

NEW ISSUE

Rating: See "RATING" herein

In the opinion of DeCotiis, FitzPatrick & Cole, LLP, Bond Counsel, assuming continuing compliance by the Township with certain covenants described herein, under current law, interest on the Bonds is not includable in gross income for federal income tax purposes, is not an item of tax preference under Section 57 of the Internal Revenue Code of 1986, as amended, for purposes of computing the federal alternative minimum tax and, pursuant to the American Recovery and Reinvestment Act of 2009, is not included in adjusted current earnings when calculating corporate alternative minimum taxable income. No opinion is expressed regarding other federal tax consequences arising with respect to the Bonds. Further, in the opinion of Bond Counsel, under current law interest, on the Bonds and any gain on the sale thereof are not includable as gross income under the New Jersey Gross Income Tax Act. See "TAX MATTERS" herein.

**TOWNSHIP OF UNION,
IN THE COUNTY OF UNION, NEW JERSEY
\$11,565,000
GENERAL IMPROVEMENT BONDS, SERIES 2010**

Dated: Date of delivery

Due: October 15, as shown below

The \$11,565,000 General Improvement Bonds, Series 2010 (the "Bonds"), of the Township of Union (the "Township") in the County of Union, will be issued in the form of one certificate for the aggregate principal amount of the Bonds maturing in each year and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York. See "Book-Entry Only System" herein. Interest on the Bonds will be payable semiannually on April 15 and October 15, commencing April 15, 2011, until maturity or earlier redemption.

The Bonds are subject to redemption prior to maturity as provided herein.

The Bonds are valid and legally binding obligations of the Township of Union (the "Township") in the County of Union and, unless paid from other sources, are payable from *ad valorem* taxes levied upon all the taxable property within the Township for the payment of the Bonds and the interest thereon without limitation as to rate or amount. The Bonds are not a debt of the State of New Jersey or any political subdivision thereof other than the Township.

This cover page contains certain information for quick reference only. It is not a summary of the issue. Investors must read the entire Official Statement.

MATURITY SCHEDULE, AMOUNTS, INTEREST RATES AND YIELDS

<u>Year</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Year</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield</u>
2011	\$ 50,000			2020	\$650,000		
2012	\$150,000			2021	\$900,000		
2013	\$600,000			2022	\$900,000		
2014	\$600,000			2023	\$900,000		
2015	\$600,000			2024	\$900,000		
2016	\$600,000			2025	\$900,000		
2017	\$625,000			2026	\$900,000		
2018	\$650,000			2027	\$990,000		
2019	\$650,000						

The Bonds are offered when, as and if issued and delivered to the Underwriter, subject to the approving legal opinion of DeCotiis, FitzPatrick & Cole, LLP, Teaneck, New Jersey, Bond Counsel to the Township. Certain legal matters will be passed upon for the Township by its Attorney, Daniel Antonelli, Esq., Union, New Jersey. It is expected that the Bonds will be available in definitive form for delivery to DTC in New York, New York, on or about October 15, 2010.

**BID PROPOSALS WILL BE ACCEPTED ON
OCTOBER 5, 2010, UNTIL 11:00 A.M.
BY ELECTRONIC SUBMISSION
VIA THE PARITY ELECTRONIC BID SYSTEM ("PARITY") OF i-DEAL LLC ("i-DEAL")
OR
ALTERNATIVELY BY SEALED PROPOSAL DELIVERED
TO THE TOWNSHIP CHIEF FINANCIAL OFFICER
AT THE MUNICIPAL BUILDING, 1976 MORRIS AVENUE, UNION, NEW JERSEY 07201
FOR MORE DETAILS ON HOW TO BID ELECTRONICALLY,
REFER TO THE NOTICE OF SALE**

TOWNSHIP OF UNION
COUNTY OF UNION, NEW JERSEY

TOWNSHIP COUNCIL

ANTHONY TERREZZA, MAYOR
CLIFTON PEOPLE, JR.
MANUEL FIGUEIREDO
JOSEPH FLORIO
BRENDA RESTIVO

TOWNSHIP MANAGER

FRANK BRADLEY

TOWNSHIP CLERK

EILEEN BIRCH

CHIEF FINANCIAL OFFICER

DEBRA L. CYBURT

TOWNSHIP ATTORNEY

DANIEL ANTONELLI, ESQ.

AUDITORS

SUPLEE, CLOONEY & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

BOND COUNSEL

DeCOTIIS, FITZPATRICK & COLE, LLP
TEANECK, NEW JERSEY

No broker, dealer, salesperson or other person has been authorized by the Township to give any information or to make any representations with respect to the 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 Township. The information contained herein has been obtained from the Township and other sources which are believed to be reliable; however, such information is not guaranteed as to accuracy or completeness, and is not to be construed as a representation or warranty of the Township. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in any of the information herein since the date hereof or the date as of which such information is given, if earlier.

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

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

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

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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

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**OFFICIAL STATEMENT
OF THE
TOWNSHIP OF UNION
IN THE COUNTY OF UNION, NEW JERSEY**

\$11,565,000 GENERAL IMPROVEMENT BONDS, SERIES 2010

INTRODUCTION

This Official Statement (the "Official Statement"), which includes the cover page and the appendices attached hereto, has been prepared by the Township of Union (the "Township"), in the County of Union (the "County"), State of New Jersey (the "State") in connection with the sale and issuance of its \$11,565,000 General Improvement Bonds, Series 2010 (the "Bonds"), dated the date of delivery thereof. This Official Statement has been executed by and on behalf of the Township by the Township Manager and Chief Financial Officer.

THE BONDS

The Bonds shall be dated their date of delivery and will mature on October 15 of each year and in the principal amounts shown below. The Bonds shall bear interest, calculated on the basis of a 360-day year of twelve 30-day months, from their date, payable on each April 15 and October 15, commencing April 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 each next preceding April 1 and October 1 (the "Record Dates" for the payment of interest on the Bonds).

General Improvement Bonds, Series 2010

<u>YEAR</u>	<u>PRINCIPAL AMOUNT</u>	<u>YEAR</u>	<u>PRINCIPAL AMOUNT</u>
2011	\$ 50,000	2020	\$650,000
2012	150,000	2021	900,000
2013	600,000	2022	900,000
2014	600,000	2023	900,000
2015	600,000	2024	900,000
2016	600,000	2025	900,000
2017	625,000	2026	900,000
2018	650,000	2027	990,000
2019	650,000		

The Bonds are issuable as fully registered book-entry bonds in the form of one certificate for each maturity of the Bonds and in the principal amount of such maturity. The Bonds will be issued in book-entry only form. Investors may purchase beneficial interest in the Bonds in the denomination of \$5,000 or any integral multiple of \$1,000 in excess thereof. So long as DTC or its nominee, Cede & Co. (or any successor or assign), is the registered owner for the Bonds, payments of the principal of and interest on the Bonds will be made by the Township 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" herein.

Optional Redemption Provisions

The Bonds maturing on or before October 15, 2020 are not subject to redemption prior to their stated maturities. The Bonds maturing on or after October 15, 2021 are redeemable at the option of the Township in whole on any date or in part on any interest payment date on or after October 15, 2020, in such order of maturity as decided by the Township, upon notice as required herein at the redemption price of 100% of the principal amount being redeemed, plus accrued interest to the date fixed for redemption.

Notice of Redemption shall be mailed by first class mail in a sealed envelope with postage prepaid to the registered owners of any Bonds or portions thereof which are to be redeemed not less than thirty (30) days nor more than sixty (60) days prior to the date fixed for redemption at their respective addresses as they last appear on the registration books kept for that purpose by the Township or a duly appointed Bond Registrar. So long as DTC (or any successor thereto) acts as Securities Depository for the Bonds, Notice of Redemption shall be sent to such Securities Depository and shall not be sent to the beneficial owners of the Bonds. Any failure of such depository to advise any of its participants or any failure of any participant to notify any beneficial owner of any Notice of Redemption shall not affect the validity of the redemption proceedings. If the Township determines to redeem a portion of the Bonds of a particular maturity, such Bonds shall be selected by the Township by lot.

Optional Redemption Provisions (Continued)

If Notice of Redemption has been given as provided herein, the Bonds or the portion thereof called for redemption shall be due and payable on the date fixed for redemption at the redemption price, together with accrued interest to the date fixed for redemption. Interest shall cease to accrue on the Bonds after the date fixed for redemption.

BOOK-ENTRY-ONLY SYSTEM

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

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). 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.

BOOK-ENTRY-ONLY SYSTEM (CONTINUED)

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, but Beneficial Owners are 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 interest in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

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

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

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

BOOK-ENTRY-ONLY SYSTEM (CONTINUED)

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 Township 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 Township, 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 Township 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 securities depository with respect to the Bonds at any time by giving reasonable notice to the Township or the paying agent, if any. Under such circumstances, in the event that a successor securities depository is not obtained, bond certificates are required to be printed and delivered.

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Township believes to be reliable, but the Township 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 constituting Chapter 2 of Title 40A of the New Jersey Statutes as amended (the "Local Bond Law"). The Bonds are also authorized by bond ordinances adopted by the Township Council (the "Bond Ordinances") and by virtue of a resolution adopted by the Township Council on September 14, 2010.

The Bond Ordinances were 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 each of the Bond Ordinances can be commenced, began to run from the date of the first publication of such statement. The Local Bond Law provides that after issuance all obligations shall be conclusively presumed to be fully authorized and issued by all laws of the State and any person shall be estopped from questioning the sale or the execution or the delivery of the Bonds by the Township.

In accordance with N.J.S.A. 40A:2-26, the Local Finance Board approved the Township's nonconforming maturity schedule for the Bonds on August 26, 2010.

THE PURPOSE OF FINANCING

The proceeds of the Bonds will be used to refund, on a current basis, \$8,882,550.00 of the Township's Bond Anticipation Notes and \$2,682,450.00 of the proceeds will be used to fund the unfinanced portion of various capital projects.

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

<u>ORDINANCE NUMBER</u>	<u>DESCRIPTION</u>	<u>AMOUNT</u>
#4650	Acquisition by Purchase of Certain Improvements	\$ 62,500
#4795	Acquisition by Purchase of Certain Equipment	189,000
#4817	Resurfacing of Valley Street	183,200
#4928	Widening of Elmwood Avenue	925,600
#4937	Stormwater Management Plan	34,000
#4951/#4966	Joint Meeting of Essex/Union Counties Improvements	28,000
#4960	Purchase of Garbage Truck	148,200
#4961	Underground Storage Tank Repairs & Removal	100,500
#4965	Recreation & Park Facilities Improvements	204,000
#4970	Fire Department Equipment	90,000
#5011	Reconstruction of Sections of Lighting Brook	396,000
#5021/#5027	Various Capital Improvements	2,788,000
#5031	Purchase of Equipment and Vehicles	446,500
#5052/#5072	2008 Road Program	3,018,000
#5058/#5134	Playground Improvements	77,000
#5065	Fire Station #2 Parking Lot Improvements	240,000
#5066	Senior Citizen Bus	170,000
#5070	Purchase of Equipment and Vehicles	199,500
#5114	Various Capital Improvements	<u>2,265,000</u>
		<u>\$ 11,565,000</u>

PAYMENT OF AND SECURITY FOR THE BONDS

The Bonds are general obligations of the Township and unless paid from other sources, the Township is authorized and required by law to levy ad valorem taxes on all real property taxable by the Township for the payment of the principal of and interest on the Bonds without limitation as to rate or amount. Payment of such principal and interest, however, is not limited to any particular fund or source of revenue of the Township. The Township is required to include the total amount of interest and debt redemption charges on all of its general obligation indebtedness for the succeeding year in the annual budget.

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

MARKET PROTECTION

During the remainder of the calendar year 2010, the Township does not anticipate issuing additional bonds. Based on the current financial condition of the Township, it is not anticipated that tax anticipation notes will be issued during calendar year 2010. The Township may issue bond anticipation notes during the remainder of 2010 as may be necessary.

QUALIFIED TAX-EXEMPT OBLIGATIONS

The Township intends that the Bonds will be designated as or deemed to be designated as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

GENERAL INFORMATION

FORM OF GOVERNMENT

Location and Area

The Township of Union, incorporated in 1808, is located fifteen miles from New York City in eastern Union County. Union Township, which is approximately nine square miles in area, lies adjacent to Elizabeth, Maplewood, Millburn, Irvington, Hillside, Springfield, Kenilworth and Roselle Park. While Union is predominantly a residential community of owner-occupied single dwellings, it also has several garden apartment complexes, modern shopping centers and substantial industrial areas.

