

PRELIMINARY OFFICIAL STATEMENT DATED MARCH 30, 2011

NEW ISSUE

Book-Entry-Only

SERIAL BONDS

Ratings: Moody's "____"
(see "Credit Rating" herein)

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the Township, under existing statutes and court decisions, and assuming compliance with certain tax covenants described herein, (i) interest on the Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and (ii) interest on the Bonds is not treated as a preference item in calculating the alternative minimum tax that may be imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for the purpose of calculating the alternative minimum tax imposed on such corporations. In addition, in the opinion of Bond Counsel to the Township, under existing statutes, interest on the Bonds is not included in gross income under the New Jersey Gross Income Tax Act. See "Tax Matters" herein for a description of certain other provisions of the Code that may affect the tax treatment of interest on the Bonds for certain bondholders.

\$4,627,000

**THE TOWNSHIP OF SPARTA,
IN THE COUNTY OF SUSSEX, NEW JERSEY**

consisting of

\$2,317,000 SEWER BONDS OF 2011

\$2,310,000 WATER BONDS OF 2011

Dated: Date of Delivery

Due: April 1, as shown below

The \$2,317,000 Sewer Bonds of 2011 and the \$2,310,000 Water Bonds of 2011 (collectively, the "Bonds") of the Township of Sparta, in the County of Sussex, New Jersey (the "Township") will be issued in book-entry-only form with no physical distribution of bond certificates. The Bonds will be issued in registered form and bond certificates for each maturity of each series will be issued to The Depository Trust Company, New York, New York ("DTC"), registered in the name of its nominee, Cede & Co.

Interest on the Bonds will be payable semiannually on April 1 and October 1 in each year until maturity or earlier redemption, commencing October 1, 2011. Principal or redemption price, if any, of and interest on the Bonds will be paid to DTC by the Township. Interest on the Bonds will be credited to the participants of DTC as listed on the records of DTC as of each next preceding March 15 and September 15 (the "Record Dates" for the payment of interest on the Bonds).

The Bonds shall be subject to redemption prior to their stated maturities as described herein (see "Description of the Bonds - Redemption" herein).

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 the taxable real property within the Township without limitation as to rate or amount.

COMBINED MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND YIELDS OR PRICES

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price or Yield</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price or Yield</u>
2012	\$262,000			2020	\$330,000		
2013	265,000			2021	335,000		
2014	275,000			2022	335,000		
2015	280,000			2023	335,000		
2016	290,000			2024	335,000		
2017	300,000			2025	335,000		
2018	310,000			2026	320,000		
2019	320,000						

The Bonds are offered when, as and if issued and delivered to the Underwriter, subject to prior sale, to withdrawal or modification of the offer without notice and to approval of legality by the law firm of Hawkins Delafield & Wood LLP, Newark, New Jersey and certain other conditions described herein. Delivery of the Bonds is anticipated to take place on or about April 28, 2011.

Dated: April __, 2011

This Preliminary Official Statement and the information contained herein are subject to completion and amendment without notice. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of the Bonds in any jurisdiction in which such an offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction. This Preliminary Official Statement is deemed final by the Township within the meaning and for the purposes of Rule 15c2-12 of the Securities and Exchange Commission.

**THE TOWNSHIP OF SPARTA,
IN THE COUNTY OF SUSSEX, NEW JERSEY**

MAYOR

Scott Seelagy

TOWNSHIP COUNCIL

Gilbert Gibbs
John Schon
Jerard Murphy
Molly Whitesmith

TOWNSHIP CLERK

Mary J. Coe

TOWNSHIP MANAGER

David R. Troast

CHIEF FINANCIAL OFFICER

Michael J. Guarino

TOWNSHIP ATTORNEY

Thomas N. Ryan, Esq.
Laddey, Clark & Ryan
Sparta, New Jersey

AUDITOR

T.M. Vrabel & Associates, LLC
Denville, New Jersey

BOND COUNSEL

Hawkins Delafield & Wood LLP
Newark, New Jersey

No dealer, broker, salesperson or other person has been authorized by the Township to give any information or to make any representations, 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. 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 by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. 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 the affairs of the Township since the date hereof.

The information which is set forth herein has been provided by the Township and by other sources, but the information provided by such other sources is not guaranteed as to accuracy or completeness by the Township. References in this Official Statement to the State of New Jersey statutes, laws, rules, regulations, resolutions, agreements, reports and documents do not purport to be comprehensive or definitive. All references to such documents are qualified in their entirety by reference to the particular document, the full text of which may contain qualifications of or exceptions to statements made herein. Copies of such above-mentioned documents may be inspected at the offices of the Township during normal business hours. This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

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 THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVER-ALLOT 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.

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**OFFICIAL STATEMENT
RELATING TO**

**\$4,627,000
THE TOWNSHIP OF SPARTA,
IN THE COUNTY OF SUSSEX, NEW JERSEY**

consisting of

**\$2,317,000 SEWER BONDS OF 2011
\$2,310,000 WATER BONDS OF 2011**

INTRODUCTION

This Official Statement (the "Official Statement"), which includes the cover page hereof and the appendices hereto, has been prepared by the Township of Sparta, in the County of Sussex (the "Township"), in the State of New Jersey (the "State") and provides certain information regarding the financial and economic condition of the Township in connection with the sale of the Township's \$4,627,000 bonds, consisting of \$2,317,000 Sewer Bonds of 2011 and \$2,310,000 Water Bonds of 2011 (collectively, the "Bonds"). This Official Statement has been executed by and on behalf of the Township by the Chief Financial Officer and its distribution and use in connection with the sale of the Bonds has been authorized by the Township.

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

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

DESCRIPTION OF THE BONDS

The following is a summary of certain provisions of the Bonds. Reference is made to the Bonds themselves for the complete text thereof, and the discussion herein is qualified in its entirety by such reference.

Terms and Interest Payment Dates

The Bonds will be dated the date of delivery thereof. The Bonds will bear interest at the interest rates per annum stated on the cover page hereof, payable April 1 and October 1 of each year until maturity or earlier redemption, commencing October 1, 2011 (each, an "Interest Payment Date"). The Bonds will mature on April 1 in the years and in the principal amounts set forth below.

<u>Year</u>	<u>Sewer Bonds</u>	<u>Water Bonds</u>
2012	\$107,000	\$155,000
2013	110,000	155,000
2014	120,000	155,000
2015	125,000	155,000
2016	135,000	155,000
2017	145,000	155,000
2018	155,000	155,000
2019	165,000	155,000
2020	175,000	155,000
2021	180,000	155,000
2022	180,000	155,000
2023	180,000	155,000
2024	180,000	155,000
2025	180,000	155,000
2026	180,000	140,000

Denominations and Place of Payment

The Bonds will be issued by means of a book-entry system with no physical distribution of bond certificates. The Bonds will be issued in registered form and bond certificates for each maturity of each series will be issued to The Depository Trust Company, New York, New York (“DTC”), and registered in the name of its nominee, Cede & Co. (see the subcaption “Book-Entry System” below). Principal of and interest on the Bonds will be paid by the Township, or its designee, in its capacity as paying agent (the “Paying Agent”) to the registered owners of the Bonds as of each March 15 and September 15 (whether or not a business day) immediately preceding the respective Interest Payment Dates (the “Record Dates”). So long as DTC or its nominee is the registered owner of the Bonds, payments of the principal of and interest on the Bonds will be made by the Paying Agent directly to DTC or its nominee, which will in turn remit such payments to DTC participants, which will in turn remit such payments to the beneficial owners of the Bonds. See the subcaption “Book-Entry System” below. Purchases of the Bonds will be made in book-entry form, in the denomination of \$5,000 each or integral multiples of \$1,000 in excess thereof. Purchasers will not receive certificates representing their beneficial ownership interests in Bonds purchased, but each book-entry owner will receive a credit balance on the books of its nominee, and this credit balance is expected to be confirmed by an initial transaction statement stating the details of the Bonds purchased. So long as Cede & Co. is the registered owners of the Bonds, as nominee of DTC, references herein (except under the captions “Tax Matters” and “Secondary Market Disclosure”) to the registered owners shall mean Cede & Co. and shall not mean the beneficial owners of the Bonds. See the subcaption “Book-Entry System” below.

Redemption

Optional Redemption

The Bonds maturing of each series prior to April 1, 2022 are not subject to redemption at the option of the Township prior to their stated maturities. The Bonds of each series maturing on or after April 1, 2022 are redeemable at the option of the Township in whole or in part on any date, in any order of maturity and by lot within a single maturity, on or after April 1, 2021, at a redemption price equal to one hundred percent (100%) of the principal amount being redeemed, plus in each case accrued interest to the date fixed for redemption.

Notice of Redemption

Notice of redemption shall be given by first-class mail, postage prepaid, to the registered owners of the Bonds or portions thereof to be redeemed, not less than thirty (30) days nor more than sixty (60) days prior to the redemption date, but such mailing shall not be a condition precedent to such redemption and failure so to mail any such notice shall not affect the validity of any proceedings for the redemption of Bonds. If notice of redemption shall have been given as aforesaid, the Bonds or portions thereof specified in said notice shall become due and payable at the redemption price on the redemption date therein designated and if, on the redemption date, moneys for payment of the redemption price of all the Bonds to be redeemed, together with the interest to the redemption date, shall be available for such payment on said date, then from and after the redemption date interest on such Bonds shall cease to accrue and become payable. Less than all of a Bond in a denomination in excess of \$5,000 may be so redeemed, and in such case, upon the surrender of such Bond, there shall be issued to the registered owner thereof, without charge therefor, for the unredeemed balance of the principal amount of such Bond, Bonds of like series, designation, maturity and interest rate in any of the authorized denominations. 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 series prior to maturity, the Bonds to be redeemed shall be selected by the Township; the Bonds to be redeemed having the same maturity shall be selected by DTC in accordance with its regulations.

Book-Entry System

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully registered Bond certificate will be issued for each year of maturity of the Bonds of each series, in the aggregate principal amount of each such 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 Direct Participants and Indirect Participants

are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com or www.dtc.org.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond (a "Beneficial Owner") is in turn to be recorded on the Direct Participants' and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct Participant or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct Participants and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 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 do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct Participants and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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 the 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 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI procedures. Under its usual procedures, DTC mails an omnibus proxy to the 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).

Principal, redemption price 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, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Direct Participants and Indirect 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 Direct Participant or Indirect Participant and not of DTC, the Paying Agent or the Township, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, redemption price and interest payments 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,

disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct Participants and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Township or the Paying Agent. 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.

Discontinuance of Book-Entry System

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

AUTHORIZATION AND PURPOSE

The Bonds have been authorized and are to be 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 (N.J.S.A. §40A:2-1, *et seq.*) (the "Local Bond Law"). The Bonds are authorized by bond ordinances adopted by the governing body of the Township and by a resolution adopted by the governing body of the Township on February 22, 2011. Such bond ordinances were published in full, or in summary, after their adoption along with a statement to the effect that the twenty-day period of limitation within which a suit, action or proceeding questioning the validity of the accompanying bond ordinance can be commenced began to run from the date of the first publication of such estoppel statement. The Local Bond Law provides that after issuance all obligations shall be conclusively presumed to be fully authorized and issued by all laws of the State, and any person shall be barred from questioning the sale, execution or delivery of such obligations.

<u>Ordinance Number</u>	<u>Purpose</u>	<u>Notes to be Issued</u>
999	Water system improvements	\$ 780,000
00-06	Water system improvements	990,000
01-18	Sewer system improvements	2,317,000
04-14	Water system improvements	<u>540,000</u>
		<u>\$4,627,000</u>

SECURITY AND SOURCE OF PAYMENT

The Bonds will be general obligations of the Township. All taxable real property within the Township is subject to the levy of *ad valorem* taxes to pay the Bonds and the interest thereon, without limitation as to rate or amount.

SUMMARY OF CERTAIN STATUTORY PROVISIONS RELATING TO MUNICIPAL AND COUNTY DEBT AND FINANCIAL REGULATION

Set forth below is a summary of various statutory provisions and requirements relevant to the Township's debt and financial regulation and budget process. This summary does not purport to be complete, and reference should be made to the statutes referred to for a complete statement of the provisions thereof.

Legal Framework

The Local Bond Law (N.J.S.A. §40A:2-1, *et seq.*) (the "Local Bond Law") governs the issuance of bonds and notes to finance certain general municipal and utility capital expenditures. Among its provisions are requirements that bonds must mature within the statutory period of usefulness of the projects financed and that bonds be retired in serial installments. A five percent (5%) cash down payment is generally required toward the financing of such projects. Generally, all bonds and notes issued by a local unit are general full faith and credit obligations.

Debt Limit

The authorized bonded indebtedness of a local unit is limited by statute, subject to the exceptions noted below, to an amount equal to three and one-half percent (3½%), in the case of a municipality, and two percent (2%), in the case of a county, of its average equalized valuation basis. The average equalized valuation basis of a local unit is set by statute as the average for the last three (3) 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.

Exceptions to Debt Limit - Extensions of Credit

Except for the funding of certain notes, the authorization of certain bonds for municipal utility purposes, if the utilities are self-liquidating, and certain formula allowances, the debt limit of a local unit may be exceeded only with the approval of the Local Finance Board, in the Division of Local Government Services, Department of Community Affairs of the State (the "Local Finance Board"), a State regulatory agency. If all or any part of a proposed debt authorization would exceed its debt limit, a local unit must apply to the Local Finance Board for an extension of credit. If the Local Finance Board

determines that a proposed debt authorization would not materially impair the credit of a local unit or substantially reduce the ability of a local unit to meet its obligations or to provide essential public improvements or services, or makes other statutory determinations, approval is granted.

Short-Term Financing

Pursuant to the Local Bond Law, a local unit may sell short-term 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. Any such note is designated a "bond anticipation note". Bond anticipation notes for capital improvements may be issued in an aggregate amount not exceeding the amount specified in the bond ordinance, as the same may be amended and supplemented, creating such capital expenditure. Bond anticipation notes, which are full faith and credit obligations of the local unit, may be issued for a period not exceeding one (1) year and may be renewed from time to time for a period that does not exceed one (1) year. Such notes shall mature and be paid not later than the first day of the fifth month following the close of the tenth fiscal year following the date of the original note, provided, however, that no such notes shall be renewed beyond the third anniversary date of the original notes unless an amount of such notes, at least equal to the first legally payable installment of the bonds in anticipation of which these notes are issued, is paid and retired on or before each subsequent anniversary date beyond which such notes are renewed from funds other than the proceeds of obligations.

Assessment Bonds

Assessment bonds may be issued pursuant to the Local Bond Law in annual serial installments with the first principal payment due within two (2) years and the final principal payment due within twenty (20) years of an issue's date. No principal payment may be larger than a prior year's principal payment.

Refunding Bonds

Refunding bonds may be issued pursuant to the Local Bond Law for the purpose of paying, funding or refunding outstanding bonds, including emergency appropriations, temporary emergency appropriations, advance funding of pension obligations as part of an early retirement program offered by the State, the actuarial liabilities of a non-State administered public employee pension system, amounts owing to others for taxes levied and for paying the cost of issuance of refunding bonds. The Local Finance Board must consent to the authorization for the issuance of refunding bonds and approve the maturity schedule thereof; provided, however, that the issuance of refunding bonds to realize debt service savings on outstanding obligations does not require Local Finance Board approval when authorized by conditions set forth in rules and regulations of the Local Finance Board and upon a resolution adopted by a two-thirds ($\frac{2}{3}$) vote of the full membership of the governing body of the local unit.

Tax Anticipation Notes

Tax anticipation notes may be issued pursuant to the Local Budget Law (as hereinafter defined). The issuance of tax anticipation notes is limited in amount by law to collectively thirty percent (30%) of the tax levy plus thirty percent (30%) of realized miscellaneous revenues of the next preceding fiscal year. Tax anticipation notes must be paid in full within one hundred and twenty (120) days of the close of the fiscal year in which they were issued.

School Debt Subject to Voter Approval

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

The Local Budget Law

The foundation of the State local finance system is the annual cash basis budget. Under N.J.S.A. §40A:4-1, et seq. (the “Local Budget Law”), every local unit must adopt an operating budget in the form required by the Division of Local Government Services in the Department of Community Affairs of the State (the “Division”). Certain items of revenue and appropriation are regulated by law and the proposed budget cannot be finally adopted until it is certified by the Director of the Division (the “Director”), or in the case of a local unit’s examination of its own budget, such budget cannot be finally adopted until a local examination certificate has been approved by the chief financial officer and governing body of local unit. The Local Budget Law requires each local unit to appropriate sufficient funds for the payment of current debt service, and the Director or, in the case of local examination, the local unit may review the adequacy of such appropriations. Among other restrictions, the Director must examine the budget with reference to all estimates of revenue and the following appropriations: (a) payment of interest and debt redemption charges, (b) deferred charges and statutory expenditures, (c) cash deficit of preceding year, (d) reserve for uncollected taxes and (e) other reserves and nondisbursement items. Anticipated tax revenues are limited to the same proportion as actual cash collections or to the total levy in the previous year, and the reserve amount must be factored into the budget to make up for the expected shortfall in actual collections. Anticipated non-tax revenues are limited to the amount actually realized the previous year unless the Director permits higher levels of anticipation should there be sufficient statutory or other evidence to substantiate that such anticipation is reasonable.

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

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

Each municipality is required to forward to the County Board of Taxation (the “County Board”) a certified copy of its operating budget, as adopted, not later than April 10 of the then current fiscal year. In the event that the County Board has not received a copy of the budget resolution or other evidence showing the amount to be raised by taxation for the purposes of a taxing district, the Director shall transmit to the County Board a certificate setting forth the amount required for the operation of the local unit for that fiscal year. The operating budget of the preceding year shall constitute and limit the appropriations for the then current year with suitable adjustments for debt service, other mandatory charges and changes in revenues, but excluding the amount to be raised by taxes for school purposes where required to be included in the municipal budget. The certificate shall be prepared by using the revenues and appropriations appearing in the adopted budget of the preceding year with suitable adjustments to include, without limitation: (a) any amounts required for principal and interest of indebtedness falling due in the fiscal year and (b) any deferred charges, including a deficit, if any, or

statutory expenditures required to be raised in the fiscal year. See the subcaption “Tax Assessment and Collection Procedure” below.

Appropriations Not Required for Payments on Debt

It is not necessary to have an appropriation in order to release money for debt service on obligations. N.J.S.A. §40A:4-57 states that “no officer, board, body or commission shall, during any fiscal year, expend money (except to pay notes, bonds or interest thereon), incur any liability, or enter into any contract which by its terms involves the expenditure of money for any purpose for which no appropriation is provided, or in excess of the amount appropriated for such purpose” (emphasis added).

Appropriation Caps

Chapter 89 of the New Jersey Laws of 1990 extended and amended Chapter 203 of the New Jersey Laws of 1986 and Chapter 68 of the New Jersey Laws of 1976 (N.J.S.A. §40A:4-45.3), commonly referred to as the “CAP Law”. The CAP Law places limits on county tax levies and municipal expenditures. This limitation is commonly referred to as a “CAP”. The actual calculation of the CAP is somewhat complex and the actual CAP computations are prepared by the Division and distributed to each municipality. In addition to the CAP increase in expenditures, other increases allowable include increases funded by increased service fees, proceeds from the sale of municipal assets and increased expenditures mandated by State and federal laws. Appropriations for items excluded from the CAP computation, including debt service requirements, may be set at any necessary level and are not subject to the CAP. The CAP may be exceeded if approved by referendum of the voters of the municipality.

In summary, in determining the CAP for each budget year, the prior year’s total general appropriations are reduced by certain statutory-type appropriations with the resulting balance multiplied by two and one-half percent (2.5%) or the cost-of-living adjustment (the rate of annual percentage increase, rounded to the nearest half-percent, in the Implicit Price Deflator for State and Local Government Purchases of Goods and Services, computed and published quarterly by the United States Department of Commerce) (the “Cost-of-Living Adjustment”), whichever is less, thereby producing the basic CAP, which then may be increased by certain known increases in revenues and State or federal expenditures mandated after July 18, 1976. A municipality may, by the adoption of an ordinance, elect to increase its final appropriations by a percentage rate up to, but not to exceed, three and one-half percent (3.5%). A municipality may, by referendum, increase its final appropriations by a higher percentage rate.

The Cost-of-Living Adjustment applicable to year 2011 budgets is two percent (2%).

Property Tax Levy Cap

Chapter 44 of the Pamphlet Laws of 2010 imposed restrictions upon the allowable annual increase in the tax levy. In general, starting with Fiscal 2011 budgets, municipalities will have their tax levies limited to a two percent (2%) increase. The tax levy is subject to certain adjustments, including the sum of new ratables. In addition, the following exclusions are added to the calculation of the adjusted tax levy: increases in amounts required to be raised by taxation for capital expenditures, including debt service as defined by law; increases in pension contributions and accrued liability for pension contributions in excess of 2%; increases in health care costs equal to that portion of the actual increase in total health care costs for the budget year that is in excess of 2% of the total health care costs in the prior year, but is not in excess of the product of the total health care costs in the prior year and the average percentage increase of the State Health Benefits Program, as annually determined by the Division of Pensions and Benefits in the Department of the Treasury; and extraordinary costs incurred by a local unit

directly related to a declared emergency, as defined by regulation promulgated by the Commissioner of the Department of Community Affairs, in consultation with the Commissioner of Education, as appropriate. The law also authorizes a municipality to submit public questions to the voters for approval (by affirmative vote of at least fifty percent (50%)) to increase the amount to be raised by taxation by more than the allowable adjusted tax levy.

Miscellaneous Revenues

A provision in the Local Budget Law (N.J.S.A. §40A:4-26) provides that: “[n]o 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”.

In addition, budget amendments must be approved by the Director, except for federal and State categorical grants-in-aid contracts may be realized for their face amount with an offsetting appropriation. The fiscal years for such grants rarely coincide with the municipality’s calendar fiscal year. However, grant revenue is generally not realized 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 property taxes. N.J.S.A. §40A:4-29, which governs the anticipation of delinquent tax collections, provides that: “[t]he 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”.

N.J.S.A. §40A:4-41 provides, with regard to current taxes, that: “[r]eceipts 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 the preceding fiscal year”.

This provision and N.J.S.A. §40A:4-40 require that an additional amount, commonly known or referred to as 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:

The levy required to balance the budget, divided by the prior year’s percentage of current tax collection (or lesser percent) levied, will equal the total taxes to be levied for the current fiscal year.

Chapter 99 of the Pamphlet Laws of 1997 of New Jersey authorizes any municipality to sell its “total property tax levy” to the highest responsible bidder therefor in accordance with the procedures and limitations set forth therein.

Upon the filing of certified adopted budgets by (i) a local governmental unit, (ii) a local and/or a regional school district, (iii) the county in which the local governmental unit is situated and (iv) any special improvement districts within the local governmental unit, the current year's tax rate is struck by a county's board of taxation based upon the amount of taxes required in each taxing district to fund the respective budgets.

Emergency Appropriations/Deferral of Current Expenses

Emergency appropriations made under N.J.S.A. §40A:4-46, after the adoption of the budget and the determination of the tax rate, may be authorized by a local unit. However, with minor exceptions set forth below, such appropriations must be included in full in the following year's budget. When such appropriations exceed three percent (3%) of the adopted operating budget, consent of the Director must be obtained.

The exceptions are certain enumerated quasi-capital projects ("special emergencies") such as (i) the repair and reconstruction of streets, roads or bridges damaged by snow, ice, frost or floods, which may be amortized over three (3) years and (ii) the repair and reconstruction of streets, roads, bridges or other public property damaged by flood or hurricane, where such expense was unforeseen at the time of budget adoption, the repair and reconstruction of private property damaged by flood or hurricane, tax map preparation, re-evaluation programs, revision and codification of ordinances, master plan preparations, drainage map preparation for flood control purposes, studies and planning associated with the construction and installation of sanitary sewers, authorized expenses of a consolidated commission, contractually required severance liabilities resulting from the layoff or retirement of employees and the preparation of sanitary and storm system maps, all of which projects set forth in this clause (ii) may be amortized over five (5) years. N.J.S.A. §40A:4-53, -54, -55 and -55.1. Emergency appropriations for capital projects may be financed through the adoption of a bond ordinance and amortized over the useful life of the project.

Under the CAP Law, emergency appropriations aggregating less than three percent (3%) of the previous year's final current operating appropriations may be raised in the portion of the local unit's budget outside the CAP if approved by at least two-thirds ($\frac{2}{3}$) of the members of the governing body and the Director. Emergency appropriations that aggregate more than three percent (3%) of the previous year's final current operating appropriations must be raised within the CAP. Emergency appropriations for debt service, capital improvements, the local unit's share of federal or State grants and other statutorily permitted items are outside the CAP.

Budget Transfers

Budget transfers provide a local unit with a degree of flexibility and afford a control mechanism over expenditure needs. Transfers between major appropriation accounts are prohibited by N.J.S.A. §40A:4-58 until the last two (2) months of the fiscal year. Appropriation reserves may also be transferred during the first three (3) months of the year to the previous year's budget (N.J.S.A. §40A:4-59). Both types of transfers require a two-thirds ($\frac{2}{3}$) vote of the full membership of the governing body. However, no transfers may be made (a) to appropriations for contingent expenses, deferred charges or emergency appropriation or (b) from appropriations for contingent expenses, deferred charges cash deficit of the preceding year, reserve for uncollected taxes, down payments, the capital improvement fund or interest and redemption charges. Although budget transfers among subaccounts (line items) within an appropriation are not subject to the same year-end transfer restriction, they are subject to internal review and approval.

Municipal Public Utilities

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

Capital Budget

In accordance with the Local Budget Law, each local unit must adopt and may from time to time amend rules and regulations for capital budgets, which rules and regulations must require a statement of capital undertakings underway or projected for a period not greater than the next ensuing six (6) years as a general improvement program. The capital budget, when adopted, does not constitute the approval or appropriation of funds, but sets forth a plan of the possible capital expenditures which the local unit may contemplate over the next three (3) or six (6) years. Expenditures for capital purposes may be made either by ordinances adopted by the governing body setting forth the items and the method of financing or by the annual operating budget if the items were detailed.

Fiscal Year Adjustment Law

Chapter 75 of the Pamphlet Laws of 1991, signed into law on March 28, 1992, requires certain municipalities and permits all other municipalities to adopt the State fiscal year in place of the existing calendar fiscal year (N.J.S.A. §40A: 4-3.1). Municipalities that change fiscal years must adopt a six (6) month transition budget for January to June. Since expenditures would be expected to exceed revenues primarily because State aid for the calendar year would not be received by the municipality until after the end of the transition year budget, the law authorizes the issuance of fiscal year adjustment bonds to fund the one time deficit for the six (6) month transition budget (N.J.S.A. §40A:2-51.2). The law provides that the deficit in the six (6) month transition budget may be funded initially with bond anticipation notes based on the estimated deficit in the six (6) month transition budget. Notes issued in anticipation of fiscal year adjustment bonds, including renewals, can only be issued for up to one (1) year unless the Local Finance Board permits the municipality to renew them for a longer period of time. The Local Finance Board must confirm the actual deficit experienced by the municipality. The municipality then may issue fiscal year adjustment bonds to finance the deficit on a permanent basis. The purpose of the law is to assist municipalities that are heavily dependent on State aid and that have had to issue tax anticipation notes to fund operating cash flow deficits each year. While the law does not authorize counties to change their fiscal years, it does provide that counties with cash flow deficits may issue fiscal year adjustment bonds as well.

State Supervision

State law authorizes State officials to supervise fiscal administration in any municipality which is in default on its obligations; which experiences severe tax collection problems for two (2) successive years; which has a deficit greater than four percent (4%) of its tax levy for two (2) successive years; which has failed to make payments due and owing to the State, county, Township or special district for two (2) consecutive years; which has an appropriation in its annual budget for the liquidation of debt which exceeds twenty-five percent (25%) of its total operating appropriations (except dedicated revenue appropriations) for the previous budget year; or which has been subject to a judicial determination of

gross failure to comply with the Local Bond Law, the Local Budget Law or the Local Fiscal Affairs Law (as hereinafter defined) which substantially jeopardizes its fiscal integrity. State officials are authorized to continue such supervision for as long as any of the conditions exist and until the municipality operates for a fiscal year without incurring a cash deficit.

Tax Assessment and Collection Procedure

A local governmental unit is the entity responsible for the levying and collection of taxes on all taxable property within its borders, including the tax levies for the county and the Township. The levying of taxes is for a fiscal year, which starts July 1 and ends June 30. The collection of taxes to support a local governmental unit's current budget requirement is based upon a calendar year, January 1 to December 31.

Property taxes are based on a municipality's assessor's valuation of real property, as confirmed by the tax board of the county in which a municipality is situated. The taxes for municipal, local and regional school districts and a county cover the current calendar year. Turnover of the tax moneys by a municipality to a school district are based on school needs and are generally made on a periodic basis throughout the year with any balance transferred by June 30 (the end of the school district's fiscal year). A municipality remits one hundred percent (100%) of the county taxes, payable quarterly on February 15, May 15, August 15 and November 15.

Property valuations (assessments) are determined on true values as arrived at by a cost approach, market data approach and capitalization of net income where appropriate. Current assessments are the result of new assessments on a like basis with established comparable properties for newly assessed or purchased properties. This method assures equitable treatment to like property owners. But it often results in a divergence of the assessment ratio to true value. Because of the changes in property resale values, annual adjustments could not keep pace with the changing values.

Upon the filing of certified adopted budgets by the municipality's local school district and the county, the tax rate is struck by the County Board based on the certified amounts in each of the taxing districts for collection to fund the budgets. The statutory provisions for the assessment of property, the levying of taxes and the collection of taxes are set forth in N.J.S.A. §54:4-1, et seq. Special taxing districts are permitted for various special services rendered to the properties located within the special districts.

Tax bills are sent in June of the current fiscal year. Taxes are payable in four (4) quarterly installments on February 1, May 1, August 1 and November 1. The August and November tax bills are determined as the full tax levied for municipal, county and school purposes for the current municipal fiscal year, less the amount charged as the February and May installments for municipal, county and school purposes in the current fiscal year. The amounts due for the February and May installments are determined by the municipal governing body as either one-quarter ($\frac{1}{4}$) or one-half ($\frac{1}{2}$) of the full tax levied for municipal, county and school purposes for the preceding fiscal year.

Tax installments not paid on or before the due date are subject to interest penalties of eight percent (8%) per annum on the first \$1,500 of the delinquency and eighteen percent (18%) per annum on any amount in excess of \$1,500. The governing body may also fix a penalty to be charged to a taxpayer with a delinquency in excess of \$10,000 who fails to pay that delinquency prior to the end of the calendar year. The penalty so fixed shall not exceed six percent (6%) of the amount of the delinquency. These penalties and interest are the highest permitted under State statutes. Delinquent taxes open for one (1) year or more are annually included in a tax sale in accordance with State statutes.

Tax Appeals

State statutes provide a taxpayer with remedial procedures for appealing an assessed valuation that the taxpayer deems excessive. Prior to February 1 in each year, a municipality must mail to each property owner a notice of the current assessment and taxes on the property. The taxpayer has a right to petition the County Board on or before April 1 of the current tax year for its review. The County Board has the authority after a hearing to increase, 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 believes the petition was unsatisfactorily reviewed by the County Board, appeal of the decision may be made to the Tax Court of New Jersey for further hearing. Tax Court of New Jersey appeals tend to take several years to conclude by settlement or trial and any losses in tax collections from prior years, after an unsuccessful trial or by settlement, are charged directly to operations or with the permission of the Local Finance Board, may be refinanced, generally over a three (3) to five (5) year period.

The Local Fiscal Affairs Law

N.J.S.A. §40A:5-1, et seq. (the “Local Fiscal Affairs Law”), regulates the nonbudgetary financial activities of local governments. The chief financial officer of every local unit must file annually with the Director a verified statement of the financial condition of the local unit and all constituent boards, agencies and commissions.

An independent examination of the local unit’s accounts must be performed annually by a State licensed registered municipal accountant. The audit, conforming to the Division’s “Requirements of Audit”, includes recommendations for improvements of the local unit’s financial procedures and must be filed with the Director. A synopsis of the audit report, together with all recommendations made, must be published in a local newspaper within thirty (30) days of its completion.

A local unit’s funds are invested strictly in accordance with the provisions of the Local Fiscal Affairs Law, in particular N.J.S.A. §40A:5-12.1. A local unit is not authorized to invest funds in derivative products or reverse repurchase agreements.

Basis of Accounting

The accounting policies applicable to local governmental units have been prescribed by the Division. The following is a summary of the significant policies:

Basis of Accounting - A modified accrual basis of accounting is followed, with minor exceptions. Revenues are recorded as received in cash except for certain amounts which may be due from the State. Expenditures are recorded on the accrual basis. Appropriation reserves covering unexpended appropriation balances are automatically created on December 31 of each year and recorded as liabilities, except for amounts which may be cancelled by the governing body. Appropriation reserves are available, until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred or entered into during the preceding fiscal year. Lapsed appropriation reserves are recorded as income.

Interfunds - Interfund receivables in the Current Fund are recorded with offsetting reserves. Income is recognized in the year the receivables are liquidated. Interfund receivables in the other funds are not offset by reserves.

Fixed Assets - Property and equipment purchased through the Current Fund and the General Capital Fund are recorded as expenditures at the time of purchase and are not capitalized.

A local unit finances its operations primarily through the Current Fund. All tax receipts and most revenues are paid into the Current Fund and substantially all expenditures made by appropriations are paid from the Current Fund.

Expenditures are comprised of those made for general purposes, certain expenditures made from restricted federal, State and private grants, certain federal or State mandated expenditures, deferred charges, debt service and capital improvements. Budgeted expenditures for general purposes include payments made primarily in support of a local unit's various departments.

MUNICIPAL BANKRUPTCY

The undertakings of the Township should be considered with reference to Chapter IX of the Bankruptcy Act, 11 U.S.C. §401, et seq., as amended by Public Law 94-260, approved April 8, 1976, the Bankruptcy Reform Act of 1978, effective October 1, 1979, Public Law 100-597, effective November 3, 1988, the Bankruptcy Reform Act of 1994, effective October 22, 1994 and other bankruptcy laws affecting creditors' rights and municipalities in general. The amendments of P.L. 94-260 replace former Chapter IX and permit a state or any political subdivision, public agency or instrumentality that is insolvent or unable to meet its debts to file a petition in a court of bankruptcy for the purpose of effecting a plan to adjust its debts provided such entity is authorized by applicable state law; directs such a petitioner to file with the court a list of a petitioner's creditors; provides that a petition filed under this chapter shall operate as a stay of the commencement or continuation of any judicial or other proceeding against the petitioner; grants priority to debt owned for services or material actually provided within three months of the filing of the petition; directs a petitioner to file a plan for the adjustment of its debts; and provides that the plan must be accepted in writing by or on behalf of creditors holding at least two-thirds ($\frac{2}{3}$) in amount or more than one-half ($\frac{1}{2}$) in number of the listed creditors. These amendments were incorporated into the Bankruptcy Reform Act of 1978 with only minor changes.

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

The above references to the Bankruptcy Act are not to be construed as an indication that the Township expects to resort to the provisions of the Bankruptcy Act or that, if it did, such action would be approved by the Local Finance Board, or that any proposed plan would include a dilution of the source of payment of and security for the Bonds.

NO DEFAULT

There is no record of default in the payment of principal of or interest on bonds or notes of the Township.

ABSENCE OF MATERIAL LITIGATION

In the opinion of the Township Attorney, Thomas N. Ryan, Esq., Laddey, Clark & Ryan, Sparta, New Jersey (the "Township Attorney"), no litigation of any nature is now pending or, to his knowledge, threatened restraining or enjoining the issuance or delivery of the Bonds or the levy or collection of any taxes to pay the interest on or principal of the Bonds, or in any manner questioning the authority or proceedings for the issuance of the Bonds or for the levy or collection of said taxes, or relating to the Bonds or affecting the validity thereof or the levy or collection of said taxes, and neither the corporate existence or boundaries of the Township nor the title of any of the present officers thereof to their respective offices is being contested, and no authority or proceedings for the issuance of the Bonds has or have been repealed, revoked or rescinded. A signed statement to that effect will be supplied upon delivery of the Bonds. In the opinion of the Township Attorney, there is no litigation pending or, to his knowledge, threatened against the Township which if adversely decided would have a material adverse effect on the financial condition of the Township or which is not otherwise adequately covered by Township insurance.

TAX MATTERS

Opinion of Bond Counsel

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the Township, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and (ii) interest on the Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. 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 provisions and procedures set forth in the Arbitrage and Use of Proceeds Certificate of the Township to be delivered in connection with the issuance of the Bonds.

In addition, in the opinion of Bond Counsel to the Township, under existing statutes, interest on the Bonds is not included in gross income under the New Jersey Gross Income Tax Act.

Bond Counsel expresses no opinion regarding any other federal or state tax consequences with respect to the Bonds. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update its opinion 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 hereafter taken 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, or under state and local tax law.

Certain Ongoing Federal Tax Requirements and Covenants

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Bonds, yield and other restrictions on investments of

gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the federal government. Noncompliance with such requirements may cause interest on the Bonds to become included in gross income for federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. By executing its Arbitrage and Use of Proceeds Certificate to be delivered concurrently with the delivery of the Bonds, the Township will certify that, to the extent it is empowered and allowed under applicable law, it will comply with certain applicable requirements of the Code to assure the exclusion of interest on the Bonds from gross income under Section 103 of the Code.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral federal income tax matters with respect to the Bonds. It does not purport to address all aspects of federal taxation that may be relevant to a particular owner of a Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Bonds.

Prospective owners of the Bonds should be aware that the ownership of such obligations may result in collateral federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for federal income tax purposes. Interest on the Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Information Reporting and Backup Withholding

Information reporting requirements apply to interest paid on tax-exempt obligations, including the Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, "Request for Taxpayer Identification Number and Certification," or if the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding," which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Bonds from gross income for federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's federal income tax once the required information is furnished to the Internal Revenue Service.

Bond Premium

In general, if an owner acquires a Bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the Bond after the acquisition date (excluding certain "qualified stated interest" that is unconditionally payable at least

annually at prescribed rates), that premium constitutes “bond premium” on that Bond (a “Premium Bond”). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium Bond, based on the owner’s yield over the remaining term of the Premium Bond determined based on constant yield principles (in certain cases involving a Premium Bond callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such bond). An owner of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner’s regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Bond, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner’s original acquisition cost. Owners of any Premium Bonds should consult their own tax advisors regarding the treatment of bond premium for federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of Premium Bonds.

Miscellaneous

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under federal or state law and could affect the market price or marketability of the Bonds.

Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

QUALIFIED TAX-EXEMPT OBLIGATIONS

The Bonds **will** be designated as “qualified tax-exempt obligations” for purposes of Section 265(b)(3) of the Code.

SECONDARY MARKET DISCLOSURE

In order to assist the underwriter in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission (“Rule 15c2-12”), the Township has undertaken to provide, on or before 240 days after each of its fiscal years while the Bonds are outstanding, for filing with the Municipal Securities Rulemaking Board (the “MSRB”), on an annual basis, financial and operating information of the type hereinafter described and included in this Official Statement, which is referred to herein as “Annual Information”, together with the annual financial statements of the Township prepared in accordance with generally accepted accounting principles as modified by governmental accounting standards and mandated state statutory principles as in effect from time to time for municipalities. In addition, the Township has undertaken, for the benefit of the holders of the Bonds, to provide to the MSRB, in a timely manner not in excess of ten (10) business days after the occurrence of the specified event, the notices required to be provided by Rule 15c2-12 and described below (the “Notices”).

The Annual Information with respect to the Township means annual information concerning the Township which consists of financial and operating data of the Township of the type included in this

Official Statement relating to the following: (i) property tax levies and collections; (ii) assessed value of taxable property; (iii) property tax rates; and (iv) outstanding debt.

The Notices include notices of any of the following events with respect to the Notes: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Notes, or other material events affecting the tax-exempt status of the Notes; (7) modifications to rights of holders of the Notes, if material; (8) note calls (other than mandatory sinking fund redemptions) if material and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Notes, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the Township; (13) the consummation of a merger, consolidation, or acquisition involving the Township or the sale of all or substantially all of the assets of the Township, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) appointment of a successor or additional trustee or the change of name of a trustee, if material.

The sole and exclusive remedy for breach or default under the undertaking to provide continuing disclosure described above is an action to compel specific performance of the undertaking of the Township, and no person, including any holder of the Bonds, may recover monetary damages thereunder under any circumstances. In addition, if all or any part of Rule 15c2-12 ceases to be in effect for any reason, then the information required to be provided under the undertaking, insofar as the provision of Rule 15c2-12 no longer in effect required the providing of such information, shall no longer be required to be provided.

The foregoing undertaking is intended to set forth a general description of the type of financial information and operating data that will be provided; the descriptions are not intended to state more than general categories of financial information and operating data; and where an undertaking calls for information that no longer can be generated because the operations to which it related have been materially changed or discontinued, a statement to that effect will be provided. The undertaking, however, may be amended or modified without consent of the holders of the Bonds under certain circumstances set forth in the undertaking. Copies of the undertaking when executed by the Township upon the delivery of the Bonds will be on file at the office of the Township Clerk.

The Township has previously failed to comply with a prior undertaking to provide audited financial statements, financing information and operating data for the fiscal years ended 2007, 2008 and 2009. However, the Township has since filed the audited financial statements, financial information and operating data with the MSRB.

CREDIT RATING

Moody's Investors Service ("Moody's") has assigned a rating of "___" to the Bonds. This rating reflects only the view of Moody's and an explanation thereof may be obtained only from Moody's. Certain information and materials, including information and materials not included in this Official Statement, were furnished by the Township to Moody's. Generally, Moody's bases its ratings on the information and materials so furnished and on its investigations, studies and assumptions.

There is no assurance any such rating will remain in effect for any given period of time or that any such rating will not be revised downward, suspended or withdrawn entirely by a rating agency if, in the judgment of such rating agency, circumstances so warrant. Any such downward revision, suspension or withdrawal of a rating may have an adverse effect on the market price or the marketability of the Bonds. The Township has not undertaken any responsibility to oppose any such downward revision, suspension or withdrawal of a rating.

UNDERWRITING

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

The Underwriter intends to offer the Bonds to the public initially at the offering prices set forth on the cover page of this Official Statement, which may subsequently change without any requirement of prior notice. The Underwriter reserves the right to join with dealers and other underwriters in offering the Bonds to the public. The Underwriter may offer and sell Bonds to certain dealers (including dealers depositing Bonds into investment trusts) at prices lower than the public offering prices set forth on the cover page, and such public offering prices may be changed, from time to time, by the Underwriter without prior notice.

APPROVAL OF LEGAL PROCEEDINGS

All legal matters relating to the authorization, the issuance, the sale and the delivery of the Bonds are subject to the approval of Hawkins Delafield & Wood LLP, Newark, New Jersey, Bond Counsel to the Township, whose approving opinion will be delivered with the Bonds substantially in the form set forth in Appendix C hereto. Certain legal matters will be passed upon for the Township by the Township Attorney.

FINANCIAL STATEMENTS

The financial statements of the Township as of December 31, 2009 and 2008, have been audited by T.M. Vrabel & Associates, LLC, independent certified public accountants, as stated in their Independent Auditors' Report appearing in Appendix A hereto. Certain information extracted from the audited financial statements of the Township is included in Appendix A hereto.

PREPARATION OF OFFICIAL STATEMENT

T.M. Vrabel & Associates, LLC, assisted in the preparation of this Official Statement with information obtained from the Township and other sources, including publicly available sources, considered reliable, but T.M. Vrabel & Associates, LLC, does not make any warranty or other representation with respect to the accuracy and completeness of such information. T.M. Vrabel & Associates, LLC, takes responsibility for the audited financial information set forth in Appendix A hereto to the extent specified in their Independent Auditors' Report set forth in Appendix A hereto.

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

Hawkins Delafield & Wood LLP and the Township Attorney have not participated in the preparation of the financial or statistical information contained in this Official Statement, nor have they verified the accuracy, completeness or fairness thereof and, accordingly, express no opinion with respect thereto.

Upon request, the Chief Financial Officer of the Township will confirm to the purchasers of the Bonds, by certificate signed by the Chief Financial Officer, that to the knowledge of the Chief Financial Officer the descriptions and statements relating to the Township herein, as of the date of this Official Statement, are true and correct in all material respects and do not contain any untrue statement of a material fact or omit to state a material fact necessary to make such descriptions and statements, in light of the circumstances under which they were made, not misleading.

ADDITIONAL INFORMATION

Inquiries regarding this Official Statement, including information additional to that contained herein, may be directed to Michael J. Guarino, Chief Financial Officer, Municipal Building, 65 Main Street, Sparta, New Jersey 07871-1986 (973) 729-4103.

MISCELLANEOUS

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

So far as any statements made in this Official Statement involve matters of opinion or estimates, whether or not expressly stated, they are set forth as such and not as representations of fact, and no representation is made that any such statements will be realized. Neither this Official Statement nor any statement which may have been made verbally or in writing is to be construed as part of any contract with the holders of the Bonds.

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

**THE TOWNSHIP OF SPARTA, IN THE
COUNTY OF SUSSEX, NEW JERSEY**

By: /s/

Michael J. Guarino
Chief Financial Officer

APPENDIX A

REPORT OF EXAMINATION OF FINANCIAL STATEMENTS

TOWNSHIP OF SPARTA
CURRENT FUND - BALANCE SHEET

ASSETS

	December 31,			
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
	Unaudited			
Regular Fund :				
Cash and Investments	\$ 3,512,764.43	\$ 4,454,767.74	\$ 4,844,259.60	\$ 6,731,333.29
Budget refund Receivable - FEMA	0.00	0.00	0.00	0.00
Amount Due from Borough of Stanhope	<u>3,512,764.43</u>	<u>4,454,767.74</u>	<u>4,844,259.60</u>	<u>6,731,333.29</u>
				<u>7,389,238.35</u>
Receivables Reserved - Not Pledged to Fund Balance :				
Delinquent Property Taxes Receivable	2,190,199.46	1,685,178.93	1,836,633.22	1,256,289.19
Tax Title Liens Receivable	50,116.96	35,863.07	96,853.57	29,474.02
Property Acquired for Taxes at Assessed Valuation	652,580.00	652,580.00	652,580.00	652,580.00
Revenue Accounts Receivable	0.00	31,822.68	25,026.10	27,851.82
Other Receivables	0.00	0.00	0.00	0.00
Interfund Accounts Receivable	<u>90,912.08</u>	<u>13,094.07</u>	<u>16,742.25</u>	<u>404,888.30</u>
	<u>2,983,808.50</u>	<u>2,418,538.75</u>	<u>2,627,835.14</u>	<u>2,371,083.33</u>
				<u>37,428.08</u>
				<u>2,325,690.77</u>
Deferred Charges to Future Taxation :				
Emergency Authorization	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Federal and State Grants Fund :				
Federal and State Aid Receivable	78,665.82	111,212.19	91,456.34	69,515.34
Amount Due from Current Fund	<u>143,849.60</u>	<u>116,687.51</u>	<u>191,194.90</u>	<u>167,049.62</u>
	<u>222,515.42</u>	<u>227,899.70</u>	<u>282,651.24</u>	<u>236,564.96</u>
Total Assets	<u>\$ 6,719,088.35</u>	<u>\$ 7,101,206.19</u>	<u>\$ 7,754,745.98</u>	<u>\$ 9,338,981.58</u>
				<u>\$ 10,089,771.69</u>

TOWNSHIP OF SPARTA
CURRENT FUND - BALANCE SHEET

LIABILITIES, RESERVES AND FUND BALANCE

	December 31,		
	2010	2009	2008
Regular Fund :	Unaudited		
Liabilities :			
Appropriation Reserves	\$ 861,408.90	\$ 523,402.76	\$ 547,084.19
Reserve for Encumbrances	157,505.70	267,682.67	180,717.89
Prepaid Taxes	460,218.41	409,715.81	391,053.11
Tax Overpayments	53,567.71	342,759.84	296,724.20
Tax Title Liens Held in Trust	0.00	0.00	0.00
Notes Payable	0.00	0.00	0.00
Amount Due to State of New Jersey for Senior Citizens' and Veterans' Deductions	53,377.97	49,877.97	46,127.97
Accounts Payable	159.89	159.89	159.89
Amount Due to County for Added Assessments	42,497.55	59,027.02	103,061.35
Amount Due to County For Open Space Added Assessments	0.00	0.00	0.00
Amount Due to Municipal Open Space for Added Assessments	0.00	0.00	0.00
Amount Due to Federal and State Grant Fund	143,849.60	116,687.51	191,194.90
Amount Due to Board of Education	0.00	0.00	0.00
Reserve for Pending Tax Appeals	63,714.38	63,714.38	313,714.38
Reserve for Revaluation	0.00	39,424.73	39,424.73
Reserve for Sale of Property	0.00	42,714.55	38,643.46
Special Reserves	381,079.80	344,300.00	440,800.00
Interfund Accounts Payable	0.02	31,233.46	106,616.44
Other	75,168.03	95,062.01	31,100.54
	<u>2,292,547.96</u>	<u>2,385,762.60</u>	<u>2,726,423.05</u>
Reserve for Receivables	2,983,808.50	2,418,538.75	2,627,835.14
Fund Balance	<u>1,220,216.47</u>	<u>2,069,005.14</u>	<u>2,117,836.55</u>
	<u>6,496,572.93</u>	<u>6,873,306.49</u>	<u>7,472,094.74</u>
Federal and State Grants Fund :			
Appropriated Reserves	144,706.87	111,647.46	160,493.49
Unappropriated Reserves	60,744.30	98,958.07	77,833.95
Encumbrances Payable	17,064.25	17,294.17	44,323.80
	<u>222,515.42</u>	<u>227,899.70</u>	<u>282,651.24</u>
Total Liabilities, Reserves and Fund Balance	<u>\$ 6,719,088.35</u>	<u>\$ 7,101,206.19</u>	<u>\$ 7,754,745.98</u>

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

2006

749,769.94
286,575.53
418,258.81
315,954.43
0.00
0.00

45,047.97
8,707.54
3,945.44
0.00
0.00

262,798.23
0.00
398,714.38
39,424.73
46,301.26
325,000.00
126,562.44
10,906.00

3,037,966.70
2,325,690.77
4,351,271.65
9,714,929.12

207,065.38
124,143.46
43,633.73
374,842.57
10,089,771.69

A-4

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

TOWNSHIP OF SPARTA
TRUST FUND - BALANCE SHEET

ASSETS

	December 31,			
	2010	2009	2008	2007
	Unaudited			
\$	\$	\$	\$	\$
Assessment Fund :				
Cash	-	-	3,808.58	3,819.91
Assessments Receivable				
Assessment Liens	-	-	-	1,808.88
Assessment Lien Interest and Cost	-	-	-	144.65
Amount to be Raised for Canceled Assessments				
Interfund Accounts Receivable	0.00	0.00	3,808.58	5,773.44
				5,762.11
Animal Control Fund :				
Cash	52,154.92	74,398.67	68,481.25	26,979.14
Change Fund	25.00	25.00	25.00	25.00
Interfund Accounts Receivable	-	-	-	-
Reserve for Animal Control Expenses	-	-	-	-
	52,179.92	74,423.67	68,506.25	27,004.14
				24,114.40
Other Funds :				
Cash	1,245,889.10	1,880,873.49	2,287,548.29	2,108,433.25
Interfund Accounts Receivable	381,079.80	356,543.04	453,813.75	19,321.29
	1,626,968.90	2,237,416.53	2,741,362.04	2,127,754.54
				3,605,023.07
Total Assets	\$ 1,679,148.82	\$ 2,311,840.20	\$ 2,813,676.87	\$ 2,160,532.12
				\$ 3,634,899.58

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

TOWNSHIP OF SPARTA
TRUST FUND - BALANCE SHEET

LIABILITIES

		December 31,			
		2010	2009	2008	2007
		Unaudited			
Assessment Fund :					
Reserve for :					
Assessments and Liens		\$ 0.00	\$ 0.00	\$ 0.00	\$ 1,808.88
Assessment Lien Interest and Costs		0.00	0.00	0.00	144.65
Fund Balance		0.00	0.00	3,808.58	3,808.58
		<u>0.00</u>	<u>0.00</u>	<u>3,808.58</u>	<u>5,773.44</u>
					<u>5,762.11</u>
Animal Control Fund :					
Reserve for :					
Animal Control Fund Expenditures		51,601.72	73,841.87	67,926.85	26,330.57
Purchase of Animal Control Vehicle		0.00	0.00	0.00	0.00
Amount Due to State Board of Health		578.20	581.80	579.40	584.20
Interfund Accounts Payable		0.00	0.00	0.00	89.37
		<u>52,179.92</u>	<u>74,423.67</u>	<u>68,506.25</u>	<u>27,004.14</u>
					<u>24,114.40</u>
Other Funds :					
Interfund Accounts Payable		912.08	13,094.07	16,742.25	44,787.60
Amount Due to State of New Jersey :					
Marriage License Fees					
Code Enforcement Fees					
Reserve for :					
Various Reserves		1,626,056.82	2,224,322.46	2,724,619.79	2,082,966.94
		<u>1,626,056.82</u>	<u>2,237,416.53</u>	<u>2,741,362.04</u>	<u>2,127,754.54</u>
					<u>3,567,594.99</u>
					<u>3,605,023.07</u>
Total Liabilities, Reserves and Fund Balance		\$ 1,679,148.82	\$ 2,311,840.20	\$ 2,813,676.87	\$ 2,160,532.12
					<u>\$ 3,634,899.58</u>

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

TOWNSHIP OF SPARTA
GENERAL CAPITAL FUND - BALANCE SHEET

ASSETS

	December 31,			
	2010	2009	2008	2007
	Unaudited			
Cash	\$ 1,497,535.35	\$ 355,960.41	\$ 1,168,781.26	\$ 43,536.48
Interfund Accounts Receivable	0.00	401,453.45	41,453.45	88,293.16
Amount Due from State of NJ	238,843.00	257,829.25	113,843.00	341,843.00
Deferred Charges to Future Taxation -				
Funded	8,166,000.00	9,331,000.00	10,476,000.00	11,606,000.00
Unfunded	9,397,104.20	8,188,224.20	7,304,651.90	6,871,801.73
	<u>\$ 19,299,482.55</u>	<u>\$ 18,534,467.31</u>	<u>\$ 19,104,729.61</u>	<u>\$ 18,951,474.37</u>
				<u>\$ 19,156,008.47</u>

LIABILITIES, RESERVES AND FUND BALANCE

Serial Bonds	\$ 8,166,000.00	\$ 9,331,000.00	\$ 10,476,000.00	\$ 11,606,000.00	\$ 12,721,000.00
Bond Anticipation Notes	7,264,500.00	6,525,170.00	6,314,465.00	3,638,860.00	4,125,811.00
Improvement Authorizations -					
Funded	469,488.08	321,732.13	467,882.46	416,833.96	352,670.05
Unfunded	2,334,128.66	772,186.13	403,167.56	1,120,586.67	364,025.41
Reserve for Encumbrances	657,407.30	1,306,942.03	967,872.45	1,053,139.93	1,135,375.00
Capital Improvement Fund	125,996.79	40,304.29	209,233.04	207,507.26	99,007.26
Interfund Accounts Payable	0.00	0.00	0.00	910,000.00	107,190.24
Fund Balance	281,961.72	237,132.73	266,109.10	-1,453.45	250,929.51
	<u>\$ 19,299,482.55</u>	<u>\$ 18,534,467.31</u>	<u>\$ 19,104,729.61</u>	<u>\$ 18,951,474.37</u>	<u>\$ 19,156,008.47</u>

TOWNSHIP OF SPARTA
WATER UTILITY FUND - BALANCE SHEET

ASSETS

	December 31,			
	2010	2009	2008	2007
Operating Fund :				
Cash and Investments	Unaudited			
Interfund Accounts Receivable	\$ 831,866.54	\$ 405,233.34	\$ 481,851.01	\$ 118,608.31
	7,021.66	1,887.79	0.00	300,173.48
	<u>838,888.20</u>	<u>407,121.13</u>	<u>481,851.01</u>	<u>418,781.79</u>
				<u>587,774.03</u>
Receivables Reserved - Not Pledged to Fund Balance :				
Water Charges Receivable	630,630.13	347,089.86	376,145.45	465,611.61
Water Utility Liens	2,220.03	611.88	341.99	0.00
	<u>632,850.16</u>	<u>347,701.74</u>	<u>376,487.44</u>	<u>465,611.61</u>
				<u>299,449.53</u>
Deferred Charges - Emergency Appropriation				
Operating Deficit	382,611.64	455,837.37	256,010.27	450,515.94
	<u>1,854,350.00</u>	<u>1,210,660.24</u>	<u>1,114,348.72</u>	<u>1,334,909.34</u>
				<u>295,269.68</u>
				<u>1,182,493.24</u>
Water Assessment Fund				
Cash and Investments	151,007.14	83,875.56		
Interfund Accounts Receivable	0.02	17,536.97	52,149.24	
Assessments Receivable	351,168.45	395,629.21	222,850.76	
	<u>502,175.61</u>	<u>497,041.74</u>	<u>275,000.00</u>	
Capital Fund :				
Cash and Investments	89,528.16	4,545.23	130,229.00	144,428.02
Due from General Capital	0.00	0.00	0.00	0.00
Fixed Capital Authorized and Uncompleted	5,600,000.00	5,325,000.00	2,356,000.00	2,720,500.00
Fixed Capital Completed	23,529,848.56	22,686,070.03	21,360,426.03	20,195,926.03
Interfund Accounts Receivable	360,000.00			
	<u>29,579,376.72</u>	<u>28,015,615.26</u>	<u>23,846,655.03</u>	<u>23,060,854.05</u>
Total Assets	<u>\$ 31,935,902.33</u>	<u>\$ 29,723,317.24</u>	<u>\$ 25,236,003.75</u>	<u>\$ 24,395,763.39</u>
				<u>22,781,877.84</u>
				<u>23,964,371.08</u>

TOWNSHIP OF SPARTA
WATER UTILITY FUND - BALANCE SHEET
LIABILITIES, RESERVES AND FUND BALANCE

	December 31,			
	2010	2009	2008	2007
Operating Fund :				
Liabilities :	Unaudited			
Appropriation Reserves	\$ 72,403.80	\$ 83,727.31	\$ 52,081.73	\$ 33,639.88
Reserve for Encumbrances	67,981.25	130,969.71	92,945.51	127,992.31
Interfund Accounts Payable	565,591.67	90,353.95	30,062.05	102,255.54
Accounts Payable	6,214.62	0.00	0.00	6,214.62
Reserve for Water District #1 Expenditures				
Reserve for Accrued Interest on Bonds	186,549.49	197,416.38	211,967.61	218,525.99
Reserve for Accrued Interest on Loans	3,789.60	5,355.04		
Reserve for Accrued Interest on Notes	60,480.01	88,228.13	89,888.15	124,684.03
Water Rent Overpayments	8,488.15	16,886.73	10,894.98	5,964.11
	971,478.59	612,937.25	487,840.03	619,276.48
Reserve for Receivables	632,850.16	347,701.74	376,487.44	465,611.61
Fund Balance	250,021.25	250,021.25	250,021.25	250,021.25
	1,854,350.00	1,210,660.24	1,114,348.72	1,334,909.34
Water Assessment Fund				
Interfund Accounts Payable	17,021.66	1,887.79		
Reserve for Assessments Receivable	240,153.95	222,616.98	10,000.00	
Reserve to Pay Debt	0.00	17,536.97		
Bond Anticipation Notes	245,000.00	255,000.00	265,000.00	
Total Water Assessment Fund	502,175.61	497,041.74	275,000.00	
Capital Fund :				
General Obligation Bonds	8,948,000.00	9,460,000.00	9,962,000.00	10,459,000.00
Bond Anticipation Notes	7,317,000.00	5,467,000.00	4,796,500.00	4,357,000.00
State Loan Payable	299,319.80	448,137.85	591,412.66	729,355.87
Improvement Authorizations	3,669,777.46	3,823,963.17	921,356.24	1,023,871.36
Interfund Accounts Payable	0.00	400,000.00	0.00	0.00
Reserve for Amortization	9,029,188.57	8,151,591.99	7,220,673.18	5,438,053.22
Deferred Reserve for Amortization	100,500.00	75,500.00	188,500.00	953,676.75
Reserve for Water Improvements and Escrow Deposits	0.00	0.00	0.00	19,089.00
Capital Improvement Fund	18,939.00	68,939.00	80,939.00	60,350.00
Fund Balance	196,651.89	120,483.25	85,273.95	20,457.85
	29,579,376.72	28,015,615.26	23,846,655.03	23,060,854.05
Total Liabilities, Reserves and Fund Balance	\$ 31,935,902.33	\$ 29,723,317.24	\$ 25,236,003.75	\$ 24,395,763.39
				\$ 23,967,371.08

TOWNSHIP OF SPARTA
STATEMENT OF WATER UTILITY OPERATIONS AND CHANGE IN FUND BALANCE

	December 31,			
	2010	2009	2008	2007
	Unaudited			
Revenue and Other Income :	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Fund Balance Utilized				
Water Rents	2,568,785.50	2,601,756.51	2,731,011.20	2,415,582.19
Miscellaneous	423,596.84	220,964.02	313,503.05	303,114.30
Other Credits to Income	53,172.51	21,773.85	52,874.81	78,827.67
	<u>3,045,554.85</u>	<u>2,844,494.38</u>	<u>3,097,389.06</u>	<u>2,797,524.16</u>
				<u>2,863,403.96</u>
Expenditures :				
Operating	1,645,383.00	1,582,927.00	1,514,124.00	1,434,985.00
Capital Improvements	50,000.00	135,000.00	40,000.00	97,500.00
Debt Service	1,226,946.12	1,272,894.48	1,301,759.39	1,373,785.42
Deferred Charges and Statutory Expenditures	505,837.37	309,510.27	497,515.94	341,769.68
Surplus (General Budget)	0.00	0.00	0.00	0.00
	<u>3,428,166.49</u>	<u>3,300,331.75</u>	<u>3,353,399.33</u>	<u>3,248,040.10</u>
Excess in Revenue	-382,611.64	-455,837.37	-256,010.27	-450,515.94
Fund Balance January 1	<u>250,021.25</u>	<u>250,021.25</u>	<u>250,021.25</u>	<u>250,021.25</u>
	<u>250,021.25</u>	<u>250,021.25</u>	<u>250,021.25</u>	<u>250,021.25</u>
Deduct Fund Balance Utilized	0.00	0.00	0.00	0.00
as Anticipated Revenue				
Fund Balance December 31	<u>\$ 250,021.25</u>	<u>\$ 250,021.25</u>	<u>\$ 250,021.25</u>	<u>\$ 250,021.25</u>
				<u>\$ 92,700.00</u>
				<u>\$ 250,021.25</u>

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

TOWNSHIP OF SPARTA
SEWER UTILITY FUND - BALANCE SHEET

ASSETS

	December 31,				
	2010	2009	2008	2007	2006
Operating Fund :					
Cash and Investments	Unaudited				
Due from Board of Education	\$ 252,811.84	\$ 488,490.61	\$ 479,329.16	\$ 92,486.47	\$ 280,791.23
Interfund Accounts Receivable	0.00	0.00	0.00	0.00	0.00
	184,714.85	90,531.41	30,661.99	322,052.83	156,206.36
	<u>437,526.69</u>	<u>579,022.02</u>	<u>509,991.15</u>	<u>414,539.30</u>	<u>436,997.59</u>
Operating Deficit	98,859.01	0.00	0.00	0.00	0.00
Sewer Charges Receivable	182,646.28	113,112.81	180,632.54	209,674.44	80,902.00
	<u>719,031.98</u>	<u>692,134.83</u>	<u>690,623.69</u>	<u>624,213.74</u>	<u>517,899.59</u>
Assessment Trust Fund :					
Cash and Investments	29,624.81	28,101.78	26,936.88	26,088.37	18,102.07
Sewer Assessments Receivable	15,800.55	17,584.69	19,172.07	20,373.06	28,728.89
	<u>45,425.36</u>	<u>45,686.47</u>	<u>46,108.95</u>	<u>46,461.43</u>	<u>46,830.96</u>
Capital Fund :					
Cash and Investments	118,327.76	98,093.50	76,070.84	56,208.16	112,003.54
Interfund Receivable	0.00	0.00	0.00	14,371.25	24,389.69
Fixed Capital	5,714,838.22	5,714,838.22	5,714,838.22	4,214,838.22	4,214,838.22
Fixed Capital Authorized and Uncompleted	3,020,000.00	3,020,000.00	3,020,000.00	4,520,000.00	4,520,000.00
	<u>8,853,165.98</u>	<u>8,832,931.72</u>	<u>8,810,909.06</u>	<u>8,805,417.63</u>	<u>8,871,231.45</u>
Total Assets	<u>\$ 9,617,623.32</u>	<u>\$ 9,570,753.02</u>	<u>\$ 9,547,641.70</u>	<u>\$ 9,476,092.80</u>	<u>\$ 9,435,962.00</u>

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

TOWNSHIP OF SPARTA
SEWER UTILITY FUND - BALANCE SHEET

LIABILITIES, RESERVES AND FUND BALANCE

	December 31,			
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
	Unaudited			
Operating Fund :				
Liabilities :				
Appropriation Reserves	\$ 150,144.67	\$ 38,108.98	\$ 3,648.60	\$ 13,708.89
Reserve for Encumbrances	13,173.17	19,352.29	16,697.32	24,369.60
Accounts Payable				
Reserve for Accrued Interest on Bonds	51,425.00	52,996.88	48,114.78	48,751.16
Reserve for Accrued Interest on Notes	28,102.76	65,556.25	82,581.13	82,580.25
Interfund Accounts Payable	0.00	0.00	0.00	14,371.25
Sewer Rent Overpayments	1,709.21	176.73		
	<u>244,554.81</u>	<u>176,191.13</u>	<u>151,041.83</u>	<u>183,781.15</u>
Reserve for Receivables	182,646.28	113,112.81	180,632.54	209,674.44
Fund Balance	291,830.89	402,830.89	358,949.32	230,758.15
	<u>719,031.98</u>	<u>692,134.83</u>	<u>690,623.69</u>	<u>624,213.74</u>
				<u>346,157.83</u>
				<u>80,902.00</u>
				<u>90,839.76</u>
				<u>517,899.59</u>
Assessment Trust Fund :				
Fund Balance	24,452.72	22,668.58	21,081.20	19,880.21
Reserve for Assessments Receivable	15,800.55	17,584.69	19,172.07	20,373.06
Assessments Overpayments	4,901.93	0.00	0.00	0.00
Interfund Accounts Payable	270.16	5,433.20	5,855.68	6,208.16
	<u>45,425.36</u>	<u>45,686.47</u>	<u>46,108.95</u>	<u>46,461.43</u>
				<u>11,524.38</u>
				<u>28,728.89</u>
				<u>0.00</u>
				<u>6,577.69</u>
				<u>46,830.96</u>
Capital Fund :				
General Obligation Bonds	2,450,000.00	2,585,000.00	2,720,000.00	2,855,000.00
Bond Anticipation Notes	2,396,900.00	2,496,900.00	2,597,900.00	2,698,900.00
Improvement Authorizations	26,009.09	28,509.20	28,509.20	28,509.20
Capital Improvement Fund	6,500.00	6,500.00	6,500.00	6,500.00
Reserve for Amortization	3,720,976.86	3,485,976.86	3,249,976.86	2,130,593.16
Reserve for Encumbrances	46,867.50	0.00	0.00	0.00
Interfund Accounts Payable	0.00	0.00	0.00	293.62
Deferred Reserve for Amortization	144,000.00	144,000.00	144,000.00	1,027,383.70
Fund Balance	61,912.53	86,045.66	64,023.00	58,237.95
	<u>8,863,165.98</u>	<u>8,832,931.72</u>	<u>8,810,909.06</u>	<u>8,805,417.63</u>
				<u>9,476,092.80</u>
				<u>2,985,000.00</u>
				<u>2,799,900.00</u>
				<u>48,196.21</u>
				<u>6,500.00</u>
				<u>1,899,593.16</u>
				<u>0.00</u>
				<u>54,722.25</u>
				<u>1,027,383.70</u>
				<u>49,936.13</u>
				<u>8,871,231.45</u>
				<u>9,435,962.00</u>
Total Liabilities, Reserves and Fund Balance	\$ 9,617,623.32	\$ 9,570,753.02	\$ 9,547,641.70	\$ 9,476,092.80

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

TOWNSHIP OF SPARTA
STATEMENT OF SEWER UTILITY OPERATIONS AND CHANGE IN FUND BALANCE

		December 31,			
		2010	2009	2008	2007
		Unaudited			
Revenue and Other Income :					
Fund Balance Utilized	\$	111,000.00	\$ 25,048.60	\$ 66,486.00	\$ 29,932.00
Sewer Rents		632,729.85	758,846.98	616,445.10	436,946.47
Miscellaneous		11,720.04	17,868.13	17,589.23	16,776.48
Anticipated Sewer Deficit		0.00	0.00	0.00	0.00
Sewer Capital Fund Balance		0.00	0.00	0.00	0.00
Sewer Assessment Fund Bal.		0.00	0.00	0.00	0.00
Sewer Reservation Fees		160,600.54	155,034.52	189,800.74	183,091.30
Sewer Connection Fees		116,325.06	38,325.55	86,859.59	131,459.99
Sparta Commons Agreement		109,542.00	109,542.00	158,000.00	109,542.00
Other Credits to Income		153,413.81	99,054.99	112,628.51	282,930.15
		<u>1,295,331.30</u>	<u>1,203,720.77</u>	<u>1,247,809.17</u>	<u>1,190,678.39</u>
					<u>1,097,997.08</u>
Expenditures :					
Operating		1,092,360.00	734,165.00	588,152.00	547,636.00
Capital Improvements		0.00	0.00	0.00	0.00
Debt Service		339,100.00	393,625.60	459,980.00	469,192.00
Deferred Charges		0.00	0.00	0.00	0.00
Statutory Expenditures		7,000.00	7,000.00	5,000.00	4,000.00
		<u>1,438,460.00</u>	<u>1,134,790.60</u>	<u>1,053,132.00</u>	<u>1,020,828.00</u>
		<u>(143,128.70)</u>	<u>68,930.17</u>	<u>194,677.17</u>	<u>169,850.39</u>
Excess or (Deficit) in Revenue		<u>402,830.89</u>	<u>358,949.32</u>	<u>230,758.15</u>	<u>90,839.76</u>
Fund Balance January 1		<u>259,702.19</u>	<u>427,879.49</u>	<u>425,435.32</u>	<u>260,690.15</u>
					<u>123,057.76</u>
Increase by: Deferred Charges					
to be Raised in Budget of Succeeding Year					
Deduct Fund Balance Utilized					
as Anticipated Revenue		<u>111,000.00</u>	<u>25,048.60</u>	<u>66,486.00</u>	<u>29,932.00</u>
Fund Balance December 31	\$	<u>291,830.89</u>	<u>\$ 402,830.89</u>	<u>\$ 358,949.32</u>	<u>\$ 230,758.15</u>
					<u>90,839.76</u>

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

TOWNSHIP OF SPARTA
SOLID WASTE UTILITY FUND - BALANCE SHEET

ASSETS

	December 31,	
	<u>2010</u>	<u>2009</u>
Operating Fund :	Unaudited	
Cash and Investments	\$ 2,709.90	\$ 123,801.90
Interfund Accounts Receivable	31,146.98	0.00
	<u>33,856.88</u>	<u>123,801.90</u>
		<u>113,553.51</u>
Receivable with Full Reserves		
Consumer Accounts Receivable	134,795.55	93,559.95
Liens Receivable	4,010.76	4,010.76
	<u>138,806.31</u>	<u>97,570.71</u>
		<u>61,207.79</u>
Deferred Charges - Operations Deficit	<u>137,000.00</u>	<u>10,199.64</u>
		<u>5,942.29</u>
Total Assets	<u>\$ 309,663.19</u>	<u>\$ 231,572.25</u>
		<u>\$ 180,703.59</u>

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

TOWNSHIP OF SPARTA
SOLID WASTE UTILITY FUND - BALANCE SHEET

LIABILITIES, RESERVES AND FUND BALANCE

	December 31,		
	2010	2009	2008
	Unaudited		
Operating Fund :			
Liabilities :			
Appropriation Reserves	\$ 180.92	\$ 1,040.71	\$ 608.23
Reserve for Encumbrances	40,079.57	124,672.19	111,224.61
Accounts Payable	90,000.00	0.00	0.00
Interfund Accounts Payable	23,641.51	8,288.64	7,662.96
Solid Waste Overpayments			
Accounts Payable	153,902.00	134,001.54	119,495.80
Reserve for Receivables	138,806.31	97,570.71	61,207.79
Fund Balance	16,954.88	0.00	0.00
	309,663.19	231,572.25	180,703.59
Total Liabilities, Reserves and Fund Balance	\$ 309,663.19	\$ 231,572.25	\$ 180,703.59

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

TOWNSHIP OF SPARTA
STATEMENT OF SOLID WASTE UTILITY OPERATIONS AND CHANGE IN FUND BALANCE

	December 31,	
	2010	2009
	Unaudited	
Revenue and Other Income :		
Fund Balance Utilized	\$ 0.00 \$	0.00 \$
Solid Waste User Fees	1,579,538.52	1,510,431.59
Miscellaneous	9,806.63	8,552.18
Anticipated Solid Waste Deficit	0.00	0.00
Other Credits to Income	509.37	1,358.88
	<u>1,589,854.52</u>	<u>1,520,342.65</u>
		<u>1,097,957.71</u>
Expenditures :		
Operating	1,562,200.00	1,524,100.00
Capital Improvements	0.00	0.00
Deferred Charges	10,199.64	5,942.29
Statutory Expenditures	500.00	500.00
	<u>1,572,899.64</u>	<u>1,530,542.29</u>
Excess or (Deficit) in Revenue	16,954.88	(10,199.64)
Fund Balance January 1	0.00	0.00
	<u>16,954.88</u>	<u>-10,199.64</u>
Increase by: Deferred Charges		
to be Raised in Budget of Succeeding Year		
Deduct Fund Balance Utilized	0.00	-10,199.64
as Anticipated Revenue	<u>16,954.88</u>	<u>0.00</u>
Fund Balance December 31	\$	\$
		<u>-5,942.29</u>
		<u>0.00</u>

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

APPENDIX B

**TOWNSHIP OF SPARTA
FINANCIAL AND GENERAL INFORMATION**

GENERAL INFORMATION

General

The following material presents certain economic and demographic information on the Township of Sparta. Additional information is included in Appendix A and such information is derived from certified audits and audited financial documents and should be used in conjunction with the audit from which they are derived. Unless otherwise stated, all information is from the Township.

The financial statements have been prepared in conformance with accounting practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. These practices differ from generally accepted accounting principals applicable to local government units.

Introduction

The Township of Sparta is a residential community located in the southeastern half of Sussex County about fifty (50) miles from New York City. Sparta covers an area of thirty eight and one half (38.5) square miles with elevations up to 1,200 feet above sea level.

Municipal Government

The Township of Sparta's form of government is Council-Manager Plan B of the New Jersey Optional Municipal Charter Law. The Township is governed by a five (5) member Township Council. Each member is elected without party affiliation for four (4) year overlapping terms. Each year the Council chooses a Mayor from its Members who acts as the Township representative and presides over Council meetings. By law, the Township Council has responsibility for all legislative matters ranging from the enactment of ordinances and resolutions to general citizen representation. Policy formulation by the Council is assisted by a number of separate advisory boards, committees and citizen input.

Executive responsibilities of the Township are vested in the full-time Township Manager. The Manager is appointed by the Council and is the chief executive and administrative head of the local government. The Manager's duties include management of the Township's "day to day" business including the coordination of activities of all departments and employees, implementation of Council policy and the enforcement of all ordinances and preparation of the annual budget.

Services

Police protection for the Township is provided by a Police Department consisting of thirty-eight (38) full-time officers. The Sparta Volunteer Fire Department operates four (4) stations. It is equipped with six (6) modern trucks and pumpers along with one (1) emergency vehicle and has seventy-eight (78) volunteer members providing free twenty-four (24) hour service. The Fire Department is governed by the Township Council. The Sparta Ambulance Service has sixty (60) volunteer members providing free twenty-four (24) hour emergency service for the Township.

Utilities

Township resident obtain their water from either the Township owned water utility or from individual wells. The vast majority of residents are served by public water. Individual property owners' wells must be tested and approved before initial use. Once approved, the homeowner is responsible for testing.

The Township has a municipal sewer utility that serves the Lake Mohawk/White Deer Plaza, Center Street Commercial Area and the Knoll Heights senior citizen housing. The majority of homes have individual septic systems that must conform to Township Health Department requirements.

There is a limited area of the Township serviced by natural gas, however, most homes are heated by oil or propane gas. GPU Energy supplies electricity, while local telephone service is provided by the Sprint United Telephone Company.

TOWNSHIP OF SPARTA
COUNTY OF SUSSEX, NEW JERSEY

ECONOMIC INFORMATION

Population

The population of the Township of Sparta has been increasing in age over the past several years. In 1970 the median age of a Township resident was 28.3 years. In 1990 the median age of a Township resident had increased to 35.6 years. The following summary of recent U.S. Census figures for the Township :

2000 Federal Census	18,080
1990 Federal Census	15,098
1980 Federal Census	13,333
1970 Federal Census	10,819
1960 Federal Census	6,717

Source : U.S. Census

Labor Force

<u>Sparta Township</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Labor Force	10,073	10,200	10,314	10,530	10,369
Employment	9,485	9,700	10,033	10,056	10,074
Unemployment	588	500	281	474	295
Unemployment Rate	5.8%	4.9%	2.7%	4.5%	2.8%
<u>Sussex County</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Labor Force	84,629	85,700	85,500	85,000	85,400
Employment	77,350	79,100	81,200	80,700	81,500
Unemployment	7,279	6,600	4,300	4,300	3,900
Unemployment Rate	8.6%	7.7%	5.0%	5.1%	4.6%
<u>State of New Jersey</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Labor Force	4,487,000	4,539,000	4,516,200	4,463,500	4,528,800
Employment	4,079,200	4,098,500	4,273,800	4,235,300	4,354,400
Unemployment	407,800	440,500	242,400	228,200	174,400
Unemployment Rate	9.1%	9.7%	5.4%	5.1%	3.9%

Source : New Jersey Department of Labor

Building Permits

<u>Year</u>	<u>Number of Permits</u>	<u>Number of New Homes</u>	<u>Value of Construction</u>
2010	1567	35	\$24,746,297
2009	1259	22	\$30,882,640
2008	1805	21	\$68,834,073
2007	1827	61	\$42,599,614
2006	2005	111	\$57,333,874
2005	2171	75	\$44,727,106
2004	2045	51	\$40,421,327

Source : Township Construction Code Official

TOWNSHIP OF SPARTA
COUNTY OF SUSSEX, NEW JERSEY

Ten Largest Employers - 2011

<u>Name of Employer</u>	<u>Nature of Business</u>	<u>Number of Employees</u>
Sparta Township Board of Education	Educational Services	386
Sussex County Vo-Tech	Educational Services	227
Township of Sparta	Township Administration	139
Stop and Shop	Food Distribution	134
Sussex Technology	Manufacturing	104
The Printing Center	Printing Services	40
Woodland Group	Insurance	36
Acme Food Stores	Food Distribution	33
Medusa Industries	Construction Materials	26
Sparta Ready Mix	Construction Materials	18

Ten Largest Taxpayers - 2011

<u>Name of Taxpayer</u>	<u>Type of Business</u>	<u>2011 Assessed Valuation</u>	<u>Percentage of Assessed Valuation</u>
Cofanceso/Grinnell	Corporation	\$ 7,103,100	0.297%
Sparta Builders, LLC	Corporation	\$ 7,079,100	0.296%
Limecrest Quarry Dev. LLC	Corporation	\$ 6,071,300	0.254%
Lake Mohawk Country Club	Corporation	\$ 5,541,100	0.232%
Toll Land VI, LP	Corporation	\$ 5,203,800	0.218%
Newton Memorial Hospital	Foundation	\$ 4,756,000	0.199%
United Tel of NJ % Embarq	Corporation	\$ 4,739,437	0.198%
Ashdown Forest Estates	Corporation	\$ 4,160,700	0.174%
Terry - Lynn, LLC	Corporation	\$ 4,114,200	0.172%
Heller Sparta, LLC	Corporation	\$ 3,878,600	0.162%

TOWNSHIP OF SPARTA
COUNTY OF SUSSEX, NEW JERSEY

Assessed Valuations of Property by Class

Property Classification	<u>2011</u>		<u>2010</u>		<u>2009</u>		<u>2008</u>		<u>2007</u>	
	<u>Assessment</u>	<u>Percent</u>	<u>Assessment</u>	<u>Percent</u>	<u>Assessment</u>	<u>Percent</u>	<u>Assessment</u>	<u>Percent</u>	<u>Assessment</u>	<u>Percent</u>
Vacant Land	58,052,900	2.42%	61,725,600	2.52%	64,660,700	2.64%	69,057,500	2.85%	74,034,600	3.10%
Residential	2,101,515,300	87.72%	2,157,796,500	87.97%	2,152,033,500	87.93%	2,132,373,400	87.87%	2,097,964,400	87.87%
Farm Regular	18,624,800	0.78%	16,453,300	0.67%	17,615,700	0.72%	18,035,600	0.74%	18,195,600	0.76%
Farm Qualified	887,800	0.04%	897,500	0.04%	876,400	0.04%	929,100	0.04%	955,800	0.04%
Commercial	176,076,300	7.35%	175,681,400	7.16%	172,441,900	7.05%	162,124,600	6.68%	151,153,000	6.33%
Industrial	32,990,800	1.38%	32,990,800	1.36%	32,967,000	1.35%	34,483,600	1.42%	35,512,800	1.49%
Apartments	2,774,100	0.12%	2,468,800	0.10%	2,348,800	0.10%	4,700,400	0.19%	4,700,400	0.20%
	2,390,922,000	99.80%	2,448,013,900	99.80%	2,442,944,000	99.82%	2,421,704,200	99.79%	2,382,516,600	99.78%
Exempt Property	4,739,437	0.20%	4,800,630	0.20%	4,389,055	0.18%	5,043,760	0.21%	5,151,224	0.22%
	2,395,661,437	100.00%	2,452,814,530	100.00%	2,447,333,055	100.00%	2,426,747,960	100.00%	2,387,667,824	100.00%

TOWNSHIP OF SPARTA
COUNTY OF SUSSEX, NEW JERSEY

	Property Valuations				
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Assessed Valuation :					
Land and Improvements	\$ 2,390,922,000	\$ 2,448,013,900	\$ 2,442,944,000	\$ 2,421,704,200	\$ 2,382,516,600
Personal and Tangible Property	<u>4,739,437</u>	<u>4,800,630</u>	<u>4,389,055</u>	<u>5,053,147</u>	<u>5,151,224</u>
Total Assessed Valuation	<u>2,395,661,437</u>	<u>2,452,814,530</u>	<u>2,447,333,055</u>	<u>2,426,757,347</u>	<u>2,387,667,824</u>
County Equalized Valuation	<u>\$ 3,526,661,912</u>	<u>\$ 3,618,254,212</u>	<u>\$ 3,763,969,600</u>	<u>\$ 3,707,803,433</u>	<u>\$ 3,496,365,242</u>
County Equalized Ratio	67.93%	67.79%	65.02%	65.45%	68.29%

Source : County of Sussex Abstract of Ratables

TOWNSHIP OF SPARTA
COUNTY OF SUSSEX, NEW JERSEY

General Tax Rate

Est	<u>Year</u>	<u>Township</u>	<u>Local School</u>	<u>County</u>	<u>County Health</u>	<u>County Open Space</u>	<u>Municipal Open Space</u>	<u>Total</u>	<u>County Equalization Ratio</u>	<u>Effective Tax Rate (1)</u>
	2011	0.6377	2.119	0.544	0.015	0.01	0.011	3.337	67.93	2.27
	2010	0.637	2.065	0.533	0.015	0.01	0.011	3.271	67.72	2.22
	2009	0.6035	1.966	0.509	0.015	0.02	0.01	3.124	65.02	2.03
	2008	0.579	1.848	0.493	0.015	0.039	0.01	2.98	65.45	1.95
	2007	0.545	1.757	0.488	0.017	0.052	0.011	2.87	68.29	1.96
	2006	0.509	1.737	0.477		0.046	0.011	2.78	75.31	2.09

(1) General Tax Rate multiplied by County Equalization Ratio

Source : Township Tax Collector

TOWNSHIP OF SPARTA
COUNTY OF SUSSEX, NEW JERSEY

Tax Levy

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
	<u>EST</u>					
Municipal Open Space	\$ 272,508	\$ 269,809	\$ 269,207	\$ 266,387	\$ 262,077	\$ 253,529
County Open Space	239,912	235,208	490,363	928,986	1,226,376	1,081,171
Municipal	16,587,888	15,646,010	14,771,323	14,070,423	13,008,841	12,015,419
Local School	51,675,713	50,662,464	48,108,155	44,845,152	41,929,287	41,004,796
County Health	359,954	352,896	354,241	354,077	382,931	
County	<u>13,324,401</u>	<u>13,063,139</u>	<u>12,458,621</u>	<u>11,946,601</u>	<u>11,605,613</u>	<u>11,250,200</u>
Total	<u>\$ 82,460,376</u>	<u>\$ 80,229,526</u>	<u>\$ 76,451,909</u>	<u>\$ 72,411,626</u>	<u>\$ 68,415,125</u>	<u>\$ 65,605,115</u>

TOWNSHIP OF SPARTA
COUNTY OF SUSSEX, NEW JERSEY

Comparison of Tax Levies and Collections

<u>Year</u>	<u>Tax Levy</u>	<u>Current Year's</u>	
		<u>Tax Levy Collected</u>	<u>Percentage</u>
2010	\$80,476,466	\$77,666,575	96.51%
2009	\$76,791,799	\$74,951,513	97.60%
2008	\$72,972,088	\$71,049,753	97.37%
2007	\$69,403,648	\$68,098,366	98.12%
2006	\$66,539,880	\$65,005,498	97.69%
2005	\$63,857,894	\$62,255,550	97.49%
2004	\$60,368,868	\$59,057,404	97.83%
2003	\$56,807,559	\$55,492,445	97.68%

Delinquent Taxes and Tax Title Liens

<u>Year</u>	<u>Tax Title</u>	<u>Delinquent</u>	<u>Total</u>	<u>Collection Percentage</u>	<u>Total</u>
	<u>Liens</u>	<u>Taxes</u>			
2010	\$ 2,111	\$ 1,563,653	\$1,565,764	1.95%	
2009	\$ 11,212	\$ 1,743,650	\$1,754,862	2.29%	
2008	\$ 96,853	\$ 1,836,633	\$1,933,486	2.65%	
2007	\$ 29,474	\$ 1,256,289	\$1,285,763	1.85%	
2006	\$ 120,002	\$ 1,480,720	\$1,600,722	2.41%	
2005	\$ 105,240	\$ 1,555,275	\$1,660,515	2.60%	
2004	\$ 102,822	\$ 1,241,827	\$1,344,649	2.23%	
2003	\$ 138,528	\$ 1,318,196	\$1,456,724	2.56%	

TOWNSHIP OF SPARTA
COUNTY OF SUSSEX, NEW JERSEY

Comparative Schedule of Fund Balances

Current Fund

<u>Year</u>	<u>Balance December 31</u>	<u>Utilized in Budget of Succeeding Year</u>	<u>Unappropriated Fund Balance</u>
2010	\$ 1,220,216	\$ 1,220,000	\$ 216
2009	\$ 2,069,005	\$ 2,065,000	\$ 4,005
2008	\$ 2,117,836	\$ 2,110,000	\$ 7,836
2007	\$ 3,986,491	\$ 3,986,000	\$ 491
2006	\$ 4,351,271	\$ 3,700,000	\$ 651,271
2005	\$ 4,824,270	\$ 4,130,000	\$ 694,270
2004	\$ 5,106,915	\$ 4,237,300	\$ 869,615
2003	\$ 4,169,527	\$ 3,450,000	\$ 719,527

Sewer Utility Operating Fund

<u>Year</u>	<u>Balance December 31</u>	<u>Utilized in Budget of Succeeding Year</u>	<u>Unappropriated Fund Balance</u>
2010	\$ 291,831	\$ 100,000	\$ 191,831
2009	\$ 402,831	\$ 111,000	\$ 291,831
2008	\$ 358,949	\$ 25,049	\$ 333,900
2007	\$ 230,758	\$ 66,486	\$ 164,272
2006	\$ 90,839	-	\$ 90,839
2005	\$ 80,279	\$ 32,218	\$ 48,061
2004	\$ 48,019	-	\$ 48,019
2003	\$ 48,019	-	\$ 48,019

Water Utility Operating Fund

<u>Year</u>	<u>Balance December 31</u>	<u>Utilized in Budget of Succeeding Year</u>	<u>Unappropriated Fund Balance</u>
2010	\$ 250,021	-	\$ 250,021
2009	\$ 250,021	-	\$ 250,021
2008	\$ 250,021	-	\$ 250,021
2007	\$ 250,021	-	\$ 250,021
2006	\$ 250,021	-	\$ 250,021
2005	\$ 342,721	\$ 92,700	\$ 250,021
2004	\$ 726,046	\$ 564,586	\$ 161,460
2003	\$ 1,182,568	\$ 628,835	\$ 553,733

Solid Waste Utility Operating Fund

<u>Year</u>	<u>Balance</u>	<u>Utilized in</u>	<u>Unappropriated</u>
2010	<u>December 31</u>	<u>Budget of</u>	<u>Fund Balance</u>
	\$ 16,955	<u>Succeeding Year</u>	\$ 16,955
		\$ -	

TOWNSHIP OF SPARTA
COUNTY OF SUSSEX, NEW JERSEY

History of Statutory Debt Ratios

	2010	2009	2008	2007	2006
GROSS DEBT :					
Local School District :					
Bonds Issued	\$ 85,953,000	\$ 88,028,000	\$ 90,343,000	\$ 92,358,000	\$ 93,333,000
Township :					
General :					
Bonds and Notes Issued	15,430,500	15,856,170	16,790,465	15,244,860	16,846,811
Authorized but Not Issued	2,267,604	1,663,054	1,026,854	3,335,854	188,854
Self Liquidating :					
Bonds and Notes Issued	21,656,220	20,736,788	20,932,813	21,117,256	21,741,071
Authorized but Not Issued	3,473,340	4,411,590	789,000	811,000	302,500
TOTAL GROSS DEBT	128,780,664	130,695,602	129,882,132	132,866,970	132,412,236
STATUTORY DEDUCTIONS :					
Local School District	85,953,000	88,028,000	90,343,000	92,358,000	93,333,000
Township (Excess Proceeds)	135,000	796	-	-	66,805
Self-Liquidating	22,266,986	23,515,883	16,344,118	13,003,857	18,631,477
STATUTORY NET DEBT	\$ 20,425,678	\$ 19,150,923	\$ 23,195,014	\$ 27,505,113	\$ 20,380,954
Average Equalized Valuation	\$ 3,643,992,225	\$ 3,656,151,741	\$ 3,604,793,675	\$ 3,383,416,975	\$ 3,092,392,375
Population (2000 Census)	18,080	18,080	18,080	18,080	18,080
Ratios :					
Gross Debt to Average Equalized Valuation	3.53%	3.57%	3.60%	3.93%	4.28%
Net Debt to Average Equalized Valuation	0.56%	0.52%	0.64%	0.81%	0.66%
Gross Debt Per Capita	\$ 7,122.82	\$ 7,228.74	\$ 7,183.75	\$ 7,348.84	\$ 7,323.69
Net Debt Per Capita	\$ 1,129.74	\$ 1,059.23	\$ 1,282.91	\$ 1,521.30	\$ 1,127.27

Source : The Township's Annual Debt Statements

TOWNSHIP OF SPARTA
COUNTY OF SUSSEX, NEW JERSEY

Tax Supported Debt as of December 31, 2010

Local School District Debt :		
Bonds Issued		\$ 85,953,000
Township Debt :		
General :		
Bonds and Notes Issued and Outstanding	17,698,104	
Self-Liquidating :		
Bonds and Notes Issued and Outstanding	<u>25,129,560</u>	42,827,664
Overlapping Debt :		
County of Sussex (1)		<u>12,951,402</u>
TOTAL TAX SUPPORTED DEBT		<u>\$ 141,732,066</u>
Full Valuation of Township's Taxible Property (County Equalization Table for 2010)		3,621,991,535
Ratios :		
Tax Supported Debt to Property Valuation		3.91%
Tax Supported Debt Per Capita (2000 Census population of 18,080)		\$ 7,839.16

(1) Township of Sparta's share of County of Sussex's Debt based upon the 2009 equalized valuation
of all County of Sussex municipalities :

Township of Sparta's share is 17.3779% of total County of Sussex Net Debt

APPENDIX C

FORM OF OPINION OF BOND COUNSEL

Hawkins Delafield & Wood LLP

A NEW YORK LIMITED LIABILITY PARTNERSHIP

ONE GATEWAY CENTER
24TH FLOOR
NEWARK, NJ 07102
WWW.HAWKINS.COM

NEWARK
NEW YORK
WASHINGTON
HARTFORD
LOS ANGELES
SACRAMENTO
SAN FRANCISCO

C. STEVEN DONOVAN
ROBERT H. BEINFELD
KRISTINE L. PERLA
ERIC J. SAPIR
CHARLES G. TOTO
PATRICIA A. GOINS
CHRISTOPHER M. WATERMAN

April 28, 2011

Township Council of The
Township of Sparta, in the
County of Sussex, New Jersey

Ladies and Gentlemen:

We have acted as bond counsel to The Township of Sparta, in the County of Sussex, a municipal corporation of the State of New Jersey, situate in said County of Sussex (the "Township"), and have examined a record of proceedings relating to the issuance by the Township of \$4,627,000 bonds, consisting of \$2,317,000 Sewer Bonds of 2011 (the "Sewer Bonds") and \$2,310,000 Water Bonds of 2011 (the "Water Bonds" and, together with the Sewer Bonds, the "Bonds"). The Bonds are issued pursuant to the Local Bond Law of the State of New Jersey, and as provided by (i) with respect to the Sewer Bonds, a bond ordinance of the Township Council of the Township, entitled: "Bond ordinance providing for improvement of the sanitary sewerage system in and by the Township of Sparta, in the County of Sussex, New Jersey, making an appropriation of \$2,950,000 therefor and authorizing the issuance of 2,809,500 bonds or notes of the Township for financing such appropriation", finally adopted on May 8, 2001, approved by the Mayor and published as required by law and (ii) with respect to the Water Bonds, a resolution of the Township Council of the Township, entitled: "Resolution providing for the combination of certain issues of bonds of the Township of Sparta, in the County of Sussex, New Jersey, into a single issue of Water Bonds aggregating \$2,310,000 in principal amount", adopted March 8, 2011 and the bond ordinances referred to therein.

The Bonds are dated the date hereof, and bear interest from their dated date at the rates per annum (payable semi-annually on each April 1 and October 1 until maturity or earlier redemption, commencing October 1, 2011) and mature on April 1 in the years and in the respective principal amounts set forth below:

Sewer Bonds

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2012	\$107,000	%	2020	\$175,000	%
2013	110,000		2021	180,000	
2014	120,000		2022	180,000	
2015	125,000		2023	180,000	
2016	135,000		2024	180,000	
2017	145,000		2025	180,000	
2018	155,000		2026	180,000	
2019	165,000				

Water Bonds

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2012	\$155,000	%	2020	\$155,000	%
2013	155,000		2021	155,000	
2014	155,000		2022	155,000	
2015	155,000		2023	155,000	
2016	155,000		2024	155,000	
2017	155,000		2025	155,000	
2018	155,000		2026	140,000	
2019	155,000				

The Bonds of each series maturing prior to April 1, 2022 are not subject to redemption prior to maturity at the option of the Township. The Bonds of each series maturing on and after April 1, 2022 are subject to redemption prior to maturity at the option of the Township in whole or in part, in any order of maturity and by lot within a maturity if less than all the Bonds of such maturity are to be redeemed, on any date on or after April 1, 2021, at a redemption price equal to 100% of the principal amount thereof, together with interest accrued, if any, to the date fixed for redemption.

The Internal Revenue Code of 1986, as amended (the "Code") establishes certain requirements to be met subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds be and remain excluded from gross income under Section 103 of the Code. We have examined the Arbitrage and Use of Proceeds Certificate of the Township delivered in connection with the issuance of the Bonds which contains provisions and procedures regarding compliance with the requirements of the Code. By said Arbitrage and Use of Proceeds Certificate, the Township has certified that, to the extent it is empowered and allowed under applicable law, it will comply with the provisions and procedures set forth therein and that it will

do and perform all acts and things necessary or desirable to assure that interest paid on the Bonds is excludable from gross income under Section 103 of the Code. In rendering this opinion we have assumed that the Township will comply with the provisions and procedures set forth in its Arbitrage and Use of Proceeds Certificate.

In our opinion, 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 the taxable property within the Township without limitation as to rate or amount. The enforceability of rights or remedies with respect to the Bonds may be limited by bankruptcy, insolvency or other laws affecting creditors' rights or remedies heretofore or hereafter enacted.

In our opinion, under existing statutes and court decisions, interest on the Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code and interest on the Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In addition, in our opinion, under existing statutes, interest on the Bonds is not included in gross income under the New Jersey Gross Income Tax Act.

Attention is called to the fact that we have not been requested to examine and have not examined any documents or information relating to the Township other than the record of proceedings hereinabove referred to, and no opinion is expressed as to any financial or other information, or the adequacy thereof, which has been or may be supplied to the purchaser of the Bonds.

We express no opinion regarding any other federal or state consequences with respect to the Bonds. We render our opinion under existing statutes and court decisions as of the issue date, and assume no obligation to update this opinion after the issue date to reflect any future action, fact or circumstance, or change in law or interpretation, or otherwise. We express no opinion on the effect of any action hereafter taken 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, or under state and local tax law.

We have examined an executed bond of each of said series and, in our opinion, the forms of said bonds and their execution are regular and proper.

Very truly yours,