

**NEW ISSUE
SERIAL BONDS****RATING: Standard & Poor's:**

In the opinion of Rogut McCarthy LLC, Bond Counsel to the Borough, assuming compliance by the Borough with its Tax Certificate described herein, under existing law, interest on the Bonds is excluded from gross income of the owners thereof for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). In addition, under existing law, interest on the Bonds is not treated as a preference item for purposes of the alternative minimum tax imposed under the Code with respect to individuals and corporations; nor is it included in "adjusted current earnings" for purposes of computing the alternative minimum tax that may be imposed on corporations. In addition, Bond Counsel is further of the opinion that, under the New Jersey Gross Income Tax Act, as enacted and construed on the date hereof, interest on the Bonds and any gain from the sale of the Bonds are not includable in gross income of the holders thereof. See "TAX MATTERS" herein.

\$2,572,000

**BOROUGH OF SOUTH BOUND BROOK
COUNTY OF SOMERSET, NEW JERSEY
GENERAL IMPROVEMENT BONDS
(Book-Entry Only) (Bank-Qualified)
(Non-Callable)**

Dated: August 15, 2010**Due: August 15, as shown below**

The General Improvement Bonds (the "Bonds") of the Borough of South Bound Brook, in the County of Somerset, New Jersey (the "Borough"), will be issued as fully registered bonds registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), as registered owner of the Bonds, with the Bonds immobilized in the custody of DTC. Owners of beneficial interests in the Bonds will not receive physical delivery of bond certificates, but are to receive statements or other evidence of such ownership of beneficial interests from sources from which such interests were purchased. Investors may purchase beneficial interests in the Bonds in book-entry form in the denomination of \$1,000 or any integral multiple thereof. See "THE BONDS – Book-Entry Only System" herein. So long as DTC or its nominee, Cede & Co., is the registered owner of the Bonds, payments of principal of and interest on the Bonds will be made directly to DTC or its nominee, Cede & Co., which will remit such payments to the DTC Participants, which will, in turn, remit such payments to the owners of beneficial interests in the Bonds. Principal of the Bonds is payable on August 15 of each of the years set forth below, and interest on the Bonds is payable on each February 15 and August 15, commencing February 15, 2011, in each year until maturity. The Bonds are not subject to redemption prior to their stated maturities.

The Bonds are general obligations of the Borough and are secured by a pledge of the full faith and credit of the Borough for the payment of the principal thereof and the interest thereon. The Borough is authorized and required by law to levy *ad valorem* taxes upon all the taxable real property within the Borough for the payment of the principal of and interest on the Bonds, without limitation as to rate or amount.

MATURITY SCHEDULE, INTEREST RATES AND YIELDS OR PRICES

<u>Year</u>	<u>Amount Maturing</u>	<u>Interest Rate</u>	<u>Yield or Price</u>	<u>Year</u>	<u>Amount Maturing</u>	<u>Interest Rate</u>	<u>Yield or Price</u>
2011	\$110,000	%	%	2018	\$210,000	%	%
2012	125,000			2019	220,000		
2013	135,000			2020	220,000		
2014	150,000			2021	220,000		
2015	160,000			2022	220,000		
2016	175,000			2023	220,000		
2017	190,000			2024	217,000		

(plus accrued interest from August 15, 2010)

The Bonds are offered for sale upon the terms of the notice of sale and subject to the final approving opinion of Rogut McCarthy LLC, Cranford, New Jersey, Bond Counsel. It is anticipated that the Bonds in definitive form will be available for delivery to DTC in New York, New York, on or about August 20, 2010.

**ELECTRONIC BIDS VIA PARITY AND
SEALED PROPOSALS WILL BE RECEIVED
UNTIL 11:00 O'CLOCK A.M. ON AUGUST 11, 2010
AT THE BOROUGH HALL,
12 MAIN STREET
SOUTH BOUND BROOK, NEW JERSEY 08880**

**BOROUGH OF SOUTH BOUND BROOK
COUNTY OF SOMERSET, NEW JERSEY**

MAYOR

TERRY G. WARRELMANN

BOROUGH COUNCIL

ANTHONY GODLESKI
HAROLD KILDOW
TOMAS ORMOSI
DENNIS QUINLAN
JOHN PETER DYKES
CARYL SHOFFNER

BOROUGH CLERK/ADMINISTRATOR

DONALD E. KAZAR

CHIEF FINANCIAL OFFICER

RANDY BAHR

BOROUGH ATTORNEY

WILLIAM T. COOPER, III, ESQ.

AUDITORS

SUPLEE, CLOONEY & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

BOND COUNSEL

ROGUT McCARTHY LLC

No broker, dealer, salesperson or other person has been authorized by the Borough to give any information or to make any representations with respect to the Bonds other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the Borough. The information contained herein has been obtained from the Borough 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 Borough. 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.

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 Borough during normal business hours.

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

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**OFFICIAL STATEMENT
OF THE BOROUGH OF SOUTH BOUND BROOK
IN THE COUNTY OF SOMERSET, NEW JERSEY
\$2,572,000 GENERAL IMPROVEMENT BONDS**

INTRODUCTION

This Official Statement (the "Official Statement"), which includes the cover page and the appendices attached hereto, has been prepared by the Borough of South Bound Brook (the "Borough"), in the County of Somerset (the "County"), State of New Jersey (the "State"), in connection with the sale and issuance of its \$2,572,000 General Improvement Bonds (the "Bonds"). This Official Statement has been executed by and on behalf of the Borough by the Borough Clerk/Administrator and the Chief Financial Officer and may be distributed in connection with the sale of the Bonds.

This Preliminary Official Statement is "deemed final", as of its date, within the meaning of Rule 15c2-12 of the Securities and Exchange Commission ("Rule 15c2-12"), but is subject to (a) completion with certain pricing and other information to be made available by the successful bidder for the Bonds and (b) amendment. This Preliminary Official Statement, as so revised, will constitute the "final official statement" within the meaning of Rule 15c2-12.

THE BONDS

General Description

The Bonds shall be dated August 15, 2010 and will mature on August 15 in the years and in the principal amounts as set forth below. The Bonds shall bear interest from their date, payable on each February 15 and August 15, commencing February 15, 2011 (each, an "Interest Payment Date"), in each year until maturity at the rates shown on the cover page hereof. Principal of and interest on the Bonds will be paid to The Depository Trust Company, New York, New York ("DTC"), acting as securities depository, by the Chief Financial Officer, acting as "Bond Registrar/Paying Agent". Interest on the Bonds will be credited to the participants of DTC as listed on the records of DTC as of the last business day of the month preceding the month in which such Interest Payment Date occurs (the "Record Dates" for the payment of interest on the Bonds).

The Bonds are issuable as fully registered book-entry bonds in the form of one certificate for each maturity and in the principal amount of such maturity. The Bonds will be issued in book-entry form only. Investors may purchase beneficial interests in the Bonds in the denomination of \$1,000 or integral multiple thereof. So long as DTC or its nominee, Cede & Co. (or any successor or assign), is the registered owner of the Bonds, payments of the principal of and interest on the Bonds will be made by the Bond Registrar/Paying Agent directly to Cede & Co. (or any successor or assign), as nominee for DTC. Disbursement of such payments to the participants of DTC is the responsibility of DTC. Disbursement of such payments to the beneficial owners is the responsibility of the DTC participants. See "BOOK-ENTRY ONLY SYSTEM" below.

Maturity Schedule

<u>YEAR</u>	<u>PRINCIPAL AMOUNT</u>	<u>YEAR</u>	<u>PRINCIPAL AMOUNT</u>
2011	\$110,000	2018	\$210,000
2012	125,000	2019	220,000
2013	135,000	2020	220,000
2014	150,000	2021	220,000
2015	160,000	2022	220,000
2016	175,000	2023	220,000
2017	190,000	2024	217,000

PRIOR REDEMPTION

The Bonds are not subject to redemption prior to their stated maturities.

BOOK-ENTRY ONLY SYSTEM

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

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-

trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. 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 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

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

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

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

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

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

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

AUTHORIZATION

The Bonds have been authorized and are issued pursuant to the laws of the State, including the Local Bond Law, N.J.S.A. 40A:2-1 et seq. (the "Local Bond Law"). The Bonds are authorized by a funding bond ordinance of the Borough adopted by the Borough Council of the Borough on July 13, 2010 to fund various prior bond authorizations and by resolutions adopted by the Borough Council of the Borough on July 13, 2010.

The Funding Bond Ordinance was published in full after adoption along with the statement required by the Local Bond Law that the twenty day period of limitation within which a suit, action or proceeding questioning the validity of the bond ordinance can be commenced, began to run from the date of the first publication of such estoppel 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 any person shall be estopped from questioning the sale or the execution or the delivery of the Bonds by the Borough.

PURPOSE OF FINANCING

The proceeds of the Bonds will be used for a current refunding of \$2,325,000.00 of the Borough's bond anticipation notes and \$247,000.00 of new borrowings.

The projects to be financed from the Bond proceeds are listed below:

General Improvements

<u>Ordinances To Be Funded</u>	<u>Description</u>	<u>Amount</u>
01-08	Various Public Improvements	\$ 319,310
03-01	Various Public Improvements and Equipment	308,000
04-03	Acquisition of Real Property	1,222,300
04-07	Reconstruction of Van Sickle Blvd. and Armstrong Street	200,000
05-14	Acquisition of Real Property	159,090
05-16	Reconstruction of Maple Avenue and Baldwin Avenue	116,300
07-2006	Improvements to Latourette Avenue	42,000
007-2008	Reconstruction of Clinton Street	<u>205,000</u>
		<u>\$2,572,000</u>

PAYMENT OF AND SECURITY FOR THE BONDS

The Bonds are general obligations of the Borough and unless paid from other sources, the Borough is authorized and required by law to levy ad valorem taxes on all real property taxable by the Borough for the payment of the principal of and interest on the Bonds without limitation as to rate or amount.

Enforcement of a claim for payment of principal of or interest on bonds and notes of the Borough is subject to applicable provisions of Federal bankruptcy laws and to the provisions of statutes, if any, hereafter enacted by the Congress of the United States or the Legislature of the State, providing extension for payment of principal of or interest on the Bonds or imposing other constraints upon enforcement of such contracts insofar as any such constraints may be constitutionally applied. Under State law, a county, municipality or other political subdivision may file a petition under Federal bankruptcy laws and a plan for readjustment of its debt, but only after first receiving the approval of the State Municipal Finance Commission, whose powers have been vested in the New Jersey Local Finance Board.

NO DEFAULT

No principal or interest payments on Borough indebtedness are past due. The Borough has never defaulted in the payment of any of its bonds or notes.

MARKET PROTECTION

The Borough does not anticipate issuing tax anticipation notes or additional bonds during the remainder of 2010. The Borough may, however, issue bond anticipation notes, as needed.

QUALIFIED TAX-EXEMPT OBLIGATIONS

The Borough has designated the Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b) (3) of the Internal Revenue Code of 1986, as amended, and has represented that it reasonably expects that, collectively, neither it nor its subordinate entities, if any, will issue more than \$30,000,000 of tax-exempt obligations during the current calendar year.

GENERAL INFORMATION OF THE BOROUGH

Location and Character

The Borough, incorporated in 1907, encompasses one square mile located in Somerset County in the central part of the State.

Predominantly residential, the Borough is fully developed with well-maintained single and multi-family dwellings.

The Borough is conveniently accessible by State Highways 22, 28, 202/206 and Interstate Highway 287.

Form of Government

The Borough has a Mayor, elected by the voters to a four year term, and a six member council, elected by the voters for three year overlapping terms.

Police, Fire, Ambulance, Streets and Sanitation

The Police Department consists of 12 officers. The Borough has a volunteer Fire Department consisting of approximately 35 members and one fire house with 3 pieces of apparatus. The Borough's roads are maintained by the Public Works Department.

The Borough provides to its residents municipal garbage collection and bulk trash disposal on a weekly basis.

Recreation and Library

The Borough operates a recreation program through the volunteer efforts of a Recreation Commission.

The Borough has a contract with Bound Brook Library to provide library services to the residents.

Sewers

The Borough is a member of the Middlesex County Utilities Authority (the "MCUA") and is fully sewered. Payment of sewer charges including MCUA charges are made through appropriations in the Borough's operating budget.

Hospitals/Care Facilities

Somerset Medical Center, a large medical center, is located within four miles of the Borough. Additionally, Robert Wood Johnson and St. Peter's Medical Centers are moderate distances from the Borough. Several specialized care facilities for the elderly, children and chronically ill are located within the surrounding communities of Hillsborough and Bridgewater Townships.

Places of Worship

Currently, there are 4 places of worship of various denominations located within the Borough.

LARGER TAXPAYERS OF THE BOROUGH

<u>TAXPAYER</u>	<u>TYPE OF BUSINESS</u>	<u>2009 ASSESSED VALUATION</u>
Finchley Gardens	Apartment Complex	\$10,058,400.00
Towne Oaks	Apartment Complex	8,776,500.00
Town & Country Developers	Condo Complex	5,713,600.00
41 Canal Street Association (Bldg)	Commercial	1,939,300.00
J&M Association	Commercial	1,617,200.00
Ukrainian Orthodox Federal Credit Union	Commercial	1,462,600.00
41 Canal Street Association	Commercial	1,434,300.00
Paitakis, Nicholas	Commercial	1,290,400.00
Zehra Associates	Commercial	1,275,000.00
Canal Realty	Commercial	1,214,800.00

POPULATION

<u>YEAR</u>	<u>TOTAL</u>
1960	3,626
1970	4,525
1980	4,331
1990	4,185
2000	4,492

VALUE OF BUILDING PERMITS ISSUED

<u>YEAR</u>	<u>TOTAL VALUE</u>
2009	\$1,457,743
2008	1,321,351
2007	1,354,311
2006	7,602,897
2005	13,745,763

FINANCIAL INFORMATION

Debt Statements

The Borough must report all new authorizations of debt or changes in previously authorized debt to the Division of Local Government Services, Department of Community Affairs of the State of New Jersey (the "Division"). The Supplemental Debt Statement, as this report is known, must be submitted to the Division before final passage of any debt authorization. Before January 31 of each year, the Borough must file an Annual Debt Statement with the Division. This report is made under oath and states the authorized, issued and unissued debt of the Borough as of the previous December 31. Through the Annual and Supplemental Debt Statements, the Division monitors all local borrowing.