The Garden State Parkway and Routes Nos. 22, 24, 78 and 82 run through Union Township; the New Jersey Turnpike passes within three miles of the Township. These roadways connect the Township with the metropolitan area of New York and provide access to other commercial centers on the East Coast. The Newark International Airport lies within five miles of the Township as does the marine terminal of Port Elizabeth. Both of these easily accessible facilities provide the Township with direct access to the world's market places.

Form of Government

The form of government found in the Township of Union is that of a Township Committee composed of five members elected for three year terms. Each member is elected at large by the people of the Township. A full-time Municipal Administrator handles day-to-day operations.

FINANCIAL INSTITUTIONS

The financial needs of the Township are served by the following financial institutions:

Wachovia
The Union Center National Bank
Union County Savings Bank
Valley National Bank
Investors Savings Bank
Sovereign Bank
Hudson County Savings Bank
Chase Manhattan Bank
Bank of America
Independence Bank
New York Community Bank
Commerce Bank
Unity Bank
Synergy Bank

UNEMPLOYMENT RATES

According to the State of New Jersey, Department of Labor and Industry, the estimated unemployment rates for 2009 were as follows:

Township of Union	9.1%
County of Union	9.5%
State of New Jersey	9.7%

VALUE OF BUILDING PERMITS ISSUED

<u>YEAR</u>	<u>AMOUNT</u>
2009	\$29,439,113.00
2008	45,005,283.00
2007	38,371,375.00
2006	71,793,154.00
2005	27,126,512.00

Source: Township Construction Code Official

POPULATION

2000	54,405
1990	50,124
1980	50,154
1970	53,077
1960	51,499

Source: United States Bureau of the Census

LARGER TAXPAYERS OF THE TOWNSHIP

<u>Taxpayer</u>	<u>Type of Business</u>	2010 <u>Assessed Valuation</u>
Schering Corporation	Pharmaceutical Complex	\$27,328,600
Union Mill Run, LLC	Apartment Complex	10,450,000
McMinn-L. Robbins, Trustee	Shopping Center	9,126,200
Union VF, LLC	Shopping Center	9,076,000
Union 22 Plaza	Shopping Center	8,928,600
VNO 2445 Springfield Ave.	Home Depot	6,948,000
Bed, Bath & Beyond	Office & Warehouse	4,010,000
Liberty Hall Joint Venture	Office Buildings	3,855,600
Target Corp.	Target Store	3,808,000
Dayton Hudson Corp.	Retail Center	3,631,000

Source: 2010 Township Assessor's Field Book

FINANCIAL INFORMATION

DEBT STATEMENTS

The Township 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 Township 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 Township as of the previous December 31. Through the Annual and Supplemental Debt Statements, the Division monitors all local borrowing.

DEBT INCURRING CAPACITY AS OF DECEMBER 31, 2009

Municipal:

1. Equalized Valuations (last three years average)	\$7,591,866,976.
2. 3-1/2% Borrowing Margin	265,715,344.
3. Net Debt Issued and Outstanding and Authorized But Not Issued	37,069,973.
4. Excess School Borrowing	-0-
5. Total Charges to Borrowing Margin	37,069,973.
6. Remaining Municipal Borrowing (line 2 minus line 5) Capacity	228,645,371.

TOWNSHIP OF UNION

STATEMENT OF INDEBTEDNESS

AS OF DECEMBER 31, 2009

Gross Debt:

Local School District Debt:

Serial Bonds Issued and
Outstanding

\$ 29,717,000

Authorized But Not Issued

538

\$ 29,717,538

Sewer Utility Debt:

Issued and Outstanding:

Loan Payable

\$ 26,635

Authorized But Not Issued

183,467

1,865,102

Municipal Debt:

Issued and Outstanding:

Serial Bonds

\$ 22,795,000

Bond Anticipation Notes

9,596,000 (1)

Green Trust Loan

973,141

NJ Infrastructure Trust Loan

1,271,893

Authorized But Not Issued

2,926,316

37,562,350

Total Gross Debt

\$ 69,144,990

Less:

Statutory Deductions:

Local School District Debt

\$ 29,717,538

Sewer Utility

1,865,102

Municipal

492,377

32,075,017

Statutory Net Debt

\$ 37,069,973

Average Equalized Valuation of

Real Property (Years 2007, 2008, 2009)

\$ 7,591,866,976

Statutory Net Debt Percentage

0.48%

(1) To Be Paid From:

Proceeds of Bonds

\$ 8,882,550

Cash on Hand

563,450

Bond Anticipation Notes

150,000

\$ 9,596,000

TOWNSHIP OF UNION

STATISTICS ON DEBT

Gross Debt (Municipal and School)	\$69,144,990.00
Overlapping Debt - County of Union	<u>62,474,108.00</u>
Gross Debt	\$131,619,098.00
Statutory Debt	37,069,973.00
Net Debt and Overlapping Debt	99,544,081.00
Gross Debt Per Capita - Based on 2000 Population	2,419
Net Debt and Overlapping Debt Per Capita - Based on 2000 Population	1,830
Gross Debt As a Percentage of Net Valuation Taxable for 2010	8.01%
Net Debt Statutory Percentage	0.488%
Average Equalized Valuations	\$7,591,866,976.00

OVERLAPPING DEBT
AS OF DECEMBER 31, 2009

The overlapping debt of the Township was as follows:

	<u>GROSS DEBT</u>	<u>TOWNSHIP SHARE</u>	<u>AMOUNT</u>
County of Union	\$638,142,064.00	9.79%	<u>\$62,474,108.00</u>

GROSS AND STATUTORY NET DEBT
AS OF DECEMBER 31
(EXCLUSIVE OF OVERLAPPING DEBT)

<u>YEAR</u>	<u>GROSS DEBT</u>		<u>NET DEBT</u>	
	<u>AMOUNT</u>	<u>PERCENTAGES*</u>	<u>AMOUNT</u>	<u>PERCENTAGES*</u>
2009	\$69,144,990.00	0.91%	\$37,069,973.00	0.48%
2008	68,665,947.00	0.91%	37,698,999.00	0.50%
2007	66,927,432.00	0.95%	34,926,734.00	0.49%
2006	68,726,587.49	1.08%	33,295,698.18	0.53%
2005	63,405,035.80	1.12%	29,422,497.80	0.52%

* Of Average Equalized Valuations

SCHEDULE OF ANNUAL DEBT SERVICE FOR PRINCIPAL AND INTEREST
FOR GENERAL BONDED DEBT OUTSTANDING AS OF DECEMBER 31, 2009

LOCAL SCHOOL DISTRICT

<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
\$1,175,000.00	\$1,397,881.25	2,572,881.25
1,240,000.00	1,347,756.25	2,587,756.25
1,310,000.00	1,292,593.75	2,602,593.75
1,375,000.00	1,232,068.75	2,607,068.75
1,450,000.00	1,164,568.75	2,614,568.75
1,520,000.00	1,093,443.75	2,613,443.75
1,600,000.00	1,018,943.75	2,618,943.75
1,670,000.00	940,568.75	2,610,568.75
1,750,000.00	858,818.75	2,608,818.75
1,805,000.00	773,787.50	2,578,787.50
1,830,000.00	686,662.50	2,516,662.50
1,865,000.00	598,287.50	2,463,287.50
1,905,000.00	508,162.50	2,413,162.50
1,940,000.00	416,037.50	2,356,037.50
1,250,000.00	322,162.50	1,572,162.50
1,250,000.00	262,787.50	1,512,787.50
1,200,000.00	204,600.00	1,404,600.00
1,200,000.00	147,600.00	1,347,600.00
1,200,000.00	89,100.00	1,289,100.00
1,182,000.00	29,550.00	1,211,550.00
<hr/>	<hr/>	<hr/>
\$29,717,000.00	\$14,385,381.25	\$44,102,381.25

TOWNSHIP OF UNION

SCHEDULE OF ANNUAL DEBT SERVICE FOR PRINCIPAL AND INTEREST
FOR GREEN ACRES LOANS AS OF DECEMBER 31, 2009

CALENDAR YEAR	GREEN ACRES LOAN		TOTAL
	PRINCIPAL	INTEREST	
2010	\$100,092.40	\$18,964.85	\$119,057.25
2011	102,104.27	16,953.00	119,057.27
2012	104,156.55	14,900.71	119,057.26
2013	106,250.11	12,807.14	119,057.25
2014	108,385.74	10,671.52	119,057.26
2015	110,565.29	8,492.97	119,058.26
2016	112,786.62	6,270.61	119,057.23
2017	26,648.15	4,443.44	31,091.59
2018	27,183.78	3,907.82	31,091.60
2019	27,730.18	3,361.42	31,091.60
2020	28,287.50	2,804.05	31,091.55
2021	28,856.13	2,235.46	31,091.59
2022	29,436.13	1,655.45	31,091.58
2023	30,027.80	1,063.79	31,091.59
2024	30,631.36	460.23	31,091.59
	<u>\$973,142.01</u>	<u>\$108,992.46</u>	<u>\$1,082,134.47</u>

NEW JERSEY INFRASTRUCTURE LOAN PROGRAM

CALENDAR YEAR	PRINCIPAL	INTEREST	TOTAL
2008	\$73,983.10	\$16,506.26	\$90,489.36
2009	72,859.84	15,906.26	88,766.10
2010	71,736.57	15,306.26	87,042.83
2011	70,613.31	14,706.26	85,319.57
2012	69,209.22	13,956.26	83,165.48
2013	67,805.14	13,206.26	81,011.40
2014	66,401.06	12,456.26	78,857.32
2015	79,357.52	11,706.26	91,063.78
2016	77,485.41	10,706.26	88,191.67
2017	75,613.31	9,706.26	85,319.57
2018	74,115.62	8,906.26	83,021.88
2019	72,617.93	8,106.26	80,724.19
2020	71,120.25	7,306.26	78,426.51
2021	69,622.56	6,506.26	76,128.82
2022	82,438.61	5,681.26	88,119.87
2023	80,508.00	4,650.00	85,158.00
2024	78,518.89	3,587.50	82,106.39
2025	76,178.75	2,337.50	78,516.25
2026	88,550.38	1,275.00	89,825.38
	<u>\$1,418,735.47</u>	<u>\$182,518.90</u>	<u>\$1,601,254.37</u>

TOWNSHIP LEASE PURCHASE TRANSACTIONS

Union County Improvement Authority

The Township has entered in to the following agreements with the Union County Improvement Authority to lease purchase various capital items as follows:

<u>Purpose</u>	<u>Date</u>	<u>Amount</u>
Capital Equipment	September 15, 2001	\$1,533,940.00
Train Station Redevelopment	July 1, 2003	\$9,699,429.74
Capital Equipment & Infrastructure	April 15, 2003	\$1,069,143.00
Capital Equipment	December 1, 2004	\$ 939,832.61
Capital Equipment	October 13, 2006	\$1,080,000.00

The projects to be funded include the purchase of vehicles and equipment and the improvement of certain facilities.

In accordance with the terms of the lease agreements, the Township will be obligated to make the following rental payments.

<u>Year</u>	<u>Capital Equipment Lease - 2006</u>	<u>Capital Equipment Lease - 2004</u>	<u>Capital Equipment Lease - 2003</u>	<u>Capital Equipment Lease - 2003</u>	<u>Capital Equipment Lease - 2001</u>	<u>Total</u>
2010	\$130,640.34	\$28,814.66	\$460,612.50	\$22,773.00	\$78,685.00	\$721,525.50
2011	127,178.86	28,056.10	457,452.50	22,195.00	74,577.00	709,459.46
2012	86,382.76	26,976.55	457,652.50	21,580.00		592,591.81
2013	84,064.82	26,097.74	457,452.50	20,420.00		588,035.06
2014	81,592.30	25,398.83	456,852.50			563,843.63
2015	79,119.80		460,852.50			539,972.30
2016	76,647.30		458,962.50			535,609.80
2017	74,174.80		458,212.50			532,387.30
2018	71,702.30		456,675.00			528,377.30
2019	69,229.80		459,350.00			528,579.80
2020	66,757.30		460,975.00			527,732.30
2021	64,284.80		456,550.00			520,834.80
2022			456,337.50			456,337.50
2023			452,575.00			452,575.00
	<u>\$1,011,775.18</u>	<u>\$135,343.88</u>	<u>\$6,410,512.50</u>	<u>\$86,968.00</u>	<u>\$153,262.00</u>	<u>\$7,797,861.56</u>

TOWNSHIP OF UNION

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	\$5,192,200	\$742,566,000	\$189,280,800	\$97,427,400	\$20,856,400	\$1,055,322,800
2008	7,689,100	741,040,200	190,999,300	100,159,600	20,913,700	1,060,801,900
2007	4,417,900	739,367,800	194,116,500	102,058,600	21,539,000	1,061,499,800
2006	4,310,000	737,126,500	196,306,400	103,873,900	21,474,800	1,063,091,600
2005	6,160,100	733,541,200	197,028,500	104,566,600	21,290,000	1,062,586,400

Source: County of Union Board of Taxation Abstract of Ratable

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	\$1,056,883,138	\$1,532,838	\$1,058,415,976	14.41%	\$7,325,268,438
2008	1,062,297,870	1,495,970	1,063,793,840	13.70%	7,744,575,532
2007	1,063,084,867	\$1,585,067	\$1,064,669,934	13.77%	7,710,370,833
2006	1,064,998,290	1,906,690	1,066,904,980	14.98%	7,098,646,343
2005	1,067,462,900	2,213,576	1,069,676,476	16.89%	6,293,429,680

Source: State of New Jersey, Department of Treasury, Division of Taxation, Certification of the Table of Equalized Valuations.

