

NEW ISSUE

RATING: Moody's: _____

In the opinion of the Law Office of John G. Hudak, Esq., LLC, Linden, New Jersey ("Bond Counsel"), under existing statutes, regulations and judicial decisions, assuming continuing compliance with certain tax-related covenants described herein, (i) interest on the Bonds is not includable in gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended ("Code"), and (ii) such interest will not be treated as a preference item under Section 57 of the Code for purposes of computing the federal alternative minimum tax; such interest, however, will be included in the adjusted current earnings of a corporation for purposes of the federal alternative minimum tax imposed on corporations. Bond Counsel is further of the opinion that, under existing laws of the State of New Jersey, interest on the Bonds and any gain on the sale of the Bonds is not includable as gross income under the New Jersey Gross Income Tax Act. See "TAX MATTERS" herein.

**BOROUGH OF SPOTSWOOD
IN THE COUNTY OF MIDDLESEX, NEW JERSEY
\$2,500,000* General Obligation Water-Sewer Utility Refunding Bonds, Series 2012
and
\$3,706,000* General Obligation Bonds, Series 2012
Consisting Of
\$1,385,000* General Improvement Bonds, Series 2012 and
\$2,321,000* Water/Sewer Utility Bonds, Series 2012
(Book-Entry Only) (Bank-Qualified) (Non-Callable)**

Dated: Date of Delivery

Due: as shown on the inside cover

The \$2,500,000* General Obligation Water-Sewer Utility Refunding Bonds, Series 2012 (the "Refunding Bonds"), and \$3,706,000* General Obligation Bonds, Series 2012, consisting of: \$1,385,000* General Improvement Bonds, Series 2012, and \$2,321,000* Water/Sewer Utility Bonds, Series 2012 (the "New Money Bonds", and collectively with the Refunding Bonds, the "Bonds") are general obligations of the Borough of Spotswood, in the County of Middlesex, New Jersey (the "Borough") and are secured by a pledge of the full faith and credit of the Borough for the payment of the principal of and interest thereon. The Bonds are payable, if not paid from other sources, from *ad valorem* taxes levied upon all taxable real property within the Borough without limitation as to rate or amount.

The Bonds will be issued as fully-registered bonds in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, New York, New York ("DTC"), which will maintain a book-entry system for recording ownership interests of DTC Participants. Individual purchases of beneficial ownership interests in the Bonds may be made in book-entry form only on the records of DTC and its Participants and only in the principal amount of \$1,000 or any integral multiple thereof (with a minimum purchase of \$5,000). Beneficial Owners of the Bonds will not receive certificates representing their interests in the Bonds. As long as Cede & Co. is the registered owner, as nominee of DTC, references in this Official Statement to the registered owners shall mean Cede & Co., and not the Beneficial Owners of the Bonds. See "BOOK-ENTRY ONLY SYSTEM" herein.

The Bonds shall be dated the date of delivery and will mature on the dates and in the principal amounts set forth on the inside cover page hereof. The New Money Bonds shall bear interest from the date of delivery, payable as of each June 15 and December 15, commencing December 15, 2012 and the Refunding Bonds shall bear interest from the date of delivery, payable as of each June 1 and December 1, commencing December 1, 2012 (each an "Interest Payment Date"), in each year until maturity at the interest rates set forth on the inside cover hereof. As long as DTC or its nominee Cede & Co. is the registered owner of the Bonds, payment of the principal of and interest on the Bonds will be made by the Borough directly to DTC or its nominee, Cede & Co. Interest on the Bonds will be credited to the participants of DTC as listed on the records of DTC as of each preceding December 1 and June 1 for the New Money Bonds and as of each preceding November 15 and May 15 for the Refunding Bonds (collectively the "Record Dates" for the payment of interest on the Bonds).

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

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire official statement to obtain information essential to the making of an informed investment decision.

The Bonds are offered when, as and if issued and subject to prior sale, to withdrawal or modification of the offer without notice, and to the approval of legality by the Law Office of John G. Hudak Esq., LLC, Linden, New Jersey, Bond Counsel, and certain other conditions described herein. Phoenix Advisors, LLC, Bordentown, New Jersey has served as financial advisors to the Borough in connection with the issuance of Bonds. Certain legal matters will be passed upon for the Borough by its Counsel, Patrick Diegnan, Esq., South Plainfield, New Jersey. The Bonds are expected to be available for delivery in definitive form through DTC in New York, New York on or about June 19, 2012.

* Preliminary. Subject to Change.

This is a Preliminary Official Statement, complete with the exception for the specific information permitted to be omitted by Rule 15c2-12 of the Securities and Exchange Commission. The Borough has authorized distribution of this Preliminary Official Statement to prospective purchasers and others. In accordance with Rule 15c2-12, this Preliminary Official Statement is deemed final. Upon the sale of the Bonds described herein, the

**\$2,500,000*GENERAL OBLIGATION WATER-SEWER UTILITY REFUNDING BONDS,
SERIES 2012
MATURITIES, INTEREST RATES AND YIELDS***

<u>Year</u> <u>(December 1)</u>	<u>Maturity</u> <u>\$ 10,000</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>
2012			
2013	220,000		
2014	225,000		
2015	230,000		
2016	235,000		
2017	240,000		
2018	245,000		
2019	260,000		
2020	275,000		
2021	285,000		
2022	275,000		

**\$3,706,000* General Obligation Bonds, Series 2012
Consisting Of
\$1,385,000* General Improvement Bonds, Series 2012 and
\$2,321,000* Water/Sewer Utility Bonds, Series 2012
MATURITIES, INTEREST RATES AND YIELDS***

<u>Year</u> <u>(June 15)</u>	<u>Combined</u> <u>Maturity</u>	<u>General</u> <u>Improvement</u>	<u>Water-Sewer</u> <u>Utility</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>
2013	\$375,000	\$200,000	\$175,000		
2014	375,000	200,000	175,000		
2015	400,000	225,000	175,000		
2016	425,000	225,000	200,000		
2017	425,000	225,000	200,000		
2018	425,000	200,000	225,000		
2019	335,000	110,000	225,000		
2020	300,000	-0-	300,000		
2021	300,000	-0-	300,000		
2022	346,000	-0-	346,000		

* Preliminary. Subject to Change.

**BOROUGH OF SPOTSWOOD
COUNTY OF MIDDLESEX, NEW JERSEY**

MAYOR AND COUNCIL

Thomas Barlow, Mayor
Margaret Drozd
Nicholas Polisenio
Edward Seeley
Frank LoSacco
Curtis Stollen

Borough Administrator
Ron Fasanello

Chief Financial Officer and Tax Collector
Barbara Petren

Borough Clerk
Patricia DeStefano

Borough Attorney
Patrick J. Diegnan, Jr., Esq.

Borough Auditor
Gerard Stankiewicz, CPA, RMA
of
Samuel Klein and Company

Bond Counsel
Law Office of John G. Hudak, Esq., LLC

Financial Advisor
Phoenix Advisors, LLC

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor there any sale of the Bonds in any jurisdiction to any person to whom is it unlawful to make such offer, solicitation or sale in such jurisdiction. No dealer, broker, salesperson or other person has been authorized by the Borough to give any information or to make any representations other than those contained herein in connection with the offering of the Bonds, and, if given or made, such other information or representations must not be relied upon as having been authorized by the Borough. Certain of the information set forth herein has been provided by the Borough and other sources deemed reliable; however, no representation or warranty is made as to its accuracy or completeness and such information is not to be construed as a representation or warranty by the Borough or, as to information from sources other than itself, by the Borough. The information and the expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement, nor any sale made hereunder, shall under any circumstances create any implication that there has been no change in any of the information herein since the date hereof, or the date as of which such information is given, if earlier.

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

Neither the Law Office of John G. Hudak, Esq. LLC, nor the Financial Advisor, Phoenix Advisors, LLC has participated in the preparation of the financial or statistical information contained in this Official Statement nor have they verified the accuracy or completeness thereof; accordingly, they express no opinion with respect thereto.

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**OFFICIAL STATEMENT
BOROUGH OF SPOTSWOOD
COUNTY OF MIDDLESEX, NEW JERSEY
\$2,500,000*GENERAL OBLIGATION WATER-SEWER UTILITY REFUNDING BONDS,
SERIES 2012
(Book-Entry Only) (“Bank Qualified”) (Non-Callable)
AND
\$3,706,000* GENERAL OBLIGATION BONDS, SERIES 2012
CONSISTING OF
\$1,385,000* General Improvement Bonds, Series 2012 and
\$2,321,000* Water/Sewer Utility Bonds, Series 2012
(Book-Entry Only) (Bank Qualified) (Non-Callable)**

INTRODUCTION

This Official Statement, which includes the cover page and the appendices attached hereto, has been prepared by the Borough of Spotswood, County of Middlesex, New Jersey (the “Borough”) and provides certain information regarding the financial and economic condition of the Borough in connection with the issuance and sale of the Borough’s \$2,500,000* General Obligation Water-Sewer Utility Refunding Bonds, Series 2012 (the “Refunding Bonds”), and \$3,706,000* General Obligation Bonds, Series 2012, consisting of: \$1,385,000* General Improvement Bonds, Series 2012, and \$2,321,000* Water/Sewer Utility Bonds, Series 2012 (the “New Money Bonds”, and collectively with the Refunding Bonds, the “Bonds”). This Official Statement has been executed by and on behalf of the Borough by the Chief Financial Officer of the Borough.

THE BONDS

General Description

The Bonds shall be dated the date of delivery and will mature on the dates and in the principal amounts set forth on the inside cover page hereof. The New Money Bonds shall bear interest from the date of delivery, payable as of each June 15 and December 15, commencing December 15, 2012 and the Refunding Bonds shall bear interest from the date of delivery, payable as of each June 1 and December 1, commencing December 1, 2012 (each an “Interest Payment Date”), in each year until maturity at the interest rates set forth on the cover page and inside cover hereof. As long as The Depository Trust Company, New York, New York (“DTC”) or its nominee, Cede & Co., is the registered owner of the Bonds, payments of the principal of and interest on the Bonds will be made by the Borough directly to DTC or Cede & Co. which will credit payments of principal of and interest on the Bonds to the participants of DTC as listed on the records of DTC as of each next preceding May 15 and November 15, for the Refunding Bonds and each next preceding December 1 and June 1 respectively (the “Record Dates” for the payment of interest on the Bonds), which participants will in turn credit such payments to the beneficial owners of the Bonds.

The Bonds are issuable as fully-registered book-entry bonds in the form of one certificate for each maturity of the Bonds and in the principal amount of such maturity. The Bonds will be issued in book-entry form only and in the principal amount of \$1,000 or any integral multiple thereof (with a minimum purchase of \$5,000). So long as DTC or its nominee, Cede & Co. (or any successor or assign), is the registered owner of the Bonds, payment of the principal of and interest on the Bonds will be made by the Borough directly to DTC or Cede & Co. (or any successor or assign), as nominee for DTC. Disbursement of such payments to the participants of DTC is the responsibility of DTC. See “BOOK-ENTRY ONLY SYSTEM”.

*Preliminary, Subject to Change

SECURITY AND SOURCE OF PAYMENT

The Bonds are general obligations of the Borough, and the Borough has pledged its full faith and credit for the payment of the principal of and interest on the Bonds. The Bonds are direct obligations of the Borough and, unless paid from other sources, the Borough is required to levy *ad valorem* taxes upon all the real property taxable within the Borough of the payment of the principal of and interest on the Bonds without limitation as to rate or amount. See: "PROVISIONS FOR THE PROTECTION OF GENERAL OBLIGATION DEBT" herein. The Bonds will be originally issued in the name of Cede & Co., as registered owner and nominee for DTC. See "BOOK-ENTRY ONLY SYSTEM" herein.

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

AUTHORIZATION AND PURPOSE OF THE ISSUE

The Bonds are issued pursuant to the Local Bond Law of the State of New Jersey (N.J.S.A. 40A:2-1 et seq.), and the acts amendatory thereof and supplemental thereto (the "Local Bond Law").

The Refunding Bonds are being issued pursuant to a refunding bond ordinance of the Borough adopted on October 17, 2011, and a resolution adopted by the Borough Council on May 21, 2012, to provide for (a) the advance refunding of all or a portion of the Borough's originally-issued \$3,818,000 Water-Sewer Utility Bonds, Series 2002 maturing on and after December 1, 2013 in the total principal amount of \$2,413,000 (the "Refunded Bonds"), and (b) the payment of certain costs associated with the issuance of the Refunding Bonds. See the "REFUNDING PLAN" herein.

The New Money Bonds also are authorized by various bond ordinances of the Borough set forth below and in a resolution adopted by the Borough Council on May 21, 2012.

The bond ordinances included in the sale of the New Money Bonds were published in full or in summary form after adoption along with the statement required by the Local Bond law that the twenty day period of limitation within which a suit, action or proceeding questioning the validity of the authorizing bond ordinances can be commenced, began to run from the date of the first publication of such estoppel statement. The Local Bond Law provides that after issuance, all obligations shall be conclusively presumed to be fully authorized and issued by all laws of the State, and any person shall be estopped from questioning the sale or the execution or the delivery of the New Money Bonds by the Borough.

The proceeds of the New Money Bonds will be used to currently refund the Borough's outstanding \$2,320,000 General Obligation Bond Anticipation Notes Consisting of \$1,400,000 General Obligation General Improvement Bond Anticipation Notes (the "General Improvement Notes") and \$920,000 General Obligation Water-Sewer Utility Bond Anticipation Notes (the "Water-Sewer Utility Notes" and together with the General Improvement Notes the "Notes") maturing on June 20, 2012, as well as to provide additional funds for General Improvement projects and Water/Sewer Utility projects set forth in the ordinances listed below.

General Improvement

ORDINANCE NO. AND DATED OF ADOPTION	BONDS TO BE ISSUED	PURPOSE
Ordinance No. 2003-14 adopted on September 22, 2003, as amended by Ordinance No 2004-05, adopted on April 19, 2004, as amended by Ordinance No 2005-04, adopted on March 21, 2005, as amended by Ordinance No 2006-17, adopted on August 14, 2006	\$60,000	Vliet Street, Road, Curb and Sidewalk Improvements
Ordinance No. 2006-08 adopted on April 3, 2006, as amended by Ordinance No 2006-15, adopted on June 26, 2006 and as amended by Ordinance No. 09-08, adopted on March 23, 2009.	\$100,000	Road Improvements
Ordinance No 2007-10 adopted on July 7, 2007 as amended by Ordinance No. 08-13, adopted August 18, 2008, as amended by Ordinance 09-18, adopted December 21, 2009, and as amended by Ordinance No. 10-11, adopted December 6, 2010.	\$945,000	Road Improvements
Ordinance No 2008-12 adopted on June 23, 2008	\$30,000	Acquisition Of An Ambulance
Ordinance No. 2012-05 Adopted April 23, 2012	\$250,000	Acquisition Of Vehicles
Total:	\$1,385,000	

Water-Sewer Utility Bonds

ORDINANCE NO. AND DATED OF ADOPTION	BONDS TO BE ISSUED	PURPOSE
Ordinance No 2005-07 adopted on June 13, 2005, as amended by Ordinance No 2006-09, adopted April 3, 2006	\$120,000	Various Water/Sewer Improvements
Ordinance No. 2009-11 on adopted on July 6, 2009	\$350,000	Various Water/Sewer Improvements
Ordinance No. 2005-07 on adopted on June 13, 2005, as amended by Ordinance No.2006-09, adopted April 4, 2006.	\$300,000	Various Water/Sewer Improvements
Ordinance No 2012-03 on adopted March 19, 2012	\$1,238,000	Water-Sewer Utility Improvements
Ordinance No. 2012-04 adopted on April 23, 2012	\$313,000	Water-Sewer Utility Improvements
Total:	\$2,321,000	

REFUNDING PLAN

The Refunding Bonds are being issued to effect the refunding of the Refunded Bonds pursuant to the Borough's refunding plan (the "Refunding Plan"). The Refunding Plan calls for the advance refunding and redemption of the Refunded Bonds on December 1, 2012 (the "Redemption Date") at 100% of the principal amount of the Refunded Bonds (the "Redemption Price").

The proceeds of the Refunding Bonds are to be applied to the purchase of direct non-callable obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America (State and Local Government Series) (the "Government Obligations") with any investment earnings thereon, together with any cash remaining after the purchase of the Government Obligations, will be sufficient to make payments when due of principal of, interest on, and Redemption Price, payable with respect to the Refunded Bonds. The Government Obligations (together with any cash remaining after the purchase of the Government Obligations) are required to be held in an escrow fund (the "Escrow Deposit Fund") by The Bank of New York Mellon, Woodland Park, NJ and Dallas, TX (the "Escrow Agent") for the Refunded Bonds pursuant to the terms of an escrow deposit agreement with the Borough (the "Escrow Deposit Agreement").

The Refunding Plan calls for the Escrow Agent, pursuant to the Escrow Deposit Agreement, to pay, from the Escrow Deposit Fund, when due, interest on and principal of the Refunded Bonds and, in accordance with the terms of the Refunded Bonds, to call the Refunded Bonds for early redemption on the Redemption Date at the Redemption Price.

The holders of the Refunded Bonds will have a lien on all cash and securities in the Escrow Deposit Fund. Upon payment of all of the Refunded Bonds, the Escrow Deposit Agreement, subject to certain conditions precedent, shall terminate. The maturing Government Obligations, together with interest earnings thereon and cash held in the Escrow Deposit Fund, will be verified to be sufficient to meet all required payments of principal of, interest on, and Redemption Price payable with respect to the Refunded Bonds. See "VERIFICATION OF MATHEMATICAL ACCURACY" herein.

OPTIONAL REDEMPTION

The Bonds **will not** be subject to redemption prior to maturity.

BOOK-ENTRY ONLY SYSTEM

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

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

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct 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 the Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. Beneficial Owners of the 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 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 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 Authority 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 and redemption proceeds, if any, 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 Authority or the Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC, nor its nominee, the Trustee or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest and redemption proceeds, if any, to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will 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 Authority or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

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

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

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

THE PAYING AGENT WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH DTC PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS TO OR PROVIDING OF NOTICE FOR THE DTC PARTICIPANTS, OR THE INDIRECT PARTICIPANTS, OR BENEFICIAL OWNERS.

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE BONDS, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE BONDHOLDERS OR REGISTERED OWNERS OF THE BONDS (OTHER THAN UNDER THE CAPTION "TAX EXEMPTION") SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE BONDS.

Discontinuation of Book-Entry Only System

If the Borough, in its sole discretion, determines that DTC is not capable of discharging its duties, or if DTC discontinues providing its services with respect to the Bonds at any time, the Borough will attempt to locate another qualified Securities Depository. If the Borough fails to find such Securities Depository, or if the Borough determines, in its sole discretion, that it is in the best interest of the Borough or that the interest of the Beneficial Owners might be adversely affected if the book-entry only system of transfer is continued (the Borough undertakes no obligation to make an investigation to determine the occurrence of any events that would permit it to make such determination) the Borough shall notify DTC of the termination of the book-entry only system.

In the event that the book-entry only system for the Bonds is discontinued, the Borough has provided that upon receipt of the Bond certificates from DTC and the Participant information, the Borough will authenticate (or cause to be authenticated) and deliver definitive Bonds to the holders thereof, and the principal of and interest on the Bonds will be payable and the Bonds may thereafter be transferred or exchanged in the manner described in the Bond certificates so provided.

PROVISIONS FOR THE PROTECTION OF GENERAL OBLIGATION DEBT

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

The Bonds are issued pursuant to the provisions of the Local Bond Law, N.J.S.A. 40A:2-1 et seq. The Local Bond Law governs the issuance of bonds and notes by municipalities to finance certain general municipal and utility capital expenditures. Among its provisions are requirements that bonds must mature within the statutory period of usefulness of the projects bonded and that bonds must be retired in serial installments. A 5% cash down payment is generally required toward the financing of expenditures for municipal purposes. All bonds and notes issued by the Borough are general full faith and credit obligations.

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

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

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

The Director has no authority over individual operating appropriations, unless a specific amount is required by law, but the review functions, focusing on anticipated revenue, serve to protect the solvency of the Borough. The Borough budget by law and regulation of the Division must be in balance, on a cash basis, i.e., the total of anticipated revenues must equal the total of appropriations (N.J.S.A. 40A:4-22). If in any year a local unit's expenditures exceed its realized revenues for that year, then such excess must be raised in the succeeding year's budget.

Capital Budget

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

Operation of Utilities

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

Municipal "Cap" Law

A statute passed in 1976, as amended and supplemented (N.J.S.A. 40A:4-45.1 *et seq.*), commonly known as the "Cap Law", imposed limitations on increases in municipal appropriations subject to various exceptions. While the Cap Law restricts the ability of a municipality to increase its overall appropriations, the payment of debt service is an exception from this limitation. The Cap formula is somewhat complex, but basically, it permits a municipality to increase its overall appropriations by the lesser of 2.5% or the Cost-of-Living Adjustment ("COLA"). Increases up to 3.5% are allowed by adoption of an ordinance whenever the COLA is less than 2.5%. If the COLA is greater than 2.5%, an increase in any amount above 2.5% will be permitted by adoption of an ordinance to 3.5% and beyond 3.5% upon passage of referendum. The COLA is the rate of annual percentage increase in the Implicit Price Deflator for State and Local Government purchases of goods and services computed by the U.S. Department of Commerce. Exceptions to the limitations imposed by the Cap Law also exist for other items including capital expenditures; extraordinary expenses approved by the Local Finance Board for implementation of an interlocal services agreement; expenditures mandated as a result of certain emergencies; and certain expenditures for services mandated by law. The Cap Law does not limit the obligation of the Borough to levy and *ad valorem* taxes upon all taxable real property within the Borough to pay debt service.

Chapter 62 of the Pamphlet Laws of 2007 imposed restrictions upon the allowable annual increase in the tax levy. In general, starting with the 2008 budgets for calendar year municipalities and 2009 for fiscal year municipalities, municipalities have their tax levies limited to a four percent (4%) increase. The cap calculation is subject to various adjustments, such as the value of increased assessments, and allows for an increase in the adjusted tax levy for various items, including amounts required to be added to the adjusted tax levy for increases in debt service, amounts required to replace reductions in State formula aid, certain increased pension contributions, increases greater than four percent (4%) in the reserve for uncollected taxes, and increases in health care costs in excess of four percent (4%) (but not in excess of the percentage increase in the State Health Benefits Program). The law also allows the Local Finance Board to grant waivers for extraordinary circumstances (some of which are defined in the Law) and authorizes a municipality to submit a public question to the voters for approval (by an affirmative vote of at least sixty percent (60%) to increase the amount to be raised by taxation by more than the allowable adjusted tax levy.

On July 13, 2010, P.L. 2010, c.44 was approved, effective for budget years following enactment, reducing tax levy cap to 2% and limiting the exclusions to amounts required to be raised by taxation for debt service as defined by law, certain pension contributions and health care costs in excess of 2% and extraordinary costs directly related to a declared emergency. Voter approval may be requested to increase the amount to be raised by taxation by more than the allowable adjusted tax levy.

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

The Borough's appropriation and tax levy increases for 2012 were within the limits allowed by the CAP Law and Chapter 62, taking into account applicable adjustments and without requesting any waivers from the Local Finance Board.

Tax Levy "Cap"

Chapter 62 of P.L. 2007 imposes limitations on increases in the tax levies of municipalities, counties, and fire districts subject to various exclusions. Beginning with the preparation of Fiscal 2008 budgets the amount to be raised by taxation by a local unit shall not exceed the sum of new ratables, the adjusted tax levy, and the total of waivers approved by the Local Finance Board pursuant to section 11 of P.L. 2007, c.62 (C.40A:4-45.46). "New Ratables" means the product of the taxable value of any new construction or improvements times the tax rate of the local unit for its previous tax year. "Adjusted tax levy" means an amount not greater than the amount to be raised by taxation of the previous fiscal year, less any waivers from a prior fiscal year multiplied by 1.04, to which the sum of exclusions defined in subsection b. of section 10 of P.L. 2007, c.62 (C.40A:4-45.45) shall be added. Exclusions pursuant to this section are: (1) increases in amounts required to be raised for (a) all debt service and (b) lease payments with county improvement authorities in effect at the time of the passing of the legislation; (2) increases in amounts required to be raised to replace State formula aid due to a reduction in State formula aid from the previous local budget year; (3) increases in amounts for certain pension contributions set forth in section 5 of P.L. 2003, c.108 (C.40A:4-45.43) for the years set forth in that section; (4) any increase greater than four percent in the reserve for uncollected taxes that is required by law; (5) 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 four percent 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; (6) Notwithstanding the above provisions, when the appropriation for all debt service is less than the amount appropriated for all debt service in the prior fiscal year, the amount of the difference shall be deducted from the sum of the exclusions listed above as (1) through (5). If there are no exclusions, then the amount of the difference shall reduce the adjusted tax levy by that amount. Any cancelled or unexpended appropriations for any exclusion pursuant to this subsection or waiver, also shall be deducted from the sum of the exclusions listed above as (1) through (5) or directly reduce the adjusted tax levy if there are no exclusions. The Tax Levy Cap does not limit the obligations of the Borough to levy *ad valorem* taxes upon all taxable real property within the Borough to pay debt service on the Bonds.

Miscellaneous Revenues

The Local Budget Law (N.J.S.A. 40A:4-26) provides that: "No miscellaneous revenues from any source shall be included as an anticipated revenue in the budget in an amount in excess of the amount of 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 expectations that such excess amount will actually be realized in cash during the fiscal year and shall certify such determination, in writing, to the local unit."

Real Estate Taxes

N.J.S.A. 40A:4-29 of the Local Budget Law governs 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”.

N.J.S.A. 40A:4-41 of the Local Budget Law provides with regard to current taxes that: “Receipts from the collection of taxes levied or to be levied in a municipality or, in the case of a county, for general county purposes and payable in a fiscal year, shall be anticipated in an amount which is not in excess of the percentage of taxes levied and payable during the next preceding fiscal year which was received in cash by the last day of the preceding fiscal year.”

This provision and N.J.S.A. 40A:4-40 require that an additional amount (the “Reserve for Uncollected Taxes”) be added to the tax levy 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 be at least equal to the tax levy required to balance the budget. The reserve for uncollected taxes requirement is calculated as follows:

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

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 Borough Council. With minor exceptions, however, such appropriations must be included in full in the following year's budget. Under the Cap Law, any emergency appropriation must be declared by resolution in accordance with the Local Budget Law, must be approved by at least two-thirds of the Borough Council and must be approved by the Director. When such appropriations exceed 3% of the adopted operating budget, consent of the Director must be obtained.

The exceptions are certain enumerated quasi-capital projects (“special emergencies”) such as ice, snow, and flood damage to streets, roads, and bridges which may be amortized over three years; and tax map preparation, re-evaluation programs, revision and codification of ordinances, master plan preparations, and drainage map preparation for flood control purposes 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. Although sub-accounts within an appropriation account are not subject to the same year-end transfer restriction, they are subject to internal review and approval.

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

This law regulates the non-budgetary 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 Clerk of the local governmental unit and with the Director within six (6) months after the close of the local unit's fiscal year, unless the Director extends the time to complete and file the audit. 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 Finance Officer of every local unit must file annually with the Director a verified statement of the financial condition of the local unit. The entire annual audit report is filed with the Municipal Clerk and is available for review during business hours.

Debt Limit

The authorized bonded indebtedness of the Borough is limited by statute, subject to the exceptions noted below, to an amount equal to 3-1/2% of its stated equalized valuation basis. The stated equalized valuation basis of the Borough 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.

The Bonds are included in the computation of debt for the purpose of the statutory debt limit. The issuance of the Bonds will not cause the Borough's indebtedness to exceed the statutory limit, as shown in Appendix "A".

Exceptions To Debt Limit

The Borough may exceed its debt limit with the approval of the Local Finance Board. If all or any part of the proposed debt authorization would exceed its debt limit, the Borough must apply to the Local Finance Board for an extension of credit. If the Local Finance Board determines that a proposed debt authorization would not materially impair the credit of the Borough or substantially reduce the ability of the Borough to meet its obligations or to provide essential services or make other statutory determinations, approval is granted. In addition to the aforesaid, debt in excess of the debt limit may be issued to fund certain notes, to provide for self-liquidating purposes and, in each fiscal year, to provide for purposes in an amount not exceeding two-thirds of the amount budgeted in such fiscal year for the retirement of outstanding obligations (exclusive of obligations issued for utility or assessment purposes).

School Debt

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

Short-Term Financing

The Borough may issue short-term "bond anticipation notes" to temporarily finance a capital improvement or project in anticipation of the issuance of bonds, if the bond ordinance or subsequent resolution so provides. Bond anticipation notes for capital improvements may be issued in an aggregate

amount not exceeding the amount specified in the ordinance, as amended and supplemented, creating such capital expenditure less, generally, a cash down payment of 5%. Bond anticipation notes may be issued and renewed for one-year periods, with the final maturity not exceeding ten years plus the period from the notes' maturity to the end of the fiscal year in which the notes mature plus four months in the next following fiscal year from the date of original issuance. Beginning in the third year, the amount of notes that may be issued is decreased by the minimum amount required for the first year's principal payment for a bond issue.

TAX MATTERS

Federal Tax Exemption

In the opinion of Bond Counsel, under existing statutes, regulations, rulings and court decisions, interest on the Bonds will not be includable in the gross income of the holders thereof for federal income tax purposes and will not be a specific preference item for purposes of computing the federal alternative minimum tax imposed on individuals and corporations. However, interest on the Bonds is taken into account in determining adjusted current earnings for the purpose of computing the federal alternative minimum tax imposed on corporations (other than an S corporation, regulated investment company, real estate investment trust or real estate mortgage investment conduit). In addition, interest on the Bonds is included in effectively connected earnings and profits for purposes of computing branch profits tax on certain foreign corporations doing business in the United States. Further, interest on the Bonds may be subject to federal income taxation under Section 1375 of the Internal Revenue Code of 1986, as amended (“Code”), for S corporations which have Subchapter C earnings and profits at the close of the taxable year.

Bond Premium

The difference between the principal amount of the Bonds (the “Premium Bonds”) and the initial offering price to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers), at which price a substantial amount of the Premium Bonds of the same maturity was sold, constitutes to an initial purchaser amortizable bond premium which is not deductible from gross income for federal income tax purposes. The amount of amortizable bond premium for a taxable year is determined actuarially on a constant interest rate basis over the term of each Premium Bond. For purposes of determining gain or loss on the sale or other disposition of a Premium Bond, an initial purchaser who acquires such obligation in the initial offering to the public at the initial offering price is required to decrease such purchaser’s adjusted basis in such Premium Bond annually by the amount of amortizable bond premium for the taxable year. The amortization of bond premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining various other tax consequences of owning the Premium Bonds. Owners of the Premium Bonds are advised that they should consult with their own tax advisors with respect to the state and local tax consequences of owning the Premium Bonds.

New Jersey Tax Exemption

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

Alternative Minimum Tax

The Code provides that an alternative minimum tax is imposed on corporations at a rate of twenty percent (20%). For purposes of the corporate alternative minimum tax, the Code includes an increase adjustment for computation of the alternative minimum tax consisting generally of seventy five percent (75%) of the amount by which “adjusted current earning” exceed alternative minimum taxable income (computed without regard to this adjustment and the alternative tax net operating loss deduction). The Bonds do not qualify for the exclusion of the interest thereon in calculating “adjusted current earnings” as implemented by Section 1503(b) of the American Recovery and Reinvestment Act of 2010. Thus, to the extent that interest on the Bonds is a component of a corporate holder’s “adjusted current earnings,” a portion of that interest may be subject to an alternative minimum tax.

Branch Profits Tax

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

S Corporation Tax

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

Bank Qualification

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

The Code denies the interest deduction for certain indebtedness incurred by banks, thrift institutions and other financial institutions to purchase or to carry tax-exempt obligations. The denial to such institutions of one hundred percent (100%) of the deduction for interest paid on funds allocable to tax-exempt obligations applies to those tax exempt obligations acquired by such institutions after August 7, 1986.

For certain issues, which are eligible to be designated and which are designated by the issuer as qualified under Section 265 of the Code, eighty percent (80%) of such interest may be deducted as a business expense by such institutions.

Other Federal Tax Consequences

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

The Borough has covenanted to comply with any continuing requirements that may be necessary to preserve the exclusion from gross income for purposes of federal income taxation of interest on the Bonds under the Internal Revenue Code of 1986, as amended (the “Code”). These covenants relate to, inter alia, the use and investment of proceeds of the Bonds and the rebate to the United States Treasury of specified arbitrage earnings, if required. In rendering its opinion, Bond Counsel has assumed compliance by the Borough with such covenants, failure of the Borough to comply with such covenants could result in the interest on the Bonds becoming subject to federal income tax from the date of issue.

Future Events

Tac legislation, administrative action taken by tax authorities, and court decisions, whether at the Federal or state level, may adversely affect the exclusion from gross income of interest on the Bonds for federal income tax purposes, or the exclusion of interest on and any gain realized on the sale of the Bonds on the existing New Jersey Gross Income Tax Act, and any such legislation, administrative action or court decision could adversely affect the market price or marketability of the Bonds.

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

RATING

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

The rating reflects only the views of the Rating Agency and an explanation of the significance of such rating may only be obtained from the Rating Agency. The Borough furnished the Rating Agency with certain information and materials concerning the Bonds and the Borough. Generally, the Rating Agency bases its rating on such information and materials and also on such investigations, studies and assumptions that it may undertake independently. There can be no assurance that any such rating will be maintained for any given period of time or that it may not be raised, lowered or withdrawn entirely if, in the Rating Agency's judgment, circumstances so warrant. Any downward change in or withdrawal of such rating may have an adverse effect on the marketability or market price of the Bonds.

MUNICIPAL BANKRUPTCY

The undertakings of the Borough should be considered with reference to 11 U.S.C. § 101 et seq., as amended and supplemented (the "Bankruptcy Code"), and other bankruptcy laws affecting creditors' rights and municipalities in general. The Bankruptcy Code permits any political subdivision, public agency, or instrumentality that is insolvent or unable to meet its debts to commence a voluntary bankruptcy case by filing a petition with a bankruptcy court for the purpose of effecting a plan to adjust its debts; directs such a petitioner to file with the court a list of petitioner's creditors; provides that a petition filed under this chapter shall operate as a stay of the commencement or continuation of any judicial or other proceeding against the petitioner; and provides that the plan must be accepted in writing by or on behalf of a class of creditors holding at least two-thirds in amount and more than one-half in number of the listed creditors of that class. The Bankruptcy Code specifically does not limit or impair the power of a state to control by legislation or otherwise, the procedures that a municipality must follow in order to take advantage of the provisions of the Bankruptcy Code.

The Bankruptcy Code provides that special revenue acquired by the debtor after the commencement of the case shall remain subject to any lien resulting from any security agreement entered into by such debtor before the commencement of such bankruptcy case. However, any such lien, other than municipal betterment assessments, shall be subject to the necessary operating expenses of such project or system. Furthermore, the Bankruptcy Code provides that a transfer of property of a debtor to or for the benefit of any holder of a bond or note, on account of such bond or note, may not be avoided pursuant to certain preferential transfer provisions set forth in such act.

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

The Borough has not authorized the filing of a bankruptcy petition. This reference to the Bankruptcy Code or the State statute should not create any implication that the Borough expects to utilize the benefits of their provisions, or that if utilized, such action would be approved by the Local Finance Board, or that any proposed plan would include a dilution of the source of payment of and security for the Bonds, or that the Bankruptcy Code could not be amended after the date hereof.

LITIGATION

There is no litigation pending or, to the knowledge of the Borough Attorney, threatened, restraining or enjoining the issuance, sale or the delivery of the Bonds or the levy or the collection of any taxes to pay the principal of and the interest on the Bonds or in any manner questioning the authority or the proceedings for the issuance, sale or delivery of the Bonds or for the levy or the collection of said taxes, or contesting the corporate existence or the boundaries of the Borough or the title of any of its present officers. There is no pending or threatened litigation that would have a material adverse impact on the financial condition of the Borough if adversely decided. A certificate to such effect will be executed by the Borough Attorney and delivered to the Underwriters of the Bonds at the closing.

LEGALITY FOR INVESTMENT

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

FINANCIAL ADVISOR

Phoenix Advisors, LLC, Bordentown, New Jersey served as financial advisor to the Borough (the "Financial Advisor") with respect to the issuance of the Bonds. Certain information set forth herein has been obtained from the Borough and other sources, which are deemed reliable, but no warranty, guaranty or other representation as to the accuracy or completeness is made as to such information contained herein. There is no assurance that any of the assumptions or estimates contained herein will be realized. The Financial Advisor is a financial advisory firm, and is not engaged in the business of underwriting, marketing or trading municipal securities or any other negotiable instrument.

CONTINUING DISCLOSURE

The Borough has agreed, pursuant to a resolution adopted on May 21, 2012 to undertake for the benefit of the Bondholders and the beneficial owners of the Bonds to provide certain secondary market disclosure information pursuant to Rule 15c2-12. Specifically, the Borough will do the following for the benefit of the holders of the Bonds and the beneficial owners thereof.

(A) No later than seven months after the end of the Borough's fiscal year (presently December 31), commencing with the report for the fiscal year ending December 31, 2012, provide or cause to be provided to the Municipal Securities Rulemaking Board (the "MSRB") in an electronic format, as prescribed by the MSRB, annual financial information with respect to the Borough of (i) audited financial statements (or unaudited financial statements if audited financial statements are not then available by the date of filing, which audited financial statements will be delivered when and if available) of the Borough and (ii) certain financial information and operating data consisting of (a) information concerning the

Borough's debt, overlapping indebtedness, tax rate, levy and collection data, property valuation and fund balance of the type contained in "Appendix A- Certain Information of the Borough of Spotswood" under the headings "Budget Information", "Financial Information" and "Debt Information", and (b) the Borough's most recent adopted budget. The audited financial statements will be prepared in accordance with mandated State statutory accounting principles, as in effect from time to time. Audited financial statements if not available by the filing date will be submitted separately when available.

(B) Provide or cause to be provided in a timely manner not in excess of ten days after the occurrence of the event, notice of the occurrence of any of the following events with respect to the Bonds:

- (1) Principal or 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-TEB0 or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (7) Modifications to the rights of the Bondholders, if material;
- (8) Bond calls, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution or sale of property which secures the repayment of the Bonds, if material;
- (11) Rating changes;
- (12) Bankruptcy insolvency, receivership or similar event of the Borough (the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer of the Borough in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Borough, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court of governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Borough);
- (13) The consummation of a merger, consolidation, or acquisition involving the Borough or the sale of all or substantially all of the assets of the Borough, 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.

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

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

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

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

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

The Borough is in compliance with its previous undertakings to provide required annual financial information.

SEE: “Continuing Disclosure Agreement” set forth in Appendix “C” attached hereto.

NO DEFAULT

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

UNDERWRITING

The New Money Bonds are being purchased from the Borough by _____. (“New Money Underwriter”), at the purchase price of \$_____in accordance with the Notice of Sale. The New Money Underwriter is obligated to purchase all of the New Money Bonds if any New Money Bonds are purchased.

The Refunding Bonds are being purchased from the Borough by _____. (“Refunding Underwriter”, and together with the New Money Underwriter, the “Underwriter”), at the purchase price of \$_____in accordance with the Notice of Sale. The Refunding Underwriter is obligated to purchase all of the Refunding Bonds if any Refunding Bonds are purchased.

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

VERIFICATION OF MATHEMATICAL ACCURACY

The accuracy of: (i) arithmetic computations supporting the conclusion that the principal amounts of, and interest earned on, the government obligations to be acquired with the proceeds of the Refunding Bonds are sufficient to pay the principal or redemption price of and interest on the Refunded Bonds; and (ii) the mathematical computations supporting the conclusion that the Refunding Bonds will not be “arbitrage bonds” under the Code, will be independently verified by Causey Demgen & Moore Inc., Denver, Colorado.

APPROVAL OF LEGAL PROCEEDINGS

The issuance, sale and delivery of the Bonds are subject to the approval of Law Office of John G. Hudak, Esq., LLC, Linden, New Jersey, Bond Counsel, whose approving legal opinion will be delivered with the Bonds substantially in the form set forth as Appendix “D”. Certain legal matters will be passed on for the Borough by its Counsel, Patrick Diegnan, Esq.

PREPARATION OF OFFICIAL STATEMENT

The Borough hereby states that the descriptions and statements herein, including financial statements, are true and correct in all material respects and it will confirm to the Underwriter of the Bonds, by a certificate or certificates signed by the Chief Financial Officer that, to his knowledge, such descriptions and statements, as of the date of the Official Statement and as of the date of closing, are true and correct in all material respects and do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they are made, not misleading.

Samuel Klein and Company assisted in the preparation of information from the Borough and other sources which the Borough considers to be reliable, but the Borough and Samuel Klein and Company make no warranty, guaranty or other representation with respect to the accuracy and completeness of such information contained herein.

FINANCIAL STATEMENTS

Appendix “B-1” contains unaudited financial data of the Borough from its Annual Financial Statement for the year ending December 31, 2011. Appendix “B-2” contains audited financial data of the Borough for the Borough’s fiscal year ending December 31, 2010. Such financial data for December 31, 2010 was audited by Gerard Stankiewicz, CPA, RMA of Samuel Klein and Company, Freehold, New Jersey, to the extent and for the period set forth in their report appearing in Appendix “B-2”, and are included herein in reliance upon the authority of such firm. Gerard Stankiewicz, CPA, RMA of Samuel Klein and Company has consented to the inclusion of their report in this Official Statement.

ADDITIONAL INFORMATION

Inquiries regarding this Official Statement, including any information additional to that contained herein, may be directed to Barbara Petren, Chief Financial Officer, Borough of Spotswood, 77 Summerhill Road, Spotswood, New Jersey 08884, telephone (732) 251-0700, extension 830.

MISCELLANEOUS

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

**BOROUGH OF SPOTSWOOD
COUNTY OF MIDDLESEX, NEW JERSEY**

By: _____
Barbara Petren, Chief Financial Officer

Date: May __, 2012

APPENDIX A

GENERAL INFORMATION REGARDING THE BOROUGH OF SPOTSWOOD

APPENDIX A

**CERTAIN FINANCIAL AND DEMOGRAPHIC INFORMATION CONCERNING
THE BOROUGH OF SPOTSWOOD
IN THE COUNTY OF MIDDLESEX, STATE OF NEW JERSEY**

GENERAL INFORMATION ON THE BOROUGH

Originally part of a larger area called Monmouth, the Borough of Spotswood (the "Borough") was named in 1685 by Scottish settlers after their native town "Spotswoodie". On May 12, 1908, the citizens of Spotswood voted to break away from East Brunswick Township and establish the Borough as it exists today.

In the 19th Century, the Borough saw a great deal of industrial activity, including iron works and paper mills. During the first half of the 20th Century, the Borough grew slowly allowing it to maintain its rural character. There has been little encroachment of uses into other zones designated for and more suitable to other uses.

The Borough, which is located in south-central Middlesex County, has an area of approximately 2.5 square miles and has a population of approximately 8,257 (based upon the 2010 report from the U.S. Bureau of the Census, Population Division).

The Borough's location near large employment centers and its proximity to major access routes including the New Jersey Turnpike, Garden State Parkway, State Highways 9 and 18 and US Highway 1 has enabled it to receive a substantial share of the population growth that has occurred in the region. The Borough's population decreased by 103 between 1990-2000 to 7,880 and between 2000 and 2010 population grew to 8,257, an increase of 377 or 4.79%.

Excellent commuter transportation is available from the recently expanded bus routes and the Borough's proximity to major highways. The Conrail main freight line also serves a number of industries and spurs are available for use on presently undeveloped industrial land.

Form of Government:

The Borough's governing body operates under the Faulkner Act, Mayor-Council Plan B form of Government. The Council consists of five members. Council members serve four-year terms that are staggered to provide for three (3) seats in one year's election and two (2) seats plus the Mayor two years later. All action is passed by a majority or when required, a 2/3 vote of Council. The Mayor does not vote but has veto power over all ordinances, which can be overridden by a 2/3 vote of the Council.

Water-Sewer Utility Fund:

Water Utility:

The Borough derives a portion of its water supply from ground water sources. Two (2) deep wells processed through two modern treatment plants process the water. The second of the plants was built with Federal Local Public Works funds in 1978 and will insure an adequate supply for future development. The Borough also purchases surface water from a neighboring community. A private company, Whitewater, Inc., provides personnel to manage, operate and maintain its water and sewer system.

Sewer Utility:

The Borough maintains the sewerage collection system that serves the entire Borough. Treatment is performed by the Middlesex County Utilities Authority.

The Water-Sewer Utility Fund did not operate on a self-liquidating basis for 2011. An increase in user rates was approved in late 2011 which will hopefully restore the Fund to self liquidating state.

Public Safety:

The Borough Police Department is a well-trained force comprised of nineteen (19) Officers and Patrolmen. The all-volunteer Fire Department has thirty-four (34) members. Both Police and Fire Department training is provided by the Middlesex County Fire and Police Academy and the State Police Training Academy. The Spotswood First Aid Squad consisting of per-diem employees provides twenty-four hour a day service and has been active since 1941.

Employer and Employee Salary Negotiations:

As of December 31, 2011, the Borough employed one hundred and ten (110) employees of which fifty seven (57) were full-time and fifty-three (53) were part-time. Of the full-time employees, nineteen (19) were Police Officers. Under State law, employees of the Borough have certain organizational and representational rights, which include the right to organize, to bargain collectively by representation of their choosing on questions of wages and employment and to engage in lawful concerted activities for bargaining of mutual and/or protection. The applicable law prohibits strikes by municipal employees.

There are two (2) principal collective bargaining units, that being the Spotswood Borough P.B.A. and the United Food and Commercial Workers Union Local 888, which includes public works and office personnel, 16 full time and 3 part-time employees. Salaries of management and other employees are determined by the Governing Body annually and have been established for 2012.

The United Food and Commercial Workers Union and the PBA contracts are current through 2013.

Borough Pension Costs:

Those municipal employees who are eligible for pension coverage are enrolled in one of the two (2) state administered pension systems that were established by acts of the State Legislature. Benefits, contributions, means of funding, and the manner of administration are determined by State law. The other system was established by the United States Congress and the benefits, contributions, means of funding, and the manner of administration are determined by Federal law.

The State administered pension funds are the Public Employees' Retirement System and the Police and Firemen's Retirement System. The Federally administered pension fund is known as the Social Security System.

Health Benefits:

The Borough provides post retirement healthcare benefits for employees who retire with 25 years or more of service and their dependents. The Borough contributes to New Jersey State Health Benefits Plan, a cost-sharing, multiple-employer defined benefit post-employment healthcare plan administered by the State of New Jersey Division of Pensions and Benefits. NJSHBP was established in 1961 under N.J.S.A. 52:14-17.25 et seq., to provide health benefits to State employees, retirees, and their dependents. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. NJSHBP provides medical, prescription drugs, mental health/substance abuse, and Medicare Part B reimbursement to retirees and their covered dependents. In accordance with GASB's 43 and 45, the NJSHBP has been determined to be a cost-sharing multiple-employer plan. Under GASB 45, the Borough is not required nor allowed to accrue reserves to fund the ultimate payment of the retirees health benefit obligation that is being earned.

PUBLIC SCHOOL FACILITIES AND ENROLLMENT

The Spotswood-Helmetta Consolidated Board of Education (the "Board") has supervision and control over two elementary, one junior high school and one senior high school. The adjoining municipality, the Borough of Helmetta as a member municipality, sends all of its students to the Board's schools and the Borough of Milltown, an adjoining municipality, sends only its high school students to the Board's schools. The Borough of Helmetta is sending 308 students in grades K-12 and the Borough of Milltown is sending 287 students in grades 9-12 to the Borough's schools for the 2011-2012 school year.

Facilities:

The Board operates the following schools:

<u>School</u>	<u>Grades</u>	<u>Date(s) of Construction</u>	<u>Number of Classrooms</u>	<u>Capacity</u>
Spotswood High School	9 - 12	1976, 2004	54	984
Memorial School	6, 7, 8	1967, 2004	28	527
Appleby School	2 - 5	1950, 1973, 1996, 2004	38	684
Schoenly School	Pre-K - 1	1958, 1974, 2004	20	620

Pupil Enrollment:

The following table presents pupil enrollment for the school years 2007-2008 through 2011-2012 and the projected pupil enrollment for the school years 2012-2013 through 2014-2015:

<u>School Year</u>	<u>Average Student Enrollment</u>
2007-2008	1,767
2008-2009	1,760
2009-2010	1,772
2010-2011	1,809
2011-2012	1,816
2012-2013 *	2,073
2013-2014 *	2,073
2014-2015 *	2,073

Source: Borough of Spotswood Board of Education Board Secretary/School Business Administrator.

Note: * Projected.

**ASSESSED VALUATION AND EQUALIZED VALUATION
FOR REAL PROPERTY AND PERSONAL PROPERTY**

<u>Year</u>	<u>Assessed Valuation Real Property</u>	<u>Ratio Assessed to True Value</u>	<u>Equalized Valuation Real Property</u>	<u>Assessed Valuation Personal Property</u>	<u>Total Equalized Valuation</u>
2011	\$ 741,209,700	88.96%	\$ 833,194,357	\$ 2,255,813	\$ 835,450,170
2010	742,085,200	84.10%	882,384,304	2,286,770	884,671,074
2009	744,603,300	80.97%	919,603,927	2,207,708	921,811,635
2008	749,537,600	79.26%	945,669,442	2,209,003	947,878,445
2007	743,745,500	81.32%	914,591,121	2,544,522	917,135,643

Source: State of New Jersey, Department of the Treasury, Division of Taxation, Certificate of the Table of Equalized Valuations and the County of Middlesex 2011 Table of Aggregates.

**TABULATION OF RESIDENTIAL UNITS
BASED ON NUMBER OF UNITS ASSESSED TO ADJUSTED TRUE VALUE
2007-2011**

<u>Year</u>	<u>Number of Units</u>	<u>Residential Class Assessed Valuation</u>	<u>County Equalization Ratio to True Value</u>	<u>Estimated True Value</u>	<u>Average Unit Estimated True Value</u>
2011	2,534	\$ 646,210,100	84.10%	\$ 768,382,966.43	\$ 303,229.27
2010	2,534	645,116,500	80.97%	796,735,210.67	314,418.00
2009	2,533	643,530,000	79.26%	811,922,785.77	320,538.01
2008	2,525	639,963,800	81.32%	786,969,749.14	311,671.19
2007	2,518	635,438,000	86.22%	736,996,056.60	292,691.05

Source: Borough of Spotswood, Tax Collector's Office and the County of Middlesex Abstract of Ratables and the County of Middlesex 2011 Table of Aggregates.

NET VALUATIONS TAXABLE

<u>Year</u>	<u>Real and Personal Property Net Valuation Taxable</u>	<u>Net Valuation on Which County Taxes Are Apportioned</u>
2011	\$ 743,365,513	\$ 894,373,672
2010	744,371,970	930,015,574
2009	746,811,008	952,889,379
2008	751,746,603	935,081,875
2007	746,290,022	875,661,916

Source: Middlesex County - Abstract of Ratables.

**REAL PROPERTY CLASSIFICATION AND ASSESSED VALUATION
2007-2011**

	2011		2010		2009	
	Assessed Valuation	Percentage	Assessed Valuation	Percentage	Assessed Valuation	Percentage
Residential	\$ 646,210,100	87.18%	\$ 645,116,500	86.93%	\$ 643,530,000	86.43%
Industrial	18,454,800	2.49%	20,465,200	02.76%	23,492,100	03.16%
Commercial	61,223,000	8.26%	61,185,700	08.25%	62,538,100	08.40%
Vacant Land	8,051,300	1.09%	8,047,300	01.08%	7,772,600	01.04%
Apartment	7,270,500	0.98%	7,270,500	00.98%	7,270,500	00.97%
Totals	\$ 741,209,700	100.00%	\$ 742,085,200	100.00%	\$ 744,603,300	100.00%
Exempt	\$ 65,436,500		\$ 65,421,500		\$ 65,394,800	
Ratio of Assessed Value to True Value State of NJ	88.96%		84.10%		80.97%	
Ratio of Assessed Value to True Value as Used by County of Middlesex for County Taxes Apportioned	84.10%		80.97%		79.26%	

	2008		2007	
	Assessed Valuation	Percentage	Assessed Valuation	Percentage
Residential	\$ 639,963,800	85.38%	\$ 635,438,000	85.43%
Industrial	30,471,100	04.07%	30,471,100	04.10%
Commercial	63,240,900	08.44%	62,098,000	08.35%
Vacant Land	8,591,300	01.15%	8,467,900	01.14%
Apartment	7,270,500	00.96%	7,270,500	00.98%
Farm				
Totals	\$ 749,537,600	100.00%	\$ 743,745,500	100.00%
Exempt	\$ 65,098,100		\$ 64,295,300	
Ratio of Assessed Value to True Value State of NJ	79.26%		81.32%	
Ratio of Assessed Value to True Value as Used by County of Middlesex for County Taxes Apportioned	81.32%		86.22%	

Source: Borough of Spotswood, Tax Assessor's Office.
State of New Jersey Division of Taxation, 2007-2011.
Middlesex County Board of Taxation and Borough Tax Assessor, 2007-2011.

FIVE-YEAR COMPARISON OF ANNUAL ASSESSED VALUATION

<u>Year</u>	<u>Land</u>	<u>Improvements</u>	<u>Land and Improvements</u>	<u>Personal Property</u>	<u>Total Valuations</u>
2011	\$ 357,582,600	\$ 383,627,100	\$ 741,209,700	\$ 2,255,813	\$ 743,465,513
2010	357,655,600	384,429,600	742,085,200	2,286,770	744,371,970
2009	357,158,900	387,444,400	744,603,300	2,207,708	746,811,008
2008	359,069,200	390,468,400	749,537,600	2,209,003	751,746,603
2007	358,093,200	385,652,300	743,745,500	2,544,522	746,290,022

Source: Annual Audit Reports of the Borough of Spotswood, 2007 to 2010 and Tax Collector for 2011.

FIVE-YEAR COMPARISON OF ANNUAL GENERAL TAX RATES PER \$100.00 OF ASSESSED VALUATION

<u>Year</u>	<u>Borough</u>		<u>Local School</u>	<u>County</u>		<u>Total</u>
	<u>Regular</u>	<u>Library</u>		<u>Regular</u>	<u>Open Space</u>	
2011	0.827	0.039	\$ 1.562	\$ 0.369	\$ 0.037	\$ 2.834
2010	0.811	N/A	1.530	0.347	0.025	2.713
2009	0.778	N/A	1.502	0.339	0.039	2.658
2008	0.740	N/A	1.492	0.320	0.038	2.590
2007	0.654	N/A	1.466	0.303	0.037	2.460

Source: Annual Audit Reports of the Borough of Spotswood, 2007 to 2010 and Tax Collector for 2011.

* Library Tax separate in 2011

TEN LARGEST TAXPAYERS AS OF DECEMBER 31, 2011

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Assessed Value - 2011</u>	<u>% of Total Assessed Valuation</u>
Spotswood Shopping Center	Shopping Center	\$ 9,800,000	1.18%
Clearwater Village LLC	Mobile Home Park	9,533,700	1.14%
Schweitzer - Mauduit	Manufacturing	8,228,800	0.99%
Inland Container	Manufacturing	6,500,000	0.78%
Renaissance Properties	Strip Mall	5,300,000	0.64%
Robert Maglies	Apartments	4,471,300	0.54%
Gillette Enterprises	Shpping Centers	3,496,300	0.42%
Citadel Brockview LLC	Apartments	3,367,800	0.40%
Bell Atlantic	Manufacturing	3,148,290	0.38%
Klia Properties	Manufacturing	2,943,500	0.35%
		<u>56,789,690</u>	<u>6.82%</u>

Source: Borough of Spotswood, Tax Assessor's Office.

TAX COLLECTION HISTORY

The following table sets forth the history of the Borough with respect to tax collection for the years 2007 through 2011:

<u>Year</u>	<u>Tax Levy</u>	<u>Current Taxes Collected</u>	<u>Delinquent Taxes Collected</u>	<u>Total Collected Taxes</u>
2011	\$ 21,107,316.99	\$ 20,773,663.31	\$ 267,712.62	\$ 21,041,375.93
2010	20,231,371.63	19,930,943.88	279,137.03	20,210,080.91
2009	19,889,155.49	19,618,871.57	254,424.73	19,873,296.30
2008	19,527,635.21	19,269,996.34	290,249.45	19,560,245.79
2007	18,489,022.61	18,182,265.49	263,962.23	18,446,227.72

Source: Annual Audit for the years 2007-2010 and Annual Financial Statement Unaudited for 2011.

STATEMENT OF TAX LEVIES AND COLLECTIONS

<u>Year</u>	<u>Tax Levy</u>	<u>Cash Collections During Year of Levy</u>	
		<u>Amount</u>	<u>Percentage</u>
2011	\$ 21,107,316.99	\$ 20,773,663.31	98.42%
2010	20,231,371.63	19,930,943.88	98.52%
2009	19,884,155.49	19,598,334.74	98.56%
2008	19,527,635.21	19,269,996.34	98.68%
2007	18,489,022.61	18,182,265.49	98.34%

Source: Annual Audit Reports of the Borough of Spotswood, 2007-2010 and Annual Financial Statement (Unaudited) for 2011.

STATEMENT OF TAX TITLE LIENS AND PROPERTY ACQUIRED FOR TAXES

<u>Year</u>	<u>Tax Title Liens</u>	<u>Property Acquired for Taxes</u>
2011	\$ 92,206.58	\$ 2,533,400.00
2010	66,941.41	2,533,400.00
2009	56,983.51	2,533,400.00
2008	50,729.24	2,533,400.00
2007	44,634.97	2,533,400.00

Source: Annual Audit Reports of the Borough of Spotswood, 2007-2010 and Unaudited Annual Financial Statement (Unaudited) for 2011.

STATEMENT OF WATER-SEWER UTILITY LEVIES AND COLLECTIONS

<u>Year</u>	<u>Levy</u>	<u>Cash Collections **</u>
2011	\$ 2,369,475.25	\$ 2,349,847.28
2010	2,484,596.96	2,509,188.11
2009	2,237,634.54	2,142,463.73
2008	1,814,081.84	1,828,704.64
2007	1,886,118.04	1,869,452.94

Source: Annual Audit Reports of the Borough of Spotswood, 2007-2010 and Annual Financial Statement (Unaudited) for 2011.

Note: **Cash Collections may include amounts which were levied in prior years.

COMPARATIVE SCHEDULE OF FUND BALANCES

<u>Year</u>	<u>Balance December 31</u>	<u>Utilized in Budget of Succeeding Year</u>	<u>Percentage of Fund Balance Used</u>
<u>Current Fund</u>			
2011	\$ 1,646,699.85	\$ 1,180,060.00	71.66%
2010	1,341,431.28	1,072,500.00	79.95%
2009	1,538,175.27	1,275,000.00	82.89%
2008	1,677,714.73	1,225,000.00	73.02%
2007	1,462,646.81	1,140,912.00	78.00%
<u>Water-Sewer Utility Operating Fund</u>			
2011	\$ 156,222.41	\$ 85,100.00	54.47%
2010	342,044.51	237,597.00	69.46%
2009	295,320.64	200,000.00	67.72%
2008	294,921.91	180,000.00	61.03%
2007	527,830.36	350,000.00	66.31%

Source: Annual Audit Reports of the Borough of Spotswood, 2007-2010. Annual Financial Statement (Unaudited) for 2011.

DEBT HISTORY

Default Occurrences	None
Amount of Debt Issued Over Last Five (5) Years	\$ 3,609,350.51 *
Amount of Debt Retired Over Last Five (5) Years	\$ 5,430,715.90 *
Debt Payout Over Next Five (5) Years	57.09%
Debt Payout Over Next Ten (10) Years	100.00%

*Permanent Debt Only

STATEMENT OF INDEBTEDNESS AS OF APRIL 30, 2012

	<u>Gross Debt</u>	<u>Statutory Deductions</u>	<u>Net Statutory Debt</u>
Local District School Debt Issued and Outstanding Bonds:			
Issued	\$ 7,975,000.00	\$ 7,975,000.00	\$ None
Authorized But Not Issued	2,113,578.21	2,113,578.21	None
Municipal Debt:			
Issued and Outstanding:			
General Improvement Bonds, Loans and Notes	3,712,604.62	None	3,712,604.62
Water-Sewer Utility Improvement Bonds and Notes	4,188,000.00	3,889,988.00	298,012.00
Authorized But Not Issued:			
General Improvement Bonds and Notes	476,551.59	None	476,551.59
Water-Sewer Utility Improvement Bonds and Notes	1,551,000.00	None	1,551,000.00
Gross Debt	<u>\$ 20,016,734.42</u>		
Total Statutory Deductions		<u>\$ 13,978,566.21</u>	
Statutory Net Debt			<u>\$ 6,038,168.21</u>
Average of Equalized Valuation Basis of Real Property with Improvements (2009, 2010 and 2011)			<u>\$ 878,394,196.00</u>
Net Debt Expressed as a Percentage of Average Equalized Valuation Basis			0.687%
Gross Debt Expressed as a Percentage of 2012 Net Valuation on Which County Taxes are Apportioned, Basis of \$894,373,672.00			2.24%
Per Capita Gross Debt Based on 2010 Population Basis of 8,257			\$ 2,424.21
Per Capita Net Debt Based on 2010 Population Basis of 8,257			\$ 731.28

Source: The foregoing financial information has been compiled by the Borough Auditor from Borough source documents.

**BOROUGH DEBT INCURRING CAPACITY
AS OF APRIL 30, 2012**

3½% of Average Equalized Valuation Basis	\$ 30,743,796.86
Net Debt Issued and Outstanding and Authorized But Not Issued	<u>6,038,168.21</u>
Additional Borrowing Power	<u><u>\$ 24,705,628.65</u></u>

Source: The foregoing financial information has been compiled by the Borough Auditor from various source documents.

**LOCAL SCHOOL DISTRICT DEBT INCURRING CAPACITY
AS OF APRIL 30, 2012**

4% of Average Equalized Valuation Basis	\$ 35,135,767.84
Net Debt Issued and Outstanding and Authorized But Not Issued	<u>10,088,578.21</u>
Additional Borrowing Power	<u><u>\$ 25,047,189.63</u></u>

Source: The foregoing financial information has been compiled by the Borough Auditor from various source documents.

**SCHEDULE OF BOROUGH DEBT MATURITIES
MUNICIPAL DEBT – GENERAL OBLIGATION BONDS**

GENERAL CAPITAL FUND

Calendar Year	General Capital Fund		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 405,000.00	\$ 60,566.26	\$ 465,566.26
2013	195,000.00	43,886.26	238,886.26
2014	195,000.00	34,136.26	229,136.26
2015	195,000.00	24,386.26	219,386.26
2016	195,000.00	18,992.50	213,992.50
	<u>1,185,000.00</u>	<u>181,967.54</u>	<u>1,366,967.54</u>
2017	190,000.00	12,480.00	202,480.00
2018	170,000.00	5,860.00	175,860.00
	<u>360,000.00</u>	<u>18,340.00</u>	<u>378,340.00</u>
	<u>\$ 1,545,000.00</u>	<u>\$ 200,307.54</u>	<u>\$ 1,745,307.54</u>

Source: Annual Audit for December 31, 2010.

**SCHEDULE OF BOROUGH DEBT MATURITIES
MUNICIPAL DEBT – GENERAL OBLIGATION BONDS**

WATER-SEWER UTILITY FUND

Calendar Year	Water-Sewer Utility Capital Fund		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 275,000.00	\$ 134,504.50	\$ 409,504.50
2013	290,000.00	122,284.50	412,284.50
2014	300,000.00	109,442.00	409,442.00
2015	310,000.00	96,142.00	406,142.00
2016	320,000.00	84,652.00	404,652.00
	<u>1,495,000.00</u>	<u>547,025.00</u>	<u>2,042,025.00</u>
2017	325,000.00	72,272.00	397,272.00
2018	330,000.00	59,472.00	389,472.00
2019	260,000.00	46,397.00	306,397.00
2020	280,000.00	35,607.00	315,607.00
2021	290,000.00	23,987.00	313,987.00
	<u>1,485,000.00</u>	<u>237,735.00</u>	<u>1,722,735.00</u>
2022	288,000.00	11,952.00	299,952.00
	<u>288,000.00</u>	<u>11,952.00</u>	<u>299,952.00</u>
	<u>\$ 3,268,000.00</u>	<u>\$ 796,712.00</u>	<u>\$ 4,064,712.00</u>

Source: Annual Audit for December 31, 2010.

SCHEDULE OF BOROUGH DEBT MATURITIES
MUNICIPAL DEBT
GENERAL OBLIGATION BONDS – TOTAL

Calendar Year	Total for all Funds - Bonds		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 680,000.00	\$ 195,070.76	\$ 875,070.76
2013	485,000.00	166,170.76	651,170.76
2014	495,000.00	143,578.26	638,578.26
2015	505,000.00	120,528.26	625,528.26
2016	515,000.00	103,644.50	618,644.50
	<u>2,680,000.00</u>	<u>728,992.54</u>	<u>3,408,992.54</u>
2017	515,000.00	84,752.00	599,752.00
2018	500,000.00	65,332.00	565,332.00
2019	260,000.00	46,397.00	306,397.00
2020	280,000.00	35,607.00	315,607.00
2021	290,000.00	23,987.00	313,987.00
	<u>1,845,000.00</u>	<u>256,075.00</u>	<u>2,101,075.00</u>
2022	288,000.00	11,952.00	299,952.00
	<u>288,000.00</u>	<u>11,952.00</u>	<u>299,952.00</u>
	<u>\$ 4,813,000.00</u>	<u>\$ 997,019.54</u>	<u>\$ 5,810,019.54</u>

Source: Annual Audit for December 31, 2010.

SCHEDULE OF BOROUGH DEBT MATURITIES
MUNICIPAL DEBT – MIDDLESEX COUNTY IMPROVEMENT AUTHORITY LOANS
CAPITAL EQUIPMENT AND IMPROVEMENT FINANCING PROGRAM

Calendar Year	General Capital Fund		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 94,802.34	\$ 25,638.28	\$ 120,440.62
2013	97,912.94	22,934.22	120,847.16
2014	101,128.04	20,053.86	121,181.90
2015	104,451.20	16,987.86	121,439.06
2016	108,036.92	13,445.70	121,482.62
	<u>506,331.44</u>	<u>99,059.92</u>	<u>605,391.36</u>
2017	111,746.52	9,627.30	121,373.82
2018	115,584.33	5,477.36	121,061.69
2019	33,942.33	1,018.26	34,960.59
	<u>261,273.18</u>	<u>16,122.92</u>	<u>277,396.10</u>
	<u>\$ 767,604.62</u>	<u>\$ 115,182.84</u>	<u>\$ 882,787.46</u>

Source: Annual Audit for December 31, 2010.

HISTORICAL DATA OF BOROUGH DEBT

The following table sets forth the gross debt issued and authorized but not issued by the Borough in relation to the estimated true value of real estate as calculated by the State, Department of the Treasury, Division of Taxation, and per capita gross debt of the Borough.

<u>Year</u>	<u>Equalized Valuation Ratio to True Value</u>	<u>True Value of Real Property</u>	<u>Gross</u>			<u>Net</u>	
			<u>Gross Debt Issued and Authorized but Not Issued and</u>	<u>Percentage of Gross Debt to Estimated True Value</u>	<u>Per Capital Gross Debt (1)</u>	<u>Net Debt</u>	<u>Per Capital Net Debt (1)</u>
2011	88.96%	\$ 833,194,357	\$ 16,623,406	2.00%	\$ 2,013.25	\$ 4,148,418	\$ 502.41
2010	84.10%	882,384,304	18,370,333	2.08%	2,224.82	4,607,333	557.99
2009	80.97%	919,603,927	21,712,491	2.36%	2,755.39	6,751,491	856.79
2008	79.26%	945,669,442	21,446,504	2.27%	2,721.64	5,194,550	659.21
2007	81.32%	914,591,121	22,267,754	2.43%	2,825.86	4,862,800	617.11

(1) Calculated on 2000 population data of 7,880 for 2007 through 2009; 8,257 for 2010 and 2011.

Source: Borough of Spotswood, Report of Audit – State of New Jersey, Division of Taxation.

OVERLAPPING DEBT COUNTY OF MIDDLESEX, NEW JERSEY APRIL 30, 2012

Bonds and Notes of the County Issued and Authorized but Not Issued (Net)	\$ 680,731,833.00
Percentage of such debt chargeable to Borough of Spotswood	0.8253%
Amount of Chargeable to the Borough	\$ <u>5,618,079.82</u>

Source: County of Middlesex Chief Financial Officer.

**MIDDLESEX-SOMERSET-MONMOUTH-OCEAN COUNTIES
(EDISON METRO DIVISION)
NON-AGRICULTURAL EMPLOYMENT
BY MAJOR CATEGORY
(IN THOUSANDS)**

	<u>2011</u>
Manufacturing	\$ 58.50
Retail Trade	129.30
Wholesale Trade	56.50
Natural Resources, Mining and Construction	34.80
Transportation, Warehousing and Utilities	40.20
Information	24.60
Financial Activities	55.80
Professional and Business Services	171.50
Education and Health Services	151.20
Leisure and Hospitality	78.70
Other Services	45.30
Government	<u>142.50</u>
	<u>\$ 988.90</u>

Source: New Jersey Department of Labor and Industry, Division of Labor, Market and Demographic Research – 2011 Annual Average.

**LARGEST EMPLOYERS IN THE BOROUGH OF SPOTSWOOD
AS OF APRIL 30, 2012**

<u>Employer</u>	<u>Business</u>	<u>Estimated No. of Employees</u>
Shop Rite of Spotswood	Supermarket	389
Schweitzer-Mauduit International	Industry (Manufacturing)	172
Spotswood Board of Education	Public Schools	265
Temple Inland	Industry (Manufacturing)	120
Borough of Spotswood	Municipal Government	110

Source: Borough of Spotswood, Business Administrator.

EMPLOYMENT AND UNEMPLOYMENT COMPARISONS

Employment-related data for the Borough of Spotswood, the County of Middlesex and the State of New Jersey is as follows:

	<u>Labor Force</u>	<u>Employment</u>	<u>Unemployment</u>	<u>Unemployment Rate</u>
<u>Borough of Spotswood</u>				
2011	4,591	4,260	331	7.2%
2010	4,480	4,147	333	7.4%
2009	4,512	4,177	335	7.4%
2008	4,535	4,320	215	4.7%
2007	4,523	4,364	159	3.5%
<u>County of Middlesex</u>				
2011	436,228	399,546	36,682	8.4%
2010	422,895	386,219	36,676	8.7%
2009	426,713	389,744	36,969	8.7%
2008	425,030	403,673	21,357	5.0%
2007	423,579	407,391	16,188	3.8%
<u>State of New Jersey</u>				
2011	4,556,291	4,181,834	424,537	9.3%
2010	4,502,450	4,076,713	425,737	9.5%
2009	4,536,661	4,118,367	418,294	9.2%
2008	4,496,725	4,251,194	245,531	5.5%
2007	4,466,272	4,276,561	189,711	4.2%

Source: New Jersey Department of Labor and Industry. Division of Labor, Market and Demographic Research.

BUILDING PERMITS ISSUED

<u>Year</u>	<u>Number of Permits Issued</u>	<u>Estimated Value of Construction</u>
2011	312	\$ 3,424,841
2010	367	3,440,381
2009	355	4,717,085
2008	402	3,984,000
2007	487	5,167,824

Source: Borough of Spotswood, Construction Code Department.

BOROUGH OF SPOTSWOOD

Summary of 2012 Adopted Budget

<u>REVENUES</u>	<u>General Budget</u>	<u>Percentage</u>	<u>Water-Sewer Utility</u>	<u>Percentage</u>
Surplus Anticipated	\$ 1,180,000	12.04%	\$ 85,100	3.16%
Local Revenues	375,500	3.83%		
State Aid	715,651	7.30%		
Uniform Construction Code Fees	90,000	0.92%		
Public and Private Revenues	107,377	1.10%		
Interlocal Agreements	64,696	0.66%		
Additional Revenues Offset	414,500	4.23%		
Other Special Items	209,219	2.13%		
Delinquent Taxes	227,000	2.32%		
Water-Sewer Rents			2,606,283	96.84%
Amount to be Raised by Taxes- Library	278,483	2.84%		
Amount to be Raised by Taxes- Municipal	6,137,984	62.63%		
Total Anticipated Revenues	<u>\$ 9,800,410</u>	<u>100.00%</u>	<u>\$ 2,691,383</u>	<u>100.00%</u>
<u>APPROPRIATIONS</u>				
Operations within CAPS:				
Salaries and Wages	\$ 3,455,011	35.25%		
Other Expenses	2,632,505	26.86%		
Deferred and Statutory Expenditures	928,673	9.48%		
Operations excluded from CAPS:				
Salaries and Wages	377,265	3.85%	\$ 277,000	10.29%
Other Expenses	404,825	4.13%	1,764,013	65.54%
Library	278,483	2.84%		
Capital	153,000	1.56%	25,000	0.93%
Debt Service	939,298	9.58%	577,423	21.46%
Deferred and Statutory Expenditures	71,350	0.73%	47,947	1.78%
Reserve for Uncollected Taxes	560,000	5.71%		
Total Appropriations	<u>\$ 9,800,410</u>	<u>100.00%</u>	<u>\$ 2,691,383</u>	<u>100.00%</u>

Source: Borough of Spotswood 2012 Adopted Municipal Budget.

CAPITAL BUDGET

In accordance with the Local Budget Law a municipality with a population of less than 10,000 must adopt a three (3) year capital budget program which is part of the annual 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 unit may contemplate over the next three (3) years.

The following amounts for various improvements were included in the 2012-2014 Capital Budget:

<u>Project Title</u>	<u>Total</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Improvements to Various Roads	\$ 1,000,000	\$ 200,000	\$ 400,000	\$ 400,000
Acquisition of Equipment	128,000	128,000		
Building Improvements	200,000	100,000	100,000	
Devoe Lake Improvements	465,000	65,000	200,000	200,000
Construction of a New Emerg. Servs. Bldg.	2,000,000	200,000	1,800,000	
Acquisition of Vehicles	465,000	265,000	100,000	100,000
Water-Sewer System Improvements	1,200,000	1,000,000	100,000	100,000
Acquisition of New Meter Reading System	1,300,000	1,300,000		
Water Hydrant Replacement	90,000	90,000		
Inspection and Cleaning of Sewer System	520,000	220,000	200,000	100,000
Total	\$ 7,368,000	\$ 3,568,000	\$ 2,900,000	\$ 900,000

Summary of Funding Sources and Amounts

<u>Project Title</u>	<u>Total</u>	<u>Capital Improvement Fund</u>	<u>Current Year Appropriation Capital Surplus</u>	<u>Grants-in-Aid and Other Funds</u>	<u>Bonds and Notes</u>	
					<u>General</u>	<u>Self Liquidating</u>
Improvements to Various Roads	\$ 1,000,000	\$ 25,000		\$ 500,000	\$ 475,000	
Acquisition of Equipment	128,000		\$ 128,000			
Building Improvements	200,000	10,000			190,000	
Devoe Lake Improvements	465,000	21,000		60,000	384,000	
Construction of a New Emerg. Servs. Bldg.	2,000,000	25,000		1,500,000	475,000	
Acquisition of Vehicles	465,000	23,250			441,750	
Water-Sewer System Improvements	1,200,000			1,200,000		
Acquisition of New Meter Reading System	1,300,000	62,000				\$ 1,238,000
Water Hydrant Replacement	90,000	4,500				85,500
Inspection and Cleaning of Sewer System	520,000	11,000				509,000
Total	\$ 7,368,000	\$ 181,750	\$ 128,000	\$ 3,260,000	\$ 1,965,750	\$ 1,832,500

Source: Borough of Spotswood 2012 Adopted Municipal Budget and Capital Budget as Amended.

APPENDIX B-1

UNAUDITED – FOR THE YEAR ENDED DECEMBER 31, 2011

BOROUGH OF SPOTSWOOD
COUNTY OF MIDDLESEX, NEW JERSEY

FINANCIAL STATEMENTS – DECEMBER 31, 2011 (UNAUDITED)

**BOROUGH OF SPOTSWOOD
OFFICE OF FINANCE
MIDDLESEX COUNTY
SPOTSWOOD, NEW JERSEY 08884-1233**

77 Summerhill Road
Spotswood, NJ 08884

Office: 732-251-07001
Fax: 732-251-1359

MANAGEMENT FINANCIAL STATEMENT
(UNAUDITED)

The Honorable Mayor and Members
of the Borough Council
Borough of Spotswood
County of Middlesex
State of New Jersey

To the Honorable Mayor and Members of the Borough Council:

I have prepared the financial statement – statutory basis unaudited of the various accounts of the Borough of Spotswood as of and for the year ended December 31, 2011. These financial statements are the responsibility of the Borough of Spotswood's management.

The Borough of Spotswood prepares its financial statements on a basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey that demonstrates compliance with the method 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.

Because of the Borough of Spotswood's policy to prepare its financial statements on the basis of accounting discussed in the preceding paragraph, the financial statements referred to above are not in conformity with generally accepted accounting principles, the financial position of the Borough of Spotswood as of December 31, 2011 or the results of its operations, or cash flows of its proprietary fund types and nonexpendable trust funds for the year then ended.

MANAGEMENT ACCOUNTING REPORT
(CONTINUED)

The financial statements – statutory basis unaudited referred to above present the financial position – statutory basis of the various funds of the Borough of Spotswood as of December 31, 2011 and the results of operations and changes in fund balance – statutory basis of such funds for the year then ended and the statement of revenues – statutory basis and statement of expenditures – statutory basis of the various funds for the year ended December 31, 2011.

These statements have not been subjected to the annual independent audit as of this date and the Notes to Financial Statements and Statement of Fixed Assets have been purposely omitted.

Barbara Petren

Barbara Petren, Chief Financial Officer
Borough of Spotswood

May 3, 2012

BOROUGH OF SPOTSWOOD
COMBINED STATEMENT OF ASSETS, LIABILITIES, RESERVES AND FUND BALANCE -
ALL FUND TYPES AND ACCOUNTS - STATUTORY BASIS
DECEMBER 31, 2011
(UNAUDITED)

	<u>Governmental Funds</u>		<u>Trust and Agency</u>	<u>Water-Sewer Utility</u>		<u>General Fixed Assets Account</u>	<u>Totals Memorandum Only 2011</u>
	<u>Current</u>	<u>General Capital</u>		<u>Operating</u>	<u>Capital</u>		
<u>ASSETS AND OTHER DEBITS</u>							
Cash and Cash Equivalents	\$ 2,721,644.50	\$ 957,076.83	\$ 556,090.29	\$ 284,094.34	\$ 985,398.15	\$	5,504,304.11
Intergovernmental Accounts Receivable		416,109.67					416,109.67
Receivables and Other Assets:							
Delinquent Property Taxes Receivable	269,463.64						269,463.64
Tax Title Liens	92,206.58			312,911.17			92,206.58
Consumer Accounts Receivable							312,911.17
Property Acquired for Taxes -							
Assessed Valuation	2,533,400.00						2,533,400.00
Other Accounts Receivable	10,074.62		12,262.68				22,337.30
Interfunds Receivable	2,400.00						2,400.00
Inventory				22,639.00			22,639.00
Deferred Charges	71,350.00	3,850,406.21					3,921,756.21
Capital Lease Obligations - Unfunded		43,863.60			11,810,036.28		43,863.60
Fixed Capital							11,810,036.28
Fixed Assets							
Grant Fund:							
Grants Receivable	223,561.42						223,561.42
Interfunds Receivable	229,632.35						229,632.35
Total Assets and Other Debits	\$ 6,153,733.11	\$ 5,267,456.31	\$ 568,352.97	\$ 619,644.51	\$ 12,795,434.43	\$ Omitted	\$ 25,404,621.33

The Notes to Financial Statements have been purposely omitted.

BOROUGH OF SPOTSWOOD
COMBINED STATEMENT OF ASSETS, LIABILITIES, RESERVES AND FUND BALANCE -
ALL FUND TYPES AND ACCOUNTS - STATUTORY BASIS
DECEMBER 31, 2011
(UNAUDITED)

	<u>Governmental Funds</u>		<u>Trust and</u>	<u>Water-Sewer Utility</u>		<u>General</u>	<u>Totals</u>
	<u>Current</u>	<u>Capital</u>	<u>Agency</u>	<u>Operating</u>	<u>Capital</u>	<u>Fixed Assets</u>	<u>Memorandum Only</u>
						<u>Account</u>	<u>2011</u>
<u>LIABILITIES, RESERVES AND</u>							
<u>FUND BALANCE</u>							
Liabilities and Reserves:							
Appropriation Reserves	\$ 297,669.28	\$ 1,545,000.00	\$ 37,553.09	\$ 3,268,000.00		\$	335,222.37
Serial Bonds		767,604.62					4,813,000.00
Loan Payable		1,400,000.00					767,604.62
Bond Anticipation Notes		43,863.60					2,320,000.00
Capital Leases Payable - Principal		796,068.07	\$ 554,274.79	90,318.84	308,456.07		43,863.60
Other Liabilities and Reserves	618,993.02	635,763.91			642,951.40		2,368,110.79
Improvement Authorizations			2,400.00				1,278,715.31
Interfunds Payable	229,632.35						232,032.35
Reserve for Amortization							7,344,865.42
Deferred Reserve for Amortization							277,170.86
Reserve for Receivables and Other Assets	2,907,544.84		11,678.18	335,550.17			3,254,773.19
Grant Fund:							
Reserve for Encumbrances	60,482.40						60,482.40
Appropriated Reserves	321,236.29						321,236.29
Unappropriated Reserves	71,475.08						71,475.08
Total Liabilities and Reserves	\$ 4,507,033.26	\$ 5,188,300.20	\$ 568,352.97	\$ 463,422.10	\$ 12,761,443.75		\$ 23,488,552.28
Equity and Other Credits:							
Fund Balance	\$ 1,646,699.85	\$ 79,156.11		\$ 156,222.41	\$ 33,990.68		\$ 1,916,069.05
Total Equity and Other Credits	\$ 1,646,699.85	\$ 79,156.11		\$ 156,222.41	\$ 33,990.68		\$ 1,916,069.05
Total Liabilities, Reserves and Fund Balance	\$ 6,153,733.11	\$ 5,267,456.31	\$ 568,352.97	\$ 619,644.51	\$ 12,795,434.43	\$ Omitted	\$ 25,404,621.33

The Notes to Financial Statements have been purposely omitted.

BOROUGH OF SPOTSWOOD
COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE - STATUTORY BASIS
BUDGET AND ACTUAL - CURRENT AND WATER-SEWER UTILITY OPERATING FUNDS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011
(UNAUDITED)

	Current Fund			Variance Favorable (Unfavorable)	Water-Sewer Utility Operating Fund			Variance Favorable (Unfavorable)
	Final Budget	Actual			Final Budget	Actual		
Revenues:								
Fund Balance Anticipated	\$ 1,072,500.00	\$ 1,072,500.00			\$ 237,597.00	\$ 237,597.00		
Water-Sewer Rents					2,487,400.00	2,349,847.28		\$ (137,552.72)
Miscellaneous Revenues	1,097,886.00	1,273,940.41		\$ 176,054.41		15,464.53		15,464.53
State Aid	715,651.00	715,651.00						
Federal, State & Private Grants	158,187.96	158,187.96						
	\$ 3,044,224.96	\$ 3,220,279.37		\$ 176,054.41	\$ 2,724,997.00	\$ 2,602,908.81		\$ (122,088.19)
Receipts from Delinquent Taxes								
Amount to be Raised by Taxes for Support of Municipal Budget:	200,000.00	267,712.62		67,712.62				
Local Tax for Municipal Purposes Including Reserve for Uncollected Taxes	6,445,242.71	6,684,875.83		239,633.12				
Budget Totals	\$ 9,689,467.67	\$ 10,172,867.82		\$ 483,400.15	\$ 2,724,997.00	\$ 2,602,908.81		\$ (122,088.19)
Non-budget Revenues								
Taxes Allocated to School and County	14,623,787.48	200,430.59		200,430.59				
Other Credits to Income		14,623,787.48				173,863.09		173,863.09
		697,587.83		697,587.83				
Total Revenues	\$ 24,313,255.15	\$ 25,694,673.72		\$ 1,381,418.57	\$ 2,724,997.00	\$ 2,776,771.90		\$ 51,774.90

The Notes to Financial Statements have been purposely omitted.

BOROUGH OF SPOTSWOOD
COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE - STATUTORY BASIS
BUDGET AND ACTUAL - CURRENT AND WATER-SEWER UTILITY OPERATING FUNDS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011
(UNAUDITED)

	Current Fund		Water-Sewer Utility Operating Fund	
	Final Budget	Actual	Final Budget	Variance Favorable (Unfavorable)
Expenditures:				
Current:				
Inside CAPS:				
General Government	\$ 539,516.25	\$ 539,516.25		
Land Use Administration	15,200.00	15,200.00		
Insurance	1,170,660.00	1,170,660.00		
Public Safety	2,622,441.00	2,622,441.00		
Public Works	749,675.00	749,675.00		
Health and Human Services	156,455.00	156,455.00		
Parks and Recreation	32,035.00	32,035.00		
Utility Expenses and Bulk Purchases	389,000.00	389,000.00		
Landfill/Solid Waste Disposal Costs	220,000.00	220,000.00		
Construction Code	93,490.00	93,490.00		
Contingent	50.00	50.00		
Deferred Charges and Statutory Expenditures	1,024,277.65	1,024,277.65		
Outside CAPS:				
General Government	10,000.00	10,000.00		
Public Safety	486,379.00	486,379.00		
Insurance	53,040.00	53,040.00		
Library	294,890.06	294,890.06		
Health and Human Services	35,064.00	35,064.00		
Public Works	160,710.00	160,710.00		
Federal, State and Private Programs	161,512.71	161,512.71		
Operating			\$ 2,083,350.00	\$ 2,083,350.00
Capital Improvements	25,000.00	25,000.00	25,000.00	25,000.00
Debt Service	921,422.00	921,422.00	572,620.00	572,620.00
Deferred Charges	20,000.00	20,000.00	44,027.00	44,027.00
Reserve for Uncollected Taxes	560,000.00	560,000.00		
Total Budget Expenditures	\$ 9,740,817.67	\$ 9,740,817.67	\$ 2,724,997.00	\$ 2,724,997.00

The Notes to Financial Statements have been purposely omitted.

BOROUGH OF SPOTSWOOD
COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE - STATUTORY BASIS
BUDGET AND ACTUAL - CURRENT AND WATER-SEWER UTILITY OPERATING FUNDS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011
(UNAUDITED)

	Current Fund		Variance Favorable (Unfavorable)	Water-Sewer Utility Operating Fund		Variance Favorable (Unfavorable)
	Final Budget	Actual		Final Budget	Actual	
Expenditures (Continued):						
County Taxes including County Added and Omitted	\$ 3,009,066.50	\$ 3,009,066.50				
Local District School Taxes	11,614,720.98	11,614,720.98				
Other Expenses		3,650.00	\$ (3,650.00)			
Total Expenditures	\$ 24,364,605.15	\$ 24,368,255.15	\$ (3,650.00)	\$ 2,724,997.00	\$ 2,724,997.00	
Excess/(Deficit) in Revenue	\$ (51,350.00)	\$ 1,326,418.57	\$ 1,377,768.57		\$ 51,774.90	\$ 51,774.90
Adjustment to Income Before Fund Balance: Expenditures Included Above Which are by Statute Deferred Charges to Budget of Succeeding Years	51,350.00	51,350.00				
Statutory Excess to Fund Balance		\$ 1,377,768.57	\$ 1,377,768.57		\$ 51,774.90	\$ 51,774.90
Fund Balance, January 1, 2011		1,341,431.28	1,341,431.28		342,044.51	342,044.51
		\$ 2,719,199.85	\$ 2,719,199.85		\$ 393,819.41	\$ 393,819.41
Decreased By:						
Utilization as Anticipated Revenue		1,072,500.00	1,072,500.00		237,597.00	237,597.00
Fund Balance, December 31, 2011		\$ 1,646,699.85	\$ 1,646,699.85		\$ 156,222.41	\$ 156,222.41

The Notes to Financial Statements have been purposely omitted.

BOROUGH OF SPOTSWOOD
GENERAL CAPITAL FUND
STATEMENT OF CHANGES IN FUND BALANCE -
STATUTORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2011
(UNAUDITED)

<u>BALANCE, DECEMBER 31, 2010</u>	\$ 78,877.71
<u>INCREASED BY</u>	
Premium on Sale of Bond Anticipation Notes	<u>278.40</u>
<u>BALANCE, DECEMBER 31, 2011</u>	<u>\$ 79,156.11</u>

The Notes to Financial Statements have been purposely omitted.

BOROUGH OF SPOTSWOOD
WATER-SEWER UTILITY CAPITAL FUND
STATEMENT OF CHANGES IN FUND BALANCE - STATUTORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2011
(UNAUDITED)

<u>BALANCE, DECEMBER 31, 2010</u>	\$ 33,805.08
<u>INCREASED BY</u>	
Premium on Sale of Bond Anticipation Notes	<u>185.60</u>
<u>BALANCE, DECEMBER 31, 2011</u>	<u>\$ 33,990.68</u>

The Notes to Financial Statements have been purposely omitted.

BOROUGH OF SPOTSWOOD
CURRENT FUND
STATEMENT OF ASSETS, LIABILITIES, RESERVES
AND FUND BALANCE - STATUTORY BASIS
AS OF DECEMBER 31, 2011
(UNAUDITED)

	Balance December 31, 2011
	<u> </u>
<u>ASSETS</u>	
Current Fund:	
Cash and Cash Equivalents	\$ <u>2,721,644.50</u>
Receivables and Other Assets with Full Reserves:	
Delinquent Property Taxes Receivable	\$ 269,463.64
Tax Title Liens	92,206.58
Property Acquired for Taxes, Assessed Valuation	2,533,400.00
Revenue Accounts Receivable	10,074.62
Interfunds Receivable-	
Due from Trust Other Fund	<u>2,400.00</u>
	\$ <u>2,907,544.84</u>
Deferred Charges	\$ <u>71,350.00</u>
Total Current Fund	\$ <u>5,700,539.34</u>
Grant Fund:	
Grants Receivable	\$ 223,561.42
Interfund Receivable - Due from Current Fund	<u>229,632.35</u>
Total Grant Fund	\$ <u>453,193.77</u>
Total Assets	\$ <u><u>6,153,733.11</u></u>

The Notes to Financial Statements have been purposely omitted.

BOROUGH OF SPOTSWOOD
CURRENT FUND
STATEMENT OF ASSETS, LIABILITIES, RESERVES
AND FUND BALANCE - STATUTORY BASIS
AS OF DECEMBER 31, 2011
(UNAUDITED)

Balance
December 31,
2011

LIABILITIES, RESERVES AND
FUND BALANCE

Current Fund:

Liabilities and Other Reserves:

Appropriation Reserves	\$ 297,669.28
Reserve for Encumbrances	216,232.98
Accounts Payable	373.00
Prepaid Taxes	122,199.47
Tax Overpayments	27.99
Library Reserve	241.65
Commitments Payable	135,194.60
Local School Taxes Payable	56,905.40
Due to State of New Jersey (Chapter 20, P.L. 1971)	15,144.93
Due State of New Jersey - Various Fees	1,098.00
Prepaid Licenses	20.00
Reserve for Update of Master Plan, Appropriated	39,850.00
Reserve for Private Citizen Contribution - Defibulator, Appropriated	2,505.00
Reserve for State Tax Appeals	25,000.00
Reserve - Motorcycle Traffic Enforcement	4,200.00
Interfunds Payable:	
Due to Grant Fund	<u>229,632.35</u>
 Total Liabilities and Other Reserves	 \$ <u>1,146,294.65</u>

The Notes to Financial Statements have been purposely omitted.

BOROUGH OF SPOTSWOOD
CURRENT FUND
STATEMENT OF ASSETS, LIABILITIES, RESERVES
AND FUND BALANCE - STATUTORY BASIS
AS OF DECEMBER 31, 2011
(UNAUDITED)

Balance
December 31,
2011

LIABILITIES, RESERVES AND
FUND BALANCE (CONTINUED)

Current Fund (Continued):

Reserve for Receivables and Other Assets	\$ <u>2,907,544.84</u>
Fund Balance	\$ <u>1,646,699.85</u>
Total Current Fund	\$ <u>5,700,539.34</u>

Grant Fund:

Reserve for Grants:	
Appropriated	\$ 321,236.29
Unappropriated	71,475.08
Reserve for Encumbrances	<u>60,482.40</u>
Total Grant Fund	\$ <u>453,193.77</u>
Total Liabilities, Reserves and Fund Balance	\$ <u><u>6,153,733.11</u></u>

The Notes to Financial Statements have been purposely omitted.

BOROUGH OF SPOTSWOOD
CURRENT FUND
STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCE -
STATUTORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2011
(UNAUDITED)

2011

Revenues and Other Income Realized:	
Fund Balance Utilized	\$ 1,072,500.00
Miscellaneous Revenues Anticipated	1,273,940.41
State Aid	715,651.00
Federal, State and Private Grants	158,187.96
Receipts from Delinquent Taxes	267,712.62
Amount to be Raised by Taxation for Support of Municipal Budget	6,684,875.83
Non-Budget Revenues	200,430.59
Other Credits to Income:	
Unexpended Balance of Appropriation Reserves	
and Reserve for Encumbrances	434,422.04
Current Budget Appropriations Canceled	100,360.43
Prior Year Interfund Returned	2,805.36
Cancellation of Reserve for State Tax Appeals	160,000.00
Taxes Allocated to School and County	<u>14,623,787.48</u>
 Total Income	 \$ <u>25,694,673.72</u>
 Expenditures:	
Budget and Emergency Appropriations:	
Within CAPS:	
General Government	\$ 539,516.25
Land Use Administration	15,200.00
Insurance	1,170,660.00
Public Safety	2,622,441.00
Public Works	749,675.00
Health and Human Service	156,455.00
Parks and Recreation	32,035.00
Utility Expenses and Bulk Purchases	389,000.00
Landfill/Solid Waste Disposal Costs	220,000.00
Construction Code	93,490.00
Contingent	50.00
Deferred Charges and Statutory Expenditures	1,024,277.65
Outside CAPS:	
General Government	10,000.00
Public Safety	486,379.00
Insurance	53,040.00

The Notes to Financial Statements have been purposely omitted.

BOROUGH OF SPOTSWOOD
CURRENT FUND
STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCE -
STATUTORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2011
(UNAUDITED)

2011

Expenditures (Continued):	
Budget and Emergency Appropriations (Continued):	
Outside CAPS (Continued):	
Library	\$ 294,890.06
Health and Human Service	35,064.00
Public Works	160,710.00
Federal, State and Private Programs	161,512.71
Capital Improvements	25,000.00
Municipal Debt Service	921,422.00
Deferred Charges/Statutory	20,000.00
Reserve for Uncollected Taxes	560,000.00
County Taxes	3,005,051.56
County Taxes, Added and Omitted:	
2011	4,014.94
Local District School Taxes	11,614,720.98
Prior Year Senior Citizens and Veterans Disallowed	1,250.00
Interfund Advanced	2,400.00
	<hr/>
Total Expenditures	\$ 24,368,255.15
	<hr/>
Excess in Revenue over Expenditures	\$ 1,326,418.57
	<hr/>
Adjustment to Income Before Fund Balance:	
Expenditures Included above which are by Statute	
Deferred Charges to Budget of Succeeding Years	\$ 51,350.00
	<hr/>
Statutory Excess to Fund Balance	\$ 1,377,768.57
	<hr/>
Fund Balance, January 1	1,341,431.28
	<hr/>
	\$ 2,719,199.85
Decreased by:	
Utilization as Anticipated Revenue	1,072,500.00
	<hr/>
Fund Balance, December 31	\$ 1,646,699.85
	<hr/>

The Notes to Financial Statements have been purposely omitted.

BOROUGH OF SPOTSWOOD
CURRENT FUND
STATEMENT OF REVENUES - STATUTORY BASIS
YEAR ENDED DECEMBER 31, 2011
(UNAUDITED)

	Budget as <u>Modified</u>	<u>Realized</u>	Excess or <u>(Deficit)</u>
Fund Balance Anticipated	\$ 1,072,500.00	\$ 1,072,500.00	_____
Miscellaneous Revenues:			
Licenses:			
Alcoholic Beverages	\$ 5,500.00	\$ 5,795.84	\$ 295.84
Other	5,000.00	7,250.00	2,250.00
Fees and Permits:			
Other	200,000.00	298,708.76	98,708.76
Construction Code Official Fees	90,000.00	103,644.00	13,644.00
Fines and Costs:			
Municipal Court	225,000.00	123,137.74	(101,862.26)
Interest and Costs on Taxes	40,000.00	48,453.34	8,453.34
Interest on Investments and Deposits	20,000.00	23,532.19	3,532.19
	<u>\$ 585,500.00</u>	<u>\$ 610,521.87</u>	<u>\$ 25,021.87</u>
State Aid Without Offsetting Appropriations:			
Energy Receipts Tax	\$ 566,461.00	\$ 580,314.00	\$ 13,853.00
Consolidated Municipal Property Tax Relief Aid	149,190.00	135,337.00	(13,853.00)
	<u>\$ 715,651.00</u>	<u>\$ 715,651.00</u>	<u>\$ _____</u>
Special Items of General Revenue Anticipated With Prior Written Consent of the Director of Local Government Services:			
Interlocal Municipal Service Agreements - Offset with Appropriations:			
Borough of Helmetta:			
Dispatcher	\$ 22,370.00	\$ 22,370.00	
Sanitation	39,854.00	39,854.00	
	<u>\$ 62,224.00</u>	<u>\$ 62,224.00</u>	<u>_____</u>

The Notes to Financial Statements have been purposely omitted.

BOROUGH OF SPOTSWOOD
CURRENT FUND
STATEMENT OF REVENUES - STATUTORY BASIS
YEAR ENDED DECEMBER 31, 2011
(UNAUDITED)

	Budget as <u>Modified</u>	<u>Realized</u>	Excess or <u>(Deficit)</u>
Special Items of General Revenue Anticipated With Prior Written Consent of the Director of Local Government Services (Continued):			
Public and Private Programs Offset With Appropriations:			
Clean Communities Program	\$ 12,890.54	\$ 12,890.54	
Drunk Driving Enforcement Fund	4,254.86	4,254.86	
Municipal Alliance Program	9,099.00	9,099.00	
New Jersey State Division of Senior Affairs - SHTP Grant	4,000.00	4,000.00	
Assistance Grant	8,200.00	8,200.00	
Recycling Tonnage Grant	51,629.32	51,629.32	
Rehabilitation Fund	1,456.24	1,456.24	
County of Middlesex:			
CDBG	38,658.00	38,658.00	
Matter of Balance Grant	3,000.00	3,000.00	
Community Concerns Grant	5,000.00	5,000.00	
Comcast Technology Grant	20,000.00	20,000.00	
	<u>\$ 158,187.96</u>	<u>\$ 158,187.96</u>	
Other Special Items:			
Cable Television Fees Percentage	\$ 41,200.00	\$ 51,256.95	\$ 10,056.95
Payment in Lieu of Taxes:			
Senior Citizen Housing Project	39,400.00	39,705.24	305.24
New Jersey Association for Deaf and Blind	3,212.00	3,212.00	
Senior Citizen Housing Project - Crescent Park	20,000.00	26,379.31	6,379.31
Emergency Medical Service	336,950.00	471,395.45	134,445.45
Uniform Fire Safety Act	9,400.00	9,245.59	(154.41)
	<u>\$ 450,162.00</u>	<u>\$ 601,194.54</u>	<u>\$ 151,032.54</u>
Receipts from Delinquent Taxes	<u>\$ 200,000.00</u>	<u>\$ 267,712.62</u>	<u>\$ 67,712.62</u>
Amount to be Raised by Taxation for Support of Municipal Budget:			
Local Tax for Municipal Purposes	<u>\$ 6,445,242.71</u>	<u>\$ 6,684,875.83</u>	<u>\$ 239,633.12</u>
Budget Totals	<u>\$ 9,689,467.67</u>	<u>\$ 10,172,867.82</u>	<u>\$ 483,400.15</u>
Non-Budget Revenue		<u>200,430.59</u>	<u>200,430.59</u>
	<u>\$ 9,689,467.67</u>	<u>\$ 10,373,298.41</u>	<u>\$ 683,830.74</u>

The Notes to Financial Statements have been purposely omitted.

BOROUGH OF SPOTSWOOD
CURRENT FUND
STATEMENT OF EXPENDITURES - STATUTORY BASIS
YEAR ENDED DECEMBER 31, 2011
(UNAUDITED)

	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged (inc. enc.)</u>	<u>Reserved</u>	<u>Canceled</u>
<u>GENERAL GOVERNMENT FUNCTIONS</u>					
General Administration:					
Salaries and Wages	\$ 92,000.00	\$ 96,500.00	\$ 95,673.89	\$ 826.11	
Other Expenses	21,600.00	21,850.00	21,375.86	474.14	
Mayor and Council:					
Salaries and Wages	9,900.00	9,900.00	9,900.00		
Other Expenses	4,550.00	3,050.00	2,846.86	203.14	
Municipal Clerk:					
Salaries and Wages	59,800.00	59,800.00	58,684.28	1,115.72	
Other Expenses	19,950.00	13,450.00	13,160.61	289.39	
Financial Administration:					
Salaries and Wages	68,000.00	68,000.00	67,893.27	106.73	
Other Expenses	28,115.00	28,115.00	27,710.39	404.61	
Audit Services:					
Other Expenses	22,000.00	22,000.00	21,320.00	680.00	
Revenue Administration:					
Salaries and Wages	78,000.00	76,000.00	74,505.48	1,494.52	
Other Expenses	4,725.00	4,725.00	4,570.77	154.23	
Tax Assessment Administration:					
Salaries and Wages	13,500.00	13,500.00	13,392.48	107.52	
Other Expenses	13,470.00	13,470.00	11,469.41	2,000.59	
Department of Law:					
Office of the Director:					
Other Expenses	80,000.00	83,000.00	80,870.62	2,129.38	
Department of Engineering:					
Division of Engineering:					
Other Expenses	25,000.00	12,000.00	9,506.50	2,493.50	
Economic Development:					
Other Expenses	200.00	200.00		200.00	
Cultural and Heritage Committee:					
Other Expenses	500.00	500.00	450.00	50.00	
<u>LAND USE ADMINISTRATION</u>					
Planning Board:					
Salaries and Wages	11,500.00	11,500.00	10,998.00	502.00	
Other Expenses	4,700.00	3,700.00	2,509.13	1,190.87	
<u>INSURANCE</u>					
Unemployment Compensation Insurance	5,000.00	5,000.00	5,000.00		
Liability Insurance	84,000.00	84,000.00	82,639.00	1,361.00	
Workers Compensation	66,700.00	62,700.00	61,725.60	974.40	
Group Insurance	1,038,960.00	1,018,960.00	902,183.46	86,776.54	\$ 30,000.00

The Notes to Financial Statements have been purposely omitted.

BOROUGH OF SPOTSWOOD
CURRENT FUND
STATEMENT OF EXPENDITURES - STATUTORY BASIS
YEAR ENDED DECEMBER 31, 2011
(UNAUDITED)

	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged (inc. enc.)</u>	<u>Reserved</u>	<u>Canceled</u>
<u>PUBLIC SAFETY FUNCTIONS</u>					
Police Department:					
Salaries and Wages	\$ 2,359,000.00	\$ 2,349,000.00	\$ 2,273,371.38	\$ 45,628.62	\$ 30,000.00
Other Expenses	97,150.00	92,150.00	91,669.72	480.28	
Emergency Management Services:					
Salaries and Wages	1.00	1.00	1.00		
Other Expenses	1,100.00	1,100.00		1,100.00	
Fire Department:					
Other Expenses	54,630.00	60,755.00	58,506.50	2,248.50	
Uniform Fire Safety Act:					
Bureau of Fire Prevention:					
Salaries and Wages	31,000.00	31,000.00	26,984.08	4,015.92	
Other Expenses	1,950.00	1,950.00	1,870.33	79.67	
Municipal Prosecutor:					
Salaries and Wages	13,800.00	12,300.00	12,120.00	180.00	
Municipal Court:					
Salaries and Wages	58,000.00	58,000.00	56,759.77	1,240.23	
Other Expenses	12,785.00	12,785.00	8,141.39	4,643.61	
Public Defender (P.L. 1997, C. 256):					
Salaries and Wages	2,900.00	2,900.00	2,400.00	500.00	
O.S.H.A. Requirement:					
Federally Mandated Hepatitis Immunization	500.00	500.00		500.00	
<u>PUBLIC WORKS FUNCTIONS</u>					
Streets and Roads Maintenance:					
Salaries and Wages	355,000.00	355,000.00	345,444.72	9,555.28	
Other Expenses	47,635.00	73,335.00	63,086.73	10,248.27	
Snow and Ice Removal:					
Other Expenses	20,000.00	20,000.00	20,000.00		
Solid Waste Collection:					
Salaries and Wages	114,000.00	88,500.00	84,671.68	3,828.32	
Other Expenses	8,250.00	8,250.00	8,250.00		
Apartment Sanitation (Chapter 26, P.L. 2000):					
Other Expenses	24,000.00	24,000.00	19,780.00	4,220.00	
Buildings and Grounds:					
Other Expenses	51,000.00	55,800.00	55,186.32	613.68	
Vehicle Maintenance:					
Other Expenses	74,440.00	64,440.00	53,879.89	10,560.11	
Lease of Police Vehicle	66,350.00	60,350.00	60,129.93	220.07	
<u>HEALTH AND HUMAN SERVICES FUNCTIONS</u>					
Public Health Services:					
Salaries and Wages	3,800.00	3,805.00	3,804.00	1.00	
Other Expenses	750.00	750.00	281.45	468.55	

The Notes to Financial Statements have been purposely omitted.

BOROUGH OF SPOTSWOOD
CURRENT FUND
STATEMENT OF EXPENDITURES - STATUTORY BASIS
YEAR ENDED DECEMBER 31, 2011
(UNAUDITED)

	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged (inc. enc.)</u>	<u>Reserved</u>	<u>Canceled</u>
<u>HEALTH AND HUMAN SERVICES FUNCTIONS (CONTINUED)</u>					
Animal Control Services:					
Other Expenses	\$ 5,500.00	\$ 5,500.00		\$ 5,500.00	
Division of Welfare:					
Other Expenses	50.00	50.00		50.00	
Office on Aging:					
Salaries and Wages	134,500.00	130,645.00	\$ 128,248.42	2,396.58	
Other Expenses	15,705.00	15,705.00	14,836.37	868.63	
<u>PARKS AND RECREATION FUNCTIONS</u>					
Recreation Services:					
Salaries and Wages	17,535.00	17,535.00	16,868.54	666.46	
Other Expenses	15,500.00	12,500.00	10,927.19	1,572.81	
Senior Citizens:					
Other Expenses	2,000.00	2,000.00	2,000.00		
<u>UTILITY EXPENSES AND BULK PURCHASES</u>					
Electricity	90,000.00	90,000.00	87,890.15	2,109.85	
Street Lighting	100,000.00	100,000.00	94,351.79	5,648.21	
Telephone	72,000.00	68,000.00	58,827.64	9,172.36	
Gas - Heat	25,000.00	25,000.00	19,871.70	5,128.30	
Gasoline	90,000.00	106,000.00	105,737.49	262.51	
<u>LANDFILL/SOLID WASTE DISPOSAL COSTS</u>					
Sanitary Landfill:					
Other Expenses	220,000.00	220,000.00	213,362.10	6,637.90	
<u>UNIFORM CONSTRUCTION CODE - APPROPRIATIONS</u>					
<u>OFFSET BY DEDICATED REVENUES (N.J.A.C. 5:23-4.17)</u>					
Uniform Construction Code:					
Salaries and Wages	91,500.00	91,500.00	88,756.22	2,743.78	
Other Expenses	1,990.00	1,990.00	1,563.30	426.70	
Accumulated Sick Leave Reserve	500.00	13,456.25	13,456.25		
Total Operations within "CAPS"	\$ 6,031,991.00	\$ 5,988,472.25	\$ 5,681,421.66	\$ 247,050.59	\$ 60,000.00
<u>CONTINGENT</u>	\$ 50.00	\$ 50.00		\$ 50.00	
Total Operations Including Contingent - within "CAPS"	\$ 6,032,041.00	\$ 5,988,522.25	\$ 5,681,421.66	\$ 247,100.59	\$ 60,000.00
Detail:					
Salaries and Wages	\$ 3,513,736.00	\$ 3,475,386.00	\$ 3,311,317.44	\$ 74,908.79	\$ 30,000.00
Other Expenses (Including Contingent)	2,518,305.00	2,513,136.25	2,370,104.22	172,191.80	30,000.00

The Notes to Financial Statements have been purposely omitted.

BOROUGH OF SPOTSWOOD
CURRENT FUND
STATEMENT OF EXPENDITURES - STATUTORY BASIS
YEAR ENDED DECEMBER 31, 2011
(UNAUDITED)

	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged (inc. enc.)</u>	<u>Reserved</u>	<u>Canceled</u>
DEFERRED CHARGES AND STATUTORY EXPENDITURES -					
MUNICIPAL WITHIN "CAPS"					
Statutory Expenditures:					
Contribution to:					
Social Security System (O.A.S.I.)	\$ 325,000.00	\$ 321,043.75	\$ 275,166.04	\$ 5,877.71	\$ 40,000.00
Defined Contribution Retirement Plan	100.00	100.00		100.00	
Police and Firemans Retirement System of N.J.	522,190.00	522,190.00	522,190.00		
Public Employees Retirement System of N.J.	180,943.90	180,943.90	180,943.90		
Total Deferred Charges and Statutory Expenditures - Municipal within "CAPS"	\$ 1,028,233.90	\$ 1,024,277.65	\$ 978,299.94	\$ 5,977.71	\$ 40,000.00
Total General Appropriations for Municipal Purposes within "CAPS"	\$ 7,060,274.90	\$ 7,012,799.90	\$ 6,659,721.60	\$ 253,078.30	\$ 100,000.00
OPERATIONS - EXCLUDED FROM "CAPS"					
Other Operations - Excluded from "CAPS":					
Maintenance of Free Public Library:					
Salaries and Wages	\$ 160,000.00	\$ 160,000.00	\$ 148,730.09	\$ 11,269.91	
Other Expenses	134,890.06	134,890.06	118,998.88	15,891.18	
Recycling Enhancement Act (P.L.2007 c.311)	8,856.00	8,856.00	8,856.00		
Length of Service Award Program	20,000.00	20,000.00	20,000.00		
Emergency Medical Services:					
Salaries and Wages	265,500.00	348,025.00	346,800.78	1,224.22	
Other Expenses	71,450.00	86,650.00	79,933.02	6,716.98	
Insurance:					
Group Insurance (P.L.2007, c.62)	53,040.00	53,040.00	53,040.00		
Total Other Operations - Excluded from "CAPS"	\$ 713,736.06	\$ 811,461.06	\$ 776,358.77	\$ 35,102.29	
Interlocal Municipal Service Agreements:					
Borough of Spotswood Board of Education:					
Sand/Salt	\$ 2,000.00	\$ 2,000.00	\$ 2,000.00		
Network Administration	8,000.00	8,000.00	8,000.00		
Police Dispatcher Services:					
Salaries and Wages:					
Borough of Helmetta	22,370.00	22,370.00	22,370.00		
County Department of Health:					
Other Expenses	28,988.00	28,988.00	28,988.00		
Township of East Brunswick:					
Fire Communications	3,500.00	3,500.00	3,189.12	\$ 310.88	
Middlesex County Improvement Authority:					
Recycling:					
Other Expenses	112,000.00	112,000.00	105,320.84	6,679.16	

The Notes to Financial Statements have been purposely omitted.

BOROUGH OF SPOTSWOOD
CURRENT FUND
STATEMENT OF EXPENDITURES - STATUTORY BASIS
YEAR ENDED DECEMBER 31, 2011
(UNAUDITED)

	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged (inc. enc.)</u>	<u>Reserved</u>	<u>Canceled</u>
<u>OPERATIONS - EXCLUDED FROM "CAPS" (CONTINUED)</u>					
Interlocal Municipal Service Agreements: (Continued)					
Borough of Helmetta:					
Zoning/Code Enforcement	\$ 5,834.00	\$ 5,834.00	\$ 5,834.00		
Animal Control	6,076.00	6,076.00	6,076.00		
Sanitation:					
Salaries and Wages	12,000.00	12,000.00	12,000.00		
Other Expenses	27,854.00	27,854.00	25,355.15	\$ 2,498.85	
Total Interlocal Municipal Service Agreements	\$ 228,622.00	\$ 228,622.00	219,133.11	\$ 9,488.89	
Public and Private Programs Offset by Revenues:					
Municipal Alliance Program:					
Grant Portion	\$ 9,099.00	\$ 9,099.00	\$ 9,099.00		
Matching Grant Portion	2,274.75	2,274.75	2,274.75		
State of New Jersey Clean Communities Grant:					
Recycling	12,890.54	12,890.54	12,890.54		
Alcohol Education Rehabilitation Fund:					
Salaries and Wages		1,456.24	1,456.24		
State of New Jersey - Division of Highway Safety -					
Drunk Driving Enforcement Fund		4,254.86	4,254.86		
State of New Jersey - Division of Senior Affairs:					
SHTP Grant	4,000.00	4,000.00	4,000.00		
Matching Portion	550.00	550.00	550.00		
NJ Recycling Tonnage Grant	51,629.32	51,629.32	51,629.32		
Comcast Technology Grant	20,000.00	20,000.00	20,000.00		
Middlesex County:					
Matter of Balance Grant		3,000.00	3,000.00		
Community Concerns Grant		5,000.00	5,000.00		
Community Development Block Grant					
Salaries and Wages		15,900.00	15,900.00		
Safe Housing		12,758.00	12,758.00		
Curb Cut Project		10,000.00	10,000.00		
State of NJ - Senior Information and Assistance Grant:					
Grant Portion	6,000.00	8,200.00	8,200.00		
Matching Portion	500.00	500.00	500.00		
Total Public and Private Programs Offset by Revenues	\$ 106,943.61	\$ 161,512.71	\$ 161,512.71		
Total Operations - Excluded from "CAPS"	\$ 1,049,301.67	\$ 1,201,595.77	\$ 1,157,004.59	\$ 44,591.18	
Detail:					
Salaries and Wages	\$ 459,870.00	\$ 195,826.24	\$ 183,100.09	\$ 11,269.91	
Other Expenses	589,431.67	1,005,769.53	973,904.50	33,321.27	
<u>CAPITAL IMPROVEMENTS - EXCLUDED FROM "CAPS"</u>					
Capital Improvement Fund	\$ 25,000.00	\$ 25,000.00	\$ 25,000.00		
Total Capital Improvements Excluded from "CAPS"	\$ 25,000.00	\$ 25,000.00	\$ 25,000.00		

The Notes to Financial Statements have been purposely omitted.

BOROUGH OF SPOTSWOOD
CURRENT FUND
STATEMENT OF EXPENDITURES - STATUTORY BASIS
YEAR ENDED DECEMBER 31, 2011
(UNAUDITED)

	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged (inc. enc.)</u>	<u>Reserved</u>	<u>Canceled</u>
MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"					
Payment of Bond Principal	\$ 365,000.00	\$ 365,000.00	\$ 365,000.00		
Payment of Bond Anticipation Notes and Capital Notes	300,000.00	300,000.00	300,000.00		
Interest on Bonds	75,842.00	75,842.00	75,841.26	\$	0.74
Interest on Notes	19,250.00	20,350.00	20,337.99		12.01
County of Middlesex Improvement Authority:					
Capital Lease Program:					
Principal	91,927.00	91,927.00	91,926.69		0.31
Interest	28,663.00	28,663.00	28,662.46		0.54
Obligations Approved Prior to July 1, 2007					
Principal	24,463.00	24,463.00	24,462.36		0.64
Interest	3,828.00	3,828.00	3,483.34		344.66
Obligations Approved After to July 1, 2007					
Principal	10,549.00	10,549.00	10,548.15		0.85
Interest	800.00	800.00	799.32		0.68
Total Municipal Debt Service - Excluded from "CAPS"	\$ 920,322.00	\$ 921,422.00	\$ 921,061.57		\$ 360.43
DEFERRED CHARGES - MUNICIPAL - EXCLUDED FROM "CAPS"					
Special Emergency Authorizations - 5 Years (NJS 40A:4-55)	\$ 20,000.00	\$ 20,000.00	\$ 20,000.00		
Total Deferred Charges - Municipal - Excluded from "CAPS"	\$ 20,000.00	\$ 20,000.00	\$ 20,000.00		
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	\$ 2,014,623.67	\$ 2,168,017.77	\$ 2,123,066.16	\$ 44,591.18	\$ 360.43
Total General Appropriations - Excluded from "CAPS"	\$ 2,014,623.67	\$ 2,168,017.77	\$ 2,123,066.16	\$ 44,591.18	\$ 360.43
Subtotal General Appropriations	\$ 9,074,898.57	\$ 9,180,817.67	\$ 8,782,787.76	\$ 297,669.48	\$ 100,360.43
RESERVE FOR UNCOLLECTED TAXES	<u>560,000.00</u>	<u>560,000.00</u>	<u>560,000.00</u>		
Total General Appropriations	\$ <u>9,634,898.57</u>	\$ <u>9,740,817.67</u>	\$ <u>9,342,787.76</u>	\$ <u>297,669.48</u>	\$ <u>100,360.43</u>
Detail:					
Original Budget		\$ 9,634,898.57			
Added by N.J.S.A. 40A:4-53		51,350.00			
Added by N.J.S.A. 40A:4-87		54,569.10			
		\$ <u>9,740,817.67</u>			

The Notes to Financial Statements have been purposely omitted.

BOROUGH OF SPOTSWOOD
TRUST AND AGENCY FUND
COMBINING BALANCE SHEETS - STATUTORY BASIS
AS OF DECEMBER 31, 2011
(UNAUDITED)

	<u>Expendable Trust</u>		<u>Expendable Trust</u>		<u>Agency</u>	<u>Totals</u>
	<u>Animal Control</u>	<u>Trust Other</u>	<u>Assessment</u>	<u>Water-Sewer Utility</u>	<u>Payroll</u>	<u>2011</u>
	<u>2011</u>	<u>2011</u>	<u>2011</u>	<u>2011</u>	<u>2011</u>	<u>2011</u>
ASSETS AND OTHER DEBITS						
Assets:						
Cash and Cash Equivalents	\$ 12,673.52	\$ 540,784.20			\$ 2,632.57	\$ 556,090.29
Receivables and Other Assets:						
Intergovernmental Receivable - Due from						
State of New Jersey	9.00		\$ 3,206.37	\$ 5,472.50		9.00
Assessments Receivable			2,769.79			8,678.87
Assessment Liens Receivable			229.52			2,769.79
Assessment Liens Interest and Costs						229.52
Due from Municipal Court		575.50				575.50
Total Assets and Other Debits	\$ 12,682.52	\$ 541,359.70	\$ 6,205.68	\$ 5,472.50	\$ 2,632.57	\$ 568,352.97
LIABILITIES, RESERVES AND FUND BALANCE						
Liabilities and Reserves:						
Accounts Payable		\$ 1,289.97			\$ 2,632.57	\$ 1,289.97
Payroll Deductions Payable						2,632.57
Interfunds Payable:						
Due to Current Fund		2,400.00				2,400.00
Reserve for Receivables				\$ 5,472.50		11,678.18
Due to State of New Jersey		16,768.09				16,768.09
Reserve for NUJCC		16,745.21				16,745.21
Reserves	\$ 12,682.52	504,156.43				516,838.95
Total Other Liabilities and Reserves	\$ 12,682.52	\$ 541,359.70	\$ 6,205.68	\$ 5,472.50	\$ 2,632.57	\$ 568,352.97
Total Liabilities, Reserves and Fund Balance	\$ 12,682.52	\$ 541,359.70	\$ 6,205.68	\$ 5,472.50	\$ 2,632.57	\$ 568,352.97

The Notes to Financial Statements have been purposely omitted.

BOROUGH OF SPOTSWOOD
GENERAL CAPITAL FUND
STATEMENT OF ASSETS, LIABILITIES, RESERVES
AND FUND BALANCE - STATUTORY BASIS
AS OF DECEMBER 31, 2011
(UNAUDITED)

	Balance December 31, <u>2011</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ <u>957,076.83</u>
Intergovernmental Accounts Receivable:	
State of New Jersey:	
Department of Transportation Grants	\$ 316,109.67
County of Middlesex:	
Downtown Business District Improvement Fund	<u>100,000.00</u>
Intergovernmental Accounts Receivable	\$ <u>416,109.67</u>
Deferred Charges to Future Taxation:	
Funded	\$ 2,312,604.62
Unfunded	<u>1,537,801.59</u>
	\$ <u>3,850,406.21</u>
Capital Lease Obligations - Unfunded	\$ <u>73,918.15</u>
Total Assets	\$ <u><u>5,297,510.86</u></u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>	
Serial Bonds	\$ <u>1,545,000.00</u>
MCXIA Loan	\$ <u>767,604.62</u>
Bond Anticipation Notes	\$ <u>1,400,000.00</u>
Capital Lease Payable - Principal	\$ <u>73,918.15</u>

The Notes to Financial Statements have been purposely omitted.

BOROUGH OF SPOTSWOOD
GENERAL CAPITAL FUND
STATEMENT OF ASSETS, LIABILITIES, RESERVES
AND FUND BALANCE - STATUTORY BASIS
AS OF DECEMBER 31, 2011
(UNAUDITED)

	Balance December 31, <u>2011</u>
Other Liabilities and Reserves:	
Capital Improvement Fund	\$ 78,653.81
Reserve for Encumbrances	709,132.33
Retained Percentage Due Contractors	<u>8,281.93</u>
	\$ <u>796,068.07</u>
Improvement Authorizations:	
Funded	\$ 313,459.91
Unfunded	<u>\$ 322,304.00</u>
	\$ <u>635,763.91</u>
Fund Balance	\$ <u>79,156.11</u>
Total Liabilities, Reserves and Fund Balance	\$ <u><u>5,297,510.86</u></u>

There were Bonds and Notes Authorized But Not Issued as of December 31, 2011 in the amount of \$137,801.59

The Notes to Financial Statements have been purposely omitted.

BOROUGH OF SPOTSWOOD
WATER-SEWER UTILITY OPERATING FUND
STATEMENT OF ASSETS, LIABILITIES, RESERVES
AND FUND BALANCE - STATUTORY BASIS
AS OF DECEMBER 31, 2011
(UNAUDITED)

	Balance December 31, <u>2011</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ <u>284,094.34</u>
Receivables and Other Assets:	
Consumer Accounts Receivable	\$ 312,911.17
Inventory	<u>22,639.00</u>
	\$ <u>335,550.17</u>
Total Assets	\$ <u><u>619,644.51</u></u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>	
Liabilities:	
Appropriation Reserves	\$ 37,553.09
Customer Overpayments	<u>713.83</u>
	\$ <u>38,266.92</u>
Other Liabilities and Reserves:	
Reserve for Encumbrances	\$ 72,953.60
Accrued Interest on Bonds and Notes	<u>16,651.41</u>
	\$ <u>89,605.01</u>
Reserve for Receivables and Other Assets	\$ <u>335,550.17</u>
Fund Balance	\$ <u>156,222.41</u>
Total Liabilities, Reserves and Fund Balance	\$ <u><u>619,644.51</u></u>

The Notes to Financial Statements have been purposely omitted.

BOROUGH OF SPOTSWOOD
WATER-SEWER UTILITY OPERATING FUND
STATEMENT OF OPERATIONS AND CHANGE IN
OPERATING FUND BALANCE - STATUTORY BASIS
FOR YEAR ENDED DECEMBER 31, 2011
(UNAUDITED)

	<u>2011</u>
Revenue and Other Income Realized:	
Fund Balance Utilized	\$ 237,597.00
Rents	2,349,847.28
Miscellaneous	15,464.53
Other Credits to Income:	
Unexpended Balance of Appropriation Reserves	91,245.43
Current Budget Appropriations Canceled	<u>82,617.66</u>
Total Income	\$ <u>2,776,771.90</u>
Expenditures:	
Operating	\$ 2,083,350.00
Capital Improvements	25,000.00
Debt Service	572,620.00
Deferred Charges and Statutory Expenditures	<u>44,027.00</u>
Total Expenditures	\$ <u>2,724,997.00</u>
Statutory Excess to Fund Balance	\$ 51,774.90
Fund Balance, January 1	<u>342,044.51</u>
	\$ 393,819.41
Decreased by:	
Utilized by Water-Sewer Utility Operating Budget	\$ <u>237,597.00</u>
Fund Balance, December 31	<u><u>\$ 156,222.41</u></u>

The Notes to Financial Statements have been purposely omitted.

BOROUGH OF SPOTSWOOD
WATER-SEWER UTILITY OPERATING FUND
STATEMENT OF REVENUES - STATUTORY BASIS
YEAR ENDED DECEMBER 31, 2011
(UNAUDITED)

	<u>Anticipated</u>	<u>Realized</u>	<u>Excess/ (Deficit)</u>
Fund Balance Anticipated	\$ 237,597.00	\$ 237,597.00	
Rents	2,487,400.00	2,349,847.28	\$ (137,552.72)
Miscellaneous	<u> </u>	<u>15,464.53</u>	<u>15,464.53</u>
	<u>\$ 2,724,997.00</u>	<u>\$ 2,602,908.81</u>	<u>\$ (122,088.19)</u>

ANALYSIS OF REALIZED REVENUES

Miscellaneous:	
Interest on Delinquent Accounts	\$ 5,996.84
Interest Earned on Investments	4,553.49
Taps	1,950.00
Sewer Tie-In	1,600.00
Meters and Meter Test Fees	200.00
Water Turn on Fee	649.00
Miscellaneous	500.20
Duplicate Utility Bill Fee	<u>15.00</u>
	<u>\$ 15,464.53</u>

The Notes to Financial Statements have been purposely omitted.

BOROUGH OF SPOTSWOOD
WATER-SEWER UTILITY OPERATING FUND
STATEMENT OF EXPENDITURES - STATUTORY BASIS
YEAR ENDED DECEMBER 31, 2011
(UNAUDITED)

	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged (inc. enc.)</u>	<u>Reserved</u>	<u>Canceled</u>
<u>OPERATING</u>					
Salaries and Wages	\$ 280,000.00	\$ 275,000.00	\$ 263,594.73	\$ 11,405.27	
Other Expenses	754,750.00	754,750.00	681,474.23	13,275.77	\$ 60,000.00
Sewerage Authority - Share Costs	763,450.00	763,450.00	763,388.49	61.51	
Sewerage Authority - Charge Back	91,450.00	91,450.00	91,450.00		
Monroe Sewerage Authority	3,200.00	3,200.00	2,590.00	610.00	
Purchase of Water	190,000.00	190,000.00	160,618.78	9,381.22	20,000.00
Accumulative Sick Leave	500.00	5,920.75	5,920.75		
Total Operating	<u>\$ 2,083,350.00</u>	<u>\$ 2,083,770.75</u>	<u>\$ 1,969,036.98</u>	<u>\$ 34,733.77</u>	<u>\$ 80,000.00</u>
<u>CAPITAL IMPROVEMENTS</u>					
Capital Improvement Fund	\$ 5,000.00	\$ 5,000.00	\$ 5,000.00		
Capital Outlay	20,000.00	20,000.00	18,100.00	1,900.00	
Total Capital Improvements	<u>\$ 25,000.00</u>	<u>\$ 25,000.00</u>	<u>\$ 23,100.00</u>	<u>\$ 1,900.00</u>	
<u>DEBT SERVICE</u>					
Payment of Bond Principal	\$ 260,000.00	\$ 260,000.00	\$ 260,000.00		
Payment of Bond Anticipation Notes and Capital Notes	150,000.00	150,000.00	150,000.00		
Interest on Bonds	147,058.00	147,058.00	144,440.34		\$ 2,617.66
Interest on Notes	15,562.00	15,562.00	15,562.00		
Total Debt Service	<u>\$ 572,620.00</u>	<u>\$ 572,620.00</u>	<u>\$ 570,002.34</u>		<u>\$ 2,617.66</u>
<u>DEFERRED CHARGES AND STATUTORY EXPENDITURES</u>					
Statutory Expenditures:					
Contribution to:					
Public Employees' Retirement System	\$ 20,105.00	\$ 20,105.00	\$ 20,105.00		
Social Security System (O.A.S.I.)	21,422.00	21,001.25	20,081.93	\$ 919.32	
Unemployment Compensation Insurance (N.J.S.A. 43:21-3 et. seq.)	2,500.00	2,500.00	2,500.00		
Total Deferred Charges and Statutory Expenditures	<u>\$ 44,027.00</u>	<u>\$ 43,606.25</u>	<u>\$ 42,686.93</u>	<u>\$ 919.32</u>	
Total Water-Sewer Utility Appropriations	<u>\$ 2,724,997.00</u>	<u>\$ 2,724,997.00</u>	<u>\$ 2,604,826.25</u>	<u>\$ 37,553.09</u>	<u>\$ 82,617.66</u>

The Notes to Financial Statements have been purposely omitted.

BOROUGH OF SPOTSWOOD
WATER-SEWER UTILITY CAPITAL FUND
STATEMENT OF ASSETS, LIABILITIES,
RESERVES AND FUND BALANCE - STATUTORY BASIS
AS OF DECEMBER 31, 2011
(UNAUDITED)

	Balance December 31, 2011
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ 985,398.15
Fixed Capital	\$ 9,595,835.50
Fixed Capital Authorized and Uncompleted	2,214,200.78
	<u>\$ 11,810,036.28</u>
Total Assets	<u>\$ 12,795,434.43</u>
<u>LIABILITIES AND RESERVES AND FUND BALANCE</u>	
Serial Bonds	\$ 3,268,000.00
Bond Anticipation Notes	\$ 920,000.00
Other Liabilities and Reserves -	
Capital Improvement Fund	\$ 79,876.78
Reserve for Encumbrances	201,105.47
Retained Percentage Due Contractor	2,473.82
Reserve for Water-Sewer Line Evaluation	25,000.00
	<u>\$ 308,456.07</u>
Improvement Authorizations:	
Funded	\$ 495,092.74
Unfunded	147,858.66
	<u>\$ 642,951.40</u>
Reserve for Amortization	\$ 7,344,865.42
Deferred Reserve for Amortization	\$ 277,170.86
Fund Balance	\$ 33,990.68
Total Liabilities, Reserves and Fund Balance	<u>\$ 12,795,434.43</u>

There were Bonds and Notes Authorized but not Issued at December 31, 2011 in the amount of \$0.00.

The Notes to Financial Statements have been purposely omitted.

APPENDIX B-2

AUDITED – FOR THE YEAR ENDED DECEMBER 31, 2010

BOROUGH OF SPOTSWOOD
COUNTY OF MIDDLESEX, NEW JERSEY

AUDITED FINANCIAL STATEMENT FOR YEAR ENDED
DECEMBER 31, 2010

SAMUEL KLEIN AND COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

550 BROAD STREET, 11TH FLOOR
NEWARK, N.J. 07102-4543
PHONE (973) 624-6100
FAX (973) 624-6101

36 WEST MAIN STREET, SUITE 301
FREEHOLD, N.J. 07728-2291
PHONE (732) 780-2600
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INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and Members
of the Borough Council
Borough of Spotswood
County of Middlesex
State of New Jersey

To the Honorable Mayor and Members of the Borough Council:

We have audited the financial statements - statutory basis of the various funds and accounts of the Borough of Spotswood (the "Borough") as of and for the year ended December 31, 2010, as listed in the accompanying table of contents. These financial statements are the responsibility of the Borough's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and auditing requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

In our opinion, because of the Borough's policy to prepare its financial statements on the basis of accounting discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Borough as of December 31, 2010 or the results of its operations, or cash flows of its proprietary fund types and non-expendable trust funds for the year then ended.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

However, in our opinion, the financial statements - statutory basis referred to above present fairly, in all material respects, the financial position - statutory basis of the various funds and accounts of the Borough as of December 31, 2010 and the results of operations and changes in fund balance - statutory basis of such funds for the year then ended and the statement of revenues - statutory basis and statement of expenditures - statutory basis of the various funds for the year ended December 31, 2010 on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2011 on our consideration of the Borough's internal control over financial reporting and on our test of its compliance with certain provisions of law, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the financial statements - statutory basis taken as a whole. The information included in the supplementary schedules listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of the Borough, but is presented as additional analytical data as required by the Local Finance Board. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the financial statements. The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements - statutory basis taken as a whole.



Gerard Stankiewicz
Certified Public Accountant
Registered Municipal Accountant #431


SAMUEL KLEIN AND COMPANY

Freehold, New Jersey
June 22, 2011

BOROUGH OF SPOTSWOOD
COMBINED STATEMENT OF ASSETS, LIABILITIES, RESERVES AND FUND BALANCE -
ALL FUNDS AND ACCOUNTS

DECEMBER 31, 2010
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2009)

	Governmental Funds		Trust and Agency	Water-Sewer Utility		General Fixed Assets Account	Totals	
	Current	General Capital		Operating	Capital		Memorandum Only	2009
ASSETS AND OTHER DEBITS								
Cash and Cash Equivalents	\$ 2,921,391.68	\$ 911,556.22	\$ 592,098.03	\$ 528,618.35	\$ 1,098,212.64	\$ 6,051,876.92	\$ 5,570,243.91	
Intergovernmental Accounts Receivable		709,859.67				709,859.67	890,000.00	
Receivables and Other Assets:								
Delinquent Property Taxes Receivable	270,759.11							
Tax Title Liens	66,991.41							
Consumer Accounts Receivable				293,283.20				
Assessments Receivable			8,678.87					
Assessment Liens Receivable			2,769.79					
Assessment Liens Interest and Costs			229.52					
Property Acquired for Taxes -								
Assessed Valuation	2,533,400.00					2,533,400.00	2,533,400.00	
Other Accounts Receivable	9,660.25		197.84			9,858.09	26,239.85	
Interfunds Receivable	2,805.36					2,805.36	2,666.93	
Inventory				36,235.00		36,235.00	35,309.00	
Deferred Charges	40,000.00	4,607,332.90				4,647,332.90	5,095,241.11	
Capital Lease Obligations - Unfunded		108,929.30				108,929.30	158,297.86	
Fixed Capital					11,810,036.28	11,810,036.28	11,795,444.20	
Fixed Assets						9,610,553.00	9,334,473.47	
Grant Fund:								
Grants Receivable	193,870.86					193,870.86	208,327.60	
Interfunds Receivable	273,908.74					273,908.74	240,186.25	
Total Assets and Other Debits	\$ 6,312,787.41	\$ 6,337,678.09	\$ 603,974.05	\$ 858,136.55	\$ 12,908,248.92	\$ 9,610,553.00	\$ 36,631,378.02	\$ 36,548,295.14

See accompanying Notes to Financial Statements.

BOROUGH OF SPOTSWOOD
COMBINED STATEMENT OF ASSETS, LIABILITIES, RESERVES AND FUND BALANCE -
ALL FUNDS AND ACCOUNTS

DECEMBER 31, 2010
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2009)

	Governmental Funds			Trust and Agency	Water-Sewer Utility		General Fixed Assets Account	Totals	
	Current	General Capital			Operating	Capital		2010	2009
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>									
Liabilities and Reserves:									
Appropriation Reserves	\$ 480,792.48	\$ 1,910,000.00			\$ 92,975.75	\$ 3,528,000.00		\$ 573,768.23	\$ 507,861.32
Serial Bonds		859,531.31						5,438,000.00	6,142,000.00
Loan Payable		1,400,000.00				1,000,000.00		859,531.31	949,261.63
Bond Anticipation Notes		108,929.30						2,400,000.00	2,100,000.00
Capital Leases Payable - Principal		206,774.94	\$ 589,490.51		93,598.09	190,660.78		108,929.30	158,297.86
Other Liabilities and Reserves	865,259.18					943,746.78		1,945,783.50	1,376,385.42
Improvement Authorizations		1,773,564.83		2,805.36				2,717,311.61	3,303,953.27
Interfunds Payable	273,908.74							276,714.10	242,853.18
Reserve for Amortization						6,934,865.42		6,934,865.42	6,518,555.27
Deferred Reserve for Amortization						277,170.86		277,170.86	300,888.93
Reserve for Receivables and Other Assets	2,883,616.13		11,678.18		329,518.20			3,224,812.51	3,242,719.28
Grant Fund:									
Reserve for Encumbrances	95,708.45							95,708.45	33,765.24
Appropriated Reserves	319,916.49							319,916.49	352,624.88
Unappropriated Reserves	52,154.66							52,154.66	62,123.73
Total Liabilities and Reserves	\$ 4,971,356.13	\$ 6,258,800.38	\$ 603,974.05		\$ 516,092.04	\$ 12,874,443.84		\$ 25,224,666.44	\$ 25,291,290.01
Equity and Other Credits:									
Investment in General Fixed Assets	\$ 1,341,431.28	\$ 78,877.71			\$ 342,044.51	\$ 33,805.08	\$ 9,610,553.00	\$ 9,610,553.00	\$ 9,334,473.47
Fund Balance								1,796,158.58	1,922,531.66
Total Equity and Other Credits	\$ 1,341,431.28	\$ 78,877.71			\$ 342,044.51	\$ 33,805.08	\$ 9,610,553.00	\$ 11,406,711.58	\$ 11,257,005.13
Total Liabilities, Reserves and Fund Balance	\$ 6,312,787.41	\$ 6,337,678.09	\$ 603,974.05		\$ 858,136.55	\$ 12,908,248.92	\$ 9,610,553.00	\$ 36,631,378.02	\$ 36,548,295.14

See accompanying Notes to Financial Statements.

BOROUGH OF SPOTSWOOD
COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE - STATUTORY BASIS
BUDGET AND ACTUAL - CURRENT AND WATER-SEWER UTILITY OPERATING FUNDS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2010

	Current Fund			Water-Sewer Utility Operating Fund		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Fund Balance Anticipated	\$ 1,275,000.00	\$ 1,275,000.00		\$ 200,000.00	\$ 200,000.00	
Water-Sewer Rents				2,351,817.00	2,509,188.11	\$ 157,371.11
Miscellaneous Revenues	1,207,187.49	1,291,228.20	\$ 84,040.71	9,500.00	22,877.13	13,377.13
State Aid	715,651.00	715,651.00				
Federal, State & Private Grants	250,108.04	250,108.04				
	\$ 3,447,946.53	\$ 3,531,987.24	\$ 84,040.71	\$ 2,561,317.00	\$ 2,732,065.24	\$ 170,748.24
Receipts from Delinquent Taxes						
Amount to be Raised by Taxes for Support of Municipal Budget:	200,000.00	279,137.63	79,137.63			
Local Tax for Municipal Purposes Including Reserve for Uncollected Taxes	6,034,175.09	6,267,323.16	233,148.07			
Budget Totals	\$ 9,682,121.62	\$ 10,078,448.03	\$ 396,326.41	\$ 2,561,317.00	\$ 2,732,065.24	\$ 170,748.24
Non-budget Revenues		164,431.87	164,431.87			
Taxes Allocated to School and County	14,158,620.72	14,158,620.72				
Other Credits to Income		522,468.09	522,468.09		75,975.63	75,975.63
Total Revenues	\$ 23,840,742.34	\$ 24,923,968.71	\$ 1,083,226.37	\$ 2,561,317.00	\$ 2,808,040.87	\$ 246,723.87

See accompanying Notes to Financial Statements.

BOROUGH OF SPOTSWOOD
COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE - STATUTORY BASIS
BUDGET AND ACTUAL - CURRENT AND WATER-SEWER UTILITY OPERATING FUNDS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2010

	Current Fund		Variance Favorable (Unfavorable)	Water-Sewer Utility Operating Fund		Variance Favorable (Unfavorable)
	Final Budget	Actual		Final Budget	Actual	
Expenditures:						
Current:						
Inside CAPS:						
General Government	\$ 611,455.00	\$ 611,455.00				
Land Use Administration	15,200.00	15,200.00				
Insurance	1,051,460.00	1,051,460.00				
Public Safety	2,616,951.00	2,616,951.00				
Public Works	750,605.00	750,605.00				
Construction Code	91,990.00	91,990.00				
Parks and Recreation	36,935.00	36,935.00				
Health and Human Service	166,005.00	166,005.00				
Utility Expenses and Bulk Purchases	419,650.00	419,650.00				
Landfill/Solid Waste Disposal Costs	220,000.00	220,000.00				
Contingent	50.00	50.00				
Deferred Charges and Statutory Expenditures	883,536.00	883,536.00				
Outside CAPS:						
General Government	8,000.00	8,000.00				
Insurance	108,240.00	108,240.00				
Public Safety	437,875.00	437,875.00				
Library	307,270.24	307,270.24				
Health and Human Service	34,887.00	34,887.00				
Public Works	173,193.00	173,193.00				
Federal, State and Private Programs	253,432.79	253,432.79				
Operating						
Capital Improvements	25,000.00	25,000.00		\$ 1,934,200.00	\$ 1,934,200.00	
Debt Service	854,159.00	854,159.00		70,000.00	70,000.00	
Deferred Charges	20,000.00	20,000.00		516,955.00	516,955.00	
Reserve for Uncollected Taxes	595,000.00	595,000.00		40,162.00	40,162.00	
Total Budget Expenditures	\$ 9,680,894.03	\$ 9,680,894.03		\$ 2,561,317.00	\$ 2,561,317.00	

See accompanying Notes to Financial Statements.

BOROUGH OF SPOTSWOOD
COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE - STATUTORY BASIS
BUDGET AND ACTUAL - CURRENT AND WATER-SEWER UTILITY OPERATING FUNDS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2010

	Current Fund		Variance Favorable (Unfavorable)	Water-Sewer Utility Operating Fund		Variance Favorable (Unfavorable)
	Final Budget	Actual		Final Budget	Actual	
Expenditures (Continued):						
County Taxes including County Added and Omitted	\$ 2,772,143.52	\$ 2,772,143.52				
Local District School Taxes	11,387,704.79	11,387,704.79				
Other Expenses		4,895.36	\$ (4,895.36)			
Total Expenditures	\$ 23,840,742.34	\$ 23,845,637.70	\$ (4,895.36)	\$ 2,561,317.00	\$ 2,561,317.00	
Statutory Excess to Fund Balance		\$ 1,078,331.01	\$ 1,078,331.01		\$ 246,723.87	\$ 246,723.87
Fund Balance, January 1, 2010		1,538,100.27	1,538,100.27		295,320.64	295,320.64
		\$ 2,616,431.28	\$ 2,616,431.28		\$ 542,044.51	\$ 542,044.51
Decreased By:						
Utilization as Anticipated Revenue		1,275,000.00	1,275,000.00		200,000.00	200,000.00
Fund Balance, December 31, 2010		\$ 1,341,431.28	\$ 1,341,431.28		\$ 342,044.51	\$ 342,044.51

See accompanying Notes to Financial Statements.

BOROUGH OF SPOTSWOOD
GENERAL CAPITAL FUND
STATEMENT OF CHANGES IN FUND BALANCE -
STATUTORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2010

<u>BALANCE, DECEMBER 31, 2009</u>		\$ 62,370.91
<u>INCREASED BY</u>		
Cancellation of Funded Improvement Authorizations	\$ 57,243.76	
Refunding Bond Excess Proceeds	8,556.04	
Premium on Sale of Bond Anticipation Notes	<u>5,707.00</u>	<u>71,506.80</u>
		\$ 133,877.71
<u>DECREASED BY</u>		
Appropriated to Finance Improvement Authorization		<u>55,000.00</u>
<u>BALANCE, DECEMBER 31, 2010</u>		<u>\$ 78,877.71</u>

See accompanying Notes to Financial Statements.

BOROUGH OF SPOTSWOOD
WATER-SEWER UTILITY CAPITAL FUND
STATEMENT OF CHANGES IN FUND BALANCE -
STATUTORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2010

<u>BALANCE, DECEMBER 31, 2009</u>		\$	26,739.84
<u>INCREASED BY</u>			
Cancellation of Funded Improvement Authorizations	\$	23,718.07	
Refunding Bond Excess Proceeds		4,214.17	
Premium on Sale of Bond Anticipation Notes		<u>4,133.00</u>	<u>32,065.24</u>
		\$	58,805.08
<u>DECREASED BY</u>			
Preliminary Expenses Reserved			<u>25,000.00</u>
<u>BALANCE, DECEMBER 31, 2010</u>		\$	<u>33,805.08</u>

See accompanying Notes to Financial Statements.

BOROUGH OF SPOTSWOOD
CURRENT FUND
COMPARATIVE STATEMENT OF ASSETS, LIABILITIES, RESERVES
AND FUND BALANCE - STATUTORY BASIS
AS OF DECEMBER 31, 2010 AND 2009

	Balance December 31, 2010	Balance December 31, 2009
<u>ASSETS</u>		
Current Fund:		
Cash and Cash Equivalents	\$ 2,921,391.68	\$ 2,685,225.79
Receivables and Other Assets with Full Reserves:		
Delinquent Property Taxes Receivable	\$ 270,759.11	\$ 271,928.92
Tax Title Liens	66,991.41	56,983.51
Property Acquired for Taxes, Assessed Valuation	2,533,400.00	2,533,400.00
Revenue Accounts Receivable	9,660.25	24,556.57
Interfunds Receivable-		
Due from Trust Other Fund	2,600.00	2,400.00
Due from Payroll Fund	205.36	266.93
	<u>\$ 2,883,616.13</u>	<u>\$ 2,889,535.93</u>
Deferred Charges	\$ 40,000.00	\$ 60,000.00
Total Current Fund	<u>\$ 5,845,007.81</u>	<u>\$ 5,634,761.72</u>
Grant Fund:		
Grants Receivable	\$ 193,870.86	\$ 208,327.60
Interfund Receivable - Due from Current Fund	<u>273,908.74</u>	<u>240,186.25</u>
Total Grant Fund	<u>\$ 467,779.60</u>	<u>\$ 448,513.85</u>
Total Assets	<u>\$ 6,312,787.41</u>	<u>\$ 6,083,275.57</u>

BOROUGH OF SPOTSWOOD
CURRENT FUND
COMPARATIVE STATEMENT OF ASSETS, LIABILITIES, RESERVES
AND FUND BALANCE - STATUTORY BASIS
AS OF DECEMBER 31, 2010 AND 2009

	Balance December 31, 2010	Balance December 31, 2009
<u>LIABILITIES, RESERVES AND</u>		
<u>FUND BALANCE</u>		
Current Fund:		
Liabilities and Other Reserves:		
Appropriation Reserves	\$ 480,792.48	\$ 443,576.03
Reserve for Encumbrances	246,782.85	183,080.66
Accounts Payable	2,290.00	
Prepaid Taxes	83,620.13	106,943.49
Tax Overpayments		6,645.00
Library Reserve		10,497.91
Commitments Payable	115,036.11	87,345.41
Local School Taxes Payable	170,110.79	
Due to County for Added and Omitted Taxes	5,354.37	5,281.17
Due to State of New Jersey (Chapter 20, P.L. 1971)	12,394.93	12,132.60
Due State of New Jersey - Various Fees	995.00	1,232.00
Prepaid Licenses	1,320.00	2,850.00
Reserve for Update of Master Plan, Appropriated	44,850.00	44,850.00
Reserve for Private Citizen Contribution -		
Defibulator, Appropriated	2,505.00	2,505.00
Reserve for State Tax Appeals	160,000.00	60,000.00
Reserve - Cable TV Grant, Unappropriated	20,000.00	
Interfunds Payable:		
Due to Grant Fund	273,908.74	240,186.25
 Total Liabilities and Other Reserves	 \$ 1,619,960.40	 \$ 1,207,125.52

BOROUGH OF SPOTSWOOD
CURRENT FUND
COMPARATIVE STATEMENT OF ASSETS, LIABILITIES, RESERVES
AND FUND BALANCE - STATUTORY BASIS
AS OF DECEMBER 31, 2010 AND 2009

	Balance December 31, 2010	Balance December 31, 2009
<u>LIABILITIES, RESERVES AND FUND BALANCE (CONTINUED)</u>		
Current Fund (Continued):		
Reserve for Receivables and Other Assets	\$ 2,883,616.13	\$ 2,889,535.93
Fund Balance	\$ 1,341,431.28	\$ 1,538,100.27
Total Current Fund	\$ 5,845,007.81	\$ 5,634,761.72
Grant Fund:		
Reserve for Grants:		
Appropriated	\$ 319,916.49	\$ 352,624.88
Unappropriated	52,154.66	62,123.73
Reserve for Encumbrances	95,708.45	33,765.24
Total Grant Fund	\$ 467,779.60	\$ 448,513.85
Total Liabilities, Reserves and Fund Balance	\$ 6,312,787.41	\$ 6,083,275.57

BOROUGH OF SPOTSWOOD
CURRENT FUND
COMPARATIVE STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCE -
STATUTORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
Revenues and Other Income Realized:		
Fund Balance Utilized	\$ 1,275,000.00	\$ 1,225,000.00
Miscellaneous Revenues Anticipated	1,291,228.20	1,319,827.09
State Aid	715,651.00	899,625.00
Federal, State and Private Grants	250,108.04	167,829.70
Receipts from Delinquent Taxes	279,137.63	254,424.73
Amount to be Raised by Taxation for Support of Municipal Budget	6,267,323.16	6,052,162.33
Non-Budget Revenues	164,431.87	145,858.74
Other Credits to Income:		
Unexpended Balance of Appropriation Reserves and Reserve for Encumbrances	302,904.14	350,108.20
Current Budget Appropriations Canceled	210,252.02	101,168.69
Prior Year Interfund Returned	2,666.93	12,498.19
Cancellation of Tax Overpayments	6,645.00	
Cancellation of Reserve for State Tax Appeals		25,000.00
Current Taxes Allocated to School and County	<u>14,158,620.72</u>	<u>14,037,527.41</u>
Total Income	<u>\$ 24,923,968.71</u>	<u>\$ 24,591,030.08</u>
Expenditures:		
Budget and Emergency Appropriations:		
Within CAPS:		
General Government	\$ 611,455.00	\$ 621,885.07
Land Use Administration	15,200.00	20,500.00
Insurance	1,051,460.00	1,020,750.00
Public Safety	2,616,951.00	2,628,270.00
Public Works	750,605.00	736,295.00
Health and Human Service	166,005.00	185,080.00
Parks and Recreation	36,935.00	38,635.00
Utility Expenses and Bulk Purchases	419,650.00	385,500.00
Landfill/Solid Waste Disposal Costs	220,000.00	220,000.00
Construction Code	91,990.00	102,290.00
Contingent	50.00	100.00
Deferred Charges and Statutory Expenditures	883,536.00	356,600.00
Outside CAPS:		
General Government	8,000.00	8,000.00
Public Safety	437,875.00	459,183.00
Insurance	108,240.00	

BOROUGH OF SPOTSWOOD
CURRENT FUND
COMPARATIVE STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCE -
STATUTORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
Expenditures (Continued):		
Budget and Emergency Appropriations (Continued):		
Outside CAPS (Continued):		
Library	\$ 307,270.24	\$ 315,959.17
Health and Human Service	34,887.00	33,600.00
Public Works	173,193.00	223,735.00
Federal, State and Private Programs	253,432.79	171,154.45
Capital Improvements	25,000.00	55,000.00
Municipal Debt Service	854,159.00	789,528.93
Deferred Charges/Statutory	20,000.00	533,079.50
Reserve for Uncollected Taxes	595,000.00	558,000.00
County Taxes	2,766,789.15	2,815,227.25
County Taxes, Added and Omitted:		
2008		572.01
2009	1,227.59	4,709.16
2010	4,126.78	
Regional District School Taxes	11,387,704.79	11,217,591.00
Prior Year Senior Citizens and Veterans Disallowed	2,000.00	2,000.00
Interfund Advanced	2,805.36	2,400.00
Refund of Prior Year Revenue	90.00	
Total Expenditures	\$ <u>23,845,637.70</u>	\$ <u>23,505,644.54</u>
Excess in Revenue over Expenditures	\$ 1,078,331.01	\$ 1,085,385.54
Statutory Excess to Fund Balance	\$ 1,078,331.01	\$ 1,085,385.54
Fund Balance, January 1	<u>1,538,100.27</u>	<u>1,677,714.73</u>
	\$ 2,616,431.28	\$ 2,763,100.27
Decreased by:		
Utilization as Anticipated Revenue	<u>1,275,000.00</u>	<u>1,225,000.00</u>
Fund Balance, December 31	\$ <u><u>1,341,431.28</u></u>	\$ <u><u>1,538,100.27</u></u>

BOROUGH OF SPOTSWOOD
CURRENT FUND
STATEMENT OF REVENUES - STATUTORY BASIS
YEAR ENDED DECEMBER 31, 2010

	Budget as Modified	Realized	Excess or (Deficit)
Fund Balance Anticipated	\$ 1,275,000.00	\$ 1,275,000.00	
Miscellaneous Revenues:			
Licenses:			
Alcoholic Beverages	\$ 5,500.00	\$ 5,595.84	\$ 95.84
Other	5,000.00	7,455.00	2,455.00
Fees and Permits:			
Other	200,000.00	263,147.94	63,147.94
Fines and Costs:			
Municipal Court	225,000.00	274,905.41	49,905.41
Interest and Costs on Taxes	40,000.00	47,291.29	7,291.29
Interest on Investments and Deposits	20,000.00	26,984.39	6,984.39
	\$ 495,500.00	\$ 625,379.87	\$ 129,879.87
Slate Aid Without Offsetting Appropriations:			
Energy Receipts Tax	\$ 566,461.00	\$ 566,461.00	
Consolidated Municipal Property Tax Relief Aid	149,190.00	149,190.00	
	\$ 715,651.00	\$ 715,651.00	
Dedicated Uniform Construction Code Fees Offset With Appropriations:			
Construction Code Official Fees	\$ 100,000.00	\$ 101,786.00	\$ 1,786.00
	\$ 100,000.00	\$ 101,786.00	\$ 1,786.00

BOROUGH OF SPOTSWOOD
CURRENT FUND
STATEMENT OF REVENUES - STATUTORY BASIS
YEAR ENDED DECEMBER 31, 2010

	Budget as Modified	Realized	Excess or (Deficit)
Special Items of General Revenue Anticipated With Prior Written Consent of the Director of Local Government Services:			
Interlocal Municipal Service Agreements - Offset With Appropriations:			
Borough of Helmetta:			
Dispatcher	\$ 21,510.00	\$ 21,510.00	
Sanitation	38,337.00	38,337.00	
	<u>\$ 59,847.00</u>	<u>\$ 59,847.00</u>	
Special Items of General Revenue Anticipated With Prior Written Consent of Director of Local Government Services - Additional Revenues Offset with Appropriations:			
Emergency Medical Services	\$ 387,200.00	\$ 336,968.09	\$ (50,231.91)
	<u>\$ 387,200.00</u>	<u>\$ 336,968.09</u>	<u>\$ (50,231.91)</u>
Public and Private Programs Offset With Appropriations:			
Body Armor Replacement	\$ 2,962.03	\$ 2,962.03	
Clean Communities Program	12,890.54	12,890.54	
Drunk Driving Enforcement Fund	4,941.85	4,941.85	
Municipal Alliance Program	9,099.00	9,099.00	
New Jersey State Division of Senior Affairs - SHTP Grant	4,000.00	4,000.00	
Assistance Grant	9,000.00	9,000.00	
Recycling Tonnage Grant	56,411.24	56,411.24	
State of New Jersey - Division of Highway Safety - Click it or Ticket Rehabilitation Fund	4,000.00	4,000.00	
Motorcycle Traffic Enforcement Fund	1,910.38	1,910.38	
County of Middlesex	5,488.00	5,488.00	
Cultural Heritage Grant	1,580.00	1,580.00	
CDBG	45,900.00	45,900.00	
Pedestrian Safety Grant	1,925.00	1,925.00	
Downtown Business District Improvement Grant	60,000.00	60,000.00	
Sustainable Economic Growth Improvement	25,000.00	25,000.00	
Bias Prevention and Ed Grant	5,000.00	5,000.00	
	<u>\$ 250,108.04</u>	<u>\$ 250,108.04</u>	

BOROUGH OF SPOTSWOOD
CURRENT FUND
STATEMENT OF REVENUES - STATUTORY BASIS
YEAR ENDED DECEMBER 31, 2010

	Budget as Modified	Realized	Excess or (Deficit)
Special Items of General Revenue Anticipated With Prior Written Consent of the Director of Local Government Services (Continued):			
Other Special Items:			
Cable Television Fees Percentage	\$ 41,200.90	\$ 41,200.90	
Payment in Lieu of Taxes:			
Senior Citizen Housing Project	38,000.00	39,483.64	\$ 1,483.64
New Jersey Association for Deaf and Blind	3,212.00	3,212.00	
Senior Citizen Housing Project - Crescent Park	20,000.00	22,901.01	2,901.01
Out of Court Settlement	51,000.00	51,000.00	
Uniform Fire Safety Act	10,000.00	9,449.69	(550.31)
	<u>\$ 163,412.90</u>	<u>\$ 167,247.24</u>	<u>\$ 3,834.34</u>
Receipts from Delinquent Taxes	<u>\$ 200,000.00</u>	<u>\$ 279,137.63</u>	<u>\$ 79,137.63</u>
	<u>\$ 3,646,718.94</u>	<u>\$ 3,811,124.87</u>	<u>\$ 164,405.93</u>
Amount to be Raised by Taxation for Support of Municipal Budget:			
Local Tax for Municipal Purposes	<u>\$ 6,034,175.09</u>	<u>\$ 6,267,323.16</u>	<u>\$ 233,148.07</u>
Budget Totals	<u>\$ 9,680,894.03</u>	<u>\$ 10,078,448.03</u>	<u>\$ 397,554.00</u>
Non-Budget Revenue		<u>164,431.87</u>	<u>164,431.87</u>
	<u>\$ 9,680,894.03</u>	<u>\$ 10,242,879.90</u>	<u>\$ 561,985.87</u>
Detail:			
Original budget	<u>\$ 9,591,563.71</u>		
Added by NJSA 40A:4-87	<u>89,330.32</u>		
	<u>\$ 9,680,894.03</u>		

BOROUGH OF SPOTSWOOD
CURRENT FUND
STATEMENT OF EXPENDITURES - STATUTORY BASIS
YEAR ENDED DECEMBER 31, 2010

	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Encumbered</u>	<u>Reserved</u>	<u>Canceled</u>
<u>GENERAL GOVERNMENT FUNCTIONS</u>						
General Administration:						
Salaries and Wages	\$ 89,000.00	\$ 91,200.00	\$ 88,924.17		\$ 2,275.83	
Other Expenses	25,600.00	25,600.00	23,785.12	\$ 755.37	1,059.51	
Mayor and Council:						
Salaries and Wages	9,900.00	9,900.00	9,900.00			
Other Expenses	4,100.00	4,100.00	1,866.78		2,233.22	
Municipal Clerk:						
Salaries and Wages	58,500.00	59,550.00	58,306.76		1,243.24	
Other Expenses	38,950.00	26,950.00	18,678.56	757.16	7,514.28	
Financial Administration:						
Salaries and Wages	66,000.00	66,000.00	62,690.66		3,309.34	
Other Expenses	33,800.00	53,800.00	23,498.58	27,285.00	3,036.42	
Audit Services:						
Other Expenses	21,100.00	21,100.00		20,700.00	400.00	
Revenue Administration:						
Salaries and Wages	75,500.00	75,500.00	73,031.79		2,468.21	
Other Expenses	5,800.00	5,800.00	4,367.14		1,432.86	
Tax Assessment Administration:						
Salaries and Wages	14,200.00	14,300.00	14,008.28		291.72	
Other Expenses	13,455.00	20,455.00	17,146.48	208.10	3,100.42	
Department of Law:						
Office of the Director:						
Other Expenses	95,000.00	81,000.00	56,436.56	3,872.06	10,691.38	\$ 10,000.00
Department of Engineering:						
Division of Engineering:						
Other Expenses	35,000.00	25,000.00	8,389.00	4,750.00	6,861.00	5,000.00
Economic Development:						
Other Expenses	200.00	200.00			200.00	
Cultural and Heritage Committee:						
Other Expenses	500.00	500.00			500.00	
<u>LAND USE ADMINISTRATION</u>						
Planning Board:						
Salaries and Wages	11,500.00	11,500.00	10,998.00		502.00	
Other Expenses	3,700.00	3,700.00	2,426.84		1,273.16	
<u>INSURANCE</u>						
Unemployment Compensation Insurance	5,000.00	5,000.00	5,000.00			
Liability Insurance	89,000.00	89,000.00	82,343.60		6,656.40	
Workers Compensation	66,700.00	66,700.00	62,172.03		4,527.97	
Group Insurance	890,760.00	890,760.00	807,270.72	320.00	83,169.28	

BOROUGH OF SPOTSWOOD
CURRENT FUND
STATEMENT OF EXPENDITURES - STATUTORY BASIS
YEAR ENDED DECEMBER 31, 2010

	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Encumbered</u>	<u>Reserved</u>	<u>Canceled</u>
<u>PUBLIC SAFETY FUNCTIONS</u>						
Police Department:						
Salaries and Wages	\$ 2,372,000.00	\$ 2,347,000.00	\$ 2,218,978.62		\$ 53,021.38	\$ 75,000.00
Other Expenses	85,500.00	85,500.00	69,820.82	\$ 7,933.59	7,745.59	
Emergency Management Services:						
Salaries and Wages	1.00	1.00	1.00			
Other Expenses	1,100.00	1,100.00	225.41		874.59	
Fire Department:						
Other Expenses	49,500.00	49,500.00	38,155.31	11,008.01	336.68	
Uniform Fire Safety Act:						
Bureau of Fire Prevention:						
Salaries and Wages	32,050.00	32,050.00	27,363.58		4,686.42	
Other Expenses	2,000.00	2,000.00	969.38	91.20	939.42	
Municipal Prosecutor:						
Salaries and Wages	13,800.00	13,800.00	12,120.00		1,680.00	
Municipal Court:						
Salaries and Wages	68,500.00	70,500.00	69,081.51		1,418.49	
Other Expenses	12,100.00	12,100.00	10,560.86	335.55	1,203.59	
Public Defender (P.L. 1997 C.256):						
Salaries and Wages	2,900.00	2,900.00	2,600.00		300.00	
O.S.H.A. Requirement:						
Federally Mandated Hepatitis Immunization	500.00	500.00			500.00	
<u>PUBLIC WORKS FUNCTIONS</u>						
Streets and Roads Maintenance:						
Salaries and Wages	355,000.00	355,000.00	331,917.26		23,082.74	
Other Expenses	47,260.00	47,260.00	26,263.13	12,148.71	8,848.16	
Snow and Ice Removal:						
Other Expenses	10,000.00	30,000.00	30,000.00			
Solid Waste Collection:						
Salaries and Wages	110,000.00	115,000.00	111,623.57		3,376.43	
Other Expenses	14,450.00	14,450.00	5,462.43	554.75	8,432.82	
Apartment Sanitation (Chapter 26, P.L. 2000):						
Other Expenses	24,000.00	24,000.00	16,150.00	4,140.00	3,710.00	
Buildings and Grounds:						
Other Expenses	66,000.00	66,000.00	41,777.81	7,460.30	6,761.89	10,000.00
Vehicle Maintenance:						
Other Expenses	97,940.00	65,940.00	26,165.03	19,773.14	20,001.83	
Lease of Police Vehicle	32,955.00	32,955.00	31,463.88	1,453.71	37.41	
<u>HEALTH AND HUMAN SERVICES FUNCTIONS</u>						
Public Health Services:						
Salaries and Wages	3,800.00	3,800.00	3,511.34		288.66	
Other Expenses	1,850.00	1,850.00	87.59		1,762.41	
Human Relations Council:						
Other Expenses	50.00	50.00			50.00	

BOROUGH OF SPOTSWOOD
CURRENT FUND
STATEMENT OF EXPENDITURES - STATUTORY BASIS
YEAR ENDED DECEMBER 31, 2010

DEFERRED CHARGES AND STATUTORY EXPENDITURES -
MUNICIPAL WITHIN "CAPS"

Statutory Expenditures:

Contribution to:

Social Security System (O.A.S.I.)
Defined Contribution Retirement Plan
Police and Firemen's Retirement System of N.J.
Public Employees Retirement System of N.J.

Total Deferred Charges and Statutory Expenditures -
Municipal within "CAPS"

Total General Appropriations for Municipal Purposes within "CAF"

OPERATIONS - EXCLUDED FROM "CAPS"

Other Operations - Excluded from "CAPS":

Maintenance of Free Public Library:

Salaries and Wages
Other Expenses
Gypsy Moth Control
Recycling Enhancement Act (P.L.2007 c.311)
Length of Service Award Program
Emergency Medical Services:
Salaries and Wages
Other Expenses
Insurance:
Group Insurance (P.L.2007, c.62)

Total Other Operations - Excluded from "CAPS"

Interlocal Municipal Service Agreements:

Borough of Spotswood Board of Education:

Sand/Salt
Network Administration
Police Dispatcher Services:
Salaries and Wages:

Borough of Helmetta

County Department of Health:

Other Expenses

Township of East Brunswick:

Fire Communications

Middlesex County Improvement Authority:

Recycling:

Other Expenses

	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Encumbered</u>	<u>Reserved</u>	<u>Canceled</u>
\$ 326,000.00	\$ 326,000.00	\$ 326,000.00	\$ 269,660.88		\$ 26,339.12	30,000.00
100.00	100.00	100.00			100.00	
414,228.00	414,228.00	414,228.00	414,228.00			
143,208.00	143,208.00	143,208.00	143,208.00			
\$ 883,536.00	\$ 883,536.00	\$ 827,096.88			\$ 26,439.12	30,000.00
\$ 6,863,837.00	\$ 6,863,837.00	\$ 6,152,566.60		\$ 170,160.59	\$ 401,109.81	\$ 140,000.00
\$ 160,000.00	\$ 160,000.00	\$ 147,957.71			\$ 12,042.29	
147,270.24	147,270.24	121,337.28		\$ 3,020.96	22,912.00	
4,000.00	4,000.00				4,000.00	
8,856.00	8,856.00	8,856.00				
20,000.00	20,000.00			19,250.00	750.00	
295,750.00	295,750.00	240,874.04			14,875.96	40,000.00
91,450.00	91,450.00	44,662.40		20,884.81	5,902.79	20,000.00
108,240.00	108,240.00	108,240.00				
\$ 835,566.24	\$ 835,566.24	\$ 671,927.43		\$ 43,155.77	\$ 60,483.04	60,000.00
\$ 2,000.00	\$ 2,000.00	\$ 8,000.00		\$ 2,000.00		
8,000.00	8,000.00					
21,510.00	21,510.00	21,510.00				
28,988.00	28,988.00	28,988.00				
3,500.00	3,500.00	1,569.10			\$ 1,930.90	
120,000.00	120,000.00	95,046.24		12,000.00		12,951.76

BOROUGH OF SPOTSWOOD
CURRENT FUND
STATEMENT OF EXPENDITURES - STATUTORY BASIS
YEAR ENDED DECEMBER 31, 2010

	Budget	Budget After Modification	Paid or Charged	Encumbered	Reserved	Canceled
Detail:						
Salaries and Wages	\$ 489,260.00	\$ 195,420.38	\$ 183,378.09		\$ 12,042.29	
Other Expenses	744,307.71	1,127,477.65	937,724.07	\$ 62,113.20	67,640.38	60,000.00
CAPITAL IMPROVEMENTS - EXCLUDED FROM "CAPS"						
Capital Improvement Fund	\$ 25,000.00	\$ 25,000.00	\$ 25,000.00			
Total Capital Improvements Excluded from "CAPS"	\$ 25,000.00	\$ 25,000.00	\$ 25,000.00			
MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"						
Payment of Bond Principal	\$ 375,000.00	\$ 390,000.00	\$ 390,000.00			
Payment of Bond Anticipation Notes and Capital Notes	200,000.00	200,000.00	200,000.00			
Interest on Bonds	93,240.00	78,240.00	68,037.59			\$ 10,202.41
Interest on Notes	12,610.00	12,610.00	12,574.97			35.03
County of Middlesex Improvement Authority:						
Capital Lease Program:						
Obligations Approved Prior to July 1, 2007	49,368.00	49,368.00	49,367.51			0.49
Principal	5,015.00	5,015.00	4,555.84	\$ 448.30		10.86
Interest						
Obligations Approved After to July 1, 2007	89,731.00	89,731.00	89,730.32			0.68
Principal	29,195.00	29,195.00	15,131.69	14,060.76		2.55
Interest						
Total Municipal Debt Service - Excluded from "CAPS"	\$ 854,159.00	\$ 854,159.00	\$ 829,397.92	\$ 14,509.06		\$ 10,252.02
DEFERRED CHARGES - MUNICIPAL - EXCLUDED FROM "CAPS"						
Special Emergency Authorizations - 5 Years (N.J.S.40A:4-55)	\$ 20,000.00	\$ 20,000.00	\$ 20,000.00			
Total Deferred Charges - Municipal - Excluded from "CAPS"	\$ 20,000.00	\$ 20,000.00	\$ 20,000.00			
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	\$ 2,132,726.71	\$ 2,222,057.03	\$ 1,995,500.08	\$ 76,622.26	\$ 79,682.67	\$ 70,252.02
Total General Appropriations - Excluded from "CAPS"	\$ 2,132,726.71	\$ 2,222,057.03	\$ 1,995,500.08	\$ 76,622.26	\$ 79,682.67	\$ 70,252.02
Subtotal General Appropriations	\$ 8,996,563.71	\$ 9,085,894.03	\$ 8,148,066.68	\$ 246,782.85	\$ 480,792.48	\$ 210,252.02
RESERVE FOR UNCOLLECTED TAXES						
	595,000.00	595,000.00	595,000.00			
Total General Appropriations	\$ 9,591,563.71	\$ 9,680,894.03	\$ 8,743,066.68	\$ 246,782.85	\$ 480,792.48	\$ 210,252.02
Detail:						
Original Budget	\$ 9,591,563.71					
Added by N.J.S.A. 40A:4-87	89,330.32					
	\$ 9,680,894.03					

BOROUGH OF SPOTSWOOD
TRUST AND AGENCY FUND
COMBINING BALANCE SHEETS - STATUTORY BASIS
AS OF DECEMBER 31, 2010 AND 2009

	Expendable Trust				
	Animal Control		Trust Other		Unemployment Compensation
	2010	2009	2010	2009	Trust Fund
ASSETS AND OTHER DEBITS					
Assets:					
Cash and Cash Equivalents	\$ 14,350.51	\$ 10,971.40	\$ 510,842.80	\$ 487,625.91	\$ 34,516.27
Receivables and Other Assets:					\$ 45,827.02
Assessments Receivable					
Assessment Liens Receivable					
Assessment Liens Interest and Costs					
Due from Vendor					
Due from State of New Jersey	9.00				
Other Receivable			152.00	1,056.00	
Due from Municipal Court					
Total Assets and Other Debits	\$ 14,359.51	\$ 10,971.40	\$ 510,994.80	\$ 488,681.91	\$ 34,516.27
					\$ 45,827.02
LIABILITIES, RESERVES AND FUND BALANCE					
Liabilities and Reserves:					
Accounts Payable	\$ 2,161.55	\$ 475.50		\$ 932.32	\$ 5,225.26
Reserve for Encumbrances					
Payroll Deductions Payable					
Due to Employee					
Interfunds Payable:					
Due to Current Fund	205.36		\$ 2,600.00	2,400.00	
Due to Trust Other Fund					
Reserve for Receivables		81.60	11,481.14	11,917.29	
Due to State of New Jersey	11,992.60	10,414.30	496,913.66	473,432.30	
Reserves					29,291.01
					\$ 45,827.02
Total Other Liabilities and Reserves	\$ 14,359.51	\$ 10,971.40	\$ 510,994.80	\$ 488,681.91	\$ 34,516.27
					\$ 45,827.02
Total Liabilities, Reserves and Fund Balance	\$ 14,359.51	\$ 10,971.40	\$ 510,994.80	\$ 488,681.91	\$ 34,516.27
					\$ 45,827.02

BOROUGH OF SPOTSWOOD
TRUST AND AGENCY FUND
COMBINING BALANCE SHEETS - STATUTORY BASIS
AS OF DECEMBER 31, 2010 AND 2009

	Expendable Trust		Agency		Totals	
	Water-Sewer Utility		Payroll			
	Trust Assessment	Assessment				
	2010	2009	2010	2009	2010	2009
<u>ASSETS AND OTHER DEBITS</u>						
Assets:						
Cash and Cash Equivalents						
Receivables and Other Assets:						
Assessments Receivable	\$ 3,206.37	\$ 3,206.37	\$ 5,472.50	\$ 5,472.53	\$ 592,098.03	\$ 567,187.86
Assessment Liens Receivable	2,769.79	2,769.79			8,678.87	8,678.87
Assessment Liens Interest and Costs	229.52	229.52			2,769.79	2,769.79
Due from Vendor				627.28	229.52	229.52
Due from State of New Jersey					9.00	627.28
Other Receivable			36.84		36.84	
Due from Municipal Court					152.00	1,056.00
Total Assets and Other Debits	\$ 6,205.68	\$ 6,205.68	\$ 5,472.50	\$ 5,472.50	\$ 603,974.05	\$ 580,549.32
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>						
Liabilities and Reserves:						
Accounts Payable					\$ 5,225.26	\$ 932.32
Reserve for Encumbrances					2,161.55	475.50
Payroll Deductions Payable			\$ 32,364.11	\$ 23,062.70	32,364.11	23,062.70
Due to Employee			61.18	61.18	61.18	61.18
Interfunds Payable:						
Due to Current Fund					2,805.36	2,400.00
Due to Trust Other Fund				266.93		266.93
Reserve for Receivables					11,678.18	11,678.18
Due to State of New Jersey					11,481.14	11,998.89
Reserves					538,197.27	529,673.62
Total Other Liabilities and Reserves	\$ 6,205.68	\$ 6,205.68	\$ 5,472.50	\$ 5,472.50	\$ 603,974.05	\$ 580,549.32
Total Liabilities, Reserves and Fund Balance	\$ 6,205.68	\$ 6,205.68	\$ 5,472.50	\$ 5,472.50	\$ 603,974.05	\$ 580,549.32

BOROUGH OF SPOTSWOOD
GENERAL CAPITAL FUND
COMPARATIVE STATEMENT OF ASSETS, LIABILITIES, RESERVES
AND FUND BALANCE - STATUTORY BASIS
AS OF DECEMBER 31, 2010 AND 2009

	Balance December 31, <u>2010</u>	Balance December 31, <u>2009</u>
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ <u>911,556.22</u>	\$ <u>957,543.67</u>
Intergovernmental Accounts Receivable	\$ <u>709,859.67</u>	\$ <u>890,000.00</u>
Deferred Charges to Future Taxation:		
Funded	\$ 2,769,531.31	\$ 3,289,261.63
Unfunded	<u>1,837,801.59</u>	<u>1,745,979.48</u>
	\$ <u>4,607,332.90</u>	\$ <u>5,035,241.11</u>
Capital Lease Obligations - Unfunded	\$ <u>108,929.30</u>	\$ <u>158,297.86</u>
Total Assets	\$ <u><u>6,337,678.09</u></u>	\$ <u><u>7,041,082.64</u></u>

BOROUGH OF SPOTSWOOD
GENERAL CAPITAL FUND
COMPARATIVE STATEMENT OF ASSETS, LIABILITIES, RESERVES
AND FUND BALANCE - STATUTORY BASIS
AS OF DECEMBER 31, 2010 AND 2009

	Balance December 31, <u>2010</u>	Balance December 31, <u>2009</u>
<u>LIABILITIES, RESERVES AND</u> <u>FUND BALANCE</u>		
Serial Bonds	\$ 1,910,000.00	\$ 2,340,000.00
MCXIA Loan	\$ 859,531.31	949,261.63
Bond Anticipation Notes	\$ 1,400,000.00	\$ 1,300,000.00
Capital Lease Payable - Principal	\$ 108,929.30	\$ 158,297.86
Other Liabilities and Reserves:		
Capital Improvement Fund	\$ 53,653.81	\$ 45,153.81
Reserve for Encumbrances	149,417.09	6,739.20
Retained Percentage Due Contractors	3,704.04	
Reserve for Downtown Business District		
Improvement Grant, Unappropriated	<u> </u>	<u>15,000.00</u>
	\$ 206,774.94	\$ 66,893.01
Improvement Authorizations:		
Funded	\$ 548,606.70	\$ 1,096,913.89
Unfunded	<u>1,224,958.13</u>	<u>1,067,345.34</u>
	\$ 1,773,564.83	\$ 2,164,259.23
Fund Balance	\$ 78,877.71	\$ 62,370.91
Total Liabilities, Reserves and Fund Balance	<u>\$ 6,337,678.09</u>	<u>\$ 7,041,082.64</u>

There were Bonds and Notes Authorized But Not Issued as of December 31, 2010 in the amount of \$437,801.59

BOROUGH OF SPOTSWOOD
WATER-SEWER UTILITY OPERATING FUND
COMPARATIVE STATEMENT OF ASSETS, LIABILITIES, RESERVES
AND FUND BALANCE - STATUTORY BASIS
AS OF DECEMBER 31, 2010 AND 2009

	Balance December 31, <u>2010</u>	Balance December 31, <u>2009</u>
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ <u>528,618.35</u>	\$ <u>445,660.17</u>
Receivables and Other Assets:		
Consumer Accounts Receivable	\$ 293,283.20	\$ 317,874.35
Inventory	<u>36,235.00</u>	<u>35,309.00</u>
	\$ <u>329,518.20</u>	\$ <u>353,183.35</u>
Total Assets	\$ <u><u>858,136.55</u></u>	\$ <u><u>798,843.52</u></u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Liabilities:		
Appropriation Reserves	\$ <u>92,975.75</u>	\$ <u>64,285.29</u>
Other Liabilities and Reserves:		
Reserve for Encumbrances	\$ 74,698.82	\$ 65,716.84
Accrued Interest on Bonds and Notes	18,270.57	19,784.87
Customer Overpayments	<u>628.70</u>	<u>552.53</u>
	\$ <u>93,598.09</u>	\$ <u>86,054.24</u>
Reserve for Receivables and Other Assets	\$ <u>329,518.20</u>	\$ <u>353,183.35</u>
Fund Balance	\$ <u>342,044.51</u>	\$ <u>295,320.64</u>
Total Liabilities, Reserves and Fund Balance	\$ <u><u>858,136.55</u></u>	\$ <u><u>798,843.52</u></u>

BOROUGH OF SPOTSWOOD
WATER-SEWER UTILITY OPERATING FUND
COMPARATIVE STATEMENT OF OPERATIONS AND CHANGE IN
OPERATING FUND BALANCE - STATUTORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
Revenue and Other Income Realized:		
Fund Balance Utilized	\$ 200,000.00	\$ 180,000.00
Rents	2,509,188.11	2,142,463.73
Miscellaneous	22,877.13	18,002.90
Other Credits to Income:		
Unexpended Balance of Appropriation Reserves	66,001.15	104,691.25
Current Budget Appropriations Canceled	<u>9,974.48</u>	<u>50,208.25</u>
Total Income	\$ <u>2,808,040.87</u>	\$ <u>2,495,366.13</u>
Expenditures:		
Operating	\$ 1,934,200.00	\$ 1,757,625.00
Capital Improvements	70,000.00	20,000.00
Debt Service	516,955.00	498,329.00
Deferred Charges and Statutory Expenditures	40,162.00	38,415.00
Refund of Prior Years Revenue	<u></u>	<u>598.40</u>
Total Expenditures	\$ <u>2,561,317.00</u>	\$ <u>2,314,967.40</u>
Excess in Revenue	\$ <u>246,723.87</u>	\$ <u>180,398.73</u>
Statutory Excess to Fund Balance	\$ 246,723.87	\$ 180,398.73
Fund Balance, January 1	<u>295,320.64</u>	<u>294,921.91</u>
	\$ 542,044.51	\$ 475,320.64
Decreased by:		
Utilized by Water-Sewer Utility Operating Budget	<u>200,000.00</u>	<u>180,000.00</u>
	\$ <u>200,000.00</u>	\$ <u>180,000.00</u>
Fund Balance, December 31	\$ <u><u>342,044.51</u></u>	\$ <u><u>295,320.64</u></u>

BOROUGH OF SPOTSWOOD
WATER-SEWER UTILITY OPERATING FUND
STATEMENT OF REVENUES - STATUTORY BASIS
YEAR ENDED DECEMBER 31, 2010

	<u>Anticipated</u>	<u>Realized</u>	Excess or <u>(Deficit)</u>
Fund Balance Anticipated	\$ 200,000.00	\$ 200,000.00	
Rents	2,142,463.00	2,299,834.11	\$ 157,371.11
Rents - Rate Increase Effective April 1, 2009	209,354.00	209,354.00	
Miscellaneous	<u>9,500.00</u>	<u>22,877.13</u>	<u>13,377.13</u>
	<u>\$ 2,561,317.00</u>	<u>\$ 2,732,065.24</u>	<u>\$ 170,748.24</u>

ANALYSIS OF REALIZED REVENUES

Miscellaneous:

Interest on Delinquent Accounts	\$ 6,964.61
Interest Earned on Investments	7,221.43
Taps	2,200.00
Sewer Tie-In	1,600.00
Meters and Meter Test Fees	200.00
Water Turn on Fee	1,751.39
Refund of Prior Year Expenditures	2,393.80
Miscellaneous	520.90
Duplicate Utility Bill Fee	<u>25.00</u>
	<u>\$ 22,877.13</u>

BOROUGH OF SPOTSWOOD
WATER-SEWER UTILITY OPERATING FUND
STATEMENT OF EXPENDITURES - STATUTORY BASIS
YEAR ENDED DECEMBER 31, 2010

	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Encumbered</u>	<u>Reserved</u>	<u>Canceled</u>
OPERATING						
Salaries and Wages	\$ 288,000.00	\$ 275,500.00	\$ 262,488.54	\$	\$ 13,011.46	
Other Expenses	745,250.00	725,250.00	615,502.66	\$ 64,630.54	45,116.80	
Sewerage Authority - Share Costs	737,250.00	737,250.00	737,224.44		25.56	
Monroe Sewerage Authority	3,200.00	3,200.00	1,295.00		1,905.00	
Purchase of Water	160,000.00	190,000.00	183,058.98		6,941.02	
Accumulative Sick Leave	500.00	3,000.00	3,000.00			
Total Operating	\$ 1,934,200.00	\$ 1,934,200.00	\$ 1,802,569.62	\$ 64,630.54	\$ 66,999.84	
CAPITAL IMPROVEMENTS						
Capital Outlay	\$ 70,000.00	\$ 70,000.00	\$ 35,432.00	\$ 10,068.28	\$ 24,499.72	
Total Capital Improvements	\$ 70,000.00	\$ 70,000.00	\$ 35,432.00	\$ 10,068.28	\$ 24,499.72	
DEBT SERVICE						
Payment of Bond Principal	\$ 250,000.00	\$ 255,000.00	\$ 255,000.00			
Payment of Bond Anticipation Notes and Capital Notes	100,000.00	100,000.00	100,000.00			\$ 7,902.70
Interest on Bonds	156,725.00	151,725.00	143,822.30			2,071.78
Interest on Notes	10,230.00	10,230.00	8,158.22			
Total Debt Service	\$ 516,955.00	\$ 516,955.00	\$ 506,980.52			\$ 9,974.48
DEFERRED CHARGES AND STATUTORY EXPENDITURES						
Statutory Expenditures:						
Contribution to:						
Public Employees' Retirement System	\$ 15,912.00	\$ 15,912.00	\$ 15,912.00			
Social Security System (O.A.S.I.)	21,750.00	21,750.00	20,273.81	\$	\$ 1,476.19	
Unemployment Compensation Insurance						
(N.J.S.A. 43:21-3 et. seq.)	2,500.00	2,500.00	2,500.00			
Total Deferred Charges and Statutory Expenditures	\$ 40,162.00	\$ 40,162.00	\$ 38,685.81		\$ 1,476.19	
Total Water-Sewer Utility Appropriations	\$ 2,551,317.00	\$ 2,551,317.00	\$ 2,383,667.95	\$ 74,698.82	\$ 92,975.75	\$ 9,974.48

BOROUGH OF SPOTSWOOD
WATER-SEWER UTILITY CAPITAL FUND
COMPARATIVE STATEMENT OF ASSETS, LIABILITIES,
RESERVES AND FUND BALANCE - STATUTORY BASIS
AS OF DECEMBER 31, 2010 AND 2009

	Balance December 31, 2010	Balance December 31, 2009
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 1,098,212.64	\$ 914,626.42
Fixed Capital	\$ 9,595,835.50	\$ 9,553,525.35
Fixed Capital Authorized and Uncompleted	2,214,200.78	2,241,918.85
	\$ 11,810,036.28	\$ 11,795,444.20
Total Assets	\$ 12,908,248.92	\$ 12,710,070.62
<u>LIABILITIES AND RESERVES AND FUND BALANCE</u>		
Serial Bonds	\$ 3,528,000.00	\$ 3,802,000.00
Bond Anticipation Notes	\$ 1,000,000.00	\$ 800,000.00
Other Liabilities and Reserves -		
Capital Improvement Fund	\$ 74,876.78	\$ 69,876.78
Reserve for Encumbrances	90,784.00	41,830.50
Retained Percentage Due Contractor		10,485.26
Reserve for Water-Sewer Line Evaluation	25,000.00	
	\$ 190,660.78	\$ 122,192.54
Improvement Authorizations:		
Funded	\$ 501,432.87	\$ 614,200.78
Unfunded	442,313.91	525,493.26
	\$ 943,746.78	\$ 1,139,694.04
Reserve for Amortization	\$ 6,934,865.42	\$ 6,518,555.27
Deferred Reserve for Amortization	\$ 277,170.86	\$ 300,888.93
Fund Balance	\$ 33,805.08	\$ 26,739.84
Total Liabilities, Reserves and Fund Balance	\$ 12,908,248.92	\$ 12,710,070.62

There were Bonds and Notes Authorized but not Issued at December 31, 2010 in the amount of \$70,000.00.

BOROUGH OF SPOTSWOOD
GENERAL FIXED ASSETS ACCOUNT
COMPARATIVE STATEMENT OF GENERAL FIXED ASSETS
AS OF DECEMBER 31, 2010 AND 2009

	Balance December 31, <u>2010</u>	Balance December 31, <u>2009</u>
General Fixed Assets:		
Land	\$ 888,704.00	\$ 888,704.00
Buildings	4,626,347.00	4,626,347.15
Machinery and Equipment	1,932,410.00	1,920,186.32
Vehicles	<u>2,163,092.00</u>	<u>1,899,236.00</u>
Investment in General Fixed Assets	<u>\$ 9,610,553.00</u>	<u>\$ 9,334,473.47</u>

BOROUGH OF SPOTSWOOD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. Reporting Entity - The Borough of Spotswood (the "Borough") is located approximately forty miles southwest of the City of New York and sixty miles northeast of the City of Philadelphia. The population, according to the 2010 census, is 8,257.

The Borough operates under the Faulkner Act, Mayor-Council Plan B form of government. The Council consists of five members. All action is passed by a majority or, when required, a 2/3 vote of Council. The Mayor does not vote but has veto power over all ordinances, which can be overridden by a 2/3 vote of the Council.

- B. Description of Funds - The Governmental Accounting Standards Board ("GASB") is the recognized standard setting body for establishing governmental accounting and financial reporting principles. However, the accounting policies of the Borough conform to the accounting principles applicable to municipalities that have been prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. These principles are an "Other Comprehensive Basis of Accounting" (OCBOA) which differs from accounting principles generally accepted in the United States of America ("GAAP") for governmental entities. 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 Borough accounts for its financial transactions through the following separate funds and an account which differs from GAAP.

Current Fund - Encompasses resources and expenditures for basic governmental operations. Fiscal activity of Federal and State grant programs are reflected in a segregated section of the Current Fund.

Trust Fund - The records of receipts, disbursement and custodianship of monies in accordance with the purpose for which each reserve was created are maintained in Trust Funds. These include the Animal Control Trust Fund, Trust Other Fund, Trust Assessment Fund and Utility Trust Assessment Fund.

General Capital Fund - The receipts and expenditure records for the acquisition of general infrastructure and other capital facilities, other than those acquired in the Current Fund, are maintained in this Fund, as well as related long-term debt accounts.

BOROUGH OF SPOTSWOOD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2010

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Description of Funds (Continued)

Water-Sewer Utility Operating Fund and Capital Fund – The Water-Sewer Utility maintains an Operating Fund and Capital Fund which reflect revenue, expenditures, stewardship, acquisitions of utility infrastructure and other capital facilities, debt service, long-term debt and other related activity.

Payroll Trust Fund - Net salaries, certain payroll deductions and social security contributions of municipal and utility operations are deposited into bank accounts of the Payroll Fund. Other deductions are retained by the operating funds and paid directly therefrom. A Payroll Fund does not exist under GAAP.

General Fixed Asset Accounts - These accounts reflect estimated valuations of land, buildings and certain moveable fixed assets of the Borough as discussed under the caption of "Basis of Accounting".

- C. Basis of Accounting - The accounting principles and practices prescribed for municipalities by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, differ in certain respects from accounting principles generally accepted in the United States of America. The accounting system is maintained on the modified accrual basis with certain exceptions. Significant accounting policies in New Jersey are summarized as follows:

Property Taxes and Other Revenue - Property Taxes and other revenue are realized when collected in cash or approved by regulation for accrual from certain sources of the State of New Jersey and the Federal Government. Accruals of taxes and other revenue are otherwise deferred as to realization by the establishment of offsetting reserve accounts. GAAP requires such revenue to be recognized in the accounting period when they become susceptible to accrual, reduced by an allowance for doubtful accounts.

Grant Revenue - Federal and State grants, entitlements or shared revenue received for purposes normally financed through the Current Fund are recognized when anticipated in the Borough's budget. GAAP requires such revenue to be recognized in the accounting period when they become susceptible to accrual.

BOROUGH OF SPOTSWOOD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2010

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

Expenditures - Expenditures for general and utility operations are generally recorded on the accrual basis. Unexpended appropriation balances, except for amounts that may have been canceled by the governing body or by statutory regulation, are automatically recorded as liabilities at December 31st of each year, under the title of "Appropriation Reserves".

Grant appropriations are charged upon budget adoption to create spending reserves.

Budgeted transfers to the Capital Improvement Fund are recorded as expenditures to the extent permitted by law.

Expenditures from Trust and Capital Funds are recorded upon occurrence and charged to accounts statutorily established for specific purposes.

Budget Appropriations for interest on General Capital Long-Term Debt is raised on the cash basis and is not accrued on the records; interest on Utility Debt is raised on the accrual basis and so recorded.

GAAP requires expenditures to be recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt, which should be recognized when due.

Reserve for Encumbrances - As of January 1, 1986 all local units were required by Technical Accounting Directive No. 85-1, as promulgated by the Division of Local Government Services, to maintain an encumbrance accounting system. The directive states that contractual orders outstanding at December 31 are reported as expenditures through the establishment of an encumbrance payable. Encumbrances do not constitute expenditures under GAAP.

Appropriation Reserves - Appropriation reserves are available, until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred during the preceding year. Lapsed appropriation reserves are recorded as additions to income. Appropriation reserves do not exist under GAAP.

BOROUGH OF SPOTSWOOD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2010

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

Compensated Absences - Expenditures relating to obligations for unused vested accumulated sick, vacation and compensatory pay are not recorded until paid. GAAP requires that the amount that would normally be liquidated with expendable available financial resources be recorded as an expenditure in the operating funds and the remaining obligations be recorded as a long-term obligation.

Property Acquired for Taxes - Property Acquired for Taxes (Foreclosed Property) is recorded in the Current Fund at the assessed valuation during the year when such property was acquired by deed or foreclosure and is offset by a corresponding reserve account. GAAP requires such property to be recorded in the general fixed assets account group at market value on the date of acquisition.

Interfund Accounts Receivable - Interfund Accounts Receivable in the Current Fund are generally recorded with offsetting reserves that are established by charges to operations. Collections are recognized as income in the year that the receivables are realized. Interfund Accounts Receivable of all other funds are recorded as accrued and are not offset with reserve accounts. Interfund Accounts Receivable of one fund are offset with Interfund Accounts Payable of the opposite fund. GAAP does not require the establishment of an offsetting reserve.

Inventories of Supplies - Materials and supplies purchased by all funds are recorded as expenditures.

An annual inventory of materials and supplies for the Water-Sewer Utility is required, by regulation, to be prepared by Borough personnel for inclusion on the Water-Sewer Utility Operating Fund balance sheet. Annual changes in valuations, offset with a Reserve Account, are not considered as affecting results of operations. Materials and supplies of other funds are not inventoried nor included on their respective balance sheets.

BOROUGH OF SPOTSWOOD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2010

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

Fixed Assets

General - In accordance with Technical Accounting Directive No. 85-2, Accounting for Governmental Fixed Assets, as promulgated by the Division of Local Government Services, which differs in certain respects from GAAP, the Borough has developed a fixed asset accounting and reporting system.

GAAP requires that fixed assets be capitalized at historical or estimated historical cost if actual historical cost is not available. Depreciation on utility fixed assets should also be recorded.

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

Acquisition of land, buildings, machinery, equipment and other capital assets are recorded on a perpetual fixed asset record.

Vehicles, furniture, equipment and other items are reflected at replacement values at time of inventory preparation. Additions to the established fixed assets are valued at cost.

Depreciation of assets is not recorded as an operating expense of the Borough.

Utilities - Capital acquisitions, including utility infrastructure costs of the Water-Sewer Utility, are recorded at cost upon purchase or project completion in the Fixed Capital account of the utilities. The Fixed Capital Accounts are adjusted for dispositions or abandonments. The accounts include moveable fixed assets of the Utility but are not specifically identified and are considered as duplicated in the Fixed Asset Group of Accounts. The duplication is considered as insignificant on its effect on the financial statements taken as a whole.

Utility improvements that may have been constructed by developers are not recorded as additions to Fixed Capital.

BOROUGH OF SPOTSWOOD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2010

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

Fixed Assets (Continued)

Fixed Capital of the Utility is offset by accumulations in Amortization Reserve Accounts. The accumulations represent costs of fixed assets purchased with budgeted funds or acquired by gift as well as grants, developer contributions or liquidations of related bonded debt and other liabilities incurred upon fixed asset acquisition.

The Fixed Capital Accounts reflected herein are recorded in the records of the municipality and do not necessarily reflect the true condition of such Fixed Capital. The records consist of a control account only. Detailed records are not maintained.

Total Columns on Combined Statements - Total columns are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

- D. Basic Financial Statements - The GASB Codification also defines the financial statements of a governmental unit be presented in the general purpose financial statements to be in accordance with GAAP. The Borough presents the financial statements listed in the table of contents which are required by the Division and which differ from the financial statements required by GAAP. In addition, the Division requires the financial statements listed in the table of contents to be referenced to as supplementary schedules. This practice differs from GAAP.

BOROUGH OF SPOTSWOOD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2010

Note 2. CASH AND CASH EQUIVALENTS AND INVESTMENTS

A. Cash and Cash Equivalents

New Jersey statutes permit the deposit of public funds in institutions located in New Jersey, which are insured by the Federal Deposit Insurance Corporation (FDIC) or any other agencies of the United States that insures deposits or the State of New Jersey Cash Management Fund.

The State of New Jersey Cash Management Fund is authorized by statute and regulations of the State Investment Council to invest in fixed income and debt securities that mature or are redeemed within one year. Twenty-five percent of the Fund may be invested in eligible securities that mature within two years provided, however, the average maturity of all investments in the Fund shall not exceed one year. Collateralization of Fund investments is generally not required.

In addition, by regulation of the Division of Local Government Services, municipalities are allowed to deposit funds in Government Money Market Mutual Funds purchased through state registered brokers/dealers and banks.

In accordance with the provisions of the Governmental Unit Deposit Protection Act of New Jersey, public depositories are required to maintain collateral for deposits of public funds that exceed insurance limits as follows:

The market value of the collateral must equal five percent of the average daily balance of public funds or

If the public funds deposited exceed 75 percent of the capital funds of the depository, the depository must provide collateral having a market value equal to 100 percent of the amount exceeding 75 percent.

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 \$25,000,000.00.

BOROUGH OF SPOTSWOOD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2010

Note 2. CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

B. Investments

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

- Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America. This includes instruments such as Treasury bills, notes and bonds.
- Government money market mutual funds.
- Any federal agency or instrumentality obligation authorized by Congress that matures within 397 days from the date of purchase, and has a fixed rate of interest not dependent on any index or external factors.
- Bonds or other obligations of the local unit or school districts of which the local unit is a part.
- Any other obligations with maturities not exceeding 397 days, as permitted by the Division of Investments.
- Local government investment pools, such as New Jersey CLASS and the New Jersey Arbitrage Rebate Management Program.
- New Jersey State Cash Management Fund.
- Repurchase agreements of fully collateralized securities, subject to special conditions.

In addition, a variety of State laws permit local governments to invest in a wide range of obligations issued by State governments and its agencies.

C. Risk Analysis

As of December 31, 2010, the Borough had funds on deposit in checking, statement savings and New Jersey Cash Management Accounts. The amount of the Borough's Cash and Cash Equivalents on deposit as of December 31, 2010 was \$6,067,113.10. These funds constitute "deposits with financial institutions" as defined by GASB Statement No. 40. There was no securities categorized as Investments as defined by GASB Statement No. 40.

BOROUGH OF SPOTSWOOD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2010

Note 3. TAXES AND TAX TITLE LIENS RECEIVABLE

Property assessments are determined on true values and taxes are assessed based upon these values. The residential tax bill includes the levies for the Borough, County and School purposes. Certified adopted budgets are submitted to the County Board of Taxation by each taxing district. The tax rate is determined by the Board upon the filing of these budgets.

The tax bills are mailed by the Tax Collector annually in June and are payable in four quarterly installments due the first of August and November of the current year and a preliminary billing due the first of February and May of the subsequent year. The August and November billings represent the third and fourth quarter installments and is calculated by taking the total year tax levy less the preliminary first and second quarter installments due February and May. The preliminary levy is based on one-half of the current year's total tax.

Tax installments not paid by the above due dates are subject to interest penalties determined by a resolution of the governing body. The rate of interest in accordance with the aforementioned resolution is 8% per annum on the first \$1,500.00 of delinquency and 18% on any delinquency in excess of \$1,500.00. The resolution also sets a grace period of ten days before interest is calculated. In addition, any delinquency in excess of \$10,000.00 at the end of the calendar year is subject to a 6% penalty on the unpaid balance.

Taxes unpaid on the 11th day of the eleventh month in the fiscal year when the taxes became in arrears are subject to the tax sale provisions of the New Jersey statutes. The municipality may institute in rem foreclosure proceedings after six months from the date of the sale if the lien has not been redeemed.

Comparative Schedule of Tax Rates (per \$100.00 of Assessed Valuation)

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Tax Rate	\$ 2.713	\$ 2.658	\$ 2.590	\$ 2.460	\$ 2.290
Apportionment of Tax Rate:					
Municipal	0.811	0.778	0.740	0.654	0.591
County:					
Regular	0.347	0.339	0.320	0.303	0.276
Open Space	0.025	0.039	0.038	0.037	0.032
Local School	1.530	1.502	1.492	1.466	1.391

BOROUGH OF SPOTSWOOD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2010

Note 3. TAXES AND TAX TITLE LIENS RECEIVABLE (CONTINUED)

Assessed Valuation

2010	\$ 744,371,970.00
2009	746,811,008.00
2008	751,746,603.00
2007	746,290,022.00
2006	739,666,679.00

Comparison of Tax Levies and Collections

<u>Year</u>	<u>Tax Levy</u>	<u>Collections</u>	<u>Percentage of Collections</u>
2010	\$ 20,231,371.63	\$ 19,930,943.88	98.52%
2009	19,884,155.49	19,591,689.74	98.53%
2008	19,527,635.21	19,269,996.34	98.68%
2007	18,489,022.61	18,182,265.49	98.34%
2006	17,066,813.97	16,799,729.13	98.44%

Delinquent Taxes and Tax Title Liens

<u>Year</u>	<u>Tax Title Liens</u>	<u>Delinquent Taxes</u>	<u>Total Delinquent</u>	<u>Percentage of Tax Levy</u>
2010	\$ 66,991.41	\$ 270,759.11	\$ 337,750.52	1.67%
2009	56,983.51	271,928.92	328,912.43	1.62%
2008	50,729.24	252,531.39	303,260.63	1.55%
2007	44,634.97	285,975.04	330,610.01	1.78%
2006	38,846.59	253,482.29	292,328.88	1.71%

BOROUGH OF SPOTSWOOD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2010

Note 4. PROPERTY ACQUIRED BY TAX TITLE LIEN LIQUIDATION

The value of property acquired by liquidation of tax title liens on December 31, on the basis of the last assessed valuation of such properties, was as follows:

<u>Year</u>	<u>Amount</u>
2010	\$ 2,533,400.00
2009	2,533,400.00
2008	2,533,400.00
2007	2,533,400.00
2006	2,533,400.00

Note 5. WATER-SEWER UTILITY RECEIVABLE

The Water-Sewer Utility customers are billed quarterly on a cycle basis. All bills are due within thirty-three (33) days. No reserves for doubtful accounts are required to be established and the Borough has the right to subject unpaid balances to the same provisions as unpaid taxes for tax sale.

Comparison of Billings and Collections

<u>Year</u>	<u>Water and Sewer Rents Levied</u>	<u>Collections**</u>
2010	\$ 2,484,596.96	\$ 2,509,188.11
2009 *	2,237,634.54	2,142,463.73
2008	1,814,081.84	1,828,704.64
2007	1,886,118.04	1,869,452.94
2006	1,868,117.27	1,862,003.94

* Rate increase effective in 2009.

** Includes collections of Water-Sewer Rents that may have been levied in prior years.

BOROUGH OF SPOTSWOOD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2010

Note 6. FUND BALANCES APPROPRIATED

The following schedule details the amount of fund balances available at the end of each year and the amounts utilized in the subsequent year's budget.

<u>Year</u>	<u>Balance December 31</u>	<u>Utilized in Budget of Succeeding Year</u>	<u>Percentage of Fund Balance Used</u>
<u>Current Fund</u>			
2010	\$ 1,341,431.28	\$ 1,072,500.00	79.95%
2009	1,538,100.27	1,275,000.00	82.89%
2008	1,677,714.73	1,182,000.00	70.45%
2007	1,462,646.81	1,140,912.00	78.00%
2006	1,257,648.69	1,040,000.00	82.69%
<u>Water-Sewer Utility Operating Fund</u>			
2010	\$ 342,044.51	\$ 237,597.00	69.46%
2009	295,320.64	200,000.00	67.72%
2008	294,921.91	180,000.00	61.03%
2007	527,830.36	350,000.00	66.31%
2006	634,991.03	340,000.00	53.54%

Note 7. DEFERRED CHARGES TO BE RAISED IN SUCCEEDING YEARS' BUDGETS

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2010, the following deferred charges are shown on the Balance Sheets of the various funds:

	<u>Balance December 31, 2010</u>	<u>2010 Budget Appropriation</u>	<u>Balance to Budgets of Succeeding Years</u>
Current Fund:			
Special Emergency per NJS 40A:4-53:			
Update of Master Plan	\$ <u>60,000.00</u>	\$ <u>20,000.00</u>	\$ <u>40,000.00</u>

The appropriations in the 2011 Budget are not less than that required by statute.

BOROUGH OF SPOTSWOOD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2010

Note 8. **MUNICIPAL DEBT**

The Local Bond Law governs the issuance of bonds and notes to finance general capital expenditures. All bonds are retired in serial installments with the statutory period of usefulness. Bonds issued by the Borough are general obligation bonds, backed by the full faith and credit of the Borough. Bond anticipation notes, which are issued to temporarily finance capital projects, must be paid off within ten years and five months or retired by the issuance of bonds.

Summary of Municipal Debt (Excluding Current and Operating Debt)

	<u>Year 2010</u>	<u>Year 2009</u>	<u>Year 2008</u>
Issued			
General:			
Bonds, Notes and Loans	\$ 4,169,531.31	\$ 4,589,261.63	\$ 4,508,122.11
Water-Sewer Utility:			
Bonds and Notes	<u>4,528,000.00</u>	<u>4,602,000.00</u>	<u>4,397,000.00</u>
Net Debt Issued	<u>\$ 8,697,531.31</u>	<u>\$ 9,191,261.63</u>	<u>\$ 8,905,122.11</u>
Authorized but Not Issued			
General:			
Bonds and Notes	\$ 437,801.59	\$ 447,979.48	\$ 686,427.89
Water-Sewer Utility:			
Bonds and Notes	<u>70,000.00</u>	<u>374,000.00</u>	<u>899,000.00</u>
Total Authorized but Not Issued	<u>\$ 507,801.59</u>	<u>\$ 821,979.48</u>	<u>\$ 1,585,427.89</u>
Net Bonds and Notes Issued and Authorized but Not Issued	<u>\$ 9,205,332.90</u>	<u>\$ 10,013,241.11</u>	<u>\$ 10,490,550.00</u>

BOROUGH OF SPOTSWOOD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2010

Note 8. **MUNICIPAL DEBT (CONTINUED)**

Summary of Statutory Debt Condition, Annual Debt Statement

The summarized statement of debt condition that follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicated a statutory debt of 0.503%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Regional School District Debt	\$ 9,165,000.00	\$ 9,165,000.00	\$ None
Water-Sewer Utility Debt	4,598,000.00	4,598,000.00	None
General Debt	<u>4,607,332.90</u>	<u>None</u>	<u>4,607,332.90</u>
	<u>\$ 18,370,332.90</u>	<u>\$ 13,763,000.00</u>	<u>\$ 4,607,332.90</u>

Net Debt \$4,607,332.90 divided by Equalized Valuation basis per N.J.S. 40A:2-2, \$915,885,891.00 equals 0.503%.

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

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

3½% of Average Equalized Valuation Basis (Municipal)	\$ 32,056,006.18
Net Debt	<u>4,607,332.90</u>
Remaining Borrowing Power	<u>\$ 27,448,673.28</u>

BOROUGH OF SPOTSWOOD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2010

Note 8. MUNICIPAL DEBT (CONTINUED)

Calculation of "Self-Liquidating Purpose", Water-Sewer Utility, per N.J.S.40A:2-45

Cash Receipts for Fees, Rents and Other Charges for the Year			\$ 2,729,150.54
Deductions:			
Operating and Maintenance Costs	\$ 1,974,362.00		
Debt Service	<u>506,980.52</u>	<u>2,481,342.52</u>	
Excess in Revenue			\$ <u><u>247,808.02</u></u>

There being an excess in revenue for the Water-Sewer Utility, the fund was self liquidating and therefore, all the related debt is deductible for purposes of the Annual Debt Statement and resultant net debt calculation.

BOROUGH OF SPOTSWOOD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2010

Note 8. MUNICIPAL DEBT (CONTINUED)

Long-Term Debt – Bonds

As of December 31, 2010, the Borough's long-term debt is as follows:

General Serial Bonds

\$1,740,000.00 2010 Refunding Bonds due in annual installments of \$170,000.00 to \$195,000.00 through October 2018 ranging from 2.25% to 5.00%. \$ 1,525,000.00

\$1,260,000.00 2002 Bonds due in annual installments of \$175,000.00 to \$210,000.00 through December 2012 at an interest rate of 3.30%. 385,000.00
\$ 1,910,000.00

Water-Sewer Utility Capital Fund Serial Bonds

\$860,000.00 2010 Refunding Bonds due in annual installments of \$40,000.00 to \$100,000.00 through October 2018 at interest rates ranging from 2.25% to 5.00%. \$ 765,000.00

\$3,818,000.00 2002 Bonds due in annual installments of \$170,000.00 to \$290,000.00 through December 2022 at an interest rate of 4.15%. 2,763,000.00 *
\$ 3,528,000.00
\$ 5,438,000.00

- * The 2002 Water-Sewer Utility Bonds of this issue maturing on or after December 1, 2013 shall be redeemable at the option of the Borough in whole on any date or in part on any interest payment date on or after December 1, 2012 at the respective prices expressed as percentages of principal amount set forth below (the "redemption price"), plus, in each case, accrued interest to the date fixed for redemption at 100%.

BOROUGH OF SPOTSWOOD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2010

Note 8. **MUNICIPAL DEBT (CONTINUED)**

Redemption of Bonds

If the Borough determines to redeem a portion of the Bonds prior to maturity, such Bonds shall be selected in inverse order of maturity and by lot within a maturity by the Chief Financial Officer or her designee. So long as the Bonds are in Book-Entry form in the DTC System, the portion of such Bonds to be redeemed shall be selected in a manner consistent with DTC practices.

Unless waived by any owner of Bonds to be redeemed, official notice of any such redemption shall be given by the Registrar on behalf of the Borough by mailing a copy of an official redemption notice by registered or certified mail at least thirty (30) days and not more than sixty (60) days prior to the date fixed for redemption to the registered owner of the Bond or Bonds to be redeemed at the address shown on the Bond Registrar or at such other address as is furnished in writing by such registered owner to the Registrar.

Schedule of Annual Debt Service for Principal and Interest for Bonded Debt for Next Five (5) Years and Every Five (5) Years Thereafter

<u>Calendar Year</u>	<u>General Capital Fund</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Next Five (5) Years:			
2011	\$ 365,000.00	\$ 75,841.26	\$ 440,841.26
2012	405,000.00	60,566.26	465,566.26
2013	195,000.00	43,886.26	238,886.26
2014	195,000.00	34,136.26	229,136.26
2015	195,000.00	24,386.26	219,386.26
	<u>1,355,000.00</u>	<u>238,816.30</u>	<u>1,593,816.30</u>
Thereafter:			
2016	195,000.00	18,992.50	213,992.50
2017	190,000.00	12,480.00	202,480.00
2018	170,000.00	5,860.00	175,860.00
	<u>555,000.00</u>	<u>37,332.50</u>	<u>592,332.50</u>
	<u>\$ 1,910,000.00</u>	<u>\$ 276,148.80</u>	<u>\$ 2,186,148.80</u>

BOROUGH OF SPOTSWOOD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2010

Note 8. MUNICIPAL DEBT (CONTINUED)

Long-Term Debt – Bonds (Continued)

Schedule of Annual Debt Service for Principal and Interest for Bonded Debt for
Next Five (5) Years and Every Five (5) Years Thereafter (Continued)

<u>Calendar Year</u>	<u>Water-Sewer Utility Fund</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Next Five (5) Years:			
2011	\$ 260,000.00	\$ 146,059.50	\$ 406,059.50
2012	275,000.00	134,504.50	409,504.50
2013	290,000.00	122,284.50	412,284.50
2014	300,000.00	109,442.00	409,442.00
2015	310,000.00	96,142.00	406,142.00
	<u>1,435,000.00</u>	<u>608,432.50</u>	<u>2,043,432.50</u>
Thereafter:			
2016	320,000.00	84,652.00	404,652.00
2017	325,000.00	72,272.00	397,272.00
2018	330,000.00	59,472.00	389,472.00
2019	260,000.00	46,397.00	306,397.00
2020	280,000.00	35,607.00	315,607.00
	<u>1,515,000.00</u>	<u>298,400.00</u>	<u>1,813,400.00</u>
2021	290,000.00	23,987.00	313,987.00
2022	288,000.00	11,952.00	299,952.00
	<u>578,000.00</u>	<u>35,939.00</u>	<u>613,939.00</u>
	<u>\$ 3,528,000.00</u>	<u>\$ 942,771.50</u>	<u>\$ 4,470,771.50</u>

BOROUGH OF SPOTSWOOD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2010

Note 8. MUNICIPAL DEBT (CONTINUED)

Long-Term Debt – Bonds (Continued)

Schedule of Annual Debt Service for Principal and Interest for Bonded Debt for
Next Five (5) Years and Every Five (5) Years Thereafter (Continued)

Calendar Year	Total for all Funds - Bonds		
	Principal	Interest	Total
Next Five (5) Years:			
2011	\$ 625,000.00	\$ 221,900.76	\$ 846,900.76
2012	680,000.00	195,070.76	875,070.76
2013	485,000.00	166,170.76	651,170.76
2014	495,000.00	143,578.26	638,578.26
2015	505,000.00	120,528.26	625,528.26
	<u>2,790,000.00</u>	<u>847,248.80</u>	<u>3,637,248.80</u>
Thereafter:			
2016	515,000.00	103,644.50	618,644.50
2017	515,000.00	84,752.00	599,752.00
2018	500,000.00	65,332.00	565,332.00
2019	260,000.00	46,397.00	306,397.00
2020	280,000.00	35,607.00	315,607.00
	<u>2,070,000.00</u>	<u>335,732.50</u>	<u>2,405,732.50</u>
2021	290,000.00	23,987.00	313,987.00
2022	288,000.00	11,952.00	299,952.00
	<u>578,000.00</u>	<u>35,939.00</u>	<u>613,939.00</u>
	<u>\$ 5,438,000.00</u>	<u>\$ 1,218,920.30</u>	<u>\$ 6,656,920.30</u>

BOROUGH OF SPOTSWOOD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2010

Note 8. MUNICIPAL DEBT (CONTINUED)

Long-Term Debt – Loan – General Capital Fund

The Borough participated in the form of loans from Middlesex County Improvement Authority Capital Equipment and Improvement Reserves Bonds as follows:

Loan dated December 12, 2008 in the original amount
\$708,122.11 with annual maturities from \$64,471.72 to
\$82,630.61 at interest rates of 3.0% to 4.2% and final
maturity on September 15, 2018. \$ 585,837.02

Loan dated September 30, 2009 in the original amount
of \$301,198.41 with annual maturities from \$27,454.97
to \$33,942.33 at interest rates of 2.0% to 3.0% and final
maturity on September 15, 2019. \$ 273,694.29

\$ 859,531.31

Repayments for next five (5) years and five (5) years thereafter are as follows:

<u>Calendar Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Next Five (5) Years:			
2011	91,926.69	28,121.52	\$ 120,048.21
2012	94,802.34	25,638.28	120,440.62
2013	97,912.94	22,934.22	120,847.16
2014	101,128.04	20,053.86	121,181.90
2015	104,451.20	16,987.86	121,439.06
	<u>490,221.21</u>	<u>113,735.74</u>	<u>603,956.95</u>
Thereafter:			
2016	108,036.92	13,445.70	121,482.62
2017	111,746.52	9,627.30	121,373.82
2018	115,584.33	5,477.36	121,061.69
2019	33,942.33	1,018.26	34,960.59
	<u>369,310.10</u>	<u>29,568.62</u>	<u>398,878.72</u>
	<u>\$ 859,531.31</u>	<u>\$ 143,304.36</u>	<u>\$ 1,002,835.67</u>

BOROUGH OF SPOTSWOOD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2010

Note 8. MUNICIPAL DEBT (CONTINUED)

School Debt Deductions

School debt is deductible up to the extent of 4% of the Average Equalized Assessed Valuations of real property for the Local School District.

Bond Anticipation Notes

	Interest Rate	Original Issue Date	Amount	Payment Required	
				First	Final
General Capital Fund	1.375%	2006	\$ 295,000.00	2009	2017
	1.375%	2007	87,000.00	2010	2018
	1.375%	2008	410,000.00	2011	2019
	1.375%	2009	308,000.00	2012	2020
	1.375%	2010	<u>300,000.00</u>	2013	2021
			\$ <u>1,400,000.00</u>		
Water-Sewer Utility Capital Fund	1.375%	2008	\$ 175,000.00	2007	2015
	1.375%	2009	525,000.00	2011	2019
	1.375%	2010	<u>300,000.00</u>	2012	2020
			\$ <u>1,000,000.00</u>		
			\$ <u>2,400,000.00</u>		

Bonds and Notes Authorized but not Issued

At December 31, 2010, the Borough of Spotswood has authorized but not issued bonds and notes as follows:

General Capital Fund	\$ 437,801.59
Water-Sewer Utility Capital Fund	<u>70,000.00</u>
	\$ <u>507,801.59</u>

Continuing Disclosure Requirement

As a result of the issuance of General Obligation Bonds, the Borough is obligated to comply with the Securities and Exchange Commission Rule 15c2-12 related to the Annual Continuing Disclosure Requirement, which has been complied with for 2009 and 2010.

BOROUGH OF SPOTSWOOD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2010

Note 9. LEASES

Middlesex County Improvement Authority (MXCIA) – The Borough entered into various capital equipment lease programs with MXCIA. The leases are for various equipment that is owned by the MXCIA and to which the Borough has a bargain purchase option at the end of the lease period in the amount of \$1.00.

Capital Lease

The Borough is obligated under three (3) separate lease agreements with the MXCIA entered into in the years 2005, 2006 and 2007. Interest and principal are provided for in the Current Fund budget excluded from CAPS as part of the debt service appropriation.

Year Ending Dec. 31,	Appropriated in the Current Fund - Debt Service Appropriation Excluded from "CAPS"			
	<u>Prior to July 1, 2007</u>		<u>Subsequent to July 1, 2007</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 24,463.00	\$ 4,490.00	\$ 10,548.15	\$ 1,010.28
2012	15,183.00	3,625.00	10,548.15	474.67
2013	15,183.00	2,913.00		
2014	15,183.00	2,372.00		
2015	15,183.00	854.00		
2016	2,638.00	282.00		
	<u>\$ 87,833.00</u>	<u>\$ 14,536.00</u>	<u>\$ 21,096.30</u>	<u>\$ 1,484.95</u>

BOROUGH OF SPOTSWOOD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2010

Note 9. LEASES (CONTINUED)

Year Ending Dec. 31,	Appropriated in the Current Fund - Debt Service Appropriation Excluded from "CAPS"		
	Total		Total
	Principal	Interest	
2011	\$ 35,011.15	\$ 5,500.28	\$ 40,511.43
2012	25,731.15	4,099.67	29,830.82
2013	15,183.00	2,913.00	18,096.00
2014	15,183.00	2,372.00	17,555.00
2015	15,183.00	854.00	16,037.00
2016	2,638.00	282.00	2,920.00
	<u>\$ 108,929.30</u>	<u>\$ 16,020.95</u>	<u>\$ 124,950.25</u>

Operating Lease – The Borough in 2008 entered into a lease agreement for two (2) police cars funded through the MXCIA Capital Equipment and Improvement Revenue Bond Series 2008. The principal and interest are provided in the Current Fund Budget within the appropriation "CAPS" and are as follows:

	Principal	Interest	Total
2011	\$ 10,464.79	\$ 979.16	\$ 11,443.95
2012	10,752.51	665.22	11,417.73
2013	10,964.35	342.64	11,306.99
	<u>\$ 32,181.65</u>	<u>\$ 1,987.02</u>	<u>\$ 34,168.67</u>

Continuing Disclosure Requirements

As a result of the 2005 through 2008 lease agreements with the Middlesex County Improvement Authority, the Borough is obligated to comply with the Securities and Exchange Commission Rule 15c2-12 related to the Annual Continuing Disclosure Requirement, which has been complied with for 2009 and 2010.

BOROUGH OF SPOTSWOOD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2010

Note 10. PENSION PLANS

Description of Systems

Substantially all of the Borough's employees participate in one of the following contributory defined benefit public employee retirement systems which have been established by State statute: the Public Employees' Retirement System (PERS) or the Police and Firemen's Pension Fund (PFRS). These systems are sponsored and administered by the New Jersey Division of Pensions and Benefits. The Public Employees' Retirement System and the Police and Firemen's Retirement System are considered cost sharing multiple-employer plans.

Public Employees' Retirement System

The Public Employees' Retirement System (PERS) was established January 1, 1955 under the provisions of N.J.S.A. 43:15A to provide coverage, including post-retirement health care, to substantially all full-time employees and that all earn greater than \$1,500.00 of the State or any county, municipality, school district or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees and vesting occurs after eight to ten years of service and twenty-five years for health care coverage. Members are eligible for retirement at age sixty with an annual benefit generally determined to be $1/55^{\text{th}}$ of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of creditable service. Early retirement is available to those under age sixty with twenty-five or more years of credited service. Anyone who retires early and is under age fifty-five receives retirement benefits as calculated in the above-mentioned formula but at a reduced rate (one quarter of one percent for each month the member lacks of attaining age fifty-five).

Police and Firemen's Retirement System

The Police and Firemen's Retirement System (PFRS) was established July 1, 1944 under the provisions of N.J.S.A. 43:16A to provide coverage to substantially all full time county and municipal police or firemen and State firemen appointed after June 30, 1944. Membership is mandatory for such employees. Members may opt for Service Retirement if over age 55 or Special Retirement at any age if they have a minimum of 25 years of service or 20 years of service if enrolled in the PFRS as of January 18, 2000. Retirement benefits vary depending on age and years of service.

BOROUGH OF SPOTSWOOD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2010

Note 10. PENSION PLANS (CONTINUED)

Contributions Required to be Made

Employee contributions for 2010 were five and one-half percent (5½%) of the employee's base wages for PERS and eight and one-half percent (8½%) for PFRS. Employer's contributions are actuarially determined annually by the Division of Pensions. The Borough's contributions to the plan for the past three (3) years are as follows:

PERS					
Borough					
Year	Liability		Less:	Net Cost	Employees
	Normal	Accrued	Pension Credits *		
2010	\$ 61,159.00	\$ 78,582.00	\$ 0.00	\$ 139,741.00	\$ 98,951.81
2009	54,293.00	62,797.00	0.00	117,090.00	126,764.90
2008	68,561.00	52,836.00	24,279.40	97,117.60	93,727.15

* Credits relate to reductions in the amounts due to the Systems that were a result of legislation enacted by the State related to revisions in funding and actuarial valuations.

	PFRS			
	Borough			
	Liability			
<u>Year</u>	<u>Normal</u>	<u>Accrued</u>	<u>Net Cost</u>	<u>Employees</u>
2010	\$ 230,191.00	\$ 163,996.00	\$ 394,187.00	\$ 150,332.11
2009	224,015.00	154,999.00	379,014.00	164,377.34
2008	223,077.00	131,823.00	354,900.00	148,546.52

All contributions were equal to the required contributions for each of the three (3) years, respectively.

BOROUGH OF SPOTSWOOD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2010

Note 11 **POST EMPLOYMENT RETIREMENT BENEFITS**

In addition to the pension benefits described in Note 10, the Borough provides post retirement healthcare benefits for employees who retire with 25 years or more of service and their dependents. Benefits consist of full medical coverage as if the individuals were still employed, until they become eligible for Medicare, at which time Medicare becomes the primary insurer and the Borough plan becomes the secondary insurer.

Plan Description – New Jersey State Health Benefits Program ("NJSHBP")

The NJSHBP as of July 1, 2010 had "local employees" statewide of 43,207 active and 15,277 retired for a total of 58,484 members. The Borough had 43 active and 32 retired employees for a total of 75.

The Borough contributes to the NJSHBP, a cost-sharing, multiple-employer defined benefit post-employment healthcare plan administered by the State of New Jersey Division of Pensions and Benefits. NJSHBP was established in 1961 under N.J.S.A. 52:14-17.25 et seq., to provide health benefits to State employees, retirees, and their dependents. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. NJSHBP provides medical, prescription drugs, mental health/substance abuse, and Medicare Part B reimbursement to retirees and their covered dependents. In accordance with GASB's 43 and 45, the NJSHBP has been determined to be a cost-sharing multiple-employer plan. Under GASB 45, the Borough is not required nor allowed to accrue reserves to fund the ultimate payment of the retirees health benefit obligation that is being earned.

The NJSHBP was extended to employees, retirees, and dependents of participating local public employers in 1964. Local employers must adopt a resolution to participate in the NJSHBP. In the early 1980's, the Borough authorized participation in the NJSHBP's post-retirement benefit program through resolution.

The New Jersey State Health Benefits ("NJSHB") Commission is the executive body established by statute to be responsible for the operation of the NJSHBP. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for the NJSHBP and an annual actuarial valuation report. Those reports may be obtained by writing to: State of New Jersey Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295 or by visiting their website at www.state.nj.us/treasury/pensions/gasb-43-sept2008.pdf.

BOROUGH OF SPOTSWOOD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2010

Note 11 POST EMPLOYMENT RETIREMENT BENEFITS (CONTINUED)

Funding Policy

Participating employers are contractually required to contribute based on the amount of premiums attributable to their retirees. Post-retirement medical benefits under the plan have been funded on a pay-as-you-go basis since 1994. Prior to 1994, medical benefits were funded on an actuarial basis. The NJSHB Commission sets the employer contribution rate based on the annual required contribution (ARC) of the employers as established in an annual rate recommendation report.

Contributions to pay for the health premiums of participating retirees in the NJSHBP are billed to the Borough on a monthly basis. The number of employees covered and approximate cost for the past three years were as follows:

<u>Fiscal Year</u>	<u>Number of Employees</u>	<u>Employer's Cost</u>
2010	32	\$ 351,562.14
2009	32	320,778.15
2008	30	295,503.41

Note 12. RISK MANAGEMENT

The Borough together with other governmental units is a member of the Middlesex County Municipal Joint Insurance Fund ("JIF"). The JIF, which is organized and operated pursuant to the regulatory authority of the Departments of Insurance and Community Affairs, State of New Jersey, provides for a pooling of risks, subject to established limits and deductibles. In addition, the JIF has obtained cost effective reinsurance and excess liability coverages for participant local units.

For the year ending December 31, 2010, the Fund provided the following types of coverages: Auto, General Liability, Workmen's Compensation, Property, Public Officials Liability, Boiler and Employee Surety/Honesty.

The Borough has contracted with the JIF for the public officials' surety bond coverage. The coverage is subject to certain policy limits. The coverage is designed to minimize the impact of any potential losses to the Borough for matters that may have been caused or related to the Borough or its employees.

BOROUGH OF SPOTSWOOD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2010

Note 12. RISK MANAGEMENT (CONTINUED)

New Jersey Unemployment Compensation Insurance

The Borough has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method". Under this plan, the Borough 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 Borough is billed quarterly for amounts due to the State. The following is a summary of Borough contributions, reimbursements to the State for benefits paid and the ending balance of the Borough's trust fund for the current and prior two years:

<u>Year Ended</u> <u>December 31,</u>	<u>Employee</u> <u>Borough</u> <u>Contribution</u>	<u>Amount</u> <u>Reimbursed</u>	<u>Ending</u> <u>Balance</u>
2010	\$ 13,522.17	\$ 30,058.18	\$ 29,291.01
2009	11,958.82	18,870.43	45,827.02
2008	16,734.83	16,085.64	52,738.63

Note 13. INTERFUND RECEIVABLES AND PAYABLES

The following are reflected as interfund receivables and payables on the various balance sheets:

<u>Fund</u>	<u>Interfund</u> <u>Receivable</u>	<u>Interfund</u> <u>Payable</u>
Current	\$ 2,805.36	\$ 273,908.74
Grant	273,908.74	
Trust Other		2,600.00
Payroll		205.36
	<u>\$ 276,714.10</u>	<u>\$ 276,714.10</u>

BOROUGH OF SPOTSWOOD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2010

Note 14. LENGTH OF SERVICE AWARDS PROGRAM

On November 7, 2000, the voters of the Borough approved a referendum authorizing the establishment of a Length of Service Awards Program (LOSAP). The LOSAP will provide tax-deferred income benefits to the active volunteer employees who are eligible to participate.

The LOSAP funds are administered independently and distinct from the Borough and are subject to a review in accordance with the American Institute of Certified Public Accounts Standards for Accounting and Review Services. Participants are responsible for the direction of the investments within their individual accounts. A separate report as of December 31, 2010 revealed net assets before the 2010 contribution is \$111,317.50. The Borough's contribution for 2010 is estimated to be \$16,500.00.

Note 15. CONTINGENT LIABILITIES

A. Accrued Sick Pay

The Borough of Spotswood has a policy that employees are to be compensated for vested rights in unused sick time at retirement. The Borough policy allows employees to be paid for accumulated unused sick days up to December 31, 1983 at a rate of one day for each day unused at the current salary rate and for days accumulated and unused from January 1, 1984 at the rate of one (1) day for every two (2) unused at the current rate but not to exceed \$12,000.00. The Liability to employees at December 31, 2010 for retirement purposes is \$382,416.96.

The gross potential accrued sick pay liability as of December 31, 2010 for all Borough employees, based on data on file in the Finance Office, is \$1,084,000.51. This amount is not an immediate liability and the likelihood of this amount becoming due and payable at any time in the near future is remote. However, the potential exists that the Borough may have, in the event that an employee is out of work on an extended illness and because of the nature of their position, to temporarily replace the employee, which could result ultimately in additional cost to the Borough.

The Borough's Governing Body had previously provided for the payment of unused sick pay to retirees on a "pay as you go" basis. In more recent years funds were provided in a specific line items in the budget and reserved. The Balance Sheet of the Trust Other Fund reflects a Reserve for Accumulated Absences in the amount of \$160,977.74, which was raised in prior year's budgets to provide a reserve to meet the expected liability.

BOROUGH OF SPOTSWOOD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2010

Note 15. CONTINGENT LIABILITIES (CONTINUED)

B. New Jersey State Health Benefits

The Borough is a participant in the New Jersey State Health Benefits Plan (the Plan) for medical coverage for its employees and their families. In 1992, the Plan allowed participating municipalities the option to defer one month's premium payment until such time when the municipality elected to terminate the Plan coverage. The Borough of Spotswood elected to defer the one-month payment and did not provide for twelve payments in the 1992 Municipal Budget. The deferred payment represents a contingent liability of the Borough. The Borough has not terminated its plan coverage as of the date of this report.

C. Reserve for State Tax Appeals

The Borough has a Reserve for State Tax Appeals at December 31, 2010 of \$160,000.00, which represents an estimate for several tax appeals that are pending for 2010. In the event the appeals are awarded in excess of that amount, then a charge to Fund Balance/(Operations) will be needed.

D. Litigation

The Borough Attorney and the Borough Administrator have represented that no litigation exists, in which the Borough is involved that would have a material adverse impact on the Borough.

E. Grants

The Borough of Spotswood participates in federally and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The Borough is potentially liable for expenditures which may be disallowed pursuant to the terms of these grant programs. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.

APPENDIX C

FORM OF CONTINUING DISCLOSURE CERTIFICATE

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by is executed by the Borough of Spotswood, in the County of Middlesex, State of New Jersey (the "Township" or "Issuer"), in connection with the issuance of \$2,500,000* General Obligation Water-Sewer Utility Refunding Bonds, Series 2012 (the "Refunding Bonds"), and \$3,706,000* General Obligation Bonds, Series 2012, consisting of: \$1,385,000* General Improvement Bonds, Series 2012, and \$2,321,000* Water/Sewer Utility Bonds, Series 2012 (collectively, the "New Money Bonds" and together with the Refunding Bonds, the "Bonds") of the Borough dated June 1, 2012. The Bonds are being issued pursuant to a resolution entitled, "Bond Resolution Providing for the Sale and Issuance of General Obligation Bonds of the Borough Not to Exceed \$6,206,000 in Principal Amount Consisting of Not to Exceed \$1,385,000 General Obligation General Improvement Bonds, \$2,321,000 General Obligation Water-sewer Utility Bonds and \$2,500,000 General Obligation Water-sewer Utility Refunding Bonds and Determining the Form and Other Details of Such Bonds Authorized in and by the Borough of Spotswood, in the County of Middlesex, New Jersey" (the "Resolution"), duly adopted by the Mayor and Council on May 21, 2012. The proceeds of the Refunding Bonds are being issued pursuant to a refunding bond ordinance of the Borough adopted on October 17, 2011, and a resolution adopted by the Borough Council on May 21, 2012, to provide for (a) the advance refunding of all or a portion of the Borough's originally-issued \$3,818,000 Water-Sewer Utility Bonds, Series 2002 maturing on and after December 1, 2013 in the total principal amount of \$2,413,000 (the "Refunded Bonds"), and (b) the payment of certain costs associated with the issuance of the Refunding Bonds. The proceeds of the New Money Bonds will be used to currently refund the Borough's outstanding \$2,320,000 General Obligation Bond Anticipation Notes consisting of \$1,400,000 General Obligation General Improvement Bond Anticipation Notes (the "General Improvement Notes") and \$920,000 General Obligation Water-Sewer Utility Bond Anticipation Notes (the "Water-Sewer Utility Notes" and together with the General Improvement Notes the "Notes") maturing on June 20, 2012, as well as to provide additional funds for General Improvement projects and Water/Sewer Utility projects set forth in the ordinances listed in the Resolution, and pay the costs of issuance in connection with the issuance of the Bonds. The Issuer covenants and agrees as follows:

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

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

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

"Beneficial Owner" shall mean any person which has or shares the power, directly or indirectly, to make investment decisions concerning the ownership of any Bonds (including persons holding Bonds through nominee depositories or other intermediaries).

"Bondholder" or "Holder" or any similar term, when used with reference to a Bond or Bonds, means any person who shall be the registered owner of any outstanding Bond, including holders of beneficial interests in the Bonds.

"Dissemination Agent" shall mean the Chief Financial Officer of the Borough of Spotswood or any official thereof, or other entity subsequently designated as such by the Issuer.

“EMMA” shall mean the Electronic Municipal Market Access system, a website created by the MSRB and approved by the SEC to provide a central location where investors can obtain municipal bond information including disclosure documents. The Issuer or the Dissemination Agent shall submit disclosure documents to EMMA as a PDF file to “Financial Statements” means the audited financial statements of the Issuer for each Fiscal Year, including, without limitation, balance sheets, statements of changes in fund balances and statements of current funds, revenues, expenditures and other charges or statements that convey similar information.

“GAAP” means generally accepted accounting principles as in effect from time to time in the United States of America, consistently applied, as modified by governmental accounting standards and mandated State statutory principles applicable to the Issuer as may be in effect from time to time.

“GAAS” means generally accepted auditing standards as in effect from time to time in the United States of America, consistently applied, as modified by governmental auditing standards and mandated State statutory principles applicable to the Issuer as may be in effect from time to time.

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

“MSRB” means the Municipal Securities Rulemaking Board. The address of the MSRB as of the date of this Agreement is 1900 Duke Street, Suite 600, Alexandria, VA 22314

“OCBOA” means any other comprehensive basis of accounting as in effect from time to time in the State, consistently applied. This basis of accounting is 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 and is a comprehensive basis of accounting other than generally accepted accounting principles. OCBOA includes with the rules and regulations promulgated by the State of New Jersey, Department of Community Affairs relating to governmental accounting.

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

“Repository” shall mean each National Repository and each State Repository.

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

“State” shall mean the State of New Jersey.

“State Repository” shall mean any public or private repository or entity designated by the State of New Jersey as a state repository for the purpose of the Rule. As of the date of this Agreement, there is no State Repository.

“Tax-exempt” shall mean that interest on the Bonds is excluded from gross income for federal income tax purposes, whether or not such interest is includable as an item of tax preference or otherwise includable directly or indirectly for purposes of calculating any other tax liability, including any alternative minimum tax or environmental tax.

SECTION 3. Provision of Annual Reports.

- (a) (i) Not later than a date which is ninety (90) days after the date on which the Issuer is to have received and filed its audited Financial Statements (prepared in accordance with the rules and regulations promulgated by the State of New Jersey, Department of Community Affairs), as established by the statutes of the State of New Jersey (N.J.S.A. 40A:5-4 et seq., as currently enacted, or as supplemented or amended) which date is no later than six (6) months after the close of the fiscal year (the fiscal year

is currently the calendar year and thus the audit is to be received by June 30 of each year), the Issuer shall, or shall cause the Dissemination Agent, to provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The filing of such Annual Report shall commence not later than December 31, 2013. Not later than five (5) Business Days prior to said date, the Issuer shall provide the Annual Report to the Dissemination Agent (if other than the Issuer). The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the Financial Statements of the Issuer may be submitted separately from the balance of the Annual Report.

(ii) The Annual Report may be provided to the State Repositories, if any.

(b) If the Issuer is unable to provide an Annual Report by the date required in subsection (a), the Issuer shall send a notice to the MSRB, and may send same to each Repository, in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall:

(i) File the Annual Report with the MSRB in an electronic format and accompanied by identifying information as prescribed by the MSRB.

(ii) file a report with the Issuer certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided to the MSRB and listing all other Repositories to which it was provided.

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

1. The Issuer's Financial Statement for the prior fiscal year, or unaudited statements if audited statements are not available.

2. Annual updates of economic information, financial information, schedules of Existing Debt Maturities, and litigation information in the Official Statement dated June __, 2012, relating to the Issuer.

3. Additional Information which the Issuer or its counsel determine to be material.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the Issuer or related public entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The Issuer shall clearly identify each such other document so incorporated by reference.

SECTION 5. Reporting of Significant Events.

(a) This Section 5 shall govern the giving of notices of the occurrence of any of the following events with respect to the Bonds, as applicable, and the Issuer agrees to provide or to cause to be provided to the MRSB, within ten (10) days of the occurrence of any of the following events with respect to the Bonds:

1. Principal and interest payment delinquencies;

2. Nonpayment related defaults, if material;

3. Unscheduled draws on debt service reserves reflecting financial difficulties;

4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
7. Modifications to rights of Bondholders, if material;
8. Bond calls, if material, and tender offers;
9. Defeasances of the Bonds;
10. The release, substitution or sale of property securing repayment of the Bonds, if material;
11. Ratings changes;
12. Bankruptcy, insolvency, receivership or similar event of the Agency;
13. The consummation of a merger, consolidation or acquisition involving the Agency or the sale of all or substantially all of the assets of the Agency, 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 for the Bonds or the change of name of a trustee for the Bonds, if material.

(b) Whenever the Issuer obtains knowledge of the occurrence of a Listed Event, the Issuer shall as soon as possible determine if such event would constitute material information for holders of Bonds, provided, that any event under subsection (a)(4), (5) or (6) will always be deemed to be material.

(c) If the Issuer determines that knowledge of the occurrence of a Listed Event would be material, the Issuer shall promptly file a notice of such occurrence with the MSRB. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(4) and (5) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds pursuant to the Resolution.

SECTION 6. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds.

SECTION 7. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Issuer may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws, to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule.

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

SECTION 10. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate any Bondholder may, at the Bondholder's cost and expense, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action to compel performance.

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

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

BOROUGH OF SPOTSWOOD

COUNTY OF MIDDLESEX, NEW JERSEY

By: _____
_____, Chief Financial Officer

Dated: June __, 2102

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Borough of Spotswood

Name of Bond Issue:

\$2,500,000* General Obligation Water-Sewer Utility Refunding Bonds, Series 2012 (the "Refunding Bonds"), and \$3,706,000* General Obligation Bonds, Series 2012, consisting of: \$1,385,000* General Improvement Bonds, Series 2012, and \$2,321,000* Water/Sewer Utility Bonds, Series 2012 (the "New Money Bonds", and collectively with the Refunding Bonds, the "Bonds")

Date of Issuance: June __, 2012

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report with respect to the above-named Bonds as required by the Resolution dated June 1, 2012 as amended and supplemented, and the Continuing Disclosure Certificate dated June __, 2012.

The Issuer anticipates that the Annual Report will be filed by _____.

**BOROUGH OF SPOTSWOOD
COUNTY OF MIDDLESEX, NEW JERSEY**

By: _____
, Chief Financial Officer

Dated:

APPENDIX D
FORMS OF LEGAL OPINION

LAW OFFICE OF JOHN G. HUDAK, ESQ., LLC

812 NORTH WOOD AVENUE

SUITE 304

LINDEN, NEW JERSEY 07036

(908) 925-0784

(908) 925-0787- FAX

jhudakesq@aol.com

JOHN G. HUDAK, Esq.

JOANNE JORDAN DOWD, Of Counsel

MARIO A. FERRARO, Esq.

June __, 2012

Mayor and Members of the
Borough Council
Borough of Spotswood
County of Middlesex
State of New Jersey

Dear Mayor and Council Members:

We have acted as Bond Counsel in connection with the issuance by the Borough Of Spotswood, County of Middlesex, New Jersey (hereinafter the "Borough" or "Issuer") of \$2,500,000* Water/Sewer Utility Refunding Bonds, Series 2012 (hereinafter referred to as the "Bonds") dated June __, 2012. The Bonds shall mature on December 1, 2012 in the years and in the amounts set forth below:

<u>Year</u>	<u>Principal Amount*</u>	<u>Interest Rate</u>
2012	\$ 10,000	
2013	220,000	
2014	225,000	
2015	230,000	
2016	235,000	
2017	240,000	
2018	245,000	
2019	260,000	
2020	275,000	
2021	285,000	
2022	275,000	

REDEMPTION

The Bonds are not subject to optional redemption prior to maturity.

We have examined the law and such certified proceedings and other documents as we deem necessary to render this opinion.

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering materials relating to the Bonds (except to the extent, if any, stated in the Official Statement) and we express no opinion relating thereto (excepting only the matters set forth as our opinion in the Official Statement).

As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify same by independent investigation. We have examined and relied upon originals or copies authenticated or certified to our satisfaction by officers of the Issuer, and such other documents which we have deemed relevant and necessary as to the basis of the opinions herein set forth. In making such examination, we have assumed the genuineness of all signatures, and the authenticity of the documents tendered to us as originals, and the conformity to original documents of all documents submitted to us as certified or as photostatic copies. We have not reviewed and are not expressing an opinion with respect to any statistical or financial data or other information relating to the Issuer which may have been similarly executed and authenticated. Further, in expressing such opinions, we have relied upon the genuineness, truthfulness and completeness of the resolutions, documents, certificates and records referred to herein and the accuracy of the statements of fact contained in such documents, and the representations made to us by representatives of the Issuer as to the application of the proceeds of the Bonds, and the nature and use of the projects financed thereby.

We have been advised on this date that there is no litigation threatened or pending which, in any manner, affects the validity of the Bonds.

The Issuer has covenanted pursuant to a resolution authorizing the issuance of the Bonds and an Arbitrage and Use of Proceeds Certificate dated as of the date hereof, to comply with any continuing requirements that may be necessary to preserve the exclusion from gross income under the Internal Revenue Code of 1986, as amended (the "Code"), of interest on the Bonds and to prevent interest on the Bonds from being treated as an item of tax preference under Section 57 of the Code.

Based upon the foregoing, we are of the opinion that, under existing law:

1. The Bonds are valid and binding general obligations of the Issuer, issued pursuant a refunding bond ordinance of the Borough adopted on October 17, 2011, and a resolution adopted by the Borough Council on May 21, 2012.

2. All taxable property within the territory of the Issuer is subject to ad valorem taxation without limitation as to rate or amount to pay the Bonds. The Issuer is required by law to include in its annual tax levy the principal and interest coming due on the Bonds to the extent the necessary funds are not provided from other sources.

3. Except as hereinafter described, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals; it should be noted, however, that for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings. The opinions set forth in the preceding sentence are subject to the condition that the Issuer complies with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continues to be, excluded from gross income for federal income tax purposes. The Issuer has covenanted to comply with such requirements. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds.

No opinion is expressed, however, as to the extent the accrual or receipt of interest on the Bonds may otherwise affect the federal income tax liability of or other consequences to the recipients thereof, which will depend on each recipient's particular status and other items of income or deduction.

We express no opinion regarding other federal tax consequences arising with respect to the Bonds except as specifically stated herein.

4. Interest on the Bonds and any gain on the sale of the Bonds are not included in gross income under the New Jersey Gross Income Tax Act, as presently enacted and construed as of the date hereof.

Except as set forth above in paragraphs 3 and 4, we express no opinion as to any other federal, state or local tax consequences of acquiring, carrying, owning or disposing of the Bonds.

From and after the date hereof, certain requirements and procedures contained or referred to in the Bond Resolution and other relevant documents may be changed and certain actions may be taken, under the circumstances and subject to the terms and conditions set forth in such documents, upon the advice or with the approving opinion of nationally recognized bond counsel. We express no opinion as to any Bonds, or the interest thereon, if any such change occurs or action is taken upon the advice or approval of other bond counsel.

There can be no assurance that legislation will not be introduced and enacted after the issuance and delivery of the Bonds so as to cause interest on the Bonds to be subject to federal income taxation or to impose additional requirements as a condition of the exclusion of such interest from gross income, or the continuation of such exclusion after issuance, or to affect the tax treatment of such interest received by certain holders of the Bonds, or the market value of the Bonds. Furthermore, we take no responsibility for the continuing review or verification as to the satisfaction of the requirements under the Code, or any similar or related legislation when enacted or amended.

This opinion is qualified to the extent that the enforceability (but not the validity) of the Bonds. It is to be understood that the rights of the holders of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

Very truly yours,

LAW OFFICE OF JOHN G. HUDAK, ESQ., LLC

812 NORTH WOOD AVENUE

SUITE 304

LINDEN, NEW JERSEY 07036

(908) 925-0784

(908) 925-0787- FAX

jhudakesq@aol.com

JOHN G. HUDAK, Esq.

JOANNE JORDAN DOWD, Of Counsel

MARIO A. FERRARO, Esq.

June __, 2012

Mayor and Members of the
Borough Council
Borough Of Spotswood
County of Middlesex
State of New Jersey

Dear Mayor and Council Members:

We have acted as Bond Counsel in connection with the issuance by the Borough Of Spotswood, County of Middlesex, New Jersey (hereinafter the "Borough" or "Issuer") of \$3,706,000* General Obligation Bonds, Series 2012, consisting of: \$1,385,000* General Improvement Bonds, Series 2012, and \$2,321,000* Water/Sewer Utility Bonds, Series 2012 of the Borough dated June 1, 2012 (hereinafter referred to as the "Bonds"). The Bonds shall mature on June 15 in the years and in the amounts set forth below:

GENERAL OBLIGATION GENERAL IMPROVEMENT BONDS, SERIES 2012

Year	Principal	Interest
<u>(June 15)</u>	<u>Amount</u>	<u>Rate</u>
2013.....	\$200,000	
2014.....	\$200,000	
2015.....	\$225,000	
2016.....	\$225,000	
2017.....	\$225,000	
2018.....	\$200,000	
2019.....	\$110,000	

WATER/SEWER UTILITY BONDS, SERIES 2012

Year	Principal	Interest
<u>(June 15)</u>	<u>Amount</u>	<u>Rate</u>
2013.....	\$175,000	
2014.....	\$175,000	
2015.....	\$175,000	
2016	\$200,000	
2017.....	\$200,000	
2018.....	\$225,000	
2019.....	\$225,000	
2020.....	\$300,000	
2021.....	\$300,000	
2022.....	\$346,000	

REDEMPTION

The Bonds are not subject to optional redemption prior to maturity.

We have examined the law and such certified proceedings and other documents as we deem necessary to render this opinion.

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering materials relating to the Bonds (except to the extent, if any, stated in the Official Statement) and we express no opinion relating thereto (excepting only the matters set forth as our opinion in the Official Statement).

As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify same by independent investigation. We have examined and relied upon originals or copies authenticated or certified to our satisfaction by officers of the Issuer, and such other documents which we have deemed relevant and necessary as to the basis of the opinions herein set forth. In making such examination, we have assumed the genuineness of all signatures, and the authenticity of the documents tendered to us as originals, and the conformity to original documents of all documents submitted to us as certified or as photostatic copies. We have not reviewed and are not expressing an opinion with respect to any statistical or financial data or other information relating to the Issuer which may have been similarly executed and authenticated. Further, in expressing such opinions, we have relied upon the genuineness, truthfulness and completeness of the resolutions, documents, certificates and records referred to herein and the accuracy of the statements of fact contained in such documents, and the representations made to us by representatives of the Issuer as to the application of the proceeds of the Bonds, and the nature and use of the projects financed thereby.

We have been advised on this date that there is no litigation threatened or pending which, in any manner, affects the validity of the Bonds.

The Issuer has covenanted pursuant to a resolution authorizing the issuance of the Bonds and an Arbitrage and Use of Proceeds Certificate dated as of the date hereof, to comply with any continuing requirements that may be necessary to preserve the exclusion from gross income under the Internal Revenue Code of 1986, as amended (the "Code"), of interest on the Bonds and to prevent interest on the Bonds from being treated as an item of tax preference under Section 57 of the Code.

Based upon the foregoing, we are of the opinion that, under existing law:

1. The Bonds are valid and binding general obligations of the Issuer, issued pursuant to Bond Ordinances of the Borough (the "Bond Ordinance"), which were, in all respects, duly adopted and published in accordance with the Local Bond Law, N.J.S.A. 40A:2-1, et seq., a Bond Resolution of the Issuer adopted March 21, 2012.
2. All taxable property within the territory of the Issuer is subject to ad valorem taxation without limitation as to rate or amount to pay the Bonds. The Issuer is required by law to include in its annual tax levy the principal and interest coming due on the Bonds to the extent the necessary funds are not provided from other sources.
3. Except as hereinafter described, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals; it should be noted, however, that for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings. The opinions set forth in the preceding sentence are subject to the condition that the Issuer complies with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continues to be, excluded from gross income for federal income tax purposes. The Issuer has covenanted to comply with such requirements. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds.

No opinion is expressed, however, as to the extent the accrual or receipt of interest on the Bonds may otherwise affect the federal income tax liability of or other consequences to the recipients thereof, which will depend on each recipient's particular status and other items of income or deduction.

We express no opinion regarding other federal tax consequences arising with respect to the Bonds except as specifically stated herein.

4. Interest on the Bonds and any gain on the sale of the Bonds are not included in gross income under the New Jersey Gross Income Tax Act, as presently enacted and construed as of the date hereof.

Except as set forth above in paragraphs 3 and 4, we express no opinion as to any other federal, state or local tax consequences of acquiring, carrying, owning or disposing of the Bonds.

From and after the date hereof, certain requirements and procedures contained or referred to in the Bond Resolution and other relevant documents may be changed and certain actions may be taken, under the circumstances and subject to the terms and conditions set forth in such documents, upon the advice or with the approving opinion of nationally recognized bond counsel. We express no opinion as to any Bonds, or the interest thereon, if any such change occurs or action is taken upon the advice or approval of other bond counsel.

There can be no assurance that legislation will not be introduced and enacted after the issuance and delivery of the Bonds so as to cause interest on the Bonds to be subject to federal income taxation or to impose additional requirements as a condition of the exclusion of such interest from gross income, or the continuation of such exclusion after issuance, or to affect the tax treatment of such interest received by certain holders of the Bonds, or the market value of the Bonds. Furthermore, we take no responsibility for the continuing review or verification as to the satisfaction of the requirements under the Code, or any similar or related legislation when enacted or amended.

This opinion is qualified to the extent that the enforceability (but not the validity) of the Bonds. It is to be understood that the rights of the holders of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

Very truly yours,

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