

**PRELIMINARY OFFICIAL STATEMENT DATED JUNE 17, 2011**

**NEW ISSUE**

**Book-Entry-Only**

**Rating: Moody's "\_\_\_"**  
**(see "Credit Rating" herein)**

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

**\$3,684,000 GENERAL BONDS OF 2011  
THE TOWNSHIP OF LONG HILL,  
IN THE COUNTY OF MORRIS, NEW JERSEY**

**Dated: Date of Delivery**

**Due: July 15, as shown below**

The \$3,684,000 General Bonds of 2011 (the "Bonds") of the Township of Long Hill, in the County of Morris, New Jersey (the "Township") will be issued in book-entry-only form with no physical distribution of bond certificates. The Bonds will be issued in registered form and bond certificates for each maturity will be issued to The Depository Trust Company, New York, New York ("DTC"), registered in the name of its nominee, Cede & Co.

Interest on the Bonds will be payable semiannually on January 15 and July 15 in each year until maturity or earlier redemption, commencing January 15, 2012. Principal or redemption price, if any, of and interest on the Bonds will be paid to DTC by the Township. Interest on the Bonds will be credited to the participants of DTC as listed on the records of DTC as of each next preceding January 1 and July 1 (the "Record Dates" for the payment of interest on the Bonds).

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

The Bonds are valid and legally binding obligations of the Township and, unless paid from other sources, are payable from ad valorem taxes levied upon all the taxable real property within the Township without limitation as to rate or amount.

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

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price or Yield</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price or Yield</u>
2012	\$100,000			2022	\$200,000		
2013	100,000			2023	200,000		
2014	200,000			2024	200,000		
2015	200,000			2025	200,000		
2016	200,000			2026	200,000		
2017	200,000			2027	200,000		
2018	200,000			2028	200,000		
2019	200,000			2029	200,000		
2020	200,000			2030	200,000		
2021	200,000			2031	84,000		

The Bonds are offered when, as and if issued and delivered to the Underwriter, subject to prior sale, to withdrawal or modification of the offer without notice and to approval of legality by the law firm of Hawkins Delafield & Wood LLP, Newark, New Jersey and certain other conditions described herein. Delivery of the Bonds is anticipated to take place on or about July 18, 2011.

**Dated: June \_\_, 2011**

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

No dealer, broker, salesman or other person has been authorized by the Township of Long Hill to give any information or to make any representations, other than those contained in this Official Statement, and if any is given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

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

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

The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Township of Long Hill since the date hereof.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE ORIGINAL PURCHASER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL, IN THE OPEN MARKET, SUCH STABILIZING, IF COMMENCED, MAYBE DISCONTINUED AT ANY TIME.

**THE TOWNSHIP OF LONG HILL**  
**In the County of Morris, New Jersey**

**MAYOR**  
Nanette Harrington

**TOWNSHIP COMMITTEE**

Michael Mazzucco  
Jerry Aroneo  
Guy Piserchia  
George Vitureira

**OFFICIALS**

Richard Sheola, Township Administrator and Chief Financial Officer  
Christine Gatti, Municipal Clerk

**TOWNSHIP ATTORNEY**

John R. Pidgeon Esq.  
Princeton, New Jersey

**TOWNSHIP AUDITOR**

Nisivoccia LLP  
Mount Arlington, New Jersey

**BOND COUNSEL**

Hawkins Delafield & Wood LLP  
Newark, New Jersey

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OFFICIAL STATEMENT  
RELATING TO \$3,684,000 GENERAL BONDS OF 2011 OF THE  
TOWNSHIP OF LONG HILL, IN THE  
COUNTY OF MORRIS, NEW JERSEY

**INTRODUCTION**

This Official Statement, which includes the cover page and the appendices attached hereto, is to supply information to the purchasers of the \$3,684,000 General Bonds of 2011 (the "Bonds") of the Township of Long Hill, in the County of Morris, New Jersey. Summaries and explanations of the statutes and the documents contained herein do not propose to be complete and reference is made to such documents and statutes for full and complete statements of their provisions. Data contained herein has been taken or constructed from records of the State of New Jersey (the "State"), the County of Morris (the "County"), the Township of Long Hill (the "Township"), and other sources considered reliable. **This Official Statement should be read in its entirety in order to make an informed investment decision.**

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 is not necessarily indicative of future or continuing trends in the financial position or other affairs of the Township. The summaries of and references to all documents, statutes, reports and other instruments referred to herein do not purport to be complete, comprehensive or definitive, and each such summary and reference is qualified in its entirety by reference to each such document, statute, report or instrument.

**DESCRIPTION OF THE BONDS**

**Term**

The Bonds shall be dated and shall bear interest from the date of delivery thereof and will mature in the amounts and on the dates set forth on the cover page of this Official Statement. Interest on the Bonds is payable semi-annually on the dates and at the interest rates set forth on the cover page hereof.

**Denominations and Place of Payment**

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

registered owners shall mean Cede & Co. and shall not mean the beneficial owners of the Bonds. See the subcaption "Book-Entry-Only System" below.

### **Prior Redemption**

The Bonds maturing prior to July 15, 2022, are not subject to redemption prior to maturity at the option of the Township. The Bonds maturing on or after July 15, 2022, are subject to redemption prior to maturity at the option of the Township upon notice as described below in whole or in part, in any order of maturity and by lot within a maturity if less than all the Bonds of such maturity are to be redeemed, on any date on or after July 15, 2021, at a redemption price equal to 100% of the principal amount thereof, together with interest accrued, if any, to the date fixed for redemption.

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

So long as DTC (or any successor thereto) acts as securities depository for the Bonds, notice of redemption shall be sent to such securities depository and shall not be sent to the beneficial owners of the Bonds. Any failure of such depository to advise any of its participants or any failure of any participant to notify any beneficial owner of any notice of redemption shall not affect the validity of the redemption proceedings. If the Township determines to redeem a portion of the Bonds of a series prior to maturity, the Bonds to be redeemed shall be selected by the Township; the Bonds to be redeemed having the same maturity shall be selected by DTC in accordance with its regulations.

### **Book-Entry-Only System**

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

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the

DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks 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 DTC and its participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmations from DTC of their purchase, Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of the Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in 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 Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

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

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

Payment of principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Township or Paying Agent, disbursement of such

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

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

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

### **Security and Source of Payment**

The Bonds are a general obligation of the Township, and the Township has pledged its full faith and credit for the payment of the principal of and the interest on the Bonds. Unless paid from other sources, the Township is required by law to levy ad valorem taxes upon all the taxable property within the Township for the payment of the principal of and the interest on the Bonds without limitation as to rate or amount. The enforceability of rights and remedies with respect to the Bonds may be limited by bankruptcy, insolvency or other laws affecting creditors' rights or remedies theretofore or hereafter enacted. See "Municipal Bankruptcy" herein.

## **PROJECTS TO BE FINANCED**

### **Authorization and Purpose of the Bonds**

The Bonds have been authorized and are to be issued pursuant to the laws of the State, including the Local Bond Law of New Jersey, N.J.S.A. 40A:2-1 et seq., and various bond ordinances of the Township. The Bonds are being issued to fund certain outstanding capital projects described as follows:

<u>Principal Amount to be Issued</u>	<u>Bond Ordinance Number</u>	<u>Description of Improvements</u>
\$ 1,790,500	212-07	Various Improvements
1,095,000	229-08	Various Improvements
513,500	250-09	Various Improvements
285,000	265-10	Various Improvements
<u>3,684,000</u>		

## **NO DEFAULT**

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

## **MARKET PROTECTION - BOND AND NOTE FINANCING**

Based upon the current financial condition of the Township, it is not expected that tax anticipation notes will be issued during the year. The Township has not issued tax anticipation notes during the last five years. Except for the possible issuance of refunding bonds, the Township does not expect to issue any additional long-term debt during 2011.



## CERTAIN STATUTORY PROVISIONS FOR THE PROTECTION OF GENERAL OBLIGATION DEBT

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

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

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

This law regulates the nonbudgetary financial activities of local governments. An annual, independent audit of the local unit's accounts for the previous year must be performed by a licensed Registered Municipal Accountant. The audit, conforming to the Division of Local Government Services' "Requirements of Audit," includes recommendations for improvement of the local unit's financial procedures and must be filed with the director within six months after the close of the fiscal year. A synopsis of the audit report, together with all recommendations made, must be published in a local newspaper within 30 days of its completion. The chief financial officer of every local unit must file annually with the director, a verified statement of financial condition of the local unit and all constituent boards, agencies or commissions.

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

### Debt Limits

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

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

On December 31, 2010, the Township's statutory net debt as a percentage of its equalized valuation basis was .96% and such debt was comprised of the following:

	Gross Debt	Deduction	Net Debt
Local School District Debt	\$ 13,094,000	\$ 13,094,000	
Regional School District Debt	7,261,172	\$ 7,261,172	
General Debt	17,613,512	48,106	\$ 17,565,406
	<u>\$ 37,968,684</u>	<u>\$ 20,403,278</u>	<u>\$ 17,565,406</u>

The debt limit of the Township may be exceeded with the approval of the Local Finance Board, in the Division of Local Government Services, Department of Community Affairs, State of New Jersey, a State regulatory agency (the "Board"). If all or any part of a proposed debt authorization would exceed its debt limit, the Township must apply to the Board for an extension of credit. If the Board determines that a proposed debt authorization would not materially impair the ability of the Township to meet its obligations or to provide essential services, or makes other statutory determinations, approval is granted.

## **Short-Term Financing**

The Township may issue bond anticipation notes to temporarily finance capital improvements. Bond anticipation notes, which are general obligations of the Township, may be issued for a period not exceeding one (1) year and may be renewed from time to time for a period that does not exceed one (1) year. Such notes shall mature and be paid not later than the first day of the fifth month following the close of the tenth fiscal year following the date of the original note, provided, however, that no such notes shall be renewed beyond the third anniversary date of the original notes unless an amount of such notes, at least equal to the first legally payable installment of the bonds in anticipation of which these notes are issued, is paid and retired on or before each subsequent anniversary date beyond which such notes are renewed from funds other than the proceeds of obligations.

## **MUNICIPAL BUDGET**

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

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

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

The Director has no authority over individual operating appropriations, unless a specific amount is required by law, but the review functions focusing on anticipated revenue serve to protect the solvency of all local units. Local budgets, by law and regulation, must be in balance on a "cash basis".

The principal sources of Township revenue are real estate taxes, State Aid, and miscellaneous revenue.

Tax anticipation notes, if utilized, are limited in amount by law and must be paid off in full by a municipality within one hundred and twenty (120) days after the close of its fiscal year.

## **Capital Budget**

In accordance with the Local Budget Law, each local governmental unit must adopt annually a six-year capital program budget. 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 governmental 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 items were detailed.

## **Real Estate Taxes**

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

Section 41 of the Local Budget Law provides, with regard to current taxes, that: "Receipts from the collection of taxes levied or to be levied in the municipality...shall be anticipated in an amount which is not in excess of the percentage of taxes levied and payable during the next preceding fiscal year which was received in cash by December 31 of such preceding fiscal year."

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

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

### **Miscellaneous Revenue**

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

No budget or amendment thereof shall be adopted unless the Director shall have previously certified his approval thereof (N.J.S.A. 40A:4-10). The exception to this is the inclusion of categorical grants-in-aid contracts for their face amount with an offsetting appropriation. The fiscal years for such grants rarely coincide with the municipality's calendar year.

### **Limitations on Municipal Appropriations and Local Unit Tax Levy**

Chapter 68 of the Pamphlet Laws of 1976 (N.J.S.A. 40A:4-45.1 et seq.), as amended and supplemented by P.L. 1983, c.49, P.L. 1990, c.89, and by P.L. 2004, c.74 (the "CAP Law"), imposes restrictions which limit the allowable increase in Township appropriations over the previous year's appropriations to the lesser of 2.5% or the increase in the Implicit Price Deflator for State and Local Government Purchases of Goods and Services as published by the United States Department of Commerce (the "Cost-of-Living Adjustment"). If the Cost-of-Living Adjustment is less than or equal to 2.5% an increase equal to 3.5% will be permitted by adoption of an ordinance. If the Cost-of-Living Adjustment is greater than 2.5%, an increase in any amount above 2.5% will be permitted upon passage of a referendum. This limitation is subject to the following exceptions among others: (i) all debt service payments; (ii) the amount of revenue generated by the increase in valuations within the Township based solely on applying the preceding year's Township tax rate to the apportionment valuation of new construction or improvements within the Township and such increase shall be levied in direct proportion to said valuation; (iii) capital expenditures funded by any source; (iv) an increase involving certain defined categories of emergency appropriations as approved by the Director in certain cases; (v) amounts required to be paid pursuant to any contract between the Township and any political subdivision or public body in connection with the provision and/or financing or projects for certain public purposes such as water, sewer, parking, senior citizens' housing or any similar purpose; or (vi) that portion of the Township tax levy which represents funding to participate in any Federal or State aid program and amounts received or to be received from Federal, State or other funds in reimbursement for local expenditures.