TOWNSHIP OF UNION
MUNICIPAL PROPERTY TAX LEVIES AND COLLECTIONS

<u>YEAR</u>	<u>TOTAL LEVY</u>	<u>COLLECTION DURING YEAR OF LEVY</u>	
		<u>AMOUNT</u>	<u>PERCENTAGE</u>
2009	\$162,482,513	\$159,046,705	97.88%
2008	159,565,425	156,461,222	98.05%
2007	154,081,787	151,141,859	98.09%
2006	148,866,256	145,777,442	97.92%
2005	138,381,484	135,201,861	97.70%

TAX REQUIREMENTS -
MUNICIPAL AND OVERLAPPING GOVERNMENTS

<u>YEAR</u>	<u>TOTAL TAX REQUIREMENTS</u>	<u>LOCAL PURPOSES</u>	<u>LOCAL SCHOOL</u>	<u>COUNTY</u>	<u>SPECIAL IMPROVEMENT DISTRICT</u>
2009	\$162,342,411	\$59,886,755	\$74,922,558	\$27,389,098	\$144,000
2008	159,231,841	57,876,394	74,490,593	26,720,854	144,000
2007	153,728,445	54,110,460	74,577,529	24,896,456	144,000
2006	148,866,256	52,323,636	71,378,983	25,019,638	144,000
2005	138,381,484	48,410,681	66,102,634	23,724,169	144,000

TOWNSHIP OF UNION
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	\$6,756	\$3,315,829	\$3,322,585	2.04%
2008	6,403	2,967,642	2,974,045	1.86%
2007	6,059	2,776,440	2,782,500	1.88%
2006	5,727	2,875,978	2,881,705	2.08%
2005	5,407	3,199,424	3,204,831	2.32%

ASSESSED VALUATIONS OF PROPERTY OWNED
BY THE TOWNSHIP - ACQUIRED BY TAXES

<u>YEAR</u>	<u>AMOUNT</u>
2009	\$129,414
2008	129,414
2007	129,414
2006	129,414
2005	129,414

TOWNSHIP OF UNION

COMPONENTS OF REAL ESTATE TAX RATE
(PER \$100. OF ASSESSMENT)

<u>YEAR</u>	<u>TOTAL</u>	<u>MUNICIPAL</u>	<u>LOCAL SCHOOL</u>	<u>COUNTY</u>
2009	\$15.347	\$5.667	\$7.089	\$2.591
2008	\$14.976	\$5.449	\$7.013	\$2.514
2007	\$14.448	\$5.090	\$7.016	\$2.342
2006	\$13.925	\$4.880	\$6.703	\$2.342
2005	\$12.942	\$4.513	\$6.208	\$2.221

COMPARATIVE SCHEDULE OF FUND BALANCES

	<u>YEAR</u>	<u>FUND BALANCE DECEMBER 31</u>	<u>UTILIZED IN BUDGET OF SUCCEEDING YEAR</u>
Current Fund	2009	\$9,071,972.84	\$5,500,000.00
	2008	8,759,032.70	5,500,000.00
	2007	12,046,069.93	8,000,000.00
	2006	10,991,357.47	5,250,000.00
	2005	7,132,922.52	4,100,000.00

TOWNSHIP OF UNION

2010 ADOPTED MUNICIPAL BUDGET

CURRENT FUND

Anticipated Revenues:	
Fund Balance	\$5,500,000.00
Miscellaneous Revenues:	
State and Federal Aid	6,137,868.00
Other	5,930,558.04
Receipts From Delinquent Taxes	2,700,000.00
Amount to be Raised by Taxation for Municipal Purposes	<u>62,109,707.04</u>
<u>Total Anticipated Revenues</u>	<u><u>\$82,378,133.08</u></u>

Appropriations:	
Within "Caps":	
Operations	\$63,238,494.63
Pensions, Social Security, Unemployment Contributions	4,613,084.13
Excluded From "CAPS":	
Operations	6,005,444.00
Capital Improvements	50,000.00
Municipal Debt Service	4,276,110.32
Reserve for Uncollected Taxes	<u>4,195,000.00</u>
<u>Total Appropriations</u>	<u><u>\$82,378,133.08</u></u>

EDUCATIONAL SERVICES

The School District, a Type II District, is an independent legal entity under the laws of New Jersey and is coterminous with the Township. The School District is administered by a nine (9) member Board with members elected for staggered three (3) year terms as per State statute. The Board appoints a Superintendent and Board Secretary.

The School District provides a full range of educational services appropriate to grades K through 12, including regular as well as special education, and consists of seven (7) elementary schools, two (2) junior high schools and one (1) senior high school. Current student enrollment is 8,050.

Kean University, located in the Township, is a liberal arts, four year state university which offers programs in Management Science, Public Administration and Teaching Science.

Every board of education is required by State statute to provide an annual audit of the district's accounts and financial transactions. The audit must be performed by a licensed public school accountant within four months of the end of the school fiscal year. This audit, in conformity with statutory requirements, must be filed with the State Commissioner of Education. Additionally, the audit must be summarized and discussed at a regular public meeting of the local board of education within 40 days of its completion.

PROVISIONS OF CERTAIN STATUTES WITH RESPECT TO GENERAL OBLIGATION DEBT

Local Bond Law (N.J.S. 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 a 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 Township has deducted its proportionate share of the full amount of authorized School Debt. The Township's ratio of statutory net debt to its average equalized valuation as of December 31, 2009 is .48% compared to a statutory limit of 3.5%.

Exceptions to Debt Limits - Extensions of Credit

The debt limit of a municipality may be exceeded with the approval of the Local Finance Board, in the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Board"), 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 Board for an extension of credit. If the 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 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 four (4) months (May 1) in the next following fiscal year from the date of original issuance. Beginning in the third year, the amount of notes that may be issued is decreased by the minimum amount required for the first year's principal payment for a bond issue.

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 will be in excess of the school district debt limit and the remaining borrowing capacity of the municipality, the State Commissioner of Education and the Board must approve the proposed authorization before it is submitted to the voters.

The Municipal Finance Commission (N.J.S. 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 Board. Several elements of the local finance system are intended to prevent default on obligations or 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 Municipal Finance Commission (N.J.S. 52-27-1 et seq.) (Continued)

The Municipal Finance Commission exercises direct supervision over the finances and accounts of any local unit under its jurisdiction. Such Commission is authorized to appoint an auditor to examine and approve all claims against the municipality and to serve as comptroller for that community. The Commission is also directed to supervise tax collections and assessments, to approve the funding of municipal school district indebtedness, the adjustment or composition of the claims of creditors, and the readjustment of debts under the Federal Bankruptcy Act. Such Act was substantially revised in 1976 so as to permit municipalities to have access to bankruptcy court for protection against suits by bondholders and without prior warranty for creditor's approvals in cases of impending default.

The 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.

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

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

The 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.

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.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. Tax anticipation notes are limited in amount by law and must be paid off in full by a municipality within one hundred and twenty days after the close of the fiscal year.

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."

Miscellaneous Revenues (Continued)

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. Grant revenue is generally not realized, however, until received in cash.

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 delinquent property taxes. N.J.S.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:

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

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 in excess of 3% of the total current and utility operating appropriations in the budget year must be approved by the Director.

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, master plan preparations, drainage map preparation for flood control purposes and employee severance liabilities which may be amortized over five years. There is currently no appropriations deferred to subsequent budget years.

Budget Transfers

Budget transfers provide a degree of flexibility and afford a control mechanism. Transfers between major appropriation accounts are prohibited until the last two months of the year and, although 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 Township's fiscal year is the calendar year. Chapter 75 of the Pamphlet Laws of 1991 of the State requires municipalities with populations in excess of 35,000 or which received Municipal Revitalization Aid from the State in 1990 or 1991 to change their fiscal year from the calendar year to the State fiscal year (July 1 to June 30), unless an exemption is granted. Municipalities not meeting the criteria for a mandatory change have the option to choose to change to the State fiscal year. N.J.S.A. 40A:4-31 was amended by P.L. 2000, Ch. 126, to eliminate the criteria for a mandatory change to the State fiscal year. The Township did not meet the criteria to change to the State fiscal year and does not presently intend to optionally make such a change in the future.

Budget Process

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

Limitations on Municipal Expenditures and Local Unit Tax Levy

Chapter 68 of the Pamphlet Laws of 1976 of the State of New Jersey, as amended and supplemented (the "CAP Law"), imposed restrictions upon the allowable annual increase in appropriations by municipalities for certain purposes. Chapter 89 of the Pamphlet Laws of 1990 of the State of New Jersey, applicable to municipal budgets beginning in 1991, made the CAP Law permanent.

Important changes were made to the municipal budget cap laws as part of the State of New Jersey's 2005 FY budget. Chapter 75 of the Pamphlet Laws of 2004 made substantial amendments to cap exceptions, the index rate, cap increases and cap banking, effective with the 2005 SFY budgets. The yearly increase in appropriations is limited to the lesser of the cost-of-living adjustment (COLA) at a maximum of 2.5%, or when the COLA is less than or equal to 2.5% the municipality may increase its inside-the-cap spending to 3.5% upon passage of a COLA Rate Ordinance. This yearly increase is multiplied by the prior year's final appropriations subject to certain modifications. The Township's increase for the 2010 SFY was 3.5%. The Township's 2010 SFY budget was within the statutory calculation of "CAP".

Limitations on Municipal Expenditures and Local Unit Tax Levy (Continued)

Chapter 62 of the Pamphlet Laws of 2007 imposed restrictions upon the allowable annual increase in the tax levy. In general, starting with the Fiscal 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 percent (4%) (but not in excess of the increases in the 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 questions 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.

This legislation has now been amended by P.L. 2010, c. 44, approved July 13, 2010 and applicable to the next local budget year following enactment to limit tax levy increases for those local units to 2% with exceptions only for capital expenditures including debt service, increases in pension contributions and accrued liability for pension contributions in excess of 2%, certain healthcare increases, extraordinary costs directly related to a declared emergency and amounts approved by a simple majority of voters voting at a special election. Chapter 44 eliminates the process for obtaining waivers for additional spending under the tax levy limitation.

For municipalities, the levy cap is in addition to the CAP Law appropriation cap; both cap laws must be met.

The Division of Local Government Services developed procedures implementing the tax levy cap law.

Protection of Municipal Funds and Investment Policy

The Township complies with the State statutory and regulatory requirements for the deposit and investment of public monies. The Township on a daily basis deposits cash receipts in institutions located in New Jersey which are approved by the State and are insured by the Federal Deposit Insurance Corporation or by other agencies of the United States (although the amount of the Township's deposit may exceed the insurance coverage limits) or in the State of New Jersey Cash Management Fund. The Cash Management Fund, which was established in 1977, is a short term investment pool for the State and its cities, towns and school districts. The investments held by the Cash Management Fund must have average maturities not exceeding one year. The types of investments are regulated by the State Investment Council. The regulations allow investment in repurchase agreements with the purchased securities held by a custodian.

Protection of Municipal Funds and Investment Policy (Continued)

In addition to making deposits with the above described financial institutions, pursuant to N.J.S.A.40A:5-15.1, the Township is permitted to purchase the following types of securities as investments:

- a. Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- b. Government money market mutual funds;
- c. 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;
- d. 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;
- e. Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investment of the Department of the Treasury for investment by local units;
- f. Local government investment pools;
- g. Deposits with the State of New Jersey Cash Management Fund; or
- h. Subject to statutory requirements, agreements for the repurchase of fully collateralized securities.

