

**NEW ISSUES
SERIAL BONDS****RATING: Standard & Poor's:**

In the opinion of Rogut McCarthy LLC, Bond Counsel to the Township, assuming compliance by the Township with its Tax Certificate described herein, under existing law, interest on the Bonds is excluded from gross income of the owners thereof for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). In addition, under existing law, interest on the Bonds is not treated as a preference item for purposes of the alternative minimum tax imposed under the Code with respect to individuals and corporations; such interest, however, is included in "adjusted current earnings" for purposes of computing the alternative minimum tax that may be imposed on corporations. In addition, Bond Counsel is further of the opinion that, under the New Jersey Gross Income Tax Act, as enacted and construed on the date hereof, interest on the Bonds and any gain from the sale of the Bonds are not includable in gross income of the holders thereof. See "TAX MATTERS" herein.

\$14,720,000
TOWNSHIP OF ABERDEEN
COUNTY OF MONMOUTH, NEW JERSEY
\$11,745,000 General Improvement Bonds
\$2,975,000 Water Utility Bonds
(Callable) (Book-Entry Only)

Dated: October 15, 2012**Due: October 15, as shown below**

The General Improvement Bonds and the Water Utility Bonds (collectively, the "Bonds") of the Township of Aberdeen, in the County of Monmouth, New Jersey (the "Township"), will be issued as fully registered bonds registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), as registered owner of the Bonds, with the Bonds immobilized in the custody of DTC. Owners of beneficial interests in the Bonds will not receive physical delivery of bond certificates, but are to receive statements or other evidence of such ownership of beneficial interests from sources from which such interests were purchased. Investors may purchase beneficial interests in the Bonds in book-entry form in the denomination of \$5,000 or any integral multiple thereof. See "BOOK-ENTRY ONLY SYSTEM" herein. So long as DTC or its nominee, Cede & Co., is the registered owner of the Bonds, payments of principal of and interest on the Bonds will be made directly to DTC or its nominee, Cede & Co., which will remit such payments to the DTC Participants, which will, in turn, remit such payments to the owners of beneficial interests in the Bonds. Principal of the Bonds is payable on October 15 of each of the years set forth below, and interest on the Bonds is payable on each April 15 and October 15, commencing April 15, 2013, in each year until maturity or prior redemption.

The Bonds are subject to redemption prior to their stated maturities at the prices, at the times and in the manner described herein. See "DESCRIPTION OF THE BONDS – Optional Redemption" herein.

The Bonds are general obligations of the Township and are secured by a pledge of the full faith and credit of the Township for the payment of the principal thereof and the interest thereon. The Township is authorized and required by law to levy *ad valorem* taxes upon all the taxable real property within the Township for the payment of the principal of and interest on the Bonds, without limitation as to rate or amount.

COMBINED MATURITY SCHEDULE, INTEREST RATES AND YIELDS OR PRICES

<u>Year</u>	<u>Amount Maturing</u>	<u>Interest Rate</u>	<u>Yield or Price</u>	<u>Year</u>	<u>Amount Maturing</u>	<u>Interest Rate</u>	<u>Yield or Price</u>
2013	\$470,000	%	%	2023	\$810,000	%	%
2014	620,000			2024	810,000		
2015	660,000			2025	810,000		
2016	840,000			2026	800,000		
2017	840,000			2027	800,000		
2018	840,000			2028	800,000		
2019	830,000			2029	780,000		
2020	820,000			2030	780,000		
2021	820,000			2031	780,000		
2022	810,000						

The Bonds are offered for sale upon the terms of the notice of sale and subject to the final approving opinion of Rogut McCarthy LLC, Cranford, New Jersey, Bond Counsel. It is anticipated that the Bonds in definitive form will be available for delivery to DTC in New York, New York, on or about October 15, 2012.

**ELECTRONIC BIDS VIA PARITY AND
SEALED PROPOSALS WILL BE RECEIVED
UNTIL 11:00 O'CLOCK A.M. ON OCTOBER 4, 2012
AT THE MUNICIPAL BUILDING
ONE ABERDEEN SQUARE
ABERDEEN, NEW JERSEY 07747-2396**

**TOWNSHIP OF ABERDEEN
IN THE COUNTY OF MONMOUTH, NEW JERSEY**

MATURITIES AND PRINCIPAL AMOUNTS

\$14,720,000 GENERAL OBLIGATION BONDS

Consisting of:

\$11,745,000 GENERAL IMPROVEMENT BONDS

AND

\$2,975,000 WATER UTILITY BONDS

Principal Amounts

Maturity (October 15)	General Improvement <u>Bonds</u>	Water Utility <u>Bonds</u>	Combined Principal <u>Amounts</u>
2013	\$345,000	\$125,000	\$470,000
2014	460,000	160,000	620,000
2015	500,000	160,000	660,000
2016	680,000	160,000	840,000
2017	680,000	160,000	840,000
2018	680,000	160,000	840,000
2019	670,000	160,000	830,000
2020	660,000	160,000	820,000
2021	660,000	160,000	820,000
2022	650,000	160,000	810,000
2023	650,000	160,000	810,000
2024	650,000	160,000	810,000
2025	650,000	160,000	810,000
2026	640,000	160,000	800,000
2027	640,000	160,000	800,000
2028	640,000	160,000	800,000
2029	630,000	150,000	780,000
2030	630,000	150,000	780,000
2031	630,000	150,000	780,000

**TOWNSHIP OF ABERDEEN
IN THE COUNTY OF MONMOUTH
STATE OF NEW JERSEY**

TOWNSHIP COUNCIL

Fred Tagliarini – Mayor
Margaret Montone – Deputy Mayor
Harvey M. Brenner
Greg Cannon
Concetta B. Kelly
James Lauro
Robert L. Swindle

TOWNSHIP MANAGER

Holly Reycraft

TOWNSHIP CLERK

Karen Ventura

CHIEF FINANCIAL OFFICER

Angela Morin

TOWNSHIP ATTORNEY

Daniel J. McCarthy, Esq.
Cranford, New Jersey

INDEPENDENT AUDITORS

Fallon & Larsen LLP
Hazlet, New Jersey

BOND COUNSEL

Rogut McCarthy LLC
Cranford, New Jersey

No dealer, broker, salesperson or other person has been authorized by the Township of Aberdeen, in the County of Monmouth, State of New Jersey (the "Township") to give any information or to make any representations with respect to the Bonds other than those contained in this Official Statement and if given or made, such information or representation must not be relied upon as having been authorized by the Township. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds in any jurisdiction in which it is unlawful for any person to make such an offer, solicitation or sale.

The information contained herein has been provided by the Township, The Depository Trust Company, New York, New York ("DTC") and other sources deemed reliable by the Township; however, no representation or warranty is made as to its accuracy or completeness, and as to the information from sources other than the Township, such information is not to be construed as a representation or warranty by the Township.

This Official Statement is not to be construed as a contract or agreement between the Township and the purchasers or owners 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 herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale 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. The Township has not confirmed the accuracy or completeness of information relating to DTC, which information has been provided by DTC.

References in this Official Statement to laws, rules, regulations, resolutions, ordinances, 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 may not be reproduced or used in whole or part, for any other purpose. This Official Statement should be read in its entirety.

The presentation of information is intended to show recent historical information except as expressly stated otherwise and is not intended to indicate future or continuing trends in the financial condition or other affairs of the Township. No representation is made that past experience, as is shown by the financial and other information, will necessarily continue or be repeated in the future.

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

In order to facilitate the distribution of the Bonds, the Underwriter may engage in transactions intended to stabilize the price of the Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The prices at which the Bonds are offered to the public by the Underwriter and the yields resulting therefrom may vary from the initial public offering prices or yields on the cover page and/or inside cover page hereof. In addition, the Underwriter may allow concessions or discounts from such initial public offering prices to dealers and others.

The Underwriter has reviewed the information in this Official Statement in accordance with and as part of its responsibilities to investors under the Federal Securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

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OFFICIAL STATEMENT
OF
TOWNSHIP OF ABERDEEN
IN THE COUNTY OF MONMOUTH, STATE OF NEW JERSEY
RELATING TO
\$14,720,000 GENERAL OBLIGATION BONDS
Consisting of:
\$11,745,000 GENERAL IMPROVEMENT BONDS
\$2,975,000 WATER UTILITY BONDS

INTRODUCTION

The purpose of this Official Statement is to provide certain information regarding the financial and economic condition of the Township of Aberdeen (the "Township"), in the County of Monmouth (the "County"), State of New Jersey (the "State"), in connection with the sale and issuance of its \$14,720,000 aggregate principal amount of General Obligation Bonds, consisting of \$11,745,000 principal amount of General Improvement Bonds (the "General Improvement Bonds") and \$2,975,000 principal amount of Water Utility Bonds (the "Water Utility Bonds" and, together with the General Improvement Bonds, the "Bonds") of the Township. This Official Statement, which includes the cover page and appendices attached hereto, has been authorized by the Township Council and executed by and on behalf of the Township by the Chief Financial Officer to be distributed in connection with the sale of the Bonds.

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

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

This Preliminary Official Statement is "deemed final", as of its date, within the meaning of Rule 15c2-12 of the Securities and Exchange Commission ("Rule 15c2-12"), but is subject to (a) completion with certain pricing and other information to be made available by the successful bidder for the Bonds and (b) amendment. This Preliminary Official Statement, as so revised, will constitute the "final official statement" within the meaning of Rule 15c2-12.

DESCRIPTION OF THE BONDS

General Description

The Bonds are dated October 15, 2012 and will mature on October 15 in each of the years in the respective principal amounts set forth on the inside front cover page. The Bonds shall bear interest from their date, at the rates shown on the cover page hereof, payable semi-annually on the fifteenth day of April and October of each year (each an "Interest Payment Date") until maturity or prior redemption, commencing April 15, 2013. Principal of and interest on the Bonds will be paid to The Depository Trust Company, New York, New York ("DTC"), acting as securities depository, by the Chief Financial Officer, as "Bond Registrar/Paying Agent". Interest on the Bonds shall be credited to the Participants of DTC as listed on the

records of DTC as of the last business day of the month preceding the month in which such Interest Payment Date occurs (the "Record Dates", for the payment of interest on the Bonds).

The Bonds, when issued, will be registered in the name of and held by Cede & Co., as nominee for DTC. DTC will act as securities depository for the Bonds (the "Securities Depository"). Purchases of beneficial interests in the Bonds will be made in book-entry only form, without certificates, in denominations of \$5,000 or any integral multiple thereof, with minimum purchases of \$5,000 required. Under certain circumstances, such beneficial interests in the Bonds are exchangeable for one or more fully registered Bond certificates of like series, maturity and tenor in authorized denominations.

So long as 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 directly by the Bond Registrar/Paying Agent to Cede & Co. Disbursement of such payments to the DTC Participants (as hereinafter defined) is the responsibility of DTC and disbursement of such payments to the owners of beneficial interests in the Bonds is the responsibility of the DTC Participants and Indirect Participants (as hereinafter defined). See "BOOK-ENTRY ONLY SYSTEM" herein.

Optional Redemption

The Bonds maturing on or before October 15, 2022 are not subject to redemption prior to their stated maturities. The Bonds maturing on or after October 15, 2023 are subject to redemption at the option of the Township prior to maturity, in whole on any date or in part on any Interest Payment Date, on or after October 15, 2022, upon notice as hereinafter set forth at the redemption price of 100% of the principal amount being redeemed, plus accrued interest to the date fixed for redemption.

If the Township determines to optionally redeem a portion of the Bonds prior to maturity, such bonds so redeemed shall be in such maturities as determined by the Township, and within any maturity, by lot; provided, however, that the portion of any bond to be redeemed shall be in the principal amount of \$5,000 or some multiple thereof and that, in selecting bonds for redemption, the Bond Registrar/Paying Agent shall treat each bond as representing that number of bonds that is obtained by dividing the principal amount of such bond by \$5,000.

Notice of redemption shall be given by first class mail in a sealed envelope with postage prepaid to the registered owners of the Bonds at their respective addresses as they last appear on the registration books kept for that purpose by the Bond Registrar/ Paying Agent at least thirty (30) but not more than sixty (60) days before the date fixed for redemption. Such mailing is not a condition precedent to redemption, and the failure to mail or to receive any redemption notice will not affect the validity of the redemption proceedings. If any bond subject to redemption is a part of a greater principal amount of the Bonds not to be redeemed, such entire amount shall be surrendered to the Bond Registrar/Paying Agent and, for that portion of the bond not to be redeemed, a new bond shall be issued in the name of the registered owner in an amount equal to the principal amount of the bond surrendered less the amount to be redeemed.

Authorization for the Issuance of the Bonds

The Bonds are authorized by and are issued pursuant to the provisions of the Local Bond Law, N.J.S.A. 40A:2-1 et seq., as amended and supplemented (the "Local Bond Law"), and are authorized by various bond ordinances duly adopted by the Township Council on the dates set forth below and published as required by law, and by resolutions duly adopted by the Township Council on September 18, 2012.

The bond ordinances authorizing the Bonds were published in full or in summary form after their final adoption along with the statement that the twenty (20) day period of limitation within which a suit, action or proceeding questioning the validity of such bond ordinances could be commenced began to run from the date of the first publication of such statement. The Local Bond Law provides, that after issuance, all obligations shall be conclusively presumed to be fully authorized and issued by all laws of the State, and all persons shall be estopped from questioning their sale, execution or delivery by the Township.

Purpose of the General Improvement Bonds

The General Improvement Bonds are being issued to refund, on a current basis, \$11,745,000 aggregate portion of bond anticipation notes of the Township originally issued in the aggregate principal amount of \$14,666,550, dated March 14, 2012 and maturing October 15, 2012 (the "March 2012 Prior Notes").

The purposes for which the General Improvement Bonds are to be issued have been authorized by duly adopted, approved and published bond ordinances of the Township, which bond ordinances are described in the following table by ordinance number, description and date of final adoption, and amount of March 2012 Prior Notes being refunded with the General Improvement Bonds. The bond ordinances are:

Ordinance Number	Description and Date of Final Adoption	Amount of March 2012 Prior Notes Being Refunded with the General Improvement Bonds
01-2005	Acquisition of Real Property – Open Space, Finally Adopted February 1, 2005	\$ 246,835.00
10-2006	Road Improvement Program and Various Other Capital Improvements, Finally Adopted May 2, 2006	2,329,184.25
06-2007	Road Improvement Program and Various Other Capital Improvements, Finally Adopted May 1, 2007	2,868,505.80
06-2008	Road Improvement Program and Various Other Capital Improvements, Finally Adopted July 1, 2008	2,390,049.95
13-2009	Various Public and Capital Improvements, Finally Adopted August 4, 2009	680,500.00
17-2010	Various Public and Capital Improvements, Finally Adopted August 24, 2010	1,628,241.00
02-2011	Various Road Improvements, Finally Adopted May 17, 2011	1,601,684.00
TOTAL		\$ 11,745,000.00

Purpose of the Water Utility Bonds

The Water Utility Bonds are being issued to (i) refund, on a current basis, \$2,921,550 aggregate portion of bond anticipation notes of the Township originally issued in the aggregate principal amount of \$14,666,550, dated March 14, 2012 and maturing October 15, 2012 (the "March 2012 Prior Notes"), and (ii) permanently finance the costs of water utility capital improvements in and by the Township in the amount of \$53,450.

The purposes for which the Water Utility Bonds are to be issued have been authorized by duly adopted, approved and published bond ordinances of the Township, which bond ordinances are described in the following table by ordinance number, description and date of final adoption, and amount of March 2012 Prior Notes being refunded with the Water Utility Bonds. The bond ordinances are:

Ordinance Number	Description and Date of Final Adoption	Amount of March 2012 Prior Notes Being Refunded With the Water Utility Bonds	Amount of New Money Bonds
04-99/12-2001	Various Improvements to Water System, Finally Adopted March 8, 1999 and September 4, 2001, respectively	\$ 235,200.00	
09-2000	Various Improvements to Water System, Finally Adopted March 21, 2000	118,400.00	
07-2001	Various Improvements to Water System, Finally Adopted May 1, 2001	30,600.00	
08-2002	Various Improvements to Water System, Finally Adopted March 19, 2002	120,600.00	
05-2003	Various Improvements to Water System, Finally Adopted April 1, 2003	221,200.00	
10-2005	Water Main Extension – Aberdeen Road, Finally Adopted April 19, 2005	806,900.00	
11-2006	Various Improvements to Water System, Finally Adopted May 2, 2006	607,750.00	
15-2010	Various Improvements to Water System, Finally Adopted July 6, 2010	780,900.00	
04-2011	Acquisition of Dump Truck and Equipment and Machinery, Finally Adopted May 17, 2011		\$ 53,450.00
Subtotal		\$ 2,921,550.00	\$ 53,450.00
TOTAL		<u>\$2,975,00.00</u>	

SECURITY FOR THE BONDS

The Bonds are valid and legally binding general obligations of the Township for which the full faith and credit of the Township are irrevocably pledged for the punctual payment of the principal of and interest on the Bonds. Unless otherwise paid from other sources, the Township has the power and is obligated by law to levy *ad valorem* taxes upon all the taxable property within the Township for the payment of the principal of the Bonds and the interest thereon without limitation as to rate or amount. The Township is required by law to include the total amount of principal of and interest on all of its general obligation indebtedness, such as the Bonds, for the current year in each annual budget unless provision has been made for from other sources.

Enforcement of a claim for the payment of principal of or interest on bonds or notes of the Township is subject to applicable provisions 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 Commission, whose powers have been vested in the Local Finance Board in the Division of Local Government Services (the "Division") in the State of New Jersey Department of Community Affairs (the "Local Finance Board").

NO DEFAULT

There is no report of any default in the payment of the principal of, redemption premium, if any, and interest on the bonds, notes or other obligations of the Township as of the date hereof.

MARKET PROTECTION

The Township does not anticipate issuing any tax anticipation notes or additional bonds during the remainder of the calendar year. The Township may, however, issue additional bond anticipation notes during the remainder of the calendar year.

BOOK-ENTRY ONLY SYSTEM

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

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

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct 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 the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct 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. For example, 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, or 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 the Bonds, unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Township as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds and principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Township or the paying agent, if any, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC, the paying agent, if any, or the Township, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Township or the paying agent, if any, disbursement of such payments to Direct Participants will be 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 Township or Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

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

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

Discontinuance of Book-Entry Only System

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

PROVISIONS FOR THE PROTECTION OF GENERAL OBLIGATION DEBT

Procedure for Authorization

The Township has no constitutional limit on its power to incur indebtedness other than that it may issue obligations only for public purposes pursuant to State statutes. The authorization and issuance of Township debt, including the purpose, amount and nature thereof, the method and manner of the incurrence of such debt, the maturity and terms of repayment thereof, and other related matters are statutory. The Township is not required to submit the proposed incurrence of indebtedness to a public referendum.

The Township, by bond ordinance, may authorize and issue negotiable obligations for the financing of any capital improvement or property which it may lawfully acquire, or any purpose for which it is authorized or required by law to make an appropriation, except current expenses and payment of obligations (other than those for temporary financings). Bond ordinances must be finally adopted by the recorded affirmative vote of at least two-thirds of the full membership of the Township Council. The Local Bond Law requires publication and posting of the bond ordinance. If the bond ordinance requires approval or endorsement of the State, it cannot be finally adopted until such approval has been received. The Local Bond Law provides that a bond ordinance shall take effect twenty (20) days after the first publication thereof after final adoption. At the conclusion of the twenty-day period all challenges to the validity of the obligations authorized by such bond ordinance shall be precluded except for constitutional matters. Moreover, after issuance, all obligations are conclusively presumed to be fully authorized and issued by all laws of the State and any person shall be estopped from questioning their sale, execution or delivery by the Township.

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

The Bonds are being issued pursuant to the provisions of the Local Bond Law. The Local Bond Law governs the issuance of bonds and bond anticipation notes to finance certain municipal capital expenditures. Among its provisions are requirements that Bonds must mature within the statutory period of usefulness of the projects being financed, that bonds be retired in serial or sinking fund installments, and that, unlike school debt, and with some exceptions, including self-liquidating obligations and the improvements involving State grants, a five percent (5%) cash down payment must be generally provided. Such down payment must have been raised by budgetary appropriations, from cash on hand previously contributed for the purpose or by emergency resolution adopted pursuant to the Local Budget Law, N.J.S.A.

40A:4-1 et seq., as amended and supplemented (the "Local Budget Law"). All Bonds issued by the Township are general "full faith and credit" obligations.

Short Term Financing

Local governmental units (including the Township) may issue 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. Such bond anticipation notes for capital improvements may be issued in an aggregate amount not exceeding the amount of bonds authorized in the ordinance, as may be amended and supplemented, creating such capital expenditure. A local unit's bond anticipation notes may be issued and renewed for periods not exceeding one (1) year, with the final maturity occurring and being paid no later than the first day of the fifth month following the close of the tenth fiscal year after the original issuance of the notes, provided that no notes may be renewed beyond the third anniversary date of the original notes and each anniversary date thereafter, unless an amount of such note at least equal to the first legally payable installment of the anticipated bonds (the first year's principal payment), is paid and retired from funds other than the proceeds of obligations on or before the third anniversary date and each anniversary date thereafter.

The issuance of tax anticipation notes by a municipality is limited in amount by the provisions of the Local Budget Law and may be renewed from time to time, but, in the case of a municipality such as the Township, all such notes and renewals thereof must mature not later than 120 days after the end of the fiscal year in which such notes were issued.

Refunding Bonds (N.J.S.A. 40A:2-51 et seq.)

Refunding bonds may be issued pursuant to the Local Bond Law for the purpose of paying, funding or refunding outstanding bonds, including emergency appropriations, the actuarial liabilities of a non-State administered public employee pension system and amounts owing to others for taxes levied in the local unit, or any renewals or extensions thereof, and for paying the cost of issuance of refunding bonds. The Local Finance Board, in the Division of Local Governmental Services, New Jersey Department of Community Affairs (the "Local Finance Board") must approve the authorization of the issuance of refunding bonds.

Statutory Debt Limitation (N.J.S.A. 40A:2-6 et seq.)