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

in the prior year and the average percentage increase of the State Health Benefits Program, as annually determined by the Division of Pensions and Benefits in the Department of the Treasury; and extraordinary costs incurred by a local unit directly related to a declared emergency, as defined by regulation promulgated by the Commissioner of the Department of Community Affairs, in consultation with the Commissioner of Education, as appropriate. The law also authorizes a municipality to submit public questions to the voters for approval (by affirmative vote of at least fifty (50%) to increase the amount to be raised by taxation by more than the allowable adjusted tax levy.

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

### **Deferral of Current Expenses**

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

The exceptions are certain enumerated quasi-capital projects such as ice and snow removal and repair of flood damage to streets, roads, and bridges, which may be amortized over three years; and tax map preparation, revision of ordinances, and master plan preparations, which may be amortized over five years.

### **Budget Transfers**

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

## **FINANCIAL OPERATIONS**

### **Basis of Accounting**

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

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

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

*Fixed Assets* – Property and equipment purchased throughout the Current and the General Capital Funds are recorded as expenditures at the time of purchase and are not capitalized.

### **Current Fund**

The Township's finances its operations primarily through the Current Fund. All tax receipts and most revenues are paid into the Current Fund and substantially all expenditures made by appropriations are paid from the Current Fund. The Township operates on a January 1 to December 31 fiscal year.

## **General Expenditures**

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

## **Tax Collection Procedures**

Real property taxes are assessed locally, based upon an assessment at true value. The tax bill includes a levy for Township, County and Local School purposes. Tax bills are mailed annually in June. Taxes are payable in four quarterly installments on February 1, May 1, August 1, and November 1. If unpaid on these dates, the amount due becomes delinquent and subject to interest at 8% per annum, or 18% on any delinquency amount in excess of \$1,500. County taxes are paid quarterly on February 15, May 15, August 15 and November 15, to the County by the Township. Annually, the properties with unpaid taxes for the previous year are placed in a tax sale in accordance with the New Jersey statutes.

## **Tax Appeals**

The New Jersey statutes provide a taxpayer with remedial procedures for appealing an assessment deemed excessive. The taxpayer has a right to petition the County Board of Taxation on or before the first day of April of the current tax year 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 cancelled 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 State Department of Taxation, Division of Tax Appeal, for a further hearing. State tax appeals tend to take several years prior to settlement and any losses in tax collections from prior years are charged directly to operations, or to the Reserve for Tax Appeals account, or with the permission of the Board may be financed, generally, over a three to seven year period.

## **Debt Statements**

The Township must report all new authorizations of debt or changes in previously authorized debt to the Division. The Supplemental Debt Statement, as this report is known, must be submitted to the Division before final passage of any debt authorization. Before January 31, of each year, the Township must file an Annual Debt Statement with the Division. This report is made under oath and states the authorized, issued and unissued debt of the Township as of the previous December 31.

## **MUNICIPAL BANKRUPTCY**

The undertakings of the Township should be considered with reference to Chapter IX of the Bankruptcy Act, 11 U.S.C. Section 401, *et seq.*, as amended by Public Law 94-260, approved April 8, 1976, and as further amended on November 6, 1978 by the Bankruptcy Reform Act of 1978, effective October 1, 1979, Public Law 100-597, effective November 3, 1988, the Bankruptcy Reform Act of 1994, effective October 22, 1994, and other bankruptcy laws affecting creditor's rights and municipalities in general. The amendments of P.L. 94-160 replace Form Chapter IX and permit the State or any political subdivision, public agency, or instrumentality that is insolvent or unable to meet its debts to file a petition in a court of bankruptcy for the purpose of effecting a plan to adjust its debt provided such entity is authorized by applicable state law; 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 priority to debt owed for services or material actually provided within three months of the filing of the petition; directs a petitioner to file a plan for the adjustment of its debts; and provides that the plan must be accepted in writing by or on behalf of creditors holding at least two-thirds in amount or more than one-half in number of the listed creditors. The 1976 amendments were incorporated into the Bankruptcy Reform Act of 1978 with only minor changes.

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

### **ABSENCES OF MATERIAL LITIGATION**

To the knowledge of the Township or the Township Attorney, John R. Pidgeon of Pidgeon and Pidgeon, PC, there is no litigation pending or threatened, restraining or enjoining the issuance or the delivery of the Bonds now being offered for sale, or the levy or the collection of any taxes to pay the principal of or the interest on said Bonds, or in any manner questioning the authority or the proceedings for the issuance of said Bonds or for the levy or the collection of said taxes, or contesting the corporate existence or the boundaries of the Township or the title of any other present officers. A certificate to such effect will be executed by the Township's Attorney and delivered to the original purchaser of the Bonds at the closing. Moreover, 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.

### **APPROVAL OF LEGAL PROCEEDINGS**

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

### **TAX MATTERS**

#### **Opinion of Bond Counsel**

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the Township, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and (ii) interest on the Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Township in connection with the Bonds, and Bond Counsel has assumed compliance by the Township with certain ongoing certifications to comply with applicable requirements of the Code to assure the exclusion of interest on the Bonds from gross income under Section 103 of the Code.

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

Bond Counsel expresses no opinion regarding any other federal or state tax consequences with respect to the Bonds. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update its opinion after the issue date to reflect any future action, fact or circumstance, or change in law or interpretation, or otherwise. Bond Counsel expresses no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for federal income tax purposes of interest on the Bonds, or under state and local tax law.

#### **Certain Ongoing Federal Tax Requirements and Covenants**

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds be and remain excluded from gross income under Section 103 of

the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the federal government. Noncompliance with such requirements may cause interest on the Bonds to become included in gross income for federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. By executing its Arbitrage and Use of Proceeds Certificate to be delivered concurrently with the delivery of the Bonds, the Township will certify that, to the extent it is empowered and allowed under applicable law, it will comply with certain applicable requirements of the Code to assure the exclusion of interest on the Bonds from gross income under Section 103 of the Code.

### **Certain Collateral Federal Tax Consequences**

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

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

### **Information Reporting and Backup Withholding**

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

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

### **Bond Premium**

In general, if an owner acquires a Bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the Bond after the acquisition date (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates), that premium constitutes "bond premium" on that Bond (a "Premium Bond"). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium Bond, based on the owner's yield over the remaining term of the Premium Bond determined based on constant yield principles (in certain cases involving a Premium Bond callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such bond). An owner of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner's regular method

of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Bond, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner's original acquisition cost. Owners of any Premium Bonds should consult their own tax advisors regarding the treatment of bond premium for federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of Premium Bonds.

### **Miscellaneous**

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

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

### **SECONDARY MARKET DISCLOSURE**

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

The Annual Information with respect to the Township means annual information concerning the Township which consists of financial and operating data of the Township of the type included in this Official Statement relating to the following: (i) property tax levies and collections; (ii) assessed value of taxable property; (iii) property tax rates; and (iv) outstanding debt.

The Notices include notices of any of the following events with respect to the 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 of determinations with respect to the tax status of the Bonds, or other material events affecting the tax-exempt status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls (other than mandatory sinking fund redemptions) if material and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the Township; (13) the consummation of a merger, consolidation, or acquisition involving the Township or the sale of all or substantially all of the assets of the Township, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) appointment of a successor or additional trustee or the change of name of a trustee, if material. In addition, the Township will undertake, for the benefit of the holders of the Bonds, to provide to the MSRB, in a timely manner, notice of any failure by the Township to provide the Annual Information and annual financial statements by the date required in the undertaking of the Township described above.

The sole and exclusive remedy for breach or default under the undertaking to provide continuing disclosure described above is an action to compel specific performance of the undertaking of the Township, and no person,



including any holder of the Bonds, may recover monetary damages thereunder under any circumstances. In addition, if all or any part of Rule 15c2-12 ceases to be in effect for any reason, then the information required to be provided under the undertaking, insofar as the provision of Rule 15c2-12 no longer in effect required the providing of such information, shall no longer be required to be provided.

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

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

### **PREPARATION OF OFFICIAL STATEMENT**

Nisivoccia LLP takes responsibility for the financial statements to the extent specified in their Accountant's Report included in Appendix B.

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

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

### **LEGAL MATTERS**

The delivery of the Bonds will be subject to the final approving opinion of Hawkins Delafield & Wood LLP, Newark, New Jersey. Such opinion will accompany the Bonds and will be to the effect that the Bonds are valid and legally binding obligations of the Township, and the Township has the power and obligation to levy ad valorem taxes upon all taxable property of said Township for the payment of the Bonds and the interest thereon without limitation as to rate or amount.

### **UNDERWRITING**

The Bonds have been purchased from the Township at a public sale by \_\_\_\_\_, at a price of \$ \_\_\_\_\_. The Bonds are being offered for sale at the prices or yields set forth on the cover of this Official Statement, which prices or yields may be changed from time to time by the purchaser without notice.

### **CREDIT RATING**

Moody's Investors Service ("Moody's") has assigned a rating of "\_\_\_\_\_" to the Bonds. An explanation of the significance of such credit ratings may be obtained from Moody's. The Township furnished Moody's with certain information and materials concerning the Bonds and the Township. Generally, Moody's bases its ratings on such information and materials and also on such investigations, studies and assumptions that it may undertake independently. The ratings are not a recommendation to buy, sell or hold the Bonds and there can be no assurance that any such ratings will be maintained for any given period of time or that such ratings may not be raised, lowered or withdrawn entirely, if in Moody's judgment, circumstances so warrant any downward change in or withdrawal of any such ratings may have an adverse effect on the marketability or market price of the Bonds.

The purchaser will be furnished, at the time the Bonds are delivered, certificates in form satisfactory to Bond Counsel evidencing (a) the proper execution and delivery of the Bonds, (b) receipt and payment therefor, and (c) the absence of litigation now pending or, to the knowledge of the officers signing the Bonds, threatened to restrain or enjoin the issuance or delivery of the Bonds.

Upon request, the Township will state in a certificate signed on its behalf by its Chief Financial Officer and delivered at the closing, that to such official's knowledge the descriptions and statements in this Official Statement, on the date of this Official Statement, are true and correct in all material respects and did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements herein, in the light of the circumstances under which they were made, not misleading.

#### **ADDITIONAL INFORMATION**

Inquiries regarding this Official Statement, including information additional to that contained herein, may be directed to Mr. Richard Sheola, Chief Financial Officer/Township Administrator, Township of Long Hill, 915 Valley Road, Gillette, New Jersey 07933, (908)-647-8000.

#### **MISCELLANEOUS**

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

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 an opinion and not as representations of fact. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there have been no changes in the affairs in the Township, the State or any of their agencies or authorities, since the date hereof.

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

THE TOWNSHIP OF LONG HILL,  
In the County of Morris, New Jersey

---

Richard Sheola  
Chief Financial Officer

APPENDIX A

DESCRIPTION OF  
TOWNSHIP OF LONG HILL  
TOGETHER WITH CERTAIN ECONOMIC  
AND  
DEBT INFORMATION

**APPENDIX A  
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## **TOWNSHIP OF LONG HILL GENERAL INFORMATION**

The Township, a primarily residential community of 12.6 miles is located in the southern tip of Morris County. Bounded by the Passaic River to the south and west and by the Great Swamp National Wildlife Refuge to the north, its neighboring municipalities are also primarily residential Chatham and Harding Townships in Morris County, Bernards and Warren Townships in Somerset County and Berkeley Heights in Union County.

### **Type of Government**

The Township is governed by a five member Township Committee, whose members are elected at large by the voters of the Township. This Committee annually appoints a Mayor from its membership. The Mayor and Committee Members are the Legislative Body that formulates policy and appropriates funds, and adopts ordinances and resolutions for the conduct of municipal business. A professional Township Administrator oversees all day to day operations in conjunction with the department managers.

### **Education Facilities**

The Township's Board of Education operates three school buildings: Gillette School on Valley Road, grades Kindergarten and one plus pre-school for special needs children, Millington School on Northfield Drive, grades two (2) through five (5) and Central School, on Central Avenue, grades six (6) through eight (8).

The schools contain sixty classrooms, three libraries, two computer labs, two all-purpose rooms, and one gym which can be used as an auditorium. The combined sites contain over forty (40) acres.

The Township is part of a regional high school district, with Warren Township and Watchung Borough, administered by the Watchung Hills Regional High School Board of Education. The regional school facility is located on 85 acres in Warren Township and presently consists of 63 regular classrooms, 48 shops, labs and other special instruction rooms, 1 auditorium, 8 gymnasiums, 2 cafeterias, 1 library, 3 administrative offices, 3,000 capacity bleachers, a football field, a 1/4 mile track, 2 baseball fields, 2 soccer fields and 2 hockey and softball fields. The design capacity of the facility is 2,500 students.

