

This is a Preliminary Official Statement, complete with the exception for the specific information permitted to be omitted by Rule 15c2-12 of the Securities and Exchange Commission. The Township has authorized distribution of this Preliminary Official Statement to prospective purchasers and others. In accordance with Rule 15c2-12, this Preliminary Official Statement is deemed final. Upon the sale of the Bonds described herein, the Township will deliver a final Official Statement within the earlier of seven business days following such sale or in order to accompany the purchaser's confirmations that request payment for the Bonds.

PRELIMINARY OFFICIAL STATEMENT DATED MAY 26, 2011

In the opinion of McManimon & Scotland, L.L.C., Bond Counsel, assuming continuing compliance by the Issuer (as defined herein) with certain covenants described herein, interest on the Bonds (as defined herein) is not includable in gross income for federal income tax purposes under current law and is not an item of tax preference for purposes of computing the federal alternative minimum tax imposed on individuals and corporations. Interest on the Bonds held by corporate taxpayers is included in the relevant income computation for calculation of the federal alternative minimum tax imposed on corporations as a result of the inclusion of interest on the Bonds in "adjusted current earnings." Bond Counsel expresses no opinion regarding other federal tax consequences arising with respect to the Bonds. Further, in the opinion of Bond Counsel, interest on the Bonds and any gain on the sale thereof are not includable as gross income under the New Jersey Gross Income Tax Act. See "TAX EXEMPTION" herein.

**\$2,375,000 GENERAL IMPROVEMENT BONDS
TOWNSHIP OF KINGWOOD,
IN THE COUNTY OF HUNTERDON, NEW JERSEY
(Book-Entry-Only) (Callable) (Bank Qualified)**

Dated: Date of Delivery

Due: February 1, as shown below

The \$2,375,000 General Improvement Bonds (the "Bonds") of the Township of Kingwood, in the County of Hunterdon, New Jersey (the "Township") will be issued in the form of one certificate for the aggregate principal amount of the Bonds maturing in each year and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as Securities Depository. See "Book-Entry-Only System" herein.

Interest on the Bonds will be payable semiannually on February 1 and August 1 in each year until maturity or earlier redemption, commencing on February 1, 2012. Principal of and interest on the Bonds will be paid to DTC by the Township or its designated paying agent. Interest on the Bonds will be credited to the participants of DTC as listed on the records of DTC as of each next preceding January 15 and July 15 (the "Record Dates" for the payment of interest on the Bonds). The Bonds shall be subject to redemption prior to their stated maturities. 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 for the payment of the Bonds and the interest thereon without limitation as to rate or amount.

MATURITIES, AMOUNTS, INTEREST RATES AND YIELDS

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>
2012	\$100,000	%	%	2020	\$200,000	%	%
2013	100,000			2021	200,000		
2014	100,000			2022	200,000		
2015	100,000			2023	200,000		
2016	100,000			2024	200,000		
2017	100,000			2025	200,000		
2018	100,000			2026	200,000		
2019	100,000			2027	175,000		

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 the approval of legality by the law firm of McManimon & Scotland, L.L.C., Newark, New Jersey, and certain other conditions described herein. Delivery is anticipated to be at the offices of the Township's Bond Counsel, McManimon & Scotland, L.L.C., or at such other place as agreed to with the Underwriter on or about June 29, 2011.

ELECTRONIC SUBMISSIONS WILL BE RECEIVED VIA PARITY UNTIL 11:00 A.M. ON JUNE 8, 2011. FOR MORE INFORMATION VIEW THE NOTICE OF SALE POSTED AT WWW.I-DEALPROSPECTUS.COM.

**TOWNSHIP OF KINGWOOD,
IN THE COUNTY OF HUNTERDON NEW JERSEY**

MAYOR

Phillip Lubitz

DEPUTY MAYOR

Elaine M. Niemann

COMMITTEE MEMBER

James L. Burke

CHIEF FINANCIAL OFFICER

Diane Laudenbach

CLERK

Mary E. MacConnell

AUDITOR

William Colantano, CPA
Washington, New Jersey

ATTORNEY

Gebhardt & Kiefer
Clinton, New Jersey

BOND COUNSEL

McManimon & Scotland, L.L.C.
Newark, New Jersey

No broker, dealer, salesperson or other person has been authorized by the Township to give any information or to make any representations with respect to the Bonds other than those contained in this Official Statement, and, if given or made, such information or representations must not be relied upon as having been authorized by the foregoing. The information contained herein has been provided by the Township and other sources deemed reliable; however, no representation is made as to the accuracy or completeness of information from sources other than the Township. The Underwriter has reviewed the information in this official statement pursuant to its responsibilities to investors under the federal securities laws, but the Underwriter does not guarantee the accuracy or completeness of such information. The information and the expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale hereunder under any circumstances shall create any implication that there has been no change in any of the information herein since the date hereof or since the date as of which such information is given, if earlier.

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

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

TABLE OF CONTENTS

	<u>PAGE</u>
INTRODUCTION	1
DESCRIPTION OF THE BONDS.....	1
SECURITY AND SOURCE OF PAYMENT	2
AUTHORIZATION AND USE OF PROCEEDS	2
BOOK-ENTRY-ONLY SYSTEM.....	3
MUNICIPAL FINANCE-FINANCIAL REGULATION OF COUNTIES AND MUNICIPALITIES.....	5
FINANCIAL STATEMENTS	9
LITIGATION.....	9
TAX EXEMPTION.....	10
LEGALITY FOR INVESTMENT	11
MUNICIPAL BANKRUPTCY	11
APPROVAL OF LEGAL PROCEEDINGS.....	12
PREPARATION OF OFFICIAL STATEMENT	12
RATING.....	12
SECONDARY MARKET DISCLOSURE	12
ADDITIONAL INFORMATION	14
CERTIFICATE WITH RESPECT TO THE OFFICIAL STATEMENT	14
MISCELLANEOUS	15
APPENDIX A	
Economic and Demographic Information Relating to the Township of Kingwood, in the County of Hunterdon, New Jersey.....	A-1
APPENDIX B	
Excerpts from Financial Statements as of December 31, 2010 (Unaudited), December 31, 2009 (Audited) and December 31, 2008 (Audited)	B-1
APPENDIX C	
Form of Approving Legal Opinion.....	C-1

**OFFICIAL STATEMENT
OF
THE TOWNSHIP OF KINGWOOD,
IN THE COUNTY OF HUNTERDON, NEW JERSEY**

**\$2,375,000
GENERAL IMPROVEMENT BONDS**

**(CALLABLE)
(BOOK-ENTRY-ONLY ISSUE)
(BANK QUALIFIED)**

INTRODUCTION

This Official Statement, which includes the front cover page and the appendices attached hereto, has been prepared by the Township of Kingwood, in the County of Hunterdon, New Jersey (the "Township") in connection with the sale and issuance of its \$2,375,000 General Improvement Bonds (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 matters affecting the financing, certain legal matters, historical financial information and other information pertinent to this issue. This Official Statement should be read in its entirety.

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

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 shall be dated the date of delivery and shall mature on February 1 in each of the years and in the amounts set forth on the front cover page hereof. The Bonds shall bear interest from the date of delivery payable semi-annually on the first days of February and August, commencing on February 1, 2012 (each an "Interest Payment Date"), at the interest rates set forth on the front cover page hereof in each year until maturity or earlier redemption by the Township or a duly appointed paying agent to the registered owners of the Bonds as of each January 15 and July 15 immediately preceding the respective Interest Payment Dates (the "Record Dates"). So long as The Depository Trust Company, New York, New York ("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 Township or a designated paying agent directly to DTC or its nominee, Cede & Co., which will in turn remit such payments to DTC Participants, which will in turn remit such payments to the beneficial owners of the Bonds. *See* "BOOK-ENTRY-ONLY SYSTEM" herein.

The Bonds will be issued in fully registered book-entry-only form, without certificates. One certificate shall be issued for the aggregate principal amount of Bonds maturing in each year, and when

issued, will be registered in the name of Cede & Co., as nominee of DTC. DTC will act as Securities Depository for the Bonds. The certificates will be on deposit with DTC. DTC will be responsible for maintaining a book-entry system for recording the interests of its participants and transfers of the interests among its participants. The participants will be responsible for maintaining records regarding the beneficial ownership interests in the Bonds on behalf of the individual purchasers. Individual purchases may be made in the principal amount of integral multiples of \$1,000, with a minimum purchase of \$5,000, through book entries made on the books and the records of DTC and its participants. Individual purchasers of the Bonds will not receive certificates representing their beneficial ownership interests in the Bonds, but each book-entry owner will receive a credit balance on the books of its nominee, and this credit balance will be confirmed by an initial transaction statement stating the details of the Bonds purchased. See "BOOK-ENTRY-ONLY SYSTEM" herein.

Redemption

The Bonds maturing prior to February 1, 2022 are not subject to optional redemption. The Bonds maturing on or after February 1, 2022 shall be subject to redemption at the option of the Township, in whole or in part, on any date on or after February 1, 2021 at the par amount of bonds to be refunded, plus unpaid accrued interest to the date fixed for redemption.

Notice of Redemption

Notice of Redemption shall be given by mailing by first class mail in a sealed envelope with postage prepaid to the registered owners of the Bonds not less than thirty (30) days, nor more than sixty (60) days prior to the date fixed for redemption. Such mailing shall be to the Owners of such Bonds at their respective addresses as they last appear on the registration books kept for that purpose by the Township or a duly appointed Bond Registrar. So long as DTC (or any successor thereto) acts as Securities Depository for the Bonds, such Notice of Redemption shall be sent directly to such depository and not to the Beneficial Owners of the Bonds. Any failure of the 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 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 the Securities Depository in accordance with its regulations.

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

SECURITY AND SOURCE OF PAYMENT

The Bonds are valid and legally binding general obligations of the Township, and the Township has irrevocably pledged its full faith and credit for the payment of the principal of and interest on the Bonds. Unless paid from other sources, the principal of and interest on the Bonds are payable from *ad valorem* taxes levied upon all the taxable property within the Township without limitation as to rate or amount.

AUTHORIZATION AND USE OF PROCEEDS

The Bonds have been authorized and are being issued pursuant to the laws of the State of New Jersey (the "State"), including the Local Bond Law (constituting Chapter 2 of Title 40A of the New Jersey Statutes, as amended) (the "Local Bond Law"). The Bonds are authorized by (i) a resolution adopted by the Township Committee on May 5, 2011 and entitled "Resolution Determining the Form and Other Details of \$2,375,000 General Improvement Bonds of the Township of Kingwood, in the County of Hunterdon, New Jersey and

Providing for their Sale” (the “Resolution”), and (ii) a resolution adopted by the Township Committee on May 5, 2011 and entitled, “Resolution Providing for the Combination of Certain Issues of General Improvement Bonds of the Township of Kingwood, in the County of Hunterdon, New Jersey into a Single Issue of Bonds Aggregating \$2,375,000 in Principal Amount” and the various bond ordinances referred to therein, in all respects duly approved and published as required by law, as follows:

Number of Ordinance	Description of Improvement and Date of Adoption of Ordinance	Principal Amount of Bonds
14-23-2007	Acquisition of open space, finally adopted December 4, 2007	\$950,000.00
15-12-2008	Acquisition and/or preservation of open space, finally adopted July 1, 2008	\$1,425,000.00

Proceeds from the sale of the Bonds will be used by the Township to (i) currently refund and redeem \$1,397,500 of the Township’s \$1,760,000 Bond Anticipation Note dated July 7, 2010 and maturing July 7, 2011, originally issued to temporarily finance the costs of capital improvements described in bond ordinances #14-23-2007 and #15-12-2008 listed in the above chart, (ii) currently refund and redeem the Township’s \$661,000 Bond Anticipation Note dated December 15, 2010 and maturing July 7, 2011, originally issued to temporarily finance the costs of the acquisition and/or preservation of open space described in bond ordinance #15-12-2008 listed in the above chart; and (iii) provide \$316,500 in new money to temporarily finance the costs of the acquisition and/or preservation of open space described in bond ordinance #15-12-2008 listed in the above chart. The remaining \$362,500 will be renewed in the amount of \$290,000 as a bond anticipation note and \$72,500 will be paid down through a budget appropriation in the year 2011.

BOOK-ENTRY-ONLY SYSTEM¹

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

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

¹ Source: The Depository Trust Company

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 and trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct 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 interest 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 or Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

Redemption proceeds, distributions, and dividend 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 in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as in the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the Township, subject to any statutory or regulatory requirements as may

be in effect from time to time. Payment of redemption proceeds, distributions, and dividend 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 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-only 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-Only System

In the event that the book-entry-only system is discontinued and the Beneficial Owners become registered owners of the Bonds, the following provisions apply: (i) the Bonds may be exchanged for an equal aggregate principal amount of 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 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 fifteenth (15th) day, whether or not a business day, of the calendar month next preceding an Interest Payment Date.

MUNICIPAL FINANCE - FINANCIAL REGULATION OF COUNTIES AND MUNICIPALITIES

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

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

The authorized bonded indebtedness of the Township for municipal purposes is limited by statute, subject to the exceptions noted below, to an amount equal to 3-1/2% of its average equalized valuation basis. The Township has not exceeded its statutory debt limit.

Certain categories of debt are permitted by statute to be deducted for purposes of computing the statutory debt limit, including school bonds that do not exceed the school bond borrowing margin and certain debt that may be deemed self-liquidating.

The Township may exceed its debt limit with the approval of the Local Finance Board, a State regulatory agency, and as permitted by other statutory exceptions. If all or any part of a proposed debt authorization would exceed its debt limit, the Township may apply to the Local Finance Board for an extension of credit. If the Local Finance Board determines that a proposed debt authorization would not materially impair the credit of the Township or substantially reduce the ability of the Township to meet its obligations or to provide essential public improvements and services, or if it makes certain other statutory determinations, approval is granted. In addition, debt in excess of the statutory limit may be issued by the Township to fund certain notes, to provide for self-liquidating purposes, and, in each fiscal year, to provide for purposes in an amount not exceeding 2/3 of the amount budgeted in such fiscal year for the retirement of outstanding obligations (exclusive of utility and assessment obligations).

The Township may sell short-term “bond anticipation notes” to temporarily finance a capital improvement or project in anticipation of the issuance of bonds if the bond ordinance or a subsequent resolution so provides. A local unit’s bond anticipation notes must mature within one year, but may be renewed or rolled over. Bond anticipation notes, including renewals, must mature and be paid no later than the first day of the fifth month following the close of the tenth fiscal year next following the date of the original notes. For bond ordinances adopted on or after February 3, 2003, notes may only be renewed beyond the third anniversary date of the original notes if a minimum payment equal to the first year’s required principal payment on the bonds is paid to retire a portion of the notes on or before each subsequent anniversary date from funds other than the proceeds of bonds or notes. For bond ordinances adopted prior to February 3, 2003, the governing body may elect to make such minimum principal payment only when the notes are renewed beyond the third and fourth anniversary dates.

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

The foundation of the New Jersey local finance system is the annual cash basis budget. The Township, which operates on a calendar year (January 1 to December 31), must adopt a budget in the form required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the “Division”). Certain items of revenue and appropriation are regulated by law and the proposed budget must be certified by the director of the Division (the “Director”) prior to final adoption. The Local Budget Law requires each local unit to appropriate sufficient funds for payment of current debt service, and the Director is required to review the adequacy of such appropriations, among others, for certification.

Tax Anticipation Notes are limited in amount by law and must be paid off in full within 120 days of the close of the fiscal year.

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

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

The Local Budget Law (N.J.S.A. 40A:4-26) provides that no miscellaneous revenues from any source may be included as any anticipated revenue in the budget in excess of the amount actually realized in cash from the same source during the next preceding fiscal year, unless the Director determines that the facts clearly warrant the expectation that such excess amount will actually be realized in cash during the fiscal year and certifies that determination to the local unit.

No budget or budget amendment may be adopted unless the Director shall have previously certified his approval of such anticipated revenues except that categorical grants-in-aid contracts may be included for

their face amount with an offsetting appropriation. The fiscal years for such grants rarely coincide with the municipality's calendar year. However, grant revenue is generally not realized until received in cash.

The same general principle that revenue cannot be anticipated in a budget in excess of that realized in the preceding year applies to property taxes. The maximum amount of delinquent taxes that may be anticipated is limited by a statutory formula, which allows the local unit to anticipate collection at the same rate realized for the collection of delinquent taxes in the previous year. Also, the local unit is required to make an appropriation for a "reserve for uncollected taxes" in accordance with a statutory formula to provide for a tax collection in an amount that does not exceed the percentage of taxes levied and payable in the preceding fiscal year that was received in cash by the last day of that fiscal year. The budget also must provide for any cash deficits of the prior year.

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

The exceptions are certain enumerated quasi-capital projects ("special emergencies") such as ice, snow and flood damage to streets, roads and bridges, which may be amortized over three years, and tax map preparation, revaluation programs, revision and codification of ordinances, master plan preparations and drainage map preparation for flood control purposes which may be amortized over five years. Emergency appropriations for capital projects may be financed through the adoption of a bond ordinance and amortized over the useful life of the project.

Budget transfers provide a degree of flexibility and afford a control mechanism. Transfers between appropriation accounts may be made only during the last two months of the year. Appropriation reserves may also be transferred during the first three (3) months of the year to the previous years' budget. Both types of transfers require a 2/3 vote of the full membership of the governing body; however, transfers cannot be made from either the down payment account or the capital improvement fund. Transfers may be made between sub-account line items within the same account at any time during the year, subject to internal review and approval. In a "CAP" budget, no transfers may be made from excluded from "CAPS" appropriations to within "CAPS" appropriations nor can transfers be made between excluded from "CAPS" appropriations.

A provision of law known as the New Jersey "Cap Law" (N.J.S.A. 40A:4-45.1 *et seq.*) imposes limitations on increases in municipal appropriations subject to various exceptions. The payment of debt service is an exception from this limitation. The Cap formula is somewhat complex, but basically, it permits a municipality to increase its overall appropriations by the lesser of 2.5% or the "Index Rate" if the index rate is greater than 2.5%. The "Index Rate" is the rate of annual percentage increase, rounded to the nearest one-half percent, in the Implicit Price Deflator for State and Local Government purchases of goods and services computed by the U.S. Department of Commerce. Exceptions to the limitations imposed by the Cap Law also exist for other things including capital expenditures; extraordinary expenses approved by the Local Finance Board for implementation of an interlocal services agreement; expenditures mandated as a result of certain emergencies; and certain expenditures for services mandated by law. Counties are also prohibited from increasing their tax levies by more than the lesser of 2.5% or the Index Rate subject to certain exceptions. Municipalities by ordinance approved by a majority of the full membership of the governing body may increase appropriations up to 3.5% over the prior year's appropriation, and counties by resolution approved by a majority of the full membership of the governing body may increase the tax levy up to 3.5% over the prior years' tax levy in years when the Index Rate is 2.5% or less.

Additionally, legislation constituting P.L. 2007, c. 62, effective April 3, 2007, imposed a 4% cap on the tax levy of a municipality, county, fire district or solid waste collection district, with certain exceptions

and subject to a number of adjustments. The exclusions from the limit included increases required to be raised for debt service and certain lease payments to county improvement authorities, increases to replace certain lost state aid, increases in certain pension contributions, increases in the reserve for uncollected taxes required for municipalities, and certain increases in health care costs over 4%. The Local Finance Board was able to approve waivers for certain extraordinary costs identified by the statute, and voters could approve increases above 4% not otherwise permitted by a vote of 60% of the voters voting on a public question.

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

Neither the tax levy limitation nor the “Cap Law” limits, including the provisions of the recent legislation, would limit the obligation of the Township to levy ad valorem taxes upon all taxable real property within the Township to pay debt service on its bonds or notes.

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

Tax Assessment and Collection Procedure

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 results 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 Township’s Local School District and the County, the tax rate is struck by the Hunterdon County Board of Taxation based on the certified amounts in each of the taxing districts for collection to fund the budgets. The statutory provision for the assessment of property, levying of taxes and the collection thereof are set forth in N.J.S.A. 54:4-1 *et seq.* Special taxing districts are permitted in New Jersey for various special services rendered to the properties located within the special districts.

Tax bills are mailed annually in June by the Township’s Tax Collector. The taxes are due August 1 and November 1, respectively, and are adjusted to reflect the current calendar year’s total tax liability. The preliminary taxes due February 1 and May 1 of the succeeding year are based upon one-half of the current year’s total tax.

Tax installments not paid on or before the due date are subject to interest penalties of 8% per annum on the first \$1,500.00 of the delinquency and 18% per annum on any amount in excess of \$1,500.00. These interest and penalties are the highest permitted under New Jersey statutes. If a delinquency is in excess of

\$10,000.00 and remains in arrears after December 31st, an additional penalty of 6% shall be charged. Delinquent taxes open for one year or more are annually included in a tax sale in accordance with New Jersey Statutes.

Tax Appeals

The New Jersey Statutes provide a taxpayer with remedial procedures for appealing an assessment deemed excessive. Prior to February 1 in each year, the Township must mail to each property owner a notice of the current assessment and taxes on the property. The taxpayer has a right to petition the Hunterdon County Board of Taxation on or before April 1 for review. The County Board of Taxation has the authority after a hearing to decrease or reject the appeal petition. These adjustments are usually concluded within the current tax year and reductions are shown as canceled or remitted taxes for that year. If the taxpayer feels his petition was unsatisfactorily reviewed by the County Board of Taxation, appeal may be made to the Tax Court of New Jersey for further hearing. Some State Tax Court appeals may take several years prior to settlement, and any losses in tax collections from prior years are charged directly to operations.

Local Fiscal Affairs Law (N.J.S.A. 40A:5-1 et seq.)