There are statutory requirements which limit the amount of debt which the Township is permitted to authorize. The authorized bonded indebtedness of a Township is limited by the Local Bond Law and other laws to an amount equal to three and one-half percent (3 1/2%) of its stated average equalized valuation basis, subject to certain exceptions noted below. The stated equalized valuation basis is set by statute as the average of the equalized valuations of all taxable real property, together with improvements to such property, and the assessed valuation of certain Class II railroad property within the boundaries of the Township for each of the last three (3) preceding years as annually certified in the valuation of all taxable real property, in the Table of Equalized Valuation by the Director of the Division of Taxation, in the New Jersey Department of the Treasury (the "Division of Taxation"). Certain categories of debt are permitted by statute to be deducted for the purposes of computing the statutory debt limit. The Local Bond Law permits the issuance of certain obligations, including obligations issued for certain emergency or self-liquidating purposes, notwithstanding the statutory debt limitation described above; but, with certain exceptions, it is then necessary to obtain the approval of the Local Finance Board. See "Exceptions to Debt Limitation-Extensions of Credit" herein.

Exceptions to Debt Limitation – Extensions of Credit (N.J.S.A. 40A:2-7 et seq.)

The debt limit of the Township may be exceeded with the approval of the Local Finance Board. If all or any part of a proposed debt authorization is to exceed its debt limit, the Township must apply to the Local Finance Board for an extension of credit. The Local Finance Board considers the request, concentrating its review on the effect of the proposed authorization on outstanding obligations and operating expenses and the anticipated ability to meet the proposed obligations. If the Local Finance Board

determines that a proposed debt authorization is not unreasonable or exorbitant, that the purposes or improvements for which the obligations are issued are in the public interest and for the health, welfare and convenience or betterment of the inhabitants of the Township and that the proposed debt authorization would not materially impair the credit of the Township or substantially reduce the ability of the Township to meet its obligations or to provide essential services that are in the public interest and makes other statutory determinations, approval is granted. In addition to the aforesaid, debt in excess of the debt limit may be issued to fund certain obligations, for self-liquidating purposes and, in each fiscal year, in an amount not exceeding two-thirds of the amount budgeted in such fiscal year for the retirement of outstanding obligations (exclusive of obligations issued for utility or assessment purposes) plus two-thirds of the amount raised in the tax levy of the current fiscal year by the local unit for the payment of Bonds of any school district. As shown in Appendix A attached hereto, the Township has not exceeded its debt limit.

Debt Statements

The Township must report all new authorizations of debt or changes in previously authorized debt to the Division through the filing of Supplemental and Annual Debt Statements. The Supplemental Debt Statement must be submitted to the Division before final passage of any debt authorization other than a refunding debt authorization. Before the end of the first month (January 31) of each fiscal year of the Township, the Township must file an Annual Debt Statement which is dated as of the last day of the preceding fiscal year (December 31) with the Division and with the Township Clerk. This report is made under oath and states the authorized, issued and unissued debt of the Township as of the previous December 31. Through the Annual and Supplemental Debt Statements, the Division monitors all local borrowing. Even though the Township's authorizations are within its debt limits, the Division is able to enforce State regulations as to the amounts and purposes of local borrowings.

FINANCIAL MANAGEMENT

Accounting and Reporting Practices

The accounting policies of the Township conform to the accounting principles applicable to local governmental units which have been prescribed by the Division. A modified accrual basis of accounting is followed with minor exceptions. Revenues are recorded as received in cash except for certain amounts which may be due from other governmental units and which are accrued. Receivables for property taxes are recorded with offsetting reserves on the balance sheet of the Township's Current Fund; accordingly, such amounts are not recorded as revenue until collected. Other amounts that are due to the Township which are susceptible to accrual are also recorded as receivables with offsetting reserves and recorded as revenue only when received. Expenditures are generally recorded on the accrual basis, except that unexpended appropriations at December 31, unless canceled by the governing body, are reported as expenditures with offsetting appropriation reserves. Appropriation reserves are available, until lapsed at the close of the succeeding fiscal year, to meet specific claims, commitments or contracts incurred during the preceding fiscal year. Lapsed appropriation reserves are credited to the results of operations. As is the prevailing practice among municipalities and counties in the State, the Township does not record obligations for accumulated unused vacation and sick pay.

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

The foundation of the State local finance system is the annual cash basis budget. Every local unit, including the Township, must adopt an annual operating budget in the form required by the Division. Certain items of revenue and appropriation are regulated by law and the proposed operating budget cannot be finally adopted until it has been certified by the Director, or in the case of a local unit's examination of its own budget as described herein, such budget cannot be finally adopted until a local examination certificate has been approved by the Chief Financial Officer and governing body of the local unit. The Local Budget Law requires each local unit to appropriate sufficient funds for payment of current debt service and the Director, or in the case of the local examination, the local unit may review the adequacy of such appropriations. Among other restrictions, the Director or, in the case of local examination, the local unit may examine the budget with reference to all estimates of revenue and the following appropriations: (a) payment

of interest and debt redemption charges, (b) deferred charges and statutory expenditures, (c) cash deficit of the preceding year, (d) reserve for uncollected taxes, and (e) other reserves and non-disbursement items. Taxes levied are a product of total appropriations, less non-tax revenues, plus a reserve predicated on the prior year's collection experience.

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

In accordance with the Local Budget Law and related regulations, (i) each local unit, with a population of 10,000 persons, must adopt and annually revise a six (6) year capital program, and (ii) each local unit, with a population under 10,000 persons, must adopt (with some exceptions) and annually revise a three (3) year capital program. See "CAPITAL IMPROVEMENT PROGRAM" herein.

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

Local Examination of Budgets (N.J.S.A. 40A:4-78(b))

Chapter 113 of the Laws of New Jersey of 1996 (N.J.S.A. 40A:4-78(b)) authorizes the Local Finance Board to adopt rules that permit certain municipalities to assume the responsibility, normally granted to the Director, of conducting the annual budget examination required by the Local Budget Law. Since 1997 the Local Finance Board has developed regulations that allow "eligible" and "qualifying" municipalities to locally examine their budget every two (2) of three (3) years. The Township adopted its 2012 budget in accordance with the procedures described under the heading entitled, "FINANCIAL MANAGEMENT – Local Budget Law (N.J.S.A. 40A: 4-1 et seq.)".

State Supervision (N.J.S.A. 52:27BB-1 et seq.)

State law authorizes State officials to supervise fiscal administration in any municipality which is in default on its obligations; which experiences severe tax collection problems for two (2) successive years; which has a deficit greater than four percent (4%) of its tax levy for two (2) successive years; which has failed to make payments due and owing to the State, county, school district or special district for two (2) consecutive years; which has an appropriation in its annual budget for the liquidation of debt which exceeds twenty-five percent (25%) of its total operating appropriations (except dedicated revenue appropriations) for the previous budget year; or which has been subject to a judicial determination of gross failure to comply with the Local Bond Law, the Local Budget Law or the Local Fiscal Affairs Law which substantially jeopardizes its fiscal integrity. State officials are authorized to continue such supervision for as long as any of the conditions exist and until the municipality operates for a fiscal year without incurring cash deficit.

Limitations on Expenditures ("Cap Law") (N.J.S.A. 40A:4-45.1, et seq.)

N.J.S.A. 40A:4-45.3 places limits on municipal tax levies and expenditures. This law is commonly known as the "Cap Law" (the "Cap Law"). The Cap Law provides that the Township shall limit any increase in its budget to 2.5% or the Cost-Of-Living Adjustment, whichever is less, of the previous year's final appropriations, subject to certain exceptions. The Cost-Of-Living Adjustment is defined as the rate of annual percentage increase, rounded to nearest half percent, in the Implicit Price Deflator for State and

Local Government Purchases of Goods and Services produced by the United States Department of Commerce for the year preceding the current year as announced by the Director. However, in each year in which the Cost-Of-Living Adjustment is equal to or less than 2.5%, the Township may, by ordinance, approved by a majority vote of the full membership of the governing body, provide that the final appropriations of the Township for such year be increased by a percentage rate that is greater than the Cost-Of-Living Adjustment, but not more than 3.5% over the previous year's final appropriations. See N.J.S.A. 40A:4-45.14. In addition, N.J.S.A. 40A:4-45.15a restored "CAP" banking to the Local Budget Law. Municipalities are permitted to appropriate available "CAP Bank" in either of the next two (2) succeeding years' final appropriations. Along with the permitted increases for total general appropriations there are certain items that are allowed to increase outside the "CAP".

Additionally, P.L. 2010, c.44, effective July 13, 2010, imposes a two percent (2%) cap on the tax levy of a municipality, county, fire district or solid waste collection district, with certain exceptions and subject to a number of adjustments. The exclusions from the limit include increases required to be raised for capital expenditures, including debt service, increases in pension contributions in excess of two percent (2%), certain increases in health care costs in excess of two percent (2%), and extraordinary costs incurred by a local unit directly related to a declared emergency. The governing body of a local unit may request approval, through a public question submitted to the legal voters residing in its territory, to increase the amount to be raised by taxation, and voters may approve increases above two percent (2%) not otherwise permitted under the law by an affirmative vote of fifty percent (50%).

The Division of Local Government Services has advised that counties and municipalities must comply with both budget "CAP" and the tax levy limitation. Neither the tax levy limitation nor the "CAP" law, however, limits the obligation of the Township to levy *ad valorem* taxes upon all taxable property within the boundaries of the Township to pay debt service, including the Bonds.

The Township's appropriation and tax levy increases for 2012 were within the limits allowed under the "CAP" Law, taking into account applicable adjustments and without conducting a referendum to exceed the cap limits.

Deferral of Current Expenses

Supplemental appropriations made after the adoption of the budget and determination of the tax rate may be authorized by the governing body of a local unit, including the Township, but only to meet unforeseen circumstances, to protect or promote public health, safety, morals or welfare, or to provide temporary housing or public assistance prior to the next succeeding fiscal year. However, with certain exceptions described below, such appropriations must be included in full as a deferred charge in the following year's budget. Any emergency appropriation must be declared by resolution according to the definition provided in N.J.S.A. 40A:4-48, and approved by at least two-thirds of the full membership of the governing body and shall be filed with the Director. If such emergency appropriations exceed three percent (3%) of the adopted operating budget, consent of the Director is required. N.J.S.A. 40A:4-49.

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

Budget Transfers

Budget transfers provide a degree of flexibility and afford a control mechanism. Pursuant to N.J.S.A. 40A:4-58, transfers between major appropriation accounts are prohibited until the last two (2) months of the municipality's fiscal year. Appropriation reserves may be transferred during the first three (3) months of the current fiscal year to the previous fiscal year's budget. N.J.S.A. 40A:4-59. Both types of transfers require a two-thirds vote of the full membership of the governing body. Although sub-accounts within an appropriation are not subject to the same year-end transfer restriction, they are subject to internal review and approval. Generally, transfers cannot be made from the down payment account, the capital improvement fund, contingent expenses or from other sources as provided in the statute.

Anticipation of Real Estate Taxes

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

In regard to current taxes, N.J.S.A. 40A:4-41(b) provides that, "[r]eceipts from the collection of taxes levied or to be levied in the municipality, or in the case of a county for general county purposes and payable in the fiscal year shall be anticipated in an amount which is not in excess of the percentage of taxes levied and payable during the next preceding fiscal year which was received in cash by the last day of the preceding fiscal year."

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

$$\begin{array}{lcl} \text{Total of Local, County,} & & \\ \text{and School Levies} & - \text{ Anticipated Revenues} & = \text{Cash Required from Taxes to Support} \\ & & \text{Local Municipal Budget and Other Taxes} \\ \\ \text{Cash Required from Taxes to Support Local Municipal Budget and Other Taxes} & = & \text{Amount to be} \\ \text{Prior Year's Percentage of Current Tax Collection (or Lesser \%)} & & \text{Raised by} \\ & & \text{Taxation} \end{array}$$

Anticipation of Miscellaneous Revenues

N.J.S.A 40A:4-26 provides that, "[n]o miscellaneous revenues from any source shall be included as an anticipated revenue in the budget in an amount in excess of the amount actually realized in cash from the same source during the next preceding fiscal year, unless the director shall determine upon application by the governing body that the facts clearly warrant the expectation that such excess amount will actually be realized in cash during the fiscal year and shall certify such determination, in writing, to the local unit."

No budget or amendment thereof shall be adopted unless the Director shall have previously certified his approval of such anticipated revenues except that categorical grants-in-aid contracts may be included for their face amount with an offsetting appropriation. The fiscal years of such grants rarely coincide with a municipality's calendar fiscal year. Grant revenues are fully realized in the year in which they are budgeted by the establishment of accounts receivable and offsetting reserves.

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

The Local Fiscal Affairs, N.J.S.A. 40A:5-1 et seq., as amended and supplemented (the "Local Fiscal Affairs 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 Registered Municipal Accountant licensed in the State of New Jersey. The audit, conforming to the Division of Local Government Services, in the New Jersey Department of Community Affairs (the "Division") "Requirements of Audit", must be completed within six (6) months (June 30) after the close of the Township's fiscal year (December 31), includes recommendations for improvement of the local unit's financial procedures. The audit report must be filed with the Township Clerk and is available for review during regular municipal business hours and shall, within five (5) days thereafter be filed with the Director of the Division (the "Director"). A synopsis of the audit report, together with all recommendations made, must be published in a local newspaper within thirty (30) days of the Township Clerk's receipt of the audit report. Accounting methods utilized in the conduct of the audit conform to practices prescribed by the Division, which practices differ in some respects from generally accepted accounting principals.

Annual Financial Statement (N.J.S.A. 40A:5-12 et seq.)

An annual financial statement ("Annual Financial Statement") which sets forth the financial condition of a local unit for the fiscal year must be filed with the Division not later than January 26 (in the case of a county) and not later than February 10 (in the case of a municipality) after the close of the calendar fiscal year, such as the Township, or not later than August 10 of the State fiscal year for those municipalities which operate on the State fiscal year. The Annual Financial Statement is prepared either by the Chief Financial Officer or the Registered Municipal Accountant for the local unit. It reflects the results of operations for the year of the Current and Utility Funds. If the statement of operations results in a cash deficit, the deficit must be included in full in the succeeding year's budget. The entire annual audit report is filed with the clerk of the local unit and is available for review during business hours.

Investment of Municipal Funds

Investment of funds by New Jersey municipalities is governed by State statute. Pursuant to N.J.S.A. 40A:5-15.1, municipalities are limited to purchasing the following securities: (1) direct obligations of, or obligations guaranteed by, the United States of America ("Government Obligations"); (2) U.S. Government money market mutual funds; (3) obligations of Federal Government agencies or instrumentalities having a maturity of 397 days or less, provided such obligations bear a fixed rate of interest not dependent on any index or external factor; (4) bonds or other obligations of the particular municipality or a school district encompassing the geographic area of the particular municipality; (5) bonds or other obligations having a maturity of 397 days or less approved by the Division of Investment of the State Department of the Treasury; (6) local government investment pools, rated in the highest rating category, investing in U.S. government securities and repurchase agreements fully collateralized by securities set forth in (1) and (3) above; (7) deposits with the New Jersey Cash Management Fund (created pursuant to N.J.S.A. 52:18A-90.4; the "Cash Management Fund"); and (8) repurchase agreements with a maximum 30 day maturity fully collateralized by securities set forth in (1) and (3) above. Municipalities are required to deposit their funds in interest-bearing bank accounts in banks satisfying certain security requirements set forth in N.J.S.A. 17:9-41 et seq., or invest in permitted investments to the extent practicable, and may invest in bank certificates of deposit.

The Cash Management Fund is governed by regulations of the State Investment Council, a non-partisan oversight body, and is not permitted to invest in derivatives. The Cash Management Fund is permitted to invest in Government Obligations, Federal Government Agency Obligations, certain short-term investment-grade corporate obligations, commercial paper rated "prime", certificates of deposit, repurchase agreements involving Government Obligations and Federal Government Agency Obligations and certain other types of instruments. The average maturity of the securities in the Cash Management Fund must be one year or less, and only a quarter of the securities are permitted to mature in as much as two years.

The Township has no investments in derivatives.

CAPITAL IMPROVEMENT PROGRAM

In accordance with the Local Budget Law, the Township must adopt and may from time to time amend rules and regulations for capital budgets, which rules and regulations must require a statement of capital undertakings underway or projected for a period not greater than over the next ensuing six (6) years as a general improvement program. The Capital Budget and Capital Improvement Program must be adopted as part of the annual budget pursuant to N.J.A.C. 5:30-4. The Capital Budget does not by itself confer any authorization to raise or expend funds, rather it is a document used for planning. Specific authorization to expend funds for such purposes must be granted, by a separate bond ordinance, by inclusion of a line item in the Capital Improvement Section of the budget, by an ordinance taking money from the Capital Improvement Fund, or other lawful means.

TAX ASSESSMENT AND COLLECTION

Assessment and Collection of Taxes

Property valuations (assessments) are determined on true values as arrived at by the cost approach, market data approach and capitalization of net income (where applicable). Current assessments are the result of maintaining new assessments on a "like" basis with established comparable properties for newly assessed or purchased properties resulting in a decline of the assessment ratio to true value to its present level. This method assures equitable treatment to like property owners.

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

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

Tax installments not paid on or before the due date are subject to interest penalties of eight percent (8%) on the first \$1,500 of the delinquency and, then eighteen percent (18%) per annum on any amount in excess of \$1,500. A penalty of up to six percent (6%) of the delinquency in excess of \$10,000 may be imposed on a taxpayer who fails to pay that delinquency prior to the end of the tax year in which the taxes become delinquent. Delinquent taxes open for one year or more are annually included in a tax sale in accordance with State Statutes. Tax title liens are periodically assigned to the Township Attorney (as defined herein) for in rem foreclosures in order to acquire title to these properties.

The provisions of chapter 99 of the Laws of New Jersey of 1997 allow a municipality to sell its total property tax levy to the highest bidder either by public sale with sealed bids or by public auction. The purchaser shall pay the total property tax levy bid amount in quarterly installments or in one annual installment. Property taxes will continue to be collected by the municipal tax collector and the purchaser will receive as a credit against his payment obligation the amount of taxes paid to the tax collector. The purchaser is required to secure his payment obligation to the municipality by an irrevocable letter of credit or surety bond. The purchaser is entitled to receive, all delinquent taxes and other municipal charges owing, due and payable upon collection by the tax collector. The statute sets forth bidding procedures, minimum bidding terms and requires the review and approval of the sale by the Division.

Tax Appeals

New Jersey Statutes provide a taxpayer with remedial procedures for appealing an assessed valuation that the taxpayer deems excessive. The taxpayer has a right to file a petition on or before the 1st day of April of the current tax year for its review or the 1st day of May for municipalities that have conducted revaluations. The County Board of Taxation and the Tax Court of New Jersey have the authority after a hearing to increase, decrease or reject the appeal petition. Adjustments by the County Board of Taxation are usually concluded within the current tax year and reductions are shown as cancelled or remitted taxes for that year. If the taxpayer believes the decision of the County Board of Taxation to be incorrect, appeal of the decision may be made to the Tax Court of New Jersey. State tax court appeals tend to take several years to conclude by settlement or trial and any losses in tax collection from prior years, after an unsuccessful trial or by settlement, are charged directly to operations.

TAX MATTERS

Federal Income Taxes

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds be and remain excluded from gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Code. Such requirements include requirements relating to the use and investment of proceeds of the Bonds and other amounts and rebate of certain arbitrage earnings to the United States. Noncompliance by the Township with such requirements may cause interest on the Bonds to be included in gross income of the owners thereof retroactive to the date of issuance of the Bonds, regardless of when such noncompliance occurs.

The Township has covenanted, to the extent permitted by the Constitution and the laws of the State, to do and perform all acts and things permitted by law and necessary to assure that interest paid on the Bonds be and remain excluded from gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Code. The Township's Tax Certificate (the "Tax Certificate"), which will be delivered concurrently with the delivery of the Bonds, will contain provisions and procedures regarding compliance with the requirements of the Code. The Township, in executing the Tax Certificate, will certify to the effect that the Township expects and intends to comply with the provisions and procedures contained therein.

In rendering the opinion described below with respect to the Bonds, Bond Counsel has relied upon the covenant and has assumed the material accuracy of the representations, statements of intention and reasonable expectations, and certifications of fact contained in the Tax Certificate.

Tax Opinions

In the opinion of Rogut McCarthy LLC, Bond Counsel to the Township, assuming compliance by the Township with the Tax Certificate, under existing law, interest on the Bonds is excluded from gross income of the owners thereof for Federal income tax purposes pursuant to Section 103 of the Code. In addition, under existing law, interest on the Bonds is not treated as a preference item for purposes of the alternative minimum tax imposed under the Code with respect to individuals and corporations; such interest, however, is included in "adjusted current earnings" for purposes of computing the alternative minimum tax that may be imposed on corporations. For other Federal tax information, see "Tax Matters - Additional Federal Income Tax Consequences" herein.

In the opinion of Bond Counsel, under the New Jersey Gross Income Tax Act, as enacted and construed on the date hereof, interest on the Bonds and any gain from the sale of the Bonds are not includable in gross income of the holders thereof.

Additional Federal Income Tax Consequences

Prospective purchasers of the Bonds should be aware that ownership of governmental obligations, such as the Bonds, may have collateral Federal income tax consequences for certain taxpayers, including financial institutions, property and casualty insurance companies, S Corporations, certain foreign corporations, individual recipients of Social Security or Railroad Retirement benefits, taxpayers otherwise eligible for the earned income credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry such obligations. Prospective purchasers should consult their tax advisors as to any possible collateral consequences from the ownership of the Bonds. Bond Counsel expresses no opinion regarding any such collateral Federal income tax consequences.

Proposals for Tax Changes

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Bonds or otherwise prevent holders of the Bonds from realizing the full benefit of the tax exemption of interest on the Bonds. Further, such proposals may impact the marketability or market value of the Bonds simply by being proposed. One such proposal is the American Jobs Act of 2011 (S.1549) (the "Jobs Bill") which was introduced in the Senate on September 13, 2011 at the request of the President. If enacted in its current form, the Jobs Bill could adversely impact the marketability and market value of the Bonds and prevent certain bondholders (depending on the financial and tax circumstances of the particular bondholder) from realizing the full benefit of the tax exemption of interest on the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted thereby.

Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The disclosures and opinions expressed herein are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds, and no opinion is expressed as of any date subsequent thereto or with respect to any proposed or pending legislation, regulatory initiatives or litigation.