Debt Incurring Capacity
as of May 31, 2010

Municipal:

1. Equalized Valuations (last three years average)	\$361,567,847
2. 3-1/2% Borrowing Margin	12,654,875
3. Net Debt Issued and Outstanding	3,188,507
4. Excess School Borrowing	-0-
5. Total Charges to Borrowing Margin	3,188,507
6. Remaining Municipal Borrowing Capacity (line 2 minus line 5)	9,466,368

Statistics on Debt
as of May 31, 2010

Gross Debt (Municipal and School)	\$ 6,485,507
Overlapping Debt	<u>2,246,022</u>
Gross Debt	8,731,529
Statutory Net Debt	3,188,507
Net Debt and Overlapping Debt	5,434,529
Average Equalized Valuations	361,567,847

Overlapping Debt
as of May 31, 2010

The Overlapping Debt of the Borough was as follows:

	<u>GROSS DEBT</u>	<u>BOROUGH SHARE</u>	<u>AMOUNT</u>
County of Somerset	\$141,578,400	.59%	\$ 835,313
Middlesex County Utilities Authority	255,251,413	.55%	<u>1,410,709</u>
			<u>\$2,246,022</u>

Gross and Statutory Net Debt
As of December 31
(Exclusive of Overlapping Debt)

<u>YEAR</u>	<u>GROSS DEBT</u>		<u>STATUTORY NET DEBT</u>	
	<u>AMOUNT</u>	<u>PERCENTAGE*</u>	<u>AMOUNT</u>	<u>PERCENTAGE*</u>
2009	\$6,295,507	1.75	\$2,998,507	.82
2008	6,640,507	1.86	3,128,507	.87
2007	6,760,507	2.03	3,043,507	.91
2006	7,159,507	2.42	3,247,507	1.09
2005	7,377,707	2.84	3,280,707	1.26

*Of Average Equalizations

BOROUGH OF SOUTH BOUND BROOK

ASSESSED VALUATIONS - LAND AND IMPROVEMENTS BY CLASS

<u>YEAR</u>	<u>VACANT LAND</u>	<u>RESIDENTIAL</u>	<u>COMMERCIAL</u>	<u>INDUSTRIAL</u>	<u>APARTMENT</u>	<u>TOTAL</u>
*2009 \$	3,305,000	\$ 287,361,700	\$ 27,839,800	\$ 681,000	\$ 23,396,100	\$ 342,583,600
2008	2,598,300	143,115,654	11,506,700	201,300	8,245,382	165,667,336
2007	3,064,800	141,631,867	11,418,800	201,300	8,034,100	164,350,867
2006	3,075,800	141,144,567	11,464,900	201,300	9,434,100	165,320,667
2005	652,600	141,157,745	11,709,100	201,300	10,384,100	164,104,845

ASSESSED VALUATIONS - NET VALUATIONS TAXABLE

<u>YEAR</u>	<u>REAL ESTATE LAND AND IMPROVEMENTS</u>	<u>BUSINESS PERSONAL PROPERTY</u>	<u>NET VALUATION TAXABLE</u>	<u>RATIO TO TRUE VALUE</u>	<u>AGGREGATE TRUE VALUE</u>
*2009 \$	342,583,600	\$ 1,093,985	\$ 343,677,585	92.05%	\$ 373,359,680
2008	165,667,336	430,840	166,098,176	45.34%	366,339,162
2007	164,350,867	337,738	164,688,605	48.82%	337,338,396
2006	165,320,667	382,575	165,703,242	55.87%	296,587,152
2005	164,104,845	480,476	164,585,321	64.76%	254,146,574

*Revaluation

BOROUGH OF SOUTH BOUND BROOK

CURRENT TAX COLLECTIONS

<u>YEAR</u>	<u>TOTAL LEVY</u>	<u>COLLECTION DURING YEAR OF LEVY</u>	
		<u>AMOUNT</u>	<u>PERCENTAGE</u>
2009	\$ 9,286,188	\$ 9,066,303	97.63%
2008	9,228,448	9,065,838	98.23%
2007	8,947,936	8,712,019	97.36%
2006	8,544,637	8,244,565	96.48%
2005	7,992,908	7,822,912	97.87%

TOTAL TAX REQUIREMENTS -
INCLUDING SCHOOL AND COUNTY PURPOSES

<u>YEAR</u>	<u>TOTAL TAX REQUIREMENTS</u>		<u>LOCAL PURPOSES</u>		<u>LOCAL SCHOOL</u>		<u>COUNTY</u>
2009	\$	9,286,188	\$	2,557,180	\$	5,480,441	\$ 1,248,567
2008		9,228,448		2,566,001		5,421,469	1,240,978
2007		8,947,935		2,516,824		5,280,796	1,150,316
2006		8,544,637		2,511,195		4,968,861	1,064,581
2005		7,992,908		2,451,718		4,664,283	876,907

BOROUGH OF SOUTH BOUND BROOK

DELINQUENT TAXES AND TAX TITLE LIENS

DECEMBER 31

<u>YEAR</u>		<u>TAX TITLE LIENS</u>		<u>DELINQUENT TAXES</u>		<u>TOTAL</u>	<u>PERCENTAGE OF LEVY</u>
2009	\$	-0-	\$	143,560	\$	143,560	1.54%
2008		4,410		129,352		133,762	1.44%
2007		4,410		235,060		239,470	2.67%
2006		4,410		305,213		309,623	3.62%
2005		4,410		126,872		131,282	1.64%

ASSESSED VALUATIONS OF PROPERTY OWNED
BY THE BOROUGH - ACQUIRED FOR TAXES

<u>YEAR</u>		<u>AMOUNT</u>
2009	\$	46,712
2008		46,712
2007		46,712
2006		46,712
2005		46,712

BOROUGH OF SOUTH BOUND BROOK
COMPONENTS OF REAL ESTATE TAX RATE
(PER \$100.00 OF ASSESSMENT)

<u>YEAR</u>	<u>TOTAL</u>	<u>MUNICIPAL</u>	<u>LOCAL SCHOOL</u>	<u>COUNTY</u>
*2009 \$	2.700	\$ 0.741	\$ 1.595	\$ 0.364
2008	5.546	1.535	3.264	0.747
2007	5.430	1.517	3.208	0.705
2006	5.150	1.505	2.999	0.646
2005	4.850	1.480	2.835	0.535

COMPARATIVE SCHEDULE OF FUND BALANCES

<u>YEAR</u>	<u>CURRENT FUND</u>	
	<u>FUND BALANCE DECEMBER 31</u>	<u>UTILIZED IN BUDGET OF SUCCEEDING YEAR</u>
2009	\$ 1,037,686.00	\$ 600,000.00 **
2008	1,373,815.37	825,000.00
2007	1,637,769.54	825,000.00
2006	1,161,383.44	700,000.00
2005	1,157,912.98	700,000.00

*Revaluation

**As introduced

BOROUGH OF SOUTH BOUND BROOK

2010 MUNICIPAL BUDGET - INTRODUCED

CURRENT FUND

Anticipated Revenues:	
Fund Balance	\$ 600,000.00
Miscellaneous Revenues:	
State and Federal Aid	457,215.00
Other	1,186,931.00
Receipts From Delinquent Taxes	125,000.00
Amount to be Raised by Taxation for Municipal Purposes	<u>2,730,621.00</u>
<u>Total Anticipated Revenues</u>	<u>\$ 5,099,767.00</u>

Appropriations:	
Within "Caps":	
Operations	\$ 3,387,245.00
Deferred Charges and Statutory Expenditures	338,191.00
Excluded From "CAPS":	
Operations	634,131.00
Capital Improvements	3,000.00
Municipal Debt Service	280,200.00
Deferred Charges	24,000.00
Reserve for Uncollected Taxes	<u>433,000.00</u>
<u>Total Appropriations</u>	<u>\$ 5,099,767.00</u>

EDUCATIONAL SERVICES

General Information

The School District, coterminous with the Borough, is a Type II School District, and is an independent legal entity administered by a seven member Board of Education elected by the voters of the school district. The members serve three year terms. The School District sends its high school students in grades 9-12 to the Bound Brook High School located in the bordering Borough of Bound Brook as tuition students. There are also some special education students who are placed out of the district. The School District is authorized by law to issue debt for school purposes upon vote of the electorate. The school district has outstanding bonds as of June 30, 2010 of \$3,297,000.00.

Facilities

The School District, as a result of a school consolidation project funded by the 2001 Bonds, operates one school:

<u>SCHOOL</u>	<u>GRADE ORGANIZATION</u>	<u>DATE BUILT</u>	<u>CAPACITY</u>	<u>ENROLLMENT 10/15/2009</u>
Robert Morris	Pre K-8	1967 Addition Alterations 2000-2001	597	429

Staff

The faculty for the School District includes a superintendent, business administrator/board secretary, a principal, 39 full-time teachers, 0 part-time teachers, a support staff of 16 and 4 non-instructional staff for a total of 59 positions, serving a total enrollment of 610 students as of October 15, 2009. The School District has full academic accreditation.

Pupil Enrollments

The following table presents the actual historical pupil enrollments, as of October 15, for the last five school years.

<u>School Year</u>	<u>Past Enrollments</u>
	<u>Enrollment As of October 15</u>
2009-2010	610
2008-2009	615
2007-2008	611
2006-2007	619
2005-2006	613

Labor Relations

The Board of Education and the Robert Morris Education Association, which is affiliated with the New Jersey Education Association, have a contract through June 30, 2012.

Pensions

The teachers and members of the professional staff are enrolled in the New Jersey Teachers Pension & Annuity Fund (TPAF). All other eligible board employees are enrolled in the Public Employees' Retirement System (PERS). Both TPAF and PERS are administered by the Division of Pensions, within the Department of the Treasury of the State of New Jersey.

PROVISIONS OF CERTAIN STATUTES WITH RESPECT TO GENERAL OBLIGATION DEBT

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

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

Debt Limits

The authorized bonded indebtedness of the municipality 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. Pursuant to law, the Borough has deducted its proportionate share of the full amount of authorized school debt. The Borough's statutory net debt as of May 31, 2010 is 0.88% compared to a statutory limit of 3.5%. Prior to the issuance of the Bonds, the Borough has no outstanding bonds, only bond anticipation notes.

Exceptions to Debt Limits - Extensions of Credit

The debt limit of a municipality may be exceeded with the approval of the Local Finance Board (the "Local Finance Board"), in the Division of Local Government Services, Department of Community Affairs, State of New Jersey, a State regulatory agency. If all or any part of a proposed debt authorization would exceed its debt limit, the municipality must apply to the Local Finance Board for an extension of credit. If the Local Finance Board determines that a proposed debt authorization would not materially impair the ability of the municipality 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 Local Finance Board to fund certain 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

A municipality may sell short-term "bond anticipation notes" to temporarily finance a capital improvement or project in anticipation of the issuance of bonds, if the bond ordinance or subsequent resolution so provides. Bond anticipation notes for capital improvements may be issued in an aggregate amount not exceeding the amount specified in the ordinance, as may be amended and supplemented, creating such capital expenditure. A local unit's bond anticipation notes may be issued for periods not greater than one year. Generally, bond anticipation notes may not be outstanding for longer than ten years. An additional period may be available following the tenth anniversary date equal to the period from the notes' maturity to the end of the tenth fiscal year in which the notes mature plus 4 months (May 1) in the next following fiscal year from the date of original issuance. Beginning in the third year and continuing in each year that the notes are outstanding, the amount of notes that may be issued is decreased by the minimum amount required for the first year's principal payment for a bond issue.

School Debt Subject to Voter Approval

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

The Municipal Finance Commission (N.J.S.A. 52-27-1 et seq.)

The Municipal Finance Commission was created in 1931 to assist in the financial rehabilitation of municipalities which had defaulted in their obligations. The powers of such Commission are exercised today by the Local Finance Board. Several elements of the local finance system are intended to prevent default on obligations or the occurrence of severe fiscal difficulties in any local unit. Should extreme economic conditions adversely affect any local unit, the statutory provisions are available to assist the efforts of restoring the stability of the local unit.

Any holder of bonds or notes which are in default for over sixty (60) days (for payment of principal or interest) may bring action against such municipality in the Superior Court of New Jersey. Any municipality may declare itself unable to meet its obligations and bring action in such court. In either case, the court's determination that the municipality is in default or unable to meet its obligations may place the municipality under the jurisdiction of the Municipal Finance Commission.

The Local Finance Board also serves as the "funding commission" to exercise supervision over the funding or refunding of local government debt. Any county or municipality seeking to adjust its debt service must apply to and receive the approval of such funding commission for the proposed reorganization of its debt.

Investment of Municipal Funds

Investment of funds by New Jersey municipalities is governed by State statute. Pursuant to N.J.S.A.40A:5-15.1, municipalities are limited to purchasing the following securities: (1) direct obligations of, or obligations guaranteed by, the United States of America ("Government Obligations"); (2) U. S. Government money market mutual funds; (3) obligations of Federal Government agencies or instrumentalities having a maturity of 397 days or less, provided such obligations bear a fixed rate of interest not dependent on any index or external factor; (4) bonds or other obligations of the particular municipality or a school district encompassing the geographic area of the particular municipality; (5) bonds or other obligations having a maturity of 397 days or less approved by the Division of Investment of the State Department of the Treasury; (6) local government investment pools, rated in the highest rating category, investing in U. S. government securities and repurchase agreements fully collateralized by securities set forth in (1) and (3) above; (7) deposits with the New Jersey Cash Management Fund (created pursuant to N.J.S.A. 52:18A-90.4; the "Cash Management Fund"); and (8) repurchase agreements with a maximum 30 day maturity fully collateralized by securities set forth in (1) and (3) above. Municipalities are required to deposit their funds in banks satisfying certain security requirements set forth in N.J.S.A.17:9-41 et seq. or may invest directly in permitted investments. Municipalities are required to deposit their funds in interest bearing bank accounts or invest in permitted investments to the extent practicable, and may invest in bank certificates of deposit.

The Cash Management Fund is governed by regulations of the State Investment Council, a non-partisan oversight body, and is not permitted to invest in derivatives. The Cash Management Fund is permitted to invest in Government Obligations, Federal Government Agency Obligations, certain short-term investment grade corporate obligations, commercial paper rated "prime", certificates of deposit, repurchase agreements involving Government Obligations and Federal Government Agency Obligations and certain other types of instruments. The average maturity of the securities in the Cash Management Fund must be one year or less, and only a quarter of the securities are permitted to mature in as much as two years.

The Borough has no investments in derivatives.

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

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

Tax anticipation notes are limited in amount by law and must be paid off in full by a municipality within one hundred twenty days after the close of the fiscal year in which they were issued. The Director has no authority over individual operating appropriations unless a specific amount is required by law, but the review functions focusing on anticipated revenues serve to protect the solvency of all local units. The cash basis budgets of local units must be in balance, i.e., the total of anticipated revenues must equal the total of appropriations (N.J.S.A.40A:4-22). If in any year a local unit's expenditures exceed its realized revenues for the year, then such excess must be raised in the succeeding year's budget.

Limitations on Municipal Appropriations and Tax Levy

A statute passed in 1976, as amended and supplemented (N.J.S.A. 40A:4-45.1 et seq.), commonly known as the "Cap Law", imposed limitations on increases in municipal appropriations subject to various exceptions. While the Cap Law restricts the ability of a municipality to increase its overall appropriations, 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 ("COLA"). Increases up to 3.5% are allowed by adoption of an ordinance whenever the COLA is less than 2.5%. If the COLA is greater than 2.5%, an increase in any amount above 2.5% will be permitted by adoption of an ordinance to 3.5% and beyond 3.5% upon passage of a referendum. The COLA is the rate of annual percentage increase 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 items including capital expenditures; extraordinary expenses approved by the Local Finance Board for implementation of an interlocal services agreement; expenditures mandated as a result of certain emergencies; and certain expenditures for services mandated by law. The Cap Law does not limit the obligation of the Borough to levy *ad valorem* taxes upon all taxable real property within the Borough to pay debt service.

Chapter 62 of the Pamphlet Laws of 2007 imposed restrictions upon the allowable annual increase in the tax levy. In general, starting with the 2008 budgets, municipalities will have their tax levies limited to a four percent (4%) increase. The cap calculation is subject to various adjustments, such as the value of increased assessments, and allows for an increase in the adjusted tax levy for various items, including amounts required to be added to the adjusted tax levy for increases in debt service, amounts required to replace reductions in State formula aid, certain increased pension contributions, increases greater than four percent (4%) in the reserve for uncollected taxes, and increases in health care costs in excess of four (4%)(but not in excess of the percentage increase in the State Health Benefits Program). The law also allows the Local Finance Board to grant waivers for extraordinary circumstances (some of which are defined in the Law) and authorizes a municipality to submit a public question to the voters for approval (by an affirmative vote of at least sixty percent (60%)) to increase the amount to be raised by taxation by more than the allowable adjusted tax levy.

For municipalities, the levy cap is in addition to the existing appropriation cap; both cap laws must be met. Neither cap law limits the obligation of the Borough to levy *ad valorem* taxes upon all taxable real property within the Borough to pay debt service.

The Borough appropriation and tax levy increases for 2009 were within the limits allowed by the CAP Law and Chapter 62, taking into account applicable adjustments and without requesting any waivers from the Local Finance Board. The proposed 2010 budget is also within the appropriation and tax levy increase limits.

A new property tax cap statute was recently enacted into law by the State (P.L. 2010, c.44) which will impose a 2% cap on property tax increases subject to limited exceptions, including debt service and increases in pension and health care expenses. This statute will take effect for the Borough's 2011 budget. Companion legislation and regulations are expected to be enacted over the next several months in order to implement the new cap.

Miscellaneous Revenues

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

No budget or amendment thereof shall be adopted unless the Director shall have previously certified his approval thereof with the exception of 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 fiscal year.

Real Estate Taxes

The same general principle that revenue cannot be anticipated in a budget in excess of that realized in the preceding year applies to property taxes. N.J.S.A.40A:4-29 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."

This 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:

$$\frac{\text{Levy required to balance budget}}{\text{Prior year's percentage of current tax collections (or lesser \%)}} = \text{Total taxes to be levied}$$

Chapter 28 of the Pamphlet Laws of 1997 of New Jersey amended Section 41 of the Local Budget Law to allow municipalities to reduce the reserve for uncollected taxes by taking into account prior year tax reduction resulting from tax appeal judgments awarded to property owners. Another statute, Chapter 99 of the Pamphlet Laws of 1997 of New Jersey, allows a municipality to (1) reduce the reserve for uncollected taxes by deducting receipts anticipated during the fiscal year from the sale of unpaid taxes or municipal liens when such sale is concluded in the final month of the fiscal year or (2) not budget for the reserve for uncollected taxes if it sells its total property tax levy pursuant to such statute. See "ASSESSMENT AND COLLECTION OF TAXES - Tax Collection Procedure" herein for a brief discussion of Chapter 99.

Deferral of Current Expenses

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. All emergency appropriations must be approved by the Director of the Division of Local Government Services.

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, revisions of ordinances, and master plan preparations, which may be amortized over five years.

Appropriations Deferred to Subsequent Years

<u>YEAR</u>	<u>DEFERRED TO FOLLOWING YEAR</u>	<u>DEFERRED MORE THAN ONE YEAR</u>
2009	\$ 24,000	\$24,000
2008	112,007	48,000
2007	34,676	72,000
2006	82,808	96,000
2005	-0-	-0-

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 subaccounts 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 Borough's fiscal year is the calendar year. Chapter 75 of the Pamphlet Laws of 1991 of the State (codified as N.J.S.A.40A:4-3.1) 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 was granted. Municipalities not meeting the criteria for a mandatory change had the option to choose to change to the State fiscal year. N.J.S.A.40A:4-3.1 was amended by P.L.2000, Ch. 126, to eliminate the criteria for a mandatory change of the fiscal year, but to continue to grant all municipalities the option to change to the State fiscal year. The Borough did not meet the criteria to change to the State fiscal year and does not presently intend to change its fiscal year in the future.

Budget Process

Primary responsibility for the Borough's budget process lies with the Borough 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 Borough 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 Borough may approve emergency temporary appropriations for any purpose for which appropriations may lawfully be made.

CAPITAL BUDGET AND CAPITAL IMPROVEMENT PROGRAM

In accordance with Sections 43 to 45 of the Local Budget Law and Sections 5:30-4.1 et seq. of the New Jersey Administrative Code, each municipality must adopt a capital budget, in conjunction with its annual operating budget, for any year in which it proposes to undertake a capital project. The capital budget, when adopted, does not constitute the authorization of a capital project, the appropriation of funds or the authorization of debt; rather, it sets forth proposed capital projects with an estimated completion schedule and proposed sources of funding. Specific authorization to undertake capital projects, appropriate funds and incur indebtedness must be provided by other actions of the governing body: by a bond ordinance, by inclusion in the Capital Improvement section of the operating budget, by a capital ordinance (appropriating funds previously provided for capital projects, but not authorizing debt) or other lawful means such as appropriating grant funds. No bond ordinance may be adopted unless the project for which it authorizes debt is included in the municipality's capital budget.

A capital improvement program, setting forth a multi-year plan for capital projects and their financing, must be adopted at the same time as the capital budget. The capital budget is the first year of the Capital Improvement Program. Municipalities with populations less than 10,000 must provide a minimum three-year program; municipalities with populations over 10,000 must provide a six-year program.

SUMMARY OF THE 2010 CAPITAL BUDGET

2010 Capital Program:

Total Estimated Project Costs \$ 1,100,000

Planned Funding:

Capital Improvement Fund	\$ 55,000	
Debt to be Authorized	<u>1,045,000</u>	
		\$ <u>1,100,000</u>

Three Year Capital Program:

Total Estimated Project Costs:

2010	\$ 1,100,000	
2011	1,025,000	
2012	<u>200,000</u>	
Total		\$ <u>2,325,000</u>

Planned Funding:

Capital Improvement Fund	\$ 116,250	
Debt to be Authorized	<u>2,208,750</u>	
		\$ <u>2,325,000</u>

ASSESSMENT AND COLLECTION OF TAXES

Tax Collection Procedure

Real property taxes are assessed locally, based upon an assessment at true value. The tax bill includes a levy for Town, County and School purposes. Tax bills are mailed annually in June. Taxes are payable in four quarterly installments on February 1, May 1, August 1 and November 1. If unpaid on these dates, the amount due becomes delinquent and subject to interest at 8% per annum, or 18% on any delinquency amount in excess of \$1,500, and an additional penalty of 6% on delinquent taxes in excess of \$10,000. The school levy is turned over to the Board of Education as expenditures are incurred, and the balance, if any, transferred as of June 30, of each fiscal year. County taxes are paid quarterly on February 15, May 15, August 15 and November 15 to the County by the Borough. Annually, all properties with unpaid taxes for the previous year are placed in a tax sale in accordance with the New Jersey Statutes. Annual interim tax foreclosure proceedings are instituted to enforce the tax collection or acquisition of title to the property by the Borough.

The last all-inclusive tax sale of unpaid delinquent taxes and assessments was held by the Borough on June 30, 2009.

Chapter 99 of the Pamphlet Laws of 1997 of New Jersey allows a municipality to sell its total property tax levy to the highest bidder either by public sale with sealed bids or by public auction. The purchaser shall pay the total property tax levy bid amount in quarterly installments or in one annual installment. Property taxes will continue to be collected by the municipal tax collector and the purchaser will receive as a credit against his payment obligation, the amount of taxes paid to the tax collector. The purchaser is required to secure his payment obligation to the municipality by an irrevocable letter of credit or a surety bond. The purchaser is entitled to receive delinquent taxes and other municipal charges collected by the tax collector. The statute sets forth bidding procedures and minimum bidding terms and requires the review and approval of the sale by the Division of Local Government Services.

Tax Appeals

New Jersey Statutes provide a taxpayer with remedial procedures for appealing an assessment deemed excessive. The taxpayer has a right to petition the Somerset County Tax Board on or before the first day of April of the current tax year for review. The Somerset County Tax Board has the authority after a hearing to decrease or reject the appeal petition. These adjustments are usually concluded within the current tax year and reductions are shown as canceled or remitted taxes for that year. If the taxpayer feels his petition was unsatisfactorily reviewed by the Somerset County Tax Board, appeal may be made to the State Department of Taxation, Division of Tax Appeal, for a further hearing. State tax appeals tend to take several years prior to settlement and any losses in tax collections from prior years are charged directly to operations or, with the permission of the Local Finance Board, may be financed, generally, over a three to five year period.

THE LOCAL FISCAL AFFAIRS LAW (N.J.S.A. 40A:5-1 et seq.)

This law regulates the non-budgetary financial activities of local governments. The governing body of every local unit must cause an annual, independent audit of the local unit's accounts for the previous year to 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 at least once in a local newspaper within 30 days after the clerk of the local unit shall have received the audit. (The entire annual audit report is filed with the Borough Clerk and is available for review during business hours.)

The chief financial officer of every local unit must file annually with the Director, a verified statement of the financial condition of the local unit as of the close of each fiscal year.

TAX MATTERS

Federal Income Taxes

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds be and remain excluded from gross income of the owners thereof for Federal income tax purposes pursuant to Section 103 of the Code. Such requirements include requirements relating to the use and investment of proceeds of the Bonds and other amounts and rebate of certain arbitrage earnings to the United States. Noncompliance by the Borough with such requirements may cause interest on the Bonds to be included in gross income of the owners thereof retroactive to the date of issuance of the Bonds, regardless of when such noncompliance occurs.

The Borough has covenanted, to the extent permitted by the Constitution and the laws of the State, to do and perform all acts and things permitted by law and necessary to assure that interest paid on the Bonds be and remain excluded from gross income of the owners thereof for Federal income tax purposes pursuant to Section 103 of the Code. The Borough's Tax Certificate (the "Tax Certificate"), which will be delivered concurrently with the delivery of the Bonds, will contain provisions and procedures regarding compliance with the requirements of the Code. The Borough, in executing the Tax Certificate, will certify to the effect that the Borough expects and intends to comply with the provisions and procedures contained therein.

In rendering the opinion described below with respect to the Bonds, Bond Counsel has relied upon the covenant and has assumed the material accuracy of the representations, statements of intention and reasonable expectations, and certifications of fact contained in the Tax Certificate.

Tax Opinions

In the opinion of Rogut McCarthy LLC, Bond Counsel to the Borough, assuming compliance by the Borough with the Tax Certificate, under existing law, interest on the Bonds is excluded from gross income of the owners thereof for Federal income tax purposes pursuant to Section 103 of the Code. In addition, under existing law, interest on the Bonds is not treated as a preference item for purposes of the alternative minimum tax imposed under the Code with respect to individuals and corporations; nor is it included in "adjusted current earnings" for purposes of computing the alternative minimum tax that may be imposed on corporations. For other Federal tax information, see "TAX MATTERS - Additional Federal Income Tax Consequences" herein.

In the opinion of Bond Counsel, under the New Jersey Gross Income Tax Act, as enacted and construed on the date hereof, interest on the Bonds and any gain from the sale of the Bonds are not includable in gross income of the holders thereof.

Additional Federal Income Tax Consequences

Prospective purchasers of the Bonds should be aware that ownership of governmental obligations, such as the Bonds, may have collateral Federal income tax consequences for certain taxpayers, including financial institutions, property and casualty insurance companies, S Corporations, certain foreign corporations, individual recipients of Social Security or Railroad Retirement benefits, taxpayers otherwise eligible for the earned income credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry such obligations. Prospective purchasers should consult their tax advisors as to any possible collateral consequences from the ownership of the Bonds. Bond Counsel expresses no opinion regarding any such collateral Federal income tax consequences.

ALL POTENTIAL PURCHASERS OF THE BONDS SHOULD CONSULT WITH THEIR TAX ADVISORS IN ORDER TO UNDERSTAND THE IMPLICATIONS OF THE CODE.

STATEMENT OF LITIGATION

There is no litigation pending or threatened restraining or enjoining the issuance or the delivery of the Bonds or the levy or the collection of taxes to pay the Bonds or in any manner questioning the authority or the proceedings for the issuance of the Bonds or for the levy or the collection of taxes. There is at present no single action pending or threatened against the Borough which would impose an undue financial burden on the Borough. In New Jersey's courts of general jurisdiction, unliquidated money damages are pleaded generally without specifying a dollar amount. The Borough is a party-defendant in certain lawsuits, none of a kind unusual for a municipality of its size, and none of which, in the opinion of the Borough Attorney, would adversely impair the Borough's ability to pay its bondholders. All of the Borough's tort actions are being defended by the Suburban Municipal Joint Insurance Fund and the Municipal Excess Liability Fund. Pending municipal real estate tax appeals are limited in number and, based upon the Borough's prior experience in tax appeals, and assuming that such tax appeals are resolved adversely to the interest of the Borough, such resolution would not impair the Borough's ability to pay its bondholders.

LEGALITY FOR INVESTMENT

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

RATING

The Borough has applied for a rating on the Bonds from Standard and Poor's U.S. Public Finance Ratings ("S&P"). An explanation of the significance of such credit rating may be obtained from S&P at 55 Water Street, New York, New York 10041. The Borough furnished S&P with certain information and materials concerning the Bonds and the Borough. Generally, S&P bases its rating on such information and materials and also on such investigations, studies and assumptions that it may undertake independently. There can be no assurance that any such rating will be maintained for any given period of time or that it may not be raised, lowered or withdrawn entirely if, in S&P's judgment, circumstances so warrant. Any downward change in or withdrawal of any such rating may have an adverse effect on the marketability or market price of the Bonds.

UNDERWRITING

The Bonds will be purchased at public sale from the Borough for resale by the Underwriters.

DOCUMENTS ACCOMPANYING DELIVERY OF THE BONDS

Absence of Litigation

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

Legal Matters

The legality of the Bonds will be subject to the approving opinion of Rogut McCarthy LLC, Cranford, New Jersey, Bond Counsel. Such opinion will be to the effect that:

1. The Bonds have been duly authorized, executed and delivered and constitute valid and legally binding obligations of the Borough, enforceable in accordance with their terms, except as enforcement of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium, liquidation or other laws relating to or affecting the enforcement of creditors' rights generally now or hereafter in effect to the extent constitutionally applicable, and enforcement may also be subject to the exercise of judicial discretion in certain cases.

2. The Borough has pledged its full faith and credit for the payment of the principal of and interest on the Bonds, and; unless paid from other sources, the Borough is authorized and required by law to levy on all real property taxable by the Borough such ad valorem taxes as may be necessary to pay the Bonds and the interest thereon without limitation as to rate or amount.

Rogut McCarthy LLC has not verified the accuracy, completeness or fairness of the statements contained in this Official Statement and will not express, and has not been requested to express, an opinion as to the accuracy, completeness or fairness of such statements. See Appendix B, "Proposed Form of Bond Counsel Opinion."

Certificate of Borough Officials

The original purchaser of the Bonds shall also receive a certificate dated as of the date of delivery of the Bonds and signed by the Borough Clerk/Administrator and the Chief Financial Officer certifying that (a) as of the date of the Official Statement furnished by the Borough in relation to the Bonds, said Official Statement did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, subject to the condition that while information in said Official Statement obtained from sources other than the Borough is not guaranteed as to accuracy, completeness or fairness, such officers have no reason to believe and do not believe that such information is materially inaccurate or misleading, and (b) to the knowledge of such officers, since the date of said Official Statement and since the date of the sale of the Bonds, there have been no material transactions not in the ordinary course of affairs entered into by the Borough and no material adverse change in the general affairs of the Borough or in its financial condition as shown in said Official Statement, other than as disclosed in or contemplated by said Official Statement, provided such certificate shall not include consideration of information supplied by or which should have been supplied by the successful bidder for the Bonds. In addition, the original purchaser of the Bonds shall also receive certificates in form satisfactory to Rogut McCarthy LLC, Bond Counsel, evidencing the proper execution and delivery of the Bonds and receipt of payment therefor, and a certificate dated as of the date of delivery of the Bonds, and signed by the officers who signed the Bonds, stating that no litigation is then pending or, to the knowledge of such officers, threatened to restrain or enjoin the issuance or delivery of the Bonds or the levy or collection of taxes to pay the Bonds or the interest thereon, or questioning the validity of the statutes or the proceedings under which the Bonds are issued, and that neither the corporate existence or boundaries of the Borough, nor the title of any of the officers of the Borough to their respective offices is being contested.