Compliance with the State statutes may not assure that the Township's investments will have the liquidity, security or adequate deposit insurance to protect the Township's investments against all losses. For example, the relevant deposit statute, N.J.S.A.17:9-44, only requires public depository banks to maintain collateral for deposits of public funds exceeding insurance limits (\$100,000) generally equal to five percent of the average daily balance of public funds. Additionally, the State has the power to require that all banks holding public funds contribute amounts sufficient to reimburse an eligible municipality if any bank holding public funds becomes insolvent. However, it is unclear how quickly other state-qualified depositories could act to reimburse an exposed municipality through the State supervised program which may result in limited liquidity and a shortage of cash for the Township and other municipalities in the State. Furthermore, it is currently unclear whether the State of New Jersey Cash Management Fund could maintain sufficient liquidity during a period of economic stress if many municipalities including the Township sought the immediate return of cash.

2010 CAPITAL BUDGET AND CAPITAL IMPROVEMENT PROGRAM

This material is included with the Annual Budget pursuant to N.J.A.C. 5:30-4. It does not in itself confer any authorization to raise or expend funds. Rather, it is a document used as part of the local unit's planning and management program. Specific authorization to expend funds for purposes described in this section must be granted elsewhere, by a separate bond ordinance, by inclusion of a line item in the Capital Improvement Section of the budget, by an ordinance appropriating the money from the Capital Improvement Fund, or other lawful means.

Summary of the 2010 Adopted Capital Budget

2010 Capital Program:

Total Estimated Project Costs	\$ 1,745,000.
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Planned Funding:

Capital Improvement Fund	\$ 87,250.
Grants	.
Debt to be Authorized	<u>1,657,750.</u>

Six Year Capital Program	\$ 1,745,000.
--------------------------	---------------

Total Estimated Project Costs:

2010	\$ 1,745,000.
2011	675,000.
2012	550,000.
2013	250,000.
2014	250,000.
2015	<u>250,000.</u>

Total	\$ 3,720,000.
-------	---------------

Planned Funding:

Capital Improvement Fund	\$ 186,000.
Grants	.
Debt to be Authorized	<u>3,534,000.</u>

\$ 3,720,000.

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 Township, 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 Township. Annually, all properties with unpaid taxes for the previous year are placed in a tax sale in accordance with the State Statutes. Annual in rem tax foreclosure proceedings are instituted to enforce the tax collection or acquisition of title to the property by the Township.

The last all-inclusive tax sale of unpaid delinquent taxes and assessments was held by the Township on October 22, 2009.

Tax Appeals

The State Statutes provide a taxpayer with remedial procedures for appealing an assessment deemed excessive. The taxpayer has a right to petition the Union County Tax Board on or before the first day of April of the current tax year for review. The Union 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 Union County Tax Board, appeal may be made to the New Jersey Tax Court. 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. 40A:5-1 et seq.)

This law regulates the nonbudgetary 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 Township 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

The Township has covenanted to comply with any continuing requirements that may be necessary to preserve the exclusion from gross income for purposes of federal income taxation of interest on the Bonds under the Internal Revenue Code of 1986, as amended ("Code"). Failure to comply with certain requirements of the Code could cause interest on the Bonds to be includable in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. In the opinion of DeCotiis, FitzPatrick & Cole, LLP, Bond Counsel, to be delivered at the time of original issuance of the Bonds, assuming continuing compliance by the Township with certain covenants described herein, under current law, interest on the Bonds is not includable in gross income for federal income tax purposes and is not an item of tax preference under Section 57 of the Code for purposes of computing the federal alternative minimum tax and, pursuant to the American Recovery and Reinvestment Act of 2009, is not included in adjusted current earnings when calculating corporate alternative minimum taxable income. No opinion is expressed regarding other federal tax consequences or other federal taxes arising with respect to the Bonds.

The Code imposes certain significant ongoing requirements that must be met after the issuance and delivery of the Bonds in order to assure that the interest on the Bonds will be and remain excludable from gross income for federal income tax purposes. These requirements include, but are not limited to, requirements relating to use and expenditure of proceeds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on investments of gross proceeds of the Bonds be rebated to the federal government. Noncompliance with such requirements may cause interest on the Bonds to become subject to federal income taxation retroactive to their date of issuance, regardless of the date on which such noncompliance occurs or is discovered. The Township has covenanted that it shall do and perform all acts permitted by law that are necessary or desirable to assure that interest on the Bonds will be and will remain excluded from gross income for federal income tax purposes. The Township will deliver its Arbitrage and Tax Certificate concurrently with the issuance of the Bonds, which will contain provisions relating to compliance with the requirements of the Code, including certain covenants in that regard by the Township. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Township in connection with the Bonds, and Bond Counsel has assumed compliance by the Township with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Bonds from gross income under Section 103 of the Code.

In the opinion of Bond Counsel, under current law, interest on the Bonds and any gain on the sale thereof are not includable as gross income under the New Jersey Gross Income Tax Act.

The opinions of Bond Counsel are limited to and based upon the laws and judicial decisions of the State and the federal laws and judicial decisions of the United States of America as of the date of the opinions, and are subject to any amendment, repeal or other modification of the applicable laws or judicial decisions that served as the basis for their opinions or to any laws or judicial decisions hereafter enacted or rendered. Bond Counsel assumes no obligation to update its opinions after the issue date to reflect any future action, fact or circumstance, or change in law or interpretation, or otherwise. Bond Counsel expresses no opinion on the effect of any action taken after the date of the opinions or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for federal income tax purposes of interest on the Bonds.

Alternative Minimum Tax. Section 55 of the Code provides that an alternative minimum tax is imposed on corporations at a rate of 20 percent. For purposes of the corporate alternative minimum tax, the Code includes an increase adjustment for computation of the alternative minimum tax consisting generally of 75 percent of the amount by which "adjusted current earnings" exceeds alternative minimum taxable income (computed without regard to this adjustment and the alternative tax net operating loss deduction). Pursuant to the American Recovery and Reinvestment Act of 2009, interest on the Bonds is not subject to the alternative minimum tax on the increase adjustment described above.

Bank Qualification. The Bonds will be designated as qualified under Section 265 of the Code by the Township for an exemption from the denial of deduction for interest paid by financial institutions to purchase or to carry tax-exempt obligations.

Branch Profits Tax. Section 884 of the Code imposes on foreign corporations a branch profits tax equal to 30 percent of the "dividend equivalent amount" for the taxable year, unless modified, reduced or eliminated by income tax treaty in certain instances. Interest on the Bonds received or accrued by a foreign corporation subject to the branch profits tax may be included in computing the "dividend equivalent amount" of such corporation for purposes of the branch profits tax.

S Corporation Tax. Section 1375 of the Code imposes a tax on the "excess net passive income" of certain S corporations with passive investment income in excess of 25 percent of gross receipts for a taxable year. The U.S. Department of Treasury has issued regulations indicating that interest on tax-exempt bonds, such as the Bonds, held by an S corporation would be included in the calculation of excess net passive income.

Other Federal Tax Consequences. Owners of the Bonds should be aware that the ownership of tax-exempt obligations may result in other collateral federal income tax consequences to certain taxpayers, including property and casualty insurance companies, individual recipients of Social Security and Railroad Retirement benefits, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or to carry tax-exempt obligations. Owners of each of the Bonds should consult their own tax advisors as to the applicability and the effect on their federal income taxes of the alternative minimum tax, the branch profits tax and the tax on S corporations, as well as the applicability and the effect of any other federal income tax consequences.

Possible Government Action. Legislation affecting municipal bonds is regularly under consideration by the United States Congress. In addition, the Internal Revenue Service ("IRS") has established an expanded audit program for tax-exempt bonds. There can be no assurance that legislation enacted or proposed or an audit initiated or concluded by the IRS after the issue date of the Bonds involving either the Bonds or other tax-exempt bonds will not have an adverse effect on the tax-exempt status or market price of the Bonds.

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

MUNICIPAL BANKRUPTCY

The Federal Bankruptcy Code permits a municipality or agency that is unable to meet its debts to file a petition for bankruptcy for the purpose of filing a plan to adjust its debts. The petition stays any judicial or other proceeding against the public body. The plan must be approved by creditors holding at least two-thirds of the amount of debts, and more than one-half of the creditors of the bankrupt municipality.

The State of New Jersey has authorized political subdivisions thereof to file such petitions for relief under the Code pursuant to and subject to Article 8 of the New Jersey Municipal Finance Commission Act. That Act provides such petitions may not be filed without the prior approval of the Municipal Finance Commission and that no plan of adjustment of the debt of a municipality may be filed or accepted by the petitioner without express authority from the Commission to do so. It is unclear whether or not the provision of the Act requiring that the plan or adjustment be approved by the Municipal Finance Commission is enforceable.

The above references to the Federal Bankruptcy Code are not to be construed as an indication that the Township expects to resort to the provisions of the Federal Bankruptcy Code or that, if it did, such action would be approved by the Municipal Finance Commission, or how any proposed plan would affect the source of payment of and security for the Bonds.

LITIGATION

There is at present no single action pending or threatened against the Township to the knowledge of the Township Attorney, which would impose an undue financial burden on the Township. In New Jersey's courts of general jurisdiction, unliquidated money damages are pleaded generally without specifying a dollar amount. The Township is a party-defendant in certain law suits, none of a kind unusual for a municipality of its size, and none of which, in the opinion of the Township Attorney, would adversely impair the Township's ability to pay its bondholders. All of the Township's tort actions are being defended by an insurance company as well as by the insurance underwriters. Pending municipal real estate appeals are limited in number and, based upon the Township's prior experience in tax appeals, and assuming that such tax appeals are resolved adversely to the interest of the Township, such resolution would not in any way endanger the Township's ability to pay its bondholders.

Upon delivery of the Bonds, the Township shall furnish certificates of the Township Attorney, dated the date of delivery of the Bonds, to the effect that there is no litigation of any nature pending, or to his knowledge, threatened to restrain or enjoin the issuance, sale, execution or delivery of the Bonds, or in any way contesting or affecting the validity of the Bonds or any of the proceedings taken with respect to the issuance or sale thereof or the application of monies to the payment of Bonds.

The certificate of the Township Attorney described above shall also state that there is no litigation of any nature now pending or, to his knowledge, threatened by or against the Township, wherein an adverse judgement or ruling could have a material adverse impact on the financial condition of the Township or adversely affect the power of the Township to levy, collect and enforce the collection of taxes or other revenues for the payment of its bonds and notes, which has not been disclosed in this Official Statement.

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 Township, including the Bonds, and such bonds are authorized security for any and all public deposits.

RATING

The Township has applied for a rating on the Bonds from Standard and Poors U.S. Public Finance Ratings, Inc. ("S&P").

An explanation of the significance of such rating may be obtained from S&P at 55 Water Street, New York, New York 10041. The Township furnished to S&P certain information and materials concerning the Bonds and the Township. There can be no assurance that the rating will be maintained for any given period of time or that the rating may not be lowered or withdrawn entirely, if, in S&P's judgment, circumstances so warrant. Any downward change in, or withdrawal of such rating, may have an adverse effect on the marketability or market price of the Bonds.

UNDERWRITING

The Bonds will be purchased at public sale from the Township by the purchaser (the "Underwriter") at a price of \$_____.

LEGAL MATTERS

Legality of the Bonds will be subject to the final approving opinion of the law firm of DeCotiis, FitzPatrick & Cole, LLP, Teaneck, New Jersey. Such opinion will be to the effect that the Bonds are valid and legally binding obligations of the Township and unless paid from other sources, are payable from ad valorem taxes levied upon all real property therein without limitation as to rate or amount. The form of the opinion of Bond Counsel is included as Appendix B hereto.

CONTINUING DISCLOSURE

The Township has covenanted for the benefit of the holders and beneficial owners of the Bonds to provide certain financial information and operating data relating to the Township by no later than nine (9) months after the end of each fiscal year, commencing with the fiscal year ending December 31, 2010 (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events, if material. The Annual Report will be filed by the Township with the Municipal Securities Rulemaking Board (the "MSRB"). The notices of material events will be filed by the Township with the MSRB. The specific nature of the information to be contained in the Annual Report or the notices of material events is set forth in "APPENDIX C - Form of Continuing Disclosure Certificate." These covenants have been made in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5). The Township has never failed to comply in all material respects with any previous undertakings with regard to said Rule to provide annual reports or notices of material events. With respect to the Bonds, the Township expects to file its Annual Report and any notice of occurrence of the enumerated events with the MSRB's Electronic Municipal Market Access System ("EMMA") (<http://emma.msrb.org>).

MISCELLANEOUS

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

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

ADDITIONAL INFORMATION

Additional information may be obtained from the office of the Township Chief Financial Officer, at (908) 851-5455.

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 Township considers to be reliable and the Township makes no warranty, guaranty or other representation with respect to the accuracy and completeness of such information.