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

LEGALITY FOR INVESTMENT

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

CERTIFICATES OF THE TOWNSHIP

Upon the delivery of the Bonds, the respective original purchasers shall receive a certificate, in form satisfactory to Bond Counsel and signed by officials of the Township, stating to the best knowledge of said officials, that this Official Statement as of its date did 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 were made, not misleading; and stating, to the best knowledge of said officials, that there has

been no material adverse change in the condition, financial or otherwise, of the Township from that set forth in or contemplated by this Official Statement. In addition, the respective original purchasers of the Bonds shall also receive certificates in form satisfactory to Bond Counsel evidencing the proper execution and delivery of the Bonds and receipt of payment therefor, and a certificate dated as of the date of the delivery of the Bonds, and signed by the officers who signed the Bonds, stating that no litigation is then pending or, to the knowledge of such officers, threatened to restrain or enjoin the issuance or delivery of the Bonds or the levy or collection of taxes to pay the Bonds, as applicable, or the interest thereon, or questioning the validity of the statutes or the proceedings under which the Bonds, as applicable, are issued, and that neither the corporate existence or boundaries of the Township, nor the title of any of the said officers to the respective offices, is being contested.

APPROVAL OF LEGAL PROCEEDINGS

All legal matters incident to the authorization, the issuance, the sale and the delivery of the Bonds are subject to the approval of Bond Counsel, whose approving legal opinion will be delivered with the Bonds substantially in the form set forth as APPENDIX C, attached hereto.

ADDITIONAL INFORMATION

Inquiries regarding this Official Statement, including information additional to that contained herein, may be directed to the Township of Aberdeen, Angela Morin, Chief Financial Officer, One Aberdeen Square, Aberdeen, New Jersey 07747, (732) 583-4200, ext. 128.

LITIGATION

To the knowledge of the Township Attorney there is no litigation of any nature now pending or threatened, restraining or enjoining the issuance or the delivery of the Bonds offered for sale or the levy and collection of any taxes to pay the principal of or the interest on said Bonds, or in any manner questioning the authority of a proceeding for the issuance of the Bonds or for the levy or collection of taxes to pay the principal of and interest on the Bonds, or any action contesting the corporate existence or boundaries of the Township or the title of any of its present officers. Further, to the knowledge of the Township Attorney, there is no litigation presently pending or threatened against the Township that, in the opinion of the Township Attorney, would have a material adverse impact on the financial condition of the Township if adversely decided.

SECONDARY MARKET DISCLOSURE

The Township has agreed, pursuant to a resolution adopted on September 20, 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 to the Municipal Securities Rulemaking Board (the "MSRB") in an electronic format, as prescribed by the MSRB. Specifically, the Township will do the following for the benefit of the holders of the Bonds and the beneficial owners thereof:

- (A) Not later than eight months after the end of the Township's fiscal year (presently December 31), commencing with the report for the fiscal year ending December 31, 2012, provide or cause to be provided, annual financial information with respect to the Township consisting 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 Township and (ii) certain financial information and operating data consisting of (a) information concerning the Township's debt, overlapping indebtedness, tax rate, levy and collection data, and property valuation of the type contained in Appendix A herein, and (b) the Township'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-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 the rights of 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 Township (the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Township 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 Township, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Township);
 - (13) The consummation of a merger, consolidation, or acquisition involving the Township or the sale of all or substantially all of the assets of the Township, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
 - (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.
- (C) Provide or cause to be provided, in a timely manner, notice of a failure of the Township 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 Township 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 liability by the Township 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 Township 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 Township 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 Township from time to time, without the 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 or status of the Township, 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 Township failed to file required annual financial information for the years ending December 31, 2006 to 2010, inclusive, by the dates specified in the continuing disclosure undertaking made in connection with its bonds issued in 2006. The Township recently filed such financial information along with a notice of such prior failures. The Township intends to make timely filing in the future.

PREPARATION OF OFFICIAL STATEMENT

Bond Counsel has participated in the preparation and review of this Official Statement but has not verified the accuracy, completeness, or fairness thereof, and, accordingly, expresses no opinion or other assurance with respect thereto.

Fallon & Larsen LLP, Hazlet, New Jersey, the Auditor to the Township, has participated in the preparation of the information contained in this Official Statement but has not verified the accuracy, completeness, or fairness thereof, and, accordingly, expresses no opinion or other assurance with respect thereto, but takes responsibility for the financial statements to the extent specified in the Independent Auditors' Report appearing in APPENDIX B hereto.

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

RATING

Standard & Poor's Ratings Services ("Standard & Poor's") has assigned a rating of "___" to the Bonds.

An explanation of the significance of such credit rating may be obtained from Standard & Poor's, 55 Water Street, New York, New York 10041. The Township furnished Standard & Poor's with certain information and materials concerning the Bonds and the Township. Generally, Standard & Poor's bases its ratings on such information and materials and also on such investigations, studies and assumptions that it may undertake independently. The rating is not a recommendation to buy, sell or hold the Bonds and there can be no assurance that such rating will be maintained for any given period of time or that such rating may not be raised, lowered or withdrawn entirely if, in Standard & Poor's judgment, circumstances so warrant. Any downward change in or withdrawal of such rating may have an adverse effect on the marketability or market price of the Bonds.

UNDERWRITING

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

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 the Bonds to certain dealers (including dealers depositing the Bonds into investments trusts) at yields higher than the public offering yields set forth on the cover page of this Official Statement, and such yields may be changed, from time to time, by the Underwriter without prior notice.

FINANCIAL STATEMENTS

The financial statements of the Township for the year ended December 31, 2011 and 2010, together with the Notes to the Financial Statements for the year ended December 31, 2011, are presented in Appendix B to this Official Statement. The financial statements for the year ended December 31, 2011, and 2010 have been audited by Fallon & Larsen LLP, Hazlet, New Jersey, independent auditors, as stated in its report appearing in Appendix B.

MISCELLANEOUS

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

This Official Statement is not to be construed as a contract or an agreement between the Township and any 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 herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there have been no changes in the affairs of the Township, the State or any of their agencies or authorities, since the date hereof.

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

TOWNSHIP OF ABERDEEN

ANGELA MORIN
Chief Financial Officer

DATED: _____

APPENDIX A

**CERTAIN FINANCIAL AND DEMOGRAPHIC INFORMATION
CONCERNING THE TOWNSHIP OF ABERDEEN**

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**CERTAIN FINANCIAL AND DEMOGRAPHIC INFORMATION
CONCERNING THE TOWNSHIP OF ABERDEEN,
IN THE COUNTY OF MONMOUTH, STATE OF NEW JERSEY**

General Information

The Township of Aberdeen is situated in the northern portion of Monmouth County and contains 5.6 miles of land area and 2.2 miles of water area. The Garden State Parkway, State Highway 34 and State Highway 35 traverse it from northwest to southeast. A few County roads crisscross portions of the Township, including County Route 3 (Lloyd Road), County Route 516 (New Brunswick Avenue and Lower Main Street), and County Route 6A and 6 (Cliffwood Avenue and Amboy Avenue). The North Jersey Coast Railroad Line also traverses the Township, providing commuter service to New York City from the Aberdeen-Matawan Station. Aberdeen Township is a full-service community that provides its residents and businesses with a high level of service.

The Township of Aberdeen is bounded to the north by the Raritan Bay, which receives water from Matawan Creek and other small tributaries. To the south, the Township is bounded by the Township of Marlboro, and to the east, by the Borough of Keyport, the Township of Hazlet, and the Township of Holmdel. To the west of Aberdeen Township and Matawan Borough lies the Township of Old Bridge located in Middlesex County.

The Township of Aberdeen is predominantly a residential community of medium density with concentrations of commercial development along State Highways 34 and 35 and Lower Main Street, with very little remaining vacant land areas that are developable. Many lakes, creeks and streams, with significant freshwater wetlands and wooded areas, characterize the landscape.

Sections of the Township include Cliffwood, Cliffwood Beach, Freneau, Oakshades, River Gardens, Strathmore and Woodfield. There are four areas designated as "Redevelopment" areas in the Township.

Historical Information

Aberdeen Township derived its name from "New Aberdeen", a name for a settlement established in Northwestern Monmouth County in the 1680's by Friends and Presbyterians who fled Scotland to avoid religious persecution.

Settlement began around 12,000 years ago when people who migrated eastward from Siberia spread throughout the Americas. Those who settled in this area became the Lenni-Lenape. About the year 1000, an agricultural society developed, and small villages dotted what was to become New Jersey. The Lenape began a westward retreat in the face of European settlement and disease beginning in the late seventeenth century, settling in Monmouth County by the mid-eighteenth century.

Although the Lenape presently live in Ontario and Oklahoma, their legacy survives in such names as Mohingson, Luppatatong and Matawan Creeks and Raritan Bay.

The earliest known attempt at European settlement was in 1650 under the Dutch, when the south side of Raritan Bay was purchased from the Lenni-Lenape. No known attempt was made to make good on settling this area, and in 1664 the entire area came under English possession. The earliest English land grant in Aberdeen was in 1677 when Sir George Carteret granted 36 acres to Jonathan Holmes. This is in present-day Oakshades on Mohingson Creek.

In 1684, Surveyor General Thomas Rudyard received a grant of 1,038 acres on Raritan Bay and Matawan Creek, the present location of Cliffwood and Cliffwood Beach. Owing to Rudyard's high office, this was quite controversial, and in 1685, the Board of Proprietors issued an order regarding the laying out of land. Section 7 addressed questionable activity such as Rudyard's, and he sold his land to his son-in-law, Samuel Winder.

The 1680's saw an influx of Scottish immigrants fleeing religious persecution in response to a 1683 book by George Scott extolling the virtues of Scottish settlement in East New Jersey. In 1701, a village site of 100 acres was granted by the Proprietors to 24 Scottish settlers of the area. These men and six others also purchased a landing site on Matawan Creek.

The village site eventually came to be called Mount Pleasant, and the landing, as it became an important shipping point for the produce of Middletown Township, became Middletown Point. A third, very scattered settlement developed in the eighteenth century west of Matawan Creek, and was called Matawan or Matavan.

Since 1693, what was to become Aberdeen Township remained part of Middletown Township that, at the time, consisted of what is now Aberdeen, Holmdel, Hazlet, Middletown (including Sandy Hook), Matawan Borough, Keyport, Union Beach, Keansburg, Atlantic Highlands, Highlands and a sliver of Colts Neck. It originally extended as far northwest as Cheesequake Creek, that portion being ceded to Middlesex County in 1710.

By 1848, Middletown was considered too large and unwieldy, and legislation was passed dividing it into two halves, the western half to be a new municipality, Raritan Township. In 1857, Raritan was further divided. Legislation sponsored by Assemblyman Beers passed the State Assembly and Senate, was signed by Governor William A. Newell, and on February 23, 1857, Matavan Township was incorporated. This included the village of Middletown Point, Mt. Pleasant, and Matavan. The Township was named for the creek as well as the village of Matavan. The spelling of "Matawan" or "Matavan" had been interchangeable, however, when the act was published "Matavan", a Lenape word meaning "where two rivers come together" had been used.

In 1865, due to postal confusion with Middletown, the Middletown Point post office was renamed "Matawan", to reflect the name of the Township. This section is the

present downtown area of Matawan Borough. In 1882, the spelling of the Township was officially changed to "Matawan".

When the railroads were built in the 1870's several stations were established. As the station at Main Street was to be "Matawan", the one at Cliffwood Avenue had to be something else, although the old name "Matavan" was still applied to that area. To avoid near duplication, "Hutschler's Crossing" was briefly used; the railroad then changed the station name to "Cliffwood", after the coastal area of the Township.

In 1885, the Cliffwood post office was established and the name of the old Matavan settlement passed into obsolescence. That same year, the former Middletown Point section, which had adopted the name "Matawan", was incorporated by referendum as the Borough of Matawan. Originally a self-governing district within the Township, the Borough gained full municipality status in 1896.

In response to demand, a post office was established at Mt. Pleasant in 1889. As that name was in use elsewhere, a new name was needed. "Freneau" was chosen, in honor of Philip M. Freneau, the "Poet of Revolution", and a former Mt. Pleasant resident who is buried in the area. This post office has since been closed.

The twentieth century saw several major developments in the Township. The 1920's gave us Cliffwood Beach, which was originally a resort community until after World War II when year round homes were the norm. River Gardens developed in the late 1940's and the 1960's brought Strathmore, which more than doubled the Township's population and transformed a farming community into a bustling suburb.

On November 3, 1964, the citizens voted to change the Township Committee form of government, in force since 1857, to the Council-Manager form, under the Optional Municipal Charter Law, also known as the Faulkner Act. A seven member Township Council, including Mayor, is elected at large for staggered, four year terms of office in partisan elections held in November.

On November 8, 1977, the residents of Matawan Township voted to change the name of the Township to create a community identity separate from that of Matawan Borough. The residents voted to call their community Aberdeen Township. Officials believed the new name would draw attention to the Township, as it is listed first alphabetically among New Jersey's 566 municipalities.

Transportation

Aberdeen is at the center of an intermodal transportation network. The Garden State Parkway provides direct Interstate Highway access to the Township and the New Jersey Turnpike is within ten miles of the Township. In addition, the Township is accessible by way of major State highways.

The Township is served by the North Jersey Coast Line, and is operated by New Jersey Transit. This railroad offers excellent service from the Matawan-Aberdeen station to Newark and New York. New Jersey Transit also provides extensive commuter bus service to the Port Authority terminal in Manhattan. Because of this

extensive commuting infrastructure, the commute time from Aberdeen to Manhattan is under one hour.

Type of Government

The Township of Aberdeen is chartered under the “Faulkner Act” (OMCL) Council-Manager plan. (NJSA 40:69A-81 et. seq.) Aberdeen Township has a Mayor and six other Council Members. The Mayor and all Council Members are elected at-large for 4-year staggered terms. The Township Council passes ordinances and resolutions and maintains the Administrative Code. The Council appoints the Township Manager, the Municipal Clerk, Tax Assessor and Members of boards and commissions. The Council votes on the municipal budget after the Township Manager has prepared it.

The Township Manager is the chief executive and administrative official of Aberdeen Township. The Township Manager prepares the budget, appoints and removes department heads, other officers, subordinates and assistants. The Manager oversees the day-to-day workings of the Township and negotiates contracts for the Township. He also attends Council meetings where he participates in discussions, but does not vote on issues.

The Township employs approximately 100 full and part-time employees to provide excellent service for the community.

Public Safety

The Aberdeen Township Police Department, established in 1935, is committed to providing a safe community for all residents and is located at Township Hall. The police department is comprised of two divisions: Operations and Administration. The Operations Division, commanded by a lieutenant, consists of patrol, the traffic safety bureau, and the DARE/School Resource Officer program. The Administrative Division, also commanded by a lieutenant, consists of communications, records, and the detective bureau.

Recreation and Parks

The Township provides year round programs for residents of all ages and manages a regional therapeutic recreation program for residents with special needs. The Township reserves a significant amount of land as open and recreational space, including approximately 125 acres of parks with extensive recreational programs and facilities. In addition, the Cliffwood Beach recreation area, located on the Raritan Bay, provides recreation facilities for fishing, boating, hiking and picnicking.

Public Works Department

The Public Works Department oversees the maintenance and upkeep of 70 miles of local roadway, as well as all public parks and all public utilities in the Township. The Township operates both a water utility and a sewer utility to service properties in the Township. Curbside garbage collection is provided twice weekly through a contract with

a private firm. Similarly, curbside-recycling pick-up is provided for both paper and commingled recyclables.

Aberdeen Township operates a sewer utility whereby all sewage is transmitted to the Bayshore Regional Sewerage Authority for treatment. The entire Township, except the "Freneau" area, is currently connected to the sanitary sewer system. Any future development in this section of the Township will require additional pump stations and the extension of sewer lines from outside the Township.

Volunteer Emergency Groups

The Township is served by two volunteer fire companies, the Aberdeen Township Hose and Chemical Co. No. 1, organized in 1918, and the Cliffwood Volunteer Fire Co., organized in 1927. Two volunteer First Aid Squads respond to the community's emergency medical needs: the Aberdeen Township First Aid and Rescue Squad, organized in 1954, and the South Aberdeen Emergency Medical Service, organized in 1970.

Regional School District

The Matawan-Aberdeen Regional School District is a comprehensive system comprised of seven schools, which includes one Pre School, three elementary schools grades K-3, one school grades 4-5, one middle school grades 6-8, and one high school grades 9-12.

In an ever-changing world of high technology, the District provides students with academic and vocational experiences to meet the challenges of the twenty-first century. In addition to providing a sound, broad academic curriculum taught by highly-qualified instructors, Matawan-Aberdeen Regional School District offers programs such as Cooperative Work Study Programs, a Gifted and Talented Program, Pre-School Programs, a comprehensive Special Education Program with four full Child Study Teams, Speech Correction Services, and a whole array of many other fine programs and services.

Population Trends¹

<u>Year</u>	<u>Township of Aberdeen</u>	<u>County of Monmouth</u>	<u>State of New Jersey</u>
2010	18,210	630,380	8,791,894
2000	17,454	615,301	8,414,350
1990	17,038	553,124	7,730,188

Building Permits²

<u>Year</u>	<u>Total Residential Building Permits Township of Aberdeen</u>	<u>Total Residential Building Permits County of Monmouth</u>
2011	29	864
2010	11	915
2009	14	964
2008	11	1,526
2007	15	2,054

Money Income as of 2010³

	<u>Median Household Income</u>	<u>Median Family Income</u>	<u>Per Capita Income</u>
Township of Aberdeen	\$82,265	\$102,074	\$39,830
County of Monmouth	80,816	101,714	40,976
State of New Jersey	69,811	84,904	34,858

¹ Source: State of New Jersey, Data Center, Total Resident Population, New Jersey Counties; Total Resident Population for New Jersey, Counties and Municipalities.

² Source: State of New Jersey, Data Center, New Privately Owned Residential Housing Units Authorized to be Built Annual 2007-2011.

³ Source: State of New Jersey, Data Center, 2010 Money Income: Monmouth County and Municipalities.

Employment and Unemployment Data⁴

The following represents average employment figures from 2008-2011 for the Township, County and State.

	<u>Total Labor Force</u>	<u>Employed Labor Force</u>	<u>Total Unemployed</u>	<u>Unemployment Rate</u>
Township of Aberdeen				
2011	10,046	9,364	683	6.8%
2010	10,038	9,338	700	7.0
2009	10,408	9,735	672	6.5
2008	10,446	10,049	397	3.8
County of Monmouth				
2011	329,571	301,254	28,317	8.6%
2010	329,433	300,427	29,006	8.8
2009	336,577	308,793	27,784	8.3
2008	335,353	318,975	16,378	4.9
State of New Jersey				
2011	4,556,200	4,131,800	424,400	9.3%
2010	4,554,100	4,116,600	437,400	9.6
2009	4,546,400	4,138,400	408,100	9.0
2008	4,509,100	4,262,300	246,800	5.5

⁴ Source: State of New Jersey Data Center, Annual Average Labor Force Estimates by Municipality: 2008-2011; NJ 2011 Labor Force Estimates.

DEBT INFORMATION

Debt Incurring Capacity as of December 31, 2011⁵

The debt limitation of the Township is established pursuant to the Local Bond Law, N.J.S.A. 40A:2-1 et seq. The Township is permitted to incur debt up to three and one half percent (3.5%) of the average equalized valuation of taxable real property in the Township. The total equalized valuation of real property for the last three (3) years and the Township and the Local School District debt limitation, debt issued, outstanding and authorizing and available borrowing capacity as of December 31, 2011 are summarized below:

<u>Year</u>	<u>Amount</u>
2011	\$2,157,040,058
2010	2,147,847,508
2009	<u>2,177,216,947</u>
TOTAL	<u>\$6,482,104,513</u>

Municipal:

Equalized Valuation of Real Property (2011, 2010 and 2009)	\$2,160,701,504
Permitted Municipal Debt Limitation (3.5% of \$2,160,701,504)	\$75,624,553
Net Debt Issued, Outstanding and Authorized	\$23,899,992
Remaining Municipal Borrowing Capacity	\$51,724,561

Gross and Statutory Net Debt as of December 31⁵

<u>Year</u>	<u>Gross Debt Amount</u>	<u>Statutory Net Debt</u>	
		<u>Amount</u>	<u>Percentage</u>
2011	\$54,338,013	\$23,899,992	1.11%
2010	56,154,281	22,977,372	1.06
2009	54,397,356	22,625,242	1.03
2008	56,998,775	23,273,216	1.07
2007	66,005,723	22,401,509	1.09

⁵ Source: Township Audits for 2007-2011.

TOWNSHIP OF ABERDEEN
STATEMENT OF INDEBTEDNESS AS OF DECEMBER 31, 2011⁶

GENERAL PURPOSES

Bonds and Notes Issued and Outstanding		
Bonds	\$	6,210,444
Notes		10,972,212
Bonds and Notes Authorized But Not Issued		6,478,707
		\$ 23,661,363

WATER UTILITY AND SEWER UTILITY

Bonds and Notes Issued and Outstanding	\$	12,500,905
Bonds and Notes Authorized But Not Issued		1,485,000
		\$ 13,985,905

REGIONAL SCHOOL DISTRICT

Bonds, Notes and Loans Issued and Outstanding		
Bonds (Township Portion)	\$	16,690,745
Bonds and Notes Authorized But Not Issued (Township Portion)		0
		\$ 16,690,745

TOTAL GROSS DEBT **\$ 54,338,013**

STATUTORY DEDUCTIONS

Reserve for Debt	\$	740,557
Self-Liquidating Water and Sewer Utilities		13,006,719
Regional School District		16,690,745
		\$ 30,438,021

TOTAL NET DEBT **\$ 23,899,992**

OVERLAPPING DEBTS AS OF DECEMBER 31, 2011

Regional School District (67.63%)	\$	16,690,745
County of Monmouth (1.79%)		8,165,011
Bayshore Regional Sewerage (17.90%)		1,942,872
Monmouth County Bayshore Outfall Authority (9.90%)		311,247
TOTAL OVERLAPPING DEBT		<u>\$ 27,109,875</u>

GROSS DEBT

Per Capita (Population – United States Census 2010 – 18,210)	\$	2,984
Percent of Average Equalized Valuation Taxable (2011 - \$2,160,701,504)		2.51%
Percent of Net Valuation Taxable (2011 - \$2,089,309,000)		2.60%

NET MUNICIPAL DEBT

Per Capita (Population – United States Census 2010 – 18,210)	\$	1,312
Percent of Average Equalized Valuation Taxable (2011 - \$2,160,701,504)		1.11%
Percent of Net Valuation Taxable (2011 - \$2,089,309,000)		1.14%

OVERALL DEBT (Gross and Overlapping Debt)

Per Capita (Population – United States Census 2010 – 18,210)	\$	3,556
Percent of Average Equalized Valuation Taxable (2011 - \$2,160,701,504)		3.00%
Percent of Net Valuation Taxable (2011 - \$2,089,309,000)		3.10%

Note (1) Overlapping debt was computed based upon the 2011 Monmouth County Abstract of Ratables published by the Monmouth County Board of Taxation.