SECONDARY MARKET DISCLOSURE

The Borough has agreed, pursuant to a resolution adopted on July 13, 2010 to undertake for the benefit of the Bondholders and the beneficial owners of the Bonds to provide certain secondary market disclosure information pursuant to Rule 15c2-12. Specifically, the Borough will do the following for the benefit of the holders of the Bonds and the beneficial owners thereof:

(A) Not later than seven months after the end of the Borough's fiscal year (presently December 31), commencing with the report for the fiscal year ending December 31, 2010, provide or cause to be provided to the Municipal Securities Rulemaking Board (the "MSRB") in an electronic format, as prescribed by the MSRB, annual financial information with respect to the Borough consisting of (i) audited financial statements (or unaudited financial statements if audited financial statements are not then available by the date of filing, which audited financial statements will be delivered when and if available) of the Borough and (ii) certain financial information and operating data consisting of (a) information concerning the Borough's debt, overlapping indebtedness, tax rate, levy and collection data, property valuation and fund balance of the type contained under the heading "Financial Information" herein and (b) the Borough's most recent adopted budget. The audited financial statements will be prepared in accordance with mandated State statutory accounting principles, as in effect from time to time. Audited financial statements if not available by the filing date will be submitted separately when available.

(B) Provide or cause to be provided to the MSRB notice of the occurrence of any of the following events with respect to the Bonds, if material:

- (1) Principal or interest payment delinquencies;
- (2) Non-payment related defaults;
- (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 or events affecting the tax exempt status of the Bonds;
- (7) Modifications to the rights of Bondholders;
- (8) Bond calls;
- (9) Defeasances;
- (10) Release, substitution or sale of property that secures the repayment of the Bonds; and
- (11) Rating changes.

(C) Provide or cause to be provided, in a timely manner, to the MSRB notice of a failure of the Borough to provide required annual financial information on or before the date specified above.

All documents provided to the MSRB shall be accompanied by identifying information as prescribed by the MSRB.

If the Borough fails to comply with the above-described undertaking, any Bondholder or beneficial owner of the Bonds may pursue an action for specific performance to enforce the rights of all Bondholders and beneficial owners with respect to such undertaking; *provided, however*, that failure to comply with such undertaking shall not be an event of default and shall not result in any acceleration of payment of the Bonds or any liability by the Borough for monetary damages. All actions shall be instituted, had and maintained in the manner provided in this paragraph for the benefit of all Bondholders and beneficial owners of the Bonds.

The Borough reserves the right to terminate its obligation to provide annual financial information and notice of material events, as set forth above, if and when the Borough no longer remains an "obligated person" with respect to the Bonds within the meaning of Rule 15c2-12.

The undertaking may be amended by the Borough from time to time, without the consent of the Bondholders or the beneficial owners of the Bonds, in order to make modifications required in connection with a change in legal requirements, a change in law or a change in identity, nature, type of operation or status of the Borough, which in the opinion of nationally recognized bond counsel complies with Rule 15c2-12 and does not, in such bond counsel's opinion, materially impair the interests of the Bondholders and the beneficial owners of the Bonds.

The Borough has never failed to provide required annual financial information.

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 Borough and the purchasers or holders of any of the Bonds. Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as opinions and not as representations of fact. The information and expressions of opinion 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 of the Borough, the State or any of their agencies or authorities, since the date thereof.

ADDITIONAL INFORMATION

Additional information may be obtained on request from the office of the Borough Clerk/Administrator, Borough Hall, 12 Main Street, South Bound Brook, New Jersey 08880, telephone (732) 356-0258 ext. 8.

PREPARATION OF OFFICIAL STATEMENT

Suplee, Clooney & Company assisted in the preparation of information contained in this Official Statement and takes responsibility for the audited financial statements to the extent specified in the Independent Auditor's Report.

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

APPROVAL OF OFFICIAL STATEMENT

The Borough Council has adopted a resolution approving this Official Statement, deeming it a "final official statement" for purposes of Rule 15c2-12 and directing the Chief Financial Officer and Borough Clerk/Administrator to deliver a reasonable number of copies thereof in final form to the original purchaser of the Bonds for its use in the sale, resale or distribution of the Bonds.

This Official Statement has been duly executed and delivered on behalf of the Borough by the Borough Clerk/Administrator and the Chief Financial Officer.

BOROUGH OF SOUTH BOUND BROOK

By: /s/
Donald E. Kazar
Borough Clerk/Administrator

By: /s/
Randy Bahr
Chief Financial Officer

Dated: _____, 2010

APPENDIX A

FINANCIAL STATEMENTS OF THE
BOROUGH OF SOUTH BOUND BROOK



SUPLEE, CLOONEY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

308 East Broad Street, Westfield, New Jersey 07090-2122

Westfield 908-789-9300

Somerville 908-725-6688

Fax 908-789-8535

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Members
of the Borough Council
Borough of South Bound Brook
County of Somerset
South Bound Brook, New Jersey 08880

We have audited the accompanying financial statements - statutory basis of the various individual funds and the account group of the Borough of South Bound Brook, County of Somerset, New Jersey as of and for the years ended December 31, 2009 and 2008, and for the year ended December 31, 2009 as listed as financial statements - statutory basis in the foregoing table of contents. These financial statements - statutory basis are the responsibility of the management of the Borough of South Bound Brook, County of Somerset. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial statements contained in Government Auditing Standards issued by the Comptroller General of the United States and the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Borough of South Bound Brook, County of Somerset, prepares its financial statements on a prescribed basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, that demonstrates compliance with the modified accrual basis, with certain exceptions, and the budget laws of New Jersey, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

SUPLEE, CLOONEY & COMPANY

In our opinion, because the Borough of South Bound Brook prepares its financial statements on the basis of accounting discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with generally accepted accounting principles, the financial position of the various individual funds of the Borough of South Bound Brook as of December 31, 2009 and 2008 or the results of its operations and changes in fund balance for the years then ended or the revenues or expenditures for the year ended December 31, 2009.

However, in our opinion, the financial statements - statutory basis present fairly, in all material respects, the financial position - statutory basis of the various individual funds and account groups of the Borough of South Bound Brook, County of Somerset, as of December 31, 2009 and 2008, and the results of its operations and changes in fund balance - statutory basis for the years then ended and the revenues, expenditures and changes in fund balance - statutory basis for the year ended December 31, 2009, on the basis of accounting described in Note 1.

We have also previously audited, in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States and the audit requirements prescribed by the Division of Local Government Services, Department of Community affairs, State of New Jersey, the balance sheets - statutory basis of the various individual funds as of December 31, 2007, 2006 and 2005 and the related statements of operations and changes in fund balances - statutory basis for the years ended December 31, 2007, 2006 and 2005 (none of which are presented herein); and we expressed unqualified opinions on those financial statements - statutory basis.

In our opinion, the information set forth in the selected financial information for each of the five years in the periods ended December 31, 2009, 2008, 2007, 2006 and 2005 appearing in this Official Statement, is fairly stated, in all material respects, in relation to the financial statements - statutory basis from which it has been derived.

SUPLEE, CLOONEY & COMPANY
Certified Public Accountants

/s/ Robert B. Cagnassola
Robert B. Cagnassola, C.P.A., R.M.A.

May 7, 2010

BOROUGH OF SOUTH BOUND BROOK

CURRENT FUND

BALANCE SHEETS - STATUTORY BASIS

<u>ASSETS</u>	<u>BALANCE DECEMBER 31, 2009</u>	<u>BALANCE DECEMBER 31, 2008</u>
Cash	\$ 1,296,143.58	\$ 2,093,687.25
Change Funds	450.00	450.00
Due to State of New Jersey, Senior Citizens and Veterans Deductions	34,864.94	33,672.47
	<u>\$ 1,331,458.52</u>	<u>\$ 2,127,809.72</u>
Receivables and Other Assets With Full Reserves:		
Delinquent Property Taxes Receivable	\$ 143,559.81	\$ 129,351.96
Tax Title Liens Receivable		4,410.46
Property Acquired for Taxes Assessed Valuation	46,053.66	46,712.29
Revenue Accounts Receivable	10,195.32	11,155.74
Interfunds Receivable	6,501.53	28,964.38
	<u>\$ 206,310.32</u>	<u>\$ 220,594.83</u>
Deferred Charges:		
Emergency Appropriation - NJSA 40A: 4-53	\$ 48,000.00	\$ 72,000.00
Overexpenditure of Appropriations		15,045.26
Expenditure Without an Appropriation		72,962.66
	<u>\$ 48,000.00</u>	<u>\$ 160,007.92</u>
	<u>\$ 1,585,768.84</u>	<u>\$ 2,508,412.47</u>
Grant Fund:		
Grants Receivable	\$ 737,342.28	\$ 788,082.91
Due Current Fund	71,293.94	8,672.26
Due Trust Other Fund	60,000.00	
	<u>\$ 868,636.22</u>	<u>\$ 796,755.17</u>
	<u>\$ 2,454,405.06</u>	<u>\$ 3,305,167.64</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Liabilities:		
Appropriation Reserves	\$ 90,853.22	\$ 75,075.49
Prepaid Taxes	31,947.01	38,620.00
Tax Overpayments		318.11
Reserve for Due County - 5% PILOT	49,001.24	104,312.57
Accounts Payable	39,433.59	120,768.28
Reserve for Sale of Municipal Assets	8,918.21	8,918.21
Reserve for Revaluation		38,907.96
Reserve for Tax Appeals	36,250.00	50,000.00
Reserve for Library State Aid		8,205.00
Reserve for Grants - Unappropriated	139.16	139.16
Interfunds Payable	85,230.31	468,737.49
	<u>\$ 341,772.74</u>	<u>\$ 914,002.27</u>
Reserve for Receivables and Other Assets	206,310.32	220,594.83
Fund Balance	1,037,685.78	1,373,815.37
	<u>\$ 1,585,768.84</u>	<u>\$ 2,508,412.47</u>
Grant Fund:		
Reserve for Grants - Unappropriated	\$ 22,658.81	\$ 14,287.83
Reserve for Grants - Appropriated	823,032.06	777,068.48
Accounts Payable	22,945.35	5,398.86
	<u>\$ 868,636.22</u>	<u>\$ 796,755.17</u>
	<u>\$ 2,454,405.06</u>	<u>\$ 3,305,167.64</u>

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

BOROUGH OF SOUTH BOUND BROOK

CURRENT FUND

STATEMENTS OF OPERATIONS
AND CHANGES IN FUND BALANCE-STATUTORY BASIS

	<u>YEAR 2009</u>	<u>YEAR 2008</u>
<u>REVENUE AND OTHER INCOME</u>		
Fund Balance Utilized	\$ 825,000.00	\$ 825,000.00
Miscellaneous Revenues Anticipated	1,877,616.39	2,201,430.49
Receipts From Delinquent Taxes	129,832.10	235,864.88
Receipts From Current Taxes	9,066,302.66	9,065,838.29
Non-Budget Revenue	136,044.35	117,786.06
Other Credits to Income:		
Unexpended Balance of Appropriation Reserves	52,877.00	21,971.99
Accounts Payable Canceled		6,141.05
Grant Fund Reserves Canceled		4,729.50
Reserves Canceled	8,655.00	
Interfunds Returned	22,462.85	
<u>TOTAL INCOME</u>	\$ <u>12,118,790.35</u>	\$ <u>12,478,762.26</u>
<u>EXPENDITURES</u>		
Budget and Emergency Appropriations Within "CAPS":		
Operations	\$ 3,465,316.76	\$ 3,496,693.84
Deferred Charges and Statutory Expenditures	353,616.90	181,633.86
Appropriations Excluded From "CAPS":		
Operations	679,327.15	1,105,419.11
Capital Improvements	3,000.00	8,000.00
Deferred Charges	96,962.66	24,000.00
Municipal Debt Service	288,879.52	397,671.61
County Taxes	1,248,566.90	1,240,977.91
Local District School Tax	5,480,441.00	5,421,468.50
Grant Fund Receivable Canceled		20,237.79
Refund of Prior Year Revenue	13,809.05	59,461.80
Reserve for Tax Appeals		50,000.00
Interfunds Advanced		159.93
<u>TOTAL EXPENDITURES</u>	\$ <u>11,629,919.94</u>	\$ <u>12,005,724.35</u>
Excess in Revenue	\$ 488,870.41	\$ 473,037.91
Adjustments to Income Before Fund Balance:		
Expenditures Included Above Which are by Statute		
Deferred Charges to Budget of Succeeding Year		<u>88,007.92</u>
Statutory Excess to Fund Balance	\$ 488,870.41	\$ 561,045.83
Fund Balance, January 1	<u>1,373,815.37</u>	<u>1,637,769.54</u>
	\$ <u>1,862,685.78</u>	\$ <u>2,198,815.37</u>
Decreased by:		
Utilized as Anticipated Revenue	<u>825,000.00</u>	<u>825,000.00</u>
Fund Balance, December 31	\$ <u><u>1,037,685.78</u></u>	\$ <u><u>1,373,815.37</u></u>

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

BOROUGH OF SOUTH BOUND BROOK

CURRENT FUND

STATEMENT OF REVENUES-STATUTORY BASIS

FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>ANTICIPATED BUDGET</u>	<u>REALIZED</u>	<u>EXCESS OR (DEFICIT)</u>
Fund Balance Appropriated	\$ 825,000.00	\$ 825,000.00	
Miscellaneous Revenues:			
Licenses - Alcoholic Beverage	\$ 8,000.00	\$ 8,200.00	\$ 200.00
Fees and Permits - Other	10,000.00	13,543.75	3,543.75
Municipal Court - Fines and Costs	134,000.00	141,858.09	7,858.09
Interest and Costs on Taxes	14,000.00	26,421.02	12,421.02
Consolidated Municipal Property Tax Relief Aid	161,422.00	161,422.00	
Energy Receipts Tax	355,905.00	355,905.00	
Garden State Trust Fund	139.16	139.16	
Construction Code Official	25,000.00	19,230.00	(5,770.00)
Police Services - Rocky Hill	54,000.00	36,696.49	(17,303.51)
Recycling Tonnage Program	3,051.56	3,051.56	
Drunk Driving Enforcement Fund	353.06	353.06	
Clean Communities Program	5,925.32	5,925.32	
Alcohol Education Rehabilitation	4,230.10	4,230.10	
Youth Athletic & Recreation Grant	30,000.00	30,000.00	
Municipal Alliance on Alcoholism and Drug Abuse	15,123.00	15,123.00	
Body Armor Replacement Fund	3,915.76	3,915.76	
COPS in Shops	600.00	600.00	
Municipal Stormwater Regulation	3,410.00	3,410.00	
Economic Development Incentive Program	59,167.00	59,167.00	
Youth Services Program	5,000.00	5,000.00	
Uniform Fire Safety Act	2,450.00	3,138.85	688.85
Cable TV Franchise Fee	20,000.00	40,383.38	20,383.38
P.I.L.O.T.	897,000.00	925,962.85	28,962.85
State of N.J. Division of Motor Vehicles	8,000.00	13,940.00	5,940.00
	\$ 1,820,691.96	\$ 1,877,616.39	\$ 56,924.43
Receipts From Delinquent Taxes	\$ 125,000.00	\$ 129,832.10	\$ 4,832.10
Amount to be Raised by Taxation for Support of Municipal Budget:			
Local Tax for Municipal Purposes	\$ 2,549,411.03	\$ 2,770,294.76	\$ 220,883.73
<u>Budget Totals</u>	\$ 5,320,102.99	\$ 5,602,743.25	\$ 282,640.26
Non-Budget Revenue		136,044.35	136,044.35
	\$ 5,320,102.99	\$ 5,738,787.60	\$ 418,684.61

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

BOROUGH OF SOUTH BOUND BROOK
CURRENT FUND
STATEMENT OF REVENUES-STATUTORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2009