### **Health Care Facilities**

The Township contracts with the Bernards Township Regional Health Department to provide Health Services for the Township. Hospital facilities are furnished by Overlook Hospital (Summit, New Jersey) and Morristown Memorial Hospital (Morristown, New Jersey).

### **Municipal Services**

The Police Department is comprised of twenty-two (22) full-time officers with dispatching provided by Bernards Township under an Interlocal Agreement with Bernards Township providing services to both municipalities. The dispatch center is located in Bernards Township. In addition, Long Hill Township has eight (8) part-time crossing guards to provide for pedestrian safety during the school year.

Long Hill Township has two (2) Volunteer Fire Companies. The Millington Fire Company is located on the western end of the Township. The Stirling Fire Company is located in the center of Long Hill Township. The departments combine for seventy (70) active members. In addition to having two modern firehouses, they possess ten (10) emergency response vehicles. The Volunteer First Aid Squad has their building located in the Gillette section of the municipality. The squad consists of forty-eight (48) members. The squad has three (3) response vehicles.

section of the municipality. The squad consists of forty-eight (48) members. The squad has three (3) response vehicles.

The Public Works Department is headed by a Director and has fifteen (15) employees who operate a wastewater treatment plant and maintain, repair and provide snow removal on the roadways.

### **Utilities**

Approximately 90% of the Township is served by water furnished by New Jersey American Water Company facilities and supply is adequate to provide for present and future development of the Township.

Approximately 84% of residential dwellings and commercial and industrial establishments are served by the Township's public wastewater disposal system. The treatment plant (tertiary treatment) is presently operating at approximate maximum capacity of .700 MGD daily.

The Township's wastewater treatment plant has a design capacity of 1.2 million gallons per day. The plant provides tertiary treatment and has two separators, two stage digesters, also includes sand drying beds with a gas chlorination system.

Approximately 2,736 homes are connected to the treatment plant. The usage rate is designed to provide operating revenues to meet the operating expenditures.

Gas is furnished by the Public Service Electric & Gas Company and is available to the major residential, commercial and industrial areas of the Township.

Electricity is furnished by GPU Energy throughout the entire Township.

### **Transportation Facilities**

Served by three stations of the Gladstone Branch of New Jersey Transit - Gillette, Stirling and Millington, the Township is easily accessible, with frequent commuter service, to Newark (19 miles from Gillette) and New York's Pennsylvania Station via Midtown Direct and Hoboken (27 miles).

By road the Township is approximately equidistant from Morristown, Summit and Somerville, each about 15 - 20 minutes, and within the apex of a triangle formed by two federal highways - No. 78, which presently goes directly west to Easton, Pa. (39 miles) and east to Newark; and No. 287, the outer Loop around the Metropolitan area from Staten Island's Outercrossing Bridge at Woodbridge, to Bound Brook, Somerville, Bernardsville, Morristown and the Northeast. These transportation facilities account for the large number of Long Hill Township residents who commute by car and rail and indicate increased growth as a commuter area in the immediate future.

### **Commercial and Industrial**

Control of anticipated growth, consistent with the ability of the Township to absorb it, is maintained by a Master Plan which was adopted on November 25, 2003 and reasonable zoning, site plan, land subdivision, flood plain and building codes. While the Township is primarily residential, industrial and commercial occupancies are Eastern Engraving, Thermoplastic Processes and Shop-Rite and Pathmark Supermarkets. Local businesses account for employment of more than 700 personnel.

The Township contains two shopping centers, which are centrally located and several neighborhood shopping areas. The Community is served by branches of the Bank of New York, Fleet Bank, Sovereign Bank, Hudson

Bank, Investors Savings Bank, Millington Savings Bank and PNC Bank. There are also restaurants, professional offices and three post offices, one first class and two second class.

### **Real Property Development**

Reasonable requirements on lot size, drainage, sewer and road requirements are enforced by the Township Committee, Planning Board and Zoning Board of Adjustment. In addition, in November 1971 the Township adopted a flood plain ordinance, which controls building in the flood plain areas.

Located in the Township is an age restricted housing development for senior citizens consisting of thirty-seven (37) apartments for income eligible seniors and disabled tenants.

The Township has enjoyed a moderate rate of growth for single family homes with several major subdivisions near 100% completion. Autumn Crest, Long Hill Developers and The Enclave are the major developments, with several other smaller projects underway.

### **COLLECTIVE BARGAINING REPRESENTATION**

There are five unions representing various employees working for the Township.

Type of Employee	Union	Contract Expires
Police Officers & Supervisors	Police Benevolent Association	12/31/2013
DPW	Public Works Association	12/31/2012

### **Retirement Systems**

All full-time permanent or qualified Township employees who began employment after 1944 must enroll in one of two pension systems (Public Employees' Retirement System or Police and Firemen's Retirement System) depending upon their employment status. These systems were established by acts of the State Legislature. Benefits, contributions, means of funding and the manner of administration are set by the State. The Division of Pensions with the State's Department of Treasury is the administrator of these systems. The Township is a member of the Public Employees' Retirement System ("PFRS"). PERS and PFRS are evaluated every year by the State with employee contribution rates normally determined by the rate applicable at the age of enrollment.

#### **Public Employees' Retirement System**

PERS includes approximately 61 eligible Township employees.

#### **Police and Firemen's Retirement System**

Approximately 22 eligible township police are enrolled in PFRS.

## Federal Social Security System

The Township is not delinquent in its payments to the Federal Social Security System ("OASD").

### Retirement

<u>System</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
PERS	\$ 216,007	\$ 176,597	\$ 150,162	\$ 92,043	\$ 42,918
PFRS	638,516	627,411	575,358	348,862	218,365
OASI	359,017	395,682	391,212	391,553	407,601
Total	<u>\$ 1,213,540</u>	<u>\$ 1,199,690</u>	<u>\$ 1,116,732</u>	<u>\$ 832,458</u>	<u>\$ 668,884</u>

## CURRENT FUND REVENUE SOURCES

Year	Budget Requirements	Revenue Surplus Appropriated	Realized Miscellaneous Revenues	Realized Delinquent Tax Revenue	Realized Amount To Be Raised By Taxation	Excess/ (Deficit)
2010	14,436,212	635,000	4,595,214	497,471	9,183,138	226,725
2009	14,617,945	800,000	4,526,247	528,416	9,130,599	367,317
2008	14,679,090	1,000,000	4,626,591	393,992	8,731,014	72,507
2007	14,235,980	1,008,290	4,580,739	364,864	8,816,034	833,946
2006	15,174,488	800,000	6,290,914	412,349	8,583,745	912,521

Source: The Township's Audited Financial Statements.

## CURRENT FUND BALANCE AND AMOUNTS UTILIZED IN SUCCEEDING YEAR'S BUDGET

Year	Balance December 31,	Utilized in Succeeding	
		Amount	Percent
2010	972,906	475,000	48.82
2009	1,202,889	635,000	52.79
2008	1,258,701	800,000	63.56
2007	1,885,694	1,000,000	53.03
2006	1,688,426	1,008,290	59.72

Source: The Township's Audited Financial Statements.



**TAX INFORMATION**  
**As of December 31 for Years Shown**

**Tax Collection Procedure**

The Township is the political entity responsible for the levying and collection of taxes on all taxable property within its borders, including the tax levies for the county, school districts, municipality and fire district. The levying of taxes is for a fiscal year which for the school districts starts July 1 and ends June 30. The fiscal year for the county, municipality and fire district starts on January 1 and ends December 31.

The taxes for the municipality, county, school districts and fire district cover the current calendar year. Turnover of the tax monies by the municipality to the school districts are based on the schools' needs and are generally made on a monthly basis throughout the year. The municipality remits county taxes, payable quarterly on the 15<sup>th</sup> day of February, May, August, and November. The municipality remits fire district taxes four times a year.

Property taxes are levied as of January 1. The tax levy is divided into two billings. The first or preliminary billing is an estimate of the current year's levy based upon one half of the prior year's taxes. The second or final billing reflects the current year's tax rate along with any changes in assessment from the previous year. The final tax bill is usually mailed on or before June 14<sup>th</sup> along with the preliminary billing for the subsequent year. The preliminary billing is divided into two due dates; February 1 and May 1. The final billing is also divided into two due dates; August 1 and November 1.

A ten-day grace period is granted before the taxes are considered delinquent and the imposition of interest charges. Delinquent payments are subject to an interest penalty of 8% of the first \$1,500 of delinquency and 18% on amounts exceeding \$1,500. Unpaid taxes at the end of the year in excess of \$10,000 are subject to an additional 6% penalty. Unpaid taxes of the prior year are a lien and will be placed into a tax sale in accordance with state statutes. Tax sale certificates are subsequently subject to foreclosure proceedings in order to enforce collection of delinquent taxes or acquire title to the property.

**TAX RATES, TAX LEVIES, & TAX COLLECTIONS**

**Tax Rate Apportionment per \$100 of Assessed Valuation**

Year	Municipal Purpose	County Purpose	District Schools	Tax Rate
2010	\$ 0.731	\$ 0.327	\$ 1.667	\$ 2.725
2009	0.720	0.336	1.606	2.662
2008	0.701	0.344	1.519	2.564
2007	0.691	0.343	1.466	2.500
2006	0.669	0.326	1.405	2.400

Source: Morris County Board of Taxation

## PROPERTY VALUATIONS

### Real Property Net Assessed Valuations by Classification

<u>Classification</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Residential	\$1,137,120,400	\$1,133,936,400	\$1,129,463,700	\$1,123,401,600	\$1,114,050,830
Apartment	6,668,200	6,691,600	6,691,600	6,691,600	7,408,000
Farm Regular	2,795,500	3,070,000	3,070,000	2,519,600	2,519,600
Farm Qualified	40,700	40,700	40,700	40,000	40,000
Commercial	103,892,800	103,887,300	103,967,400	104,085,000	104,013,900
Industrial	16,541,200	16,541,200	16,541,200	16,541,200	16,541,200
Vacant Land	20,585,700	19,258,300	19,116,300	20,688,800	21,855,800
Subtotal	\$1,287,644,500	\$1,283,425,500	\$1,278,890,900	\$1,273,967,800	\$1,266,429,330
Public	4,454,525	4,268,514	3,971,011	4,043,446	4,080,831
Net Valuation Taxable	\$1,292,099,025	\$1,287,694,014	\$1,282,861,911	\$1,278,011,246	\$1,270,510,161
Less: Exempt	123,512,800	124,059,400	123,263,100	120,852,800	120,109,700
Total	<u>\$1,168,586,225</u>	<u>\$1,163,634,614</u>	<u>\$1,159,598,811</u>	<u>\$1,157,158,446</u>	<u>\$1,150,400,461</u>

Source: Tax List District Summaries for years shown.

### Net Assessed and Equalized Property Valuations

<u>Classification</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Net Assessed Valuation:					
Real Property	\$1,287,644,500	\$1,283,425,500	\$1,278,890,900	\$1,273,967,800	\$1,266,429,330
Personal Tangible Property	4,454,525	4,268,514	2,487,616	2,743,685	3,062,777
Total	<u>\$1,292,099,025</u>	<u>\$1,287,694,014</u>	<u>\$1,281,378,516</u>	<u>\$1,276,711,485</u>	<u>\$1,269,492,107</u>
Percent Increase	0.34%	0.49%	0.36%	0.56%	0.43%

Source: County of Morris Abstract of Ratables for years shown.