Note (2) Overlapping debt was computed based upon municipal flow to the Authorities.

⁶ Source: 2011 Township Audit.

BUDGET INFORMATION

2012 Budget

Each year, the Manager prepares and members of the Township Council are charged with the responsibility to review and adopt a municipal budget. The Manager, Chief Financial Officer, and staff prepare recommendations in the form of a draft document to begin the budget development process. In turn, members of the Township Council review the recommendation to ensure that the proposal adequately meets the agenda that they collectively believe is prudent for the Township.

The municipal budget is divided into several categories as listed below:

Appropriations in support of municipal operations for the 2012 year.

Capital Improvement Program in which major equipment purchases and infrastructure projects are scheduled over the next six (6) years.

Revenues in support of operations, capital expenditures and the reserve for uncollected taxes.

Current Fund Balances And Amounts Utilized In Succeeding Year's Budget⁷

<u>Year</u>	<u>Balance As Of December 31</u>	<u>Utilized In Budget Of Succeeding Year</u>	
		<u>Amount</u>	<u>Percent</u>
2011	\$61,392	\$ 0	0%
2010	238,392	177,000.00	74.25
2009	385,573	378,000	98.04
2008	720,242	511,000	70.95
2007	1,364,659	1,060,000	77.68

⁷ Source: Previous Township Audits.

Summary Of Municipal Budgets⁸

	Fiscal Year Ended December 31				
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Anticipated Revenues					
Fund Balance	\$ 0	\$177,000	\$378,000	\$511,000	\$1,060,000
Miscellaneous Revenues	4,826,640	4,945,681	4,908,482	5,288,822	5,774,256
Receipts From Delinquent Taxes	629,900	759,000	730,358	744,455	656,000
Amount to be Raised by Taxes for Municipal Purposes	<u>10,088,924</u>	<u>9,207,542</u>	<u>9,137,212</u>	<u>8,206,030</u>	<u>7,817,398</u>
	<u>\$15,545,464</u>	<u>\$15,089,223</u>	<u>\$15,154,052</u>	<u>\$14,750,307</u>	<u>\$15,307,654</u>
Appropriations					
Salaries and Wages	\$6,775,461	\$6,292,886	\$6,244,887	\$6,180,448	\$5,948,014
Other Expenses	4,825,351	5,042,921	4,904,711	5,034,769	4,408,606
Deferred Charges and Statutory and Expenditures	1,619,755	1,576,857	1,291,352	1,019,637	1,412,365
Capital Improvements	265,000	110,000	100,000	0	550,000
Municipal Debt Service	1,336,094	1,217,902	1,813,703	1,695,600	1,719,463
Reserve for Uncollected Taxes	<u>723,803</u>	<u>848,657</u>	<u>799,399</u>	<u>819,853</u>	<u>1,269,206</u>
	<u>\$15,545,464</u>	<u>\$15,089,223</u>	<u>\$15,154,052</u>	<u>\$14,750,307</u>	<u>\$15,307,654</u>

CAPITAL BUDGET⁹

The Township annually adopts a capital budget and program setting forth planned capital projects for the current fiscal year. The Township's capital program for calendar year 2012 includes new debt authorizations totaling \$1,686,250. This plan, however, is subject to periodic adoption of bond ordinances, which require approval of two-thirds of the full membership of the Township Council. The following is a summary of the adopted capital budget for fiscal years 2012 through 2017:

<u>Year</u>	<u>Amount</u>
2012	\$1,778,505
2013	2,685,000
2014	1,663,500
2015	1,731,000
2016	1,721,000
2017	1,661,000

Proposed Sources Of Funding

Capital Improvement Fund	\$ 1,000,000
Bond And Notes – General	10,240,005

⁸ Source: Adopted Municipal Budgets of the Township.

⁹ Source: 2012 Municipal Budget of the Township as adopted.

TAX INFORMATION

Property Tax Levies and Collections¹⁰

<u>Year Ended December 31</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percentage Tax Levy Collected</u>
2011	\$49,878,783	\$48,866,996	97.97%
2010	49,233,926	48,383,470	98.27
2009	47,922,914	47,141,248	98.36
2008	47,479,151	46,653,127	98.26
2007	45,687,348	45,002,757	98.50

Major Taxpayers¹¹

The ten (10) largest taxpayers for 2012 are listed in the following table:

<u>Taxpayer</u>	<u>Assessed Valuations</u>
1. Rendek Inc./Regent Shop Center	\$20,918,800
2. Basser-Kaufman, LLC	15,908,700
3. Pak SC LLC NJ LLC	13,799,500
4. Avalon NJ Urban Renewal Entity LLC	12,700,000
5. 40 Cross Road, LLC	12,600,300
6. Treehaven Apartments, LLC	9,549,900
7. Thirty-Four Partners/Florham Realty	9,531,600
8. Barrington Gardens/Home Properties	9,000,000
9. SS Cliffwood, LLC	6,569,200
10. Heritage Square Associates, LLC	<u>6,246,400</u>
Total	<u>\$116,824,400</u>
Net Valuation Taxable	<u>\$2,068,621,700</u>

¹⁰ Source: Previous Township Audits for the years ended December 31, 2007-2011.

¹¹ Source: Township Tax Assessor

Assessed Valuation of Real Property by Classification¹² (in dollars)

	<u>Vacant Land</u>	<u>Farm Land</u> ¹³	<u>Residential</u>	<u>Apartment</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Total Real Property</u>
2012	\$36,662,900	\$1,739,000	\$1,746,720,800	\$40,400,800	\$233,402,500	\$9,695,700	\$2,068,621,700
2011	51,016,100	1,725,300	1,746,861,700	45,979,900	234,030,300	9,695,700	2,089,309,000
2010	52,040,200	1,725,300	1,743,737,100	45,979,900	232,811,300	9,695,700	2,085,989,500
2009*	50,114,700	2,007,600	1,744,702,500	45,556,600	234,349,900	9,695,700	2,086,427,000
2008	14,636,030	796,200	713,846,480	15,392,900	86,394,000	11,849,700	842,915,310

Ratio of Assessed Valuation to Estimated Full Cash Value¹⁴

<u>Year</u>	<u>Net Assessed Valuation Taxable Real Property</u>	<u>Estimated Full Cash Valuations</u>	<u>Percentage of Net Assessed to Estimated Full Cash Valuations</u>
2011	\$2,089,309,000	\$2,157,040,058	96.86%
2010	2,085,989,500	2,147,847,508	97.12
2009*	2,086,427,000	2,177,216,947	95.83
2008	842,915,310	2,197,935,872	38.35
2007	841,892,360	2,219,009,910	37.94

Total Tax Requirements Including School and County Purposes¹⁵

<u>Fiscal Year</u>	<u>Total Tax Requirements</u>	<u>Municipal</u>	<u>Regional School District</u>	<u>County</u>
2011	\$46,632,939	\$9,207,542	\$31,554,693	\$5,870,704
2010	45,926,852	9,137,212	31,060,761	5,728,879
2009	44,811,387	8,206,030	31,103,941	5,501,416
2008	44,388,560	7,817,398	31,100,272	5,470,890
2007	42,709,431	6,990,240	30,385,869	5,333,322

*Revaluation of real property effective 2009.

¹² Source: Monmouth County Board of Taxation.

¹³ Qualified and Regular Farm Land.

¹⁴ Source: Monmouth County Board of Taxation.

¹⁵ Source: Previous Township Audits. Does not include fire district and solid waste collection district taxes which are levied on each district based upon the net valuation taxable for each district.

Composition of Tax Rate¹⁶
(Per \$100 of assessed valuation)

<u>Year</u>	<u>Regional School Tax Rate</u>	<u>Township Tax Rate</u>	<u>Monmouth County Tax Rate</u>	<u>Total Tax Rate</u>
2012	\$1.563	\$0.487	\$0.288	\$2.338
2011	1.508	0.440	0.281	2.229
2010	1.487	0.437	0.275	2.199
2009*	1.489	0.393	0.263	2.145
2008	3.685	0.926	0.649	5.260

Delinquent Taxes and Tax Title Liens¹⁷

<u>Year</u>	<u>Amount of Tax Title Liens</u>	<u>Amount of Delinquent Taxes</u>	<u>Total Delinquent</u>	<u>Percent of Tax Levy</u>
2011	\$277,899	\$610,626	\$888,525	1.78%
2010	262,878	797,303	1,060,181	2.15
2009	252,067	733,040	985,107	2.06
2008	218,562	782,857	1,001,419	2.11
2007	213,954	689,698	903,652	1.98

Property Acquired by Tax Title Liens¹⁸

<u>Year</u>	<u>Amount</u>
2011	\$1,462,600
2010	1,492,600
2009	1,523,300
2008	1,525,300
2007	1,525,300

*Revaluation of real property effective 2009.

¹⁶ Source: Monmouth County Board of Taxation.

¹⁷ Source: Previous Township Audits.

¹⁸ Source: Previous Township Audits.

APPENDIX B

INDEPENDENT AUDITORS' REPORT AND FINANCIAL STATEMENTS

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FALLON & LARSEN LLP

Certified Public Accountants

1390 Route 36, Suite 102
Hazlet, New Jersey 07730
Telephone: (732) 888-2070
FAX: (732) 888-6245

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members
of the Township Council
Township of Aberdeen
County of Monmouth
Aberdeen, New Jersey

We have audited the accompanying balance sheets - regulatory basis of the various funds and account groups of the Township of Aberdeen (the "Township"), as of December 31, 2011 and 2010, and the related statements of operations and changes in fund balance - regulatory basis for the years then ended and the related statements of revenues - regulatory basis and statements of expenditures - regulatory basis for the year ended December 31, 2011. These financial statements - regulatory basis are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 the audit 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

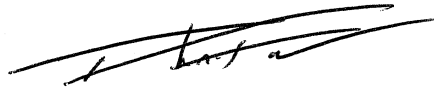
As described more fully in Note 2, the Township has prepared these financial statements using accounting practices prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which practices differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Further in our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township, as of December 31, 2011 and 2010, the changes in financial position, or, where applicable, its cash flows for the years then ended.

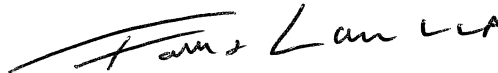
In our opinion, the financial statements - regulatory basis present fairly, in all material respects, the financial position - regulatory basis of the various funds and account groups of the Township, as of December 31, 2011 and 2010, and the results of its operations and the changes in fund balance - regulatory basis of the individual funds for the years then ended and the statements of revenues - regulatory basis, and statements of expenditures - regulatory basis for the year ended December 31, 2011, on the basis of accounting described in Note 2 to the financial statements.

In accordance with Government Auditing Standards, we have also issued our report dated September 18, 2012 on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audits have been conducted for the purpose of forming opinions on the financial statements - regulatory basis of the Township taken as a whole. The accompanying financial information listed as supplementary schedules and comments section in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements - regulatory basis. The accompanying financial information listed as supplementary schedules and comments section in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements - regulatory basis. Such information has been subjected to the auditing procedures applied in the audit of the financial statements - regulatory basis and certain additional procedures including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements - regulatory basis or to the financial statements - regulatory basis themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly presented in all material respects in relation to the financial statements - regulatory basis taken as a whole, on the basis of accounting described in Note 2 to the financial statements.



Thomas P. Fallon
Certified Public Accountant
Registered Municipal Accountant #465



Fallon & Larsen LLP

September 18, 2012

FALLON & LARSEN LLP

Certified Public Accountants

1390 Route 36, Suite 102
Hazlet, New Jersey 07730
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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor and Members
of the Township Council
Township of Aberdeen
County of Monmouth
Aberdeen, New Jersey

We have audited the financial statements - regulatory basis of the Township of Aberdeen (the "Township") as of and for the year ended December 31, 2011, and have issued our report thereon dated September 18, 2012 in which we expressed an adverse opinion on the conformity of the statements with accounting principles generally accepted in the United States of America. As described in Note 2 to the financial statements, the Township 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 a modified accrual basis, with certain exceptions, and the budget laws of the State of New Jersey, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

Internal Control Over Financial Reporting

Management of the Township is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above.

Compliance and Other Matters


As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

We noted certain matters that we have reported to management of the Township in the Comments and Recommendations section of this report.

This report is intended solely for the information and use of the governing body, management, others within the Township, the Division of Local Government Services, Department of Community Affairs, State of New Jersey and the state and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Thomas P. Fallon
Certified Public Accountant
Registered Municipal Accountant #465



Fallon & Larsen LLP

September 18, 2012

TOWNSHIP OF ABERDEEN
COUNTY OF MONMOUTH, NEW JERSEY

CURRENT FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

As of December 31,

ASSETS	<u>2011</u>	<u>2010</u>
Cash - Treasurer	\$ 1,300,906.42	\$ 1,147,084.69
Cash - Change Fund	425.00	525.00
	<u>1,301,331.42</u>	<u>1,147,609.69</u>
Due from State of New Jersey, Chap. 20 P.L. 1971	<u>3,154.79</u>	<u>4,026.79</u>
	<u>1,304,486.21</u>	<u>1,151,636.48</u>
Receivables with Full Reserves:		
Delinquent Property Taxes Receivable	610,626.06	797,303.00
Tax Title Liens Receivable	277,899.05	262,878.17
Property Acquired for Taxes	1,462,600.00	1,492,600.00
Revenue Accounts Receivable	55,354.19	28,716.18
Off Duty Police Service Receivable	16,742.91	66,386.83
Interfund - Federal and State Fund	129,663.28	156,243.57
Interfunds Receivable	63,070.02	4,830.90
	<u>2,615,955.51</u>	<u>2,808,958.65</u>
Deferred Charges:		
Special Emergency Authorizations		
(N.J.S. 40A:4-55)	10,200.00	137,400.00
Emergency Appropriation	20,000.00	
Operating Deficit	190,019.02	
Overexpenditure of Appropriation Reserves		15,112.57
	<u>220,219.02</u>	<u>152,512.57</u>
	<u>4,140,660.74</u>	<u>4,113,107.70</u>
Federal and State Grant Fund:		
Cash	108,817.79	33,603.20
Grants Receivable	61,191.00	175,014.70
Overexpenditure of Grants Appropriated	613.56	
	<u>170,622.35</u>	<u>208,617.90</u>
Total Assets	<u>\$ 4,311,283.09</u>	<u>\$ 4,321,725.60</u>

The accompanying notes are an integral part of this statement.

TOWNSHIP OF ABERDEEN
COUNTY OF MONMOUTH, NEW JERSEY

CURRENT FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

As of December 31,

	<u>2011</u>	<u>2010</u>
LIABILITIES, RESERVES AND FUND BALANCE		
Appropriation Reserves	\$ 546,431.85	\$ 173,384.99
Reserve for Encumbrances	162,290.98	184,407.99
Accounts Payable	2,928.92	5,213.06
Prepaid Taxes	450,997.98	333,026.68
Tax Overpayments	2,545.36	3,176.45
County Taxes Payable	3,396.50	13,521.90
Regional School Tax Payable		0.02
Due to State of New Jersey - Various	169,177.18	122,699.68
Interfunds Payable		39,293.64
Various Reserves and Payables	44,634.71	67,232.24
Reserve for Solar Energy Project	80,909.35	
Special Emergency Note Payable		123,800.00
	<u>1,463,312.83</u>	<u>1,065,756.65</u>
Reserve for Receivables and Other Assets	2,615,955.51	2,808,958.65
Fund Balance	<u>61,392.40</u>	<u>238,392.40</u>
	4,140,660.74	4,113,107.70
 Federal and State Grant Fund:		
Appropriated Reserves	30,791.06	37,174.48
Reserve for Encumbrances	6,770.96	3,007.14
Unappropriated Reserves	3,397.05	12,192.71
Interfund - Current Fund	<u>129,663.28</u>	<u>156,243.57</u>
	<u>170,622.35</u>	<u>208,617.90</u>
 Total Liabilities, Reserves and Fund Balance	 <u>\$ 4,311,283.09</u>	 <u>\$ 4,321,725.60</u>

The accompanying notes are an integral part of this statement.

TOWNSHIP OF ABERDEEN
COUNTY OF MONMOUTH, NEW JERSEY

CURRENT FUND
 COMPARATIVE STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE
 REGULATORY BASIS

For the Years Ended December 31,

	<u>2011</u>	<u>2010</u>
Revenue and Other Income Realized:		
Fund Balance Utilized	\$ 177,000.00	\$ 378,000.00
Miscellaneous Revenue Anticipated	4,826,335.23	4,949,046.25
Receipts from Delinquent Taxes	752,552.29	708,346.81
Receipts from Current Taxes	48,866,995.58	48,383,469.92
Non-Budget Revenues	150,581.68	104,949.33
Other Credits to Income:		
Unexpended Balance of Appropriation Reserves	120,529.58	91,477.73
Off Duty Police Service Reimbursement	187,556.28	284,575.40
Tax Overpayments Canceled		23,475.43
Accounts Payable Canceled	3,046.06	
Grants Appropriated Canceled	30.70	
Total Revenue	<u>55,084,627.40</u>	<u>54,923,340.87</u>
Expenditures:		
Budget Appropriations Within Caps:		
Operations:		
Salaries and Wages	5,813,806.00	5,765,014.52
Other Expenses	4,013,738.00	3,839,156.82
Deferred Charges and Statutory Expenditures	1,445,051.85	706,334.12
Budget Appropriations Excluded from Caps:		
Operations:		
Salaries and Wages	451,753.15	419,227.08
Other Expenses	1,089,071.45	1,587,357.33
Capital Improvements	110,000.00	100,000.00
Municipal Debt Service	1,216,306.52	1,813,686.41
Deferred Charges	127,200.00	132,000.00
	<u>14,266,926.97</u>	<u>14,362,776.28</u>

The accompanying notes are an integral part of this statement.

TOWNSHIP OF ABERDEEN
COUNTY OF MONMOUTH, NEW JERSEY

CURRENT FUND
 COMPARATIVE STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE
 REGULATORY BASIS

For the Years Ended December 31,

	<u>2011</u>	<u>2010</u>
County Taxes	\$ 5,870,703.31	\$ 5,728,878.64
Amount Due County for Added and Omitted Taxes	3,395.36	13,520.86
Regional District School Tax	31,554,693.32	31,060,761.00
Solid Waste Collection District Tax	2,142,000.00	2,100,000.00
Special District Taxes, Fire Districts #1 and #2	1,054,816.00	1,045,300.00
Refund Prior Year's Tax Revenue	129,465.57	13,176.53
Refund Prior Year's Revenue		433.47
Interfunds Advanced	31,658.83	36,153.26
Prior Year Senior Citizen Deduction Disallowed	2,500.00	3,803.42
Grants Receivable Canceled	100,574.70	
Off Duty Police Services Advanced	<u>137,912.36</u>	<u>327,718.02</u>
Total Expenditures	<u>55,294,646.42</u>	<u>54,692,521.48</u>
Excess/(Deficit) in Revenue	(210,019.02)	230,819.39
Add:		
Expenditures Included Above Which are by Statute		
Deferred Charges to Budgets of Succeeding Year:		
Emergency Appropriation	20,000.00	
Operating Deficit to be Raised in Subsequent Budget	<u>190,019.02</u>	
Statutory Excess to Fund Balance		230,819.39
Fund Balance January 1	<u>238,392.40</u>	<u>385,573.01</u>
	238,392.40	616,392.40
Decreased by:		
Utilized as Anticipated Revenue	<u>177,000.00</u>	<u>378,000.00</u>
Fund Balance December 31	<u>\$ 61,392.40</u>	<u>\$ 238,392.40</u>

The accompanying notes are an integral part of this statement.

TOWNSHIP OF ABERDEEN
COUNTY OF MONMOUTH, NEW JERSEY

CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS

For the Year Ended December 31, 2011

	<u>Anticipated</u>			
	Budget	Special N.J.S.A. 40A:4-87	Realized	Excess or (Deficit)
Fund Balance Anticipated	\$ 177,000.00		\$ 177,000.00	
Miscellaneous Revenues:				
Licenses:				
Alcoholic Beverages	21,350.00		21,202.55	\$ (147.45)
Other	21,975.00		6,261.00	(15,714.00)
Fees and Permits:				
Other	90,000.00		114,631.91	24,631.91
Fines and Costs:				
Municipal Court	413,500.00		362,353.71	(51,146.29)
Interest and Costs on Taxes	166,250.00		172,665.29	6,415.29
Parking Meters	104,000.00		104,000.00	
Interest on Investments and Deposits	51,250.00		21,439.54	(29,810.46)
Anticipated Utility Operating Surplus	60,000.00		60,000.00	
Cable T.V. Franchise Fee	54,776.00		54,776.37	0.37
Verizon Cable TV	46,588.00		46,588.00	
Administrative Fee	40,000.00		28,799.85	(11,200.15)
Electric Inspection Fees	58,750.00		66,870.00	8,120.00
Property Maintenance Fees	96,700.00		97,310.00	610.00
Fees and Donations for				
Handicapped Persons	16,500.00		13,457.63	(3,042.37)
Consolidated Municipal Property Tax Relief Aid	282,363.00		254,445.00	(27,918.00)
Energy Receipts Tax (P.L. 1997, Ch. 62 & 67)	1,158,715.00		1,186,633.00	27,918.00
Uniform Construction Code Fees	230,000.00		215,494.00	(14,506.00)
Interlocal Services Agreements:				
Handicapped Persons Opportunity Act				
Borough of Matawan	19,245.00			(19,245.00)
Township of Hazlet	18,805.00		18,805.00	
Borough of Matawan	18,805.00		18,805.00	
School Police Services	50,000.00		30,000.00	(20,000.00)
Mass Transit - Parking Lot Fees - N.J. Transit	355,000.00		362,068.39	7,068.39

The accompanying notes are an integral part of this statement.

TOWNSHIP OF ABERDEEN
COUNTY OF MONMOUTH, NEW JERSEY

CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS

For the Year Ended December 31, 2011

	<u>Anticipated</u>		<u>Excess or (Deficit)</u>
	<u>Budget</u>	<u>Special N.J.S.A. 40A:4-87</u>	
		<u>Realized</u>	
Clean Communities Program	\$ 27,718.49	\$ 27,718.49	
Safe and Secure Communities Program	51,771.00	51,771.00	
Handicapped Recreation Opportunities Act	10,000.00	10,000.00	
Body Armor Replacement Grant	4,535.78	4,535.78	
Bayshore Saturation Patrol	6,400.00	6,400.00	
Municipal Alcohol Education and Rehabilitation Program	1,256.93	1,904.15	
Monmouth County Municipal Recycling Services		3,250.00	
Drunk Driving Enforcement Fund		4,663.71	
Sewer Operating Surplus of Prior Year	35,000.00	35,000.00	
Sanitation District Surplus of Prior Year	50,000.00	50,000.00	
Water Utility Surplus of Prior Year	180,000.00	180,000.00	
Payment in Lieu of Taxes	943,627.00	981,372.08	\$ 37,745.08
Polling Place Fees	3,850.00	3,893.28	43.28
COAH Approved Spending Plan	43,860.00	43,860.00	
COAH Approved Spending Plan	18,390.00	18,390.00	
Reserve for Land Sale Deposits	35,000.00	35,000.00	
Matawan Aberdeen Library Surplus	50,000.00		(50,000.00)
Marriage Ceremony Fees	3,500.00	2,710.30	(789.70)
Billboard Space Rental	7,200.00	7,200.00	
Bus Commuter Parking Fees	14,000.00	16,371.20	2,371.20
Sale of Public Property	85,000.00	85,689.00	689.00
Total Miscellaneous Revenues	4,945,681.20	8,560.93	(127,906.90)
Receipts from Delinquent Taxes	759,000.00	752,552.29	(6,447.71)
Amount to be Raised by Taxes for Support of Municipal Budget	5,881,681.20	5,755,887.52	(134,354.61)
Non-Budget Revenues	9,207,541.83	9,090,044.36	(117,497.47)
	15,089,223.03	14,845,931.88	(251,852.08)
		150,581.68	150,581.68
Total	\$ 15,089,223.03	\$ 8,560.93	\$ (101,270.40)

The accompanying notes are an integral part of this statement.

TOWNSHIP OF ABERDEEN
COUNTY OF MONMOUTH, NEW JERSEY

CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS

For the Year Ended December 31, 2011

Analysis of Realized Revenues

Allocation of Current Tax Collections:

Revenue from Collections \$ 48,866,995.58

Allocated to School ,County, and Special District Taxes 40,625,607.99

Balance for Support of Municipal
Budget Appropriations 8,241,387.59

Add:

Reserve for Uncollected Taxes 848,656.77

Amount for Support of Municipal
Budget Appropriations \$ 9,090,044.36

Receipts from Delinquent Taxes:

Delinquent Tax Collections \$ 752,552.29

\$ 752,552.29

Analysis of Licenses - Other:

Clerk - Bingo and Raffle \$ 4,010.00

Clerk - Peddler and Taxi 1,900.00

Clerk - Marriage Licenses 351.00

\$ 6,261.00

The accompanying notes are an integral part of this statement.

TOWNSHIP OF ABERDEEN
COUNTY OF MONMOUTH, NEW JERSEY

CURRENT FUND
 STATEMENT OF REVENUES - REGULATORY BASIS

For the Year Ended December 31, 2011

Analysis of Realized Revenues (Continued)

Fees and Permits Other:

Recreation	\$ 37,039.06
Planning and Zoning	23,130.00
Street Opening	36,322.00
Police	3,557.75
Health Inspection Fees	10,475.00
Registrar Fees	3,198.00
Miscellaneous	910.10

\$ 114,631.91

Analysis of Non-Budget Revenues:

Advertising Fee/Cost of Sale	\$ 18,741.67
Administration Fee - Senior Citizens and Veterans	3,659.54
Inspection Fines	7,375.00
Demolition and Clean Up Fees	380.00
Tax Sale Premiums Forfeited	22,500.00
Reimbursement for Hurricane Irene	16,985.60
Property Sale - Reids Hill Road	10,000.00
Reimbursement for Cost of Snow Storm	42,078.08
Cobra Reimbursement	4,211.42
Hepatitis B Reimbursement	2,800.00
Sale of Obsolete Vehicles	2,848.00
Reimbursement for Cost of Homestead Rebate	2,708.25
Health Insurance Reimbursements	9,253.26
Miscellaneous	7,040.86

\$ 150,581.68

The accompanying notes are an integral part of this statement.

TOWNSHIP OF ABERDEEN
COUNTY OF MONMOUTH, NEW JERSEY

CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS

For the Year Ended December 31, 2011

	<u>Appropriated</u>		<u>Paid or</u>	<u>Expended</u>	<u>Unexpended</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Charged</u>		<u>Balance</u> <u>Canceled</u>
<u>Operations Within CAPS</u>					
General Government:					
Administrative and Executive					
Salaries and Wages	\$ 29,864.00	\$ 28,864.00	\$ 28,285.72	\$ 578.28	
Other Expenses	54,895.00	51,895.00	51,286.31	608.69	
Purchasing					
Salaries and Wages	33,025.00	33,675.00	32,761.57	913.43	
Other Expenses	28,151.00	20,451.00	20,421.41	29.59	
Township Council					
Salaries and Wages	57,698.00	57,698.00	57,284.00	414.00	
Municipal Clerk					
Salaries and Wages	61,386.00	61,636.00	60,707.24	928.76	
Other Expenses	18,795.00	18,795.00	18,622.74	172.26	
Financial Administration					
Salaries and Wages	126,392.00	126,392.00	124,605.49	1,786.51	
Other Expenses	2,895.00	1,895.00	1,889.53	5.47	
Audit Services					
Other Expenses	41,000.00	41,000.00	13,365.00	27,635.00	
Data Processing					
Other Expenses	25,100.00	25,100.00	18,978.48	6,121.52	
Elections:					
Salaries and Wages	1,200.00	1,200.00	1,200.00		
Other Expenses	8,400.00	7,293.28	7,293.28		
Collection of Taxes					
Salaries and Wages	88,045.00	89,045.00	87,875.92	1,169.08	
Other Expenses	6,165.00	6,440.00	6,403.63	36.37	
Assessment of Taxes					
Salaries and Wages	106,234.00	106,234.00	105,116.39	1,117.61	
Other Expenses	17,000.00	15,496.00	14,090.33	1,405.67	

The accompanying notes are an integral part of this statement.

TOWNSHIP OF ABERDEEN
COUNTY OF MONMOUTH, NEW JERSEY

CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS

For the Year Ended December 31, 2011

	Appropriated		Paid or Charged	Expended	Reserved	Unexpended Balance <u>Canceled</u>
	Budget	Budget After Modification				
Legal Services and Costs						
Salaries and Wages	\$ 56,218.00	\$ 56,218.00	\$ 55,898.38	\$	319.62	
Other Expenses	115,500.00	151,000.00	135,010.93		15,989.07	
Engineering Services and Costs						
Other Expenses	30,000.00	29,000.00	23,560.99		5,439.01	
Municipal Court						
Salaries and Wages	159,104.00	147,604.00	146,602.20		1,001.80	
Other Expenses	16,905.00	13,155.00	11,133.37		2,021.63	
Planning Board						
Salaries and Wages	39,821.00	39,321.00	39,028.06		292.94	
Other Expenses	15,465.00	13,765.00	11,829.50		1,935.50	
Environmental Advisory Board						
Other Expenses	1,900.00	900.00	340.00		560.00	
Zoning Board of Adjustment						
Salaries and Wages	38,740.00	38,740.00	37,944.04		795.96	
Other Expenses	14,725.00	13,648.50	11,951.50		1,697.00	
Code Enforcement						
Salaries and Wages	137,272.00	135,272.00	130,000.51		5,271.49	
Other Expenses	1,465.00	815.00	300.00		515.00	
Insurance (N.J.S.A. 40A-45.3(00))						
General Liability	535,000.00	535,000.00	535,000.00			
Claims Deductible	25,000.00	34,000.00	33,875.00		125.00	
Employee Group Health	1,663,000.00	1,707,309.22	1,398,237.18		309,072.04	
Unemployment Insurance	22,000.00	22,000.00	22,000.00			
Public Safety:						
Police						
Salaries and Wages	3,923,719.00	3,927,019.00	3,911,555.15		15,463.85	
Other Expenses	175,825.00	181,225.00	175,385.74		5,839.26	
Emergency Management Services						
Other Expenses	11,000.00	4,558.00	2,981.05		1,576.95	
First Aid Organization Contributions						
Other Expenses	70,000.00	70,000.00	52,500.00		17,500.00	

The accompanying notes are an integral part of this statement.

TOWNSHIP OF ABERDEEN
COUNTY OF MONMOUTH, NEW JERSEY

CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS

For the Year Ended December 31, 2011

	<u>Appropriated</u>		<u>Budget After</u>	<u>Paid or</u>	<u>Expended</u>	<u>Reserved</u>	<u>Unexpended</u>
	<u>Budget</u>		<u>Modification</u>	<u>Charged</u>			<u>Balance</u>
							<u>Canceled</u>
Streets and Roads:							
Road Repairs and Maintenance							
Salaries and Wages	\$ 243,687.00	\$	241,187.00	\$ 238,977.90	\$	2,209.10	
Other Expenses	167,516.00		187,516.00	175,233.47		12,282.53	
Snow Removal							
Salaries and Wages	43,000.00		38,575.00	21,144.81		17,430.19	
Other Expenses	55,600.00		55,600.00	55,160.69		439.31	
Street Signs							
Other Expenses	10,000.00		7,000.00	6,989.70		10.30	
Public Buildings and Grounds							
Salaries and Wages	46,474.00		46,724.00	46,674.13		49.87	
Other Expenses	45,495.00		47,015.00	45,897.41		1,117.59	
Mass Transit Parking Lot							
Salaries and Wages	87,161.00		87,161.00	82,962.04		4,198.96	
Other Expenses	64,630.00		64,630.00	62,386.41		2,243.59	
Health & Welfare:							
Board of Health							
Salaries and Wages	15,132.00		15,132.00	15,076.93		55.07	
Other Expenses	1,000.00		1,000.00	991.10		8.90	
Animal Control	46,180.00		14,180.00	14,180.00			
Recreation and Education:							
Handicapped Recreation Program							
Salaries and Wages	26,387.00		26,387.00	26,387.00			
Other Expenses	8,418.00		8,418.00	7,828.86		589.14	
Recreation							
Salaries and Wages	137,915.00		127,415.00	123,260.57		4,154.43	
Other Expenses	96,245.00		90,545.00	79,038.46		11,506.54	

The accompanying notes are an integral part of this statement.

TOWNSHIP OF ABERDEEN
COUNTY OF MONMOUTH, NEW JERSEY

CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS

For the Year Ended December 31, 2011

	<u>Appropriated</u>		<u>Paid or</u>	<u>Expended</u>	<u>Unexpended</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Charged</u>		<u>Balance</u> <u>Canceled</u>
Parks and Playgrounds					
Salaries and Wages	\$ 218,753.00	\$ 219,753.00	\$ 210,082.13	\$	9,670.87
Other Expenses	60,525.00	65,025.00	59,172.35		5,852.65
Utility Expenses and Bulk Purchases:					
Electricity	75,042.00	75,042.00	65,363.99		9,678.01
Street Lighting	206,164.00	210,164.00	206,013.62		4,150.38
Telephone	49,100.00	49,100.00	43,555.40		5,544.60
Natural Gas	25,600.00	25,600.00	21,070.96		4,529.04
Gasoline	120,000.00	120,000.00	111,811.82		8,188.18
Uniform Construction Code - Appropriations					
Offset by Dedicated Revenues (N.J.A.C. 5:23-4.17):					
State Uniform Construction Code Officials					
Salaries and Wages	164,554.00	162,554.00	162,273.60		280.40
Other Expenses	5,890.00	3,990.00	3,732.75		257.25
Aid to Organizations					
Senior Citizen Transportation	3,172.00	3,172.00	2,624.00		548.00
Veterans of Foreign War	6,000.00	6,000.00	3,825.00		2,175.00
Bayshore Youth and Family Services Bureau	15,000.00	15,000.00	15,000.00		
Total Operations Within CAPS	9,803,544.00	9,827,544.00	9,292,035.74		535,508.26
Detail:					
Salaries and Wages	5,841,781.00	5,813,806.00	5,745,703.78		68,102.22
Other Expenses	3,961,763.00	4,013,738.00	3,546,331.96		467,406.04

The accompanying notes are an integral part of this statement.

TOWNSHIP OF ABERDEEN
COUNTY OF MONMOUTH, NEW JERSEY

CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS

For the Year Ended December 31, 2011

	<u>Appropriated</u>		<u>Paid or</u>	<u>Expended</u>	<u>Unexpended</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Charged</u>	<u>Reserved</u>	<u>Balance Canceled</u>
<u>Deferred Charges and Statutory Expenditures Within CAPS</u>					
<u>Deferred Charges:</u>					
Overexpenditure of Appropriations	\$ 15,113.00	\$ 15,113.00	\$ 15,112.57		\$ 0.43
Overexpenditure - POAA	1,810.08	1,810.08	1,205.77		604.31
<u>Statutory Expenditures:</u>					
Public Employees Retirement System	269,945.51	269,945.51	269,944.51	\$ 1.00	
Social Security System (O.A.S.I.)	265,000.00	260,500.00	256,562.48	3,937.52	
Police and Fireman's Retirement System	896,988.00	896,988.00	896,988.00		
Defined Compensation Retirement Program	800.00	1,300.00	1,031.14	268.86	
<u>Deferred Charges and Statutory Expenditures Within CAPS</u>	<u>1,449,656.59</u>	<u>1,445,656.59</u>	<u>1,440,844.47</u>	<u>4,207.38</u>	<u>604.74</u>
<u>Total Appropriations Within CAPS</u>	<u>11,253,200.59</u>	<u>11,273,200.59</u>	<u>10,732,880.21</u>	<u>539,715.64</u>	<u>604.74</u>
<u>Operations Excluded from CAPS</u>					
Maintenance of Free Public Library	716,883.00	716,883.00	716,883.00		
Court Security N.J.S.A. 4-45.3(CC)					
Salaries and Wages	23,000.00	23,000.00	23,000.00		
<u>Shared Service Agreements</u>					
School Services Police S&W	50,000.00	50,000.00	50,000.00		
Communications - 911 (County of Monmouth)	18,718.47	18,718.47	18,718.47		
<u>Handicapped Persons Opportunity Act</u>					
Salaries and Wages	25,648.00	25,648.00	25,648.00		
Other Expenses	9,963.00	9,963.00	6,169.54	3,793.46	
D.A.R.E. Program	3,500.00	3,500.00	3,449.25	50.75	

The accompanying notes are an integral part of this statement.

TOWNSHIP OF ABERDEEN
COUNTY OF MONMOUTH, NEW JERSEY

CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS

For the Year Ended December 31, 2011

	<u>Appropriated</u>		<u>Expended</u>	<u>Unexpended</u>	
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Balance Canceled</u>
Additional Appropriations Offset by Revenues					
(N.J.S. 40A:-45.3h):					
Mass Transit Parking Lot - Fee Increase:					
Salaries and Wages	\$ 25,000.00	\$ 25,000.00	\$ 25,000.00		
Other Expenses	297,532.00	297,532.00	294,660.00	\$ 2,872.00	
Public and Private Programs Offset by Revenues:					
Handicapped Persons Opportunity Act:					
Salaries and Wages	10,000.00	10,000.00	10,000.00		
Other Expenses	2,000.00	2,000.00	2,000.00		
Body Armor Replacement Grant	4,535.78	4,535.78	4,535.78		
Clean Communities Act:					
Salaries and Wages	12,750.00	12,750.00	12,750.00		
Other Expenses	14,968.49	14,968.49	14,968.49		
Supplemental Fire Services Program	6,657.00	6,657.00	6,657.00		
Safe and Secure Communities Program					
Grant Portion					
Salaries and Wages	51,771.00	51,771.00	51,771.00		
Matching Portion					
Salaries and Wages	251,680.00	251,680.00	251,680.00		
Bayshore Saturation Patrol	6,400.00	6,400.00	6,400.00		
Municipal Court Alcohol Education and					
Rehabilitation Fund	1,256.93	1,904.15	1,904.15		
Drunk Driving Enforcement Fund		4,663.71	4,663.71		
Monmouth County Municipal Recycling Services		3,250.00	3,250.00		
Total Operations - Excluded from CAPS	1,532,263.67	1,540,824.60	1,534,108.39	6,716.21	
Detail:					
Salaries and Wages	451,105.93	451,753.15	451,753.15		
Other Expenses	1,081,157.74	1,089,071.45	1,082,355.24	6,716.21	

The accompanying notes are an integral part of this statement.

TOWNSHIP OF ABERDEEN
COUNTY OF MONMOUTH, NEW JERSEY

CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS

For the Year Ended December 31, 2011

	<u>Appropriated</u>		<u>Expended</u>	<u>Unexpended</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Balance Canceled</u>
<u>Capital Improvements - Excluded from CAPS</u>				
Capital Improvement Fund	\$ 110,000.00	\$ 110,000.00	\$ 110,000.00	
Total Capital Improvements Excluded from CAPS	110,000.00	110,000.00		
<u>Municipal Debt Service Excluded from CAPS</u>				
Payment of Bond Principal	701,112.00	701,112.00	701,111.00	\$ 1.00
Payment of Bond Anticipation Notes	160,000.00	160,000.00	159,081.00	919.00
Interest on Bonds	276,791.00	276,791.00	276,790.96	0.04
Interest on Notes	79,999.00	79,999.00	79,323.56	675.44
Total Municipal Debt Service Excluded from CAPS	1,217,902.00	1,217,902.00	1,216,306.52	1,595.48
<u>Deferred Charges - Municipal Excluded from CAPS</u>				
Special Emergency Authorizations - 5 Years (N.J.S. 40A:4-55)	127,200.00	127,200.00	127,200.00	
Total Deferred Charges - Municipal Excluded from "CAPS"	127,200.00	127,200.00	127,200.00	
Total General Appropriations Excluded from CAPS	2,987,365.67	2,995,926.60	2,987,614.91	1,595.48
Subtotal General Appropriations Reserve for Uncollected Taxes	14,240,566.26 848,656.77	14,269,127.19 848,656.77	13,720,495.12 848,656.77	2,200.22
Total General Appropriations	\$ 15,089,223.03	\$ 15,117,783.96	\$ 14,569,151.89	\$ 2,200.22

The accompanying notes are an integral part of this statement.

TOWNSHIP OF ABERDEEN
COUNTY OF MONMOUTH, NEW JERSEY

CURRENT FUND
 STATEMENT OF EXPENDITURES - REGULATORY BASIS

For the Year Ended December 31, 2011

	<u>Budget After Modification</u>
Budget	\$ 15,089,223.03
Added by N.J.S. 40A:4-87	8,560.93
Emergency Appropriation	<u>20,000.00</u>
	<u>\$ 15,117,783.96</u>
	<u>Paid or Charged</u>
Disbursements	\$ 13,040,762.67
Reserve for Encumbrances	162,290.98
Appropriated Reserves for	
Federal and State Grants	363,923.13
Reserve for Uncollected Taxes	848,656.77
Overexpenditure of Appropriation	15,112.57
Interfunds	1,205.77
Reserve-N.J Transit Capital Improvements	10,000.00
Deferred Charges - Special Emergencies	<u>127,200.00</u>
	<u>\$ 14,569,151.89</u>

The accompanying notes are an integral part of this statement.

TOWNSHIP OF ABERDEEN
COUNTY OF MONMOUTH, NEW JERSEY

TRUST FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

As of December 31,

ASSETS	<u>2011</u>	<u>2010</u>
Animal Control Trust Fund:		
Cash	\$ 4,579.28	\$ 25,861.97
Deficit in Animal Control Reserve	<u>1,222.02</u>	<u>25,861.97</u>
	<u>5,801.30</u>	<u>25,861.97</u>
Trust Other Funds:		
Cash	2,263,147.20	3,619,132.13
Overexpenditure - Court POAA		566.02
Interfund - Current Fund		22,620.49
Interfund - General Capital Fund		<u>9,957.90</u>
	<u>2,263,147.20</u>	<u>3,652,276.54</u>
	<u>\$ 2,268,948.50</u>	<u>\$ 3,678,138.51</u>
 LIABILITIES AND RESERVES		
Animal Control Trust Fund:		
Interfund - Current Fund	\$ 4,830.90	\$ 4,830.90
Due to State of New Jersey	5.40	7.80
Reserve for Encumbrances	965.00	1,037.00
Reserve for Animal Control Trust Fund Expenditures		<u>19,986.27</u>
	<u>5,801.30</u>	<u>25,861.97</u>
Trust Other Funds:		
Interfund - Current Fund	58,239.12	
Reserve for Encumbrances	706,900.58	588,882.84
Various Reserves	<u>1,498,007.50</u>	<u>3,063,393.70</u>
	<u>2,263,147.20</u>	<u>3,652,276.54</u>
	<u>\$ 2,268,948.50</u>	<u>\$ 3,678,138.51</u>

The accompanying notes are an integral part of this statement.

TOWNSHIP OF ABERDEEN
COUNTY OF MONMOUTH, NEW JERSEY

GENERAL CAPITAL FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

As of December 31,

	<u>2011</u>	<u>2010</u>
ASSETS		
Cash	\$ 3,284,572.00	\$ 991,310.30
Grants Receivable	310,147.54	516,551.22
Interfund - Current Fund		16,673.15
Deferred Charges to Future Taxation:		
Funded	6,210,444.44	6,911,555.55
Unfunded	<u>17,450,918.73</u>	<u>16,065,816.73</u>
	\$ <u>27,256,082.71</u>	\$ <u>24,501,906.95</u>
 LIABILITIES, RESERVES AND FUND BALANCE		
General Serial Bonds	\$ 6,210,444.44	\$ 6,911,555.55
Bond Anticipation Notes	10,972,212.00	9,561,604.00
Improvement Authorizations:		
Funded	107,355.68	109,521.40
Unfunded	6,796,937.43	6,741,027.10
Reserve for Encumbrances	1,614,620.55	621,840.60
Capital Improvement Fund	12,680.32	9,680.32
Miscellaneous Reserves	1,492,902.75	397,377.55
Interfund - Trust Other Fund		9,957.90
Interfund - Sewer Capital Fund	46,250.00	138,750.00
Fund Balance	<u>2,679.54</u>	<u>592.53</u>
	\$ <u>27,256,082.71</u>	\$ <u>24,501,906.95</u>

There were bonds and notes authorized but not issued on December 31, 2011 of \$6,478,706.73.

The accompanying notes are an integral part of this statement.

TOWNSHIP OF ABERDEEN
COUNTY OF MONMOUTH, NEW JERSEY

GENERAL CAPITAL FUND
STATEMENT OF FUND BALANCE - REGULATORY BASIS

Balance, December 31, 2010	\$ 592.53
Increased by:	
Premium on Sale of Bond Anticipation Notes	<u>2,087.01</u>
Balance, December 31, 2011	<u>\$ 2,679.54</u>

The accompanying notes are an integral part of this statement.

TOWNSHIP OF ABERDEEN
COUNTY OF MONMOUTH, NEW JERSEY

WATER UTILITY FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

As of December 31,

ASSETS	<u>2011</u>	<u>2010</u>
<u>Operating Fund</u>		
Cash	\$ 153,769.58	\$ 324,833.16
Change Fund	<u>200.00</u>	<u>200.00</u>
	<u>153,969.58</u>	<u>325,033.16</u>
Receivables and Other Assets with Full Reserves:		
Consumer Accounts Receivable	110,228.22	102,948.33
Fire Hydrant Service Receivable	<u>467.55</u>	<u>2,093.50</u>
	<u>110,695.77</u>	<u>105,041.83</u>
Deferred Charges:		
Emergency Appropriation	90,000.00	
Operating Deficit	<u>17,365.40</u>	
	<u>107,365.40</u>	
Total Operating Fund	<u>372,030.75</u>	<u>430,074.99</u>
<u>Capital Fund</u>		
Cash	1,772,947.79	1,192,128.99
Fixed Capital	7,666,566.21	7,666,566.21
Fixed Capital Authorized and Uncompleted	<u>6,327,767.87</u>	<u>6,237,767.87</u>
Total Capital Fund	<u>15,767,281.87</u>	<u>15,096,463.07</u>
Total Assets	<u>\$ 16,139,312.62</u>	<u>\$ 15,526,538.06</u>

The accompanying notes are an integral part of this statement.

TOWNSHIP OF ABERDEEN
COUNTY OF MONMOUTH, NEW JERSEY

WATER UTILITY FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

As of December 31,

	<u>2011</u>	<u>2010</u>
LIABILITIES, RESERVES AND FUND BALANCE		
<u>Operating Fund</u>		
Appropriation Reserves	\$ 126,351.59	\$ 80,565.62
Reserve for Encumbrances	109,095.49	27,259.44
Customer Overpayments	5,448.84	6,223.94
Accrued Interest on Bonds and Notes	20,391.95	9,726.05
	<u>261,287.87</u>	<u>123,775.05</u>
Reserve for Receivables and Other Assets	110,695.77	105,041.83
Fund Balance	<u>47.11</u>	<u>201,258.11</u>
Total Operating Fund	<u>372,030.75</u>	<u>430,074.99</u>
<u>Capital Fund</u>		
Serial Bonds	55,555.56	84,444.45
Bond Anticipation Notes	3,167,250.00	2,442,050.00
Reserve for Encumbrances	2,534,827.39	247,324.97
Improvement Authorizations:		
Funded	8,270.41	132,076.97
Unfunded	602,986.98	2,851,764.04
Capital Improvement Fund	1,461.27	1,461.27
Reserve for Amortization	7,611,010.65	7,582,121.76
Deferred Reserve for Amortization	1,785,517.87	1,694,817.87
Fund Balance	<u>401.74</u>	<u>60,401.74</u>
Total Capital Fund	<u>15,767,281.87</u>	<u>15,096,463.07</u>
Total Liabilities, Reserves and Fund Balance	<u>\$ 16,139,312.62</u>	<u>\$ 15,526,538.06</u>

There were bonds and notes authorized but not issued on December 31, 2011 of \$1,375,000.00

The accompanying notes are an integral part of this statement.

TOWNSHIP OF ABERDEEN
COUNTY OF MONMOUTH, NEW JERSEY

WATER UTILITY OPERATING FUND
COMPARATIVE STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE
REGULATORY BASIS

For the Years Ended December 31,

	<u>2011</u>	<u>2010</u>
Revenue and Other Income Realized:		
Fund Balance Utilized	\$ 21,211.00	
Water Rents	1,690,045.54	\$ 1,744,764.76
Fire Hydrant Service	35,182.95	30,506.15
Miscellaneous Revenue	15,765.33	23,529.21
Lease of Diversion Rights	206,806.48	200,782.96
Water Tower Rents	74,019.77	107,922.52
Connection Fees	23,038.95	16,625.85
Water Capital Fund Balance	60,000.00	
Other Credits to Income:		
Unexpended Balance of Appropriation Reserves	<u>36,593.87</u>	<u>5,717.95</u>
Total Revenue	<u>2,162,663.89</u>	<u>2,129,849.40</u>
Expenditures:		
Operating	2,005,601.00	1,761,017.00
Capital Improvements	35,000.00	60,000.00
Debt Service	118,457.29	128,880.94
Deferred Charges		8,663.22
Statutory Expenditures	50,971.00	51,257.00
Surplus (General Budget)	<u>60,000.00</u>	
Total Expenditures	<u>2,270,029.29</u>	<u>2,009,818.16</u>
Excess / (Deficit) in Revenue	(107,365.40)	120,031.24
Add:		
Expenditures Included Above Which are by Statute		
Deferred Charges to Budgets of Succeeding Year:		
Emergency Appropriation	<u>90,000.00</u>	
Operating Deficit to be Raised in Budget of Succeeding Year	<u>\$ 17,365.40</u>	
Fund Balance January 1	201,258.11	81,226.87
Decreased by:		
Utilization as Anticipated Revenue	21,211.00	
Utilized in Current Fund Budget	<u>180,000.00</u>	
Fund Balance December 31	<u>\$ 47.11</u>	<u>\$ 201,258.11</u>

The accompanying notes are an integral part of these statements.

TOWNSHIP OF ABERDEEN
COUNTY OF MONMOUTH, NEW JERSEY

WATER UTILITY CAPITAL FUND
STATEMENT OF FUND BALANCE - REGULATORY BASIS

Balance, December 31, 2010	\$ 60,401.74
Decreased by:	
Anticipated in Operating Budget	<u>60,000.00</u>
Balance, December 31, 2011	\$ <u>401.74</u>

The accompanying notes are an integral part of this statement.

TOWNSHIP OF ABERDEEN
COUNTY OF MONMOUTH, NEW JERSEY

WATER UTILITY OPERATING FUND
STATEMENT OF REVENUES - REGULATORY BASIS

For the Year Ended December 31, 2011

	Anticipated <u>Budget</u>	<u>Realized</u>	Excess or (<u>Deficit</u>)
Fund Balance Anticipated	\$ 21,211.00	\$ 21,211.00	
Water Rents	1,740,000.00	1,690,045.54	\$ (49,954.46)
Fire Hydrant Service	30,000.00	35,182.95	5,182.95
Miscellaneous	22,000.00	15,765.33	(6,234.67)
Lease of Diversion Rights	200,000.00	206,806.48	6,806.48
Water Tower Rents	105,000.00	74,019.77	(30,980.23)
Connection Fees	16,000.00	23,038.95	7,038.95
Water Capital Fund Balance	<u>60,000.00</u>	<u>60,000.00</u>	<u> </u>
	\$ <u>2,194,211.00</u>	\$ <u>2,126,070.02</u>	\$ <u>(68,140.98)</u>

Analysis of Miscellaneous Revenue:

Interest Earned on Investments	\$ 6,764.34
Interest Earned on Delinquent Accounts	<u>9,000.99</u>
	\$ <u>15,765.33</u>

The accompanying notes are an integral part of this statement.

TOWNSHIP OF ABERDEEN
COUNTY OF MONMOUTH, NEW JERSEY

WATER UTILITY OPERATING FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS

For the Year Ended December 31, 2011

	Appropriated		Paid or Charged	Expended	Unexpended Balance Canceled
	Budget	Budget After Modification			
Operating:					
Salaries and Wages	\$ 314,028.00	\$ 290,028.00	\$ 286,386.11	\$ 3,641.89	
Other Expenses	1,377,823.00	1,497,823.00	1,415,393.98	82,429.02	
Employee Benefits	214,000.00	214,000.00	174,561.48	39,438.52	
Insurance - Other	3,750.00	3,750.00	3,750.00		
Capital Improvements:					
Capital Improvement Fund	35,000.00	35,000.00	35,000.00		
Debt Service:					
Payment of Bond Principal	28,889.00	28,889.00	28,888.89		0.11
Payment of Bond Anticipation Notes	60,000.00	60,000.00	55,700.00		4,300.00
Interest on Bonds	2,750.00	2,750.00	2,733.87		16.13
Interest on Notes	41,000.00	41,000.00	31,134.53		9,865.47
Statutory Expenditures:					
Contribution to:					
Public Employees' Retirement System	30,980.00	30,980.00	30,980.00		
Social Security System (O.A.S.I.)	22,241.00	16,241.00	15,398.84	842.16	
Unemployment Compensation Insurance	3,750.00	3,750.00	3,750.00		
Surplus (General Budget)	60,000.00	60,000.00	60,000.00		
	<u>\$ 2,194,211.00</u>	<u>\$ 2,284,211.00</u>	<u>\$ 2,143,677.70</u>	<u>\$ 126,351.59</u>	<u>\$ 14,181.71</u>

Analysis of Paid or Charged:

Cash Disbursements	\$ 2,001,368.81
Reserve for Encumbrances	109,095.49
Accrued Interest Bonds and Notes	33,213.40
	<u>\$ 2,143,677.70</u>

The accompanying notes are an integral part of this statement.

TOWNSHIP OF ABERDEEN
COUNTY OF MONMOUTH, NEW JERSEY

SEWER UTILITY FUND
 COMPARATIVE BALANCE SHEET - REGULATORY BASIS

As of December 31,

ASSETS	<u>2011</u>	<u>2010</u>
<u>Operating Fund</u>		
Cash	\$ 501,429.74	\$ 356,837.39
	<u>501,429.74</u>	<u>356,837.39</u>
Receivables and Other Assets with Full Reserves:		
Consumer Accounts Receivable	<u>295,279.50</u>	<u>278,425.37</u>
Deferred Charges:		
Emergency Appropriation	<u>110,000.00</u>	<u> </u>
Total Operating Fund	<u>906,709.24</u>	<u>635,262.76</u>
<u>Capital Fund</u>		
Cash	513,664.21	543,136.54
Fixed Capital	16,471,982.22	16,471,982.22
Fixed Capital Authorized and Uncompleted	6,955,822.35	6,760,822.35
Interfund - General Capital Fund	46,250.00	138,750.00
Grants Receivable	<u> </u>	<u>46,250.00</u>
Total Capital Fund	<u>23,987,718.78</u>	<u>23,960,941.11</u>
Total Assets	\$ <u>24,894,428.02</u>	\$ <u>24,596,203.87</u>

The accompanying notes are an integral part of this statement.

TOWNSHIP OF ABERDEEN
COUNTY OF MONMOUTH, NEW JERSEY

SEWER UTILITY FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

As of December 31,

	<u>2011</u>	<u>2010</u>
LIABILITIES, RESERVES AND FUND BALANCE		
<u>Operating Fund</u>		
Appropriation Reserves	\$ 37,547.26	\$ 35,843.87
Reserve for Encumbrances	46,857.06	42,437.50
Customer Overpayments	17,234.74	16,663.62
Accrued Interest on Bonds and Notes	140,176.63	145,431.02
	<u>241,815.69</u>	<u>240,376.01</u>
Reserve for Receivables and Other Assets	295,279.50	278,425.37
Fund Balance	<u>369,614.05</u>	<u>116,461.38</u>
Total Operating Fund	<u>906,709.24</u>	<u>635,262.76</u>
<u>Capital Fund</u>		
General Serial Bonds	7,190,000.00	7,890,000.00
Bond Anticipation Notes	2,088,099.00	2,207,349.00
Reserve for Encumbrances	387,188.80	27,933.30
Improvement Authorizations:		
Funded	63,122.32	99,917.00
Unfunded	210,792.50	511,475.65
Capital Improvement Fund	1,746.00	81,746.00
Reserve for Bond Issuance Costs	6,827.57	6,827.57
Reserve for Amortization	9,281,982.22	8,581,982.22
Deferred Reserve for Amortization	4,757,723.35	4,553,473.35
Fund Balance	<u>237.02</u>	<u>237.02</u>
Total Capital Fund	<u>23,987,718.78</u>	<u>23,960,941.11</u>
Total Liabilities, Reserves and Fund Balance	<u>\$ 24,894,428.02</u>	<u>\$ 24,596,203.87</u>

There were bonds and notes authorized but not issued on December 31, 2011 of \$110,000.00

The accompanying notes are an integral part of this statement.

TOWNSHIP OF ABERDEEN
COUNTY OF MONMOUTH, NEW JERSEY

SEWER UTILITY OPERATING FUND
STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE
REGULATORY BASIS

For the Years Ended December 31,

	<u>2011</u>	<u>2010</u>
Revenue and Other Income Realized:		
Fund Balance Utilized	\$ 73,731.00	\$ 222,425.00
Sewer Rents	5,160,837.42	4,900,722.16
Connection Fees	127,900.40	70,758.00
Interest	32,897.71	30,575.16
Sewer Capital Surplus		125,000.00
Other Credits to Income:		
Unexpended Balance of Appropriation		
Reserves	<u>27,834.44</u>	<u>41,720.39</u>
Total Revenue	<u>5,423,200.97</u>	<u>5,391,200.71</u>
Expenditures:		
Operating	3,937,073.00	3,751,977.61
Capital Improvements	5,000.00	
Debt Service	1,147,486.30	1,197,063.29
Statutory Expenditures	81,658.00	100,828.39
Surplus (General Budget)		225,000.00
Counterfeit Bill	<u>100.00</u>	
Total Expenditures	<u>5,171,317.30</u>	<u>5,274,869.29</u>
Excess in Revenue	251,883.67	116,331.42
Fund Balance January 1	<u>116,461.38</u>	<u>222,554.96</u>
	368,345.05	338,886.38
Add:		
Expenditures Included Above Which are by Statute		
Deferred Charges to Budgets of Succeeding Year:		
Emergency Appropriation	110,000.00	
Decreased by:		
Surplus -Current Fund Budget	35,000.00	
Utilization as Anticipated Revenue	<u>73,731.00</u>	<u>222,425.00</u>
Fund Balance December 31	<u>\$ 369,614.05</u>	<u>\$ 116,461.38</u>

The accompanying notes are an integral part of these statements.

TOWNSHIP OF ABERDEEN
COUNTY OF MONMOUTH, NEW JERSEY

SEWER UTILITY OPERATING FUND
STATEMENT OF REVENUES - REGULATORY BASIS

For the Year Ended December 31, 2011

	Anticipated <u>Budget</u>	<u>Realized</u>	Excess or (Deficit)
Fund Balance Anticipated	\$ 73,731.00	\$ 73,731.00	
Sewer Rents	4,900,000.00	5,160,837.42	\$ 260,837.42
Connection Fees	70,000.00	127,900.40	57,900.40
Interest	<u>30,000.00</u>	<u>32,897.71</u>	<u>2,897.71</u>
	\$ <u>5,073,731.00</u>	\$ <u>5,395,366.53</u>	\$ <u>321,635.53</u>

Analysis of Sewer Rents

Consumer Rents	\$ 5,144,173.80
Overpayments Applied	<u>16,663.62</u>
	\$ <u>5,160,837.42</u>

Analysis of Interest

Interest Earned on Delinquent Accounts	\$ 30,053.09
Interest Earned on Investments	<u>2,844.62</u>
	\$ <u>32,897.71</u>

The accompanying notes are an integral part of this statement.

TOWNSHIP OF ABERDEEN
COUNTY OF MONMOUTH, NEW JERSEY

SEWER UTILITY OPERATING FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS

For the Year Ended December 31, 2011

	<u>Appropriated</u>		<u>Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Canceled</u>
Operating:					
Salaries and Wages	\$ 537,388.00	\$ 515,688.00	\$ 506,326.61	\$ 9,361.39	
Other Expenses	2,938,685.00	3,113,385.00	3,113,151.29	233.71	
Employee Benefits	340,000.00	308,000.00	280,280.00	27,720.00	
Capital Improvements:					
Capital Improvement Fund	5,000.00	5,000.00	5,000.00		
Debt Service:					
Payment of Bond Principal	700,000.00	700,000.00	700,000.00		
Payment of Bond Anticipation Note Principal	120,000.00	120,000.00	119,250.00		\$ 750.00
Interest on Bonds	305,000.00	305,000.00	303,745.83		1,254.17
Interest on Notes	35,000.00	35,000.00	24,490.47		10,509.53
Statutory Expenditures:					
Contribution To:					
Public Employees' Retirement System	49,203.00	49,203.00	49,203.00		
Social Security System (O.A.S.I.)	39,705.00	28,705.00	28,472.84	232.16	
Unemployment Compensation Insurance (NJSA 43-21.3)	3,750.00	3,750.00	3,750.00		
	<u>\$ 5,073,731.00</u>	<u>\$ 5,183,731.00</u>	<u>\$ 5,133,670.04</u>	<u>\$ 37,547.26</u>	<u>\$ 12,513.70</u>
Budget After Modification:					
Adopted Budget		\$ 5,073,731.00			
Emergency Appropriation		<u>110,000.00</u>			
		<u>\$ 5,183,731.00</u>			
Analysis of Paid or Charged:					
Cash Disbursements			\$ 4,758,576.68		
Reserve for Encumbrances			46,857.06		
Accrued Interest on Bonds and Notes			<u>328,236.30</u>		
			<u>\$ 5,133,670.04</u>		

The accompanying notes are an integral part of this statement.

TOWNSHIP OF ABERDEEN
COUNTY OF MONMOUTH, NEW JERSEY

SOLID WASTE COLLECTION DISTRICT FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

As of December 31,

	<u>2011</u>	<u>2010</u>
ASSETS		
Cash	\$ 319,617.61	\$ 188,436.32
	\$ <u>319,617.61</u>	\$ <u>188,436.32</u>
 LIABILITIES, RESERVES AND FUND BALANCE		
Appropriation Reserves	\$ 120,894.62	\$ 77,736.29
Reserve for Encumbrances	<u>18,959.71</u>	<u>37,871.06</u>
	139,854.33	115,607.35
Fund Balance	<u>179,763.28</u>	<u>72,828.97</u>
	\$ <u>319,617.61</u>	\$ <u>188,436.32</u>

The accompanying notes are an integral part of this statement.

TOWNSHIP OF ABERDEEN
COUNTY OF MONMOUTH, NEW JERSEY

SOLID WASTE COLLECTION DISTRICT FUND
COMPARATIVE STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE
REGULATORY BASIS

For the Years Ended December 31,

	<u>2011</u>	<u>2010</u>
Revenue and Other Income Realized:		
Fund Balance Utilized	\$ 15,984.00	\$ 32,571.00
Recycling Grant	40,122.92	
Tax Levy	2,142,000.00	2,100,000.00
Miscellaneous Revenue Not Anticipated	25,946.36	6,603.44
Other Credits to Income:		
Unexpended Balance of Appropriation		
Reserves	<u>78,251.03</u>	<u>31,993.63</u>
Total Revenue	<u>2,302,304.31</u>	<u>2,171,168.07</u>
Expenditures:		
Operating	2,077,685.00	2,055,176.00
Statutory Expenditures	51,701.00	47,395.00
Surplus (General Budget)	<u>50,000.00</u>	<u>30,000.00</u>
Total Expenditures	<u>2,179,386.00</u>	<u>2,132,571.00</u>
Statutory Excess to Fund Balance	122,918.31	38,597.07
Fund Balance January 1	<u>72,828.97</u>	<u>66,802.90</u>
	195,747.28	105,399.97
Decreased by:		
Utilization as Anticipated Revenue	<u>15,984.00</u>	<u>32,571.00</u>
Fund Balance December 31	\$ <u><u>179,763.28</u></u>	\$ <u><u>72,828.97</u></u>

The accompanying notes are an integral part of these statements.

TOWNSHIP OF ABERDEEN
COUNTY OF MONMOUTH, NEW JERSEY

SOLID WASTE COLLECTION DISTRICT FUND
STATEMENT OF REVENUES - REGULATORY BASIS

For the Year Ended December 31, 2011

	<u>Anticipated</u> <u>Budget</u>	<u>Realized</u>	<u>Excess or</u> <u>(Deficit)</u>
Operating Fund Balance Anticipated	\$ 15,984.00	\$ 15,984.00	
Recycling Grant	21,402.00	40,122.92	\$ 18,720.92
Tax Levy	<u>2,142,000.00</u>	<u>2,142,000.00</u>	
Total Revenues Anticipated	2,179,386.00	2,198,106.92	
Miscellaneous Revenue Not Anticipated		<u>25,946.36</u>	<u>25,946.36</u>
	<u>\$ 2,179,386.00</u>	<u>\$ 2,224,053.28</u>	<u>\$ 25,946.36</u>

Analysis of Miscellaneous Revenue

Not Anticipated

Recycling Receipts	\$ 25,443.10
Interest on Investments	<u>503.26</u>
	<u>\$ 25,946.36</u>

The accompanying notes are an integral part of this statement.

TOWNSHIP OF ABERDEEN
COUNTY OF MONMOUTH, NEW JERSEY

SOLID WASTE COLLECTION DISTRICT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS

For the Year Ended December 31, 2011

	<u>Appropriated</u>		<u>Paid or Charged</u>	<u>Expended</u>	<u>Reserved</u>
	<u>Budget</u>	<u>Budget After Modification</u>			
Operating:					
Salaries and Wages	\$ 365,217.00	\$ 365,217.00	\$ 355,570.88	\$	9,646.12
Other Expenses	69,090.00	69,090.00	50,086.05		19,003.95
Contractual Services	749,800.00	749,800.00	749,799.96		0.04
Disposal Fees	705,800.00	705,800.00	638,242.58		67,557.42
Employee Benefits	138,500.00	138,500.00	121,823.74		16,676.26
General Insurance	46,278.00	46,278.00	46,278.00		
Self Insurance	3,000.00	3,000.00	3,000.00		
Statutory Expenditures:					
Contribution to:					
Public Employees Retirement System	21,869.00	21,869.00	21,869.00		
Social Security System (O.A.S.I.)	27,332.00	27,332.00	19,321.17		8,010.83
Unemployment Compensation Insurance	2,500.00	2,500.00	2,500.00		
Surplus (General Budget)	50,000.00	50,000.00	50,000.00		
	<u>\$ 2,179,386.00</u>	<u>\$ 2,179,386.00</u>	<u>\$ 2,058,491.38</u>	<u>\$</u>	<u>120,894.62</u>
Cash Disbursements			\$ 2,039,531.67		
Reserve for Encumbrances			18,959.71		
			<u>\$ 2,058,491.38</u>		

The accompanying notes are an integral part of this statement.

TOWNSHIP OF ABERDEEN
COUNTY OF MONMOUTH, NEW JERSEY

PAYROLL FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

As of December 31,

	<u>2011</u>	<u>2010</u>
ASSETS		
Cash	\$ <u>20,731.94</u>	\$ <u>37,199.19</u>
LIABILITIES		
Payroll Liabilities	\$ <u>20,731.94</u>	\$ <u>37,199.19</u>

The accompanying notes are an integral part of this statement.

TOWNSHIP OF ABERDEEN
COUNTY OF MONMOUTH, NEW JERSEY

GENERAL FIXED ASSET ACCOUNT GROUP
COMPARATIVE STATEMENT OF GENERAL FIXED ASSETS
REGULATORY BASIS

As of December 31,

	<u>2011</u>	<u>2010</u>
General Fixed Assets:		
Land	\$ 25,435,205.00	\$ 25,435,205.00
Building	3,814,892.00	3,814,892.00
Machinery and Equipment	<u>3,273,750.05</u>	<u>3,299,083.35</u>
	<u>\$ 32,523,847.05</u>	<u>\$ 32,549,180.35</u>
Investments in General Fixed Assets	<u>\$ 32,523,847.05</u>	<u>\$ 32,549,180.35</u>

The accompanying notes are an integral part of this statement.

TOWNSHIP OF ABERDEEN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011

NOTE 1 REPORTING ENTITY

This report includes the financial statements of the Township of Aberdeen (the "Township"), within the County of Monmouth, in the State of New Jersey and reflects the activities of the Municipality which is under the control of the Mayor and Township Council. The financial statements of the Board of Education, the Matawan-Aberdeen Public Library and the two (2) Special Fire Districts are reported separately since their activities are administered by separate boards.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Funds

The Governmental Accounting Standards Board ("GASB") is the recognized standard-setting body for establishing governmental accounting and financial reporting principles generally accepted in the United States of America. The GASB Codification established seven major fund types and two account groups to be used by general purpose governmental units when reporting financial position and results of operations in accordance with accounting principles generally accepted in the United States of America ("GAAP").

The accounting policies of the Township conform to the accounting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"). Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. Under this method of accounting, the Township accounts for its financial activities through the following separate funds which differ from the fund structure required by accounting principles generally accepted in the United States of America:

Current Fund - resources and expenditures for governmental operations of a general nature.

Grant Fund - accounts for receipts and disbursements of Federal and State grants.

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

Animal Control Trust Fund - animal license revenue and expenditures.

General Capital Fund - receipt and disbursement of funds for the acquisition of general capital facilities, other than those acquired in the Current Fund. General bonds and notes payable are recorded in this fund and are offset by deferred charges to future taxation.

**TOWNSHIP OF ABERDEEN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Description of Funds (continued)

Water and Sewer Utilities Operating and Capital Funds - account for the operations and acquisition of capital facilities of the municipality-owned water utility and sewer utility. Bonds and notes payable of the utility funds are recorded in the utility capital funds.

Solid Waste Collection District Fund - account for the operations and costs of the Township's solid waste operations.

Payroll Fund - receipts and disbursements to account for the payroll and payroll tax liabilities of the Township. Amounts are received from the Current, Water Utility, Sewer Utility and Solid Waste Collection District Funds.

General Fixed Asset Account Group - is used to account for fixed assets used in general government operations.

B. Basis of Accounting

The accounting principles and practices prescribed for municipalities by the Division differ in certain respects from accounting principles generally accepted in the United States of America (GAAP) applicable to local government units. The more significant differences are as follows:

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

**TOWNSHIP OF ABERDEEN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Accounting (continued)

Budgets and Budgetary Accounting - the Township of Aberdeen must adopt an annual budget in accordance with N.J.S.A. 40A:4-4 et al. N.J.S.A. 40A:4-5 which requires the governing body to introduce and approve the annual municipal budget no later than February 10 of each year. At introduction, the governing body shall fix the time and place for a public hearing on the budget and must advertise the time and place at least ten days prior to the hearing in a newspaper published and circulated in the municipality. The public hearing must not be held less than twenty-eight days after the date the budget was introduced. After the hearing has been held, the governing body may, by majority vote, adopt the budget or may amend the budget in accordance with N.J.S.A. 40A:4-9.

An extension of the statutory dates for introduction, approval and adoption of the municipal budget may be granted by the Director of the Division of Local Government Services, with the permission of the Local Finance Board.

Budgets are adopted on the same basis of accounting utilized for the preparation of the Township's financial statements.

Cash, Cash Equivalents and Investments - New Jersey municipal units are required by N.J.S.A. 40A:5-14 to deposit public funds in a bank or trust company having its place of business in the State of New Jersey and organized under the laws of the United States or of the State of New Jersey or the New Jersey Cash Management Fund. N.J.S.A. 40A:5-15.1 provides a list of securities which may be purchased by New Jersey municipal units.

The Township of Aberdeen is required to deposit funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey.

N.J.S.A. 17:9-42 requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

**TOWNSHIP OF ABERDEEN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Accounting (continued)

Cash, Cash Equivalents and Investments (continued)

Public funds are defined as the funds of any government unit. Public depositories include banks (both state and national banks), savings and loan institutions and savings banks, the deposits of which are federally insured. All public depositories pledge collateral, having a market value of five percent of the average daily balance of collected public funds, to secure the deposits of governmental units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories in the collateral pool, is available to pay the full amount of their deposits to the governmental units.

The Township considers highly liquid investments with an original maturity of three months or less at the time of purchase to be cash equivalents.

Property Taxes and Other Revenues - property taxes and other revenues are recognized on a cash basis. Receivables for property taxes and other items that are susceptible to accrual are recorded with offsetting reserves on the balance sheet of the Township's Current Fund. GAAP requires such revenues to be recognized in the accounting period when they become susceptible to accrual, reduced by an allowance for doubtful accounts. Property taxes are payable quarterly on the first day of February, May, August and November.

Grant Revenues and Expenditures - Federal and State grants, entitlements or shared revenues received for purposes normally financed through the Current Fund are recognized when anticipated in the Township budget. GAAP requires such revenues to be recognized in the accounting period when they are earned and the expenditures to be recognized when the liability is incurred.

Expenditures - unexpended or uncommitted appropriations, at December 31, are reported as expenditures through the establishment of appropriation reserves unless canceled by the governing body. 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.

TOWNSHIP OF ABERDEEN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Accounting (continued)

Encumbrances - contractual orders at December 31 are reported as expenditures through the establishment of a reserve for encumbrances. Encumbrances do not constitute expenditures under GAAP.

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.

Deferred Charges - the regulatory basis of accounting utilized by the Township requires that certain expenditures be deferred, and raised as items of appropriation in budgets of succeeding years. These deferred charges include the two general categories, overexpenditures and emergency appropriations. Overexpenditures occur when expenditures recorded as "paid or charged" exceed available appropriation balances. Emergency appropriations occur when, subsequent to the adoption of a balanced budget, the governing body authorizes the establishment of additional appropriations based on unforeseen circumstances or for other special purposes as defined by statute. Overexpenditures and emergency appropriations are deducted from total expenditures in the calculation of operating results and are established as assets for Deferred Charges on the respective balance sheet. GAAP does not permit the deferral of overexpenditures to succeeding budgets. In addition, GAAP does not recognize expenditures based on the authorization of an appropriation. Instead, the authorization of special purpose expenditures, such as the preparation of tax maps or revaluation of assessable real property, would represent the designation of fund balance. The status of deferred charges at December 31, 2011 is set forth in Note 8.

Compensated Absences - expenditures relating to obligations for unused vested accumulated vacation and sick 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 - is recorded in the Current Fund at the assessed valuation when such property was acquired and fully reserved. GAAP requires such property to be recorded in the General Fixed Asset Group at its market value.

**TOWNSHIP OF ABERDEEN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Accounting (continued)

Interfunds - interfund receivables in the Current Fund are recorded with offsetting reserves which are created by charges to operations. Income is recognized in the year the receivables are liquidated. Interfund receivables in the other funds are not offset by reserves. GAAP does not require the establishment of an offsetting reserve.

Inventory of Supplies - the cost of inventories of supplies for all funds are recorded as expenditures at the time individual items are purchased. The inventories have offsetting reserve amounts.

Fixed Assets - Utility - property and equipment purchased by the Utility Funds are recorded in the Capital Funds at cost and are adjusted for dispositions and abandonments. The amount reported for reserve for amortization of fixed capital acquired on the balance sheet of the Utility Capital Funds represents the aggregate charges (capital outlay and debt service) to the operating budget for the costs of acquisitions of property and equipment and proceeds from grants-in-aid. The utilities do not record depreciation of property and equipment. GAAP does not require the establishment of a reserve for amortization of fixed capital, whereas it does require the recognition of depreciation of property and equipment by enterprise funds.

Reserve for Sale of Municipal Assets - the proceeds of the sale of municipal assets can be held until made available through a future budget appropriation. GAAP requires such proceeds to be recorded as revenue in the year of sale.

General Fixed Assets - property and equipment purchased by the Current and the General Capital Funds are recorded as expenditures at the time of purchase and are not capitalized.

Accounting for Governmental Fixed Assets, as promulgated by Technical Accounting Directive No. 2 as issued by the Division of Local Government Services, differs in certain respects from accounting principles generally accepted in the United States of America. The following is a brief description of the Directive.

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

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available except for land which is valued at estimated market value.

TOWNSHIP OF ABERDEEN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Accounting (continued)

General Fixed Assets (continued)

No depreciation on general fixed assets is recorded in the financial statements.

Fixed assets acquired through grants-in-aid or contributed capital are not accounted for separately.

Comparative Data - comparative total data for the various funds for the prior year has been presented in the accompanying Balance Sheet and Statement of Operations and Change in Fund Balance in order to provide an understanding of changes in the Township's financial position. However, Comparative Statements of Revenue and Statements of Expenditures have not been presented since this inclusion would make the statements unduly complex and difficult to read.

C. Basic Financial Statements

The GASB Codification also defines the financial statements of a governmental unit to be presented in the general purpose financial statements to be in accordance with GAAP. The Township presents the financial statements listed in the table of contents 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 the supplementary schedules. This practice differs from GAAP.

NOTE 3 CASH

Deposits

At December 31, 2011, the Township's deposits had a carrying amount of \$ 10,244,808.56 and a bank balance of \$ 10,762,074.02. Of the bank balance \$500,000.00 was covered by federal depository insurance and the remainder was covered by the Governmental Unit Deposit Protection Act.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that, in the event of bank failure, the government's deposits may not be returned to it. The Township does not have a formal policy for custodial risk. All bank deposits as of the balance sheet date are entirely insured or covered by a collateral pool maintained by public depositories as required by the Governmental Unit Deposit Protection Act see Note 2 - Cash, Cash Equivalents and Investments).

**TOWNSHIP OF ABERDEEN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011**

NOTE 4 BONDS AND NOTES AUTHORIZED BUT NOT ISSUED

At December 31, 2011 the Township of Aberdeen had authorized but not issued bonds and notes as follows:

General Capital Fund:	
Bonds and Notes	\$6,478,706.73
Water Utility Capital Fund:	
Bonds and Notes	1,375,000.00
Sewer Utility Capital Fund:	
Bonds and Notes	110,000.00

NOTE 5 LONG-TERM DEBT

The Local Bond Law governs the issuance of bonds and notes to finance general municipal capital expenditures. Bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the Township are general obligation bonds, backed by the full faith and credit of the Township. Bond anticipation notes are issued to temporarily finance capital projects, prior to the issuance of serial bonds. The terms of the notes cannot exceed one year but the notes may be renewed from time to time for a period not exceeding one year. All such notes must be paid no later than the tenth anniversary of the date of the original note. The State of New Jersey also prescribes that on or before the third anniversary date of the original note a payment of at least equal to the first legally payable installment of the bonds in anticipation of which such notes were issued be paid. A second legal installment must be paid if the notes are to be renewed beyond the fourth anniversary date of the original issuance and so on. Tax anticipation notes are issued if the cash on hand is not sufficient to carry on normal operations of the municipality at any time during the year. Such notes are authorized by a resolution adopted by the governing body.

**TOWNSHIP OF ABERDEEN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011**

NOTE 5 LONG-TERM DEBT (continued)

Bonds Payable

Annual debt service for principal and interest over the next five years and five-year increments thereafter for bonded debt issued and outstanding are as follows:

General Capital Fund

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 697,222.22	\$ 249,148.04	\$ 946,370.26
2013	697,222.22	220,894.56	918,116.78
2014	600,000.00	194,464.00	794,464.00
2015	600,000.00	170,464.00	770,464.00
2016	600,000.00	146,464.00	746,464.00
2017-2021	<u>3,016,000.00</u>	<u>371,120.00</u>	<u>3,387,120.00</u>
Total	\$ <u>6,210,444.44</u>	\$ <u>1,352,554.60</u>	\$ <u>7,562,999.04</u>

Water Utility Capital Fund

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 27,777.78	\$ 1,909.71	\$ 29,687.49
2013	<u>27,777.78</u>	<u>694.44</u>	<u>28,472.22</u>
Total	\$ <u>55,555.56</u>	\$ <u>2,604.15</u>	\$ <u>58,159.71</u>

Sewer Utility Capital Fund

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 690,000.00	\$ 286,750.00	\$ 976,750.00
2013	685,000.00	257,531.25	942,531.25
2014	680,000.00	228,525.00	908,525.00
2015	670,000.00	199,837.50	869,837.50
2016	665,000.00	171,468.75	836,468.75
2017-2021	3,195,000.00	435,313.75	3,630,313.75
2022	<u>605,000.00</u>	<u>12,100.00</u>	<u>617,100.00</u>
Total	\$ <u>7,190,000.00</u>	\$ <u>1,591,526.25</u>	\$ <u>8,781,526.25</u>

TOWNSHIP OF ABERDEEN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011

NOTE 5 LONG-TERM DEBT (continued)

Bonds Payable (continued)

1993 Series Bonds/2003 Refunding Bonds

The Township of Aberdeen had entered into an agreement with the Monmouth County Improvement Authority (the "Authority") for the issuance of \$2,655,000.00 and \$820,000.00 of Serial Bonds for General and Water Improvements, respectively. The agreement was in accordance with the Authority's pooled loan program. The 1993 Series Bonds were redeemed during 2003 through the issuance of \$1,447,691.05 and \$422,308.95 Refunding Bonds for General and Water Improvements respectively. The General Improvement Refunding Bonds are due in annual installments of \$97,222.22 as reflected on Exhibit C-8 of this report. Interest rates range from 3.75% to 5.00%. The Water Improvement Refunding Bonds are due in annual installments of \$27,777.78 as reflected on Exhibit D-16 of this report. Interest rates range from 3.75% to 5.00%.

2006 Series Sewer Utility Refunding Bonds

In December 2006, the Township issued \$9,905,000.00 aggregate principal amount of Series 2006 Sewer Utility refunding bonds. The bonds were issued for the purpose of (1) refunding, on a current basis, \$9,545,000.00 aggregate principal amount of the Township's outstanding General Obligation Refunding Bonds, Series 1997 dated April 1, 1997 and maturing from 2009 to 2022 (the "Refunded Bonds") and (2) paying the costs and expenses incurred by the Township in connection with the issuance and delivery of the Bonds. The annual maturities range from \$605,000.00 to \$690,000.00 as reflected in Exhibit E-17 of this report. Interest rates range from 3.90% to 5.00%.

2006 Series General Improvement Bonds

In August 2006, the Township issued \$9,016,000.00 aggregate principal amount of Series 2006 General Improvement bonds. The annual maturities range from \$600,000.00 to \$616,000.00 as reflected on Exhibit C-8 of this report. Interest rates range from 4.00% to 4.15%. The bonds maturing on or after August 1, 2017 are subject to redemption at the option of the Township prior to maturity, in whole on any date or in part on any interest payment date on or after August 1, 2016 at the redemption price of 100% of the principal amount being redeemed, plus accrued interest to the date fixed for redemption.

TOWNSHIP OF ABERDEEN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011

NOTE 5 LONG-TERM DEBT (continued)

Changes in Outstanding Long-Term Debt

Transactions for the year ended December 31, 2011 are summarized as follows:

	Balance Dec. 31, <u>2010</u>	<u>Additions</u>	<u>Deductions</u>	Balance Dec. 31, <u>2011</u>
<u>General Capital Fund</u>				
Serial Bonds	\$ <u>6,911,555.55</u>	\$ <u>-</u>	\$ <u>701,111.11</u>	\$ <u>6,210,444.44</u>
	<u>6,911,555.55</u>	<u>-</u>	<u>701,111.11</u>	<u>6,210,444.44</u>
<u>Water Utility Capital Fund</u>				
Serial Bonds	<u>84,444.45</u>	<u>-</u>	<u>28,888.89</u>	<u>55,555.56</u>
	<u>84,444.45</u>	<u>-</u>	<u>28,888.89</u>	<u>55,555.56</u>
<u>Sewer Utility Capital Fund</u>				
Serial Bonds	<u>7,890,000.00</u>	<u>-</u>	<u>700,000.00</u>	<u>7,190,000.00</u>
	<u>7,890,000.00</u>	<u>-</u>	<u>700,000.00</u>	<u>7,190,000.00</u>
Total	\$ <u><u>14,886,000.00</u></u>	\$ <u><u>-</u></u>	\$ <u><u>1,430,000.00</u></u>	\$ <u><u>13,456,000.00</u></u>

Borrowing Power

New Jersey statutes limit the debt of a municipality to 3.50% of the average of the last three preceding years equalized valuations of the taxable real estate and improvements. The Township's statutory net debt at December 31, 2011 was 1.11%. The Township's remaining borrowing power is 2.39%.

The summary of municipal debt for the last three years and the calculation of statutory net debt is presented in the Supplementary Data section of this report.

**TOWNSHIP OF ABERDEEN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011**

NOTE 6 SHORT-TERM DEBT

Bond Anticipation Notes

The Township issues bond anticipation notes to temporarily fund various capital projects prior to the issuing of serial bonds. The term of the notes cannot exceed one year but the notes may be renewed from time to time for a period not exceeding one year. All such notes must be paid no later than the tenth anniversary of the date of the original note.

On December 31, 2011 the Township's outstanding bond anticipation notes were as follows:

	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>
<u>General Capital Fund</u>				
Various Capital Improvements	07-14-11	03-14-12	\$ 8,493,971.00	1.50%
Acquisition of Real Property - Open Space	07-14-11	03-14-12	250,000.00	1.50%
Demolition of Buildings - South River Metals Project	07-14-11	03-14-12	600,000.00	1.50%
Various Public Improvements and Acquisition of Communications, Signal and Information Technology Equipment	07-14-11	03-14-12	<u>1,628,241.00</u>	1.50%
			<u>10,972,212.00</u>	
<u>Water Utility Capital Fund</u>				
Various Improvements to Water System	07-14-11	03-14-12	762,000.00	1.50%
Water Main Extension - Aberdeen Road	07-14-11	03-14-12	818,600.00	1.50%
Various Improvements to Water System and Purchase of Equipment	07-14-11	03-14-12	615,750.00	1.50%
Various Improvements to Water System and Purchase of Equipment	09-13-11	02-13-12	190,000.00	.84%
Various Improvements to Water System and Acquisition of Equipment and Machinery	07-14-11	03-14-12	<u>780,900.00</u>	1.50%
			<u>3,167,250.00</u>	

**TOWNSHIP OF ABERDEEN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011**

NOTE 6 SHORT-TERM DEBT (continued)

Bond Anticipation Notes (continued)

	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>
<u>Sewer Utility Capital Fund</u>				
Various Improvements to Sewer Systems	07-14-11	03-14-12	\$ 53,700.00	1.50%
Sewer Systems Improvements - Upgrade and Rehabilitate Pump Station	07-14-11	03-14-12	39,999.00	1.50%
Various Improvements to Sewer System and Acquisition of Equipment and Machinery	07-14-11	03-14-12	1,874,400.00	1.50%
Various Public Sewer Improvements	07-14-11	03-14-12	<u>120,000.00</u>	1.50%
			<u>2,088,099.00</u>	
Total			<u>\$ 16,227,561.00</u>	

Changes in Bond Anticipation Notes

Transactions for the year ended December 31, 2011 are summarized as follows:

	<u>Balance Dec. 31, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance Dec. 31, 2011</u>
General Capital Fund	\$ 9,561,604.00	\$ 1,628,241.00	\$ 217,633.00	\$ 10,972,212.00
Water Utility Capital Fund	2,442,050.00	780,900.00	55,700.00	3,167,250.00
Sewer Utility Capital Fund	<u>2,207,349.00</u>	<u>-</u>	<u>119,250.00</u>	<u>2,088,099.00</u>
	<u>\$ 14,211,003.00</u>	<u>\$ 2,409,141.00</u>	<u>\$ 392,583.00</u>	<u>\$ 16,227,561.00</u>

**TOWNSHIP OF ABERDEEN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011**

NOTE 6 SHORT-TERM DEBT (continued)

Special Emergency Notes (40A:4-55)

The Township issues special emergency notes to fund special emergency appropriations prior to the funds being raised in the budget. The term of the notes cannot exceed one year but the notes may be renewed from time to time, but at least 1/5 of all such notes, and the renewals thereof, shall mature and be paid not later than the last day of the fifth year following the date of the emergency resolution.

On December 31, 2011 the Township had \$0.00 outstanding in Current Fund special emergency notes.

Changes in Special Emergency Notes

Transactions for the year ended December 31, 2011 are summarized as follows:

	Balance Dec. 31, <u>2010</u>	<u>Additions</u>	<u>Deductions</u>	Balance Dec. 31, <u>2011</u>
<u>Current Fund</u>				
Special Emergency Notes	\$ <u>123,800.00</u>	\$ <u>-</u>	\$ <u>123,800.00</u>	\$ <u>-</u>

NOTE 7 DEFERRED CHARGES TO FUTURE TAXATION FUNDED AND UNFUNDED

Upon the authorization of capital projects, the Township establishes deferred charges for the cost of the capital projects to be raised by future taxation. Funded deferred charges relate to permanent debt issued, whereas unfunded deferred charges relate to temporary or non-funding of the authorized cost of capital projects. According to the New Jersey Statutes Annotated 40A:2-4, the Township may levy taxes on all taxable property within the local unit to repay the debt. Annually, the Township raises the debt requirements for the particular year in the current budget. As funds are raised, the deferred charges are reduced.

TOWNSHIP OF ABERDEEN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011

NOTE 8 DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2011, the following deferred charges are shown on the Balance Sheets of the various funds:

	<u>Balance December 31, 2011</u>	<u>2012 Budget Appropriation</u>	<u>Balance Succeeding Budgets</u>
Current Fund:			
Special Emergency			
Authorizations N.J.S. 40A:4-55	\$ 10,200.00	\$ 3,400.00	\$ 6,800.00
Emergency Appropriations	20,000.00	20,000.00	-
Operating Deficit	<u>190,019.02</u>	<u>186,588.64</u>	<u>3,430.38</u>
	<u>220,219.02</u>	<u>209,988.64</u>	<u>10,230.38</u>
Federal and State Grant Fund:			
Overexpenditure of Grants Appropriated	<u>613.56</u>	<u>613.56</u>	<u>-</u>
Animal Control Trust Fund:			
Operating Deficit	<u>1,222.02</u>	<u>1,222.02</u>	<u>-</u>
Water Utility Operating Fund:			
Emergency Appropriation	90,000.00	90,000.00	-
Operating Deficit	<u>17,365.40</u>	<u>17,365.40</u>	<u>-</u>
	<u>107,365.40</u>	<u>107,365.40</u>	<u>-</u>
Sewer Utility Operating Fund:			
Emergency Appropriations	<u>110,000.00</u>	<u>110,000.00</u>	<u>-</u>
Total	\$ <u>439,420.00</u>	\$ <u>429,189.62</u>	\$ <u>10,230.38</u>

The appropriations in the 2012 budget are not as required by statute.

NOTE 9 TAXES COLLECTED IN ADVANCE

Taxes collected in advance and set forth as cash liabilities in the financial statements, are as follows:

	<u>Balance December 31,</u>	
	<u>2011</u>	<u>2010</u>
Prepaid Taxes	\$450,997.98	\$333,026.68

**TOWNSHIP OF ABERDEEN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011**

NOTE 10 ASSESSMENT AND COLLECTION OF PROPERTY TAXES

New Jersey statutes require that taxable valuation of real property be prepared by the Township Tax Assessor as of October 1st in each year and filed with the County Board of Taxation ("Board") by January 10th of the following year. Upon the filing of certified adopted budgets by the Township, Regional School District and County, the tax rate is struck by the Board based on the certified amounts in each of the taxing districts for collection to fund the budgets. Pursuant to statute, this process is to be completed on or before May 20th, with a completed duplicate of the tax rolls to be delivered to the Township Tax Collector ("Collector") on or before June 3rd.

Tax bills are prepared then mailed by the Collector of the Township annually and set forth the final tax for the tax year. The bill contains a credit for preliminary amounts billed previously with the balance payable in equal installments on August 1st and November 1st of the tax year. In addition the property owner receives a preliminary bill for the succeeding year based on one half of the prior year's tax. The preliminary payments are due and payable on February 1st and May 1st. The N.J. Statutes allow a grace period of 10 days for each payment period and the Township granted this option to taxpayers. Taxes become delinquent if not paid on the installment dates and become subject to interest penalties of 8% or 18% of the amount delinquent. If taxes are delinquent as of the eleventh day of the eleventh month of the fiscal year, the delinquent amount is subject to "Tax Sale" which places a tax lien on the property allowing the holder to enforce the tax lien by collection or foreclosure. New Jersey property tax laws establish a tax lien on real estate as of January 1st of the current tax year even though the amount due is not known.

NOTE 11 REGIONAL SCHOOL DISTRICT TAXES

Under the provisions of statute, where the school tax is raised for a school year the unpaid portion of the tax on December 31 of the year of levy may be deferred to the extent of not more than 50% of the levy, provided that no requisition has been made for such amount or any portion of such amount.

Whereas the Regional School District Taxes are raised on a calendar year basis, the Township of Aberdeen has no deferred school taxes at year end.

NOTE 12 FUND BALANCES APPROPRIATED

Fund Balances at December 31, 2011, which are appropriated and included as anticipated revenue in the 2012 municipal budgets for the year ended December 31, 2012, are as follows:

Current Fund	\$ -
Water Utility Operating Fund	-
Sewer Utility Operating Fund	-
Solid Waste Collection District Fund	20,000.00

TOWNSHIP OF ABERDEEN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011

NOTE 13 PENSIONS AND RETIREMENT PLANS

Plan Description

The Township of Aberdeen contributes to the Public Employees' Retirement System (PERS) and the Police and Firemen's Retirement System (PFRS), cost-sharing multiple-employer defined benefit pension plans administered by the Division of Pensions in the Department of the Treasury, State of New Jersey. The plans provide retirement, death, disability benefits and medical benefits to certain qualifying plan members and beneficiaries. The Public Employees' Retirement System was established January 1, 1955 under the provisions of N.J.S.A. 43:15A. The Police and Firemen's Retirement System was established July 1, 1944 under the provisions of N.J.S.A. 43:16A. The Public Employees' Retirement System and the Police and Firemen's Retirement System issue publicly available financial reports that include financial statements and required supplementary information. These reports may be obtained by writing to the State of New Jersey, Division of Pensions.

Funding Policy

Employee contributions are currently six and one-half (6 ½%) and ten percent (10%) of their base wages for PERS and PFRS, respectively. Employer's contributions are actuarially determined annually by the Division of Pensions. Township contributions to the plan for the past three (3) years are as follows:

<u>Year</u>	<u>PERS</u>	<u>PFRS</u>
2009	\$130,940.00	\$326,958.00
2010	296,697.97	692,192.00
2011	371,996.51	896,988.00

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

NOTE 14 POST EMPLOYMENT BENEFITS

Plan Description

In addition to the pension benefits described in Note 13, the Township provides postemployment benefits to employees who retire from the Township with twenty-five years of pensionable services and pension disability retirees. These are known as other post-employment benefits ("OPEB"). OPEB include post-employment health care benefits provided, regardless of the type of plan that provides them, and all postemployment benefits provided separately from a pension plan, excluding benefits defined as termination offers and benefits. Benefits are provided through the Central Jersey Health Insurance Fund, an agent multiple-employer health insurance fund.

TOWNSHIP OF ABERDEEN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011

NOTE 14 POST EMPLOYMENT BENEFITS (continued)

Funding Policy

There are no contributions required from eligible retirees.

The Township's contribution is based on monthly premiums for eligible retirees as calculated by the Central Jersey Health Insurance Fund and is financed on a pay-as-you-go basis. Approximate contributions to the plan for the last two years and the number of former employees eligible for and participating in the post employment health care benefits program as of the respective year ended December 31 was as follows:

<u>Year</u>	<u>Contribution</u>	<u>Number of Employees</u>
2011	\$729,480	40
2010	705,000	40
2009	512,000	38

Accounting Policy

As described in Note 2, the accounting policies of the Township conform to the accounting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"). New Jersey laws currently do not provide for the accrual of reserves, the establishment of irrevocable trusts, or standards regarding the issuance of debt to fund the OPEB liability. Accordingly, costs are recognized when paid.

Funding Status and Funding Progress

The Township has not had an actuarial valuation of the accrued liability for postemployment benefits as of December 31, 2011.

NOTE 15 DEFERRED COMPENSATION PLAN

The Township offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan permits participants to defer a portion of their salary until future years. Amounts deferred under the plan are not ordinarily available to employees until termination, death or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with the amounts, and all income attributable to these amounts are for the exclusive benefit of the Plan participants and their beneficiaries and the assets cannot be diverted to any other purpose. The Township serves as Trustee under the Plan.

TOWNSHIP OF ABERDEEN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011

NOTE 16 INTERFUND BALANCES

The composition of interfund balances as of December 31, 2011 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Current Fund	Federal and State Grant Fund	\$ 129,663.28
Current Fund	Trust Other Fund	58,239.12
Current Fund	Animal Control Trust Fund	<u>4,830.90</u>
		<u>192,733.30</u>
Sewer Utility Capital Fund	General Capital Fund	<u>46,250.00</u>
		<u>\$ 238,983.30</u>

All balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

NOTE 17 INTERFUND TRANSFERS

<u>Transfer In</u>	<u>Transfers Out</u>	<u>Amount</u>
Current Fund	Federal and State Grant Fund	\$ 26,580.29
Trust Other Fund	Current Fund	80,859.61
Trust Other Fund	General Capital Fund	9,957.90
Sewer Utility Capital Fund	General Capital Fund	<u>92,500.00</u>

Transfers are primarily used to move funds from:

- The Current Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations or requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.
- The Utility Operating Funds to the Utility Capital Funds to finance capital improvements accounted for in the Utility Capital Funds in accordance with budgetary authorizations.

TOWNSHIP OF ABERDEEN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011

NOTE 18 FIXED ASSETS AND FIXED CAPITAL

Fixed asset and fixed capital activity for the year ended December 31, 2011 was as follows:

Fixed Assets

	Balance Dec. 31, 2010	<u>Additions</u>	<u>Disposals</u>	Balance Dec. 31, 2011
Land	\$ 25,435,205.00	\$ -	\$ -	\$ 25,435,205.00
Building	3,814,892.00	-	-	3,814,892.00
Machinery and Equipment	<u>3,299,083.35</u>	<u>89,666.70</u>	<u>115,000.00</u>	<u>3,273,750.05</u>
	<u>\$ 32,549,180.35</u>	<u>\$ 89,666.70</u>	<u>\$ 115,000.00</u>	<u>\$ 32,523,847.05</u>

Fixed Capital - Sewer Utility

	Balance Dec. 31, 2010	<u>Additions</u>	<u>Disposals</u>	Balance Dec. 31, 2011
Sewer System	\$ <u>16,471,982.22</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>16,471,982.22</u>

Fixed Capital - Water Utility

	Balance Dec. 31, 2010	<u>Additions</u>	<u>Disposals</u>	Balance Dec. 31, 2011
Water System	\$ <u>7,666,566.21</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>7,666,566.21</u>

NOTE 19 RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; error and omission; injuries to employees; and natural disaster. The Township is a member of the Mid Jersey Municipal Joint Insurance Fund (JIF). This public entity risk pool is both an insured and self-administered group of municipalities established for the purpose of insuring against property damage, general liability, motor vehicles and equipment liability and workmen's compensation. The JIF will be self-sustaining through member premiums. The JIF participates in the Municipal Excess Liability Insurance program. There were no settlements in excess of insurance coverage in 2011, 2010 and 2009.

TOWNSHIP OF ABERDEEN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011

NOTE 20 CONTINGENT LIABILITIES

A. Accrued Sick Pay (Unaudited)

As discussed in Note 2 and in accordance with accounting principles prescribed by the State of New Jersey, the cash basis of accounting is followed for recording the Township's liability related to unused sick pay. The Township permits certain employees within limits to accumulate unused sick pay, which may be taken as time off or paid at a later date at an agreed upon rate. The total amount of the liability upon retirement, based upon the above data and limitations, is approximately \$1,054,000 at December 31, 2011. The gross potential accrued liability as of December 31, 2011 for all Township employees without agreement limitations and based on the data on file in the Finance Office is approximately \$3,441,000 at December 31, 2011. In accordance with New Jersey accounting principles, this amount is not reported as an expenditure or liability in the accompanying financial statements.

B. Unemployment Compensation Insurance

Effective January 1, 1978, most municipal employees were eligible for unemployment compensation insurance (N.J.S.A. 43:21-3 et. seq.). The Township has elected to provide a self-insured plan whereby the municipal cost and employee contributions are deposited in a trust fund from which claims, if any, will be paid. The reserve for unemployment compensation insurance at December 31, 2011 as \$35,817.11.

C. Litigation

The Township is involved in legal and administrative proceedings and claims of various types. While any litigation contains an element of uncertainty, Township Officials, based upon the opinion of the Township Counsel, presently believe that the outcome of each such proceeding or claim which is pending or known to be threatened, or all of them combined, will not have a material or adverse effect on the Township's financial position or adversely affect the Township's ability to levy, collect, and enforce the collection of taxes or other revenue for the payment of its bonds or other obligations.

D. Federal and State Grants

The Township receives financial assistance from the U.S. government and the State of New Jersey in the form of grants. Entitlement to the funds is generally conditional upon compliance with terms and conditions of the grant agreements and applicable regulations, including the expenditure of the funds for eligible purposes. Substantially all grants, entitlements and cost reimbursements are subject to financial and compliance audits by grantors. As a result of these audits, cost previously reimbursed could be disallowed and require payments to the grantor agency. As of December 31, 2011, the Township estimates that no material liabilities will result from such audits.

**TOWNSHIP OF ABERDEEN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011**

NOTE 21 SUBSEQUENT EVENTS

On April 3, 2012 the Township adopted a capital ordinance authorizing \$342,800.00 in debt for the undertaking of environmental remediation at the former South River Metals property.

On June 7, 2012 the Township adopted a capital ordinance authorizing \$1,395,000.00 in debt for various public improvements and the purchase of machinery and equipment.

On June 7, 2012 the Township adopted a capital ordinance authorizing \$205,500.00 in debt for various public improvements and the purchase of machinery and equipment for the Township sewer utility.

On June 7, 2012 the Township adopted a capital ordinance authorizing \$19,000.00 in debt for various public improvements and the purchase of machinery and equipment for the Township water utility.

On September 4, 2012 the Township adopted a capital ordinance authorizing \$80,000.00 in debt for the realignment and replacement of a sanitary sewer force main in the Township sewer utility.

APPENDIX C

PROPOSED FORM OF BOND COUNSEL OPINION

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APPENDIX C

[Proposed Form of Bond Counsel Opinion]

October __, 2012

Township Council
Township of Aberdeen
County of Monmouth, New Jersey

Dear Council Members:

We have acted as bond counsel in connection with the issuance of \$14,720,000 of bonds consisting of \$11,745,000 aggregate principal amount of General Improvement Bonds and \$2,975,000 aggregate principal amount of Water Utility Bonds (individually, the "General Improvement Bonds" or the "Water Utility Bonds"; collectively, the "Bonds") by the Township of Aberdeen, in the County of Monmouth, a municipal corporation of the State of New Jersey (the "Township"). The Bonds are dated October 15, 2012 and comprise two issues of registered bonds. The Bonds bear interest from their date, payable on each April 15 and October 15, commencing April 15, 2013 (each, an "Interest Payment Date"), in each year until maturity or prior redemption.

The General Improvement Bonds are payable in annual installments on October 15 in each year, and bear interest at the rates per annum, as follows:

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2013	\$345,000	%	2023	\$650,000	%
2014	460,000		2024	650,000	
2015	500,000		2025	650,000	
2016	680,000		2026	640,000	
2017	680,000		2027	640,000	
2018	680,000		2028	640,000	
2019	670,000		2029	630,000	
2020	660,000		2030	630,000	
2021	660,000		2031	630,000	
2022	650,000				

The Water Utility Bonds are payable in annual installments on October 15 in each year, and bear interest at the rates per annum, as follows:

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2013	\$125,000	%	2023	\$160,000	%
2014	160,000		2024	160,000	
2015	160,000		2025	160,000	
2016	160,000		2026	160,000	
2017	160,000		2027	160,000	
2018	160,000		2028	160,000	
2019	160,000		2029	150,000	
2020	160,000		2030	150,000	
2021	160,000		2031	150,000	
2022	160,000				

The Bonds maturing on or before October 15, 2022 are not subject to redemption prior to their stated maturities. The Bonds maturing on or after October 15, 2023 are subject to redemption at the option of the Township prior to maturity, in whole on any date or in part on any Interest Payment Date, on or after October 15, 2022, upon notice as set forth in the resolutions referred to below at the redemption price of 100% of the principal amount being redeemed, plus accrued interest to the date fixed for redemption.

If the Township determines to optionally redeem a portion of the Bonds prior to maturity, such Bonds so redeemed shall be in such maturities as determined by the Township, and within any maturity, by lot.

The Bonds are issued pursuant to the Local Bond Law (Chapter 2 of Title 40A of the New Jersey Statutes, as amended). The General Improvement Bonds are also issued pursuant to seven bond ordinances adopted by the Township Council of the Township on February 1, 2005 (Ord. No. 1-2005), May 2, 2006 (Ord. No. 10-2006), May 1, 2007 (Ord. No. 6-2007), July 1, 2008 (Ord. No. 6-2008), August 4, 2009 (Ord. No. 13-2009), August 24, 2010 (Ord. No. 17-2010) and May 17, 2011 (Ord. No. 2-2011) and resolutions adopted by the Township Council of the Township on September 20, 2012. The Water Utility Bonds are also issued pursuant to nine bond ordinances adopted by the Township Council of the Township on March 8, 1999 (Ord. No. 4-99, as amended by Ord. No. 12-2001 adopted on September 4, 2001), March 21, 2000 (Ord. No. 9-2000), May 1, 2001 (Ord. No. 7-2001), March 19, 2002 (Ord. No. 8-2002), April 1, 2003 (Ord. No. 5-2003), April 19, 2005 (Ord. No. 10-2005), May 2, 2006 (Ord. No. 11-2006), July 6, 2010 (Ord. No. 15-2010) and May 17, 2011 (Ord. No. 4-2011) and resolutions adopted by the Township Council of the Township on September 20, 2012.

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds be and remain excluded from gross income of the owners thereof for Federal income tax purposes pursuant to Section 103 of the Code. Such requirements include requirements relating to the use and investment of proceeds of the Bonds and other amounts and to the rebate of certain arbitrage earnings to the United States. Noncompliance by the Township with such requirements may cause interest on the Bonds to be included in gross income of the owners thereof retroactive to the date of issuance of the Bonds, regardless of when such noncompliance occurs.

The Township has covenanted, to the extent permitted by the Constitution and the laws of the State of New Jersey, to do and perform all acts and things permitted by law and necessary to assure that interest paid on the Bonds be and remain excluded from gross income of the owners thereof for Federal income tax

purposes pursuant to Section 103 of the Code. The Township's Tax Certificate (the "Tax Certificate"), which will be delivered concurrently with the delivery of the Bonds, will contain provisions and procedures regarding compliance with the requirements of the Code. The Township, in executing the Tax Certificate, will certify to the effect that the Township expects and intends to comply with the provisions and procedures contained therein.

As bond counsel, we have examined certified copies of the bond ordinances and resolutions referred to above and related proceedings in connection with the issuance of the Bonds. We have also examined originals (or copies certified or otherwise identified to our satisfaction) of such other instruments, certificates and documents as we have deemed necessary or appropriate for the purpose of the opinion rendered below, including the Tax Certificate executed by the Chief Financial Officer of the Township of even date herewith. We have assumed the accuracy of the factual information and the truthfulness of the expectations set forth in the Tax Certificate and the exhibits thereto. We have also examined the executed and authenticated first numbered Bond of each issue and have assumed that all of the other Bonds have been similarly executed and authenticated. In such examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity to the original documents of all documents submitted to us as copies. As to any facts material to our opinion we have, when relevant facts were not independently established, relied upon the aforesaid instruments, certificates and documents.

We have not prepared nor have we verified the accuracy, completeness or fairness of (i) the information set forth in the Official Statement prepared by the Township in connection with the sale and issuance of the Bonds, or (ii) other documents of the Township delivered to the purchasers of the Bonds, and we take no responsibility therefor.

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

1. The Bonds have been duly authorized, executed and delivered and constitute valid and legally binding obligations of the Township enforceable in accordance with their terms, except as enforcement of the Bonds may be limited by bankruptcy,

insolvency, reorganization, moratorium, liquidation or other laws relating to or affecting the enforcement of creditors' rights generally now or hereafter in effect to the extent constitutionally applicable, and enforcement may also be subject to the exercise of judicial discretion in certain cases.

2. The Township has pledged its full faith and credit to the payment of the principal of and interest on the Bonds, and unless paid from other sources, the Township is authorized and required by law to levy on all real property taxable by the Township such ad valorem taxes as may be necessary to pay the Bonds and the interest thereon, without limitation as to rate or amount.

3. Assuming compliance by the Township with the Tax Certificate, under existing law, interest on the Bonds is excluded from gross income of the owners thereof for Federal income tax purposes pursuant to Section 103 of the Code. In addition, under existing law, interest on the Bonds is not treated as a preference item for purposes of the alternative minimum tax imposed under the Code with respect to individuals and corporations; such interest, however, is included in "adjusted current earnings" for purposes of computing the alternative minimum tax that may be imposed on corporations. In addition, under the New Jersey Gross Income Tax Act, as enacted and construed on the date hereof, interest on the Bonds and any gain from the sale of the Bonds are not includable in gross income of the holders thereof.

Very truly yours,

Rogut McCarthy LLC

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