ANALYSIS OF REALIZED REVENUES

Allocation of Current Tax Collections:		
Collections on a Cash Basis	\$	9,066,302.66
Allocated to:		
School and County Taxes		<u>6,729,007.90</u>
Balance for Support of Municipal Budget Appropriations	\$	2,337,294.76
Add: Appropriation "Reserve for Uncollected Taxes"		<u>433,000.00</u>
Amount for Support of Municipal Budget	\$	<u><u>2,770,294.76</u></u>
 Fees and Permits - Other:		
Clerk	\$	3,187.75
Bulk Trash		4,727.00
Municipal Court		321.25
Planning		1,200.00
Registrar		155.00
Building Department		1,120.00
Police		<u>2,832.75</u>
	\$	<u><u>13,543.75</u></u>
 P.I.L.O.T. Revenue:		
Receipts	\$	931,023.61
Less: Refunds		<u>5,060.76</u>
	\$	<u><u>925,962.85</u></u>

ANALYSIS OF NON-BUDGET REVENUE

Miscellaneous Revenues Not Anticipated:		
Interest on Investments and Deposits	\$	8,149.25
Reimbursements of Prior Year Costs		9,414.88
Rent		34,125.00
SC and Veterans' Administrative Costs		796.15
Police Outside Overtime Administrative Costs		6,279.28
Rocky Hill Court Fees		18,884.16
Light Iron		146.60
Police Restitution		500.00
Other Licenses		4,316.00
Miscellaneous		32,887.42
Tax Collector		<u>20,545.61</u>
	\$	<u><u>136,044.35</u></u>

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

BOROUGH OF SOUTH BOUND BROOK
CURRENT FUND
STATEMENT OF EXPENDITURES-STATUTORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>APPROPRIATIONS</u>		<u>EXPENDED</u>	
	<u>BUDGET</u>	<u>BUDGET AFTER MODIFICATION</u>	<u>PAID OR CHARGED</u>	<u>RESERVED</u>
<u>OPERATIONS WITHIN "CAPS"</u>				
<u>GENERAL GOVERNMENT</u>				
Mayor & Council:				
Salaries and Wages	\$ 11,819.00	\$ 11,586.00	\$ 11,583.85	\$ 2.15
Other Expenses	7,000.00	7,676.26	7,676.26	
Clerk:				
Salaries and Wages	99,813.00	99,668.72	99,668.72	
Other Expenses	7,000.00	6,500.00	6,014.28	485.72
Elections:				
Salaries and Wages	1,280.00	1,318.08	1,318.08	
Other Expenses	7,650.00	7,638.62	7,638.62	
Financial Administration:				
Salaries and Wages	51,802.00	47,223.00	47,222.83	0.17
Audit	26,000.00	24,450.00	24,450.00	
Miscellaneous	12,000.00	7,106.54	5,106.54	2,000.00
Assessment of Taxes:				
Salaries and Wages	12,337.00	11,822.69	11,822.69	
Other Expenses	2,800.00	2,800.00	1,917.16	882.84
Liquidation of Ttl's & Foreclosed Property	50.00			
Collection of Taxes:				
Salaries and Wages	47,693.00	52,785.36	52,785.36	
Other Expenses	11,000.00	11,000.00	8,960.99	2,039.01
Legal Services & Costs:				
Other Expenses	57,000.00	66,942.90	60,681.55	6,261.35
Municipal Prosecutor:				
Salaries and Wages	15,000.00	15,000.00	15,000.00	
Engineering Services & Costs:				
Other Expenses	20,000.00	20,000.00	16,746.94	3,253.06
Public Buildings & Grounds:				
Other Expenses	7,200.00	9,114.01	8,698.28	415.73
Planning Board:				
Salaries & Wages	5,997.00	5,997.00	5,995.44	1.56
Other Expenses	1,900.00	1,900.00	1,576.89	323.11
Insurance:				
Group- Employees	345,000.00	313,023.30	312,710.16	313.14
Other Insurance	160,000.00	153,701.42	153,701.42	
Unemployment Compensation Insurance	5,500.00	6,431.84	6,431.84	
Medical & Employee Contracts	500.00	500.00	500.00	
Fire:				
Other Expenses:				
Miscellaneous	29,450.00	30,671.61	29,713.64	957.97
Rent	20,000.00	20,000.00	20,000.00	
Bureau of Fire Safety:				
Salaries and Wages	5,150.00	4,806.24	4,806.24	
Other Expenses	2,400.00	1,384.63	1,383.63	1.00
Police:				
Salaries and Wages	1,280,420.00	1,291,433.26	1,291,433.26	
Other Expenses	71,000.00	71,000.00	64,780.98	6,219.02
Municipal Court:				
Salaries and Wages	125,000.00	129,341.26	128,981.26	360.00
Other Expenses	9,000.00	9,000.00	8,774.25	225.75
Environmental Commission:				
Other Expenses	50.00			
First Aid Organization - Other Expenses	17,000.00	17,000.00	16,883.55	116.45
Emergency Management Services:				
Salaries and Wages	1,680.00	1,680.00	1,677.84	2.16
Other Expenses	4,750.00	4,750.00	4,362.30	387.70
Road Repair & Maintenance:				
Other Expenses	14,000.00	14,000.00	12,421.73	1,578.27

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

BOROUGH OF SOUTH BOUND BROOK

CURRENT FUND

STATEMENT OF EXPENDITURES-STATUTORY BASIS

FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>APPROPRIATIONS</u>		<u>EXPENDED</u>	
	<u>BUDGET</u>	<u>BUDGET AFTER MODIFICATION</u>	<u>PAID OR CHARGED</u>	<u>RESERVED</u>
<u>OPERATIONS WITHIN "CAPS" (CONTINUED)</u>				
Sewer System:				
Other Expenses	\$ 7,000.00	\$ 7,000.00	\$ 6,981.44	\$ 18.56
Department of Public Works:				
Salaries and Wages	340,000.00	336,345.74	320,113.42	16,232.32
Other Expenses	5,700.00	5,700.00	5,687.87	12.13
Garbage & Trash:				
Other Expenses	130,000.00	130,000.00	121,496.98	8,503.02
Solid Waste Recycling:				
Other Expenses	40,500.00	44,110.59	44,110.59	
Board of Health:				
Salaries and Wages	3,825.00	3,928.96	3,928.96	
Other Expenses	50,308.00	52,115.78	52,115.78	
Services of Visiting Nurse Contract	3,807.00	3,807.00	3,807.00	
Dog Regulations	6,000.00	6,000.00	6,000.00	
Administration of Public Assistance:				
Other Expenses	50.00			
Parks & Playgrounds:				
Other Expenses	9,500.00	9,500.00	9,500.00	
Board of Recreation Commissioners:				
Salaries & Wages	12,500.00	11,273.44	11,273.44	
Other Expenses-Sports	7,600.00	7,600.00	4,506.25	3,093.75
Other Expenses-Social	6,650.00	5,650.00	5,050.24	599.76
Celebration of Public Events	7,500.00	4,323.85	4,323.85	
Contribution to Senior Citizens Center	3,850.00	3,850.00	3,850.00	
First Aid Organization - Shared Service	100.00	100.00		100.00
Historical Society	9,500.00	9,500.00	6,063.45	3,436.55
Inspection of Buildings:				
Salaries and Wages	87,538.00	88,992.76	88,512.76	480.00
Other Expenses	4,000.00	2,430.31	2,130.31	300.00
Inspection of Plumbing:				
Salaries and Wages	5,000.00	5,040.00	5,040.00	
Electrical Inspector:				
Salaries and Wages	5,000.00			
Fire Officials:				
Salaries & Wages	2,900.00	2,951.28	2,951.28	
Safety and Health Act:				
Other Expenses	4,000.00	4,000.00	3,810.00	190.00
Unclassified:				
Street Lighting	80,000.00	90,398.92	83,072.20	7,326.72
Fire Hydrant Service	48,000.00	57,145.39	57,145.39	
Telephone	25,000.00	28,300.00	27,189.38	1,110.62
Fuel Oil	40,000.00	36,000.00	32,267.03	3,732.97
Gas/Electricity	25,000.00	27,000.00	25,282.43	1,717.57
Water	2,000.00	2,000.00	1,169.40	830.60
<u>TOTAL OPERATIONS WITHIN "CAPS"</u>	<u>\$ 3,469,069.00</u>	<u>\$ 3,464,316.76</u>	<u>\$ 3,390,806.03</u>	<u>\$ 73,510.73</u>
<u>CONTINGENT</u>	<u>1,000.00</u>	<u>1,000.00</u>		<u>1,000.00</u>
<u>TOTAL OPERATIONS INCLUDING CONTINGENT WITHIN "CAPS"</u>	<u>\$ 3,470,069.00</u>	<u>\$ 3,465,316.76</u>	<u>\$ 3,390,806.03</u>	<u>\$ 74,510.73</u>

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

BOROUGH OF SOUTH BOUND BROOK

CURRENT FUND

STATEMENT OF EXPENDITURES-STATUTORY BASIS

FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>APPROPRIATIONS</u>		<u>EXPENDED</u>	
	<u>BUDGET</u>	<u>BUDGET AFTER MODIFICATION</u>	<u>PAID OR CHARGED</u>	<u>RESERVED</u>
<u>DEFERRED CHARGES & STATUTORY EXPENDITURES-</u> <u>MUNICIPAL WITHIN "CAPS"</u>				
Deferred Charges:				
Deficit - Animal Control	\$ 2,228.40	\$ 2,228.40	\$ 2,228.40	
Overexpenditure of Appropriation Reserves	15,045.26	15,045.26	15,045.26	
Statutory Expenditures:				
Police & Firemen's Retirement System of N.J.	137,120.00	137,120.00	137,120.00	
Public Employees Retirement System of N.J.	34,471.00	34,471.00	34,471.00	
Social Security System (O.A.S.I.)	160,000.00	164,752.24	164,752.24	
<u>TOTAL DEFERRED CHARGES AND STATUTORY</u> <u>EXPENDITURES-MUNICIPAL WITHIN "CAPS"</u>	\$ 348,864.66	\$ 353,616.90	\$ 353,616.90	
<u>TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL</u> <u>PURPOSES WITHIN "CAPS"</u>	\$ 3,818,933.66	\$ 3,818,933.66	\$ 3,744,422.93	\$ 74,510.73
<u>OPERATIONS-EXCLUDED FROM "CAPS"</u>				
Sewerage Authority-Share of Costs	\$ 440,770.60	\$ 440,770.60	\$ 426,428.11	\$ 14,342.49
Length of Service Award Program (LOSAP)	50,000.00	50,000.00	48,000.00	2,000.00
Interlocal Services:				
Police Service - Rocky Hill:				
Salaries and Wages	54,000.00	54,000.00	54,000.00	
<u>STATE AND FEDERAL PROGRAMS OFF-SET</u> <u>BY REVENUES</u>				
Drunk Driving Enforcement Fund	353.06	353.06	353.06	
Recycling Tonnage Program	3,051.56	3,051.56	3,051.56	
Clean Communities Program	5,925.32	5,925.32	5,925.32	
COPS in Shops	600.00	600.00	600.00	
Alcohol Education & Rehabilitation Fund	4,230.10	4,230.10	4,230.10	
Somerset County Youth Commission	5,000.00	5,000.00	5,000.00	
Municipal Alliance	18,903.75	18,903.75	18,903.75	
Stormwater Management	3,410.00	3,410.00	3,410.00	
Body Armor Replacement Fund	3,915.76	3,915.76	3,915.76	
Economic Development Incentive Program	59,167.00	59,167.00	59,167.00	
Somerset County Youth Athletic Grant	30,000.00	30,000.00	30,000.00	
<u>TOTAL OPERATIONS EXCLUDED FROM "CAPS"</u>	\$ 679,327.15	\$ 679,327.15	\$ 662,984.66	\$ 16,342.49
<u>CAPITAL IMPROVEMENTS-EXCLUDED FROM "CAPS"</u>				
Capital Improvement Fund	\$ 3,000.00	\$ 3,000.00	\$ 3,000.00	
<u>TOTAL CAPITAL IMPROVEMENTS-EXCLUDED</u> <u>FROM "CAPS"</u>	\$ 3,000.00	\$ 3,000.00	\$ 3,000.00	
<u>MUNICIPAL DEBT SERVICE-EXCLUDED FROM "CAPS"</u>				
Payment of Bond Anticipation Notes	\$ 130,000.00	\$ 130,000.00	\$ 130,000.00	
Interest on Notes	72,884.38	72,884.38	72,884.38	
Somerset County Improvement Authority - prior to July 1	72,962.66	72,962.66	72,962.66	
Somerset County Improvement Authority - after July 1	13,032.48	13,032.48	13,032.48	
<u>TOTAL MUNICIPAL DEBT SERVICE-EXCLUDED</u> <u>FROM "CAPS"</u>	\$ 288,879.52	\$ 288,879.52	\$ 288,879.52	

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

BOROUGH OF SOUTH BOUND BROOK
CURRENT FUND
STATEMENT OF EXPENDITURES-STATUTORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>APPROPRIATIONS</u>		<u>EXPENDED</u>	
	<u>BUDGET</u>	<u>BUDGET AFTER MODIFICATION</u>	<u>PAID OR CHARGED</u>	<u>RESERVED</u>
<u>DEFERRED CHARGES - EXCLUDED FROM "CAPS"</u>				
Emergency Authorizations	\$ 72,962.66	\$ 72,962.66	\$ 72,962.66	\$
Special Emergency Authorization - 5 Years (N.J.S.A. 40A:4-55)	<u>24,000.00</u>	<u>24,000.00</u>	<u>24,000.00</u>	
<u>TOTAL DEFERRED CHARGES - MUNICIPAL - EXCLUDED FROM "CAPS"</u>	<u>\$ 96,962.66</u>	<u>\$ 96,962.66</u>	<u>\$ 96,962.66</u>	<u>\$</u>
<u>TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES EXCLUDED FROM "CAPS"</u>	<u>\$ 1,068,169.33</u>	<u>\$ 1,068,169.33</u>	<u>\$ 1,051,826.84</u>	<u>\$ 16,342.49</u>
<u>SUB-TOTAL GENERAL APPROPRIATIONS</u>	<u>\$ 4,887,102.99</u>	<u>\$ 4,887,102.99</u>	<u>\$ 4,796,249.77</u>	<u>\$ 90,853.22</u>
<u>RESERVE FOR UNCOLLECTED TAXES</u>	<u>433,000.00</u>	<u>433,000.00</u>	<u>433,000.00</u>	
<u>TOTAL GENERAL APPROPRIATIONS</u>	<u>\$ 5,320,102.99</u>	<u>\$ 5,320,102.99</u>	<u>\$ 5,229,249.77</u>	<u>\$ 90,853.22</u>
Disbursements			\$ 4,510,251.71	
Deferred Charges			112,007.92	
Accounts Payable			39,433.59	
Reserve for Grants Appropriated			134,556.55	
Reserve for Uncollected Taxes			<u>433,000.00</u>	
			<u>\$ 5,229,249.77</u>	

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

BOROUGH OF SOUTH BOUND BROOK

TRUST FUND

BALANCE SHEETS-STATUTORY BASIS

	BALANCE DECEMBER 31, 2009	BALANCE DECEMBER 31, 2008
<u>A S S E T S</u>		
Assessment Fund:		
Cash	\$ 9,515.36	\$ 9,515.36
Prospective Assessments Funded	22,802.50	22,802.50
Due Current Fund	232.59	232.59
	<u>\$ 32,550.45</u>	<u>\$ 32,550.45</u>
Animal Control Trust Fund:		
Cash	\$ 5,907.13	\$ 4,273.13
Deficit in Animal Control Expenditures	594.40	2,228.40
	<u>\$ 6,501.53</u>	<u>\$ 6,501.53</u>
Other Funds:		
Cash	\$ 340,737.31	\$ 515,431.20
Due From County of Somerset:		
Community Development Block Grants	14,351.00	34,769.00
Due Current Fund	6,240.71	
	<u>\$ 361,329.02</u>	<u>\$ 550,200.20</u>
	<u>\$ 400,381.00</u>	<u>\$ 589,252.18</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Assessment Fund:		
Due General Capital Fund	\$ 7,894.34	\$ 7,894.34
Reserve for Assessments	22,802.50	22,802.50
Fund Balance	1,853.61	1,853.61
	<u>\$ 32,550.45</u>	<u>\$ 32,550.45</u>
Animal Control Trust Fund:		
Due Current Fund	<u>\$ 6,501.53</u>	<u>\$ 6,501.53</u>
	<u>\$ 6,501.53</u>	<u>\$ 6,501.53</u>
Other Funds:		
Reserve for Community Development Block Grants	\$ 14,351.00	\$ 34,769.00
Reserve for Various Deposits	71,189.33	136,222.26
Reserve for Escrow Deposits	172,666.01	328,107.13
Reserve for COAH Deposits	22,704.68	22,704.68
Reserve for Police Outside Overtime		5,934.28
Due Current Fund		22,462.85
Due General Capital Fund	20,418.00	
Due Grant Fund	60,000.00	
	<u>\$ 361,329.02</u>	<u>\$ 550,200.20</u>
	<u>\$ 400,381.00</u>	<u>\$ 589,252.18</u>

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

BOROUGH OF SOUTH BOUND BROOK

GENERAL CAPITAL FUND

BALANCE SHEETS-STATUTORY BASIS

	BALANCE DECEMBER 31, 2009	BALANCE DECEMBER 31, 2008
<u>ASSETS</u>		
Cash	\$ 26.33	\$ 14,206.32
Deferred Charges to Future Taxation-Unfunded	2,998,507.43	3,128,507.43
Due Current Fund	7,463.07	447,746.07
Due Assessment Trust Fund	7,894.34	7,894.34
Due Other Trust Fund	20,418.00	
Grants Receivable	344,881.00	544,516.00
	<u>\$ 3,379,190.17</u>	<u>\$ 4,142,870.16</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Bond Anticipation Notes	\$ 2,527,724.00	\$ 2,657,724.00
Capital Improvement Fund	143,315.73	140,315.73
Improvement Authorizations:		
Funded	113,525.24	383,637.53
Unfunded	521,130.52	862,951.22
Reserve for Redevelopment	726.31	726.31
Contracts Payable	2,000.00	1,500.00
Fund Balance	70,768.37	96,015.37
	<u>\$ 3,379,190.17</u>	<u>\$ 4,142,870.16</u>

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

BOROUGH OF SOUTH BOUND BROOK

PUBLIC ASSISTANCE TRUST FUND

BALANCE SHEETS-STATUTORY BASIS

	BALANCE DECEMBER <u>31, 2009</u>	BALANCE DECEMBER <u>31, 2008</u>
<u>A S S E T S</u>		
Cash:		
Public Assistance Trust Fund I	\$ _____	\$ <u>115.04</u>
<u>TOTAL ASSETS</u>	\$ <u>_____</u>	\$ <u>115.04</u>
 <u>LIABILITIES AND RESERVES</u>		
Reserve for Public Assistance:		
Public Assistance Trust Fund I	\$ _____	\$ <u>115.04</u>
<u>TOTAL LIABILITIES AND RESERVES</u>	\$ <u>_____</u>	\$ <u>115.04</u>

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

BOROUGH OF SOUTH BOUND BROOK

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2009 AND 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Borough of South Bound Brook is an instrumentality of the State of New Jersey, established to function as a municipality. The Borough Council consists of elected officials and is responsible for the fiscal control of the Borough.

The financial statements of the Borough of South Bound Brook include every board, body, officer or commission supported and maintained wholly or in part by funds appropriated by the Borough of South Bound Brook, as required by N.J.S.A. 40A:5-5. Accordingly, the financial statements of the Borough of South Bound Brook do not include the operations of the Board of Education, inasmuch as their activities are administered by a separate board.

B. Description of Funds

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. GASB codification establishes the presentation of basic financial statements into three fund types, the governmental, proprietary and fiduciary funds, as well as government-wide financial reporting that must be used by general purpose governmental units when reporting financial position and results of operations in accordance with U.S. Generally Accepted Accounting Principles (GAAP).

The accounting policies of the Borough of South Bound Brook conform to the accounting principles applicable to municipalities which have been prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. Under this method of accounting, the financial transactions and accounts of the Borough of South Bound Brook are organized on the basis of funds and an account group which is different from the fund structure required by GAAP. A fund or account group is an accounting entity with a separate set for self-balancing accounts established to record the financial position and results of operation of a specific government activity. As required by the Division of Local Government Services the Borough accounts for its financial transactions through the following individual funds and account group:

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Description of Funds (Continued)

Current Fund - resources and expenditures for governmental operations of a general nature, including Federal, State and local grant funds.

Trust Fund - receipts, custodianship and disbursement of funds in accordance with the purpose for which each reserve was created.

General Capital Fund - receipt and disbursement of funds for the acquisition of general capital facilities, other than those acquired in the Current Fund.

Public Assistance Fund - receipt and disbursement for funds that provide assistance to certain residents of the Borough pursuant to Title 44 of New Jersey statutes.

General Fixed Assets Account Group - Utilized to account for property, land, buildings and equipment that has been acquired by other governmental funds.

C. Basis of Accounting

The accounting principles and practices prescribed for municipalities by the State of New Jersey differ in certain respects from generally accepted accounting principles applicable to local governmental units. The more significant accounting policies and differences in the State of New Jersey are as follows:

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

Revenues - are recorded when received in cash except for certain amounts which are due from other governmental units. Grants are realized as revenue when anticipated in the Borough's budget. Receivables for property taxes are recorded with offsetting reserves on the balance sheet of the Borough's Current Fund; accordingly, such amounts are not recorded as revenue until collected. Other amounts that are due the Borough, which are susceptible to accrual, are also recorded as receivables with offsetting reserves and recorded as revenue when received. GAAP requires revenues to be recognized in the accounting period when they become susceptible to accrual, reduced by an allowance for doubtful accounts.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

Expenditures - are recorded on the "budgetary" basis of accounting. Generally expenditures are recorded when an amount is encumbered for goods or services through the issuances of a purchase order in conjunction with the Encumbrance Accounting System. Outstanding encumbrances at December 31, are reported as a cash liability in the financial statements and constitute part of the Borough's statutory Appropriation Reserve balance. Appropriation reserves covering unexpended appropriation balances are automatically created at December 31st of each year and recorded as liabilities, except for amounts which may be canceled 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 during the preceding fiscal year. Lapsed appropriation reserves are recorded as income. Appropriations for principal payments on outstanding general capital and utility bonds and notes are provided on the cash basis; interest on general capital indebtedness is on the cash basis, whereas interest on utility indebtedness is on the accrual basis.

Encumbrances - Contractual orders at December 31 are reported as expenditures through the establishment of encumbrances payable. Under GAAP, encumbrances outstanding at year end are reported as reservations of fund balance because they do not constitute expenditures or liabilities.

Foreclosed Property - Foreclosed property is recorded in the Current Fund at the assessed valuation when such property was acquired and is fully reserved. GAAP requires such property to be recorded in the General Fixed Assets Account Group at its market value.

Sale of Municipal Assets - The proceeds from the sale of municipal assets can be held in a reserve until anticipated as a revenue in a future budget. GAAP requires such proceeds to be recorded as a revenue in the year of sale.

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

General Fixed Assets – N.J.A.C. 5:30-5.6 Accounting for Governmental Fixed Assets, which differs in certain respects from generally accepted accounting principles, requires the inclusion of a statement of general fixed assets of the Borough as part of its basic financial statements. General fixed assets are defined as non-expendable personal property having a physical existence, a useful life of more than one year and an acquisition cost of \$5,000.00 or more per unit. Public domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings, such as roads, bridges, curbs and gutters, streets and sidewalks and drainage systems are not capitalized. General Fixed Assets that have been acquired and are utilized in a governmental fund operation are accounted for in the General Fixed Asset Account Group rather than in a governmental fund. No depreciation has been provided on general fixed assets or reported in the financial statements.

The Borough has developed a fixed assets accounting and reporting system based on an inspection and valuation prepared by an independent appraisal firm. Fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available.

Inventories of Supplies - The cost of inventories of supplies for all funds are recorded as expenditures at the time individual items are purchased. The costs of inventories are not included on the various balance sheets. GAAP requires the cost of inventories to be reported as a current asset and equally offset by a fund balance reserve.

D. Basic Financial Statements

The GASB codification also defines the financial statements of governmental unit to be presented in the general purpose financial statements to be in accordance with GAAP. The Borough presents the financial statements, schedules and statistical data listed in the table of contents of the "Requirements of Audit and Accounting Revision of 1987" as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey and which differ from the financial statements required by GAAP.

NOTE 2: CASH AND CASH EQUIVALENTS

The Borough considers petty cash, change funds, and cash in banks as cash and cash equivalents.

A. Deposits

New Jersey statutes permit the deposit of public funds in institutions which are located in New Jersey and which meet the requirements of the Governmental Unit Deposit Protection Act (GUDPA) or the State of New Jersey Cash Management Fund. GUDPA requires a bank that accepts public funds to be a public depository. A public depository is defined as a state bank, a national bank, or a savings bank, which is located in the State of New Jersey, the deposits of which are insured by the Federal Deposit Insurance Corporation. The statutes also require public depositories to maintain collateral for deposits of public funds that exceed certain insurance limits. All collateral must be deposited with the Federal Reserve Bank or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.00.

Under GUDPA, if a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of the deposits to the governmental unit.

The Borough of South Bound Brook had the following cash and cash equivalents at December 31, 2009:

<u>Fund</u>	<u>Cash In Bank</u>	<u>Change Fund</u>	<u>Total</u>
Current Fund	\$1,296,143.58	\$450.00	\$1,296,593.58
Assessment Trust Fund	9,515.36		9,515.36
Animal Control Trust Fund	5,907.13		5,907.13
Other Trust Fund	340,737.31		340,737.31
General Capital Fund	26.33		26.33
<u>Total - December 31, 2008</u>	<u>\$1,652,329.71</u>	<u>\$450.00</u>	<u>\$1,652,779.71</u>

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the deposits may not be returned. The Borough does not have a specific deposit policy for custodial credit risk other than those policies that adhere to the requirements of statute. As of December 31, 2009, based upon the coverage provided by FDIC and NJGUDPA, no amount of the bank balance was exposed to custodial credit risk. Of the cash on balance in the bank, \$250,000.00 was covered by Federal Depository Insurance and \$1,402,329.71 was covered under the provisions of NJGUDPA.

NOTE 2: CASH AND CASH EQUIVALENTS (CONTINUED)

B. Investments

The purchase of investments by the Borough are strictly limited by the express authority of the New Jersey Local Fiscal Affairs Law, N.J.S.A. 40A:5-15.1. Permitted investments include any of the following type of securities:

1. Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
2. Government money market mutual funds which are purchased from an investment company or investment trust which is registered with the Securities and Exchange Commission under the "Investment Company Act of 1940," 15 U.S.C. 80a-1 et seq., and operated in accordance with 17 C.F.R. § 270.2a-7 and which portfolio is limited to U.S. Government securities that meet the definition of an eligible security pursuant to 17 C.F.R. § 270.2a-7 and repurchase agreements that are collateralized by such U.S. Government securities in which direct investment may be made pursuant to paragraphs (1) and (3) of N.J.S.A. 5-15.1. These funds are also required to be rated by a nationally recognized statistical rating organization.
3. Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
4. Bonds or other obligations of the Local Unit or bonds or other obligations of school districts of which the Local Unit is a part or within which the school district is located.
5. Bonds or other obligations, having a maturity date not more than 397 days from date of purchase, approved by the Division of Investment of the Department of Treasury for investment by Local Units;

NOTE 2: CASH AND CASH EQUIVALENTS (CONTINUED)

B. Investments (Continued)

6. Local government investment pools that are fully invested in U.S. Government securities that meet the definition of eligible security pursuant to 17 C.F.R. § 270a-7 and repurchase agreements that are collateralized by such U.S. Government securities in which direct investment may be made pursuant to paragraphs (1) and (3) of N.J.S.A. 5-15.1. This type of investment is also required to be rated in the highest category by a nationally recognized statistical rating organization.
7. Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C. 52:18A-90.4); or
8. Agreements for the repurchase of fully collateralized securities if:
 - a. the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this subsection;
 - b. the custody of collateral is transferred to a third party;
 - c. the maturity of the agreement is not more than 30 days;
 - d. the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c.236 (C. 17:19-41); and
 - e. a master repurchase agreement providing for the custody and security of collateral is executed.

The Borough of South Bound Brook's investment activities during the year were in accordance with the above New Jersey Statute.

Based upon the limitations set forth by New Jersey Statutes 40A:5-15.1 and existing investment practices, the Borough is generally not exposed to credit risks, custodial credit risks, concentration of credit risks and interest rate risk for its investments nor is it exposed to foreign currency risk for its deposits and investments.

NOTE 3: LONG-TERM DEBT

The Local Bond Law, Chapter 40A:2, governs the issuance of bonds to finance general municipal capital expenditures. All bonds are retired in annual installments within the statutory period of usefulness. All bonds issued by the Borough are general obligation bonds, backed by the full faith and credit of the Borough. Bond Anticipation Notes, which are issued to temporarily finance capital projects, shall mature and be paid off within ten years or financed by the issuance of bonds.

NOTE 3: LONG-TERM DEBT (CONTINUED)

SUMMARY OF MUNICIPAL DEBT (EXCLUDING CURRENT
AND OPERATING DEBT AND TYPE II SCHOOL DEBT)

	<u>YEAR 2009</u>	<u>YEAR 2008</u>	<u>YEAR 2007</u>
Issued:			
Bonds and Notes	\$2,527,724.00	\$2,657,724.00	\$2,867,724.00
Authorized But Not Issued:			
General:			
Bonds and Notes	<u>470,783.43</u>	<u>470,783.43</u>	<u>175,783.43</u>
Net Bonds and Notes Issued and Authorized But Not Issued	<u>\$2,998,507.43</u>	<u>\$3,128,507.43</u>	<u>\$3,043,507.43</u>

SUMMARY OF STATUTORY DEBT CONDITION
(ANNUAL DEBT STATEMENT)

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of 0.82%.

	<u>GROSS DEBT</u>	<u>DEDUCTIONS</u>	<u>NET DEBT</u>
General Debt	\$2,998,507.43		\$2,998,507.43
School District Debt	<u>3,297,000.00</u>	<u>\$3,297,000.00</u>	
TOTAL	<u>\$6,295,507.43</u>	<u>\$3,297,000.00</u>	<u>\$2,998,507.43</u>

NET DEBT \$2,998,507.43 DIVIDED BY EQUALIZED VALUATION BASIS PER N.J.S.A. 40A:2-2 AS AMENDED \$361,567,847.33 EQUALS 0.82%.

NOTE 3: LONG-TERM DEBT (CONTINUED)

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

Equalized Valuation Basis - December 31, 2009	<u>\$361,567,847.33</u>
3-1/2% of Equalized Valuation Basis	\$12,654,874.66
Net Debt	<u>2,998,507.43</u>
Remaining Borrowing Power	<u>\$9,656,367.23</u>

*Equalized Valuation Basis is the average of the equalized valuation of Real Estate, including improvements, and the assessed valuation of Class II Railroad Property of the Borough for the last three (3) preceding years.

LONG-TERM DEBT:

Bond Anticipation Notes

Outstanding Bond Anticipation Notes are summarized as follows:

General Capital Fund, Interest Rate 2.50%, Maturity 8/20/10	<u>\$2,527,724.00</u>
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NOTE 4: FUND BALANCES APPROPRIATED

Fund balances at December 31, 2009, which were appropriated and included as anticipated revenue in their own respective funds for the year ending December 31, 2010 are as follows:

Current Fund	\$600,000.00*
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*As per introduced budget

NOTE 5: PROPERTY TAXES

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied based on the final adoption of the current year municipal budget, and are payable in four installments on February 1, May 1, August 1 and November 1. The Borough bills and collects its own property taxes and also the taxes for the county and local school district. The collections and remittance of county and school taxes are accounted for in the Current Fund. Borough property tax revenues are recognized when collected in cash and any receivables are recorded with offsetting reserves on the balance sheet of the Borough's Current Fund.

Taxes Collected in Advance - Taxes collected in advance and recorded as cash liabilities in the financial statements are as follows:

	BALANCE DECEMBER <u>31, 2009</u>	BALANCE DECEMBER <u>31, 2008</u>
Prepaid Taxes	<u>\$31,947.01</u>	<u>\$38,620.00</u>

NOTE 6: PENSION PLANS

Borough employees, who are eligible for a pension plan, are enrolled in one of three pension systems administered by the Division of Pensions, Treasury Department of the State of New Jersey. The plans are: the Public Employees' Retirement System, the Police and Firemen's Retirement System, and Defined Contribution Retirement Program (DCRP). The Division annually charges participating government units for their respective contributions to the plans based upon actuarial methods. Certain portions of the cost are contributed by the employees. The Borough's share of pension costs, which is based upon the annual billings received from the State, amounted to \$171,591.00 for 2009, \$272,756.92 for 2008 and \$177,666.60 for 2007. The Borough had no employees in DCRP in 2009.

Certain Borough employees are also covered by Federal Insurance Contribution Act.

Information as to the comparison of the actuarially computed value of vested benefit with the system's assets is not available from the State Retirement System and, therefore, is not presented.

NOTE 7: COMPENSATED ABSENCES

Under the existing policy of the Borough, employees are allowed to accumulate unused vacation and sick pay over the life of their working careers, which may be taken as time off, or paid at a later date, at an agreed upon rate. A reasonable estimate of such unpaid compensation is not readily available from the Borough but is probably material. Under accounting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the accumulated cost of such unpaid compensation is not required to be reported in the financial statements as presented and any amounts required to be paid are raised in that year's budget and no liability is accrued on December 31, 2009.

NOTE 8: LITIGATION, CLAIMS AND JUDGMENTS

There are several pending lawsuits in which the Borough is involved. The Borough attorney estimates that the potential claims against the Borough, not covered by insurance resulting from such litigation, would not materially affect the financial statements of the Borough.

NOTE 9: CONTINGENT LIABILITIES

The Borough participates in several financial assistance grant programs. Entitlement to the funds is generally conditional upon compliance with terms and conditions of the grant agreements and applicable regulations, including the expenditure of funds for eligible purposes. These programs are subject to compliance and financial audits by the grantors or their representatives. As of December 31, 2009, the Borough does not believe that any material liabilities will result from such audits.

NOTE 10: RISK MANAGEMENT

The Borough is exposed to various risks of loss related to torts; theft of; damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Borough maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Borough. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE 11: TAX APPEALS

There are several tax appeals filed requesting a reduction of assessments for 2009 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 tax revenues through the establishment of a reserve or by the issuance of refunding bonds per N.J.S.A. 40A:2-51.

NOTE 12: DEFERRED COMPENSATION PLAN

The Borough offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Borough employees permits them to defer a portion of their salaries until future years. The Borough does not make any contribution to the plan. The deferred compensation is not available to employees until retirement, death, disability, termination or financial hardships.

In accordance with the requirements of the Small Business Job Protection Act of 1996 and the funding requirements of Internal Revenue Code Section 457(g), the Borough'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 Plans are held in trust, in annuity contracts or custodial accounts.

The Plan is administered by the Public Employees Benefit Service Corporation (PEBSCO) and Variable Life Insurance Company (VALIC).

The accompanying financial statements do not include the Borough's Deferred Compensation Plan activities.

NOTE 13: LENGTH OF SERVICE AWARDS PROGRAM

During 2009, the Borough of South Bound Brook adopted an ordinance establishing a Length of Service Awards Program for the members of the South Bound Brook Fire Department and the South Bound Brook First Aid/Rescue Squad pursuant to N.J.S.A. 40A:14-183 *et seq.* in accordance with Chapter 388 of the Laws of the 1997 Internal Revenue Code.

Under this program, each volunteer of the South Bound Brook Fire Department and First Aid/Rescue Squad that performs the minimum amount of service will have an annual minimum amount of \$350.00 to a maximum amount of \$1,000.00 deposited into a tax deferred income account that will earn interest for the volunteer. These amounts will be subject to periodic increases as permitted pursuant to subsection f section 3 of P.L. 1997, c.388. The Borough's costs amounted to \$48,000.00 in 2009 for the years 2006 to 2008.

The accompanying financial statements do not include the Borough's Length of Service Awards Program's activities. The Borough's Length of Service Awards Program's financial statements are contained in a separate review report, as required by state regulations.

NOTE 14: INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances remained on the balance sheet at December 31, 2009:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Current Fund	\$6,501.53	\$85,230.31
Grant Fund	131,293.94	
Assessment Fund	232.59	7,894.34
Animal Control Fund		6,501.53
Trust Other Fund	6,240.71	80,418.00
General Capital Fund	35,775.41	
	<u>\$180,044.18</u>	<u>\$180,044.18</u>

All Interfund balances resulted from the time lag between the dates that payments between funds are made.

NOTE 15: GASB 45 – OTHER POST-RETIREMENT BENEFITS (UNAUDITED)

The Borough provides Post Retirement Benefits to certain employees, per the terms of their various labor agreements. Commencing with the year ending December 31, 2008 the above noted post employment benefits require the Borough to implement the note disclosure provision of GASB Statement 45, "Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pension." This statement which was adopted during 2004 by the Government Accounting Standard Board (GASB) requires the Township to disclose in the notes of the financial statements the future cost of the other post employment benefits (OPEB) on a present value basis instead of the present pay as you go method. OPEB obligations are non-pension benefits that the Borough has contractually agreed to provide employees once they have retired.

The future value of benefits paid is not required to be reported in the financial statements as presented and has not been determined, but is probably material. Under current New Jersey budget and financial reporting requirements, the Borough will not have to provide any amounts in excess of their current cash costs or recognized any long-term obligations on their balance sheets.

The Borough's expense for the post-retirement reimbursement of health benefit costs for the year ended December 31, 2009 was \$376,166.00.

NOTE 16: DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2009, the following deferred charges are shown:

	<u>December 31, 2009</u>	<u>Included in 2010 Budget</u>	<u>Deferred to Subsequent Budget</u>
Current Fund:			
N.J.S.A. 40A:4-52	<u>\$48,000.00</u>	<u>\$24,000.00</u>	<u>\$24,000.00</u>
Animal Control Trust Fund:			
Deficit in Animal Control Expenditures	<u>\$ 594.40</u>	<u>\$ 594.40</u>	
	<u>\$ 48,594.40</u>	<u>\$ 24,594.40</u>	<u>\$24,000.00</u>

The appropriations in the 2010 Budget are not less than that required by statute.

NOTE 17: LEASE PURCHASES

During the 2007, the Borough entered into an agreement with the Somerset County Improvement Authority to lease purchase various capital projects for \$469,650.00. The projects to be funded include the purchase of a fire pumper and equipment. In accordance with the lease agreement, the Borough will be obligated to make the following remaining principal and interest payments:

<u>PAYMENT DATE</u>	<u>PRINCIPAL COMPONENT</u>	<u>INTEREST COMPONENT</u>	<u>TOTAL PAYMENT</u>
8/1/2010	\$ 41,918.18	\$17,284.20	\$59,202.38
8/1/2011	43,766.77	15,436.61	59,202.38
8/1/2012	45,696.89	13,505.50	59,202.39
8/1/2013	47,712.12	11,490.26	59,202.38
8/1/2014	49,816.22	9,386.16	59,202.38
8/1/2015	52,013.12	7,189.26	59,202.38
8/1/2016	54,306.90	4,895.48	59,202.38
8/1/2017	<u>56,701.83</u>	<u>2,500.55</u>	<u>59,202.38</u>
	<u>\$391,932.03</u>	<u>\$81,687.02</u>	<u>\$473,619.05</u>

NOTE 17: LEASE PURCHASES (CONTINUED)

During the 2007, the Borough entered into an agreement with the Somerset County Improvement Authority to lease purchase various capital projects for \$60,600.00. The projects to be funded include the purchase of a fire chief truck and equipment. In accordance with the lease agreement, the Borough will be obligated to make the following remaining principal and interest payments:

<u>PAYMENT NUMBER</u>	<u>PAYMENT DATE</u>	<u>PRINCIPAL COMPONENT</u>	<u>INTEREST COMPONENT</u>	<u>TOTAL PAYMENT</u>
3	8/1/2010	\$12,120.62	\$1,639.67	\$13,760.29
4	8/1/2011	12,644.23	1,116.06	13,760.29
5	8/1/2012	<u>13,190.46</u>	<u>569.83</u>	<u>13,760.29</u>
		<u>\$37,955.31</u>	<u>\$3,325.56</u>	<u>\$41,280.87</u>

During the 2008, the Borough entered into an agreement with the Somerset County Improvement Authority to lease purchase various capital projects for \$60,027.33. The projects to be funded include the purchase of a public worker dump truck. In accordance with the lease agreement, the Borough will be obligated to make the following remaining principal and interest payments:

<u>PAYMENT NUMBER</u>	<u>PAYMENT DATE</u>	<u>PRINCIPAL COMPONENT</u>	<u>INTEREST COMPONENT</u>	<u>TOTAL PAYMENT</u>
2	9/15/2010	\$11,669.57	\$1,362.92	\$13,032.49
3	9/15/2011	11,996.32	1,036.17	13,032.49
4	9/15/2012	12,332.21	700.27	13,032.48
5	9/15/2013	<u>12,788.51</u>	<u>354.97</u>	<u>13,032.48</u>
		<u>\$48,675.61</u>	<u>\$3,454.33</u>	<u>\$52,129.94</u>

BOROUGH OF SOUTH BOUND BROOK

CURRENT FUND

BALANCE SHEETS - STATUTORY BASIS

	BALANCE DECEMBER 31, 2009	BALANCE DECEMBER 31, 2008	BALANCE DECEMBER 31, 2007	BALANCE DECEMBER 31, 2006	BALANCE DECEMBER 31, 2005
<u>ASSETS</u>					
Regular Fund:					
Cash	\$ 1,296,143.58	\$ 2,093,687.25	\$ 2,459,691.15	\$ 1,846,743.49	\$ 1,206,421.58
Change Fund	450.00	450.00	450.00	450.00	450.00
Grants Receivable	737,342.28	788,082.91	419,124.70	544,515.63	1,081,628.99
Due to State of New Jersey, Senior Citizens and Veterans Deductions	34,864.94	33,672.47	33,192.33	31,498.78	31,503.57
	<u>\$ 2,068,800.80</u>	<u>\$ 2,915,892.63</u>	<u>\$ 2,912,458.18</u>	<u>\$ 2,423,207.90</u>	<u>\$ 2,320,004.14</u>
Receivables and Other Assets With Full Reserves:					
Delinquent Property Taxes Receivable	\$ 143,559.81	\$ 129,351.96	\$ 235,060.08	\$ 305,212.72	\$ 126,871.84
Tax Title Liens Receivable		4,410.46	4,410.46	4,410.46	4,410.46
Property Acquired for Taxes Assessed Valuation	46,053.66	46,712.29	46,712.29	46,712.29	46,712.29
Revenue Accounts Receivable	10,195.32	11,155.74	7,640.41	12,373.03	16,000.98
Interfunds Receivable	137,795.47	37,636.64	28,804.45	9,744.37	32,376.81
	<u>\$ 337,604.26</u>	<u>\$ 229,267.09</u>	<u>\$ 322,627.69</u>	<u>\$ 378,452.87</u>	<u>\$ 226,372.38</u>
Deferred Charges:					
Emergency Appropriation - NJS 40A:4-53	\$ 48,000.00	\$ 72,000.00	\$ 96,000.00	\$ 120,000.00	\$
Overexpenditure of Appropriations		15,045.26		4,089.07	
Emergency Appropriation - NJS 40A:4-46				54,719.18	
Expenditure Without Appropriation		72,962.66			
Overexpenditure of Appropriation Reserves			10,675.76		
	<u>\$ 48,000.00</u>	<u>\$ 160,007.92</u>	<u>\$ 106,675.76</u>	<u>\$ 178,808.25</u>	<u>\$ 0.00</u>
	<u>\$ 2,454,405.06</u>	<u>\$ 3,305,167.64</u>	<u>\$ 3,341,761.63</u>	<u>\$ 2,980,469.02</u>	<u>\$ 2,546,376.52</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>					
Current Fund:					
Liabilities:					
Appropriation Reserves	\$ 90,853.22	\$ 75,075.49	\$ 80,631.40	\$ 80,878.09	\$ 97,977.24
Prepaid Taxes	31,947.01	38,620.00	28,904.90	34,203.90	31,602.57
Tax Overpayments		318.11	20.42	26,868.45	37,748.84
Reserve for Due County - 5% PILOT	49,001.24	104,312.57	54,538.38		
Maintenance Liens				8,960.00	
Accounts Payable	62,378.94	126,167.14	91,905.65	58,898.55	76,362.83
County Taxes Payable					1,000.00
Reserve for Sale of Municipal Assets	8,918.21	8,918.21	7,168.21	6,955.21	106,524.00
Reserve for Tax Appeals	36,250.00	50,000.00			
Reserve for Revaluation		38,907.96	120,022.56	131,406.31	11,406.31
Reserve for Storm Damage				7,740.88	7,740.88
Reserve for Library State Aid		8,205.00	8,205.00	8,205.00	3,553.00
Reserve for Grants:					
Unappropriated	22,797.97	14,426.99	16,277.53	46,165.54	21,656.26
Appropriated	823,032.06	777,068.48	519,240.24	588,273.81	718,342.74
Interfunds Payable	85,230.31	468,737.49	454,450.11	442,076.97	48,176.49
	<u>\$ 1,210,408.96</u>	<u>\$ 1,710,757.44</u>	<u>\$ 1,381,364.40</u>	<u>\$ 1,440,632.71</u>	<u>\$ 1,162,091.16</u>
Reserve for Receivables and Other Assets	206,310.32	220,594.83	322,627.69	378,452.87	226,372.38
Fund Balance	<u>1,037,685.78</u>	<u>1,373,815.37</u>	<u>1,637,769.54</u>	<u>1,161,383.44</u>	<u>1,157,912.98</u>
	<u>\$ 2,454,405.06</u>	<u>\$ 3,305,167.64</u>	<u>\$ 3,341,761.63</u>	<u>\$ 2,980,469.02</u>	<u>\$ 2,546,376.52</u>

BOROUGH OF SOUTH BOUND BROOK

CURRENT FUND

STATEMENTS OF OPERATIONS AND
CHANGE IN FUND BALANCE - STATUTORY BASIS

	YEAR ENDED DECEMBER 31, 2009	YEAR ENDED DECEMBER 31, 2008	YEAR ENDED DECEMBER 31, 2007	YEAR ENDED DECEMBER 31, 2006	YEAR ENDED DECEMBER 31, 2005
<u>REVENUE AND OTHER INCOME</u>					
Fund Balance Utilized	\$ 825,000.00	\$ 825,000.00	\$ 700,000.00	\$ 700,000.00	\$ 670,000.00
Miscellaneous Revenue Anticipated	1,877,616.39	2,201,430.49	2,297,562.93	1,648,343.41	2,672,740.85
Receipts From Delinquent Taxes	129,832.10	235,864.88	303,408.72	118,027.42	117,279.18
Receipts From Current Taxes	9,066,302.66	9,065,838.29	8,712,018.82	8,244,565.71	7,822,911.82
Non-Budget Revenue	136,044.35	117,786.06	275,115.14	366,417.91	162,157.65
Other Credits to Income:					
Unexpended Balance of Appropriation Reserves	52,877.00	21,971.99	45,392.02	32,635.28	70,019.51
Accounts Payable Canceled		6,141.05	151.83	6,832.56	517.25
Grant Fund Reserves Canceled		4,729.50	13,822.49	2,000.00	5,400.00
Taxes Payable Canceled				1,098.21	
Reserves Canceled	8,655.00		18,389.60		556.72
Tax Overpayments Canceled				86.68	4.33
Interfunds Returned	22,462.85			22,632.44	23,165.50
Prepaid School Taxes					0.00
<u>Total Income</u>	<u>\$ 12,118,790.35</u>	<u>\$ 12,478,762.26</u>	<u>\$ 12,365,861.55</u>	<u>\$ 11,142,639.62</u>	<u>\$ 11,544,752.81</u>
<u>EXPENDITURES</u>					
Budget and Emergency Appropriations Within "CAPS":					
Operations	\$ 3,465,316.76	\$ 3,496,693.84	\$ 3,364,949.66	\$ 2,875,546.27	\$ 2,526,954.44
Deferred Charges and Statutory Expenditures	353,616.90	181,633.86	166,145.86	157,422.82	276,113.54
Appropriations Excluded From "CAPS":					
Operations	679,327.15	1,105,419.11	691,611.70	1,130,876.34	1,965,774.43
Capital Improvements	3,000.00	8,000.00	25,000.00	100,000.00	125,000.00
Deferred Charges	96,962.66	24,000.00	78,719.18		32,500.00
Judgements					
Municipal Debt Service	288,879.52	397,671.61	324,469.49	300,538.88	240,781.96
County Taxes	1,248,566.90	1,240,977.91	1,150,316.31	1,064,580.59	876,907.16
Local District School Tax	5,480,441.00	5,421,468.50	5,280,795.50	4,968,861.00	4,664,283.00
Reserve For Tax Appeals		50,000.00			
Grant Fund Receivable Canceled		20,237.79	23,693.38	2,000.00	5,400.00
Interfunds Advanced		159.93	19,060.08		
Refund of Prior Year Revenue	13,809.05	59,461.80	64,714.29	14,062.44	33,554.53
<u>Total Expenditures</u>	<u>\$ 11,629,919.94</u>	<u>\$ 12,005,724.35</u>	<u>\$ 11,189,475.45</u>	<u>\$ 10,613,888.34</u>	<u>\$ 10,747,269.06</u>
Excess in Revenue	\$ 488,870.41	\$ 473,037.91	\$ 1,176,386.10	\$ 528,751.28	\$ 797,483.75
Adjustments to Income Before Fund Balance:					
Expenditures Included Above Which are by Statute		88,007.92		174,719.18	
Deferred Charges to Budget of Succeeding Year					
Statutory Excess to Fund Balance	\$ 488,870.41	\$ 561,045.83	\$ 1,176,386.10	\$ 703,470.46	\$ 797,483.75
Fund Balance, January 1	1,373,815.37	1,637,769.54	1,161,383.44	1,157,912.98	1,030,429.23
	<u>\$ 1,862,685.78</u>	<u>\$ 2,198,815.37</u>	<u>\$ 2,337,769.54</u>	<u>\$ 1,861,383.44</u>	<u>\$ 1,827,912.98</u>
Decreased by:					
Utilized as Anticipated Revenue	825,000.00	825,000.00	700,000.00	700,000.00	670,000.00
Balance, December 31	<u>\$ 1,037,685.78</u>	<u>\$ 1,373,815.37</u>	<u>\$ 1,637,769.54</u>	<u>\$ 1,161,383.44</u>	<u>\$ 1,157,912.98</u>

BOROUGH OF SOUTH BOUND BROOK

TRUST FUND

BALANCE SHEETS - STATUTORY BASIS

	BALANCE DECEMBER 31, 2009	BALANCE DECEMBER 31, 2008	BALANCE DECEMBER 31, 2007	BALANCE DECEMBER 31, 2006	BALANCE DECEMBER 31, 2005
<u>ASSETS</u>					
Assessment Fund:					
Cash	\$ 9,515.36	\$ 9,515.36	\$ 9,515.36	\$ 9,515.36	\$ 9,515.36
Prospective Assessments Funded	22,802.50	22,802.50	22,802.50	22,802.50	22,802.50
Due Current Fund	232.59	232.59	232.59	232.59	232.59
	<u>\$ 32,550.45</u>	<u>\$ 32,550.45</u>	<u>\$ 32,550.45</u>	<u>\$ 32,550.45</u>	<u>\$ 32,550.45</u>
Animal Control Fund:					
Cash	\$ 5,907.13	\$ 4,273.13	\$ 4,715.13	\$ 1,051.23	\$ (3,075.47)
Deferred Charge - Deficit in Expenditures				465.30	2,880.90
Due Current Fund	594.40	2,228.40	1,786.40		208.37
	<u>\$ 6,501.53</u>	<u>\$ 6,501.53</u>	<u>\$ 6,501.53</u>	<u>\$ 1,516.53</u>	<u>\$ 13.80</u>
Other Funds:					
Cash	\$ 340,737.31	515,431.20	533,161.82	481,038.89	588,541.89
Accounts Receivable - Police Outside Overtime					1,882.50
Due From County of Somerset	14,351.00	34,769.00	34,769.00	99,760.00	99,760.00
Due Current Fund	6,240.71			44,098.31	47,735.53
	<u>\$ 361,329.02</u>	<u>\$ 550,200.20</u>	<u>\$ 567,930.82</u>	<u>\$ 624,897.20</u>	<u>\$ 737,919.92</u>
	<u>\$ 400,381.00</u>	<u>\$ 589,252.18</u>	<u>\$ 606,982.80</u>	<u>\$ 658,964.18</u>	<u>\$ 770,484.17</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>					
Assessment Fund:					
Due General Capital Fund	\$ 7,894.34	\$ 7,894.34	\$ 7,894.34	\$ 7,894.34	\$ 7,894.34
Reserve For Assessments	22,802.50	22,802.50	22,802.50	22,802.50	22,802.50
Fund Balance	1,853.61	1,853.61	1,853.61	1,853.61	1,853.61
	<u>\$ 32,550.45</u>	<u>\$ 32,550.45</u>	<u>\$ 32,550.45</u>	<u>\$ 32,550.45</u>	<u>\$ 32,550.45</u>
Animal Control Fund:					
Due Current Fund	\$ 6,501.53	\$ 6,501.53	\$ 6,501.53	\$ 1,501.53	\$
Due State of N.J. Dog Licenses				15.00	13.80
	<u>\$ 6,501.53</u>	<u>\$ 6,501.53</u>	<u>\$ 6,501.53</u>	<u>\$ 1,516.53</u>	<u>\$ 13.80</u>
Other Trust Fund:					
Due Current Fund	\$	\$ 22,462.85	\$ 22,302.92	\$	\$
Due General Capital Fund	20,418.00				
Due Grant Fund	60,000.00				
Reserve for:					
Various Trust Deposits	71,189.33	136,222.26	145,349.93	147,106.97	144,461.48
COAH Deposits	22,704.68	22,704.68	22,704.68	22,704.68	33,314.68
Police Outside Overtime		5,934.28		11,909.00	
Community Development Block Grants	14,351.00	34,769.00	34,769.00	99,760.00	99,760.00
Escrow Deposits	172,666.01	328,107.13	342,804.29	343,416.55	460,383.76
	<u>\$ 361,329.02</u>	<u>\$ 550,200.20</u>	<u>\$ 567,930.82</u>	<u>\$ 624,897.20</u>	<u>\$ 737,919.92</u>
	<u>\$ 400,381.00</u>	<u>\$ 589,252.18</u>	<u>\$ 606,982.80</u>	<u>\$ 658,964.18</u>	<u>\$ 770,484.17</u>

BOROUGH OF SOUTH BOUND BROOK

CAPITAL FUND

BALANCE SHEETS - STATUTORY BASIS

A S S E T S

Cash
Deferred Charges to Future Taxation-Funded:
Funded

	\$	26.33	\$	14,206.32	\$	127,800.60	\$	345,097.12	\$	400,725.60
Unfunded										
Due Current Fund		2,998,507.43		3,128,507.43		3,043,507.43		107,000.00		217,000.00
Grants Receivable		7,463.07		447,746.07		397,746.07		3,140,507.43		3,063,707.43
Due Assessment Trust Fund		344,881.00		544,516.00		617,016.00		397,746.07		
Due Other Trust Fund		7,894.34		7,894.34		7,894.34		271,016.00		628,516.00
		20,418.00						7,894.34		7,894.34
	\$	3,379,190.17	\$	4,142,870.16	\$	4,193,964.44	\$	4,269,260.96	\$	4,317,843.37

LIABILITIES, RESERVES AND FUND BALANCE

Bond Anticipation Notes
General Serial Bonds Payable
Contracts Payable
Reserve for Redevelopment
Capital Improvement Fund
Improvement Authorizations:
Funded
Unfunded
Due Current Fund
Fund Balance

	\$	2,527,724.00	\$	2,657,724.00	\$	2,867,724.00	\$	2,964,724.00	\$	2,692,724.00
		2,000.00		1,500.00		8,160.83		107,000.00		217,000.00
		726.31		726.31		726.31		460.50		27,848.88
		143,315.73		140,315.73		182,315.73		726.31		228.48
								187,315.73		109,515.73
		113,525.24		383,637.53		395,525.94		193,085.75		380,339.56
		521,130.52		862,951.22		648,467.26		737,042.97		774,641.21
										32,376.81
		70,768.37		96,015.37		91,044.37		78,905.70		83,168.70
	\$	3,379,190.17	\$	4,142,870.16	\$	4,193,964.44	\$	4,269,260.96	\$	4,317,843.37

APPENDIX B

PROPOSED FORM OF BOND COUNSEL OPINION

STEVEN L. ROGUT
DANIEL J. McCARTHY
DIANE U. DABULAS

ROGUT McCARTHY LLC

COUNSELLORS AT LAW

37 ALDEN STREET
CRANFORD, NEW JERSEY 07016

Telephone (908) 931-1150
Facsimile (908) 931-1151
Facsimile (908) 653-4832
www.rogutmccarthy.com

ANN S. BEDDINGFIELD, Of Counsel†
NORMAN B. KAUFF, Of Counsel
THOMAS J. BACE††
JOHN P. KAPLAN †††
MARK A. DiPISA

† ADMITTED IN NY, CT AND NC ONLY

†† ALSO ADMITTED IN PA

††† ALSO ADMITTED IN FL AND DC

APPENDIX B

[Proposed Form of Bond Counsel Opinion]

August __, 2010

Borough Council
Borough of South Bound Brook
County of Somerset, New Jersey

Dear Council Members:

We have acted as bond counsel in connection with the issuance of \$2,572,000 aggregate principal amount of General Improvement Bonds (the "Bonds") by the Borough of South Bound Brook, in the County of Somerset, a municipal corporation of the State of New Jersey (the "Borough"). The Bonds are dated August 15, 2010 and comprise an issue of registered bonds. The Bonds bear interest from their date, payable on each February 15 and August 15, commencing February 15, 2011 (each, an "Interest Payment Date"), in each year until maturity.

The Bonds are payable in annual installments on August 15 in each year, and bear interest at the rates per annum, as follows:

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2011	\$110,000	%	2018	\$210,000	%
2012	125,000		2019	220,000	
2013	135,000		2020	220,000	
2014	150,000		2021	220,000	
2015	160,000		2022	220,000	
2016	175,000		2023	220,000	
2017	190,000		2024	217,000	

Borough Council
Borough of South Bound Brook
August __, 2010
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The Bonds are issued pursuant to the Local Bond Law (Chapter 2 of Title 40A of the New Jersey Statutes, as amended) and pursuant to a funding bond ordinance adopted by the Borough Council of the Borough on July 13, 2010 (Ord. No. 2010-004) and resolutions adopted by the Borough Council of the Borough on July 13, 2010.

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds be and remain excluded from gross income of the owners thereof for Federal income tax purposes pursuant to Section 103 of the Code. Such requirements include requirements relating to the use and investment of proceeds of the Bonds and other amounts and to the rebate of certain arbitrage earnings to the United States. Noncompliance by the Borough with such requirements may cause interest on the Bonds to be included in gross income of the owners thereof retroactive to the date of issuance of the Bonds, regardless of when such noncompliance occurs.

The Borough has covenanted, to the extent permitted by the Constitution and the laws of the State of New Jersey, to do and perform all acts and things permitted by law and necessary to assure that interest paid on the Bonds be and remain excluded from gross income of the owners thereof for Federal income tax purposes pursuant to Section 103 of the Code. The Borough's Tax Certificate (the "Tax Certificate"), which will be delivered concurrently with the delivery of the Bonds, will contain provisions and procedures regarding compliance with the requirements of the Code. The Borough, in executing the Tax Certificate, will certify to the effect that the Borough expects and intends to comply with the provisions and procedures contained therein.

As bond counsel, we have examined a certified copy of the funding bond ordinance and resolutions referred to above and related proceedings in connection with the issuance of the Bonds. We have also examined originals (or copies certified or otherwise identified to our satisfaction) of such other instruments, certificates and documents as we have deemed necessary or

Borough Council
Borough of South Bound Brook
August __, 2010
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appropriate for the purpose of the opinion rendered below, including the Tax Certificate executed by the Chief Financial Officer of the Borough of even date herewith. We have assumed the accuracy of the factual information and the truthfulness of the expectations set forth in the Tax Certificate and the exhibits thereto. We have also examined the executed and authenticated first numbered Bond and have assumed that all of the other Bonds have been similarly executed and authenticated. In such examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity to the original documents of all documents submitted to us as copies. As to any facts material to our opinion we have, when relevant facts were not independently established, relied upon the aforesaid instruments, certificates and documents.

We have not prepared nor have we verified the accuracy, completeness or fairness of (i) the information set forth in the Official Statement prepared by the Borough in connection with the sale and issuance of the Bonds, or (ii) other documents of the Borough delivered to the purchasers of the Bonds, and we take no responsibility therefor.

Based on the foregoing, we are of the opinion that:

1. The Bonds have been duly authorized, executed and delivered and constitute valid and legally binding obligations of the Borough enforceable in accordance with their terms, except as enforcement of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium, liquidation or other laws relating to or affecting the enforcement of creditors' rights generally now or hereafter in effect to the extent constitutionally applicable, and enforcement may also be subject to the exercise of judicial discretion in certain cases.

2. The Borough has pledged its full faith and credit for the payment of the principal of and interest on the Bonds, and unless paid from other sources, the Borough is authorized and required by law to levy on all real property taxable by the Borough such ad valorem taxes as may be necessary to pay the Bonds and the interest thereon, without limitation as to rate or amount.

Borough Council
Borough of South Bound Brook
August __, 2010
Page 4

3. Assuming compliance by the Borough with the Tax Certificate, under existing law, interest on the Bonds is excluded from gross income of the owners thereof for Federal income tax purposes pursuant to Section 103 of the Code. In addition, under existing law, interest on the Bonds is not treated as a preference item for purposes of the alternative minimum tax imposed under the Code with respect to individuals and corporations; nor is it included in "adjusted current earnings" for purposes of computing the alternative minimum tax that may be imposed on corporations. In addition, under the New Jersey Gross Income Tax Act, as enacted and construed on the date hereof, interest on the Bonds and any gain from the sale of the Bonds are not includable in gross income of the holders thereof.

Very truly yours,

Rogut McCarthy LLC