## TAX LEVY APPORTIONMENT

Year	Municipal	Local School	Regional School	County	Tax Levy
2010	\$ 9,527,935	\$ 14,784,251	\$ 6,746,741	\$ 4,209,236	\$ 35,268,163
2009	9,348,249	14,341,146	6,332,229	4,315,806	34,337,430
2008	9,073,075	13,635,673	5,845,952	4,404,265	32,958,965
2007	8,996,297	13,193,174	5,500,902	4,343,691	32,034,064
2006	8,639,633	12,849,891	4,987,737	4,143,215	30,620,476

## TAX COLLECTION EXPERIENCE

Year	Current Levy Collection			Delinquent Taxes Collected	Total Taxes Collected	Percent of Current Levy
	Tax Levy	Amount	Percent			
2010	\$35,268,163	\$34,538,856	97.93%	\$ 497,471	35,036,327	99.34%
2009	34,337,430	34,296,699	99.88%	528,416	34,825,115	101.42%
2008	32,958,966	32,767,169	99.42%	393,992	33,161,161	100.61%
2007	32,034,064	31,610,107	98.68%	364,864	31,974,971	99.82%
2006	30,620,476	30,211,873	98.67%	412,350	30,624,223	100.01%

## MUNICIPAL PURPOSE TAX LEVY

Year	Municipal Purpose Tax Levy	Current Tax Collection	Delinquent Tax Levy Collection	Total Collected	Reserve For Uncollected Taxes
2010	\$ 9,527,935	\$ 8,731,014	\$ 393,992	\$ 9,125,006	\$ 643,002
2009	9,348,249	9,130,599	528,416	9,659,015	609,000
2008	9,073,075	8,731,014	393,992	9,125,006	500,000
2007	8,996,297	8,816,034	364,864	9,180,898	500,000
2006	8,639,633	8,583,745	412,350	8,996,095	606,000

## TAX TITLE LIENS AND DELINQUENT TAXES

Year	Delinquent Taxes	Tax Title Liens	Total Delinquent	Percent of Tax Levy
2010	\$ 652,730	\$ 250,510	\$ 903,240	2.56%
2009	498,880	211,451	710,331	2.07%
2008	531,279	178,146	709,425	2.15%
2007	395,432	151,743	547,175	1.71%
2006	364,114	131,073	495,187	1.62%

**TAX TITLE LIENS**

<b>Year</b>	<b>Balance January 1,</b>	<b>Added by Sales and Transfers</b>	<b>Liens Collected</b>	<b>Balance December 31,</b>
2010	\$ 211,451	\$ 39,059		\$ 250,510
2009	178,146	33,305		\$ 211,451
2008	151,743	26,403		\$ 178,146
2007	131,073	20,670		\$ 151,743
2006	159,511	21,413	49,851	\$ 131,073

**FORECLOSED PROPERTY**

<b>Year</b>	<b>Balance December 31,</b>
2010	\$ 192,025
2009	192,025
2008	192,025
2007	192,025
2006	192,025

**MAJOR REAL PROPERTY TAXPAYERS**

<b>Taxpayer</b>	<b>2010 Assessed Taxpayer Valuation</b>
Valley & Plainfield Associates	\$ 21,204,400
Stirling Center Associates	9,907,400
Bell Aglantic/Verison	4,454,525
Stirling Manor	4,000,000
Transcontinental Gas Pipeline	3,764,500
Tifa, LTD.	3,030,500
Dagwood Properties, LLC	2,246,900
RHK/A.K Stamping	2,312,300
Millington Savings Bank	2,215,500
Jilrydan, Inc.	2,197,400
Total	<u><u>\$ 55,333,425</u></u>

**COMPARISON OF MUNICIPAL TAX LEVY  
TO DEBT SERVICE REQUIREMENT**

**DEBT INFORMATION**

The Township's debt incurring capacity is limited to by statute to 3.50% of its statutory equalized valuation. The levy of taxes to pay annual debt service requirements is not limited by any State statute or law. The following schedules set forth information on the amounts of debt issued and outstanding, debt authorized but not issued debt, annual debt service requirements, and overlapping debt. After the date noted above, the debt information and statistics noted below may vary from the figures shown because of either a reduction or an increase in the amounts of debt for each of the political entities noted.

**STATUTORY DEBT INFORMATION  
(As of December 31, 2010)**

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
School Purposes:			
Bonds and Notes Issued	\$ 20,355,172		
Less Deductions		\$ 20,355,172	
Net Debt for School Purpose			\$ -0-
Municipal Purpose:			
Bonds, Loans and Notes Issued:			
General	17,613,507	48,100	17,661,607
Bonds, and Notes Authorized but Not Issued:			
General	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total Gross Statutory Debt	<u>\$ 37,968,679</u>		
Total Statutory Deductions		<u>\$ 20,403,272</u>	
Total Net Statutory Debt			<u>\$ 17,661,607</u>

Source: The Township's Audit

**STATUTORY BORROWING POWER**  
(As of December 31, 2010)

Equalized Valuation (1)	\$ 1,827,468,141
Statutory Borrowing Power (2)	\$ 63,961,385
Statutory Net Debt	<u>17,661,607</u>
Statutory Remaining Borrowing Power	<u><u>\$ 46,299,778</u></u>

Ratio:

Statutory Net Debt to Equalized Valuation	0.96%
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(1) Average for the years 2010, 2009, and 2010, as calculated by the State.

(2) 3.50% of State Equalized Valuation.

Source: The Township's Audit

**AUTHORIZED BUT NOT ISSUED DEBT**  
(As of December 31, 2010)

General Improvements	\$ 833,657
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Source: The Township's Audit

**TEMPORARY DEBT ISSUED AND OUTSTANDING**  
(As of December 31, 2010)

<u>Purpose</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amount Outstanding</u>
General:			
Various Purposes	0.80%	3/18/2011	\$ 2,300,000
Various Purposes	1.30%	3/18/2011	<u>\$ 1,099,450</u>
Total Temporary Debt Outstanding			<u><u>\$ 3,399,450</u></u>
(Will be retired with 2011 Bonds, Grants and Budget Appropriations)			

Source: The Township's Audit

**PERMANENT DEBT ISSUED AND OUTSTANDING**  
(As of December 31, 2010)

<b>Purpose:</b>	<b>Interest Rate</b>	<b>Final Maturity Date</b>	<b>Amount Outstanding</b>
General:			
General Bonds of 2001	4.10%	8/15/2014	\$ 2,588,000
General Bonds of 2007	4.00%	2/15/2027	\$ 5,850,000
General Refunding Bonds of 2007	4-5%	2/15/2020	<u>\$ 2,870,000</u>
Total Permanent Debt Issued and Outstanding - General			<u><u>\$ 11,308,000</u></u>

Source: The Township's Audit

<b>Year</b>	<b>General</b>
2011	\$ 1,145,000
2012	1,140,000
2013	1,140,000
2014	1,128,000
2015	665,000
2016	660,000
2017	660,000
2018	655,000
2019	655,000
2020	685,000
2021	400,000
2022	400,000
2023	400,000
2024	400,000
2025	400,000
2026	400,000
2027	375,000
	<u><u>\$ 11,308,000</u></u>

Source: The Township's Audit

**DIRECT AND OVERLAPPING DEBT ISSUED AND OUTSTANDING**  
(As of December 31, 2010)

	<b>Direct Debt</b>		<b>Direct and Overlapping Debt</b>	
	<b>Gross</b>	<b>Net</b>	<b>Gross</b>	<b>Net</b>
Direct Debt:				
General Purpose	\$ 17,613,507	\$ 17,565,407	\$ 17,613,507	\$ 17,565,407
Overlapping Debt:				
Morris County (1)			3,821,003	3,821,003
School Districts	20,355,172		20,355,172	
Gross Direct Debt	<u>\$ 37,968,679</u>			
Net Direct Debt		<u>\$ 17,565,407</u>		
Gross Direct and Overlapping Debt			<u>\$ 41,789,682</u>	
Net Direct and Overlapping Debt				<u>\$ 21,386,410</u>

(1) The Township's Share (1.83%) is obtained from the County.

**DEBT RATIOS**

	<b>Direct Debt</b>		<b>Direct and Overlapping Debt</b>	
	<b>Gross</b>	<b>Net</b>	<b>Gross</b>	<b>Net</b>
Per Capita (1)	\$ 4,406	\$ 2,038	\$ 4,849	\$ 2,482
Equalized Valuation (2)	2.08%	0.96%	2.65%	1.36%

(1) 2010 Census Population figure (8,618)

(2) 2010 Equalized Valuation as prepared by the County of Morris is \$1,827,468,141.

Sources: The Township's Audited Financial Statements and the various political sub-divisions noted above.



## APPENDIX B

### ACCOUNTANTS' REPORT AND FINANCIAL STATEMENTS

TOWNSHIP OF LONG HILL  
FINANCIAL STATEMENTS  
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Mount Arlington Corporate Center  
200 Valley Road, Suite 300  
Mt. Arlington, NJ 07856  
973-328-1825 | 973-328-0507 Fax

Lawrence Business Center  
11 Lawrence Road  
Newton, NJ 07860  
973-383-6699 | 973-383-6555 Fax

### Independent Auditors' Report

The Honorable Mayor and Members  
of the Township Committee  
Township of Long Hill  
Gillette, New Jersey

We have audited the financial statements of the various funds of the Township of Long Hill, in the County of Morris, as of and for the years ended December 31, 2010, 2009 and 2008, as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audits.

Except as discussed in the fourth paragraph, we conducted our audits 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 opinions.

As described in Note 1, these financial statements have been prepared in conformity with accounting principles prescribed by the Division that demonstrate compliance with the modified accrual basis, with certain exceptions, and the budget laws of New Jersey, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the statutory basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Our audit of the financial statements did not include the general fixed assets account group (stated at \$35,525,467.69, \$35,499,758.03 and \$33,227,169.29 at December 31, 2010, 2009 and 2008, respectively). This account group was not audited since there was not sufficient evidential matter to support the historical value of general fixed assets.

In our opinion, because the Township prepares its financial statements on the basis of accounting discussed in the third paragraph, the financial statements referred to in the first paragraph do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2010, 2009 and 2008, and the results of its operations for the years then ended.

The Honorable Mayor and Members  
of the Township Committee  
Township of Long Hill  
Page 2

However, in our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had the general fixed assets account group been audited, the financial statements referred to above present fairly, in all material respects, the financial position of the various funds of the Township of Long Hill at December 31, 2010, 2009 and 2008, and the results of operations and changes in fund balance, where applicable, of such funds thereof for the years then ended, in conformity with accounting principles prescribed by the Division, as described in Note 1.

Mount Arlington, New Jersey  
May 13, 2011

  
NISIVOCCIA LLP

TOWNSHIP OF LONGHILL  
CURRENT FUND  
COMPARATIVE BALANCE SHEET

	December 31,		
	2010	2009	2008
<u>ASSETS</u>			
Regular Fund:			
Cash and Cash Equivalents	\$ 2,488,111.06	\$ 2,919,425.42	\$ 3,162,316.24
Change Funds	400.00	400.00	400.00
	<u>2,488,511.06</u>	<u>2,919,825.42</u>	<u>3,162,716.24</u>
Receivables and Other Assets With			
Full Reserves:			
Delinquent Property Taxes Receivable	652,730.47	498,879.52	531,279.10
Tax Title Liens Receivable	250,509.58	211,451.02	178,145.98
Property Acquired for Taxes at Assessed			
Valuation	192,025.00	192,025.00	192,025.00
Sewer Charges Receivable	89,394.96	80,973.01	61,822.04
Revenue Accounts Receivable	4,473.40	4,725.84	6,273.48
Due from:			
Federal and State Grant Fund			176,156.07
Animal Control Fund			856.38
General Capital Fund			2,176.75
Total Receivables and Other Assets			
With Full Reserves	<u>1,189,133.41</u>	<u>988,054.39</u>	<u>1,148,734.80</u>
Total Regular Fund	<u>3,677,644.47</u>	<u>3,907,879.81</u>	<u>4,311,451.04</u>
Federal and State Grant Fund:			
Cash and Cash Equivalents	9,783.16	131,472.53	400,680.33
Federal and State Grants Receivable	<u>497,068.48</u>	<u>497,643.65</u>	<u>463,422.15</u>
Total Federal and State Grant Fund	<u>506,851.64</u>	<u>629,116.18</u>	<u>864,102.48</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 4,184,496.11</u></u>	<u><u>\$ 4,536,995.99</u></u>	<u><u>\$ 5,175,553.52</u></u>

TOWNSHIP OF LONG HILL  
CURRENT FUND  
COMPARATIVE BALANCE SHEET  
(Continued)

	December 31,		
	2010	2009	2008
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Regular Fund:			
Liabilities:			
Appropriation Reserves:			
Unencumbered	\$ 717,165.69	\$ 686,337.29	\$ 733,299.93
Encumbered	140,194.62	189,303.44	213,378.06
	<u>872,522.50</u>	<u>875,640.73</u>	<u>946,677.99</u>
Accounts Payable-Vendors	16,003.92	12,027.52	28,115.43
County Taxes Payable		7,487.81	8,910.30
Prepaid Taxes	454,813.66	455,512.96	394,687.23
Due to Other Trust Fund	5,438.92	284,962.18	521,904.37
Due to General Capital Fund	24,972.07		
Due to State of New Jersey:			
Building Surcharge Fees	2,161.00	2,496.00	1,047.00
Marriage Licenses Fees	100.00	50.00	175.00
Death Certificate Fees			50.00
Veterans' and Senior Citizens' Deductions	3,862.82	2,905.29	2,448.17
Reserve for:			
Third Party Liens	892.40	854.43	
Uncollectible Grants	75,000.00		
Tax Appeals	<u>75,000.00</u>	<u>75,000.00</u>	
	1,515,605.10	1,716,936.92	1,904,015.49
Reserve for Receivables and Other Assets	1,189,133.41	988,054.39	1,148,734.80
Fund Balance	<u>972,905.96</u>	<u>1,202,888.50</u>	<u>1,258,700.75</u>
Total Regular Fund	<u>3,677,644.47</u>	<u>3,907,879.81</u>	<u>4,311,451.04</u>
Federal and State Grant Fund:			
Due to Current Fund			176,156.07
Due to General Capital Fund			87,900.00
Unappropriated Reserves	9,311.18	15,744.25	25,589.19
Appropriated Reserves	<u>497,540.46</u>	<u>613,371.93</u>	<u>574,457.22</u>
Total Federal and State Grant Fund	<u>506,851.64</u>	<u>629,116.18</u>	<u>864,102.48</u>
<b>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</b>	<u><u>\$ 4,184,496.11</u></u>	<u><u>\$ 4,536,995.99</u></u>	<u><u>\$ 5,175,553.52</u></u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS  
ARE AN INTEGRAL PART OF THIS STATEMENT