This law regulates the non-budgetary financial activities of local governments. The Chief Financial Officer of every local unit must file annually, with the Director, a verified statement of the financial condition of the local unit and all constituent boards, agencies or commissions.

An independent examination of each local unit accounts must be performed annually by a licensed registered municipal accountant. The audit, conforming to the Division of Local Government Services' "Requirements of Audit", includes recommendations for improvement of the local 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 30 days of its submission.

FINANCIAL STATEMENTS

Excerpts from the financial statements of the Township for the years ended December 31, 2010 (unaudited), December 31, 2009 (audited) and December 31, 2008 (audited) are presented in Appendix B to this Official Statement (the "Financial Statements"). The Financial Statements have been audited by William Colantano, CPA, Washington, New Jersey, an independent auditor (the "Auditor"), as stated in its report appearing in Appendix B to this Official Statement. See "APPENDIX B –Financial Statements as of December 31, 2010 (Unaudited), December 31, 2009 (Audited) and December 31, 2008 (Audited)".

LITIGATION

To the knowledge of the Township Attorney, Judith A. Kopen, Esq. of Gebhardt & Kiefer, Clinton, New Jersey (the "Township Attorney"), there is no litigation of any nature now pending or threatened, restraining or enjoining the issuance or the delivery of the Bonds, or the levy or the collection of any taxes to pay the principal of or the interest on the Bonds, or in any manner questioning the authority or the proceedings for the issuance of the Bonds or for the levy or the collection of taxes, or contesting the corporate existence or the boundaries of the Township or the title of any of the present officers. To the knowledge of the Township Attorney, no litigation is presently pending or threatened that, in the opinion of the Township Attorney, would have a material adverse impact on the financial condition of the Township if adversely decided; except that the Township has recently been served in the matter of Sundancer Capital, LLC, et al. v. Township Committee of the Township of Kingwood et al., Docket No. HNT-L-308-11. This matter has been referred to the Township's insurance carrier for handling. In this matter the contract owner of a property seeking to install solar energy panels projected to generate 10 megawatts of energy a year is

challenging a recently enacted ordinance limiting the number of panels that can be installed. The plaintiffs challenge the ordinance on procedural and other grounds and allege that the restrictions amount to an unjust taking by inverse condemnation and a violation of plaintiffs' due process rights in violation of 42 USC Sec 1983. They seek to have the ordinance invalidated and seek unspecified compensatory damages, punitive damages and attorney's fees. While no dollar amount of damages has been specified, it seems unlikely that the unjust taking or due process claims will prevail, and a ruling that the ordinance is invalid would allow the plaintiffs to move forward with their project. A certificate to such effect will be executed by the Township Attorney and delivered to the purchaser of the Bonds at the closing.

TAX EXEMPTION

Applicable federal tax law provides that interest on obligations such as the Bonds is not included in gross income for federal income tax purposes only if certain requirements are met. In its Certificate (the "Tax Certificate") as to Arbitrage and Compliance with the Internal Revenue Code of 1986, as amended (the "Code") which will be delivered in connection with the issuance of the Bonds, the Township will make certain representations, certifications of fact, and statements of reasonable expectation in connection with the issuance of the Bonds and certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of the interest on the Bonds from gross income under Section 103 of the Code. Failure to comply with certain requirements of the Code could cause interest on the Bonds to be includable in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds.

In the opinion of McManimon & Scotland, L.L.C. ("Bond Counsel"), in reliance on the representations, certifications of fact, and statements of reasonable expectation made by the Township in the Tax Certificate and assuming compliance by the Township with its ongoing covenants in the Tax Certificate, under existing statutes, regulations, administrative pronouncements and judicial decisions, interest on the Bonds is not included in the gross income of the owners thereof for federal income tax purposes pursuant to the Code and is not an item of tax preference to be included in calculating alternative minimum taxable income under the Code for purposes of the alternative minimum tax imposed with respect to individuals and corporations. Interest on the Bonds held by corporate taxpayers is included in the relevant income computation for calculation of the federal alternative minimum tax imposed on corporations as a result of the inclusion of interest on the Bonds in "adjusted current earnings."

New Jersey Gross Income Tax

In the opinion of Bond Counsel, to be delivered simultaneously with the delivery of the Bonds, under existing law, interest on the Bonds and any gain on the sale of the Bonds are not includable in gross income under the existing New Jersey Gross Income Tax Act.

Certain Federal Tax Consequences Relating to the Bonds

Although interest on the Bonds is excluded from gross income for federal income tax purposes, the accrual or receipt of interest on the Bonds may otherwise affect the federal income tax liability of the recipient. The nature and extent of these other tax consequences will depend upon the recipient's particular tax status or other items of income or deduction. Bond Counsel expresses no opinion regarding any such consequences. Purchasers of the Bonds, particularly purchasers that are corporations (including S corporations and foreign corporations operating branches in the United States), property or casualty insurance companies, banks, thrifts or other financial institutions and certain recipients of Social Security benefits, are advised to consult their own tax advisors as to the tax consequences of purchasing or holding the Bonds.

There can be no assurance that legislation will not be introduced or enacted after the issuance and

delivery of the Bonds that will affect adversely the exclusion from gross income for federal income tax purposes of interest on the Bonds. Each purchaser of the Bonds should consult his or her own advisor regarding any changes in the status of pending or proposed federal tax legislation.

Bank Qualification

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

The Code denies the interest deduction for certain indebtedness incurred by banks, thrift institutions and other financial institutions to purchase or to carry tax-exempt obligations. The denial to such institutions of one hundred percent (100%) of the deduction for interest paid on funds allocable to tax-exempt obligations applies to those tax-exempt obligations acquired by such institutions after August 7, 1986. For certain issues, which are eligible to be designated and which are designated by the issuer as qualified under Section 265 of the Code, eighty percent (80%) of such interest may be deducted as a business expense by such institutions.

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

LEGALITY FOR INVESTMENT

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

MUNICIPAL BANKRUPTCY

The undertakings of the Township should be considered with reference to 11 U.S.C. 401, et seq., as amended and supplemented (the "Bankruptcy Code") and other bankruptcy laws affecting creditors' rights and municipalities in general. The Bankruptcy Code permits the State or any political subdivision, public agency, or instrumentality that is insolvent or unable to meet its debts to commence a voluntary bankruptcy case by filing a petition with a bankruptcy court for the purpose of effecting a plan to adjust its debts; directs such a petitioner to file with the court a list of 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 certain priority to debt owed for services or material; and provides that the plan must be accepted in writing by or on behalf of classes of creditors holding at least two-thirds in amount and more than one half in number of the allowed claims of such class. The Bankruptcy Code specifically 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 Code.

The Bankruptcy Code provides that special revenue acquired by the debtor after the commencement of the case shall remain subject to any lien resulting from any security agreement entered into by such debtor before the commencement of such bankruptcy case. However, any such lien, other than municipal betterment assessments, shall be subject to the necessary operating expenses of such project or system. Furthermore, the Bankruptcy Code provides that a transfer of property of a debtor to or for the benefit of any

holder of a bond or note, on account of such bond or note, may not be avoided pursuant to certain preferential transfer provisions set forth in such Bankruptcy Code.

Reference should also be made to N.J.S.A. 52:27-40 et seq., which provides that a local unit has the power to file a petition in bankruptcy with any United States Court or court in bankruptcy under the provisions of the Bankruptcy Code for the purpose of effecting a plan of readjustment of its debts or for the composition of its debts; provided, however, the approval of the Municipal Finance Commission must be obtained. The powers of the Municipal Finance Commission have been vested in the Local Finance Board.

Reference to the Bankruptcy Code or the State statute should not create any implication that the Township expects to utilize the benefits of their provisions.

APPROVAL OF LEGAL PROCEEDINGS

All legal matters incident to the authorization, the issuance, the sale and the delivery of the Bonds are subject to the approval of Bond Counsel to the Township, whose approving legal opinion will be delivered with the Bonds substantially in the form set forth as Appendix C. Certain legal matters will be passed on for the Township by its Township Attorney.

PREPARATION OF OFFICIAL STATEMENT

The Township hereby states that the descriptions and statements herein, including financial statements, are true and correct in all material respects, and it will confirm same to the purchasers of the Bonds by certificates signed by the Mayor and Chief Financial Officer.

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

Bond Counsel has neither 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, expresses no opinion with respect thereto.

RATING

Moody's Investors Service (the "Rating Agency") has assigned a rating of "Aa3" to the Bonds.

The rating reflects only the view of the Rating Agency, and an explanation of the significance of such rating may only be obtained from the Rating Agency. The Township forwarded to the Rating Agency certain information and materials concerning the Bonds and the Township. There can be no assurance that the rating will be maintained for any given period of time or that the rating may not be raised, lowered or withdrawn entirely, if, in the Rating Agency's judgment, circumstances so warrant. Any downward change in or withdrawal of such rating may have an adverse effect on the marketability or market price of the Bonds.

SECONDARY MARKET DISCLOSURE

The Bonds, together with all other outstanding indebtedness of the Township, will not exceed \$10,000,000. The Township, pursuant to the requirements of Securities and Exchange Commission Rule 15c2-12 (the "Rule") related to continuing secondary market disclosure, has undertaken to provide for the benefit of the holders of the Bonds and the beneficial owners thereof, together with accompanying information identifying the Bonds as prescribed by the Municipal Securities Rulemaking Board, in electronic

format to the Municipal Securities Rulemaking Board's Electronic Municipal Market Access ("EMMA") system or such other repository designated by the Securities Exchange Commission to be an authorized repository for filing secondary market disclosure information, if any,

(a) On or prior to November 1 of each year, commencing November 1, 2011, financial information or operating data that is customarily prepared and publicly available consisting of the audited financial statements (or unaudited financial statements if audited financial statements are not available by the date of filing) of the Township and the Township's most current adopted budget. The audited financial information will be prepared in accordance with modified cash accounting as mandated by State of New Jersey statutory principles in effect from time to time or with generally accepted accounting principles as modified by governmental accounting standards if required by New Jersey law in effect from time to time; and

(b) in a timely manner, not in excess of ten business days after the occurrence of the event, notice of the occurrence of any of the following events with respect to the Bonds:

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

trustee, if material.

For the purposes of the event identified in subparagraph (12) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

The undertaking may be amended by the Township from time to time, without the consent of the Bondholders or the beneficial owners of the Bonds, provided such amendment is, in the opinion of nationally recognized bond counsel, in compliance with the Rule, as it may be amended from time to time.

In the event that the Township fails to comply with the Rule requirements or its written contracts or undertakings as to Secondary Market Disclosure requirements, the Township shall not be liable for monetary damages. The sole remedy is limited to specific performance of the Rule requirements or such written contracts or undertakings.

As of the date of the Official Statement, the Township is in compliance with the Rule with respect to its prior undertakings.

The foregoing information, data and notices can be obtained from Diane Laudenbach, the Chief Financial Officer of the Township, or her successor, at 150 Rocktown-Lambertville Road, Lambertville, New Jersey 08530, telephone number: (609) 397-2054.

All documents provided to EMMA shall be accompanied by identifying information as prescribed by the Municipal Securities Rulemaking Board.

ADDITIONAL INFORMATION

Inquiries regarding this Official Statement, including information additional to that contained herein, may be directed to Diane Laudenbach, Chief Financial Officer, at (908) 996-3696.

CERTIFICATE WITH RESPECT TO THE OFFICIAL STATEMENT

At the time of the original delivery of the Bonds, the Township will deliver a certificate of one of its authorized officials to the effect that she has examined this Official Statement (including the Appendices) and the financial and other data concerning the Township contained herein and that, to the best of her knowledge and belief, (i) this Official Statement, both as of its date and as of the date of delivery of the Bonds, does not contain any untrue statement of a material fact necessary to make the statements herein, in the light of the circumstances under which they were made, not misleading and (ii) between the date of the Official Statement and the date of delivery of the Bonds there has been no material adverse change in the affairs (financial or other), financial condition or results or operations of the Township except as set forth in or contemplated by the Official Statement.

MISCELLANEOUS

This Official Statement is not to be construed as a contract or agreement between the Township and the purchasers or holders of any of the Bonds. Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as opinions and not as representations of fact. The information and expressions of opinion contained herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale of Bonds 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 contained in this Official Statement is not guaranteed as to accuracy or completeness.

**TOWNSHIP OF KINGWOOD, IN THE COUNTY
OF HUNTERDON, NEW JERSEY**

Diane Laudenbach
Chief Financial Officer

APPENDIX A

**Economic and Demographic Information Relating
to the Township of Kingwood, in the County of Hunterdon, New Jersey**

GENERAL INFORMATION REGARDING THE TOWNSHIP

General Information

The Township of Kingwood (the “Township”) is in the western part of Hunterdon County and borders the Delaware River. The Township consists of approximately thirty-five square miles and boasts some of the most pristine and beautiful countryside in New Jersey. Of the total acreage in the Township, about 19% is farmland tax assessed. The Township is within commuting distance of major urban centers, such as New York and Philadelphia.

Local Government

The Township is governed by the “township committee” form of government which is comprised of three elected representatives. The Township Committee elects a mayor each year from within the committee.

There are seven full-time and twenty-six part-time municipal employees serving the Township.

Public Safety

The Township has State police coverage and has its own municipal court located in the Township Municipal Building.

The Township is served by the Kingwood Township Volunteer Fire Company and the Kingwood Township First Aid and Rescue Squad, Inc.

Education

The Board of Education of the Township of Kingwood in the County of Hunterdon, the local school district, geographically coterminous with the Township, operates a grammar school with grades K to 8. High school pupils (grades 9 to 12) are enrolled in the Delaware Valley Regional High School. The Township is one of five municipalities that comprise the regional high school.

Hospitals

Residents of the Township are served by the Hunterdon Medical Center (the “Medical Center”), a full-range medical, surgical, pediatric, obstetric and mental health facility. The Medical Center is also a teaching institution affiliated with the University of Medicine and Dentistry of New Jersey – Robert Wood Johnson Medical School. The Medical Center is located in neighboring Raritan Township.

Shopping

Outlet centers are located in Flemington, which is within ten minutes of the Township. Three large malls (Bridgewater Commons located in Bridgewater Township in Somerset County, Quakerbridge Mall located in Lawrence Township in Mercer County and Phillipsburg Mall located in Lopatcong and Pohatcong Townships in Warren County) are within thirty miles of the Township.

Affordable Housing

The Council on Affordable Housing (“COAH”), a State agency, oversees the State requirement under the Fair Housing Act for every municipality in New Jersey to provide “affordable housing” as determined by rules promulgated by COAH. If a municipality does not provide such housing or take other alternative action as approved by COAH, a developer may be permitted to override that municipality’s zoning regulations to increase housing density (the “builder’s remedy”) and build, among other things, affordable housing.

The Township resubmitted its Petition for Substantive Certification, Housing Plan Element and Fair Share Plan to COAH in December of 2008 in accordance with rules in effect at that time. The Township is in the process of implementing the Fair Share Plan as it seeks to comply with its NJ Constitutional obligation to provide low- and moderate-income housing opportunities. In accordance with its municipal affordable housing obligations, the municipality seeks to continue to implement its affordable housing plan, remain under COAH's jurisdiction and protect the Township from a builder's remedy lawsuit. Implementation of components of the Fair Share Plan plan require the expenditure of funds to effectuate the goal of providing affordable housing opportunities in the Township.

ECONOMIC AND DEMOGRAPHIC INFORMATION

Population

<u>Year</u>	<u>Township of Kingwood</u>	<u>County of Hunterdon</u>	<u>State of New Jersey</u>
2009	4,057	130,034	8,707,739
2008	4,055	129,806	8,663,398
2007	4,032	129,655	8,636,043
2006	3,999	129,354	8,623,721
2005	3,971	128,734	8,621,837

Source: State of New Jersey, Data Center, Estimates of Residential Population by County - New Jersey and Hunterdon County, 2005-2009; Subcounty Population Estimates: New Jersey, 2005-2009.

Building Permits Issued

<u>Year</u>	<u>Number of Permits</u>	<u>Value of Construction</u>
2010	287	\$ 2,882,200.00
2009	235	2,154,123.00
2008	264	10,330,900.00
2007	249	4,442,332.00

Employment and Unemployment Comparisons

<u>Township</u>	<u>Total Labor Force</u>	<u>Employed Labor Force</u>	<u>Total Unemployed</u>	<u>Unemployment Rate</u>
2009	2,383	2,198	185	7.8%
2008	2,380	2,277	102	4.3%
2007	2,365	2,288	78	3.3%
2006	2,387	2,297	90	3.8%
2005	2,325	2,247	78	3.4%

County

2009	72,578	67,617	4,961	6.8%
2008	72,786	70,045	2,741	3.8%
2007	72,382	70,322	2,060	2.8%
2006	72,874	70,445	2,429	3.3%
2005	71,737	69,489	2,248	3.1%

State

2009	4,536,700	4,118,400	418,300	9.2%
2008	4,496,700	4,251,200	245,500	5.5%
2007	4,462,300	4,271,700	190,600	4.3%
2006	4,492,800	4,283,600	209,200	4.7%
2005	4,431,600	4,232,800	198,700	4.5%

Largest Employers in the Township

This information is not available. However, the Board of Education and the Township are among the largest employers, and many people commute to work.

Ten Largest Taxpayers

<u>Taxpayer</u>	<u>Assessed Valuation</u>
Buckeye Pipeline Co #1	\$4,575,000
Route 12 Business Park LLC	4,188,100
MEL Chemicals Inc.	3,463,700
Horseshoe Bend LLC/C/O F Palopoli #1	3,110,300
Buckeye Pipeline Co #2	3,040,000
Lutz Welding & Fabricating Inc. John	2,895,500
Frenchtown Run LLC	2,500,000
869 Associates LLC	2,324,100
Horseshoe Bend LLC C/O F Palopoli #2	1,750,000
Individual Property Owner	1,650,800

Source: Municipal Tax Assessor

Comparison of Tax Levy and Collections

Year	Tax Levy	Cash Collection	% of Collection
2010	\$ 12,253,395	\$ 11,821,890	96.48%
2009	12,016,948	11,452,551	95.30%
2008	11,742,295	11,327,917	96.47%
2007	11,426,531	11,075,341	96.93%
2006	11,482,594	10,736,432	93.50%
2005	10,365,736	10,032,517	96.79%

Delinquent Taxes and Tax Title Liens

	Amount of Tax Lien	Amount of Delinquent Tax	% of Levy
2010	\$ 40,350	\$ 412,244	3.69%
2009	32,820	481,309	4.28%
2008	51,720	368,568	3.58%
2007	56,029	244,576	2.63%
2006	36,787	608,212	5.62%

Property Acquired by Tax Title Lien

There is 1 property presently undergoing foreclosure proceedings

Net Assessed Valuations and Annual Tax Rates

Year	Net Assessed Valuation	Total Tax Rate	County	Local School	Regional High School	Municipal
2010	\$ 606,143,650	\$ 2.02	\$ 0.39	\$ 0.90	\$ 0.51	\$ 0.22
2009	706,267,500	1.69	0.34	0.75	0.41	0.19
2008	698,528,149	1.66	0.34	0.74	0.39	0.19
2007	699,110,769	1.62	0.34	0.72	0.39	0.17
2006	351,850,295	3.08	0.62	1.37	0.79	0.30

Real Property Classification		2010	2009	2008	2007	2006
Vacant Land	\$	19,877,000	\$ 24,913,500	\$ 28,977,700	\$ 29,392,700	\$ 9,344,079
Residential		421,467,300	494,471,800	490,067,000	486,985,900	236,095,900
Farm-Regular		111,387,300	126,078,000	123,850,000	124,369,300	63,625,900
Farm-Qualified		5,862,400	5,910,000	5,970,400	6,256,967	15,775,698
Commercial		34,544,300	40,870,300	34,335,100	36,682,000	16,010,415
Industrial		9,346,600	10,401,900	11,539,200	11,539,200	8,840,610
Apartment		2,018,900	2,262,500	2,262,500	2,262,500	1,210,500
Personal Property		1,639,850	1,359,500	1,526,249	1,622,202	947,193
Totals	\$	606,143,650	\$ 706,267,500	\$ 698,528,149	\$ 699,110,769	\$ 351,850,295

Ratio of Assessed Values to True Value			
Year	Aggregate Assessed Valuation (Net)	Ratio to True Value	Aggregate True Value Real Property
2010	\$ 606,143,650	86.90%	\$ 697,511,612
2009	706,267,500	100.31%	704,115,651
2008	698,528,149	97.36%	717,447,587
2007	699,110,769	97.61%	716,228,633
2006	351,850,295	57.19%	615,263,836

OTHER POST EMPLOYMENT BENEFITS

SEE NOTE 10 ON PAGES 34 & 35 OF THE 2009 AUDIT FOR DISCLOSURE OF OPEB OBLIGATIONS!

Financial Operations

The following table summarizes information on changes in financial resources and fund balance for fiscal years 2005-2010 for the Current Fund. This summary should be used in conjunction with the tables from which it is derived. See Appendix B for a detailed presentation of the Township's financial operations.

See table on next page

**Current Fund Statement of Operations and Changes in Fund Balances
for the Years Ended December 31:**

	<u>(1)2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
REVENUES AND OTHER INCOME REALIZED						
Fund Balance Utilized	\$ 677,000	\$ 633,715	\$ 514,778	\$ 500,000	\$ 75,200	\$ 175,000
Miscellaneous Revenue Anticipated	610,985	1,840,546	861,531	867,332	1,083,846	665,488
Receipts from Delinquent Taxes	492,112	373,605	245,852	386,762	311,336	330,272
Receipts from Current Taxes	11,821,890	11,452,551	11,327,917	11,075,341	10,736,432	10,032,517
Nonbudget Revenue	162,261	81,746	136,334	197,432	193,931	115,596
Other Credits to Income	65,007	26,577	49,845	72,304	26,113	14,900
Total Income	13,829,255	14,408,740	13,136,257	13,099,171	12,426,858	11,333,773
Less Expenditures for:						
Budget Appropriations	2,218,388	3,347,568	2,256,944	2,319,726	1,926,283	1,884,199
County Taxes	2,375,441	2,426,699	2,375,028	2,402,595	2,326,086	2,192,475
Local District School Taxes	5,397,858	5,167,711	4,879,414	5,028,391	4,818,595	4,535,648
Regional High School Taxes	3,035,747	2,823,491	2,536,381	2,696,960	2,765,984	2,534,945
Municipal Open Space Tax	182,490	212,653	212,091	211,334	112,177	101,203
Other Expenditures	19,578	3,545	116,576	2,905		1,374
Total Expenditures	13,229,502	13,981,667	12,376,434	12,661,911	11,949,125	11,249,844
Expenditures Included Above Which are by Statute						
Deferred Charges to Budget of Succeeding Year	-	-	-	150,832	-	155,071
Regulatory Excess to Fund Balance	599,753	427,073	759,823	588,092	477,733	239,000
Balance January 1,	800,824	1,007,466	762,421	674,329	271,796	207,796
Decreased by:	1,400,577	1,434,539	1,522,244	1,262,421	749,529	446,796
Utilized as Anticipated Revenue	677,000	633,715	514,778	500,000	75,200	175,000
Balance December 31,	\$ 723,577	\$ 800,824	\$ 1,007,466	\$ 762,421	\$ 674,329	\$ 271,796
(1) Unaudited						

Debt Ratios and Valuations
As of December 31, 2010

Average of Equalized Valuations of Real Property with Improvements for 2010, 2009 and 2008	\$	687,533,366
Statutory Net Debt as a Percentage of the Average of Equalized Valuations of Real Property with Improvements for 2010, 2009 and 2008		0.59%
2010 Net Taxable Value	\$	606,143,650
2010 Equalized Valuation	\$	697,511,612
Gross Debt:		
As a Percentage of 2010 Net Valuation Taxable		1.27%
As a Percentage of 2010 Equalized Valuation Taxable		1.10%
Net Debt:		
As a Percentage of 2010 Net Valuation Taxable		0.67%
As a Percentage of 2010 Equalized Valuation Taxable		0.58%
Estimated 2010 Population		3,845
Gross Debt per Capita	\$	2,003
Net Debt per Capita	\$	1,061

Statement of Indebtedness
As of December 31, 2010

Gross Debt:

School Purposes:

Local School District Bonds:

Bonds Issued and Outstanding	\$ 2,495,000	
Authorized but not Issued	-	
	<u> </u>	\$ 2,495,000

Regional High School District Bonds:

Bonds Issued and Outstanding	1,128,860	
Authorized but not Issued	-	
	<u> </u>	1,128,860

Gross Debt for School Purposes	<u> </u>	3,623,860
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Municipal General Purpose Debt:

Bonds Issued and Outstanding	853,000	
Notes Issued and Outstanding	2,421,000	
Bonds and Notes Authorized but not Issued	804,785	
	<u> </u>	4,078,785
Gross General Purpose Debt		<u> </u>
		7,702,645

Less: Statutory Deductions

Local School Debt	2,495,000	
Regional High School Debt	<u>1,128,860</u>	
		<u>3,623,860</u>

Statutory Net Debt	<u>\$ 4,078,785</u>
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Statutory Net Debt as a % of equalized value	<u>0.59%</u>
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Average Equalized Valuation of Real Property For the years 2008, 2009, 2010	<u>\$ 687,533,366</u>
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Township

	Before This Issue	After This Issue
Borrowing Capacity:		
Average Equalized Value	<u>\$ 687,533,366</u>	<u>\$ 687,533,366</u>
Township Statutory Borrowing Power		
3 1/2% of Average Equalized Value	\$ 24,063,668	\$ 24,063,668
Net Debt	<u>4,078,785</u>	<u>6,499,785</u>
Remaining Borrowing Power	<u>\$ 19,984,883</u>	<u>\$ 17,563,883</u>
Local Board of Education Statutory Borrowing Power		
3% of Average Equalized Value		\$ 20,626,001
Net Debt prior to New Debt Issue		<u>2,495,000</u>
Remaining Borrowing Power		<u>18,131,001</u>
Use of Township's Borrowing Capacity		<u>\$ -</u>

OVERLAPPING DEBT AS OF DECEMBER 31, 2010

Overlapping Debt of the Township was as follows:

County Net Debt	<u>\$ 99,997,478</u>
Township of Kingwood Share (2.88%)	
Township Share of County Debt	<u>\$ 2,879,927</u>
Total Net Overlapping Debt	<u>\$ 2,879,927</u>
Gross Debt (Municipal, Utility and School) Overlapping Debt	<u>\$ 7,702,644</u> <u>2,879,927</u>
Combined Debt (Municipal Gross & Net Overlapping)	<u>\$ 10,582,571</u>
Statutory Net Debt- Municipal	\$ 4,078,785
Statutory Net Debt and Overlapping Debt	\$ 6,958,712
2010 Net Valuation Taxable	\$ 606,143,650
2010 Equalized Valuation of Real Property With Improvements	\$ 697,511,612
Combined Gross Debt as % of 2010 Equalized Valuation	1.52%
Net Debt per Capita	\$ 1,810

APPENDIX B

**Excerpts from Financial Statements of the
Township of Kingwood, in the
County of Hunterdon, New Jersey
as of December 31, 2010 (Unaudited),
December 31, 2009 (Audited) and
December 31, 2008 (Audited)**

**KINGWOOD TOWNSHIP
SELECTED FINANCIAL STATEMENTS-REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2010 (UNAUDITED)**

TOWNSHIP OF KINGWOOD
COMPARATIVE SHEET-REGULATORY BASIS
CURRENT FUND

A
1 of 2

		Balance	Balance
		Dec. 31, 2010	Dec. 31, 2009
ASSETS			
Regular Fund:			
Cash:			
Treasurer			
Receivables with Full Reserves:			
Delinquent Property Taxes Receivable	A-6	\$ 2,978,381	\$ 3,062,792
Tax Title Liens Receivable	A-7	2,978,381	3,062,792
Property Acquired for Taxes	A-8	412,244	481,309
Revenue Accounts Receivable	A-9	40,350	32,820
Due from Animal Control Fund	A-10	1,123	204,000
Due from Federal & State Grant Fund	A-13	5	1,121
		1,131	1,131
		454,853	720,381
Deferred Charges:			
Special Emergency Authorization			
	A-14	60,000	120,000
		3,493,234	3,903,173
Federal & State Grant Fund:			
Cash			
	A-4	43,924	33,017
		43,924	33,017
TOTAL ASSETS		\$ 3,537,158	\$ 3,936,190

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

TOWNSHIP OF KINGWOOD
COMPARATIVE SHEET-REGULATORY BASIS
CURRENT FUND (continued)

LIABILITIES, RESERVES AND FUND BALANCE		Ref.	Balance Dec. 31, 2010	Balance Dec. 31, 2009
Regular Fund:				
Liabilities:				
Appropriation Reserves	A-3;A-16	\$	151,293	\$ 86,542
Accounts Payable	A-17		892	1,196
Due to Animal Control Fund	A-10			252
Due to Other Trust Funds	A-11		355	336
Reserve for Encumbrances	A-18		24,619	15,310
Due to State of NJ Veterans' & Senior Citizens' Deductions	A-19		1,200	1,200
Prepaid Taxes	A-20		85,269	229,471
Tax Overpayments	A-21		5,877	21,391
Local School Tax Payable	A-22		1,033,962	1,011,294
Regional High School Taxes Payable	A-23		859,539	816,223
County Tax Payable	A-24		7,703	10,812
Reserve for Garden State Preservation Trust Fund	A-25		42,461	63,692
Reserve for Revaluation of Real Property	A-26		37,600	37,600
Due to Outside Lien Holders	A-27		13,167	166
Reserve for Preparation of a Master Plan	A-28		50,867	86,483
Reserve for Receivables	A		2,314,804	2,381,968
Fund Balance	A-1		454,853	720,381
			723,577	800,824
			3,493,234	3,903,173
Federal & State Grant Fund:				
Due to Regular Fund	A-29		1,131	1,131
Appropriated Reserves for State Grants	A-30		42,793	31,886
			43,924	33,017
TOTAL LIABILITIES, RESERVES AND FUND BALANCE		\$	3,537,158	\$ 3,936,190

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

TOWNSHIP OF KINGWOOD
COMPARATIVE STATEMENT OF OPERATIONS AND CHANGE
IN FUND BALANCE-REGULATORY BASIS

For the Year Ending			
	Ref.	Dec. 31, 2010	Dec. 31, 2009
REVENUES AND OTHER INCOME REALIZED			
Fund Balance Utilized	A-2	\$ 677,000	\$ 633,715
Receipts from Current Taxes	A-2	11,821,890	11,452,551
Receipts from Delinquent Taxes	A-2	492,112	373,605
Miscellaneous Revenue Anticipated	A-2	610,985	1,840,546
Nonbudget Revenue	A-2	162,261	81,746
Other Credits to Income:			
State Grant Balances Canceled			1,809
Unexpended Balance of Appropriation Reserves	A-16	62,110	22,094
Reserve for Encumbrances Canceled	A-18	2,897	2,660
Tax Overpayment Balances Canceled			14
Total Income		13,829,255	14,408,740
EXPENDITURES			
Budget and Emergency Appropriations:			
Operations:			
Salaries and Wages	A-3	808,548	800,148
Other Expenses	A-3	837,686	2,004,060
Capital Improvements	A-3	168,600	147,000
Debt Service	A-3	200,350	201,167
Deferred Charges & Statutory Expenditures	A-3	203,204	195,193
Local District School Taxes	A-22	5,397,858	5,167,711
Regional High School Taxes	A-23	3,035,747	2,823,491
County Taxes	A-24	2,367,738	2,415,887
County Share of Added Taxes	A-24	7,703	10,812
Municipal Open Space Tax	A-2	182,490	212,653
Interfunds Advanced-Net	A-2	5	662
Disallowance of Senior Citizens' & Veterans			
Deductions-Prior Year	A-19	1,250	250
State Tax Board Appeal Refunded	A-21	18,304	
Prior Year Refund-Trust Fund Interest Correction	A-11	19	
State Tax Appeals Reserved			2,633
Total Expenditures		13,229,502	13,981,667
Regulatory Excess to Fund Balance		599,753	427,073

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

TOWNSHIP OF KINGWOOD
COMPARATIVE STATEMENT OF OPERATIONS AND CHANGE
IN FUND BALANCE-REGULATORY BASIS
(Continued)

	Ref.	For the Year Ending	
		Dec. 31, 2010	Dec. 31, 2009
FUND BALANCE			
Balance January 1,	A	\$ 800,824	\$ 1,007,466
		1,400,577	1,434,539
Decreased by:			
Utilized as Anticipated Revenue	A-2	677,000	633,715
Balance December 31,	A	<u>\$ 723,577</u>	<u>\$ 800,824</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

TOWNSHIP OF KINGWOOD
STATEMENT OF REVENUES-REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2010

A-2
1 of 4

		Anticipated	NJS 40:4-87	Realized	Excess or (Deficit)
	Ref.	Budget			
Fund Balance Anticipated	A-1	\$ 677,000	\$ -	\$ 677,000	\$ -
Miscellaneous Revenues:					
Licenses:					
Alcoholic Beverage	A-9	11,000		12,550	1,550
Fees & Permits	A-9	21,000		15,845	(5,155)
Fines and Costs:					
Municipal Court	A-9	12,000		14,376	2,376
Interest & Costs on Taxes	A-9	65,000		95,098	30,098
Consolidated Municipal Property Tax Relief Aid	A-9	23,291		23,001	(290)
Energy Receipts Tax	A-9	266,516		266,516	
Uniform Construction Code Fees	A-9	59,000		97,110	38,110
Cable TV Franchise Fee	A-9	8,818		8,650	(168)
Clean Communities Program	A-15	14,147		14,147	
Garden State Preservation Trust Fund	A-25	63,692		63,692	
	A-1	544,464	-	610,985	66,521

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

TOWNSHIP OF KINGWOOD
STATEMENT OF REVENUES-REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2010
(Continued)

	Ref.	Anticipated		Realized	Excess or (Deficit)
		Budget	NJS 40:4-87		
Receipts from Delinquent Taxes	A-1;A-6	\$ 400,335		\$ 492,112	\$ 91,777
Property Tax for Support of Municipal Budget					
Appropriations:					
Local Tax for Municipal Purposes	A-2	1,162,954		1,334,838	171,884
Budget Totals		2,784,753	\$ -	3,114,935	\$ 330,182
Non-Budget Revenues	A-1;A-2			162,261	
		<u>\$ 2,784,753</u>	<u>\$ -</u>	<u>\$ 3,277,196</u>	
	Ref.	A-3			

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

TOWNSHIP OF KINGWOOD
STATEMENT OF REVENUES REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2010
(Continued)

<u>Allocation of Current Tax Collections</u>	<u>Ref.</u>			
Tax Collections	A-1;A-6			\$ 11,821,890
Allocated to:				
Local District School Taxes	#REF!		\$ 5,425,640	
Regional High School Taxes	#REF!		3,069,781	
County Taxes	#REF!		2,375,441	
Municipal Open Space Tax	A-1;A-6		<u>182,490</u>	
				<u>11,053,352</u>
Balance for Support of Municipal Budget				
Appropriations				768,538
Add: Appropriation-"Reserve for Uncollected Taxes"	A-3			<u>566,300</u>
Realized for Support of Municipal Budget	A-2			<u><u>\$ 1,334,838</u></u>
<u>Interest on Investments & Deposits Analysis</u>				
General Fund	A-4			\$ 28,525
Animal Control Fund	A-10			5
Other Trusts	A-11			<u>275</u>
	A-2			<u><u>\$ 28,805</u></u>
<u>Interfund Analysis</u>				
	<u>Ref.</u>	<u>Balance</u>	<u>Balance</u>	<u>Advanced</u>
		<u>Dec. 31, 2010</u>	<u>Dec. 31, 2009</u>	<u>(Returned)</u>
Animal Control Fund	A-10	\$ 5		\$ 5
Federal & State Grand Fund	A-13	<u>1,131</u>	<u>\$ 1,131</u>	
		<u><u>\$ 1,136</u></u>	<u><u>\$ 1,131</u></u>	<u><u>\$ 5</u></u>
	<u>Ref.</u>			A-1

TOWNSHIP OF KINGWOOD
STATEMENT OF REVENUES REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2010
(Continued)

Analysis of Non-Budget Revenue	Ref.	
Interest on Investments & Deposits	A-2	\$ 28,805
Treasurer:		
Certified Property Owners List		\$ 290
Duplicate Tax Bills & Other Fees		625
Miscellaneous		297
NJ Senior Citizens & Veterans Administrative Fee		675
Self Insurance Fund Unused Funds Canceled		550
Health Insurance Reimbursements from Employee		
Payroll Withholdings		2,683
Reimbursements from Milford Municipal Court:		
Salaries and Wages		16,620
Payroll Taxes		1,355
Building Use Rent		6,000
Sheriff's Sale Proceeds		1,434
Photocopies		577
Poll Rent		320
Rental Income		19,865
Sale of Foreclosed Property		81,500
Various Books, Pamphlets & Maps		140
Zoning Ordinances & Map		525
	A-4	<u>133,456</u>
Total Non-Budget Revenue	A-2	<u>\$ 162,261</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

TOWNSHIP OF KINGWOOD
STATEMENT OF EXPENDITURES-REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2010

	Appropriations		Expended by			Balance Canceled	Over- Expended
	Budget	Budget After Modification	Paid or Charged	Reserved			
Operations Within "CAPS":							
General Government:							
Mayor and Council:							
Salaries and Wages	\$ 8,600	\$ 8,600	\$ 8,600				
Other Expenses	2,000	2,000	1,751	\$ 249			
Municipal Clerk:							
Salaries and Wages	121,903	121,903	121,903				
Other Expenses	16,000	16,000	9,896	6,104			
Elections	2,950	2,950	2,703	247			
Codification & Revisions of Ordinances	7,500	7,500	4,956	2,544			
Financial Administration:							
Salaries and Wages	41,000	41,000	40,291	709			
Other Expenses	3,500	3,500	2,856	644			
Audit Services	22,000	22,000	20,350	1,650			
Revenue Administration:							
Salaries and Wages	29,563	29,583	29,583				
Other Expenses	8,000	7,980	7,053	927			
Assessment of Taxes:							
Salaries and Wages	34,165	34,165	34,165				
Other Expenses	9,000	9,000	4,935	4,065			
Maintenance of Tax Map	3,500	3,500	181	3,319			
Agriculture Advisory Committee:							
Salaries and Wages	2,425	2,425	2,425				
Other Expenses	600	600	415	185			
Legal Services and Costs:							
Other Expenses	64,000	64,000	48,028	15,972			
Municipal Prosecutor:							
Salaries and Wages	11,620	11,620	11,620				
Engineering Services:							
Other Expenses	10,000	10,000	7,800	2,200			

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

TOWNSHIP OF KINGWOOD
STATEMENT OF EXPENDITURES-REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2010
(Continued)

	Appropriations		Expended by			Balance Canceled	Over- Expended
	Budget	Budget After Modification	Paid or Charged	Reserved			
Operations Within "CAPS": (Cont'd)							
Land Use Administration:							
Planning Board:							
Salaries and Wages	\$ 20,841	\$ 20,841	\$ 20,841				
Other Expenses	15,000	33,000	32,991	\$ 9			
Zoning Official:							
Salaries and Wages	12,317	12,317	12,317				
Other Expenses	400	400	200	200			
Board of Adjustment:							
Salaries and Wages	6,609	6,609	6,609				
Other Expenses	7,000	7,000	6,373	627			
Industrial Commission:							
Other Expenses	200	200	72	128			
Code Enforcement:							
Construction Official:							
Salaries and Wages	57,609	57,609	57,608	1			
Other Expenses	8,000	8,000	3,784	4,216			
Other Code Enforcement Officials:							
Salaries and Wages	4,100	4,100	4,100				
Insurance:							
Dental Insurance	14,300	14,300	14,300				
General Liability	60,724	60,724	56,667	4,057			
Workers Compensation	24,330	24,330	24,330				
Employee Group Insurance	94,640	94,690	94,690				
Public Safety:							
Aid to Volunteer Fire Companies	68,500	68,500	68,500				
Aid to First Aid Organizations	35,000	35,000	35,000				

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

TOWNSHIP OF KINGWOOD
STATEMENT OF EXPENDITURES-REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2010
(Continued)

	Appropriations		Expended by			Balance Canceled	Over- Expended
	Budget	Budget After Modification	Paid or Charged	Reserved			
Operations Within "CAPS": (Cont'd)							
Public Safety (Cont'd):							
Office of Emergency Management:							
Salaries and Wages	\$ 2,132	\$ 2,132	\$ 2,132				
Other Expenses	3,100	3,100	75	\$ 3,025			
Public Works:							
Road Repairs and Maintenance:							
Salaries and Wages	378,500	362,950	314,770	48,180			
Other Expenses	103,000	100,000	91,089	8,911			
Solid Waste Collection:							
Other Expenses	2,500	3,000	2,880	120			
Public Buildings and Grounds:							
Salaries and Wages	10,980	10,980	10,980				
Other Expenses	26,500	26,500	20,019	6,481			
Vehicle Maintenance:							
Other Expenses	22,000	25,000	24,689	311			
Municipal Cleanup:							
Other Expenses	5,500	4,533	4,533				
Recycling:							
Salaries and Wages	2,985	2,985	2,985				
Other Expenses	5,250	7,217	7,159	58			
Gypsy Moth Program:							
Other Expenses	100	100		100			
Health and Human Services:							
Board of Health							
Salaries and Wages	7,249	7,249	7,248	1			
Other Expenses	5,000	5,000	4,983	17			

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

TOWNSHIP OF KINGWOOD
STATEMENT OF EXPENDITURES-REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2010
(Continued)

	Appropriations		Expended by		Balance Canceled	Over- Expended
	Budget	Budget After Modification	Paid or Charged	Reserved		
Operations Within "CAPS": (Cont'd)						
Health and Human Services: (Cont'd)						
Animal Control:						
Other Expenses	\$ 5,000	\$ 5,000	\$ 5,000			
Environmental Commission:						
Salaries & Wages	2,425	2,425	2,425			
Other Expenses	1,750	1,750	834	\$ 916		
Parks and Recreation:						
Recreation Services and Programs:						
Other Expenses	5,000	5,000	3,431	1,569		
Maintenance of Parks:						
Salaries & Wages	6,165	6,165	5,721	444		
Other Expenses	14,000	13,000	8,383	4,617		
Unclassified:						
Office of Local Historian:						
Other Expenses	500	500	150	350		
Interest on Tax Appeals:						
Other Expenses	100	100		100		
Utilities:						
Gasoline and Diesel Fuel	26,000	26,000	17,646	8,354		
Electricity	27,500	30,500	29,047	1,453		
Telephone	12,000	15,000	14,006	994		
Street Lighting	7,500	7,500	6,398	1,102		
Heating Oil	33,000	22,000	21,843	157		
Municipal Court:						
Salaries and Wages	58,211	58,211	57,360	851		
Other Expenses	3,000	3,000	2,501	499		

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

TOWNSHIP OF KINGWOOD
STATEMENT OF EXPENDITURES-REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2010
(Continued)

	Appropriations		Expended by			Balance Canceled	Over- Expended
	Budget	Budget After Modification	Paid or Charged	Reserved			
Operations Within "CAPS": (Cont'd)							
Public Defender:							
Salaries and Wages	\$ 3,345	\$ 3,345	\$ 3,345	\$ 136,663	\$ -	\$ -	
Total Operations Within "CAPS"	1,608,188	1,606,188	1,469,525				
Contingent	100	100		100			
Total Operations Including Contingent Within "CAPS"	1,608,288	1,606,288	1,469,525	136,763	-	-	
Detail:							
Salaries and Wages	822,744	807,214	757,028	50,186	-	-	
Other Expenses	785,544	799,074	712,497	86,577	-	-	
Deferred Charges & Statutory Expenditures:							
Prior Year Bills	3,791	3,791	3,791				
Statutory Expenditures:							
Public Employees Retirement System	68,938	68,938	68,938				
Social Security System (OASI)	69,000	69,000	62,880	6,120			
Unemployment Insurance	800	800	565	235			
Defined Contribution Retirement Program	675	675	207	468			
Total Deferred Charges & Statutory Expenditures-Municipal Within "CAPS"	143,204	143,204	136,381	6,823	-	-	
Total General Appropriations for Municipal Purposes Within "CAPS"	1,751,492	1,749,492	1,605,906	143,586	-	-	
Operations Excluded from "CAPS":							
Fair Share Housing Plan:							
Salaries and Wages	1,334	1,334	1,333	1			
Other Expenses	4,000	6,000	5,468	532			
911 Coordinator:							
Other Expenses	200	200		200			

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

TOWNSHIP OF KINGWOOD
STATEMENT OF EXPENDITURES-REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2010
(Continued)

	Appropriations		Expended by			Balance	Over-
	Budget	Budget After Modification	Paid or Charged	Reserved	Canceled	Expended	
Operations Excluded from "CAPS": (Cont'd)							
Insurance:							
Employee Group Insurance	\$ 8,830	\$ 8,830	7,500	\$ 1,330			
LOSAP	9,435	9,435	3,791	5,644			
Public & Private Programs Offset by Revenues:							
Clean Communities Program:							
Other Expenses	14,147	14,147	14,147				
Total Operations Excluded from "CAPS"	37,946	39,946	32,239	7,707	\$ -	\$ -	
Detail:							
Salaries and Wages	1,334	1,334	1,333	1	-	-	
Other Expenses	36,612	38,612	30,906	7,706	-	-	
Capital Improvements-Excluded from "CAPS":							
Capital Improvement Fund	120,000	120,000	120,000				
Purchase of Ambulance Equipment	10,000	10,000	10,000				
Purchase of Municipal Equipment	30,000	30,000	30,000				
Municipal Building Renovations	3,600	3,600	3,600				
First Aid Organization Building Remediation	5,000	5,000	5,000				
Total Capital Improvements-Excluded from "CAPS"	168,600	168,600	168,600	-	-	-	

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

TOWNSHIP OF KINGWOOD
STATEMENT OF EXPENDITURES-REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2010
(Continued)

	Appropriations		Expended by			Balance Canceled	Over- Expended
	Budget	Budget After Modification	Paid or Charged	Reserved			
Municipal Debt Service-Excluded from "CAPS":							
Payment of Bond Principal	\$ 75,000	\$ 75,000	\$ 75,000				
Payment of Bond Anticipation Note Principal	72,500	72,500	72,500				
Interest on Bonds	35,160	35,160	35,160				
Interest on Notes	17,755	17,755	17,690		\$	65	
Total Municipal Dept Service-Excluded from "CAPS"	200,415	200,415	200,350	\$ -		65	\$ -
Deferred Charges-Municipal-Excluded from "CAPS": Special Emergency Authorizations- 5 Years (NJS 40A:4-55)	60,000	60,000	60,000				
Total Deferred Charges-Excluded from "CAPS"	60,000	60,000	60,000	-		-	-
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	466,961	468,961	461,189	7,707		65	-
Subtotal General Appropriations	2,218,453	2,218,453	2,067,095	151,293		65	-
Reserve for Uncollected Taxes	566,300	566,300	566,300				
Total General Appropriations	<u>\$ 2,784,753</u>	<u>\$ 2,784,753</u>	<u>\$ 2,633,395</u>	<u>\$ 151,293</u>	<u>\$</u>	<u>65</u>	<u>\$ -</u>

Ref. A-2 A-3 A-1;A-3 A;A-1

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

TOWNSHIP OF KINGWOOD
STATEMENT OF EXPENDITURES REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2010
(Continued)

	Ref.	Paid or Charged
Cash Disbursed	A-4	\$ 1,841,285
Reserve for Uncollected Taxes	A-2	566,300
Due to Animal Control Fund	A-10	4,760
Due to Other Trust Fund	A-11	14,300
Due to General Capital Fund	A-12	158,600
Special Emergency Appropriations	A-14	60,000
Reserve for Encumbrances	A-18	24,619
Appropriated Reserve for State Grants	A-30	14,147
		<u>2,684,011</u>
Less: Refunds	A-4	50,616
	A-3	<u>\$ 2,633,395</u>
Budget	Ref.	Budget After Modification
Appropriation by NJS 40A:4-87	A-2	\$ 2,784,753
	A-2	-
	A-3	<u>\$ 2,784,753</u>

TOWNSHIP OF KINGWOOD
COMPARATIVE SHEET-REGULATORY BASIS
TRUST FUND

B

ASSETS

Animal Control Fund:

Cash
Due from Current Fund

Other Trust Fund:

Cash
Due from Current Fund

TOTAL ASSETS

LIABILITIES AND RESERVES

Animal Control Fund:

Reserve for Encumbrances
Reserve for Animal Control Fund Expenditures
Due to Current Fund

Other Trust Fund:

Reserve for Encumbrances
Reserve for Recycling Trust
Reserve for COAH Development Fees
Reserve for Developers' Deposits
Reserve for Unemployment Compensation
Reserve for Special Deposits
Reserve for Open Space Preservation
Reserve for Recreation Commission
Reserve for Planning Board Escrow
Reserve for Board of Adjustment Escrow
Reserve for Payroll
Reserve for Board of Health

	Ref.	Balance Dec. 31, 2010	Balance Dec. 31, 2009
B-1	\$	8,209	\$ 5,077
B-5			252
		8,209	5,329
B-1		921,518	745,720
B-8		355	336
		921,873	746,056
	\$	930,082	\$ 751,385

B-3			\$ 112
B-4	\$	8,204	5,217
B-5		5	
		8,209	5,329

B-9		14,042	11,966
B-10		1,104	
B-11		165,848	133,865
B-12		213,638	212,323
B-13		8,927	13,590
B-14		9,650	9,750
B-15		351,551	213,123
B-16		15,444	18,508
B-17		36,415	34,622
B-18		8,842	14,653
B-19		2,621	2,170
B-20		27,800	23,907

Reserve for Tax Sale Premium
Reserve for Security Deposits
Reserve for Fees Due to Outside Agencies
Reserve for Self Insurance Escrow

B-21 38,100 34,600
B-22 6,758 8,293
B-23 2,850 2,850
B-24 18,283 11,836

TOTAL LIABILITIES AND RESERVES

921,873 746,056
\$ 930,082 \$ 751,385

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

TOWNSHIP OF KINGWOOD
COMPARATIVE SHEET-REGULATORY BASIS
GENERAL CAPITAL FUND

C

	Ref.	Balance Dec. 31, 2010	Balance Dec. 31, 2009
ASSETS			
Cash	C-2	\$ 899,304	\$ 2,862,245
State Grants Receivable	C-7	91,172	
Deferred Charges to Future Taxation:			
Funded	C-8	853,000	928,000
Unfunded	C-9	3,225,785	2,820,785
Due from County Open Space Trust Fund	C-10		104,050
TOTAL ASSETS		<u>\$ 5,069,261</u>	<u>\$ 6,715,080</u>
LIABILITIES, RESERVES AND FUND BALANCE			
General Serial Bonds Payable	C-20	\$ 853,000	\$ 928,000
Bond Anticipation Notes Payable	C-21	2,421,000	2,316,000
Improvement Authorizations:			
Funded	C-11	216,551	1,496,967
Unfunded	C-11	1,345,169	1,799,325
Capital Improvement Fund	C-12	141,371	40,555
Reserves for:			
Encumbrances	C-13	11,839	40,277
Contributions from Developers	C-14	10,000	10,000
Preliminary Plan Expenses	C-15		47,340
Purchase of Municipal Equipment	C-16	60,715	30,000
First Aid Organization Building Remediation	C-17	5,000	
Municipal Building Renovations	C-18		2,000
Accrued Interest on Bonds	C-19	2,774	2,774
Fund Balance	C-1	1,842	1,842
TOTAL LIABILITIES, RESERVES AND FUND BALANCE		<u>\$ 5,069,261</u>	<u>\$ 6,715,080</u>
Bonds and Notes Authorized But Not Issued	C-22	\$ 804,785	\$ 504,785

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

Certified Public Accountant
Public School Accountant
Registered Municipal Accountant

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Washington, NJ 07882 - 1530
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INDEPENDENT AUDITOR'S REPORT

June 23, 2010

Honorable Mayor and Members
of the Township Committee
Township of Kingwood, New Jersey

We have audited the accompanying balance sheets-regulatory basis of the various funds and account groups of the Township of Kingwood as of December 31, 2009 and 2008 and the related statements of operations and changes in fund balances-regulatory basis for the years then ended and the related statement of revenues-regulatory basis and statement of expenditures-regulatory basis for the year ended December 31, 2009. These financial statements are the responsibility of the Township of Kingwood's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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


As described in Note 1, these financial statements were prepared in conformity with the accounting practices prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the Township's policy to prepare its financial statements on the basis of accounting as discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America the financial position of the Township of Kingwood at December 31, 2009 and 2008, or the results of its operations for the years then ended.

In our opinion, the financial statements-regulatory basis referred to above present fairly, in all material respects, the financial position-regulatory basis of the various funds of the Township as of December 31, 2009 and 2008, and the results of operations and changes in fund balance-regulatory basis of such funds for the years then ended and the statement of revenues-regulatory basis and statement of expenditures-regulatory basis of the various funds for the year ended December 31, 2009, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued a report dated June 23, 2010 on our consideration of the Township of Kingwood's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Municipality's basic financial statements. The accompanying supplementary information listed in the foregoing table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole, on the basis of accounting described in Note 1.



William M. Colantano, Jr.
Registered Municipal Accountant
No. 68

William M. Colantano, Jr.

FINANCIAL STATEMENTS-REGULATORY BASIS

TOWNSHIP OF KINGWOOD
COMPARATIVE SHEET-REGULATORY BASIS
CURRENT FUND

ASSETS	Ref.	Balance Dec. 31, 2009	Balance Dec. 31, 2008
Regular Fund:			
Cash:			
Treasurer	A-4	\$ 3,062,792	\$ 3,295,855
		<u>3,062,792</u>	<u>3,295,855</u>
Receivables with Full Reserves:			
Delinquent Property Taxes Receivable	A-6	481,309	368,568
Tax Title Liens Receivable	A-7	32,820	51,720
Property Acquired for Taxes	A-8	204,000	
Revenue Accounts Receivable	A-9	1,121	1,106
Due from Animal Control Fund	A-10		29
Due from Other Trust Funds	A-11		440
Due from Federal & State Grant Fund	A-13	1,131	
		<u>720,381</u>	<u>421,863</u>
Deferred Charges:			
Special Emergency Authorization	A-14	120,000	180,000
		<u>3,903,173</u>	<u>3,897,718</u>
Federal & State Grant Fund:			
Cash	A-4	33,017	21,817
State Grants Receivable	A-15		6,250
Due from Regular Fund	A-30		678
		<u>33,017</u>	<u>28,745</u>
TOTAL ASSETS		<u>\$ 3,936,190</u>	<u>\$ 3,926,463</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

TOWNSHIP OF KINGWOOD
COMPARATIVE SHEET-REGULATORY BASIS
CURRENT FUND
(Continued)

	Ref.	Balance Dec. 31, 2009	Balance Dec. 31, 2008
LIABILITIES, RESERVES AND FUND BALANCE			
Regular Fund:			
Liabilities:			
Appropriation Reserves	A-3;A-16	\$ 86,542	\$ 76,180
Accounts Payable	A-17	1,196	
Due to Animal Control Fund	A-10	252	
Due to Other Trust Funds	A-11	336	
Due to General Capital Fund	A-12		10,000
Due to Federal & State Grant Fund	A-13		678
Reserve for Encumbrances	A-18	15,310	13,219
Due to State of NJ Veterans' & Senior Citizens' Deductions	A-19	1,200	1,700
Prepaid Taxes	A-20	229,471	85,291
Tax Overpayments	A-21	21,391	6,850
Local School Tax Payable	A-22	1,011,294	1,101,378
Regional High School Taxes Payable	A-23	816,223	824,591
County Tax Payable	A-24	10,812	30,004
Reserve for Garden State Preservation Trust Fund	A-25	63,692	60,417
Reserve for Revaluation of Real Property	A-26	37,600	42,600
Due to Outside Lien Holders	A-27	166	166
Reserve for Preparation of a Master Plan	A-28	86,483	127,602
Reserve for State Tax Appeals	A-29		87,713
		<u>2,381,968</u>	<u>2,468,389</u>
Reserve for Receivables	A	720,381	421,863
Fund Balance	A-1	800,824	1,007,466
		<u>3,903,173</u>	<u>3,897,718</u>
Federal & State Grant Fund:			
Due to Regular Fund	A-30	1,131	
Unappropriated Reserve for State Grants	A-31		1,180
Appropriated Reserves for State Grants	A-32	31,886	27,565
		<u>33,017</u>	<u>28,745</u>
TOTAL LIABILITIES, RESERVES AND FUND BALANCE		<u>\$ 3,936,190</u>	<u>\$ 3,926,463</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

TOWNSHIP OF KINGWOOD
COMPARATIVE STATEMENT OF OPERATIONS AND CHANGE
IN FUND BALANCE-REGULATORY BASIS

		For the Year Ending	
	Ref.	Dec. 31, 2009	Dec. 31, 2008
REVENUES AND OTHER INCOME REALIZED			
Fund Balance Utilized	A-2	\$ 633,715	\$ 514,778
Receipts from Current Taxes	A-2	11,452,551	11,327,917
Receipts from Delinquent Taxes	A-2	373,605	245,852
Miscellaneous Revenue Anticipated	A-2	1,840,546	861,531
Nonbudget Revenue	A-2	81,746	136,334
Other Credits to Income:			
Interfunds Returned-Net			10,673
State Grant Balances Canceled	A-13	1,809	
Unexpended Balance of Appropriation Reserves	A-16	22,094	28,068
Reserve for Encumbrances Canceled	A-18	2,660	4,839
Tax Overpayment Balances Canceled	A-21	14	5,094
Public Assistance Trust Fund #1 Canceled			1,171
Total Income		<u>14,408,740</u>	<u>13,136,257</u>
EXPENDITURES			
Budget and Emergency Appropriations:			
Operations:			
Salaries and Wages	A-3	800,148	831,702
Other Expenses	A-3	2,004,060	875,609
Capital Improvements	A-3	147,000	215,000
Debt Service	A-3	201,167	206,051
Deferred Charges & Statutory Expenditures	A-3	195,193	128,582
Local District School Taxes	A-22	5,167,711	4,879,414
Regional High School Taxes	A-23	2,823,491	2,536,381
County Taxes	A-24	2,415,887	2,345,024
County Share of Added Taxes	A-24	10,812	30,004
Municipal Open Space Tax	A-2	212,653	212,091
Interfunds Advanced-Net	A-2	662	
State Grant Balances Canceled			678
Disallowance of Senior Citizens' & Veterans			
Deductions-Prior Year	A-19	250	1,250
State Tax Board Appeal Refunded			26,935
State Tax Appeals Reserved	A-29	2,633	87,713
Total Expenditures		<u>13,981,667</u>	<u>12,376,434</u>
Regulatory Excess to Fund Balance		427,073	759,823

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

TOWNSHIP OF KINGWOOD
COMPARATIVE STATEMENT OF OPERATIONS AND CHANGE
IN FUND BALANCE-REGULATORY BASIS
(Continued)

FUND BALANCE	Ref.	For the Year Ending	
		Dec. 31, 2009	Dec. 31, 2008
Balance January 1,	A	\$ 1,007,466	\$ 762,421
Decreased by:		1,434,539	1,522,244
Utilized as Anticipated Revenue	A-2	633,715	514,778
Balance December 31,	A	\$ 800,824	\$ 1,007,466

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

TOWNSHIP OF KINGWOOD
STATEMENT OF REVENUES-REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2009

	Ref.	Anticipated		Realized	Excess or (Deficit)
		Budget	NJS 40:4-87		
Fund Balance Anticipated	A-1	\$ 633,715	\$ -	\$ 633,715	\$ -
Miscellaneous Revenues:					
Licenses:					
Alcoholic Beverage	A-9	10,000		12,550	2,550
Fees & Permits	A-9	21,000		21,401	401
Fines and Costs:					
Municipal Court	A-9	14,000		12,395	(1,605)
Interest & Costs on Taxes	A-9	50,000		70,979	20,979
Consolidated Municipal Property Tax Relief Aid	A-9	51,070		51,070	
Energy Receipts Tax	A-9	327,516		327,516	
Uniform Construction Code Fees	A-9	50,000		59,470	9,470
Cable TV Franchise Fee	A-9	8,735		8,818	83
Clean Communities Program	A-15	13,609		13,609	
Recycling Tonnage Grant	A-15		2,535	2,535	
NJ DEP Green Acres Grant	A-15		1,198,606	1,198,606	
Garden State Preservation Trust Fund	A-25	60,417		60,417	
Clean Communities Program-2008 Reserve	A-31	1,180		1,180	
	A-1	607,527	1,201,141	1,840,546	31,878

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

TOWNSHIP OF KINGWOOD
STATEMENT OF REVENUES-REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2009
(Continued)

	Ref.	Anticipated		Realized	Excess or (Deficit)
		Budget	NJS 40:4-87		
Receipts from Delinquent Taxes					
Property Tax for Support of Municipal Budget	A-1;A-6	\$ 275,228		\$ 373,605	\$ 98,377
Appropriations:					
Local Tax for Municipal Purposes	A-2	1,118,225		1,066,759	(51,466)
Budget Totals		2,634,695	\$ 1,201,141	3,914,625	\$ 78,789
Non-Budget Revenues	A-1;A-2			81,746	
		\$ 2,634,695	\$ 1,201,141	\$ 3,996,371	
	Ref.	A-3	A-3		

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

TOWNSHIP OF KINGWOOD
STATEMENT OF REVENUES REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2009
(Continued)

<u>Allocation of Current Tax Collections</u>		<u>Ref.</u>		
Tax Collections		A-1;A-6		\$ 11,452,551
Allocated to:				
Local District School Taxes		A-6	\$ 5,299,358	
Regional High School Taxes		A-6	2,915,082	
County Taxes		A-6	2,426,699	
Municipal Open Space Tax		A-1;A-6	<u>212,653</u>	
				<u>10,853,792</u>
Balance for Support of Municipal Budget				
Appropriations				598,759
Add: Appropriation-"Reserve for Uncollected Taxes"		A-3		<u>468,000</u>
Realized for Support of Municipal Budget		A-2		<u>\$ 1,066,759</u>
<u>Interest on Investments & Deposits Analysis</u>				
General Fund		A-4		\$ 43,848
Animal Control Fund		A-10		5
Other Trusts		A-11		<u>244</u>
		A-2		<u>\$ 44,097</u>
<u>Interfund Analysis</u>				
	<u>Ref.</u>	<u>Balance</u>	<u>Balance</u>	<u>Advanced</u>
Animal Control Fund	A-10	<u>Dec. 31, 2009</u>	<u>Dec. 31, 2008</u>	<u>(Returned)</u>
Other Trust Fund	A-11		\$ 29	\$ (29)
Federal & State Grand Fund	A-13	\$ 1,131	440	(440)
				<u>1,131</u>
		<u>\$ 1,131</u>	<u>\$ 469</u>	<u>\$ 662</u>
	<u>Ref.</u>			A-1

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

TOWNSHIP OF KINGWOOD
STATEMENT OF REVENUES REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2009
(Continued)

<u>Analysis of Non-Budget Revenue</u>	<u>Ref.</u>		
Interest on Investments & Deposits	A-2	\$	44,097
Treasurer:			
Certified Property Owners List		\$	400
Duplicate Tax Bills & Bounced Check Fees			545
Miscellaneous			286
NJ Senior Citizens & Veterans Administrative Fee			705
Prior Year Refunds			181
Prior Year Refund-Delaware River Greenway			
Partnership Grant Reimbursement			2,592
Photocopies			243
Poll Rent			320
Rental Income			31,073
Sale of Surplus Equipment			777
Various Books, Pamphlets & Maps			42
Zoning Ordinances & Map			485
	A-4		<u>37,649</u>
Total Non-Budget Revenue	A-2	\$	<u>81,746</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

TOWNSHIP OF KINGWOOD
STATEMENT OF EXPENDITURES-REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2009

	Appropriations		Expended by		Balance Canceled	Over- Expended
	Budget	Budget After Modification	Paid or Charged	Reserved		
Operations Within "CAPS":						
General Government:						
Mayor and Council:						
Salaries and Wages	\$ 8,600	\$ 8,600	\$ 8,600			
Other Expenses	2,000	2,000	1,502	\$ 498		
Municipal Clerk:						
Salaries and Wages	121,903	121,903	121,902	1		
Other Expenses	16,000	16,000	15,458	542		
Elections	2,950	2,950	2,161	789		
Codification & Revisions of Ordinances	7,500	7,500	983	6,517		
Financial Administration:						
Salaries and Wages	41,000	41,000	40,423	577		
Other Expenses	3,500	3,500	3,418	82		
Audit Services	22,000	20,350	20,350			
Revenue Administration:						
Salaries and Wages	29,563	29,583	29,583			
Other Expenses	8,000	7,980	7,565	415		
Assessment of Taxes:						
Salaries and Wages	34,165	34,165	34,165			
Other Expenses	9,000	9,000	7,572	1,428		
Maintenance of Tax Map	3,500	3,500	2,158	1,342		
Agriculture Advisory Committee:						
Salaries and Wages	2,425	2,425	2,425			
Other Expenses	600	600	195	405		
Legal Services and Costs:						
Other Expenses	64,000	59,000	56,240	2,760		
Municipal Prosecutor:						
Salaries and Wages	11,620	11,620	11,620			
Engineering Services:						
Other Expenses	10,000	13,000	12,873	127		

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

TOWNSHIP OF KINGWOOD
STATEMENT OF EXPENDITURES-REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2009
(Continued)

	Appropriations		Expended by		Balance Canceled	Over- Expended
	Budget	Budget After Modification	Paid or Charged	Reserved		
Operations Within "CAPS": (Cont'd)						
Land Use Administration:						
Planning Board:						
Salaries and Wages	\$ 20,841	\$ 20,841	\$ 20,841			
Other Expenses	15,000	15,500	15,367	\$ 133		
Zoning Official:						
Salaries and Wages	12,317	12,717	12,317	400		
Other Expenses	400					
Board of Adjustment:						
Salaries and Wages	6,609	6,609	6,609			
Other Expenses	7,000	5,000	4,432	568		
Industrial Commission:						
Other Expenses	200	200	117	83		
Code Enforcement:						
Construction Official:						
Salaries and Wages	57,609	57,609	57,499	110		
Other Expenses	8,000	7,000	5,573	1,427		
Other Code Enforcement Officials:						
Salaries and Wages	4,100	4,100	4,100			
Insurance:						
Dental Insurance	13,000	14,300	14,300			
General Liability	54,540	53,240	51,790	1,450		
Workers Compensation	23,125	23,125	23,107	18		
Group Insurance and Health Benefits	91,000	91,000	89,417	1,583		
Public Safety:						
Aid to Volunteer Fire Companies	68,500	68,500	68,500			

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

TOWNSHIP OF KINGWOOD
STATEMENT OF EXPENDITURES-REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2009
(Continued)

	Appropriations		Expended by		Balance Canceled	Over- Expended
	Budget	Budget After Modification	Paid or Charged	Reserved		
Operations Within "CAPS": (Cont'd)						
Public Safety (Cont'd):						
Aid to First Aid Organizations	\$ 35,000	\$ 35,000	\$ 35,000			
Office of Emergency Management:						
Salaries and Wages	2,132	2,132	2,132			
Other Expenses	3,100	100		\$ 100		
Public Works:						
Road Repairs and Maintenance:						
Salaries and Wages	360,000	360,000	343,363	16,637		
Other Expenses	103,000	105,850	103,804	2,046		
Solid Waste Collection:						
Other Expenses	2,500	2,500	2,358	142		
Public Buildings and Grounds:						
Salaries and Wages	10,980	10,980	10,980			
Other Expenses	24,500	27,500	24,061	3,439		
Vehicle Maintenance:						
Other Expenses	22,000	27,531	27,494	37		
Municipal Cleanup:						
Other Expenses	5,500	5,500	4,676	824		
Recycling:						
Other Expenses	5,250	10,250	6,670	3,580		
Gypsy Moth Program:						
Other Expenses	100	100		100		
Health and Human Services:						
Board of Health						
Salaries and Wages	7,249	7,249	7,248	1		
Other Expenses	5,000	5,000	4,826	174		

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

TOWNSHIP OF KINGWOOD
STATEMENT OF EXPENDITURES-REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2009
(Continued)

	Appropriations		Expended by		Balance Canceled	Over- Expended
	Budget	Budget After Modification	Paid or Charged	Reserved		
Operations Within "CAPS": (Cont'd)						
Health and Human Services: (Cont'd)						
Animal Control:						
Other Expenses	\$ 5,000	\$ 5,000	\$ 5,000			
Environmental Commission:						
Salaries & Wages	2,425	2,425	2,425			
Other Expenses	1,750	1,250	845	\$ 405		
Parks and Recreation:						
Recreation Services and Programs:						
Other Expenses	5,000	5,000	4,008	992		
Maintenance of Parks:						
Salaries & Wages	22,000	18,300	16,470	1,830		
Other Expenses	14,000	18,700	17,026	1,674		
Unclassified:						
Office of Local Historian:						
Other Expenses	500	500	126	374		
Interest on Tax Appeals:						
Other Expenses	100	100		100		
Utilities:						
Gasoline and Diesel Fuel	26,000	17,769	15,631	2,138		
Electricity	27,500	28,000	27,576	424		
Telephone	12,000	12,000	11,978	22		
Street Lighting	7,500	7,500	6,312	1,188		
Heating Oil	33,000	33,000	16,584	16,416		
Municipal Court:						
Salaries and Wages	44,210	44,210	43,408	802		
Other Expenses	3,000	3,000	2,274	726		

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

TOWNSHIP OF KINGWOOD
STATEMENT OF EXPENDITURES-REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2009
(Continued)

	Appropriations		Expended by		Balance	Over-
	Budget	Budget After Modification	Paid or Charged	Reserved	Canceled	Expended
Operations Within "CAPS": (Cont'd)						
Public Defender:						
Salaries and Wages	\$ 2,345	\$ 2,345	\$ 2,345			
Total Operations Within "CAPS"	1,573,208	1,573,208	1,497,782	\$ 75,426	\$ -	\$ -
Contingent	100	100		100		
Total Operations Including Contingent Within "CAPS"	1,573,308	1,573,308	1,497,782	75,526	-	-
Detail:						
Salaries and Wages	802,093	798,813	778,455	20,358	-	-
Other Expenses	771,215	774,495	719,327	55,168	-	-
Deferred Charges & Statutory Expenditures:						
Deferred Charges:						
Overexpenditure of Animal Control Fund	286	286	286			
Statutory Expenditures:						
Public Employees Retirement System	65,157	65,157	65,157			
Social Security System (OASI)	69,000	69,000	62,802	6,198		
Unemployment Insurance	750	750	472	278		
Total Deferred Charges & Statutory						
Expenditures-Municipal Within "CAPS"	135,193	135,193	128,717	6,476	-	-
Total General Appropriations for Municipal						
Purposes Within "CAPS"	1,708,501	1,708,501	1,626,499	82,002	-	-
Operations Excluded from "CAPS":						
Fair Share Housing Plan:						
Salaries and Wages	1,335	1,335	1,333	2		
Other Expenses	4,000	4,000	923	3,077		
911 Coordinator:						
Other Expenses	200	200		200		

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

TOWNSHIP OF KINGWOOD
STATEMENT OF EXPENDITURES-REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2009
(Continued)

	Appropriations		Expended by		Balance	Over-
	Budget	Budget After Modification	Paid or Charged	Reserved	Canceled	Expended
Operations Excluded from "CAPS": (Cont'd)						
LOSAP	\$ 9,435	\$ 9,435	\$ 8,174	\$ 1,261		
Public & Private Programs Offset by Revenues:						
Clean Communities Program:						
Other Expenses	14,789	14,789	14,789			
NJ DEP Green Acres Grant:						
Other Expenses		1,198,606	1,198,606			
Recycling Tonnage Grant:						
Other Expenses		2,535	2,535			
Total Operations Excluded from "CAPS"	29,759	1,230,900	1,226,360	4,540	\$ -	\$ -
Detail:						
Salaries and Wages	1,335	1,335	1,333	2	-	-
Other Expenses	28,424	1,229,565	1,225,027	4,538	-	-
Capital Improvements-Excluded from "CAPS":						
Capital Improvement Fund	105,000	105,000	105,000			
Purchase of Ambulance Equipment	10,000	10,000	10,000			
Purchase of Municipal Equipment	30,000	30,000	30,000			
Municipal Building Renovations	2,000	2,000	2,000			
Total Capital Improvements-Excluded from "CAPS"	147,000	147,000	147,000	-	-	-

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

TOWNSHIP OF KINGWOOD
STATEMENT OF EXPENDITURES-REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2009
(Continued)

	Appropriations		Expended by		Balance	Over-
	Budget	Budget After Modification	Paid or Charged	Reserved	Canceled	Expended
Municipal Debt Service-Excluded from "CAPS":						
Payment of Bond Principal	\$ 75,000	\$ 75,000	\$ 75,000			
Payment of Bond Anticipation Note Principal	72,500	72,500	72,500			
Interest on Bonds	37,935	37,935	37,935			
Interest on Notes	36,000	36,000	15,732		\$ 20,268	
Total Municipal Dept Service-Excluded from "CAPS"	221,435	221,435	201,167	\$ -	20,268	\$ -
Deferred Charges-Municipal-Excluded from "CAPS":						
Special Emergency Authorizations-	60,000	60,000	60,000			
5 Years (NJS 40A:4-55)						
Total Deferred Charges-Excluded from "CAPS"	60,000	60,000	60,000	-	-	-
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	458,194	1,659,335	1,634,527	4,540	20,268	-
Subtotal General Appropriations	2,166,695	3,367,836	3,261,026	86,542	20,268	-
Reserve for Uncollected Taxes	468,000	468,000	468,000			
Total General Appropriations	\$ 2,634,695	\$ 3,835,836	\$ 3,729,026	\$ 86,542	\$ 20,268	\$ -
Ref.	A-2	A-3	A-1;A-3	A;A-1		

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

TOWNSHIP OF KINGWOOD
STATEMENT OF EXPENDITURES REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2009
(Continued)

	<u>Ref.</u>	<u>Paid or Charged</u>
Cash Disbursed	A-4	\$ 1,853,683
Reserve for Uncollected Taxes	A-2	468,000
Due to Animal Control Fund	A-10	286
Due to Other Trust Fund	A-11	14,160
Due to General Capital Fund	A-12	137,000
Special Emergency Appropriations	A-14	60,000
Reserve for Encumbrances	A-18	15,310
Appropriated Reserve for State Grants	A-32	1,215,930
		<u>3,764,369</u>
Less: Refunds	A-4	35,343
	A-3	<u>\$ 3,729,026</u>

	<u>Ref.</u>	<u>Budget After Modification</u>
Budget	A-2	\$ 2,634,695
Appropriation by NJS 40A:4-87	A-2	1,201,141
	A-3	<u>\$ 3,835,836</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

TOWNSHIP OF KINGWOOD
COMPARATIVE SHEET-REGULATORY BASIS
TRUST FUND

	Ref.	Balance Dec. 31, 2009	Balance Dec. 31, 2008
ASSETS			
Animal Control Fund:			
Cash	B-1	\$ 5,077	
Deferred Charges-Overexpenditure of Reserve	B-3		\$ 286
Due from Current Fund	B-5	252	
		<u>5,329</u>	<u>286</u>
Other Trust Fund:			
Cash	B-1	745,720	536,288
Due from Current Fund	B-8	336	
		<u>746,056</u>	<u>536,288</u>
TOTAL ASSETS		<u>\$ 751,385</u>	<u>\$ 536,574</u>
LIABILITIES AND RESERVES			
Animal Control Fund:			
Cash Deficit	B-1		\$ 257
Reserve for Encumbrances	B-4	\$ 112	
Reserve for Animal Control Fund Expenditures	B-5	5,217	
Due to Current Fund	B-6		29
		<u>5,329</u>	<u>286</u>
Other Trust Fund:			
Due to Current Fund	B-8		440
Reserve for Encumbrances	B-10	11,966	11,002
Reserve for COAH Development Fees	B-11	133,865	128,732
Reserve for Developers' Deposits	B-12	212,323	207,662
Reserve for Unemployment Compensation	B-13	13,590	22,484
Reserve for Special Deposits	B-14	9,750	10,750
Reserve for Open Space Preservation	B-15	213,123	49,284
Reserve for Recreation Commission	B-16	18,508	16,944
Reserve for Planning Board Escrow	B-17	34,622	37,082
Reserve for Board of Adjustment Escrow	B-18	14,653	6,128
Reserve for Payroll	B-19	2,170	1,686
Reserve for Board of Health	B-20	23,907	21,502
Reserve for Tax Sale Premium	B-21	34,600	5,200
Reserve for Security Deposits	B-22	8,293	15,642
Reserve for Fees Due to Outside Agencies	B-23	2,850	1,750
Reserve for Self Insurance Escrow	B-24	11,836	
		<u>746,056</u>	<u>536,288</u>
TOTAL LIABILITIES AND RESERVES		<u>\$ 751,385</u>	<u>\$ 536,574</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

TOWNSHIP OF KINGWOOD
COMPARATIVE SHEET-REGULATORY BASIS
GENERAL CAPITAL FUND

	Ref.	Balance Dec. 31, 2009	Balance Dec. 31, 2008
ASSETS			
Cash			
Due from Current Fund	C-2	\$ 2,862,245	\$ 826,305
State Grants Receivable	C-5		10,000
Deferred Charges to Future Taxation:	C-7		35,000
Funded			
Unfunded	C-8	928,000	1,003,000
Due from County Open Space Trust Fund	C-9	2,820,785	2,893,285
	C-10	104,050	104,050
TOTAL ASSETS		<u>\$ 6,715,080</u>	<u>\$ 4,871,640</u>
LIABILITIES, RESERVES AND FUND BALANCE			
General Serial Bonds Payable	C-19	\$ 928,000	\$ 1,003,000
Bond Anticipation Notes Payable	C-20	2,316,000	1,042,500
Improvement Authorizations:			
Funded			
Unfunded	C-11	1,496,967	457,453
Capital Improvement Fund	C-11	1,799,325	2,234,225
Reserves for:	C-12	40,555	60,555
Encumbrances			
Contributions from Developers	C-13	40,277	25,265
Preliminary Plan Expenses	C-14	10,000	10,000
Purchase of Municipal Equipment	C-15	47,340	34,340
Municipal Building Renovations	C-16	30,000	
Accrued Interest on Bonds	C-17	2,000	
Fund Balance	C-18	2,774	2,774
	C-1	1,842	1,528
TOTAL LIABILITIES, RESERVES AND FUND BALANCE		<u>\$ 6,715,080</u>	<u>\$ 4,871,640</u>
 Bonds and Notes Authorized But Not Issued	 C-21	 <u>\$ 504,785</u>	 <u>\$ 1,850,785</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

TOWNSHIP OF KINGWOOD
STATEMENT OF FUND BALANCE-REGULATORY BASIS
GENERAL CAPITAL FUND

	<u>Ref.</u>		
Balance December 31, 2008	C	\$	1,528
Increased by:			
Note Premium Received	C-2		<u>314</u>
Balance December 31, 2009	C	\$	<u><u>1,842</u></u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS

25

TOWNSHIP OF KINGWOOD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2009

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Except as noted below, the financial statements of the Township of Kingwood (the Municipality) include every board, body, officer or commission supported and maintained wholly or in part by funds appropriated by the Township of Kingwood, as required by NJS 40A:5-5.

B. Description of Funds

The accounting policies of the Municipality conform to the accounting principles applicable to municipalities, which have been prescribed by the New Jersey Division of Local Government Services, Department of Community Affairs, (State of New Jersey). Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. Under this method of accounting, the Municipality accounts for its financial transactions through the following separate funds and account group:

Governmental Funds:

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

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

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

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

Account Groups:

General Fixed Assets Account Group - to account for all fixed assets of the Municipality. Neither infrastructure or depreciation of assets of the municipality are recorded in the group.

C. Basis of Accounting

The accounting policies of the Municipality conform to the accounting principles and practices prescribed for municipalities by the State of New Jersey. Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. The aforementioned policies differ in certain respects from accounting policies generally accepted in the United States of America (GAAP). The more significant differences, which may be material, are discussed further in part D of Note 1.

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

Budget and Budgetary Procedures - the State of New Jersey has promulgated the form and procedures for the municipality's cash basis budget in the Local Budget Law (NJSA 40A:4-1). The municipality is only required to adopt budgets for the Current Fund and Utility Funds, if applicable.

TOWNSHIP OF KINGWOOD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2009
(Continued)

26

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

C. Basis of Accounting (Cont'd)

Budget and Budgetary Procedures (Cont'd)

The municipality must introduce and approve its annual budget no later than February 10th and adopt no later than March 20th of its budget year, unless extended by the Director of the Division of Local Government Services (the Director). All budgets shall be introduced, approved, amended and adopted by resolution passed by not less than a majority of the full membership of the governing body. The approved budget must be advertised and a public hearing must be held prior to adoption. No budget or amendment thereof shall be adopted unless the Director has certified his approval thereof.

Emergency and special emergency appropriations may be made by resolution adopted by a 2/3 vote of the full membership of the governing body. All emergency appropriations must be raised in full in the succeeding year's budget, while special emergency appropriations financed from surplus funds shall be raised in installments of a least 20% annually until fully provided for.

Transfers between current year appropriations are allowed only during the last two months of the fiscal year. Transfers between prior year appropriation reserves are allowed only during the first three months of the fiscal year.

Revenues - are recorded when received in cash except for certain amounts which are due from other governmental units. Receipts from Federal and State grants are realized as revenue when anticipated in the Municipal budget. Receivables for property taxes are recorded with offsetting reserves on the balance sheet of the Municipality's Current Fund; accordingly, such amounts are not recorded as revenue until collected. Other amounts that are due the Municipality which are susceptible to accrual are also recorded as receivables with offsetting reserves and recorded as revenue when received.

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

Foreclosed Property - is recorded in the Current Fund at the assessed valuation when such property was acquired and is fully reserved.

TOWNSHIP OF KINGWOOD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2009
(Continued)

27

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

C. Basis of Accounting (Cont'd)

Tax Title Liens - are taxes which have been put up for sale but not been purchased. The Municipality then accepts the lien which will earn 18% per annum until the lien is paid off by the property owner. The Municipality may choose to foreclose and return the property to the tax rolls.

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

Inventories of Supplies - the costs of inventories of supplies for all funds are recorded as expenditures at the time individual items are purchased. The costs of inventories are not included on the various balance sheets.

Deferred Charges to Future Taxation-Funded and Unfunded (Capital Fund) - upon authorization of capital projects, the Municipality establishes deferred charges for the costs of the projects that are to be raised by future taxation. Deferred charges that relate to permanent debt issued are shown as funded. All other deferred charges are shown as unfunded.

General Fixed Assets - in accordance with New Jersey Administrative Code Section 5:30-5.6, Accounting for Governmental Fixed Assets, as promulgated by the State of New Jersey, which differs in certain respects from generally accepted accounting principles, all local units are required to have and maintain a fixed assets accounting and reporting system. In accordance with this administrative code requirement, fixed assets acquired after December 31, 1985 shall be valued on the basis of actual cost; prior to that time, they may be valued at cost or estimated historical cost.

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

No depreciation has been provided for in the financial statements.

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

TOWNSHIP OF KINGWOOD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2009
(Continued)

28

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

D. Departures from Generally Accepted Accounting Principles

As noted the accounting principles and practices used differ in some respects from generally accepted accounting principles (GAAP) for local governmental units. The more significant differences, which may be material, are as follows:

1. Financial Reporting Model-These statements are not based on the requirements as promulgated by GASB Statement No. 34, "Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments." This statement made dramatic changes to the financial reporting requirements of state and local governments for GAAP purposes.
2. Reporting Entity-These financial statements do not include the operations of the local and regional school districts, fire district and first aid squads which are subject to separate reporting. Included within these statements are taxes levied, collected and transferred to the school districts, fire district and contributions to the volunteer first aid squads.
3. Revenues-GAAP records taxes, utility charges and other revenues as income when levied and there is no reserve for receivables for unpaid balances.
4. Expenditures-GAAP records expenditures when incurred and does not reflect appropriation reserve balances or deferred charges to future taxation.
5. Foreclosed Property-GAAP records the value of foreclosed property at the lower of cost or fair market value and would be recorded in the General Fixed Asset Account Group.
6. Interfunds-GAAP does not require offsetting reserves for Interfund receivables and resulting revenue recognition when interfunds are liquidated.
7. Inventories-GAAP requires inventories to be reported on the balance sheet at year end.
8. Fixed Assets-GAAP does not require the establishment of a reserve for amortization for utility fixed assets but does require the recording of depreciation as an operating expense of the utility.
9. Grant Accounting-GAAP requires that grants be recorded within a special revenue fund and revenues are not to be realized until earned.
10. Capital Funds-GAAP requires separate funds for the recording of capital projects and payment of debt service while New Jersey requirements incorporate these transactions within one fund.

It is not practicable to determine the effect of these differences on the financial statements.

TOWNSHIP OF KINGWOOD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2009
(Continued)

29

NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS

State Requirements for Deposits and Investments

New Jersey statutes require each local unit to adopt a cash management plan and shall deposit and/or invest according to that plan, which shall include:

1. The designation of public depositories as defined in Section 1 of PL 1970 Ch 236 (C17:9-41) and permit deposits in designated depositories;
2. The designation of any fund that meets the requirements established pursuant to Section 8 PL 1977, Ch 396(C40A5-15.1);
3. The authorization for investments as permitted pursuant to Section 8 of PL 1977, Ch 396 (C.40A:5-15.1); or
4. Any combination of these designations or authorizations.

Deposit and Investment Risk

GASB Statement No. 40 "Deposit and Investment Risk Disclosures" requires state and local governments to communicate key information about deposit and investment risks. Required disclosures are as follows:

1. Custodial credit risk disclosures for investments defined as category 3 assets under GASB Statement No. 3. Since all of the deposits and investments of the municipality are category 1 assets, these disclosures are not required.
2. Credit quality ratings for investments in debt securities, external investment pools, money market funds, bond mutual funds, and other pooled investments of fixed-income securities. As the municipality has no such investments, this disclosure is not applicable.
3. Disclosure of investments by amount and issuer for any issuer that represents five percent or more of total investments. This requirement does not apply to investments issued or explicitly guaranteed by the US government and investments in mutual funds or pools. This disclosure is reported below under Concentration of Credit Risk.
4. Interest rate risk disclosures are required for all debt investments and non-money market like pools. As the municipality has no such investments, this disclosure is not applicable.
5. Investments that are exposed to foreign currency risk should be disclosed. As the municipality has no such investments, this disclosure is not applicable.

Concentration of Credit Risk

The State of New Jersey does not place any limit on the amount that the municipality may invest with any one issuer. As of December 31, 2009, the municipality had 100% of its investments with Unity Bank.

TOWNSHIP OF KINGWOOD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2009
(Continued)

NOTE 3: TAX ASSESSMENTS AND PROPERTY TAXES

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 results 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.

Upon the filing of certified adopted budgets by the municipality, the municipality's local school districts, and the county, the tax rate is struck by the County Board of Taxation based on the certified amounts in each of the taxing districts for collection to fund the budgets. The statutory provision for the assessment of property, levying of taxes and the collection thereof are set forth in NJSA 54:4 et seq. Special taxing districts are permitted in New Jersey for various special services rendered to the properties located within the special districts.

Tax bills are mailed annually in June. The taxes are due August 1 and November 1 respectively, and are adjusted to reflect the current fiscal year's total tax liability. The preliminary taxes due February 1 and May 1 of the succeeding fiscal year, are based upon one-half of the current year's total tax.

Tax installments not paid on or before the due date are subject to interest penalties of eight percent per annum on the first \$1,500 of the delinquency and eighteen percent per annum on any amount in excess of \$1,500. Pursuant to Chapter 75, PL 1991, 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 of the amount of the delinquency. These interest and penalties are the highest permitted under the New Jersey Statutes. Delinquent taxes are annually included in a tax sale in accordance with New Jersey Statutes.

NOTE 4: LONG-TERM DEBT

The Local Bond Law of the State of New Jersey governs the authorization of debt by municipalities to finance certain general municipal and utility capital expenditures. Among its provisions are requirements that bonds must mature within the statutory period of usefulness of the projects bonded. Bond anticipation notes may also be issued to temporarily finance capital projects for periods not greater than one year and may be reissued in yearly installments not to exceed ten years. All bonds and notes issued by the municipality are general full faith and credit obligations.

Summary of Municipal Debt

	<u>Year 2009</u>	<u>Year 2008</u>	<u>Year 2007</u>
Issued:			
General:			
Bonds and Notes	\$ 3,244,000	\$ 2,045,500	\$ 1,653,000
Authorized but not Issued:			
General:			
Bonds and Notes	<u>504,785</u>	<u>1,850,785</u>	<u>1,283,500</u>
Bonds and Notes Issued & Authorized but not Issued	<u>\$ 3,748,785</u>	<u>\$ 3,896,285</u>	<u>\$ 2,936,500</u>

Footnote: In addition to the capital debt shown above, there was current operating debt authorized but not issued in the amount of \$120,000.

TOWNSHIP OF KINGWOOD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2009
(Continued)

31

NOTE 4: LONG-TERM DEBT (Cont'd)

Summary of Statutory Debt Condition-Annual Debt Statement

The summarized statement of debt condition, which follows, is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of .56%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School District Debt	\$ 2,635,000	\$ 2,635,000	
Regional School District Debt	1,230,406	1,230,406	
General Debt	<u>3,748,785</u>		\$ 3,748,785
	<u>\$ 7,614,191</u>	<u>\$ 3,865,406</u>	<u>\$ 3,748,785</u>

Net Debt \$3,748,785 divided by Equalized Valuation Basis per NJS 40A:2-2 as amended, \$704,139,870 equals .53%.

Borrowing Power Under NJS 40A:2-6 As Amended

3 1/2% of Equalized Valuation Basis (Municipal) Net Debt	\$ 24,644,895
	<u>3,748,785</u>
Remaining Borrowing Power	<u>\$ 20,896,110</u>

Changes in Long-Term Debt

During the year ended December 31, 2009, the following changes occurred in Long-Term Debt.

	<u>Balance Jan. 1, 2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance Dec. 31, 2009</u>
Issued Debt:				
General:				
Bonds	\$ 1,003,000		\$ 75,000	\$ 928,000
Notes	1,042,500	\$ 1,346,000	72,500	2,316,000
Authorized But Not Issued Debt:				
General:				
Bonds and Notes	<u>1,850,785</u>		<u>1,346,000</u>	<u>504,785</u>
Total	<u>\$ 3,896,285</u>	<u>\$ 1,346,000</u>	<u>\$ 1,493,500</u>	<u>\$ 3,748,785</u>

TOWNSHIP OF KINGWOOD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2009
(Continued)

NOTE 4: LONG-TERM DEBT (Cont'd)

Schedule of Annual Debt Service for Principal and Interest for Outstanding Bonds

On August 22, 2004, the Municipality issued \$1,263,000 general obligation bonds dated September 1, 2004. The bonds have a net interest rate cost of 3.55% with interest rates ranging from 3.70% to 4.00%. Annual principal installments ranging from \$60,000 to \$108,000 began September 1, 2005 and continue through September 1, 2019. The purpose of the bonds is to finance previously authorized capital projects of the Municipality.

Year	General		Total
	Principal	Interest	
2010	\$ 75,000	\$ 35,160	\$ 110,160
2011	80,000	32,385	112,385
2012	85,000	29,425	114,425
2013	85,000	26,280	111,280
2014	95,000	23,093	118,093
2015-2019	508,000	60,637	568,637
	<u>\$ 928,000</u>	<u>\$ 206,980</u>	<u>\$ 1,134,980</u>

NOTE 5: FUND BALANCES APPROPRIATED

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

Current Fund \$ 677,000

NOTE 6: DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2009, the followings deferred charges are shown on the various balance sheets of the Borough:

	Balance Dec.31, 2009	2010 Budget Appropriations	Balance to Succeeding Budgets
Current Fund:			
Special Emergency Appropriation	<u>\$ 120,000</u>	<u>\$ 60,000</u>	<u>\$ 60,000</u>

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

NOTE 7: SCHOOL TAXES

Local District School Tax and Regional High School Tax have been raised and liabilities deferred by statute, resulting in the school taxes payable set forth in the Current Fund liabilities as follows:

	Local District School Tax		Regional High School Tax	
	Balance Dec.31, 2008	Balance Dec.31, 2009	Balance Dec.31, 2008	Balance Dec.31, 2009
Balance of Tax	\$ 2,135,590	\$ 2,177,153	\$ 1,374,318	\$ 1,457,541
Deferred	(1,034,212)	(1,165,859)	(549,727)	(641,318)
Tax Payable	<u>\$ 1,101,378</u>	<u>\$ 1,011,294</u>	<u>\$ 824,591</u>	<u>\$ 816,223</u>

TOWNSHIP OF KINGWOOD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2009
(Continued)

NOTE 8: TAXES COLLECTED IN ADVANCE

Taxes collected in advance, include discounts allowed for prepayments and the amount set forth as cash liabilities in the financial statements as follows:

	Balance Dec.31, 2009	Balance Dec.31, 2008
Prepaid Taxes	\$ 229,471	\$ 85,291
Less: Discount Allowed	<u>-0-</u>	<u>-0-</u>
Cash Liability for Taxes Collected in Advance	<u>\$ 229,471</u>	<u>\$ 85,291</u>

NOTE 9: PENSIONS

Employees, who are eligible for a pension plan, are enrolled in one of three pension systems administered by the Division of Pensions, Treasury Department of the State of New Jersey. The three State-administered plans are:

- (1) The Public Employees' Retirement System
- (2) The Consolidated Police and Firemen's Pension Fund
- (3) The Police and Firemen's Retirement System

The State of New Jersey Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer contributory defined benefit plan which was established in January of 1955 under the provisions of NJSA 43:15A to provide coverage including post-retirement health care to substantially all full time employees of the State or any county, municipality, school district or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees and vesting occurs after 8 to 10 years of service and 25 years for health care coverage. Members are eligible for retirement at age 55 with an annual benefit generally determined to be 1/55th of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of creditable service. Early retirement is available to those under age 55 with 25 or more years of credited service. Anyone who retires early and is under age 55 receives retirement benefits as calculated in the above mentioned formula but at a reduced rate (one quarter of one percent for each month the member lacks of attaining age 55).

Significant legislation which became effective July 1, 2007 under Chapter 103, PL 2007 changed the contribution rate for PERS to 5.5% of annual compensation, imposed an annual maximum wage contribution base and amended the early retirement reduction formula for new members.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statement and required supplementary information for PERS. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey 08625-0295.

TOWNSHIP OF KINGWOOD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2009
(Continued)

34

NOTE 9: PENSIONS (Cont'd)

The contribution policy for PERS is set by New Jersey State Statutes and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. Employee contributions are a percentage of annual compensation, as defined, and is currently 5.5% for PERS. Funding by the municipality is at an actuarially determined rate. Three year trend information for PERS and PFRS contributions are as follows:

Year Funded	Annual Contribution	
	Municipality	Employee
2009	\$ 65,157	\$ 41,295
2008	46,342	40,804
2007	23,537	41,704

The Federal Insurance Contribution Act also covers borough employees.

Information as to the comparison of the actuarially computed value of vested benefits with the system's assets is available from the State Retirement System.

NOTE 10: POST-RETIREMENT BENEFITS

GASB Statement 45 requires certain disclosures relating to governmental entities obligations for other post-employment benefits (OPEB), which are post-employment benefits other than pensions. The Municipality's only material OPEB obligation is for healthcare provided to eligible retirees through the NJ State Health Benefits Program.

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

The SHBP was extended to employees, retirees, and dependents of participating local public employers in 1964. The Municipality adopted a resolution to participate in the SHBP. The State Health Benefits Commission is the executive body established by the statute to be responsible for the operation of the SHBP. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for the SHBP. That report may be obtained by writing to: State of New Jersey Division of Pensions and Benefits, PO Box 295, Trenton, NJ 08625-0295 or by visiting their website at www.state.nj.us/treasury/pension/gasb-43-aug2009.pdf

TOWNSHIP OF KINGWOOD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2009
(Continued)

35

NOTE 10: POST-RETIREMENT BENEFITS (Cont'd)

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

Contributions to pay for the health premiums of participating retirees in the SHBP are billed to the Municipality on a monthly basis. Premiums are funded entirely by the Municipality and are based on the type of coverage selected by the employee.

The Municipality's contributions to the SHBP for post retirement benefits for the years ended December 31, 2009, 2008, and 2007, were \$0, \$0, and \$0, which equaled the required benefit contribution for each year. There were no retired participants eligible at December 31, 2009, 2008 and 2007

NOTE 11: DEFERRED COMPENSATION PLAN

The Municipality has a deferred compensation plan available to employees. The plan has been established pursuant to Section 457 of the Internal Revenue Code and in accordance with applicable New Jersey Statutes and the New Jersey Administrative Code section NJAC 5:37.

Under the arrangement, a public employer may establish a plan and permit its employees to voluntarily authorize a portion of their current salary to be withheld and invested in one or more investments permitted under state regulations. The Municipality's plan is administered by Equivest, which is audited by another public accounting firm. The plan is fully contributory, and the Municipality has no liabilities related to the plan.

NOTE 12: ACCRUED SICK AND VACATION BENEFITS

The Municipality has permitted certain employees to accrue sick pay which may be taken off or paid at a later date at an agreed upon rate. It is estimated that the current cost of such unpaid compensation would approximate \$102,565. This amount, which is not considered material to the financial statements, is not reported either as an expenditure or liability.

The Municipality does not have a policy which allows employees to accrue unused vacation pay.

NOTE 13: FIXED ASSETS

The following schedule is a summarization of the changes in general fixed assets for the year ended December 31, 2009:

	Balance Dec.31, 2008	Additions	Deletions	Balance Dec.31, 2009
Sites	\$ 1,479,334			\$ 1,479,334
Site Improvements	11,305			11,305
Building & Building Improvements	2,580,452		\$ 189,800	2,390,652
Construction in Progress	3,765	\$ 588		4,353
Furniture, Machinery & Equipment	719,229	127,780	35,776	811,233
	<u>\$ 4,794,085</u>	<u>\$ 128,368</u>	<u>\$ 225,576</u>	<u>\$ 4,696,877</u>

TOWNSHIP OF KINGWOOD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2009
(Continued)

36

NOTE 14: INTERFUNDS RECEIVABLES AND PAYABLE

The following Interfund balances remained on the various balance sheets of the municipality as of December 31, 2009.

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Current Fund:		
Animal Control Fund		\$ 252
Other Trust Fund		336
Federal & State Grant Fund	\$ 1,131	
Animal Control Fund:		
Current Fund	252	
Other Trust Fund:		
Current Fund	336	
Federal & State Grant Fund:		
Current Fund		1,131
	<u>\$ 1,719</u>	<u>\$ 1,719</u>

The balance due from the Current Fund to the Animal Control Fund represents the deferred charge for Overexpenditure of Reserve raised in the Current Fund budget less accumulated interest earnings due to the Current Fund. The balance due from the Current Fund to the Other Trust Fund represents the Municipal Open Space Tax on added and omitted taxes due to the Other Trust Fund less accumulated interest earnings due to the Current Fund.

The balance due from the Federal and State Grant Fund to the Current Fund represents the balance of grant appropriated reserves canceled less the prior year Interfund balance.

All of the Interfund balances are to be liquidated within one year.

NOTE 15: CONTINGENT LIABILITIES

The Municipality is involved in various claims and lawsuits incidental to its operations. In the opinion of management, the ultimate resolution of these matters will not have a material adverse effect on the financial position of the Municipality.

NOTE 16: RISK MANAGEMENT

The Municipality is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disaster.

Property and Liability Insurance – The Municipality maintains commercial insurance coverage for property, liability, and surety bonds. Significant losses are covered by commercial insurance for all major programs and there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current or the three prior years.

TOWNSHIP OF KINGWOOD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2009
(Continued)

NOTE 16: RISK MANAGEMENT (Cont'd)

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

<u>Fiscal Year</u>	<u>Municipal Contrib.</u>	<u>Interest Earnings</u>	<u>Employee Contrib.</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2009	\$ -0-	\$ 103	\$ 1,423	\$ 10,420	\$ 13,590
2008	-0-	356	1,372	-0-	22,484
2007	-0-	946	1,392	11,462	20,756

Certified Public Accountant
Public School Accountant
Registered Municipal Accountant

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INDEPENDENT AUDITOR'S REPORT

April 16, 2009

Honorable Mayor and Members
of the Township Committee
Township of Kingwood, New Jersey

I have audited the accompanying balance sheets-regulatory basis of the various funds and account groups of the Township of Kingwood as of December 31, 2008 and 2007 and the related statements of operations and changes in fund balances-regulatory basis for the years then ended and the related statement of revenues-regulatory basis and statement of expenditures-regulatory basis for the year ended December 31, 2008. These financial statements are the responsibility of the Township of Kingwood's management. My responsibility is to express an opinion on these financial statements based on my audits.

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


As described in Note 1, these financial statements were prepared in conformity with the accounting practices prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In my opinion, because of the Township's policy to prepare its financial statements on the basis of accounting as discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America the financial position of the Township of Kingwood at December 31, 2008 and 2007, or the results of its operations for the years then ended.

In my opinion, the financial statements-regulatory basis referred to above present fairly, in all material respects, the financial position-regulatory basis of the various funds of the Township as of December 31, 2008 and 2007, and the results of operations and changes in fund balance-regulatory basis of such funds for the years then ended and the statement of revenues-regulatory basis and statement of expenditures-regulatory basis of the various funds for the year ended December 31, 2008, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, I have also issued a report dated April 16, 2009 on my consideration of the Township of Kingwood's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

My audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Municipality's basic financial statements. The accompanying supplementary information listed in the foregoing table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and in my opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole, on the basis of accounting described in Note 1.


William M. Colantano, Jr.
Registered Municipal Accountant
No. 68

William M. Colantano, Jr.

FINANCIAL STATEMENTS-REGULATORY BASIS

TOWNSHIP OF KINGWOOD
COMPARATIVE SHEET-REGULATORY BASIS
CURRENT FUND

	Ref.	Balance Dec. 31, 2008	Balance Dec. 31, 2007
ASSETS			
Regular Fund:			
Cash:			
Treasurer	A-4	\$ 3,295,855	\$ 3,284,087
		<u>3,295,855</u>	<u>3,284,087</u>
Receivables with Full Reserves:			
Delinquent Property Taxes Receivable	A-6	368,568	244,576
Tax Title Liens Receivable	A-7	51,720	56,029
Revenue Accounts Receivable	A-9	1,106	763
Due from Animal Control Fund	A-10	29	239
Due from Other Trust Funds	A-11	440	9,982
Due from Public Assistance Fund	A-12		4
Due from Federal & State Grant Fund	A-14		917
		<u>421,863</u>	<u>312,510</u>
Deferred Charges:			
Overexpenditure of Budget Appropriations	A-15		832
Special Emergency Authorization	A-16	180,000	240,000
		<u>3,897,718</u>	<u>3,837,429</u>
Federal & State Grant Fund:			
Cash	A-4	21,817	21,692
State Grants Receivable	A-17	6,250	7,500
Due from Regular Fund	A-32	678	
		<u>28,745</u>	<u>29,192</u>
TOTAL ASSETS		<u>\$ 3,926,463</u>	<u>\$ 3,866,621</u>

TOWNSHIP OF KINGWOOD
COMPARATIVE SHEET-REGULATORY BASIS
CURRENT FUND
(Continued)

	Ref.	Balance Dec. 31, 2008	Balance Dec. 31, 2007
LIABILITIES, RESERVES AND FUND BALANCE			
Regular Fund:			
Liabilities:			
Appropriation Reserves	A-3;A-18	\$ 76,180	\$ 58,016
Due to General Capital Fund	A-13	10,000	9,038
Due to Federal & State Grant Fund	A-14	678	
Reserve for Encumbrances	A-19	13,219	13,559
Due to State of NJ Veterans' & Senior Citizens' Deductions	A-20	1,700	950
Prepaid Taxes	A-21	85,291	66,083
Tax Overpayments	A-22	6,850	22,218
Local School Tax Payable	A-23	1,101,378	1,325,924
Regional High School Taxes Payable	A-24	824,591	1,011,009
County Tax Payable	A-25	30,004	21,199
State & County Fees Payable	A-26		475
Reserve for Garden State Preservation Trust Fund	A-27	60,417	49,941
Reserve for Revaluation of Real Property	A-28	42,600	42,600
Due to Outside Lien Holders	A-29	166	166
Reserve for Preparation of a Master Plan	A-30	127,602	141,320
Reserve for State Tax Appeals	A-31	87,713	
		<u>2,468,389</u>	<u>2,762,498</u>
Reserve for Receivables	A	421,863	312,510
Fund Balance	A-1	1,007,466	762,421
		<u>3,897,718</u>	<u>3,837,429</u>
Federal & State Grant Fund:			
Due to Regular Fund	A-32		917
Unappropriated Reserve for State Grants	A-33	1,180	713
Appropriated Reserves for State Grants	A-34	27,565	27,562
		<u>28,745</u>	<u>29,192</u>
TOTAL LIABILITIES, RESERVES AND FUND BALANCE		<u>\$ 3,926,463</u>	<u>\$ 3,866,621</u>

TOWNSHIP OF KINGWOOD
COMPARATIVE STATEMENT OF OPERATIONS AND CHANGE
IN FUND BALANCE-REGULATORY BASIS

	Ref.	For the Year Ending	
		Dec. 31, 2008	Dec. 31, 2007
REVENUES AND OTHER INCOME REALIZED			
Fund Balance Utilized	A-2	\$ 514,778	\$ 500,000
Receipts from Current Taxes	A-2	11,327,917	11,075,341
Receipts from Delinquent Taxes	A-2	245,852	386,762
Miscellaneous Revenue Anticipated	A-2	861,531	867,332
Nonbudget Revenue	A-2	136,334	197,432
Other Credits to Income:			
Interfunds Returned-Net	A-2	10,673	26,642
Public Assistance Trust Fund # 1 Canceled	A-12	1,171	
Unexpended Balance of Appropriation Reserves	A-18	28,068	29,706
Reserve for Encumbrances Canceled	A-19	4,839	15,956
Tax Overpayment Balances Canceled	A-22	5,094	
Total Income		13,136,257	13,099,171
EXPENDITURES			
Budget and Emergency Appropriations:			
Operations:			
Salaries and Wages	A-3	831,702	811,165
Other Expenses	A-3	875,609	1,029,922
Capital Improvements	A-3	215,000	150,000
Debt Service	A-3	206,051	208,814
Deferred Charges & Statutory Expenditures	A-3	128,582	119,825
Local District School Taxes	A-23	4,879,414	5,028,391
Regional High School Taxes	A-24	2,536,381	2,696,960
County Taxes	A-25	2,345,024	2,381,396
County Share of Added Taxes	A-25	30,004	21,199
Municipal Open Space Tax	A-2	212,091	211,334
Refund of Prior Year Revenue			2,405
State Grant Balances Canceled	A-14	678	
Disallowance of Senior Citizens' & Veterans			
Deductions-Prior Year	A-20	1,250	500
State Tax Board Appeal Refunded	A-22	26,935	
State Tax Appeals Reserved	A-31	87,713	
Total Expenditures		12,376,434	12,661,911
Excess in Revenue		759,823	437,260

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

TOWNSHIP OF KINGWOOD
COMPARATIVE STATEMENT OF OPERATIONS AND CHANGE
IN FUND BALANCE-REGULATORY BASIS
(Continued)

	Ref.	For the Year Ending	
		Dec. 31, 2008	Dec. 31, 2007
Adjustments to Income Before Fund Balance:			
Expenditures Included Above which are by Statute			
Deferred Charges to Budget of Succeeding Years:			
Special Emergency Authorization			\$ 150,000
Overexpenditure of Budget Appropriation			832
Regulatory Excess to Fund Balance		\$ 759,823	\$ 588,092
FUND BALANCE			
Balance January 1,	A	762,421	674,329
		1,522,244	1,262,421
Decreased by:			
Utilized as Anticipated Revenue	A-2	514,778	500,000
Balance December 31,	A	<u>\$ 1,007,466</u>	<u>\$ 762,421</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

TOWNSHIP OF KINGWOOD
STATEMENT OF REVENUES-REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2008

	Ref.	Anticipated		Realized	Excess or (Deficit)
		Budget	NJS 40:4-87		
Fund Balance Anticipated	A-1	\$ 514,778	\$ -	\$ 514,778	\$ -
Miscellaneous Revenues:					
Licenses:					
Alcoholic Beverage	A-9	10,000		12,800	2,800
Fees & Permits	A-9	21,000		24,306	3,306
Fines and Costs:					
Municipal Court	A-9	23,000		14,509	(8,491)
Interest & Costs on Taxes	A-9	50,000		59,450	9,450
Consolidated Municipal Property Tax Relief Aid	A-9	77,662		77,662	
Energy Receipts Tax	A-9	316,698		316,698	
Uniform Construction Code Fees	A-9	55,000		57,768	2,768
Cable TV Franchise Fee	A-9	8,371		8,735	364
Sale of Township Property	A-9	225,000		225,000	
Clean Communities Program	A-17	9,420		9,420	
Recycling Tonnage Grant	A-17		1,075	1,075	
Gypsy Moth Program	A-17		3,454	3,454	
Garden State Preservation Trust Fund	A-27	49,941		49,941	
Recycling Tonnage Grant-2007 Reserve	A-33	713		713	
	A-1	846,805	4,529	861,531	10,197

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

TOWNSHIP OF KINGWOOD
STATEMENT OF REVENUES-REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2008
(Continued)

	Ref.	Anticipated		Realized	Excess or (Deficit)
		Budget	NJS 40:4-87		
Receipts from Delinquent Taxes	A-1;A-6	\$ 240,681		\$ 245,852	\$ 5,171
Property Tax for Support of Municipal Budget					
Appropriations:					
Local Tax for Municipal Purposes	A-2	1,118,225		1,201,386	83,161
Budget Totals		2,720,489	\$ 4,529	2,823,547	\$ 98,529
Non-Budget Revenues	A-1;A-2			136,334	
		<u>\$ 2,720,489</u>	<u>\$ 4,529</u>	<u>\$ 2,959,881</u>	
	Ref.	A-3	A-3		

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

TOWNSHIP OF KINGWOOD
STATEMENT OF REVENUES REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2008
(Continued)

Allocation of Current Tax Collections		Ref.		
Tax Collections		A-1;A-6		\$ 11,327,917
Allocated to:				
Local District School Taxes	A-6		\$ 5,171,062	
Regional High School Taxes	A-6		2,748,637	
County Taxes	A-6		2,375,028	
Municipal Open Space Tax	A-1;A-6		<u>212,091</u>	
				<u>10,506,818</u>
Balance for Support of Municipal Budget				
Appropriations				821,099
Add: Appropriation-"Reserve for Uncollected Taxes"		A-3		<u>468,000</u>
				<u>1,289,099</u>
Less: State Tax Appeal Reserve		A-31		<u>87,713</u>
Realized for Support of Municipal Budget		A-2		<u>\$ 1,201,386</u>
Interest on Investments & Deposits Analysis				
General Fund	A-4			\$ 74,008
Animal Control Fund	A-10			29
Other Trusts	A-11			1,259
Public Assistance Fund	A-12			3
General Capital Fund	A-13			<u>492</u>
	A-2			<u>\$ 75,791</u>
Interfund Analysis				
	Ref.	Balance Dec. 31, 2008	Balance Dec. 31, 2007	Advanced (Returned)
Animal Control Fund	A-10	\$ 29	\$ 239	\$ (210)
Other Trust Fund	A-11	440	9,982	(9,542)
Public Assistance Trust Fund	A-12		4	(4)
Federal & State Grand Fund	A-14		<u>917</u>	<u>(917)</u>
		<u>\$ 469</u>	<u>\$ 11,142</u>	<u>\$ (10,673)</u>
	Ref.			A-1

TOWNSHIP OF KINGWOOD
STATEMENT OF REVENUES REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2008
(Continued)

<u>Analysis of Non-Budget Revenue</u>	<u>Ref.</u>		
Interest on Investments & Deposits	A-2	\$	75,791
Treasurer:			
Certified Property Owners List		\$	360
Duplicate Tax Bills & Bounced Check Fees			1,080
Miscellaneous			287
NJ Senior Citizens & Veterans Administrative Fee			735
Other Trust Fund Balances Canceled			475
Photocopies			671
Poll Rent			480
Rental Income			26,800
Sale of Surplus Equipment			29,121
Various Books, Pamphlets & Maps			63
Zoning Ordinances & Map			471
	A-4		<u>60,543</u>
Total Non-Budget Revenue	A-2	<u>\$</u>	<u>136,334</u>

TOWNSHIP OF KINGWOOD
STATEMENT OF EXPENDITURES-REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2008

	Appropriations		Expended by		Balance Canceled	Over- Expended
	Budget	Budget After Modification	Paid or Charged	Reserved		
Operations Within "CAPS":						
General Government:						
Mayor and Council:						
Salaries and Wages	\$ 8,600	\$ 8,600	\$ 8,600			
Other Expenses	1,500	1,900	1,817	\$ 83		
Municipal Clerk:						
Salaries and Wages	117,780	117,780	117,780			
Other Expenses	15,500	15,630	15,495	135		
Elections	2,600	2,720	2,720			
Codification & Revisions of Ordinances	7,500	7,500	4,826	2,674		
Financial Administration:						
Salaries and Wages	41,000	39,050	36,863	2,187		
Other Expenses	3,500	3,000	2,872	128		
Audit Services	20,900	20,350	20,350			
Revenue Administration:						
Salaries and Wages	28,600	28,600	28,582	18		
Other Expenses	8,000	7,700	7,563	137		
Assessment of Taxes:						
Salaries and Wages	33,120	33,120	33,067	53		
Other Expenses	7,750	6,705	6,140	565		
Maintenance of Tax Map	3,500	5,245	5,245			
Agriculture Advisory Committee:						
Salaries and Wages	2,345	2,345	2,343	2		
Other Expenses	500	600	562	38		
Legal Services and Costs:						
Other Expenses	58,000	58,000	57,732	268		
Municipal Prosecutor:						
Salaries and Wages	11,227	11,227	11,227			
Engineering Services:						
Other Expenses	10,000	8,500	7,710	790		

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

TOWNSHIP OF KINGWOOD
STATEMENT OF EXPENDITURES-REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2008
(Continued)

	Appropriations		Expended by		Balance Canceled	Over- Expended
	Budget	Budget After Modification	Paid or Charged	Reserved		
Operations Within "CAPS": (Cont'd)						
Land Use Administration:						
Planning Board:						
Salaries and Wages	\$ 20,137	\$ 20,137	\$ 20,134	\$ 3		
Other Expenses	25,000	26,600	26,155	445		
Zoning Official:						
Salaries and Wages	11,900	11,900	11,900			
Other Expenses	500	400	122	278		
Board of Adjustment:						
Salaries and Wages	6,386	6,386	6,385	1		
Other Expenses	7,000	5,500	5,454	46		
Industrial Commission:						
Other Expenses	200	200		200		
Code Enforcement:						
Construction Official:						
Salaries and Wages	55,662	55,662	55,661	1		
Other Expenses	8,000	8,000	6,308	1,692		
Other Code Enforcement Officials:						
Salaries and Wages	4,100	4,100	4,100			
Insurance:						
Dental Insurance	12,800	14,600	8,372	6,228		
General Liability	51,500	51,423	50,240	1,183		
Workers Compensation	22,000	21,677	21,673	4		
Group Insurance & Health Benefits	114,500	113,100	112,992	108		
Public Safety:						
Aid to Volunteer Fire Companies	62,500	62,500	62,500			

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

TOWNSHIP OF KINGWOOD
STATEMENT OF EXPENDITURES-REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2008
(Continued)

	Appropriations		Expended by		Balance Canceled	Over- Expended
	Budget	Budget After Modification	Paid or Charged	Reserved		
Operations Within "CAPS": (Cont'd)						
Public Safety (Cont'd):						
Aid to First Aid Organizations	\$ 35,000	\$ 35,000	\$ 35,000			
Office of Emergency Management:						
Salaries and Wages	2,060	2,060	2,060			
Other Expenses	3,100	3,100	2,800	\$ 300		
Public Works:						
Road Repairs and Maintenance:						
Salaries and Wages	420,000	420,000	381,762	38,238		
Other Expenses	103,000	101,900	100,553	1,347		
Permitting	12,500	12,500	12,500			
Solid Waste Collection:						
Other Expenses	2,400	2,500	2,469	31		
Public Buildings and Grounds:						
Salaries and Wages	10,609	10,609	10,609			
Other Expenses	25,000	22,950	22,650	300		
Vehicle Maintenance:						
Other Expenses	22,000	22,000	21,423	577		
Municipal Cleanup:						
Other Expenses	5,500	5,500	5,500			
Recycling:						
Other Expenses	4,000	5,150	5,122	28		
Health and Human Services:						
Board of Health:						
Salaries and Wages	7,005	7,005	7,003	2		
Other Expenses	5,000	3,000	2,251	749		

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

TOWNSHIP OF KINGWOOD
STATEMENT OF EXPENDITURES-REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2008
(Continued)

	Appropriations		Expended by		Balance Canceled	Over- Expended
	Budget	Budget After Modification	Paid or Charged	Reserved		
Operations Within "CAPS": (Cont'd)						
Health and Human Services: (Cont'd)						
Animal Control:						
Other Expenses	\$ 5,000	\$ 7,000	\$ 6,129	\$ 871		
Environmental Commission:						
Salaries & Wages	2,345	2,345	2,343	2		
Other Expenses	1,750	1,750	1,257	493		
Parks and Recreation:						
Recreation Services and Programs:						
Other Expenses	10,000	5,250	4,498	752		
Maintenance of Parks:						
Salaries & Wages	4,920	4,220	4,060	160		
Other Expenses	14,000	16,250	16,130	120		
Unclassified:						
Office of Local Historian:						
Other Expenses	500	500	134	366		
Interest on Tax Appeals:						
Other Expenses	100	100		100		
Utilities:						
Gasoline and Diesel Fuel						
Electricity	25,000	26,100	26,084	16		
Telephone	22,000	25,350	25,329	21		
Street Lighting	12,825	11,625	10,348	1,277		
Heating Oil	8,500	8,500	5,575	2,925		
Municipal Court:	24,000	29,200	28,287	913		
Salaries and Wages	43,000	43,000	41,321	1,679		
Other Expenses	3,000	3,000	2,866	134		

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

TOWNSHIP OF KINGWOOD
STATEMENT OF EXPENDITURES-REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2008
(Continued)

	Appropriations		Expended by		Balance	Over-
	Budget	Budget After Modification	Paid or Charged	Reserved	Canceled	Expended
Operations Within "CAPS": (Cont'd)						
Public Defender:						
Salaries and Wages	\$ 2,266	\$ 2,266	\$ 2,266			
Total Operations Within "CAPS"	<u>1,620,487</u>	<u>1,620,487</u>	<u>1,551,819</u>	<u>\$ 68,668</u>	<u>\$ -</u>	<u>\$ -</u>
Detail:						
Salaries and Wages	833,062	830,412	788,066	42,346	-	-
Other Expenses	<u>787,425</u>	<u>790,075</u>	<u>763,753</u>	<u>26,322</u>	<u>-</u>	<u>-</u>
Deferred Charges & Statutory Expenditures:						
Deferred Charges:						
Overexpenditure of Budget Appropriation	832	832	832			
Statutory Expenditures:						
Social Security System (OASI)	67,000	67,000	63,312	3,688		
Unemployment Insurance	<u>750</u>	<u>750</u>	<u>453</u>	<u>297</u>		
Total Deferred Charges & Statutory Expenditures-Municipal Within "CAPS"	<u>68,582</u>	<u>68,582</u>	<u>64,597</u>	<u>3,985</u>	<u>-</u>	<u>-</u>
Total General Appropriations for Municipal Purposes Within "CAPS"	<u>1,689,069</u>	<u>1,689,069</u>	<u>1,616,416</u>	<u>72,653</u>	<u>-</u>	<u>-</u>
Operations Excluded from "CAPS":						
Fair Share Housing Plan:						
Deferred Charges & Statutory Expenditures	1,290	1,290	1,271	19		
Other Expenses	<u>4,000</u>	<u>4,000</u>	<u>3,877</u>	<u>123</u>		
911 Coordinator:						
Other Expenses	200	200		200		

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

TOWNSHIP OF KINGWOOD
STATEMENT OF EXPENDITURES-REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2008
(Continued)

	Appropriations		Expended by		Balance Canceled	Over- Expended
	Budget	Budget After Modification	Paid or Charged	Reserved		
Operations Excluded from "CAPS": (Cont'd)						
Gypsy Moth Program:						
Other Expenses	\$ 14,830	\$ 14,830	\$ 11,696	\$ 3,134		
LOSAP	5,500	5,500	5,449	51		
Contribution to:						
Public Employees Retirement System	46,342	46,342	46,342			
Public & Private Programs Offset by Revenues:						
Clean Communities Program:						
Other Expenses	9,420	9,420	9,420			
Recycling Tonnage Grant:						
Other Expenses		1,075	1,075			
Recycling Tonnage Grant-2007 Reserve:						
Other Expenses	713	713	713			
Gypsy Moth Program:						
Other Expenses		3,454	3,454			
Total Operations Excluded from "CAPS"	82,295	86,824	83,297	3,527	\$ -	\$ -
Detail:						
Salaries and Wages	1,290	1,290	1,271	19	-	-
Other Expenses	81,005	85,534	82,026	3,508	-	-
Capital Improvements-Excluded from "CAPS":						
Capital Improvement Fund	165,000	165,000	165,000			
Purchase of Ambulance Equipment	10,000	10,000	10,000			
Purchase of Municipal Equipment	30,000	30,000	30,000			
First Aid Organization Building Remediation	5,000	5,000	5,000			
Municipal Building Renovations	5,000	5,000	5,000			
Total Capital Improvements-Excluded from "CAPS"	215,000	215,000	215,000	-	-	-

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

TOWNSHIP OF KINGWOOD
STATEMENT OF EXPENDITURES-REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2008
(Continued)

	Appropriations		Expended by		Balance Canceled	Over- Expended
	Budget	Budget After Modification	Paid or Charged	Reserved		
Municipal Debt Service-Excluded from "CAPS":						
Payment of Bond Principal	\$ 70,000	\$ 70,000	\$ 70,000			
Payment of Bond Anticipation Note Principal	72,500	72,500	72,500			
Interest on Bonds	40,525	40,525	40,525			
Interest on Notes	23,100	23,100	23,026		\$ 74	
Total Municipal Debt Service-Excluded from "CAPS"	206,125	206,125	206,051	\$ -	74	\$ -
Deferred Charges-Municipal-Excluded from "CAPS":						
Special Emergency Authorizations-	60,000	60,000	60,000			
5 Years (NJS 40A:4-55)						
Total Deferred Charges-Excluded from "CAPS"	60,000	60,000	60,000	-	-	-
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	563,420	567,949	564,348	3,527	74	-
Subtotal General Appropriations	2,252,489	2,257,018	2,180,764	76,180	74	-
Reserve for Uncollected Taxes	468,000	468,000	468,000			
Total General Appropriations	\$ 2,720,489	\$ 2,725,018	\$ 2,648,764	\$ 76,180	\$ 74	\$ -
Deferred Charges & Statutory Expenditures	A-2	A-3	A-1, A-3	A, A-1		

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

TOWNSHIP OF KINGWOOD
STATEMENT OF EXPENDITURES REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2008
(Continued)

	<u>Ref.</u>	<u>Paid or Charged</u>
Cash Disbursed	A-4	\$ 1,896,806
Reserve for Uncollected Taxes	A-2	468,000
Due to General Capital Fund	A-13	205,000
Deferred Charges	A-15	832
Special Emergency Appropriations	A-16	60,000
Reserve for Encumbrances	A-19	13,219
Appropriated Reserve for State Grants	A-34	14,662
		<u>2,658,519</u>
Less: Refunds	A-4	9,755
	A-3	<u>\$ 2,648,764</u>

	<u>Ref.</u>	<u>Budget After Modification</u>
Budget	A-2	\$ 2,720,489
Appropriation by NJS 40A:4-87	A-2	4,529
	A-3	<u>\$ 2,725,018</u>

TOWNSHIP OF KINGWOOD
COMPARATIVE SHEET-REGULATORY BASIS
TRUST FUND

	Ref.	Balance Dec. 31, 2008	Balance Dec. 31, 2007
ASSETS			
Animal Control Fund:			
Cash	B-1		\$ 2,616
Deferred Charges-Overexpenditure of Reserve	B-3	\$ 286	
		286	2,616
Other Trust Fund:			
Cash	B-1	536,288	608,273
		536,288	608,273
TOTAL ASSETS		\$ 536,574	\$ 610,889
LIABILITIES AND RESERVES			
Animal Control Fund:			
Cash Deficit	B-1	\$ 257	
Reserve for Animal Control Fund Expenditures	B-4		\$ 2,377
Due to Current Fund	B-5	29	239
		286	2,616
Other Trust Fund:			
Due to Current Fund	B-7	440	9,982
Due to General Capital Fund	B-8		33,900
Reserve for Encumbrances	B-9	11,002	1,450
Reserve for COAH Development Fees	B-10	128,732	116,336
Reserve for Developers' Deposits	B-11	207,662	234,121
Reserve for Unemployment Compensation	B-12	22,484	20,756
Reserve for Special Deposits	B-13	10,750	10,300
Reserve for Open Space Preservation	B-14	49,284	91,961
Reserve for Recreation Commission	B-15	16,944	11,586
Reserve for Planning Board Escrow	B-16	37,082	39,091
Reserve for Board of Adjustment Escrow	B-17	6,128	3,709
Reserve for Payroll	B-18	1,686	1,626
Reserve for Board of Health	B-19	21,502	15,197
Reserve for Tax Sale Premium	B-20	5,200	8,300
Reserve for Security Deposits	B-21	15,642	9,958
Reserve for Fees Due to Outside Agencies	B-22	1,750	
		536,288	608,273
TOTAL LIABILITIES AND RESERVES		\$ 536,574	\$ 610,889

TOWNSHIP OF KINGWOOD
COMPARATIVE SHEET-REGULATORY BASIS
GENERAL CAPITAL FUND

	Ref.	Balance Dec. 31, 2008	Balance Dec. 31, 2007
ASSETS			
Cash	C-2	\$ 826,305	\$ 354,566
Due from Current Fund	C-5	10,000	9,038
Due from Other Trust Fund	C-6		33,900
State Grants Receivable	C-7	35,000	35,000
Deferred Charges to Future Taxation:			
Funded	C-8	1,003,000	1,073,000
Unfunded	C-9	2,893,285	1,863,500
Due from County Open Space Trust Fund	C-10	104,050	
TOTAL ASSETS		\$ 4,871,640	\$ 3,369,004
LIABILITIES, RESERVES AND FUND BALANCE			
General Serial Bonds Payable	C-20	\$ 1,003,000	\$ 1,073,000
Bond Anticipation Notes Payable	C-21	1,042,500	580,000
Improvement Authorizations:			
Funded	C-11	457,453	263,946
Unfunded	C-11	2,234,225	1,310,609
Capital Improvement Fund	C-12	60,555	28,214
Reserves for:			
Encumbrances	C-13	25,265	25,983
Contributions from Developers	C-14	10,000	10,000
Preliminary Plan Expenses	C-15	34,340	39,617
Purchase of Municipal Equipment	C-16		23,333
First Aid Organization Building Remediation	C-17		5,000
Municipal Building Renovations	C-18		5,000
Accrued Interest on Bonds	C-19	2,774	2,774
Fund Balance	C-1	1,528	1,528
TOTAL LIABILITIES, RESERVES AND FUND BALANCE		\$ 4,871,640	\$ 3,369,004
 Bonds and Notes Authorized But Not Issued	 C-22	 \$ 1,850,785	 \$ 1,283,500

TOWNSHIP OF KINGWOOD
STATEMENT OF FUND BALANCE-REGULATORY BASIS
GENERAL CAPITAL FUND

	<u>Ref.</u>	
Balance December 31, 2007	C	\$ <u>1,528</u>
Balance December 31, 2008	C	\$ <u><u>1,528</u></u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

TOWNSHIP OF KINGWOOD
COMPARATIVE SHEET-REGULATORY BASIS
PUBLIC ASSISTANCE TRUST FUND

	<u>Ref.</u>	<u>Balance Dec. 31, 2008</u>	<u>Balance Dec. 31, 2007</u>
ASSETS			
Cash	D-1	\$ -	\$ 1,175
TOTAL ASSETS		<u>\$ -</u>	<u>\$ 1,175</u>
RESERVES			
Reserve for Public Assistance	D-6	\$ -	\$ 1,171
Due to Current Fund	D-7		4
TOTAL RESERVES		<u>\$ -</u>	<u>\$ 1,175</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS

TOWNSHIP OF KINGWOOD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2008

26

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Except as noted below, the financial statements of the Township of Kingwood (the Municipality) include every board, body, officer or commission supported and maintained wholly or in part by funds appropriated by the Township of Kingwood, as required by NJS 40A:5-5.

B. Description of Funds

The accounting policies of the Municipality conform to the accounting principles applicable to municipalities, which have been prescribed by the New Jersey Division of Local Government Services, Department of Community Affairs, (State of New Jersey). Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. Under this method of accounting, the Municipality accounts for its financial transactions through the following separate funds and account group:

Governmental Funds:

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

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

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

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

Account Groups:

General Fixed Assets Account Group - to account for all fixed assets of the Municipality. Neither infrastructure or depreciation of assets of the municipality are recorded in the group.

C. Basis of Accounting

The accounting policies of the Municipality conform to the accounting principles and practices prescribed for municipalities by the State of New Jersey. Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. The aforementioned policies differ in certain respects from accounting policies generally accepted in the United States of America (GAAP). The more significant differences, which may be material, are discussed further in part D of Note 1.

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

Budget and Budgetary Procedures - the State of New Jersey has promulgated the form and procedures for the municipality's cash basis budget in the Local Budget Law (NJSA 40A:4-1). The municipality is only required to adopt budgets for the Current Fund and Utility Funds, if applicable.

TOWNSHIP OF KINGWOOD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2008
(Continued)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

C. Basis of Accounting (Cont'd)

Budget and Budgetary Procedures (Cont'd)

The municipality must introduce and approve its annual budget no later than February 10th and adopt no later than March 20th of its budget year, unless extended by the Director of the Division of Local Government Services (the Director). All budgets shall be introduced, approved, amended and adopted by resolution passed by not less than a majority of the full membership of the governing body. The approved budget must be advertised and a public hearing must be held prior to adoption. No budget or amendment thereof shall be adopted unless the Director has certified his approval thereof.

Emergency and special emergency appropriations may be made by resolution adopted by a 2/3 vote of the full membership of the governing body. All emergency appropriations must be raised in full in the succeeding year's budget, while special emergency appropriations financed from surplus funds shall be raised in installments of a least 20% annually until fully provided for.

Transfers between current year appropriations are allowed only during the last two months of the fiscal year. Transfers between prior year appropriation reserves are allowed only during the first three months of the fiscal year.

Revenues - are recorded when received in cash except for certain amounts which are due from other governmental units. Receipts from Federal and State grants are realized as revenue when anticipated in the Municipal budget. Receivables for property taxes are recorded with offsetting reserves on the balance sheet of the Municipality's Current Fund; accordingly, such amounts are not recorded as revenue until collected. Other amounts that are due the Municipality which are susceptible to accrual are also recorded as receivables with offsetting reserves and recorded as revenue when received.

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

Foreclosed Property - is recorded in the Current Fund at the assessed valuation when such property was acquired and is fully reserved.

TOWNSHIP OF KINGWOOD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2008
(Continued)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

C. Basis of Accounting (Cont'd)

Tax Title Liens - are taxes which have been put up for sale but not been purchased. The Municipality then accepts the lien which will earn 18% per annum until the lien is paid off by the property owner. The Municipality may choose to foreclose and return the property to the tax rolls.

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

Inventories of Supplies - the costs of inventories of supplies for all funds are recorded as expenditures at the time individual items are purchased. The costs of inventories are not included on the various balance sheets.

Deferred Charges to Future Taxation-Funded and Unfunded (Capital Fund) - upon authorization of capital projects, the Municipality establishes deferred charges for the costs of the projects that are to be raised by future taxation. Deferred charges that relate to permanent debt issued are shown as funded. All other deferred charges are shown as unfunded.

General Fixed Assets - in accordance with New Jersey Administrative Code Section 5:30-5.6, Accounting for Governmental Fixed Assets, as promulgated by the State of New Jersey, which differs in certain respects from generally accepted accounting principles, all local units are required to have and maintain a fixed assets accounting and reporting system. In accordance with this administrative code requirement, fixed assets acquired after December 31, 1985 shall be valued on the basis of actual cost; prior to that time, they may be valued at cost or estimated historical cost.

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

No depreciation has been provided for in the financial statements.

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

TOWNSHIP OF KINGWOOD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2008
(Continued)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

D. Departures from Generally Accepted Accounting Principles

As noted the accounting principles and practices used differ in some respects from generally accepted accounting principles (GAAP) for local governmental units. The more significant differences, which may be material, are as follows:

1. Financial Reporting Model-These statements are not based on the requirements as promulgated by GASB Statement No. 34, "Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments." This statement made dramatic changes to the financial reporting requirements of state and local governments for GAAP purposes.
2. Reporting Entity-These financial statements do not include the operations of the local and regional school districts, fire district and first aid squads which are subject to separate reporting. Included within these statements are taxes levied, collected and transferred to the school districts, fire district and contributions to the volunteer first aid squads.
3. Revenues-GAAP records taxes, utility charges and other revenues as income when levied and there is no reserve for receivables for unpaid balances.
4. Expenditures-GAAP records expenditures when incurred and does not reflect appropriation reserve balances or deferred charges to future taxation.
5. Foreclosed Property-GAAP records the value of foreclosed property at the lower of cost or fair market value and would be recorded in the General Fixed Asset Account Group.
6. Interfunds-GAAP does not require offsetting reserves for Interfund receivables and resulting revenue recognition when interfunds are liquidated.
7. Inventories-GAAP requires inventories to be reported on the balance sheet at year end.
8. Fixed Assets-GAAP does not require the establishment of a reserve for amortization for utility fixed assets but does require the recording of depreciation as an operating expense of the utility.
9. Grant Accounting-GAAP requires that grants be recorded within a special revenue fund and revenues are not to be realized until earned.
10. Capital Funds-GAAP requires separate funds for the recording of capital projects and payment of debt service while New Jersey requirements incorporate these transactions within one fund.

It is not practicable to determine the effect of these differences on the financial statements.

TOWNSHIP OF KINGWOOD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2008
(Continued)

NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS

State Requirements for Deposits and Investments

New Jersey statutes require each local unit to adopt a cash management plan and shall deposit and/or invest according to that plan, which shall include:

1. The designation of public depositories as defined in Section 1 of PL 1970 Ch 236 (C17:9-41) and permit deposits in designated depositories;
2. The designation of any fund that meets the requirements established pursuant to Section 8 PL 1977, Ch 396(C40A5-15.1);
3. The authorization for investments as permitted pursuant to Section 8 of PL 1977, Ch 396 (C.40A:5-15.1); or
4. Any combination of these designations or authorizations.

Deposit and Investment Risk

GASB Statement No. 40 "Deposit and Investment Risk Disclosures" requires state and local governments to communicate key information about deposit and investment risks. Required disclosures are as follows:

1. Custodial credit risk disclosures for investments defined as category 3 assets under GASB Statement No. 3. Since all of the deposits and investments of the municipality are category 1 assets, these disclosures are not required.
2. Credit quality ratings for investments in debt securities, external investment pools, money market funds, bond mutual funds, and other pooled investments of fixed-income securities. As the municipality has no such investments, this disclosure is not applicable.
3. Disclosure of investments by amount and issuer for any issuer that represents five percent of more of total investments. This requirement does not apply to investments issued or explicitly guaranteed by the US government and investments in mutual funds or pools. This disclosure is reported below under Concentration of Credit Risk.
4. Interest rate risk disclosures are required for all debt investments and non-money market like pools. As the municipality has no such investments, this disclosure is not applicable.
5. Investments that are exposed to foreign currency risk should be disclosed. As the municipality has no such investments, this disclosure is not applicable.

Concentration of Credit Risk

The State of New Jersey does not place any limit on the amount that the municipality may invest with any one issuer. As of December 31, 2008, the municipality had 100% of its investments in the Skylands Bank.

TOWNSHIP OF KINGWOOD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2008
(Continued)

NOTE 3: TAX ASSESSMENTS AND PROPERTY TAXES

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 results 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.

Upon the filing of certified adopted budgets by the municipality, the municipality's local school districts, and the county, the tax rate is struck by the County Board of Taxation based on the certified amounts in each of the taxing districts for collection to fund the budgets. The statutory provision for the assessment of property, levying of taxes and the collection thereof are set forth in NJSA 54:4 et seq. Special taxing districts are permitted in New Jersey for various special services rendered to the properties located within the special districts.

Tax bills are mailed annually in June. The taxes are due August 1 and November 1 respectively, and are adjusted to reflect the current fiscal year's total tax liability. The preliminary taxes due February 1 and May 1 of the succeeding fiscal year, are based upon one-half of the current year's total tax.

Tax installments not paid on or before the due date are subject to interest penalties of eight percent per annum on the first \$1,500 of the delinquency and eighteen percent per annum on any amount in excess of \$1,500. Pursuant to Chapter 75, PL 1991, 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 of the amount of the delinquency. These interest and penalties are the highest permitted under the New Jersey Statutes. Delinquent taxes are annually included in a tax sale in accordance with New Jersey Statutes.

NOTE 4: LONG-TERM DEBT

The Local Bond Law of the State of New Jersey governs the authorization of debt by municipalities to finance certain general municipal and utility capital expenditures. Among its provisions are requirements that bonds must mature within the statutory period of usefulness of the projects bonded. Bond anticipation notes may also be issued to temporarily finance capital projects for periods not greater than one year and may be reissued in yearly installments not to exceed ten years. All bonds and notes issued by the municipality are general full faith and credit obligations.

Summary of Municipal Debt

	<u>Year 2008</u>	<u>Year 2007</u>	<u>Year 2006</u>
Issued:			
General:			
Bonds and Notes	\$ 2,045,500	\$ 1,653,000	\$ 1,790,500
Authorized but not Issued:			
General:			
Bonds and Notes	<u>1,850,785</u>	<u>1,283,500</u>	<u>500</u>
Bonds and Notes Issued & Authorized but not Issued	<u>\$ 3,896,285</u>	<u>\$ 2,936,500</u>	<u>\$ 1,791,000</u>

Footnote: In addition to the capital debt shown above, there was current operating debt authorized but not issued in the amount of \$180,000.

TOWNSHIP OF KINGWOOD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2008
(Continued)

NOTE 4: LONG-TERM DEBT (Cont'd)

Summary of Statutory Debt Condition-Annual Debt Statement

The summarized statement of debt condition, which follows, is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of .56%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School District Debt	\$ 2,770,000	\$ 2,770,000	
Regional School District Debt	1,320,064	1,320,064	
General Debt	<u>3,896,285</u>		\$ 3,896,285
	<u>\$ 7,986,349</u>	<u>\$ 4,090,064</u>	<u>\$ 3,896,285</u>

Net Debt \$3,896,285 divided by Equalized Valuation Basis per NJS 40A:2-2 as amended, \$693,738,187 equals .56%.

Borrowing Power Under NJS 40A:2-6 As Amended

3 1/2% of Equalized Valuation Basis (Municipal)	\$ 24,280,837
Net Debt	<u>3,896,285</u>
Remaining Borrowing Power	<u>\$ 20,384,552</u>

Changes in Long-Term Debt

During the year ended December 31, 2008, the following changes occurred in Long-Term Debt.

	<u>Balance Jan. 1, 2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance Dec. 31, 2008</u>
Issued Debt:				
General:				
Bonds	\$ 1,073,000		\$ 70,000	\$ 1,003,000
Notes	580,000	\$ 535,000	72,500	1,042,500
Authorized But Not Issued Debt:				
General:				
Bonds and Notes	<u>1,283,500</u>	<u>1,425,000</u>	<u>857,715</u>	<u>1,850,785</u>
Total	<u>\$ 2,936,500</u>	<u>\$ 1,960,000</u>	<u>\$ 1,000,215</u>	<u>\$ 3,896,285</u>

TOWNSHIP OF KINGWOOD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2008
(Continued)

NOTE 4: LONG-TERM DEBT (Cont'd)

Schedule of Annual Debt Service for Principal and Interest for Outstanding Bonds

On August 22, 2004, the Municipality issued \$1,263,000 general obligation bonds dated September 1, 2004. The bonds have a net interest rate cost of 3.55% with interest rates ranging from 3.70% to 4.00%. Annual principal installments ranging from \$60,000 to \$108,000 began September 1, 2005 and continue through September 1, 2019. The purpose of the bonds is to finance previously authorized capital projects of the Municipality.

Year	General		Total
	Principal	Interest	
2009	\$ 75,000	\$ 37,935	\$ 112,935
2010	75,000	35,160	110,160
2011	80,000	32,385	112,385
2012	85,000	29,425	114,425
2013	85,000	26,280	111,280
2014-2018	495,000	79,410	574,410
2019	108,000	4,320	112,320
	<u>\$ 1,003,000</u>	<u>\$ 244,915</u>	<u>\$ 1,247,915</u>

NOTE 5: FUND BALANCES APPROPRIATED

Fund balances at December 31, 2008, which were appropriated and included as anticipated revenue in their own respective funds for the year ending December 31, 2009, were as follows:

Current Fund \$ 633,715

NOTE 6: DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2008, the followings deferred charges are shown on the various balance sheets of the Borough:

	Balance Dec.31, 2008	2009 Budget Appropriations	Balance to Succeeding Budgets
Current Fund:			
Special Emergency Appropriation	\$ 180,000	\$ 60,000	\$ 120,000
Animal Control Fund:			
Overexpenditure of Reserve	<u>286</u>	<u>286</u>	
	<u>\$ 180,286</u>	<u>\$ 60,286</u>	<u>\$ 120,000</u>

The appropriations in the 2009 budget are not less than that required by statute.

TOWNSHIP OF KINGWOOD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2008
(Continued)

NOTE 7: SCHOOL TAXES

Local District School Tax and Regional High School Tax have been raised and liabilities deferred by statute, resulting in the school taxes payable set forth in the Current Fund liabilities as follows:

	Local District School Tax		Regional High School Tax	
	Balance Dec.31, 2008	Balance Dec.31, 2007	Balance Dec.31, 2008	Balance Dec.31, 2007
Balance of Tax	\$ 2,135,590	\$ 2,068,488	\$ 1,374,318	\$ 1,348,480
Deferred	(1,034,212)	(742,564)	(549,727)	(337,471)
Tax Payable	<u>\$ 1,101,378</u>	<u>\$ 1,325,924</u>	<u>\$ 824,591</u>	<u>\$ 1,011,009</u>

NOTE 8: TAXES COLLECTED IN ADVANCE

Taxes collected in advance, include discounts allowed for prepayments and the amount set forth as cash liabilities in the financial statements as follows:

	Balance Dec.31, 2008	Balance Dec.31, 2007
Prepaid Taxes	\$ 85,291	\$ 66,083
Less: Discount Allowed	-0-	-0-
Cash Liability for Taxes Collected in Advance	<u>\$ 85,291</u>	<u>\$ 66,083</u>

NOTE 9: PENSIONS

Employees, who are eligible for a pension plan, are enrolled in one of three pension systems administered by the Division of Pensions, Treasury Department of the State of New Jersey. The three State-administered plans are:

- (1) The Public Employees' Retirement System
- (2) The Consolidated Police and Firemen's Pension Fund
- (3) The Police and Firemen's Retirement System

The plans are considered cost sharing multiple-employer plans.

The Public Employees' Retirement System (PERS) provides for employee contributions of 5.50% of employees' annual base salary, while the Police and Firemen's Retirement System (PFRS) employee contribution rate is 8.5%. Funding by the municipality is determined by the annual actuarial valuation. At present, the municipality has no eligible employees for PFRS. Three year trend information for PERS contributions are as follows:

Year Funded	Annual Contribution	
	Municipality	Employee
2008	\$ 46,342	\$ 40,804
2007	23,537	41,704
2006	11,944	37,056

The Federal Insurance Contribution Act also covers borough employees.

Information as to the comparison of the actuarially computed value of vested benefits with the system's assets is available from the State Retirement System.

TOWNSHIP OF KINGWOOD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2008
(Continued)

NOTE 10: DEFERRED COMPENSATION PLAN

The Municipality has a deferred compensation plan available to employees. The plan has been established pursuant to Section 457 of the Internal Revenue Code and in accordance with applicable New Jersey Statutes and the New Jersey Administrative Code section NJAC 5:37.

Under the arrangement, a public employer may establish a plan and permit its employees to voluntarily authorize a portion of their current salary to be withheld and invested in one or more investments permitted under state regulations. The Municipality's plan is administered by Equivest, which is audited by another public accounting firm. The plan is fully contributory, and the Municipality has no liabilities related to the plan.

NOTE 11: ACCRUED SICK AND VACATION BENEFITS

The Municipality has permitted certain employees to accrue sick pay which may be taken off or paid at a later date at an agreed upon rate. It is estimated that the current cost of such unpaid compensation would approximate \$84,915. This amount, which is not considered material to the financial statements, is not reported either as an expenditure or liability.

The Municipality does not have a policy which allows employees to accrue unused vacation pay.

NOTE 12: FIXED ASSETS

The following schedule is a summarization of the changes in general fixed assets for the year ended December 31, 2008:

	Balance Dec. 31, 2007	Additions	Deletions	Balance Dec. 31, 2008
Sites	\$ 1,479,334			\$ 1,479,334
Site Improvements		\$ 11,305		11,305
Building & Building Improvements	2,580,452			2,580,452
Construction in Progress		3,765		3,765
Furniture, Machinery & Equipment	716,934	6,265	\$ 3,970	719,229
	<u>\$ 4,776,720</u>	<u>\$ 21,335</u>	<u>\$ 3,970</u>	<u>\$ 4,794,085</u>

TOWNSHIP OF KINGWOOD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2008
(Continued)

36

NOTE 13: INTERFUNDS RECEIVABLE AND PAYABLE

The following Interfund balances remained on the various balance sheets of the municipality as of December 31, 2008.

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Current Fund:		
Animal Control Fund	\$ 29	
Other Trust Fund	440	
General Capital Fund		\$ 10,000
Federal & State Grant Fund		678
Animal Control Fund:		
Current Fund		29
Other Trust Fund:		
Current Fund		440
General Capital Fund:		
Current Fund	10,000	
Federal & State Grant Fund:		
Current Fund	678	
	<u>\$ 11,147</u>	<u>\$ 11,147</u>

The balance due from the Current Fund to the General Capital Fund represents Capital reserves of \$10,000 not yet transferred to the Capital Fund. The balances due from the Animal Control and Other Trust Funds to the Current Fund represents interest earnings not yet transferred to the Current Fund. The balance due from the Current Fund to the Federal and State Grant Fund represents the net balance of Grant receivables canceled less appropriated reserves canceled.

NOTE 14: CONTINGENT LIABILITIES

The Municipality is involved in various claims and lawsuits incidental to its operations. In the opinion of management, the ultimate resolution of these matters will not have a material adverse effect on the financial position of the Municipality.

NOTE 15: RISK MANAGEMENT

The Municipality is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disaster.

Property and Liability Insurance – The Municipality maintains commercial insurance coverage for property, liability, and surety bonds. Significant losses are covered by commercial insurance for all major programs and there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current or the three prior years.

TOWNSHIP OF KINGWOOD
 NOTES TO FINANCIAL STATEMENTS
 YEAR ENDED DECEMBER 31, 2007
 (Continued)

NOTE 15: RISK MANAGEMENT (Cont'd)

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

<u>Fiscal Year</u>	<u>Municipal Contrib.</u>	<u>Interest Earnings</u>	<u>Employee Contrib.</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2008	\$ -0-	\$ 356	\$ 1,372	\$ -0-	\$ 22,484
2007	-0-	946	1,392	11,462	20,756
2006	-0-	1,246	1,445	2,084	29,880

APPENDIX C

Form of Approving Legal Opinion

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Township Committee of the
Township of Kingwood, in the
County of Hunterdon, New Jersey

Dear Township Committee Members:

We have acted as bond counsel to the Township of Kingwood, in the County of Hunterdon, New Jersey (the "Township") in connection with the issuance by the Township of \$2,375,000 General Improvement Bonds, dated the date hereof (the "Bonds"). In order to render the opinions herein, we have examined laws, documents and records of proceedings, or copies thereof, certified or otherwise identified to us, as we have deemed necessary.

The Bonds are issued pursuant to the Local Bond Law of the State of New Jersey, a resolution of the Township adopted May 5, 2011 pursuant to N.J.S.A. 40A:2-26(f), in all respects duly approved, and the various bond ordinances referred to therein, each in all respects duly approved and published as required by law.

In our opinion, except insofar as the enforcement thereof may be limited by any applicable bankruptcy, moratorium or similar laws or application by a court of competent jurisdiction of legal or equitable principles relating to the enforcement of creditors' rights, the Bonds are valid and legally binding general obligations of the Township, and the Township has the power and is obligated to levy *ad valorem* taxes upon all the taxable real property within the Township for the payment of the Bonds and the interest thereon without limitation as to rate or amount.

The Township has covenanted to comply with any continuing requirements that may be necessary to preserve tax exemption under the Internal Revenue Code of 1986, as amended (the "Code"). In the event that the Township continuously complies with its covenant and in reliance on representations, certifications of fact and statements of reasonable expectations made by the Township, it is our opinion that interest on the Bonds is not included in gross income for federal income tax purposes under current law and is not an item of tax preference for purposes of computing the federal alternative minimum tax imposed on individuals and corporations. Interest on the Bonds held by corporate taxpayers is included in the relevant income computation for calculation of the federal alternative minimum tax imposed on corporations as a result of the inclusion of interest on the Bonds in "adjusted current earnings." We express no opinion

regarding other federal tax consequences arising with respect to the Bonds. Further, in our opinion, interest on the Bonds and any gain on the sale thereof are not included in gross income under the New Jersey Gross Income Tax Act.

This opinion is issued as of the date hereof. We assume no obligation to update, revise or supplement this opinion to reflect any facts or circumstances that may come to our attention or any changes in law or interpretations thereof that may occur after the date of this opinion or for any reason whatsoever.

Very truly yours,