DeCotiis, FitzPatrick & Cole, LLP, has not participated in the preparation of this Official Statement or statistical information contained in this Official Statement, nor has it verified the accuracy, completeness or fairness thereof, and, accordingly, expresses no opinion or other assurance with respect thereto.

APPROVAL OF OFFICIAL STATEMENT

Prior to the delivery of the Bonds, the Township Council will have adopted a resolution authorizing the execution and distribution of this Official Statement.

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

TOWNSHIP OF UNION

By: _____
Frank Bradley
Township Manager

By: _____
Debra L. Cyburt
Chief Financial Officer

Dated:

APPENDIX A

FINANCIAL STATEMENTS OF THE
TOWNSHIP OF UNION



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 Township Committee
Township of Union
County of Union
Union, New Jersey 07083

We have audited the accompanying financial statements - statutory basis of the various individual funds and the account group of the Township of Union, County of Union, 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 Township of Union, County of Union. 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 and the provisions of U.S. Office of Management and Budget (OMB) Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations." 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 Township of Union, County of Union, 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 Township of Union 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 U.S. generally accepted accounting principles, the financial position of the various individual funds of the Township of Union, County of Union, 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 Township of Union, County of Union, 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.

In accordance with Government Auditing Standards, we have also issued our report dated August 15, 2010 on our consideration of the Township of Union's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

SUPLEE, CLOONEY & COMPANY

Certified Public Accountants

/s/ Robert B. Cagnassola

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

August 15, 2010

TOWNSHIP OF UNION

CURRENT FUND

BALANCE SHEETS - STATUTORY BASIS

	BALANCE DECEMBER <u>31, 2009</u>	BALANCE DECEMBER <u>31, 2008</u>
<u>ASSETS</u>		
Cash	\$ 18,787,543.44	\$ 17,963,164.67
Change Fund	525.00	525.00
Grants Receivable	117,592.83	185,375.09
	<u>\$ 18,905,661.27</u>	<u>\$ 18,149,064.76</u>
Receivables and Acquired Property with Full Reserves:		
Delinquent Property Taxes Receivable	\$ 3,315,829.36	\$ 2,967,642.34
Tax Title Liens Receivable	6,756.91	6,403.93
Property Acquired for Taxes - Assessed Valuation	129,413.94	129,413.94
Revenue Accounts Receivable	153,950.27	206,562.50
Other Liens	16,600.00	16,600.00
Interfunds Receivable	6,545.46	25,519.35
Prepaid School Tax	736,640.00	111,640.00
	<u>\$ 4,365,735.94</u>	<u>\$ 3,463,782.06</u>
	<u>\$ 23,271,397.21</u>	<u>\$ 21,612,846.82</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Liabilities:		
Due State of New Jersey - Senior Citizens Deductions	\$ 133,703.37	\$ 124,125.34
Interfunds Payable	283,419.39	96,496.45
Appropriation Reserves	3,812,780.58	3,849,767.76
Accounts Payable	1,841,338.90	2,390,584.98
Prepaid Taxes	905,616.07	630,178.43
Tax Overpayments	120,370.66	280,047.71
Added County Tax Payable	23,357.05	55,488.86
Reserve For:		
Sale of Municipal Assets	45,151.78	49,689.19
Redemption of Outside Liens	2,809.28	1,793.85
State Tax Appeals	1,259,275.70	1,310,408.07
Grants - Unappropriated	60,051.38	73,524.17
Grants - Appropriated	400,215.02	282,328.00
Deposits on Sale of Property	1,000.00	1,000.00
Retirement	944,599.25	244,599.25
	<u>\$ 9,833,688.43</u>	<u>\$ 9,390,032.06</u>
Reserve for Receivables and Other Assets	4,365,735.94	3,463,782.06
Fund Balance	<u>9,071,972.84</u>	<u>8,759,032.70</u>
	<u>\$ 23,271,397.21</u>	<u>\$ 21,612,846.82</u>

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

TOWNSHIP OF UNION

CURRENT FUND

STATEMENTS OF OPERATIONS AND
CHANGE IN FUND BALANCE - STATUTORY BASIS

	YEAR ENDED DECEMBER 31, 2009	YEAR ENDED DECEMBER 31, 2008
<u>REVENUE AND OTHER INCOME REALIZED</u>		
Fund Balance Utilized	\$ 5,500,000.00	\$ 8,000,000.00
Miscellaneous Revenue Anticipated	13,002,759.43	13,567,060.00
Receipts From Delinquent Taxes	2,960,756.98	2,819,705.91
Receipts From Current Taxes	158,946,705.30	156,461,222.75
Non-Budget Revenue	749,072.82	1,025,731.22
Other Credits to Income:		
Unexpended Balance of Appropriation Reserves	2,993,807.78	1,712,315.76
Interfunds Returned	18,973.89	448.94
Accounts Payable Cancelled	496,119.11	
<u>TOTAL REVENUE AND OTHER INCOME</u>	<u>184,668,195.31</u>	<u>183,586,484.58</u>
<u>EXPENDITURES</u>		
Budget and Emergency Appropriations:		
Operations Within "CAPS"	64,072,725.00	63,121,157.15
Deferred Charges and Statutory Expenditures-Municipal	4,374,807.89	1,725,584.57
Other Operations Excluded from "CAPS"	2,581,523.00	7,633,405.04
State and Federal Programs Off-Set by Revenues	468,423.82	407,131.59
Capital Improvements	125,000.00	250,000.00
Municipal Debt Service	4,230,089.87	4,132,359.73
Special District Taxes	144,000.00	144,000.00
County Tax	27,389,097.66	26,720,854.89
County Share of Added Taxes	23,357.05	55,488.86
Local District School Tax	74,706,575.50	74,534,061.00
Reserve for Prepaid School Tax	736,640.00	111,640.00
Grants Receivable Cancelled - Net		2,182.39
Interfunds Originating		15,179.25
Refund of Prior Year Revenue	3,015.38	20,477.34
<u>TOTAL EXPENDITURES</u>	<u>178,855,255.17</u>	<u>178,873,521.81</u>
Excess in Revenue	5,812,940.14	4,712,962.77
<u>Fund Balance</u>		
Balance, January 1	8,759,032.70	12,046,069.93
	<u>14,571,972.84</u>	<u>16,759,032.70</u>
Decreased by:		
Utilization as Anticipated Revenue	5,500,000.00	8,000,000.00
Fund Balance, December 31	<u>\$ 9,071,972.84</u>	<u>\$ 8,759,032.70</u>

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

TOWNSHIP OF UNION

TRUST FUND

BALANCE SHEETS - STATUTORY BASIS

	BALANCE DECEMBER 31, 2009	BALANCE DECEMBER 31, 2008
<u>ASSETS</u>		
Animal Control Fund:		
Cash	\$ 55,147.89	\$ 49,112.16
Due State Department of Health	176.40	
	<u>\$ 55,324.29</u>	<u>\$ 49,112.16</u>
Other Funds:		
Cash	\$ 3,865,414.47	\$ 5,695,719.58
Community Development Block Grants Receivable	1,125,347.36	808,011.66
	<u>\$ 4,990,761.83</u>	<u>\$ 6,503,731.24</u>
	<u>\$ 5,046,086.12</u>	<u>\$ 6,552,843.40</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Animal Control Fund:		
Due Current Fund	\$ 5,074.08	\$ 21,681.71
Reserve for Animal Control Expenditures	50,250.21	27,307.45
Due State Department of Health		123.00
	<u>\$ 55,324.29</u>	<u>\$ 49,112.16</u>
Other Funds:		
Due Current Fund	\$ 1,471.38	\$
Reserves For:		
Premium on Tax Sale	613,550.00	1,435,542.90
Special Law Enforcement Trust	43,016.66	50,143.61
Community Development Block Grant Loan Repayment	236,941.75	250,079.17
Due to HUD - Refunds	2,075.10	2,075.10
Community Development Block Grants - Escrow	141,824.89	112,526.85
Various Deposits	2,899,525.23	3,672,468.50
State Unemployment Insurance	61,567.72	81,509.13
Community Development Block Grants	928,091.29	668,773.14
Section 8 Housing	24,644.55	191,159.58
Fund Balance	38,053.26	39,453.26
	<u>\$ 4,990,761.83</u>	<u>\$ 6,503,731.24</u>
	<u>\$ 5,046,086.12</u>	<u>\$ 6,552,843.40</u>

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

TOWNSHIP OF UNION

GENERAL CAPITAL FUND

BALANCE SHEETS - STATUTORY BASIS

	BALANCE DECEMBER 31, 2009	BALANCE DECEMBER 31, 2008
<u>ASSETS</u>		
Cash	\$ 735,307.37	\$ 1,792,638.17
Deferred Charges to Future Taxation:		
Funded	25,040,033.59	27,281,013.62
Unfunded	12,101,189.08	10,417,985.76
Cancellation of Accounts Receivable	30,000.00	30,000.00
Due Current Fund	1,152.46	
Grants Receivable	797,402.25	619,750.00
Due Sewer Utility Capital Fund	709,686.46	248,696.50
Community Development Block Grants Receivable	9,500.00	9,500.00
	<u>\$ 39,424,271.21</u>	<u>\$ 40,399,584.05</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Serial Bonds Payable	\$ 22,795,000.00	\$ 24,865,000.00
Bond Anticipation Notes	9,596,000.00	6,514,000.00
Green Trust Loan Payable	973,141.06	1,071,261.25
N.J. Environmental Infrastructure Trust Loan Payable	1,271,892.53	1,344,752.37
Contracts Payable	460,297.44	1,267,410.15
Due Current Fund		3,837.64
Reserve for Infrastructure Trust	852.91	852.91
Capital Improvement Fund	162,579.97	166,299.97
Improvement Authorizations:		
Funded	621,643.84	1,381,815.65
Unfunded	2,820,294.20	3,289,189.16
Fund Balance	<u>722,569.26</u>	<u>495,164.95</u>
	<u>\$ 39,424,271.21</u>	<u>\$ 40,399,584.05</u>

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

TOWNSHIP OF UNION
GENERAL CAPITAL FUND
STATEMENT OF CAPITAL FUND BALANCE - STATUTORY BASIS

Balance, December 31, 2008		\$	495,164.95
Increased by:			
Premium on Bond Anticipation Note	\$	51,655.27	
Improvement Authorizations Cancelled		<u>698,162.32</u>	
			<u>749,817.59</u>
			1,244,982.54
Decreased by:			
2009 Current Budget Appropriation		125,000.00	
Improvement Authorization Authorized		<u>397,413.28</u>	
			<u>522,413.28</u>
Balance, December 31, 2009		\$	<u><u>722,569.26</u></u>

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

TOWNSHIP OF UNION

SEWER UTILITY FUND

BALANCE SHEETS - STATUTORY BASIS

	BALANCE DECEMBER 31, 2009	BALANCE DECEMBER 31, 2008
<u>ASSETS</u>		
<u>OPERATING FUND:</u>		
Cash	\$ 497,030.42	\$ 1,785,817.39
Change Fund	200.00	200.00
Due Current Fund	<u>282,266.93</u>	<u>96,496.45</u>
	\$ <u>779,497.35</u>	\$ <u>1,882,513.84</u>
Receivables with Full Reserves:		
Consumer Accounts Receivable	\$ <u>333,652.50</u>	\$ <u>503,296.91</u>
	\$ <u>333,652.50</u>	\$ <u>503,296.91</u>
<u>TOTAL OPERATING FUND</u>	\$ <u>1,113,149.85</u>	\$ <u>2,385,810.75</u>
<u>CAPITAL FUND:</u>		
Fixed Capital	\$ 1,805,298.70	\$ 1,690,457.86
Fixed Capital Authorized and Uncompleted	1,645,000.00	790,000.00
Due Sewer Utility Operating Fund	<u>90.00</u>	<u>90.00</u>
	\$ <u>3,450,388.70</u>	\$ <u>2,480,547.86</u>
	\$ <u>4,563,538.55</u>	\$ <u>4,866,358.61</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
<u>OPERATING FUND:</u>		
Liabilities:		
Appropriation Reserves	\$ 327,891.89	\$ 1,079,151.05
Sewer Use Overpayments	6,600.97	2,225.64
Accounts Payable	19,685.60	10,805.95
Accrued Interest		2,767.89
Due Sewer Utility Capital Fund	<u>90.00</u>	<u>90.00</u>
	\$ <u>354,268.46</u>	\$ <u>1,095,040.53</u>
Reserve for Receivables	333,652.50	503,296.91
Fund Balance	<u>425,228.89</u>	<u>787,473.31</u>
<u>TOTAL OPERATING FUND</u>	\$ <u>1,113,149.85</u>	\$ <u>2,385,810.75</u>
<u>CAPITAL FUND:</u>		
Due General Capital Fund	\$ 709,686.46	\$ 248,696.50
Loan Payable	26,634.54	45,943.15
Capital Improvement Fund	90.00	90.00
Contracts Payable	91,395.18	5,480.34
Improvement Authorizations - Unfunded	1,031,951.81	609,015.77
Reserve For:		
Amortization	1,590,356.46	1,571,047.85
Fund Balance	<u>274.25</u>	<u>274.25</u>
<u>TOTAL CAPITAL FUND</u>	\$ <u>3,450,388.70</u>	\$ <u>2,480,547.86</u>
	\$ <u>4,563,538.55</u>	\$ <u>4,866,358.61</u>