TOWNSHIP OF LONG HILL  
CURRENT FUND  
COMPARATIVE STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE

	Year Ended December 31,		
	2010	2009	2008
<u>Revenue and Other Income Realized</u>			
Fund Balance Utilized	\$ 635,000.00	\$ 800,000.00	\$ 1,000,000.00
Miscellaneous Revenue Anticipated	4,545,529.49	4,462,238.83	4,517,132.80
Receipts from:			
Delinquent Taxes	497,470.65	528,416.37	393,992.34
Current Taxes	34,538,856.52	33,768,528.18	32,373,176.35
Nonbudget Revenue	49,684.95	64,008.34	109,457.83
Other Credits to Income:			
Interfunds Returned		179,189.20	78,052.31
Accounts Payable Cancelled		7,761.02	
Federal and State Grant Fund Appropriated Reserves Cancelled	40,378.25		
Due to State of New Jersey - Death Certificate Fees Cancelled		50.00	
Unexpended Balance of Appropriation Reserves	132,080.29	260,036.00	372,478.71
Total Income	<u>40,439,000.15</u>	<u>40,070,227.94</u>	<u>38,844,290.34</u>
<u>Expenditures</u>			
Budget Appropriations:			
Municipal Purposes	14,035,262.57	13,999,503.78	14,157,813.29
County Taxes	4,209,235.80	4,315,805.99	4,404,265.34
Local School District Taxes	14,784,251.00	14,341,146.00	13,635,673.00
Regional High School District Taxes	6,746,741.31	6,332,228.93	5,845,952.42
Municipal Open Space Taxes	258,492.01	257,748.68	256,271.13
Interfunds Advanced			170,387.98
Prior Year Senior Citizens Deductions Disallowed		245.21	920.55
Refund of Prior Year Revenue		4,361.60	
Reserve for Pending Tax Appeals		75,000.00	
Total Expenditures	<u>40,033,982.69</u>	<u>39,326,040.19</u>	<u>38,471,283.71</u>
Excess in Revenue	405,017.46	744,187.75	373,006.63

TOWNSHIP OF LONG HILL  
CURRENT FUND  
COMPARATIVE STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE  
(Continued)

	Year Ended December 31,		
	2010	2009	2008
<u>Fund Balance</u>			
Balance January 1	\$ 1,202,888.50	\$ 1,258,700.75	1,885,694.12
	1,607,905.96	2,002,888.50	2,258,700.75
Decreased by:			
Utilized as Anticipated Revenue	635,000.00	800,000.00	1,000,000.00
Balance December 31	\$ 972,905.96	\$ 1,202,888.50	1,258,700.75

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS  
ARE AN INTEGRAL PART OF THIS STATEMENT



TOWNSHIP OF LONG HILL  
CURRENT FUND  
COMPARATIVE STATEMENT OF REVENUE

	For the Years Ended December 31,					
	2010		2009		2008	
	Budget After Modification	Realized	Budget After Modification	Realized	Budget After Modification	Realized
Fund Balance Anticipated	\$ 635,000	\$ 635,000	\$ 800,000	\$ 800,000	\$ 1,000,000	\$ 1,000,000
Miscellaneous Revenue Anticipated	4,465,847	4,545,529	4,426,907	4,462,239	4,563,462	4,517,133
Receipts from Delinquent Taxes	375,000	497,471	360,000	528,416	360,000	393,992
Amount to be Raised by Taxes for Support of Municipal Budget:						
Local Tax for Municipal Purposes	9,208,252	9,183,138	9,031,038	9,130,599	8,755,628	8,731,014
Nonbudget Revenue		49,685		64,008		109,458
	<u>\$ 14,684,099</u>	<u>\$ 14,910,823</u>	<u>\$ 14,617,945</u>	<u>\$ 14,985,262</u>	<u>\$ 14,679,090</u>	<u>\$ 14,751,597</u>

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THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS  
ARE AN INTEGRAL PART OF THIS STATEMENT

TOWNSHIP OF LONG HILL  
CURRENT FUND  
COMPARATIVE STATEMENT OF EXPENDITURES

	For the Years Ended December 31,								
	2010			2009			2008		
	Budget After Modification	Paid or Charged	Reserved	Budget After Modification	Paid or Charged	Reserved	Budget After Modification	Paid or Charged	Reserved
Operations for Municipal Purposes:									
Salaries and Wages	\$ 4,709,071	\$ 4,686,795	\$ 22,276	\$ 4,876,584	\$ 4,806,455	\$ 70,129	\$ 4,838,653	\$ 4,807,638	\$ 31,015
Other Expenses	5,647,196	4,952,782	694,414	5,362,499	4,746,294	616,205	6,097,139	5,436,356	660,783
Capital Improvements	304,090	304,090		40,146	40,146		276,025	234,623	41,402
Debt Service	2,199,953	2,194,119		2,528,355	2,520,064		2,575,767	2,575,767	
Deferred Charges and Statutory									
Expenditures	1,180,787	1,180,312	475	1,201,361	1,200,208	3	391,506	391,406	100
Total Operations for for Municipal Purposes	14,041,097	13,318,097	717,166	14,008,945	13,313,166	686,337	14,179,090	13,445,790	733,300
Reserve for Uncollected Taxes	643,002	643,002		609,000	609,000		500,000	500,000	
	\$ 14,684,099	\$ 13,961,099	\$ 717,166	\$ 14,617,945	\$ 13,922,166	\$ 686,337	\$ 14,679,090	\$ 13,945,790	\$ 733,300

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS  
ARE AN INTEGRAL PART OF THIS STATEMENT

TOWNSHIP OF LONG HILL  
TRUST FUNDS  
COMPARATIVE BALANCE SHEET

	December 31,		
	2010	2009	2008
<u>ASSETS</u>			
Animal Control Fund:			
Cash and Cash Equivalents	\$ 28,146.98	\$ 13,385.51	\$ 283.22
Due from State of New Jersey	55.00	55.00	55.00
Deficit in Reserve for Animal Control Fund Expenditures			518.16
	<u>28,201.98</u>	<u>13,440.51</u>	<u>856.38</u>
Other Trust Funds:			
Cash and Cash Equivalents	3,198,030.13	2,855,346.34	2,222,846.51
Due from Current Fund	5,438.92	284,962.18	521,904.37
Due from Payroll			586.92
	<u>3,203,469.05</u>	<u>3,140,308.52</u>	<u>2,745,337.80</u>
<b>TOTAL ASSETS</b>	<u><b>\$ 3,231,671.03</b></u>	<u><b>\$ 3,153,749.03</b></u>	<u><b>\$ 2,746,194.18</b></u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Animal Control Fund:			
Reserve for Animal Control Expenditures	\$ 28,201.98	\$ 13,440.51	\$ 856.38
	<u>28,201.98</u>	<u>13,440.51</u>	<u>856.38</u>
Other Trust Funds:			
Due to Capital Fund			60,000.00
Reserve for Developer's Escrow	181,151.09	204,264.38	257,447.46
Reserve for Unemployment Insurance	15,273.02	739.83	6,050.38
Reserve for Municipal Open Space	1,947,840.30	1,887,727.46	1,667,810.31
Reserve for Historical Preservation	152,349.06		
Reserve for Payroll Deductions Payable	23.63	23.63	23.63
Reserve for COAH	466,236.69	427,747.62	85.60
Reserve for Community Day	6,943.64	4,279.13	
Reserve for Special Deposits:			
P.E.R.C. Test Witness Fees			3,287.95
Special Law Enforcement	2,951.26	3,777.16	2,865.36
Reserve for Recycling	32,476.82	37,931.32	36,578.25
Shade Tree Donations	13,409.14	11,627.34	11,789.44
Uniform Fire Safety	845.76	1,000.51	3,612.51
Recreation Program	16,828.10	50,537.26	95,834.58
Parking Offense Adjudication Act	664.02	580.02	524.02
Road Openings	6,750.00	6,750.00	6,750.00
Beautification Program	2,674.30	3,095.79	11,516.63
Fill Permits	400.00	200.00	3,107.00
Tax Sale Premiums	6,400.00	26,000.00	106,100.00
Accumulated Absences	225,413.08	225,413.08	205,413.08
Snow Removal	31,696.11	101,784.67	151,092.98
Tax Title Liens Held in Trust	81,863.62	81,863.62	81,863.62
Public Defender Fees	7,785.10	5,398.50	3,385.00
Sewer Connection Fees	0.00	59,317.20	30,000.00
Title Search	200.00	200.00	200.00
Marriage Donations	650.00	50.00	
Outside Police Services	2,644.31		
	<u>3,203,469.05</u>	<u>3,140,308.52</u>	<u>2,745,337.80</u>
<b>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</b>	<u><b>\$ 3,231,671.03</b></u>	<u><b>\$ 3,153,749.03</b></u>	<u><b>\$ 2,746,194.18</b></u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS  
ARE AN INTEGRAL PART OF THIS STATEMENT

TOWNSHIP OF LONG HILL  
GENERAL CAPITAL FUND  
COMPARATIVE BALANCE SHEET

	December 31,		
	2010	2009	2008
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 2,116,970.76	\$ 2,499,270.34	\$ 177,414.96
NJ Environmental Infrastructure Trust Loan Receivable	1,410,828.00		
Federal and State Grants Receivable:			
State of NJ Transportation Trust Fund		109,206.95	135,520.48
Community Development Block Grant			27,509.07
State of NJ Pass-Through Grant			9.00
Due from Current Fund	24,972.07		
Deferred Charges to Future Taxation:			
Funded	13,380,399.42	13,460,089.43	15,376,773.74
Unfunded	4,233,113.07	5,454,363.07	2,886,581.47
Due from Current Fund			
Current Fund			87,900.00
Other Trust Fund			60,000.00
<b>TOTAL ASSETS</b>	<b>\$ 21,166,283.32</b>	<b>\$ 21,522,929.79</b>	<b>\$ 18,751,708.72</b>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
General Serial Bonds Payable	\$ 11,308,000.00	\$ 12,453,000.00	\$ 13,598,000.00
Bond Anticipation Notes Payable	3,399,450.00	3,399,450.00	
New Jersey Wastewater Treatment Loan #1			382,356.45
New Jersey Wastewater Treatment Loan #2		211,136.64	413,359.06
New Jersey Wastewater Treatment Loan #3	603,941.79	795,952.79	983,058.23
NJ Environmental Infrastructure Trust Loans Payable	1,468,457.63		
Improvement Authorizations:			
Funded	1,899,616.39	752,477.30	790,518.03
Unfunded	2,024,832.78	3,837,385.95	2,012,164.55
Due to Current Fund			2,176.75
Reserve for:			
Police Equipment	4,275.00	4,275.00	
Fire Equipment	434.00	434.00	
First Aid Squad Equipment	4,528.75	4,528.75	
DPW Equipment & Rolling Stock	1,510.00	1,510.00	
Technology Equipment	85.71	909.71	
Sewer Contributions	82,824.59	13,267.39	83,267.39
Housing Contributions			333,647.02
Preliminary Costs	4,112.50	4,112.50	4,112.50
Payment of Debt Service	48,100.00		0.41
Capital Improvement Fund	57,372.81	18,782.81	5,686.81
Fund Balance	258,735.77	25,706.95	143,361.52
<b>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</b>	<b>\$ 21,166,277.72</b>	<b>\$ 21,522,929.79</b>	<b>\$ 18,751,708.72</b>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS  
ARE AN INTEGRAL PART OF THIS STATEMENT

TOWNSHIP OF LONG HILL  
GENERAL CAPITAL FUND  
STATEMENT OF FUND BALANCE

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Balance December 31,	\$ 25,706.95	\$ 143,361.52	\$ 160,605.77
Increased by:			
Premium on Sale of Notes		12,345.43	
Cancellation of Improvement Authorizations	<u>239,528.82</u>		<u>116,755.75</u>
	265,235.77	155,706.95	277,361.52
Decreased by:			
Appropriated to Finance Improvement Authorizations	6,500.00		
Appropriated to Current Fund Budget Revenue		<u>130,000.00</u>	<u>134,000.00</u>
Balance December 31,	<u>\$ 258,735.77</u>	<u>\$ 25,706.95</u>	<u>\$ 143,361.52</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS  
ARE AN INTEGRAL PART OF THIS STATEMENT

TOWNSHIP OF LONG HILL  
PARKING LOT AND FACILITIES UTILITY FUND  
COMPARATIVE BALANCE SHEET

	December 31		
	2010	2009	2008
<u>ASSETS</u>			
Operating Fund:			
Cash and Cash Equivalents	\$ 265,691.39	\$ 242,246.31	\$ 248,906.09
Total Operating Fund	265,691.39	242,246.31	248,906.09
Capital Fund:			
Fixed Capital	216,541.85	216,541.85	216,541.85
Due from Parking Lot and Facilities			
Utility Operating Fund	21,500.00	21,500.00	21,500.00
Total Capital Fund	238,041.85	238,041.85	238,041.85
<u>TOTAL ASSETS</u>	<u>\$ 503,733.24</u>	<u>\$ 480,288.16</u>	<u>\$ 486,947.94</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Operating Fund:			
Appropriation Reserves:			
Unencumbered	\$ 11,555.21	\$ 44,715.00	\$ 22,621.89
Encumbered	1,039.26	550.00	525.00
Total Appropriation Reserves	12,594.47	45,265.00	23,146.89
Prepaid Parking Permits	56,700.00	61,205.00	61,960.00
Due to Parking Lot and Facilities			
Utility Capital Fund	21,500.00	21,500.00	21,500.00
	90,794.47	127,970.00	106,606.89
Fund Balance	174,896.92	114,276.31	142,299.20
Total Operating Fund	265,691.39	242,246.31	248,906.09
Capital Fund:			
Reserve for Amortization	216,541.85	216,541.85	216,541.85
Reserve for Future Improvements	21,500.00	21,500.00	21,500.00
Total Capital Fund	238,041.85	238,041.85	238,041.85
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>\$ 503,733.24</u>	<u>\$ 480,288.16</u>	<u>\$ 486,947.94</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS  
ARE AN INTEGRAL PART OF THIS STATEMENT

TOWNSHIP OF LONG HILL  
PARKING LOT AND FACILITIES UTILITY FUND  
COMPARATIVE STATEMENT OF OPERATIONS AND CHANGE IN OPERATING FUND BALANCE

	Year Ended December 31		
	2010	2009	2008
<u>Revenue and Other Income Realized</u>			
Parking Lot Fees and Permits	\$ 78,332.98	\$ 79,543.05	\$ 89,958.10
Rental of Facilities	16,583.60	19,598.80	18,091.20
Interest Income	989.03	213.37	2,310.36
Other Credits to Income:			
Appropriation Reserves Lapsed	44,715.00	22,621.89	20,119.64
Total Income	<u>140,620.61</u>	<u>121,977.11</u>	<u>130,479.30</u>
<u>Expenditures</u>			
Budget Expenditures:			
Operating	25,000.00	25,000.00	25,000.00
Capital Outlay	5,000.00	25,000.00	5,000.00
Total Expenditures	<u>30,000.00</u>	<u>50,000.00</u>	<u>30,000.00</u>
Excess in Revenue	110,620.61	71,977.11	100,479.30
<u>Fund Balance</u>			
Balance January 1	<u>114,276.31</u>	<u>142,299.20</u>	<u>141,819.90</u>
Decreased by:			
Amount Anticipated as Current Fund Revenue	<u>50,000.00</u>	<u>100,000.00</u>	<u>100,000.00</u>
Balance December 31	<u>\$ 174,896.92</u>	<u>\$ 114,276.31</u>	<u>\$ 142,299.20</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS  
ARE AN INTEGRAL PART OF THIS STATEMENT

TOWNSHIP OF LONG HILL  
PUBLIC ASSISTANCE FUND  
COMPARATIVE BALANCE SHEET

	December 31,		
	2010	2009	2008
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 4,057.73	\$ 4,045.92	\$ 4,043.96
TOTAL ASSETS	<u>\$ 4,057.73</u>	<u>\$ 4,045.92</u>	<u>\$ 4,043.96</u>
 <u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Reserve for Public Assistance Expenditures	\$ 4,057.73	\$ 4,045.92	\$ 4,043.96
TOTAL LIABILITIES, RESERVES AND FUND BALANCE	<u>\$ 4,057.73</u>	<u>\$ 4,045.92</u>	<u>\$ 4,043.96</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS  
ARE AN INTEGRAL PART OF THIS STATEMENT



TOWNSHIP OF LONG HILL  
GENERAL FIXED ASSETS ACCOUNT GROUP  
COMPARATIVE BALANCE SHEET  
(Unaudited)

	December 31,		
	<u>2010</u>	<u>2009</u>	<u>2008</u>
<u>ASSETS</u>			
Land and Buildings	\$ 28,320,321.00	\$ 28,320,321.00	\$ 28,320,321.00
Vehicles, Furniture and Equipment	<u>7,205,146.69</u>	<u>7,179,437.03</u>	<u>4,906,848.29</u>
<u>TOTAL ASSETS</u>	<u>\$ 35,525,467.69</u>	<u>\$ 35,499,758.03</u>	<u>\$ 33,227,169.29</u>
 <u>RESERVE</u>			
Reserve for Fixed Assets	<u>\$ 35,525,467.69</u>	<u>\$ 35,499,758.03</u>	<u>\$ 33,227,169.29</u>
<u>TOTAL RESERVE</u>	<u>\$ 35,525,467.69</u>	<u>\$ 35,499,758.03</u>	<u>\$ 33,227,169.29</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS  
ARE AN INTEGRAL PART OF THIS STATEMENT  
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TOWNSHIP OF LONG HILL  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2010

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

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

Governmental Accounting Standards Board ("GASB") Codification Section 2100, "Defining the Financial Reporting Entity" establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. The basic criterion for inclusion or exclusion from the financial reporting entity is the exercise of oversight responsibility over agencies, boards and commissions by the primary government. The exercise of oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. In addition, certain legally separate, tax-exempt entities that meet specific criteria (i.e., benefit of economic resources, access/entitlement to resources, and significance) should be included in the financial reporting entities. As the financial reporting entity was established in accordance with New Jersey statutes, the requirements of GASB codification section 2100 were not followed and, accordingly, the reporting entity could be different from accounting principles generally accepted in the United States of America.

B. Description of Funds

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

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

Trust Funds – Receipts, custodianship and disbursement of funds in accordance with the purpose for which each reserve was created.

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

Parking Lot and Facilities Utility Operating and Capital Fund – Account for the operations and acquisition of capital facilities of the municipally owned parking utility.

TOWNSHIP OF LONG HILL  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2010  
(Continued)

Note 1: Summary of Significant Accounting Policies (Cont'd)

B. Description of Funds (Cont'd)

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

Fixed Assets Account Group (Unaudited) – These accounts were established with estimated values of land, buildings and certain fixed assets of the Township as discussed in Note 1E.

C. Basis of Accounting

Basis of accounting refers to when revenue and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accounting policies of the Township of Long Hill conform to the accounting principles applicable to municipalities which have been prescribed by the Division which differ in certain respects from accounting principles generally accepted in the United States of America applicable to local governmental units. The more significant policies in New Jersey follow.

Revenue is recorded when received in cash except for certain amounts which may be due from the State of New Jersey and for the prepayment of future year's revenue. Grant revenue is realized in the operating funds when it is budgeted and in the capital funds when improvements are authorized. The amounts recorded as property taxes receivable have not been included in revenue. Amounts that are due to the municipality, which are susceptible of accrual, are recorded as receivables with offsetting reserves in the Current Fund.

Expenditures are charged to operations based on budgeted amounts. Exceptions to this general rule include:

1. Accumulated unpaid vacation, sick pay and other employee amounts are not accrued.
2. Prepaid expenses, such as insurance premiums applicable to subsequent periods, are charged to current budget appropriations in total.
3. Principal and interest on long-term debt are recognized when due.

Expenditures, if any, in excess of appropriations, appropriation reserves or ordinances become deferred charges which must be raised by future taxes. Outstanding encumbrances at December 31 are reported as a cash liability in the financial statements and constitute part of the statutory appropriation reserve balance. Appropriation reserves covering unexpended appropriation balances are automatically created at December 31 of each year and recorded as liabilities, except for amounts which may be cancelled by the governing body. Appropriation reserves are available, until lapsed at the close of the succeeding year, to meet specific claims, commitments

TOWNSHIP OF LONG HILL  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2010  
(Continued)

Note 1: Summary of Significant Accounting Policies (Cont'd)

C. Basis of Accounting (Cont'd)

or contracts incurred during the preceding fiscal year. Lapsed appropriation reserves are recorded as income.

Had the Township's financial statements been prepared under accounting principles generally accepted in the United States of America, encumbrances would not be considered as expenditures; appropriation reserves would not be recorded; revenue susceptible to accrual would have been reflected without offsetting reserves; Federal and State grants and assistance would be recognized when earned, not when budgeted; and inventories would not be reflected as expenditures at the time of purchase; and fixed assets purchased by the Parking Lot and Facilities Utility Capital Fund would be depreciated.

The cash basis of accounting is followed in the Trust and Capital Funds.

- D. Deferred Charges to Future Taxation – The General Capital Fund balance sheet includes both funded and unfunded deferred charges. Funded means that bonds have been issued and are being paid off on a serial basis. Unfunded means that debt has been authorized but not permanently financed. A municipality can eliminate an unfunded deferred charge by raising it in the budget, by collecting a grant, by selling bonds, by issuing loans or through capital lease purchase agreements.

E. Other Significant Accounting Policies Include:

Management Estimates – The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents – Amounts include petty cash, change funds, amounts on deposit, and short-term investments with original maturities of three months or less.

Investments – Investments are stated at cost or amortized cost, which approximates market.

Grants Receivable – Grants receivable represent total grant awards less amounts collected to date. Because the amount of grants funds to be collected are dependent on the total costs eligible for reimbursement, the actual amount collected may be less than the total amount awarded.

Allowance for Uncollectible Accounts – No allowance for uncollectible accounts has been recorded as all amounts are considered collectible.

Compensated Absences – Expenditures relating to unused vested accumulated vacation and sick pay are not recorded until paid.

TOWNSHIP OF LONG HILL  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2010  
(Continued)

Note 1: Summary of Significant Accounting Policies (Cont'd)

E. Other Significant Accounting Policies Include: (Cont'd)

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

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.

General Fixed Assets (Unaudited) - General fixed assets are recorded at cost except for land and buildings, which are recorded at estimated historical cost. Infrastructure assets are not included in general fixed assets; maintenance and minor parts and replacements, which do not improve or extend the lives of the respective assets, are expensed currently. Donated fixed assets are valued at their fair market value on the date donated. No depreciation has been provided on general fixed assets. The total value recorded for general fixed assets is offset by a "Reserve for General Fixed Assets". When properties are retired or otherwise disposed of, the asset and the reserve are adjusted accordingly. Assets recorded in the General Fixed Assets Account Group may also be recorded in the Current Fund, General Capital Fund and Parking Lot and Facilities Utility Capital Fund. The values recorded in the General Fixed Assets Account Group and the Current and Capital Funds may not always agree due to differences in valuation methods, timing or recognition of assets and the recognition of infrastructures. Capital assets are reviewed for impairment.

Property and equipment purchased by the Parking Lot and Facilities Utility Fund are recorded in the capital account at cost and are not adjusted for dispositions and abandonments. Contributions in aid of construction are not capitalized. The balance in the Reserve for Amortization account in the utility capital fund represent charges to operations of the cost of acquisitions of property, equipment and improvements. The Parking Lot and Facilities Utility does not record depreciation on fixed assets.

- F. Budget/Budgetary Control – Annual appropriated budgets are usually prepared in the first quarter for the Current operating, Parking Lot and Facilities Utility Operating and Open Space Trust Funds. The budgets are submitted to the governing body and the Division of Local Government Services. Budgets are prepared using the cash basis of accounting. The legal level of budgetary control is established at the line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the flexible chart of accounts referenced in N.J.S.A. 40A. All budget amendments/transfers must be approved by the Township during the year.

TOWNSHIP OF LONG HILL  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2010  
(Continued)

Note 2: Long-Term Debt

The Local Bond Law governs the issuance of bonds to finance general Township capital expenditures. All bonds are retired in serial installments within the statutory period of usefulness. All bonds issued by the Township are general obligation bonds. The Township's full faith and credit and taxing power has been pledged to the payment of the general obligation debt principal and interest.

Summary of Municipal Debt

	December 31,		
	2010	2009	2008
<u>Issued</u>			
General:			
Bonds, Loans and Notes	\$ 16,779,849.42	\$ 16,859,539.43	\$ 15,376,773.74
Total Issued	<u>16,779,849.42</u>	<u>16,859,539.43</u>	<u>15,376,773.74</u>
Less: Funds Temporarily Held to Pay Bonds and Notes:			
Reserve to Pay Debt Service	48,100.00		0.41
Total Deductions	<u>48,100.00</u>		<u>0.41</u>
Net Debt Issued	<u>16,731,749.42</u>	<u>16,859,539.43</u>	<u>15,376,773.33</u>
<u>Authorized but not Issued:</u>			
General:			
Bonds and Notes	<u>833,657.47</u>	<u>2,054,913.07</u>	<u>2,886,581.47</u>
Net Bonds, Notes and Loans Issued and Authorized but not Issued	<u>\$ 17,565,406.89</u>	<u>\$ 18,914,452.50</u>	<u>\$ 18,263,354.80</u>

TOWNSHIP OF LONG HILL  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2010  
(Continued)

Note 2: Long-Term Debt

Summary of Municipal Debt Issued and Outstanding – Prior Year

	Balance 12/31/08	Additions	Retirements	Balance 12/31/09
General Capital Fund:				
Serial Bonds	\$ 13,598,000.00		\$ 1,145,000.00	\$ 12,453,000.00
Loans Payable:				
NJ Wastewater Treatment:				
Loan I	382,356.45		382,356.45	
Loan II	413,359.06		202,222.42	211,136.64
Loan III	983,058.23		187,105.44	795,952.79
Bond Anticipation Notes Payable		\$ 3,399,450.00		3,399,450.00
Total	<u>\$ 15,376,773.74</u>	<u>\$ 3,399,450.00</u>	<u>\$ 1,916,684.31</u>	<u>\$ 16,859,539.43</u>

Summary of Municipal Debt Issued and Outstanding – Current Year

	Balance 12/31/09	Additions	Retirements	Balance 12/31/10
General Capital Fund:				
Serial Bonds	\$ 12,453,000.00		\$ 1,145,000.00	\$ 11,308,000.00
Loans Payable:				
NJ Wastewater Treatment:				
Loan II	211,136.64		211,136.64	
Loan III	795,952.79		192,011.00	603,941.79
NJ EIT Loan Payable		\$ 1,507,000.00	38,542.37	1,468,457.63
Bond Anticipation Notes Payable	3,399,450.00	3,399,450.00	3,399,450.00	3,399,450.00
Total	<u>\$ 16,859,539.43</u>	<u>\$ 4,906,450.00</u>	<u>\$ 4,986,140.01</u>	<u>\$ 16,779,849.42</u>

TOWNSHIP OF LONG HILL  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2010  
(Continued)

Note 2: Long-Term Debt

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 .96%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local and Regional School District Debt	\$ 20,355,171.86	\$ 20,355,171.86	
General Debt	<u>17,613,506.89</u>	<u>48,100.00</u>	<u>\$ 17,565,406.89</u>
	<u>\$ 37,968,678.75</u>	<u>\$ 20,403,271.86</u>	<u>\$ 17,565,406.89</u>

Net Debt \$17,565,406.89 divided by Equalized Valuation Basis per N.J.S. 40A:2-2 as amended, \$1,827,468,141 = .96%.

Borrowing Power Under N.J.S. 40A:2-6 As Amended

3-1/2% Average Equalized Valuation of Real Property	\$ 63,961,384.94
Net Debt	<u>17,565,406.89</u>
Remaining Borrowing Power	<u>\$ 46,395,978.05</u>

The foregoing debt information is in agreement with the Revised Annual Debt Statement filed by the Chief Financial Officer

Analysis of Debt Issued and Outstanding at December 31, 2010

General Capital Fund

Serial Bonds

<u>Purpose</u>	<u>Maturities of Bonds</u>		<u>Interest</u>	<u>Balance</u>
	<u>Outstanding Dec. 31, 2010</u>			
	<u>Date</u>	<u>Amount</u>	<u>Rate</u>	<u>Dec. 31, 2010</u>
General Bonds of 2001	8/15/2011-2013	\$ 650,000.00	4.10%	\$ 2,588,000.00
	8/15/2014	638,000.00	4.10%	
General Bonds of 2007	2/15/2011-2014	200,000.00	4.00%	5,850,000.00
	2/15/2015-2019	375,000.00	4.00%	
	2/15/2020-2026	400,000.00	4.00%	
	2/15/2027	375,000.00	4.00%	



TOWNSHIP OF LONG HILL  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2010  
(Continued)

Note 2: Long-Term Debt (Cont'd)

Analysis of Debt Issued and Outstanding at December 31, 2010 (Cont'd)

General Capital Fund (Cont'd)

Serial Bonds (Cont'd)

<u>Purpose</u>	<u>Maturities of Bonds</u>		<u>Interest</u> <u>Rate</u>	<u>Balance</u> <u>Dec. 31, 2010</u>
	<u>Outstanding Dec. 31, 2010</u>			
	<u>Date</u>	<u>Amount</u>		
General Refunding	2/15/2011	\$ 295,000.00	4.00%	\$ 2,870,000.00
Bonds of 2007	2/15/2012-2013	290,000.00	5.00%	
	2/15/2014-2015	290,000.00	4.00%	
	2/15/2016-2017	285,000.00	4.00%	
	2/15/2018-2019	280,000.00	4.00%	
	2/15/2020	285,000.00	4.00%	
				<u>\$ 11,308,000.00</u>

Bond Anticipation Notes

<u>Purpose</u>	<u>Maturities of Notes</u>		<u>Interest</u> <u>Rate</u>	<u>Balance</u> <u>Dec. 31, 2010</u>
	<u>Outstanding Dec. 31, 2010</u>			
	<u>Date</u>	<u>Amount</u>		
Various Improvements	3/18/2011	\$ 1,790,500.00	0.80%	\$ 1,790,500.00
Various Improvements	3/18/2011	509,500.00	0.80%	509,500.00
Various Improvements	3/18/2011	585,500.00	1.30%	585,500.00
Various Improvements	3/18/2011	513,950.00	1.30%	513,950.00
				<u>\$ 3,399,450.00</u>

New Jersey Wastewater Treatment Loans

On November 10, 1993, the Township entered into two additional loan agreements with the State of New Jersey, acting by and through the NJ Department of Environmental Protection and Energy Fund (the "Fund"), and the NJ Wastewater Treatment Trust (the "Trust"), in the aggregate amount of \$3,205,533.00, which represents direct obligations of the Township. The loan agreements were obtained to finance the additional costs for improvement of the wastewater treatment plant. Principal and interest payments commenced August 1, 1994 and continue on a semiannual basis through February 1, 2013.

The balance of the loan at December 31, 2010 was as follows:

NJ Wastewater Treatment Loan III	\$ 603,941.79
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TOWNSHIP OF LONG HILL  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2010  
(Continued)

Note 2: Long-Term Debt (Cont'd)

New Jersey Environmental Infrastructure Trust Loans

On March 10, 2010, the Township entered into two loan agreements with the State of New Jersey, acting by and through the NJ Department of Environmental Protection Fund (the "Fund"), and the NJ Environmental Infrastructure Trust (the "Trust"), in the aggregate amount of \$1,507,000.00, which represents direct obligations of the Township. The loan agreements were obtained to finance the additional costs for improvement of the wastewater treatment plant. Principal and interest payments commenced August 1, 2010 and continue on a semiannual basis through August 1, 2029.

The balance of the loan at December 31, 2010 was as follows:

NJ Environmental Infrastructure Trust Loan	<u>\$ 1,468,457.63</u>
Total Debt Issued and Outstanding	<u><u>\$ 16,779,849.42</u></u>

Schedule of Annual Debt Service for the Next Five Years and Thereafter for Bonded Debt and Loans Issued and Outstanding

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 1,414,582.03	\$ 487,003.00	\$ 1,901,585.03
2012	1,414,177.98	434,313.00	1,848,490.98
2013	1,418,622.43	375,533.00	1,794,155.43
2014	1,200,813.55	325,633.00	1,526,446.55
2015	737,813.55	275,625.00	1,013,438.55
2016-2020	3,694,067.75	969,425.00	4,663,492.75
2021-2025	2,394,067.75	387,175.00	2,781,242.75
2026-2029	1,106,254.38	40,375.00	1,146,629.38
	<u><u>\$ 13,380,399.42</u></u>	<u><u>\$ 3,295,082.00</u></u>	<u><u>\$ 16,675,481.42</u></u>

Note 3: Fund Balance Appropriated

Fund balance at December 31, 2010, which was appropriated and included as anticipated revenue in the year ending December 31, 2011 adopted budget, was as follows:

Current Fund	\$475,000.00
Current Fund (Prior Year Parking Utility Surplus)	50,000.00

Note 4: Local School District Taxes

Regulations provide for the deferral of not more than 50% of the annual levy when school taxes are raised for a school year and have not been requisitioned by the school district.

The Township of Long Hill has elected not to defer school taxes.

TOWNSHIP OF LONG HILL  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2010  
(Continued)

Note 5: Pension Plans

Township employees are enrolled in one of two cost sharing multiple-employer public employee retirement systems: the Public Employees' Retirement System (PERS) or the Police and Firemen's Retirement System (PFRS) of New Jersey. The State of New Jersey sponsors and administers these two plans which cover substantially all Township employees. As a general rule, all full-time employees are eligible to join one of the two public employee retirement systems.

Employees who are members of PERS and retire at specified age according to the relevant tier category for that employee are entitled to a retirement benefit based upon a formula which takes "final average salary" during years of creditable service. Vesting occurs after 8 to 10 years of service. Enrolled PFRS members may retire at age 55 with a minimum of 10 years of service required for vesting.

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

The contribution policy is set by New Jersey State Statutes and, in most retirement systems, contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. Employee contributions are based on percentages of 5.5% for PERS and 8.5% for PFRS of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate. The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits. In the PERS, the employer contribution includes funding for post-retirement medical premiums.

Township contributions to PFRS amounted to \$638,516, \$627,411 and \$575,538 for 2010, 2009 and 2008, respectively. Township contributions to PERS amounted to \$216,007, \$176,597 and \$150,162 for 2010, 2009 and 2008, respectively. The annual pension cost ("APC") for PERS differed from the net pension obligation ("NPO") due to the enactment of Chapter 114, P.L. 1997 for 2008 as the APC was \$187,703 and the NPO was \$150,162.

Note 6: Accrued Sick and Vacation Benefits

The Township permits employees to accrue a limited amount of unused vacation and sick pay, which may be taken as time off or paid upon retirement or separation at an agreed-upon rate. It is estimated that the current cost of such unpaid compensation would approximate \$232,726. This amount is not reported either as an expenditure or a liability. It is expected that the cost of such unpaid compensation would be included in the Township's budget operating expenditures in the year in which it is used.

This amount is partially reserved in the Reserve for Accrued Sick and Vacation of \$225,413.08 on the Trust Funds balance sheet at December 31, 2010.

TOWNSHIP OF LONG HILL  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2010  
(Continued)

Note 7: Deferred Compensation Plan

The Township of Long Hill offers its employees a deferred compensation plan (the "Plan") created in accordance with Section 457 of the Internal Revenue Code. The Plan, which is administered by Lincoln National Life Insurance Company, is available to all Township employees and permits participants to defer a portion of their salary. The deferred compensation is not available to employees until termination, retirement, unforeseeable emergency, or upon death to their beneficiaries.

Note 8: Selected Tax Information

Property taxes are levied as of January 1 on property values assessed as of the previous calendar year. The tax levy is divided into two billings. The first billing is an estimate of the current year's levy based on the prior year's taxes. The second billing reflects adjustments to the current year's actual levy. The final tax bill is usually mailed on or before June 14<sup>th</sup>, along with the first half estimated tax bills for the subsequent year. The first half estimated taxes are divided into two due dates, February 1 and May 1. The final tax bills are also divided into two due dates, August 1 and November 1. A ten-day grace period is usually granted before the taxes are considered delinquent and there is an imposition of interest charges. A penalty may be assessed for any unpaid taxes in excess of \$10,000 at December 31 of the current year. Unpaid taxes of the prior year may be placed in lien at a tax sale held after April 1 and through December 31. Unpaid taxes of the current year may be placed in lien at a tax sale held after December 10.

	<u>2010</u>	<u>2009</u>	<u>2008</u>
<u>Tax Rate</u>	2.725	2.662	2.564
<u>Apportionment of Tax Rate</u>			
Municipal	.712	.701	.682
Municipal Open Space	.019	.019	.019
County	.327	.336	.344
Local School	1.145	1.114	1.063
Regional School	.522	.492	.456
<u>Assessed Valuations</u>			
2010	\$ 1,292,099,025		
2009		\$ 1,287,694,014	
2008			\$ 1,282,861,911

Comparison of Tax Levies and Collection Currently

A study of this tabulation could indicate a possible trend in future tax levies. A decrease in the percentage of current collection could be an indication of a probable increase in future tax levies.

<u>Year</u>	<u>Tax Levy</u>	<u>Currently</u>	
		<u>Cash Collections</u>	<u>Percentage of Collection</u>
2010	\$ 35,268,162.80	\$ 34,538,856.52	97.93%
2009	34,337,430.03	33,768,528.18	98.34%
2008	32,958,966.14	32,373,176.35	98.22%

TOWNSHIP OF LONG HILL  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2010  
(Continued)

Note 8: Selected Tax Information (Cont'd)

Also, increases in future tax levies can also be warranted if revenue sources outside of those directly generated by the municipality, such as federal or state aid, should decline without corresponding decreases in budgeted expenditures.

Note 9: Cash and Cash Equivalents

Cash and cash equivalents include petty cash, change funds, amounts in deposits, money market accounts, and short-term investments with original maturities of three months or less.

Investments, if any, are stated at cost, which approximates market. The Township classifies certificates of deposit which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments.

GASB Statement No. 40 *Governmental Accounting Standards Board Deposit and Investment Risk Disclosures* requires disclosure of the level of custodial credit risk assumed by the Township in its cash, cash equivalents and investments, if those items are uninsured or unregistered. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned.

Interest Rate Risk – In accordance with its cash management plan, the Township ensures that any deposit or investment matures within the time period that approximates the prospective need for the funds, deposited or invested, so that there is not a risk to the market value of such deposits or investments.

Credit Risk – The Township limits its investments to those authorized in its cash management plan which are those permitted under state statute as detailed on the following page.

Deposits:

New Jersey statutes require that municipalities deposit public funds in public depositories located in New Jersey which are insured by the Federal Deposit Insurance Corporation, or by any other agency of the United States that insures deposits made in public depositories. Municipalities also are permitted to deposit public funds in the State of New Jersey Cash Management Fund.

New Jersey statutes require public depositories to maintain collateral for deposits of public funds that exceed insurance limits as follows:

The market value of the collateral must equal 5% of the average daily balance of public funds on deposit.

In addition to the above collateral requirement, if public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value at least equal to 100% of the amount exceeding 75%.

All collateral must be deposited with the Federal Reserve Bank, the Federal Home Loan Bank Board or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.

TOWNSHIP OF LONG HILL  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2010  
(Continued)

Note 9: Cash and Cash Equivalents (Cont'd)

Investments:

New Jersey statutes permit the Township to purchase the following types of securities:

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

TOWNSHIP OF LONG HILL  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2010  
(Continued)

Note 9: Cash and Cash Equivalents (Cont'd)

As of December 31, 2010, cash and cash equivalents of the Township of Long Hill consisted of the following:

<u>Fund</u>	<u>Cash on Hand</u>	<u>Savings and Checking Accounts</u>	<u>Certificates of Deposits</u>	<u>Totals</u>
Current Fund	\$ 400.00	\$ 2,488,111.06		\$ 2,488,511.06
Federal and State Grant Fund		9,783.16		9,783.16
Animal Control Fund		28,146.98		28,146.98
Other Trust Fund		3,198,030.13		3,198,030.13
General Capital Fund		848,533.66	\$ 1,268,437.10	2,116,970.76
Parking Lot and Facilities				
Utility Operating Fund		265,691.39		265,691.39
Public Assistance Fund		4,057.73		4,057.73
	<u>\$ 400.00</u>	<u>\$ 6,842,354.11</u>	<u>\$ 1,268,437.10</u>	<u>\$ 8,111,191.21</u>

During the period ended December 31, 2010, the Township did not hold any investments other than certificates of deposit. The carrying amount of the Township's cash and cash equivalents at December 31, 2010, was \$8,111,191.21 and the bank balance was \$8,501,663.77. During the period ended December 31, 2009, the Township did not hold any investments other than certificates of deposit. The carrying amount of the Township's cash and cash equivalents at December 31, 2009, was \$8,665,592.37 and the bank balance was \$8,669,021.16.

Note 10: Risk Management

Property and Liability

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Health benefits are provided through the State of New Jersey health benefits plan.

Property and Liability

The Township of Long Hill is a member of the Morris County Municipal Joint Insurance Fund. This Fund is both an insured and self-administered group of municipalities established for the purpose of providing certain low-cost insurance coverage for member municipalities in order to keep local property taxes at a minimum.

TOWNSHIP OF LONG HILL  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2010  
(Continued)

Note 10: Risk Management (Cont'd)

Property and Liability (Cont'd)

The following coverages are offered by the Fund to its members:

- a.) Workers' Compensation and Employers' Liability
- b.) Liability Other Than Motor Vehicles
- c.) Property Damage Other Than Motor Vehicles
- d.) Motor Vehicle
- e.) Public Officials' Liability/Employment Practices Coverage
- f.) Environmental Coverage

As a member of the Fund, the Township could be subject to supplemental assessments in the event of deficiencies. If the assets of the Fund were to be exhausted, members would become responsible for their respective shares of the Fund's liabilities.

This Fund can declare and distribute dividends to members upon approval of the State of New Jersey Department of Banking and Insurance. These distributions are divided amongst the members in the same ratio as their individual assessment relates to the total assessment of the membership body.

The December 31, 2010 audit report of the Morris County Municipal Joint Insurance Fund is not filed as of the date of this audit. Summarized selected financial information for the Fund as of December 31, 2009 is as follows:

	Morris County Municipal Joint Insurance Fund
Total Assets	\$ 22,795,525
Net Assets	\$ 12,188,170
Total Revenue	\$ 15,237,370
Total Expenses	\$ 14,751,935
Change in Net Assets	\$ 485,435
Net Assets Distribution to Participating Members	\$ -0-

Financial statements for the Fund are available at the Office of the Executive Director:

Morris County Municipal Joint Insurance Fund  
PERMA Risk Management Services  
250 Pehle Avenue, Suite 701  
Saddle Brook, New Jersey 07663  
(201) 587-0555



TOWNSHIP OF LONG HILL  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2010  
(Continued)

Note 10: Risk Management (Cont'd)

New Jersey Unemployment Compensation Insurance

The Township has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method". Under this plan, the District is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The Township is billed quarterly for amounts due to the State.

The following is a summary of Township and employee contributions, interest earned and reimbursements to the State for benefits paid and the ending balance of the Township's expendable trust fund for the current and previous two years:

<u>Year</u>	<u>Township/ Employee Contributions</u>	<u>Interest Earned</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2008		\$ 60.12	\$ 2,057.39	\$ 6,050.38
2009	\$ 35,277.95	73.41	40,661.91	739.83
2010	31,841.99	87.52	17,396.32	15,273.02

Note 11: Interfund Receivables and Payables

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Current Fund		\$ 30,410.99
Other Trust Fund	\$ 5,438.92	
General Capital Fund	24,972.07	
Parking Lot and Facilities Utility Operating Fund		21,500.00
Parking Lot and Facilities Utility Capital Fund	21,500.00	
	<u>\$ 51,910.99</u>	<u>\$ 51,910.99</u>

The interfund receivable in the General Capital Fund and the interfund payable in the Current Fund is due to sewer contribution fees deposited in the Current Fund not yet turned over to the General Capital Fund.

Note 12: Open Space Trust Fund

The Township created an Open Space Trust Fund with a tax levy of \$.02 per \$100 of assessed valuation in 1997. The funds collected are used to acquire and maintain open space property in the Township. The balance in the Open Space Trust Fund at December 31, 2010 and 2009 was \$2,100,189.36 and \$1,887,727.46, respectively.

TOWNSHIP OF LONG HILL  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2010  
(Continued)

Note 13: Commitments and Contingencies

The Township is periodically involved in various lawsuits arising in the normal course of business, including claims for property damage, personal injury, and various contract disputes. In the opinion of the General Counsel to the Township, payment of claims by the Township, for amounts not covered by insurance, in the aggregate, are not expected to have a material adverse effect on their financial position not covered by insurance, in the aggregate, are not expected to have a material adverse effect on their financial position.

Amounts received or receivable from grantors, principally the federal and state governments are subject to regulatory requirements and adjustments by the agencies. Any disallowed claims, including amounts previously recognized by the Township as revenue would constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantors cannot be determined at this time, although Township officials expect such amounts, if any, to be immaterial.

Various tax appeals on assessed valuations have been filed against the Township and are awaiting tax court decisions. The ultimate outcome and effect of such appeals have not been determined; however, the Township Tax Assessor will aggressively defend the Township's assessments. The Township has established a reserve for this contingency in the amount of \$75,000, which the Township believes is adequate to cover any potential liability.

Note 14: Economic Dependency

The Township receives a substantial amount of its support from federal and state governments. A significant reduction in the level of support, if this were to occur, may have an effect on the Township's programs and activities.

## APPENDIX C

### FORM OF LEGAL OF OPINION OF BOND COUNSEL

# Hawkins Delafield & Wood LLP

A NEW YORK LIMITED LIABILITY PARTNERSHIP

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C. STEVEN DONOVAN  
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KRISTINE L. PERLA  
ERIC J. SAPIR  
CHARLES G. TOTO  
PATRICIA A. GOINS

July 18, 2011

Township Committee of The  
Township of Long Hill, in the  
County of Morris, New Jersey

Ladies and Gentlemen:

We have examined a record of proceedings relating to the issuance of \$3,684,000 General Bonds of 2011 (the "Bonds") of The Township of Long Hill, in the County of Morris, a municipal corporation of the State of New Jersey, in said County of Morris. The Bonds are issued pursuant to the Local Bond Law of the State of New Jersey, and as provided by resolution of the Township Committee of the Township, entitled: "Resolution providing for the combination of certain issues of bonds of the Township of Long Hill, in the County of Morris, New Jersey, into a single issue of General Bonds aggregating \$3,684,000 in principal amount", adopted June 8, 2011 and the bond ordinances referred to therein.

The Bonds are dated July 18, 2011, and bear interest from their dated date at the rates per annum (payable semi-annually on each January 15 and July 15 until maturity or earlier redemption, commencing January 15, 2012) and mature on July 15 in the years and in the respective principal amounts set forth below:

<u>Year</u>	<u>Principal Amount</u>	<u>Year</u>	<u>Principal Amount</u>
2012	\$100,000	2022	\$200,000
2013	100,000	2023	200,000
2014	200,000	2024	200,000
2015	200,000	2025	200,000
2016	200,000	2026	200,000
2017	200,000	2027	200,000
2018	200,000	2028	200,000
2019	200,000	2029	200,000
2020	200,000	2030	200,000
2021	200,000	2031	84,000

The Bonds maturing prior to July 15, 2022 are not subject to redemption prior to maturity at the option of the Township. The Bonds maturing on and after July 15, 2022 are subject to redemption prior to maturity at the option of the Township in whole or in part, in any order of maturity and by lot within a maturity if less than all the Bonds of such maturity are to be redeemed, on any date on or after July 15, 2021, at a redemption price equal to 100% of the principal amount thereof, together with interest accrued, if any, to the date fixed for redemption.

The Internal Revenue Code of 1986, as amended (the "Code") establishes certain requirements to be met subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds be and remain excluded from gross income under Section 103 of the Code. We have examined the Arbitrage and Use of Proceeds Certificate of the Township delivered in connection with the issuance of the Bonds which contains provisions and procedures regarding compliance with the requirements of the Code. By said Arbitrage and Use of Proceeds Certificate, the Township has certified that, to the extent it is empowered and allowed under applicable law, it will comply with the provisions and procedures set forth therein and that it will do and perform all acts and things necessary or desirable to assure that interest paid on the Bonds is excludable from gross income under Section 103 of the Code. In rendering this opinion we have assumed that the Township will comply with the provisions and procedures set forth in its Arbitrage and Use of Proceeds Certificate.

In our opinion, the Bonds are valid and legally binding obligations of the Township and, unless paid from other sources, are payable from ad valorem taxes levied upon all the taxable property within the Township without limitation as to rate or amount. The enforceability of rights or remedies with respect to the Bonds may be limited by bankruptcy, insolvency or other laws affecting creditors' rights or remedies heretofore or hereafter enacted.

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

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

We express no opinion regarding any other federal or state consequences with respect to the Bonds. We render our opinion under existing statutes and court decisions as of the issue date, and assume no obligation to update this opinion after the issue date to reflect any future action, fact or circumstance, or change in law or interpretation, or otherwise. We express no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for federal income tax purposes of interest on the Bonds, or under state and local tax law.

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

Very truly yours,