \$0.

The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018. The State's proportionate share of the net OPEB liability associated with the Township was based on a projection of the State's long-term contributions to the OPEB plan associated with the Township relative to the projected contributions by the State associated with all participating entities, actuarially determined. At June 30, 2018, the State's proportionate share of the net OPEB liability associated with the Township was 0.278012 percent and included 79 plan members. At June 30, 2017, the State's proportionate share of the net OPEB liability associated with the Township was 0.273038 percent and included 76 plan members.

Note 11: RISK MANAGEMENT

The Township has maintained a limited self-insurance plan for worker's compensation coverage. Claims are paid from a fund provided through the annual budget appropriation. Also, individual stop loss and aggregate stop loss policies are purchased to protect the Township from catastrophic loss. There is a reserve in the Other Trust Fund to pay incurred costs if such were to exceed the annual budget appropriation. The governing body of the Township adopted this plan in accordance with N.J.S.A. 40A:10-36. The Township is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; error or omission, injuries to employees; and natural disasters. The Township is a member of the Middlesex County Municipal Joint Insurance Fund ("JIF"). The JIF is a public entity risk pool currently operating as a common risk management and insurance program for municipalities established for the purpose of insuring against property damage, general liability, motor vehicles and equipment liability and workers' compensation. While additional assessments on premiums can be levied by the JIF to assure payment of the JIF's obligations, no such additional premiums have been necessary as of December 31, 2017. The JIF is expected to be self-sustaining through member premiums of which the Township portion is reported as expenditure in the Township's financial statements and liabilities of the JIF are based on the estimated ultimate cost of settling the claims. The JIF participates in the AIG Municipal Excess Liability Program, which has a contract for excess liability insurance.

TOWNSHIP OF SOUTH BRUNSWICK
MIDDLESEX COUNTY, NEW JERSEY
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

Note 11: RISK MANAGEMENT (Continued)

The Township is not aware of any claims pending that have a demand in excess of coverages provided under the JIF. In addition, there were no significant reductions in insurance coverage from prior year coverage and there were no amounts settled which exceeded insurance coverage for each of the past three years.

Note 12: ACCRUED SICK AND VACATION BENEFITS

The Township has established policies, which set forth the terms under which an employee may accumulate unused benefits. The Township's general policy is as follows:

Vacations - Vacation pay for permanent employees is accumulated in accordance with the approved schedules for their respective units. Vacation days shall be taken during the current year and shall not accumulate, except that vacation time may be carried over to the next succeeding year only. This carryover provision is not applicable to Police and Fire Officers. An employee who has separated his/her employment in good standing is entitled to time or pay for any earned vacation accumulated and not previously used.

The payroll office maintains up-to-date records of each employee's status relating to earned and unused sick and vacation pay. At December 31, 2018 and 2017, the total value of accumulated compensated absences, based upon the current pay rates, was \$5,857,366.02 and \$5,370,272.26, respectively. Expenditures for payment of accrued sick and vacation benefits are recorded in the period in which the payments are made. Additionally, at December 31, 2018 and 2017, the Township has reserved funds in the Other Trust Fund of \$32,905.74 and \$34,257.73, respectively to help offset future costs incurred.

Note 13: LEASE COMMITMENTS

The Township has entered into lease/purchase agreements with TD Bank and First Constitution Bank for the acquisition of equipment and police vehicles.

The final lease payment and the present value of net minimum lease payment at December 31, 2018 is as follows:

<u>Year Ended December 31</u>	
2019	\$ 216,656.41
2020	104,670.96
2021	<u>52,335.48</u>
	<u>373,662.85</u>
Less: Amount representing interest / fees	<u>12,791.04</u>
Present value of net minimum lease payment	<u><u>\$ 360,871.81</u></u>

TOWNSHIP OF SOUTH BRUNSWICK
MIDDLESEX COUNTY, NEW JERSEY
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YEARS ENDED DECEMBER 31, 2018 AND 2017

Note 14: TAX APPEALS

At December 31, 2018, there are several tax appeals pending before the New Jersey Tax Court requesting a reduction of assessed valuation for 2018 and prior years. Any reduction in assessed valuation will result in a refund of prior year's taxes in the year of settlement, which may be funded from the Township's tax levy or through the issuance of refunding bonds per N.J.S. 40A:2-51. In accordance with the National Council on Governmental Accounting Statement 4, "Accounting and Financial Reporting Principles for Claims and Judgments and Compensated Absences," the Township charges current fund operations for all State Board Judgments rendered during the year which will be paid from expendable available financial resources.

The Township's share of the County taxes paid on any successful tax appeal would result in appropriate reductions applied against the County tax levy of the following year.

Note 15: CONTINGENT LIABILITIES

At December 31, 2018, the Township had litigation pending. The majority of this litigation involves claims against the Township relating to matters that traditionally would be covered through the procurement of workers' compensation and liability insurance policy coverages. As more fully described in Note 11, the Township has participated in a joint insurance fund for general liability and is partially self-insured for workers compensation. Management indicates the Township is not involved in any pending or threatened litigation nor are there any unasserted claims or assessments requiring disclosure in the financial statements.

The Township participates in several federal and state financial assistance grant programs. Entitlement to the funds is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable regulations, including the expenditures of funds for eligible purposes. These programs are also subject to compliance and financial audits by the grantors or their representatives. As of December 31, 2018, the Township does not believe that any material liabilities will result from such audits.

On May 1, 2013, the Council on Affordable Housing ("COAH"), State of New Jersey passed a resolution authorizing the COAH to begin the process of seizing "uncommitted" municipal affordable housing trust funds. The COAH issued letters to all municipalities in the State of New Jersey requesting them to certify the amount of funds held in trust that are committed and uncommitted and submit the information to COAH. On May 13, 2013, the Appellate Court of the State of New Jersey issued an injunction regarding the resolution passed by the COAH on May 1, 2013 no longer requiring local municipalities to certify the amount of committed and uncommitted funds held in trust. On May 28, 2013, the New Jersey Supreme Court kept in place the portion of the stay ordered by the Appellate Division, thereby enjoining the State from seeking the transfer of any affordable housing trust funds. However, the Court lifted the portion of the stay which prohibited the State from its administrative process of gathering and evaluating municipal submissions. On June 25, 2013, municipalities with affordable housing trust funds were issued a letter from the COAH giving all municipalities until August 2, 2013 to confirm or challenge the figures of funds that the COAH records indicate are being held by local municipalities for affordable housing. On September 26, 2013, the New Jersey Supreme Court again affirmed, in part, the Appellate Division Court decision passed on May 1, 2013 and also gave the COAH five months through February 26, 2014 to promulgate new regulations which would comply with the Fair Housing Act. On February 26, 2014, COAH filed an extension requesting to extend that time frame until May 1, 2014 which was granted by the New Jersey Supreme Court on March 14, 2014, subject to certain provisions, including the COAH to propose new regulations by May 1, 2014 and adopt such regulations on or before October 22, 2014. In October 2014,

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Note 15: CONTINGENT LIABILITIES (Continued)

the COAH failed to meet the deadline established by the New Jersey Supreme Court. In March 2015, the New Jersey Supreme Court made a determination that affordable housing obligations would be administered by the Court. As of December 31, 2018 and 2017, the Township held \$6,486,660.25 and \$4,765,092.13, respectively, of funds for the Council on Affordable Housing.

Note 16: INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances, which represent short term loans between funds or interest due to other funds, remained on the balance sheets as of December 31, 2018:

Fund	Interfund Receivable	Interfund Payable
Current Fund	\$ 296,217.29	\$ 123,524.12
State and Federal Grant Fund	123,524.12	125,032.47
Other Trust Fund	74,714.59	325,710.09
Animal Control Trust Fund		16,390.99
Community Development Block Grant Trust Fund	75,400.29	
General Capital Fund	100,000.00	4,478.93
Water and Sewer Utility Operating Fund	4,360.43	
Water and Sewer Utility Capital Fund		4,360.43
Payroll Fund		74,719.69
Total	<u>\$ 674,216.72</u>	<u>\$ 674,216.72</u>

All interfunds are expected to be liquidated within one year.

Note 17: UNEMPLOYMENT COMPENSATION INSURANCE

Effective January 1, 1978, most municipal employees were eligible for unemployment compensation insurance (N.J.S.A. 43:21-3 et seq.). The Township has elected to provide a self-insured plan whereby the municipal costs and employee contributions are deposited into a trust fund from which claims, if any, will be paid. All funds collected from employees are transmitted to the state for this period. The Reserve for Unemployment Compensation Insurance at December 31, 2018 and 2017 totaled \$74,955.36 and \$75,054.54, respectively.

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Note 18: LOSAP PROGRAM

The Township has established a Length of Service Award Program (LOSAP) Deferred Compensation Plan. The LOSAP is an incentive award program for volunteers who meet specified service criteria and is a qualified plan under Internal Revenue Code Section 457(e). Funding for the plan is provided via Township budget appropriations and the Township has authorized Lincoln National Life Insurance, as the plan provider. As of December 31, 2018 and 2017, the cumulative balance of the Length of Service Award Program was \$942,925.58 and \$1,060,624.60, respectively.

In accordance with N.J.A.C. 5:30-14, the funds held in the LOSAP remain the assets of the Township until they are distributed and as such are subject to the claims of the Township's general creditors.

Note 19: GASB 77 TAX ABATEMENTS

Under N.J.S.A. 40A:20-12, each municipality is required to annually remit to the County five percent (5%) of the annual service charge for each long-term PILOT financial agreement entered into by the municipality.

The Township has entered into several property tax abatement agreements in order to provide incentives to redevelop areas that are in need for improvement or to create economic growth. These agreements are authorized under various New Jersey state statutes. The following represent the Township's tax abatement agreements for the years ended December 31, 2018 and 2017:

2018

Entity Name	Commencement Date	Termination Date	Pilot Billing	Taxes if Billed in Full	Abated Taxes
Oak Woods	1997	2037	\$ 42,965.00	\$ 94,947.27	\$ 51,982.27
CIL Woods	1998	2038	8,106.00	33,238.92	25,132.92
South Brunswick VOA	2005	2040	9,630.00	73,828.76	64,198.76
ARC - 9 Helen Drive	2013	2043	4,000.00	8,727.68	4,727.68
ARC - 24 Palmer Road	2013	2043	4,000.00	8,432.66	4,432.66
ARC - 125 Kendall Road	2013	2043	4,000.00	7,990.13	3,990.13
ARC - 24 Kindlsey Road	2013	2043	4,000.00	7,350.92	3,350.92
			<u>\$ 76,701.00</u>	<u>\$ 234,516.34</u>	<u>\$ 157,815.34</u>

2017

Entity Name	Commencement Date	Termination Date	Pilot Billing	Taxes if Billed in Full	Abated Taxes
Oak Woods	1997	2037	\$ 42,965.00	\$ 94,812.10	\$ 51,847.10
CIL Woods	1998	2038	8,106.00	33,191.60	25,085.60
South Brunswick VOA	2005	2040	9,630.00	73,723.65	64,093.65
ARC - 9 Helen Drive	2013	2043	4,000.00	8,715.25	4,715.25
ARC - 24 Palmer Road	2013	2043	4,000.00	8,420.62	4,420.62
ARC - 125 Kendall Road	2013	2043	4,000.00	7,978.75	3,978.75
ARC - 24 Kindlsey Road	2013	2043	4,000.00	7,340.45	3,340.45
			<u>\$ 76,701.00</u>	<u>\$ 234,182.42</u>	<u>\$ 157,481.42</u>

APPENDIX C

PROPOSED FORM OF BOND COUNSEL OPINION

APPENDIX C

FORM OF BOND COUNSEL OPINION

[Date of Closing]

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

Dear Mayor and Members of the Township Council:

We have acted as bond counsel to the Township of South Brunswick, in the County of Middlesex, New Jersey (the "Township") in connection with the issuance and sale by the Township of its \$_____ principal amount of Bond Anticipation Notes, Series 2019A (the "Notes") consisting of \$_____ General Capital Bond Anticipation Notes and \$_____ Water-Sewer Utility Bond Anticipation Notes. In this capacity, we have examined a certified copy of a record of proceedings of the Township Council and such other proofs, documents and instruments submitted to us which we deemed pertinent relative to the issuance and sale by the Township of the Notes.

The Notes are dated the date hereof, mature on September 30, 2020 and bear interest at the rate of ____ per centum per annum. The Notes are in registrable bearer form and are issued pursuant to the Local Bond Law, constituting Chapter 2 of Title 40A of the Revised Statutes of New Jersey (the "Local Bond Law"), a resolution adopted by the Township Council on September 24, 2019 (the "Resolution") and the various bond ordinances referred to therein, each in all respects duly approved and published as required by law.

We are of the opinion that such proceedings, proofs, documents and instruments show lawful authority for the issuance and sale of the Notes pursuant to the Local Bond Law and other applicable statutes, and that the Notes are valid and legally binding obligations of the Township, all the taxable property within the jurisdiction of which is subject to the levy of ad valorem taxes for the ultimate payment of the principal of and interest on said Notes without limitation as to rate or amount.

We are further of the opinion that based upon existing law, interest on the Notes is excluded

from the gross income of the owners of the Notes for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and interest on the Notes is not an item of tax preference under Section 57 of the Code for purposes of computing alternative minimum tax.

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

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

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

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

We have examined an executed Note and, in our opinion, the form of said Note and its execution are regular and proper.

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

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

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

Very truly yours,