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

TOWNSHIP OF UNION

SEWER UTILITY FUND

STATEMENTS OF OPERATIONS
AND CHANGE IN OPERATING FUND BALANCE - STATUTORY BASIS

	YEAR ENDED DECEMBER 31, 2009	YEAR ENDED DECEMBER 31, 2008
<u>REVENUE AND OTHER INCOME REALIZED</u>		
Fund Balance	\$ 700,000.00	\$ 1,000,000.00
Sewer Use Charges	4,691,337.92	4,703,744.46
Joint Meeting Refund	148,133.18	176,257.65
Miscellaneous	57,242.83	88,996.54
Other Credits to Income:		
Unexpended Balance of Appropriation Reserves	107,674.52	143,327.66
Accrued Interest on Loan Cancelled	3,078.63	
	<u>5,707,467.08</u>	<u>6,112,326.31</u>
<u>TOTAL INCOME</u>	\$ <u>5,707,467.08</u>	\$ <u>6,112,326.31</u>
<u>EXPENDITURES</u>		
Operating	\$ 4,011,880.00	\$ 4,012,477.50
Capital Improvements	1,026,922.50	1,076,922.50
Deferred Charges and Statutory Expenditures	85,000.00	85,000.00
Debt Service	20,909.00	20,599.97
Surplus (General Budget)	<u>225,000.00</u>	<u>225,000.00</u>
<u>TOTAL EXPENDITURES</u>	\$ <u>5,369,711.50</u>	\$ <u>5,419,999.97</u>
Excess in Revenue	337,755.58	692,326.34
Balance, January 1	\$ <u>787,473.31</u>	\$ <u>1,095,146.97</u>
	1,125,228.89	1,787,473.31
Decreased by:		
Utilization as Anticipated Revenue	<u>700,000.00</u>	<u>1,000,000.00</u>
Fund Balance, December 31	\$ <u><u>425,228.89</u></u>	\$ <u><u>787,473.31</u></u>

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

TOWNSHIP OF UNION
PUBLIC ASSISTANCE TRUST FUND
BALANCE SHEETS - STATUTORY BASIS

	BALANCE DECEMBER <u>31, 2009</u>	BALANCE DECEMBER <u>31, 2008</u>
<u>ASSETS</u>		
Cash - Director of Welfare - Special Accounts	\$ <u>11,059.14</u>	\$ <u>11,162.46</u>
	\$ <u><u>11,059.14</u></u>	\$ <u><u>11,162.46</u></u>
<u>LIABILITIES</u>		
Reserve for Director of Welfare - Special Accounts	\$ <u>11,059.14</u>	\$ <u>11,162.46</u>
	\$ <u><u>11,059.14</u></u>	\$ <u><u>11,162.46</u></u>

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

TOWNSHIP OF UNION

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Township of Union is an instrumentality of the State of New Jersey established to function as a municipality. The Township Committee consists of elected officials and is responsible for the fiscal control of the Township.

Except as noted below, the financial statements of the Township of Union include every board, body, officer or commission supported and maintained wholly or in part by funds appropriated by the Township of Union, as required by N.J.S.A. 40A:5-5. Accordingly, the financial statements of the Township of Union do not include the operations of the municipal library or the local school district, inasmuch as their activities are administered by separate boards.

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 Township of Union 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 Township of Union 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 of self-balancing accounts established to record the financial position and results of operation of a specific governmental activity. As required by the Division of Local Government Services, the Township 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 and state grant funds.

Trust Fund – receipts, custodianship and disbursements of funds in accordance with the purpose of 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.

Sewer Operating and Capital Funds – account for the operations and acquisition of capital facilities of the municipally-owned sewer utility.

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

General Fixed Assets Account Group – utilized to account for property, land, buildings and equipment that have 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. Federal and state grants are realized as revenue when anticipated in the Township's budget. Receivables for property taxes are recorded with offsetting reserves on the balance sheet of the Township's Current Fund; accordingly, such amounts are not recorded as revenue until collected. Other amounts that are due the Township 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 issuance 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 Township'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.

Inventories of Supplies - the cost of inventories of supplies for all funds are recorded as expenditures at the time individual items are purchased. The cost of inventories 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

General Fixed Assets – New Jersey Administrative Code (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 Township as part of its basic financial statements. General fixed assets are defined as nonexpendable personal property having a physical existence, a useful life of more than one year and an acquisition cost of \$1,000.00 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. No depreciation has been provided on general fixed assets or reported in the financial statements.

The Township 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. Land is stated at the assessed value contained in the Township's most recent property revaluation. Buildings are stated at the most recent insurance replacement value. General Fixed Assets that have been acquired and are utilized in a governmental fund operation are accounted for in the General Fixed Assets Account Group rather than in a governmental fund.

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

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

Fixed Capital - Sewer Utility

Accounting for utility fund "fixed capital" remains unchanged under the requirements of N.J.A.C. 5:30- 5.6.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

Fixed Capital- Sewer Utility (Continued)

Property and equipment purchased by the Sewer Utility Fund are recorded in the capital account at cost and are adjusted for disposition and abandonment. The amounts shown do not purport to represent reproduction costs or current value. The fixed capital reported is as taken from the municipal records and does not necessarily reflect the true condition of such fixed capital. Contributions in aid of construction are not capitalized. The balance in the Reserve for Amortization account in the utility capital fund represent charges to operations for the cost of acquisitions of property, equipment and improvements. The utility does not record depreciation on fixed assets.

D. Basic Financial Statements

The GASB codification also defines the financial statements of a governmental unit to be presented in the general purpose financial statements to be in accordance with GAAP. The Township presents the financial statements 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 Township considers petty cash, change funds, cash in banks and certificates of deposit 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.

NOTE 2: CASH AND CASH EQUIVALENTS (CONTINUED)

A. Deposits (Continued)

The Township of Union had the following cash and cash equivalents at December 31, 2009:

<u>Fund</u>	<u>Cash in Bank</u>	<u>Deposit in Transit</u>	<u>Outstanding Checks</u>	<u>Change Funds</u>	<u>Total</u>
Checking Accounts	\$25,508,051.50	\$2,579,486.93	\$4,136,035.70		\$23,951,502.73
Change Funds				\$725.00	725.00
	<u>\$25,508,051.50</u>	<u>\$2,579,486.93</u>	<u>\$4,136,035.70</u>	<u>\$725.00</u>	<u>\$23,952,227.73</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 Township 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 of \$25,508,051.50, \$500,000.00 was covered by Federal Depository Insurance and \$25,008,051.50 was covered under the provisions of NJGUDPA.

B. Investments

The investments which may be purchased by the Township 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.

NOTE 2: CASH AND CASH EQUIVALENTS (CONTINUED)

B. Investments (Continued)

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;
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 Township of Union had no investments outstanding at December 31, 2009.

Based upon the limitations set forth by New Jersey Statutes 40A:5-15.1 and existing investment practices, the Township generally is not exposed to credit risk, custodial credit risk, concentration of credit risk 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 Township are general obligation bonds, backed by the full faith and credit of the Township. 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.

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

	<u>YEAR 2009</u>	<u>YEAR 2008</u>	<u>YEAR 2007</u>
Issued:			
General:			
Bonds, Notes and Loans	\$34,636,033.59	\$33,795,013.62	\$29,610,748.09
Sewer Utility:			
Bonds and Loans	<u>26,634.54</u>	<u>45,943.15</u>	<u>65,693.12</u>
Net Debt Issued	\$34,662,668.13	\$33,840,956.77	\$29,676,441.21
Less: Cash on Hands to Pay Notes	492,377.30		\$14,000.00
Other Deductions			695,000.00
	<u>\$34,170,290.83</u>	<u>\$33,840,956.77</u>	<u>\$28,967,441.21</u>
<u>Authorized But Not Issued</u>			
General:			
Bonds and Notes	\$2,997,566.38	\$3,903,985.76	\$8,097,958.50
Sewer Utility:			
Bonds and Notes and Loans	<u>1,833,307.70</u>	<u>863,466.86</u>	<u>73,466.86</u>
Total Authorized But Not Issued	<u>\$4,830,874.08</u>	<u>\$4,767,452.62</u>	<u>\$8,171,425.36</u>
Net Bonds and Notes Issued and and Authorized But Not Issued	<u>\$38,974,530.37</u>	<u>\$38,608,409.39</u>	<u>\$37,138,866.57</u>

NOTE 3: LONG-TERM DEBT (CONTINUED)

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 0.48%.

	<u>GROSS DEBT</u>	<u>DEDUCTIONS</u>	<u>NET DEBT</u>
Local School District Debt	\$29,717,538.00	\$29,717,538.00	\$ -0-
Sewer Utility Debt	1,865,101.40	1,865,101.40	-0-
General Debt	<u>37,633,599.97</u>	<u>492,377.30</u>	<u>\$37,141,222.67</u>
	<u>\$69,216,239.37</u>	<u>\$32,075,016.70</u>	<u>\$37,141,222.67</u>

NET DEBT \$37,141,222.67 DIVIDED BY EQUALIZED VALUATION BASIS PER N.J.S.40A:2-2, AS AMENDED, \$7,591,866,976.00 EQUALS 0.48%.

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

Equalized Valuation Basis* - December 31, 2009	\$7,591,866,976.00
3-1/2 of Equalized Valuation Basis	265,715,344.16
Net Debt	<u>37,141,222.67</u>
Remaining Borrowing Power	<u>\$ 228,574,121.49</u>

*Equalized Valuation Basis is the average of the equalized valuation of real estate, including improvements, and the assessed valuation of Class II Rail Road Property of the Township of Union for the last three (3) preceding years.

CALCULATION OF "SELF-LIQUIDATING PURPOSE"
SEWER UTILITY PER N.J.S.40A:2-45

Surplus Anticipated and Total Cash Receipts from Fees, Rents, or Other Charges for the Year	\$ 5,392,126.09
Deductions:	
Operating and Maintenance Cost	\$ 4,096,880.00
Debt Service	<u>20,909.00</u>
Total Deductions	<u>4,117,789.00</u>
Excess in Revenue	<u>\$ 1,274,337.09</u>

NOTE 3: LONG-TERM DEBT (CONTINUED)

SCHEDULE OF ANNUAL DEBT SERVICE FOR PRINCIPAL AND INTEREST
FOR BONDED DEBT ISSUED AND OUTSTANDING AS OF DECEMBER 31, 2009

CALENDAR YEAR	<u>GENERAL</u>		<u>TOTAL</u>
	<u>PRINCIPAL</u>	<u>INTEREST</u>	
2010	\$2,275,000.00	\$855,356.13	\$3,130,356.13
2011	2,370,000.00	769,911.63	3,139,911.63
2012	2,445,000.00	679,883.25	3,124,883.25
2013	1,435,000.00	591,647.25	2,026,647.25
2014	1,440,000.00	537,233.50	1,977,233.50
2015	1,450,000.00	482,353.00	1,932,353.00
2016	1,460,000.00	426,943.50	1,886,943.50
2017	1,465,000.00	370,187.25	1,835,187.25
2018	1,475,000.00	312,084.25	1,787,084.25
2019	1,500,000.00	252,580.25	1,752,580.25
2020	1,510,000.00	191,543.25	1,701,543.25
2021	720,000.00	145,413.25	865,413.25
2022	650,000.00	117,000.00	767,000.00
2023	650,000.00	91,000.00	741,000.00
2024	650,000.00	65,000.00	715,000.00
2025	650,000.00	39,000.00	689,000.00
2026	650,000.00	13,000.00	663,000.00
	<u>\$22,795,000.00</u>	<u>\$5,940,136.51</u>	<u>\$28,735,136.51</u>

NOTE 3: LONG-TERM DEBT (CONTINUED)

The General Improvement, Early Retirement and Refunding Bonds are comprised of the following issues:

<u>ISSUE</u>	<u>OUTSTANDING BALANCE DECEMBER 2009</u>
\$7,998,000.00 in General Obligation Bonds dated December 1, 1996, due in remaining installments ranging between \$595,000.00 and \$600,000.00 beginning December 1, 2010 and ending December 1, 2012 with interest of 5.00%	\$ 1,795,000.00
\$700,000.00 in Pension Refunding Bonds dated April 1, 2003, due in remaining installments ranging between \$10,000.00 and \$105,000.00 beginning April 1, 2010 and ending April 1, 2021 with interest ranging between 3.66% and 5.93%	680,000.00
\$5,730,000.00 in General Refunding Bonds dated April 1, 2004, due in remaining installments ranging between \$775,000.00 and \$835,000.00 beginning March 15, 2010 and ending March 15, 2012 with interest ranging between 2.70% and 2.90%	2,390,000.00
\$9,975,000.00 in General Obligation Bonds dated April 1, 2005, due in remaining installments ranging between \$525,000.00 and \$800,000.00 beginning January 15, 2010 and ending January 15, 2020 with interest ranging between 3.625% and 3.90%	8,050,000.00
\$9,880,000.00 in General Obligation Bonds dated June 15, 2009, due in remaining installments ranging between \$320,000.00 and \$650,000.00 beginning February 1, 2010 and ending February 1, 2026 with interest ranging between 3.625% and 4.00%	<u>9,880,000.00</u>
	<u>\$22,795,000.00</u>

BOND ANTICIPATION NOTES

	<u>Interest Rate</u>	<u>Issue & Maturity Dates</u>	<u>Amount</u>
General Capital	2.00%	08/07/09-08/6/10	<u>\$9,596,000.00</u>

NOTE 3: LONG-TERM DEBT (CONTINUED)

BONDS AND NOTES AUTHORIZED BUT NOT ISSUED

At December 31, 2009, the Township has authorized but not issued bonds and notes as follows:

General Capital Fund	<u>\$ 2,997,566.38</u>
Sewer Utility Operating Fund	<u>\$ 1,833,307.70</u>

In addition, the Township has entered into two Green Trust Loan Agreements with the State of New Jersey for the Voorhees Park acquisition project. Loan Number 2019-93-100 dated September 9, 1997 is for \$1,384,784.25 with annual Principal and Interest Payment totaling \$87,965.66 beginning 09/16/07 and ending 09/16/16. Loan Number 2019-95-129 dated March 16, 2006 is for \$500,000.00, with annual principal and interest payments totaling \$31,019.59 beginning 03/16/08 and ending 03/16/24. Both loans are at an interest rate of 2.00%.

Following are the maturities and debt schedule for the outstanding principal and interest on the loans:

CALENDAR YEAR	<u>GREEN ACRES LOANS</u>		
	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2010	\$100,092.40	\$18,964.85	\$119,057.25
2011	102,104.27	16,953.00	119,057.27
2012	104,156.55	14,900.71	119,057.26
2013	106,250.11	12,807.14	119,057.25
2014	108,385.74	10,671.52	119,057.26
2015	110,564.29	8,492.97	119,057.26
2016	112,786.62	6,270.61	119,057.23
2017	26,648.15	4,443.44	31,091.59
2018	27,183.78	3,907.82	31,091.60
2019	27,730.18	3,361.42	31,091.60
2020	28,287.55	2,804.05	31,091.60
2021	28,856.13	2,235.46	31,091.59
2022	29,436.13	1,655.45	31,091.58
2023	30,027.80	1,063.79	31,091.59
2024	30,631.36	460.23	31,091.59
	<u>\$973,141.06</u>	<u>\$108,992.46</u>	<u>\$1,082,133.52</u>

NOTE 3: LONG-TERM DEBT (CONTINUED)

The Township has also entered into two New Jersey Environmental Infrastructure Trust Fund Loan Agreements with the State of New Jersey for Sewer Infrastructure improvements through the Joint Meeting of Essex and Union Counties. The first loan, reflected in the Sewer Utility Operating Fund, totaled \$173,591.00, was dated October 15, 2001 and bears the following maturities for the outstanding principal and interest on the loan:

CALENDAR YEAR	N. J. ENVIRONMENTAL INFRASTRUCTURE TRUST FUND LOAN		
	PRINCIPAL	INTEREST	TOTAL
2010	\$16,634.47	\$1,100.00	\$17,734.47
2011	<u>10,000.00</u>	<u>550.00</u>	<u>10,550.00</u>
	<u>\$26,634.47</u>	<u>\$1,650.00</u>	<u>\$28,284.47</u>

The second loan, reflected in the General Capital Fund, totaled \$1,443,800.00, was dated November 9, 2006 and bears the following maturities for the outstanding principal and interest on the loan:

CALENDAR YEAR	N. J. ENVIRONMENTAL INFRASTRUCTURE TRUST FUND LOAN		
	PRINCIPAL	INTEREST	TOTAL
2010	\$ 71,736.57	\$ 15,306.26	\$ 87,042.83
2011	70,613.31	14,706.26	85,319.57
2012	69,209.22	13,956.26	83,165.48
2013	67,805.14	13,206.26	81,011.40
2014	66,401.06	12,456.26	78,857.32
2015	79,357.52	11,706.26	91,063.78
2016	77,485.41	10,706.26	88,191.67
2017	75,613.31	9,706.26	85,319.57
2018	74,115.62	8,906.26	83,021.88
2019	72,617.93	8,106.26	80,724.19
2020	71,120.25	7,306.26	78,426.51
2021	69,622.56	6,506.26	76,128.82
2022	82,438.61	5,681.26	88,119.87
2023	80,508.00	4,650.00	85,158.00
2024	78,518.89	3,587.50	82,106.39
2025	76,178.75	2,337.50	78,516.25
2026	<u>88,550.38</u>	<u>1,275.00</u>	<u>89,825.38</u>
	<u>\$1,271,892.53</u>	<u>\$150,106.38</u>	<u>\$1,421,998.91</u>

NOTE 4: SCHOOL TAXES

Local district taxes have been raised and liabilities deferred by statute, resulting in the school taxes payable set forth in the Current Fund liabilities as follows:

	Local District School Tax	
	Balance <u>December 31, 2009</u>	Balance <u>December 31, 2008</u>
Balance of Tax	\$36,724,639.00	\$37,133,656.50
Deferred	<u>37,461,279.00</u>	<u>37,245,296.50</u>
Tax Prepaid	<u>\$ (736,640.00)</u>	<u>\$ (111,640.00)</u>

NOTE 5: 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, 2009 were as follows:

Current Fund	\$5,500,000.00
Sewer Utility Operating Fund	\$ 425,000.00
General Capital Fund (Anticipated as Revenue - Current Fund)	\$ 425,000.00

NOTE 7: 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 Township bills and collects its own property taxes and also the taxes for the County and the Local School District. The collections and remittance of county and school taxes are accounted for in the Current Fund. Township property tax revenues are recognized when collected in cash and any receivables are recorded with offsetting reserves on the balance sheet of the Township'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 31, <u>2009</u>	BALANCE DECEMBER 31, <u>2008</u>
Prepaid Taxes	<u>\$905,616.07</u>	<u>\$630,178.43</u>

NOTE 8: PENSION PLANS

Township 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, the Consolidated Police and Firemen's Pension Fund of New Jersey and the 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 Township's share of pension costs, which is based upon the annual billings received from the State, amounted to \$3,107,703.41 for 2009, \$5,193,928.35 for 2008 and \$3,399,915.42 for 2007.

Certain Township employees are also covered by the 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 9: COMPENSATED ABSENCES

Under the existing policy of the Township, employees are allowed to accumulate unused vacation and sick pay, which may be taken as time off, or paid at a later date, at an agreed upon rate. It is estimated that the current cost of such unpaid compensation would approximate \$11,312,770.72. 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 10: LITIGATION

The Township is involved in several pending legal proceedings, the impact on the financial statements of which, either individually or in the aggregate, in the opinion of the Township's legal counsel would not be material.

NOTE 11: CONTINGENT LIABILITIES

Federal and State Programs

The Township participates in several federal and state financial assistance grant programs. Entitlement to the funds is generally conditional upon compliance with terms and conditions of the grant agreement and applicable regulations, including the expenditure of funds for eligible purpose. The state and federal grants received and expended in 2009 were subject to the Single Audit Act Amendments of 1996 and State of New Jersey OMB Circular 04-04, which mandates that grant revenues and expenditures be audited in conjunction with the Township's annual audit.

Findings and questioned costs, if any, relative to federal and state financial assistance programs will be discussed in detail in Part II, Schedule of Findings and Questioned Costs. In addition, these programs are also subject to compliance and financial audits by the grantors or their representatives. As of December 31, 2009, the Township does not believe that any material liabilities will result from such audits.

Pension Contribution Deferral

The State of New Jersey has enacted Public Law 2009, C.19, which authorizes the State Department of Treasury, Division of Pensions and Benefits to provide non-state contributing employers the option of paying an amount that represents a fifty percent (50%) reduction of the normal and accrued liability payment of the required contributions to the Police and Fire Retirement System (PFRS) and the Public Employees Retirement System (PERS) which would have been due April 1, 2009. If the deferral is elected, the amount deferred must be repaid, with interest, over a period of fifteen years, beginning in April, 2012; however, the contributing employer is permitted to pay off the obligation at any time by contacting the Division of Pension and Benefits for a payoff amount. In 2009 the Township of Union elected to defer a portion of its pension contributions as follows:

<u>Retirement System</u>	<u>2009 Required Contribution</u>	<u>Amount Deferred</u>	<u>2009 Actual Contribution</u>
PFRS	\$4,767,158.00	\$2,289,438.00	\$2,477,720.00
PERS	<u>796,485.00</u>	<u>354,213.00</u>	<u>442,272.00</u>
Total	<u>\$5,563,643.00</u>	<u>\$2,643,651.00</u>	<u>\$2,919,992.00</u>

At December 31, 2009, the amount deferred remains at \$2,643,651.00.

NOTE 12: TAX APPEALS

There are several tax appeals filed with the State Tax Court of New Jersey requesting a reduction of assessments for the years 2009 and prior. Any reduction in assessed valuation will result in a refund of prior years taxes in the year of settlement, which may be funded from tax revenues through the establishment of a balance sheet reserve or by the issuance of refunding bonds per N.J.S. 40A:2-51. The Township has made provision from tax revenues, in the amount of \$1,259,275.70 for these appeals in the event that the tax appeals are successful.

NOTE 13: RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township participates in a self insurance program through the Garden State Municipal Joint Fund covering General Liability and Workers Compensation claims. The Fund is operated in accordance with regulations of the New Jersey Department of Insurance and the Division of Local Government Services of the Department of Community Affairs. The Township's contributions to the Fund for claim payments are based on actuarial assumptions determined by the Fund's actuary. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Township for these risks.

The Township also maintains commercial insurance coverage for Health, Dental and Prescription claims. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Township. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

New Jersey Unemployment Compensation Insurance - The Township has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method". Under this plan, the Township is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The Township is billed quarterly for amounts due to the State. Below is a summary of Township contributions, employee contributions, reimbursements to the State for benefits paid, and the ending balance of the Township's expendable trust fund for the current and previous two years:

<u>Year</u>	<u>Township Contributions</u>	<u>Employee Contributions</u>	<u>Interest</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2009	\$30,000.00	\$41,323.51	\$217.22	\$91,482.14	\$61,567.72
2008	30,000.00	51,209.11	1,349.32	48,164.95	81,509.13
2007	30,000.00	40,421.23	2,667.94	72,834.28	47,115.65

NOTE 14: INTERFUND RECEIVABLES AND PAYABLES

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

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Current Fund	\$6,545.46	\$283,419.39
Animal Control Fund		5,074.08
Trust Other Fund		1,471.38
General Capital Fund	710,838.92	
Sewer Utility Operating Fund	282,266.93	90.00
Sewer Utility Capital Fund	<u>90.00</u>	<u>709,686.46</u>
	<u>\$999,741.31</u>	<u>\$999,741.31</u>

All balances resulted from the time lag between the dates that short-term loans were disbursed and payments between funds were received.

NOTE 15: DEFERRED COMPENSATION PLAN

The Township offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Township employees, permits them to defer a portion of their salaries until future years. The Township 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 Township's Plan was amended to require that all amounts of compensation deferred under the Plan are held for the exclusive benefits of plan participants and beneficiaries. All assets and income under the Plan are held in trust, in annuity contracts or custodial accounts.

The Plan is administered by the Lincoln National Life Insurance Company.

The accompanying financial statements do not include the Township's Deferred Compensation Plan activities. The Township's Deferred Compensation Plan financial statements are contained in a separate review report.

NOTE 16: LEASE PURCHASE AGREEMENT

The Township has entered in to the following agreements with the Union County Improvement Authority to lease purchase various capital items as follows:

<u>Purpose</u>	<u>Date</u>	<u>Amount</u>
Capital Equipment	September 15, 2001	\$1,533,940.00
Train Station Redevelopment	July 1, 2003	\$9,699,429.74
Capital Equipment & Infrastructure	April 15, 2003	\$1,069,143.00
Capital Equipment	December 1, 2004	\$ 939,832.61
Capital Equipment	October 13, 2006	\$1,080,000.00

The projects to be funded include the purchase of vehicles and equipment and the improvement of certain facilities.

In accordance with the terms of the lease agreements, the Township will be obligated to make the following rental payments.

In accordance with the terms of the lease agreements, the Township will be obligated to make the following rental payments.

<u>Capital Equipment Lease</u>						
<u>Year</u>	<u>2006</u>	<u>2004</u>	<u>2003</u>	<u>2003</u>	<u>2001</u>	<u>Total</u>
2010	\$130,640.34	\$28,814.66	\$460,612.50	\$22,773.00	\$78,685.00	\$721,525.50
2011	127,178.86	28,056.10	457,452.50	22,195.00	74,577.00	709,459.46
2012	86,382.76	26,976.55	457,652.50	21,580.00		592,591.81
2013	84,064.82	26,097.74	457,452.50	20,420.00		588,035.06
2014	81,592.30	25,398.83	456,852.50			563,843.63
2015	79,119.80		460,852.50			539,972.30
2016	76,647.30		458,962.50			535,609.80
2017	74,174.80		458,212.50			532,387.30
2018	71,702.30		456,675.00			528,377.30
2019	69,229.80		459,350.00			528,579.80
2020	66,757.30		460,975.00			527,732.30
2021	64,284.80		456,550.00			520,834.80
2022			456,337.50			456,337.50
2023			452,575.00			452,575.00
	<u>\$1,011,775.18</u>	<u>\$135,343.88</u>	<u>\$6,410,512.50</u>	<u>\$86,968.00</u>	<u>\$153,262.00</u>	<u>\$7,797,861.56</u>

NOTE 17: OTHER POST-EMPLOYMENT BENEFITS

The Township provides Post-Retirement Benefits to certain employees who have retired after twenty-five years of service, in accordance with the terms of their various labor agreements or in accordance with municipal ordinance. These benefits, which include health insurance, prescription, dental and vision coverage, are provided for life.

The Governmental Accounting Standards Board (GASB) has issued Statement No. 45, "Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pension." This statement requires the municipality to disclose in the notes to the financial statements the present value of the estimated future cost of the other post employment benefits (OPEB). OPEB obligations are non-pension benefits that the municipality has contractually or otherwise agreed to provide employees once they have retired.

Under current New Jersey budget and financial reporting requirements, the municipality is not required to fund any amounts in excess of their current costs on a pay-as-you-go basis. Additionally, the municipality is not required to recognize any long-term obligations resulting from OPEB on their balance sheets; however, OPEB obligations are required to be disclosed in the notes, commencing with the 2008 fiscal year.

The Township has not yet calculated its OPEB obligations and the impact on the financial position or results of operations, if any, cannot be readily determined at this time.

APPENDIX B

PROPOSED FORM OF BOND COUNSEL OPINION

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

_____, 2010

Township Committee of the
Township of Union in the
County of Union, New Jersey

Re: Township of Union, in the County of Union, New Jersey
\$11,565,000 General Improvement Bonds, Series 2010

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance by the Township of Union, in the County of Union, New Jersey (the "Township"), of its General Improvement Bonds, Series 2010, in the aggregate principal amount of \$11,565,000 (the "Bonds"). The Bonds are general obligations of the Township and the full faith, credit and taxing power of the Township is available to pay the principal of and interest on the Bonds. The Bonds are dated _____, 2010 and mature on October 15 in the years and in the principal amounts and bear interest at the rates, payable on April 15, 2011 and semiannually thereafter on the first days of April and October in each year until maturity or earlier redemption, 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	\$ 50,000	%	2020	\$650,000	%
2012	\$150,000		2021	\$900,000	
2013	\$600,000		2022	\$900,000	
2014	\$600,000		2023	\$900,000	
2015	\$600,000		2024	\$900,000	
2016	\$600,000		2025	\$900,000	
2017	\$625,000		2026	\$900,000	
2018	\$650,000		2027	\$990,000	
2019	\$650,000				

The Bonds will be initially issued in book-entry form only in the form of one certificate for the amount of Bonds maturing in each year, registered in the name of and held by Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. DTC will be responsible for maintaining the book-entry system for recording the interests of its participants or the transfers of such interests among such participants. Such participants shall be responsible for maintaining records regarding the beneficial ownership interests in the Bonds on behalf of individual purchasers. Individual purchases of the Bonds may be made in the principal amount of \$5,000 or multiples of \$1,000 in excess thereof through book-entries on the books and records of DTC and its participants.

The Bonds are issued under the provisions of the Local Bond Law, Chapter 169 of the Laws of 1960 of the State of New Jersey, effective January 1, 1962, and the acts amendatory thereof and supplemental thereto (the "Act"), Bond Ordinance Nos. 4650, 4795, 4817, 4928, 4937, 4951/4966, 4960, 4961, 4965, 4970, 5011, 5021/5027, 5031, 5052/5072, 5058/5134, 5065, 5066, 5070 and 5114 of the Township (collectively, the "Ordinances"), and a resolution adopted by the Township Council on September 14, 2010 (the "Resolution"). The Bonds are issued for the purpose of providing funds for the financing and refinancing of the capital improvements described in the Ordinances.

The Bonds are subject to redemption prior to maturity as described in the Resolution.

In our capacity as Bond Counsel and as a basis for the opinions set forth below, we have examined the proceedings relating to the authorization and issuance of the Bonds, including (a) copies of the Resolution and the Ordinances; (b) such matters of law, including, *inter alia*, the Act and the Internal Revenue Code of 1986, as amended (the "Code"); and (c) such other agreements, proceedings, certificates, records, approvals, resolutions and documents as to various matters with respect to the issuance of the Bonds as we have deemed necessary. We have further assumed and relied upon the genuineness, accuracy and completeness of all of the documents and other instruments which we have examined. As to questions of fact material to our opinion, we have relied upon the proceedings and other certifications of public officials executed and furnished to us without undertaking to verify the same by independent investigation.

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

1. The Bonds have been duly authorized, issued, executed and sold by the Township; the Ordinances and the Resolution have been duly authorized and adopted by the Township; and the Bonds, the Ordinances and the Resolution are legal, valid and binding obligations of the Township enforceable in accordance with their respective terms.

2. The Township has covenanted to comply with any continuing requirements that may be necessary to preserve the exclusion from gross income for purposes of federal income taxation of interest on the Bonds under the Code. Failure to comply with certain requirements of the Code could cause interest on the Bonds to be includable in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. In our opinion, assuming continuing compliance by the Township with its covenants, under current law, interest on the Bonds is not includable in gross income for federal income tax purposes and is not an item of tax preference under Section 57 of the Code for purposes of computing the alternative minimum tax and, pursuant to the American Recovery and Reinvestment Act of 2009, Pub. L. 111-5, adopted by the Congress of the United States of America and signed into law on February 17, 2009, is not included in adjusted current earnings when calculating corporate alternative minimum taxable income.

3. Under current law, interest on the Bonds and any gain on the sale thereof are not includable as gross income under the New Jersey Gross Income Tax Act.

4. The power and obligation of the Township to pay the Bonds is unlimited, and the Township shall be required to levy *ad valorem* taxes upon all taxable real property within the Township for the payment of the principal of and interest on the Bonds without limitation as to rate or amount.

For purposes of this opinion, the enforceability (but not the validity) of the documents mentioned herein may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other laws now or hereafter enacted by any state or by the federal government affecting the enforcement of creditors' rights generally, and by equitable principles, and the phrase "enforceable in accordance with their respective terms" shall not mean that specific performance would necessarily be available as a remedy in every situation.

Other than as set forth in Paragraphs 2 and 3 hereof, we express no opinion regarding other federal and state tax consequences arising with respect to the Bonds.

The opinions expressed herein are limited to and based upon the laws and judicial decisions of the State of New Jersey and the federal laws and judicial decisions of the United States of America as of the date hereof, and are subject to any amendment, repeal or other modification of the applicable laws or judicial decisions that served as the basis for our opinions or to any laws or judicial decisions hereafter enacted or rendered.

Township Committee of the
Township of Union in the
County of Union, New Jersey

_____. 2010
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We express no opinion herein as to the adequacy or accuracy of any official statement, private placement memorandum or other offering material pertaining to the offering of the Bonds.

DECOTIIS, FITZPATRICK & COLE, LLP

APPENDIX C

PROPOSED FORM OF CONTINUING DISCLOSURE CERTIFICATE

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Township of Union, in the County of Union, New Jersey (the "Issuer") in connection with the issuance by the Issuer of \$11,565,000 principal amount of its General Improvement Bonds, Series 2010 (the "Bonds"). The Issuer covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the Bondholders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Beneficial Owner" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

"Bondholder" shall mean any person who is the registered owner of any Bond, including holders of beneficial interests in the Bonds.

"Dissemination Agent" shall mean the Issuer, or any successor Dissemination Agent designated in writing by the Issuer and which has filed with the Issuer a written acceptance of such designation.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

"MSRB" shall mean the Municipal Securities Rulemaking Board.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State" shall mean the State of New Jersey.

Section 3. Provision of Annual Reports.

(a) Not later than nine (9) months after the end of the Issuer's fiscal year, beginning with the fiscal year ending December 31, 2010, the Issuer shall, or shall cause the Dissemination Agent to, provide to the MSRB, in an electronic format as prescribed by the MSRB and accompanied by such identifying information as is prescribed by the MSRB, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information which has been made available to the public on the MSRB's website or filed with the Securities and Exchange Commission; provided that the audited financial statements of the Issuer may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the Issuer's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c).

(b) Not later than fifteen (15) Business Days prior to said date, the Issuer shall provide the Annual Report to the Dissemination Agent (if other than the Issuer). If the Issuer is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the Issuer shall send a notice to the MSRB in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall, if the Dissemination Agent is other than the Issuer, file a report with the Issuer certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided.

Section 4. Content of Annual Reports. The Issuer's Annual Report shall contain or include by reference the following:

(a) The audited financial statements of the Issuer for the prior fiscal year, prepared in accordance with generally accepted accounting standards (GAAS) as from time to time in effect, and as prescribed by the Division of Local Government Services in the Department of Community Affairs of the State pursuant to Chapter 5 of Title 40A of the New Jersey Statutes. If the Issuer's audited financial statements are not available by the time the Annual Report is required to be provided pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements and the audited financial statements shall be provided in the same manner as the Annual Report when they become available.

(b) The financial information and operating data pertaining to the Township set forth in the Official Statement dated _____, 2010 pertaining to the sale of the Bonds.

Section 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Issuer shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

1. principal and 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 rights of Bondholders;
 8. optional, contingent or unscheduled Bond calls;
 9. defeasances;
 10. release, substitution, or sale of property securing repayment of the Bonds;
- and
11. rating changes.

(b) Whenever the Issuer obtains knowledge of the occurrence of a Listed Event, the Issuer shall as soon as possible determine if such event would be material under applicable federal securities laws.

(c) If the Issuer determines that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the Issuer shall promptly file, in an electronic format as prescribed by the MSRB and accompanied by such identifying information as is prescribed by the MSRB, a notice of such occurrence with the MSRB. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Bondholders of affected Bonds pursuant to the Resolution.

Section 6. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Issuer shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 7. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Issuer pursuant to this Disclosure Certificate. The initial Dissemination Agent shall be the Issuer.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Issuer may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Section 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Bondholders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the Issuer shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Issuer. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(c), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate any Bondholder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Issuer to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default on the Bonds, and the sole remedy under this Disclosure Certificate in the event of

any failure of the Issuer to comply with this Disclosure Certificate shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Issuer agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including reasonable attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct. The obligations of the Issuer under this Section 11 shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriters and the Bondholders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Dated: _____, 2010

TOWNSHIP OF UNION, IN THE COUNTY OF
UNION, NEW JERSEY

By: _____
Chief Financial Officer

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Township of Union, in the County of Union, New Jersey

Name of Bond Issue: \$11,565,000 General Improvement Bonds, Series 2010

Dated Date: _____, 2010

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report with respect to the above-named Bonds as required by Section 3(a) of the Continuing Disclosure Certificate dated _____, 2010. The Issuer anticipates that the Annual Report will be filed by _____.

Dated: _____

TOWNSHIP OF UNION, IN THE
COUNTY OF UNION, NEW JERSEY

By: _____
Name:
Title: