

NEW ISSUES
SERIAL BONDS

RATINGS: Standard & Poor's:
Fitch Ratings:

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.

\$33,890,000
TOWNSHIP OF LYNDHURST
COUNTY OF BERGEN, NEW JERSEY
\$30,500,000 General Improvement Bonds
\$3,390,000 Water Utility Bonds
(Book-Entry Only)

Dated: August 15, 2013

Due: August 15, as shown below

The General Improvement Bonds and the Water Utility Bonds (collectively, the "Bonds") of the Township of Lyndhurst, in the County of Bergen, 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 "THE BONDS - 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 August 15 of each of the years set forth below, and interest on the Bonds is payable on each February 15 and August 15, commencing February 15, 2014, in each year until maturity or prior redemption.

The Water Utility Bonds are not subject to redemption prior to their stated maturities. The General Improvement Bonds are subject to redemption prior to their stated maturities at the prices, at the times and in the manner described herein. See "THE BONDS – Prior 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</u> <u>Maturing</u>	<u>Interest</u> <u>Rate</u>	<u>Yield or</u> <u>Price</u>	<u>Year</u>	<u>Amount</u> <u>Maturing</u>	<u>Interest</u> <u>Rate</u>	<u>Yield or</u> <u>Price</u>
2014	\$1,625,000	%	%	2022	\$2,650,000	%	%
2015	1,695,000			2023	2,700,000		
2016	1,750,000			2024	2,350,000		
2017	1,950,000			2025	2,400,000		
2018	2,070,000			2026	2,550,000		
2019	2,200,000			2027	2,600,000		
2020	2,250,000			2028	2,700,000		
2021	2,400,000						

(plus accrued interest from August 15, 2013)

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 August 28, 2013.

ELECTRONIC BIDS VIA PARITY AND
SEALED PROPOSALS WILL BE RECEIVED
UNTIL 11:00 O'CLOCK A.M. ON AUGUST 15, 2013
AT THE TOWN HALL
367 VALLEY BROOK AVENUE
LYNDHURST, NEW JERSEY 07071

**TOWNSHIP OF LYNDHURST
BERGEN COUNTY, NEW JERSEY
367 VALLEY BROOK AVENUE
LYNDHURST, NJ 07071**

MAYOR

Robert B. Giangeruso

BOARD OF COMMISSIONERS

Thomas A. DiMaggio
Theodore J. Dudek
John J. Montillo, Jr.
Matthew T. Ruzzo

CHIEF FINANCIAL OFFICER

Robert Benecke

TOWNSHIP CLERK

Helen Polito

TOWNSHIP ATTORNEY

Richard J. DiLascio, Esq.
Lyndhurst, New Jersey

TOWNSHIP AUDITOR

Di Maria & Di Maria LLP
Lodi, New Jersey

BOND COUNSEL

Rogut McCarthy LLC
Cranford, New Jersey

No broker, dealer, salesperson or other person has been authorized by the Township or the Underwriter to give any information or to make any representations with respect to the Bonds other than those contained in this Official Statement, and, if given or made, such information or representations must not be relied upon as having been authorized by any of the foregoing. The information contained herein has been provided by the Township and other sources deemed reliable; however, no representation or warranty is made as to its accuracy or completeness and such information is not to be construed as a representation of accuracy or completeness and such information is not to be construed as a representation or warranty by the Underwriter or, as to information from sources other than itself, by the Township. 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.

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

The Underwriter has reviewed the information in this Official Statement pursuant to its responsibilities to investors under the federal securities laws, but the Underwriter does not guarantee the accuracy or completeness of such information.

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. No dealer, broker, salesman or other person has been authorized to give any information or to make any representations other than as contained in this Official Statement. If given or made, such other information or representations must not be relied upon as having been authorized by the Township or the Underwriter.

The cover page contains information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement, including the Appendices, to obtain information essential to the making of an informed investment decision.

For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission, this document, as the same may be supplemented or amended by the Township from time to time (collectively, the "Official Statement"), may be treated as a "Final Official Statement" with respect to the Bonds described herein that is deemed final as of the date hereof (or of any such supplement or amendment) by the Township.

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**OFFICIAL STATEMENT
OF THE TOWNSHIP OF LYNDHURST
IN THE COUNTY OF BERGEN, NEW JERSEY**
relating to
\$33,890,000 BONDS
consisting of
\$30,500,000 General Improvement Bonds
and
\$3,390,000 Water Utility Bonds
(Book-Entry Only)

INTRODUCTION

This Official Statement (the "Official Statement") which includes the cover page and the appendices attached hereto, has been prepared by the Township of Lyndhurst (the "Township"), in the County of Bergen (the "County"), State of New Jersey (the "State") in connection with the sale and issuance of its \$33,890,000 Bonds consisting of \$30,500,000 General Improvement Bonds (the "General Improvement Bonds") and \$3,390,000 Water Utility Bonds (the "Water Utility Bonds" and, together with the General Improvement Bonds, the "Bonds") dated August 15, 2013. This Official Statement has been executed by and on behalf of the Township by the Chief Financial Officer and the Township Clerk and may be distributed in connection with the Bonds.

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 Underwriter and (b) amendment. This Preliminary Official Statement, as so revised, will constitute the "final official statement" within the meaning of Rule 15c2-12.

THE BONDS

General Description

The Bonds will be dated and bear interest from August 15, 2013 and will mature on August 15 in the years and in the principal amounts as set forth below. Interest on the Bonds is payable on each February 15 and August 15, commencing February 15, 2014 (each, an "Interest Payment Date"), in each year until maturity or prior redemption at the respective interest rates set forth on the cover page hereof. 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 will be credited to the DTC Participants (as hereinafter defined) 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 are issuable as fully registered book-entry bonds in the form of one certificate for each maturity of each issue and in the principal amount of such maturity. The Bonds will be issued in book-entry form only. Purchases of the Bonds will be made in book-entry form, in the principal amount of \$5,000 or any integral multiple thereof. Purchasers will not receive certificates representing their interest in Bonds purchased. So long as DTC or its nominee, Cede & Co. (or any successor or assign), is the registered owner of the Bonds, payments of the principal of and interest on the Bonds will be made by the Bond Registrar/Paying Agent directly to Cede & Co. (or any successor or assign), as nominee for DTC, which will remit such payments to the participants of DTC which will in turn remit such payments to the owners of beneficial interests in the Bonds. See "Book-Entry Only System" herein.

Maturity Schedule

<u>Year</u>	<u>General</u>	<u>Water Utility</u>	<u>Combined</u>
2014	\$1,400,000	\$225,000	\$1,625,000
2015	1,450,000	245,000	1,695,000
2016	1,450,000	300,000	1,750,000
2017	1,650,000	300,000	1,950,000
2018	1,750,000	320,000	2,070,000
2019	1,850,000	350,000	2,200,000
2020	1,900,000	350,000	2,250,000
2021	2,000,000	400,000	2,400,000
2022	2,200,000	450,000	2,650,000
2023	2,250,000	450,000	2,700,000
2024	2,350,000		2,350,000
2025	2,400,000		2,400,000
2026	2,550,000		2,550,000
2027	2,600,000		2,600,000
2028	<u>2,700,000</u>		<u>2,700,000</u>
	<u>\$30,500,000</u>	<u>\$3,390,000</u>	<u>\$33,890,000</u>

Book-Entry Only System

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

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

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

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to 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 depository with respect to the Bonds at any time by giving reasonable notice to the Township or the paying agent, if any. Under such circumstances, in the event that a successor depository is not obtained, bond certificates are required to be printed and delivered.

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

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

Prior Redemption

General Improvement Bonds

The General Improvement Bonds maturing on or before August 15, 2023 are not subject to redemption prior to their stated maturities. The General Improvement Bonds maturing on or after August 15, 2024 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 15, 2023, 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 General Improvement Bonds prior to maturity, such General Improvement 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 General Improvement Bond to be redeemed shall be in the principal amount of \$5,000 or some multiple thereof and that, in selecting General Improvement Bonds for redemption, the Bond Registrar/Paying Agent shall treat each General Improvement Bond as representing that number of General Improvement Bonds that is obtained by dividing the principal amount of such General Improvement 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 General Improvement 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 General Improvement Bond subject to redemption is a part of a greater principal amount of the General Improvement Bonds not to be redeemed, such entire amount shall be surrendered to the Bond Registrar/Paying Agent and, for that portion of the General Improvement Bond not to be redeemed, a new General Improvement Bond shall be issued in the name of the registered owner in an amount equal to the principal amount of the General Improvement Bond surrendered less the amount to be redeemed.

Water Utility Bonds

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

SECURITY AND SOURCE OF PAYMENT

The Bonds are general obligations of the Township, and the Township has pledged its full faith and credit for the payment of the principal of and the interest on the Bonds. The Bonds are direct obligations of the Township and, unless paid from other sources, the Township is required by law to levy *ad valorem* taxes upon all the real property taxable within the Township for the payment of the principal of and the interest on the Bonds without limitation as to rate or amount.

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").

AUTHORIZATION AND PURPOSE OF THE BONDS

The Township is authorized to issue the Bonds pursuant to the Local Bond Law of the State of New Jersey, N.J.S.A. 40A: 2-1 et seq., as amended and supplemented (the "Local Bond Law") and by virtue of: (i) various bond ordinances adopted by the Board of Commissioners, as described in the following table, and published in accordance with the requirements of the Local Bond Law; and (ii) Resolutions adopted by the Board of Commissioners of the Township on July 1, 2013.

The purposes for which the Bonds are to be issued have been authorized by duly adopted, approved and published bond ordinances of the Township, which bond ordinances are described on the following table by ordinance number, description and date of final adoption. The bond ordinances are:

General Improvement Bonds			
Principal Amount of the Bonds	Description of Improvements	Ordinance Number	Adoption Date
\$750,000	Road Improvements/Resurfacing	#2563	05/09/06
418,000	Various Capital Improvements	#2564/2604	05/09/2006 / 06/13/07
584,000	Acquisition of Real Property for Municipal Purp.	#2566	05/09/06
1,939,000	Various Capital Improvements	#2593	02/05/07
1,797,000	Various Public Improvements	#2592	06/13/07
1,121,000	Various Capital Improvements	#2625	10/23/07
1,614,000	Various Public Improvements	#2626/2637	10/23/07 / 04/10/08
2,814,000	Various Public Improvements	#2627 /2638	10/23/07 / 04/10/08
1,769,000	Acquisition of Real Property	#2628	12/05/07
3,831,000	Construction of Indoor Pool	#2629	12/11/07
382,000	Improvements to Fern Avenue	#2639	04/10/08
1,100,000	Acquisition of Real Property (Supplemental)	#2646	05/08/08
1,903,000	Construction of Indoor Pool (Supplemental)	#2647	05/08/08
3,536,000	Construction of Recreational Facilities	#2648	06/10/08
450,000	TY 2009 Roadway, Curb & Sidewalk Improvement Program	#2715	09/08/09
316,000	Various Public Improvements	#2716	09/08/09
675,000	Construction of Indoor Pool (Supplemental)	#2722	09/08/09
451,000	Acquisition of Real Property	#2729	11/10/09
419,000	Acquisition of Real Property	#2730	11/10/09
695,000	Various Public Improvements	#2742	02/16/10
1,232,000	Stormwater Drainage Improvements	#2743	02/16/10
2,704,000	Various Road Improvements	#2746	02/16/10
<u>\$30,500,000</u>			

Water Utility Bonds			
Principal Amount of the Bonds	Description of Improvements	Ordinance Number	Adoption Date
\$470,000	Water Main Replacement on Valley Brook Avenue	#2565	05/09/06
690,000	Design and Engineering Phase for Renewal and Replacement of Water Utility System	#2747	02/16/10
2,230,000	Water Distribution System Improvements Project - Phase I	#2771	08/17/10
<u>\$3,390,000</u>			

Proceeds from the sale (issuance) of the bonds, together with cash on hand, will be used to currently refund \$33,909,000 aggregate principal amount of the Township's outstanding bond anticipation notes maturing on September 20, 2013.

NO DEFAULT

No principal or interest payments on Township indebtedness are past due. The Township has never defaulted in the payment of any bonds or notes.

MARKET PROTECTION – BOND AND NOTE FINANCING

The Township does not anticipate issuing tax anticipation notes or additional bonds during the remainder of 2013. The Township may issue additional bond anticipation notes for any new money borrowing, as necessary, during the remainder of 2013.

CERTAIN STATUTORY PROVISIONS FOR THE PROTECTION OF GENERAL OBLIGATION DEBT

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

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

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

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

An independent examination of the Township's accounts must be performed annually by a licensed registered municipal accountant. The audit, conforming to the Division of Local Government Services' "Requirements of Audit", includes recommendations for improvement of the local units financial procedures and must be filed with the Director within six months after the close of the fiscal year. A synopsis of the audit report, together with all recommendations made, must be published in a local newspaper within 30 days of its completion.

Debt Limits

The net authorized bonded indebtedness of the Township is limited by statute, subject to the exceptions noted below, to an amount equal to 3.50% of its average equalized valuation basis. The equalized valuation basis of the Township is set by statute as the average for the last 3 years of the equalized value of all taxable real property and improvements and certain Class II railroad property within its boundaries, as annually determined by the State Board of Taxation. Certain categories of debt are permitted by statute to be deducted for purposes of computing the statutory debt limit.

The Township has not exceeded its statutory debt limit. On December 31, 2012 the statutory net debt as a percentage of average equalized valuation was 1.52%. As noted above, the statutory limit is 3.50%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
General Purposes	\$63,286,303	\$15,753,000	\$47,533,303
Utility Purposes	15,737,000	15,737,000	0
School Purposes	<u>4,675,000</u>	<u>4,675,000</u>	<u>0</u>
	<u>\$83,698,303</u>	<u>\$36,165,000</u>	<u>\$47,533,303</u>

Exceptions to Debt Limits - Extensions of Credit

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

Short-Term Financing

The Township may sell short-term "bond anticipation notes" to temporarily finance a capital improvement or project in anticipation of the issuance of bonds, if the bond ordinance or subsequent resolution so provides. Bond anticipation notes for capital improvements may be issued in an aggregate amount not exceeding the amount specified in the ordinance, as may be amended and supplemented, creating such capital expenditure. Bond anticipation notes may be issued for periods not greater than one year. Such notes shall mature and be paid not later than the first day of the fifth month following the close of the tenth fiscal year next following the date of the original notes. At the third and at each subsequent anniversary date from the original date of issuance, the amount of notes that may be issued must be decreased by the minimum amount required for the first year's principal payment for a bond issue.

School Debt (N.J.S.A. 18A:24-1 et seq.)

New Jersey's school districts operate under the same comprehensive review and regulation as do its municipalities. Certain exceptions and differences are provided, but the state supervision of school finance closely parallels that of local governments.

School district bonds and temporary notes are issued in conformity with the cited statute, which closely parallels the Local Bond Law. Although school districts are exempted from the 5% down payment provision applicable to municipalities, they are subject to debt limits (which vary depending on the grades the school system provides), and to state regulation of their borrowing.

The Local Finance Board and the Commissioner of Education must approve any proposed authorization of debt which exceeds the statutory debt limit of a Type II district. A Type II school district has an elected board of education; a Type I school district has an appointed board and issues debt without a referendum. All authorizations of debt in a Type II school district require an approving referendum of the voters in the school district. The Township's school district is a Type II district.

All authorizations of debt must be reported to the Division of Local Government Services by means of a Supplemental Debt Statement prior to final approval to ensure that the proposed authorization is within all applicable debt limitations.

The School Bond Reserve Act, Chapter 72 of the Laws of 1980 of the State, as amended, devotes a portion of the Fund for the Support of Free Public Schools as security for payment of school bonds.

The Municipal Finance Commission (N.J.S. 52:27-1 et seq.)

The Municipal Finance Commission was created in 1931 to assist in the financial rehabilitation of municipalities which had defaulted in their obligations. The powers of such Commission are exercised today by the Local Finance Board. Several elements of the local finance system are intended to prevent default on obligations or occurrence of severe fiscal difficulties in any local unit. Should extreme economic conditions adversely affect any local unit, the statutory provisions are available to assist in restoring the stability of the local unit.

Any holder of bonds or notes which are in default for over sixty (60) days (for payment of principal or interest) may bring action against such municipality in the Superior Court of New Jersey. Any municipality may declare itself unable to meet its obligations and bring action in such court. In either case, the court's determination that the municipality is in default or unable to meet its obligations may place the municipality under the jurisdiction of the Municipal Finance Commission.

The Municipal Finance Commission exercises direct supervision over the finances and accounts of any local unit under its jurisdiction. Such commission is authorized to appoint an auditor to examine and approve all claims against the municipality and to serve as comptroller for that community. The Commission is also directed to supervise tax collections and assessments, to approve the funding of municipal school district indebtedness, the adjustment or composition of the claims of creditors, and the readjustment of debts under the Federal Municipal Bankruptcy Act.

The Local Finance Board also serves as the "funding commission" to exercise supervision over the funding or refunding of local government debt. Any county or municipality seeking to adjust its debt service must apply to and receive the approval of such funding commission for the proposed reorganization of its debt.

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.

MUNICIPAL BUDGET

Pursuant to the Local Budget Law (N.J.S.A. 40A:4-1 et seq.) the Township is required to have a balanced budget in which debt service is included in full for each fiscal year. The Board of Commissioners adopted the 2013 Budget on June 24, 2013.

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

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

The Director has no authority over individual operating appropriations, unless a specific amount is required by law, but the review functions focusing on anticipated revenues serve to protect the solvency of all local units. Tax anticipation notes are limited in amount by law and must be paid in full within 120 days of the close of the fiscal year. The cash basis budgets of local units must be in balance, i.e., the total of anticipated revenues must equal the total of appropriations (N.J.S.A. 40A:4-22). If in any year a local unit's expenditures exceed its realized revenues for that year, then such excess must be raised in the succeeding year's budget.

Limitations on Municipal Appropriations and Tax Levy

A statute passed in 1976, as amended and supplemented (N.J.S.A. 40A:4-45.1 et seq.), commonly known as the "Cap Law", imposed limitations on increases in municipal appropriations subject to various exceptions. While the Cap Law restricts the ability of a municipality to increase its overall appropriations, the payment of debt service is an exception from this limitation. The Cap formula is somewhat complex, but basically, it permits a municipality to increase its overall appropriations by the lesser of 2.5% or the Cost-of-Living Adjustment ("COLA"). Increases up to 3.5% are allowed by adoption of an ordinance whenever the COLA is less than 2.5%. If the COLA is greater than 2.5%, an increase in any amount above 2.5% will be permitted by adoption of an ordinance to 3.5% and beyond 3.5% upon passage of a referendum. The COLA is the rate of annual percentage increase in the Implicit Price Deflator for State and Local Government purchases of goods and services computed by the U.S. Department of Commerce. Exceptions to the limitations imposed by the Cap Law also exist for other items including capital expenditures; extraordinary expenses approved by the Local Finance Board for implementation of an interlocal services agreement;

expenditures mandated as a result of certain emergencies; and certain expenditures for services mandated by law. The Cap Law does not limit the obligation of the Township to levy *ad valorem* taxes upon all taxable real property within the Township to pay debt service.

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

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

On July 13, 2010, P.L. 2010, c. 44 was approved, effective for budget years following enactment (the 2011 budget for the Township) reducing the tax levy cap to 2% and limiting the exclusions to amounts required to be raised by taxation for debt service as defined by law, certain pension contributions and health care costs in excess of 2% and extraordinary costs directly related to a declared emergency. Voter approval may be requested to increase the amount to be raised by taxation by more than the allowable adjusted tax levy. Chapter 44 eliminated the process for obtaining waivers for additional spending under the tax levy limitation.

The Township's appropriation and tax levy increases for 2011 and 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. The Township's 2013 Budget is in compliance with both "CAPS" taking into account applicable adjustments and without conducting a referendum to exceed the cap limits.

Miscellaneous Revenues

The Local Budget Law (N.J.S.A. 40A:4-26) provides that: "No miscellaneous revenues from any source shall be included as an anticipated revenue in the budget in an amount in excess of the amount 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 of like amount. The fiscal years for such grants rarely coincide with the municipality's fiscal year. However, grant revenue is generally not realized until received in cash.

Real Estate Taxes

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

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

This provision and N.J.S.A. 40A:4-40 require that an additional amount (the "reserve for uncollected taxes") be added to the tax levy required to balance the budget so that when the percentage of the prior year's tax collection is applied to the combined total, the product will at least be equal to the tax levy required to balance the budget.

The reserve requirement is calculated as follows:

$$\frac{\text{Levy required to balance budget}}{\text{Prior Year's Percentage of Current Tax Collection (or lesser \%)}} = \text{Total Taxes to be Levied}$$

Chapter 28 of the Pamphlet Laws of 1997 of New Jersey amended Section 41 of the Local Budget Law to allow municipalities to reduce the reserve for uncollected taxes by taking into account prior year tax reductions resulting from tax appeal judgments awarded to property owners. Another statute, Chapter 99 of the Pamphlet Laws of 1997 of New Jersey, allows a municipality to (1) reduce the reserve for uncollected tax by deducting receipts anticipated during the fiscal year from the sale of unpaid taxes or municipal liens when such sale is concluded in the final month of the fiscal year or (2) not budget for the reserve for uncollected taxes if it sells its total property tax levy pursuant to such statute. See "Assessment And Collection of Taxes - Tax Collection Procedure" herein for a brief discussion of Chapter 99.

Deferral of Current Expenses

Emergency appropriations (those made after the adoption of the budget and the determination of the tax rate) may be authorized by the governing body of the municipality. However, with minor exceptions, such appropriations must be included in full in the following year's budget.

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

Budget Transfers

Budget transfers provide a degree of flexibility and afford a control mechanism. Transfers between appropriation accounts may be made only during the last two months of the year. Appropriation reserves may be transferred during the first three (3) months of the year to the previous years' budget. Both types of transfers require a 2/3 vote of the full membership of the governing body, however, transfers cannot be made from either the down payment account or the capital improvement fund. Transfers may be made between sub-account line items within the same account at any time during the year, subject to approval by the governing body.

Fiscal Year

The Township's fiscal year is the calendar year. Chapter 75 of the Pamphlet Laws of 1991 of New Jersey required municipalities with populations in excess of 35,000 or which received Municipal Revitalization Aid from the State in 1990 or 1991 to change their fiscal year from the calendar year to the State fiscal year (July 1 to June 30), unless an exemption was granted. Municipalities not meeting the criteria for a mandatory change had the option to choose to change to the State fiscal year. The Township did not meet the criteria for a mandatory change to the State fiscal year, but the Township optionally made such a change to the State fiscal year commencing July 1, 1992. The Township changed back to the calendar fiscal year commencing January 1, 2010.

Budget Process

Primary responsibility for the Township's budget process lies with the Board of Commissioners. As prescribed by the Local Budget Law, adoption should occur by the end of March, however, extensions may be granted by the Division to any local governmental unit. In the first quarter in which the budget formulation is taking place, the Township operates under a temporary budget which may not exceed 26.25% of the previous fiscal year's adopted budget. In addition to the temporary budget, the Township may approve emergency temporary appropriations for any purpose for which appropriations may lawfully be made.

Capital Budget

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 of the next ensuing three years as a general improvement program. The capital budget, when adopted, does not constitute the approval or appropriation of funds, but sets forth a plan of the possible capital expenditures which the local unit may contemplate over the next three years. Expenditures for capital purposes may be made either by ordinances adopted by the governing body setting forth the items and the method of financing or from the annual operating budget if the items were detailed.

ASSESSMENT AND COLLECTION OF TAXES

Tax Collection Procedure

Real property taxes are assessed locally, based upon an assessment at true value. The tax bill includes a levy for Township, County and School purposes. Tax bills are mailed annually in June. Taxes are payable in four quarterly installments on February 1, May 1, August 1 and November 1. If unpaid on these dates, the amount due becomes delinquent and subject to interest at 8% per annum, or 18% on any delinquency amount in excess of \$1,500, and an additional penalty of 6% on delinquent taxes in excess of \$10,000. The school levy is turned over to the Board of Education as expenditures are incurred, and the balance, if any, is transferred as of June 30 of each fiscal year. County taxes are paid quarterly on February 15, May 15, August

15 and November 15 to the County by the Township. Annually, all properties with unpaid taxes for the previous year are placed in a tax sale in accordance with the New Jersey Statutes. Annual interim tax foreclosure proceedings are instituted to enforce the tax collection or acquisition of title to the property by the Township.

Chapter 99 of the Pamphlet Laws of 1997 of New Jersey allows 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 a surety bond. The purchaser is entitled to receive delinquent taxes and other municipal charges collected by the tax collector. The statute sets forth bidding procedures and minimum bidding terms and requires the review and approval of the sale by the Division of Local Government Services.

Tax Appeals

New Jersey statutes provide a taxpayer with remedial procedures for appealing an assessment deemed excessive. The taxpayer has a right to petition the County Tax Board on or before the first day of April of the current tax year for review. The County Tax Board has the authority after a hearing to decrease or reject the appeal petition. These adjustments are usually concluded within the current tax year and reductions are shown as canceled or remitted taxes for that year. If the taxpayer feels his petition was unsatisfactorily reviewed by the County Tax Board, appeal may be made to the State Department of Taxation, Division of Tax Appeal, for a further hearing. State tax appeals tend to take several years prior to settlement, and any losses in tax collections from prior years are charged directly to operations or with the permission of the Local Finance Board may be financed, generally, over a three to five year period.

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. 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.

STATEMENT OF LITIGATION

There is no litigation pending or threatened restraining or enjoining the issuance or the delivery of the Bonds or the levy or the collection of taxes to pay the Bonds or in any manner questioning the authority or the proceedings for the issuance of the Bonds or for the levy or the collection of taxes. There is at present no single action pending or threatened against the Township which would impose an undue financial burden on the Township. In New Jersey's courts of general jurisdiction, unliquidated money damages are pleaded generally without specifying a dollar amount. The Township is a party-defendant in certain lawsuits, none of a kind unusual for a Township of its size, and none of which, in the opinion of the Township Attorney, would adversely impair the Township's ability to pay its bondholders. All of the Township's tort actions are being defended by municipal joint insurance funds (which provide pooled private insurance coverage and self-insurance coverage to its members). The Township is also insured for liability in excess of the limits provided by the municipal joint insurance funds. Pending municipal real estate appeals are limited in number and, based upon the Township's prior experience in tax appeals, and assuming that such tax appeals are resolved adversely to the interest of the Township, such resolution would not in any way endanger the Township's ability to pay its bondholders.

LEGALITY FOR INVESTMENT

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

RATINGS

The Township has applied for a rating on the Bonds from Standard & Poor's Ratings Services ("Standard & Poor's") and Fitch Ratings ("Fitch", and together with Standard & Poor's, the "Rating Agencies"). Such bond ratings express only the views of the Rating Agencies.

The Township furnished the Rating Agencies with certain information and materials concerning the Bonds and the Township. Generally, the Rating Agencies will base their ratings on such information and materials and also on such investigations, studies and assumptions that they may undertake independently. The ratings are not a recommendation to buy, sell or hold the Bonds and there can be no assurance that such ratings will be maintained for any given period of time or that any rating may not be raised, lowered or withdrawn entirely by any of the Rating Agencies if, in the judgment of any of the Rating Agencies, circumstances so warrant. Any such downward change in or withdrawal of any rating may have an adverse effect on the marketability or market price of the Bonds.

An explanation of the significance of such credit ratings may be obtained from Standard & Poor's, 55 Water Street, New York, New York 10041, and Fitch, One State Street Plaza, New York, New York 10004.

UNDERWRITING

The Bonds have been purchased at public sale from the Township for resale by the following purchasers (the "Underwriters"):

DOCUMENTS ACCOMPANYING DELIVERY OF THE BONDS

Absence of Litigation

Upon delivery of the Bonds, the Township shall furnish a certificate of the Township Attorney, dated the date of delivery of the Bonds, to the effect that there is no litigation of any nature pending or threatened to restrain or enjoin the issuance, sale, execution or delivery of the Bonds, or in any way contesting or affecting the validity of the Bonds or any of the proceedings taken with respect to the issuance and sale thereof or the application of moneys to the payment of the Bonds. In addition, such certificate shall state that there is no litigation of any nature now pending or threatened by or against the Township wherein an adverse judgment or ruling could have a material adverse impact on the financial condition of the Township, or adversely affect the power of the Township to enforce the collection of taxes or other revenues for the payment of its bonds and notes, which has not been disclosed in this Official Statement.

Legal Matters

The legality of the Bonds will be subject to the approving opinion of Rogut McCarthy LLC, Cranford, New Jersey, Bond Counsel. Such opinion will be to the effect 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 for 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.

Rogut McCarthy LLC has not verified the accuracy, completeness or fairness of the statements contained in this Official Statement and will not express, and has not been requested to express, an opinion as to the accuracy, completeness or fairness of such statements. See "Appendix C – Proposed Form of Bond Counsel Opinion" herein.

Certificates of Township Officials

The original purchasers of the Bonds shall also receive a certificate, dated as of the date of delivery of the Bonds and signed by the Chief Financial Officer and the Township Clerk that (a) as of the date of the Official Statement furnished by the Township in relation to the Bonds, said Official Statement did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements contained therein, in light of the circumstances under which they were made, not misleading, subject to the condition that while information in said Official Statement obtained from sources other than the Township is not guaranteed as to accuracy, completeness or fairness, such officers have no reason to believe and do not believe that such information is materially inaccurate or misleading, and (b) to the knowledge of such officers, since the date of said Official Statement and since the date of the sale of the Bonds, there have been no material transactions not in the ordinary course of affairs entered into by the Township and no material adverse change in the general affairs of the Township or in its financial condition as shown in said Official Statement, other than as disclosed in or contemplated by said Official Statement, provided such certificate shall not include consideration of information supplied by, or that should have been supplied by, the

successful bidders for the Bonds. In addition, the original purchasers of the Bonds shall also receive certificates in form satisfactory to Rogut McCarthy LLC, 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 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 or the interest thereon, or questioning the validity of the statutes or the proceedings under which the Bonds are issued, and that neither the corporate existence or boundaries of the Township, nor the title of the said officers to their respective offices, is being contested.

SECONDARY MARKET DISCLOSURE

The Township has agreed, pursuant to a resolution adopted on July 1, 2013, 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 seven months after the end of the Township's fiscal year (presently December 31), commencing with the report for the year ending December 31, 2013, 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, property valuation and fund balance of the type contained in Appendix A hereof 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 provide required annual financial information for the year ended December 31, 2012, by the date specified in the continuing disclosure undertaking (July 31st) made in connection with its bonds issued in 2005. On August 5, 2013, the Township filed such annual financial information, along with a notice of such prior failure, and is now in compliance with its secondary market disclosure undertaking. The Township intends to implement measures to ensure the continued and timely filing of such financial information going forward, which compliance shall be overseen by the Chief Financial Officer of the Township.

THE NEW JERSEY MEADOWLANDS DEVELOPMENT CORPORATION THE ENCAP PROJECT AND LITIGATION

The New Jersey Meadowlands District covers a large portion of the Township of Lyndhurst. In 2001 the New Jersey Meadowlands Commission (NJMC) promoted the redevelopment of 325 acres in Lyndhurst, through the creation and implementation of the Meadowlands Golf Course Redevelopment Plan; which ultimately failed. This redevelopment was placed in the hands of EnCap, a private entity which went bankrupt; thereby never paying their property taxes.

As a result of the failure of this EnCap redevelopment project undertaken by the NJMC a series of litigation ensued. The entire matter was resolved and closed in June 2012 without the necessity of further litigation; and with the cash payment of \$5,000,000 received in June 2012 by the Township of Lyndhurst from the NJMC. Further, the Township received a cash payment, also in June 2012, of \$175,000 as a payment in lieu of tax (PILOT) from the NJMC. This sum of \$175,000 will be received annually and is included as an anticipated revenue in the 2013 Township Budget.

The litigation background follows, the lawsuits can be broken down to three separate actions:

1- A tax appeal action entitled New Jersey Meadowlands Commission v. Township of Lyndhurst, Tax Court of New Jersey, Docket No. 011269-2011, and a separate tax appeal action entitled New Jersey Meadowlands Commission v. Township of Lyndhurst, Tax Court of New Jersey, relating to the year 2012, involving tax appeal actions.

2-A consolidated civil action entitled American Home Assurance Company v. EnCap Golf Holdings, LLC, et al. / New Jersey Meadowlands Commission v. EnCap Golf Holdings, LLC, et al., Superior Court of New Jersey, Chancery Division, Bergen County, Docket No. F-35353-07, involving a quiet title action.

3-A civil action entitled American Home Assurance Company v. Township of Lyndhurst, et al., Superior Court of New Jersey, Bergen County, Law Division, Docket No. BER-L-5363-08, involving a tax lien action.

The above actions cover thirteen properties and six (6) tax years. The properties were located in the EnCap redevelopment project area. EnCap was to perform the necessary work to environmentally remediate these properties so that redevelopment of the properties could occur, pursuant to the Meadowlands Golf Course Redevelopment Plan.

In 2004/2005, the Township of Lyndhurst Tax Assessor applied assessments to this (then) private property using the aforesaid Redevelopment Plan as a guide. Based on these unchallenged property assessments, EnCap was issued annual tax bills by the Township of Lyndhurst Tax Collector. The tax bills were not paid and the Tax Collector issued (sold) tax title liens on the properties. Initially, third parties “bought” the liens. The third party lien holders subsequently filed separate civil actions (in the form of cross and counter claims) to force recovery (repayment) of the funds they previously paid to acquire the tax title liens, and interest accrued thereon. The third party lien holders took this action because the condition of the title (ownership) to the properties was in dispute.

On approximately January 1, 2008 EnCap’s senior lender commenced a foreclosure action. In May, 2008 the NJMC and American Home Assurance Company (AHA) (the surety “guaranteeing” the property clean-up) filed to intervene in the foreclosure proceedings. EnCap then filed for bankruptcy, which was ultimately dismissed by the Court in early 2009. As part of the NJMC pleadings, the agency invoked a reverter clause, as a result of EnCap’s failure to perform under the Redevelopment Plan (and related Redevelopment Agreements). In January, 2011 the reverter clause was upheld by the Court, thereby

extinguishing the claims of the EnCap lenders. The effective date of the “new” ownership of the EnCap properties, by the NJMC, was May, 2008.

The NJMC, in their pleadings, sought quiet title to the properties in question. However, for the NJMC to enjoy quiet title the Township must extinguish the tax title liens, including those liens held by the municipality on these properties, for taxes levied for the six (6) years in question.

In March, 2012 this series of legal actions, respecting the third party lien holders, was settled. This was accomplished, in large measure, due to the approval by the New Jersey Local Finance Board (LFB) of the issuance of refunding bonds to pay the taxes to be refunded to the third parties, thereby paying off the liens. This resolution cleared the way {and was a condition precedent} for the settlement of the remaining “disputes”.

With the third party tax title lien holder claims resolved, the Township of Lyndhurst and the NJMC moved to resolve the outstanding issues. Of importance to the Township was being made whole on the property tax principal (without interest). Of importance to the NJMC is the enjoyment of quiet title. To continue protracted litigation would have served no purpose except to injure the taxpayers and prevent development opportunities from being entertained and implemented.

The Township received approval from the LFB to finance the lien holder payments, including interest, for twenty years (20). The amount of this financing is \$13,190,000 and is currently an outstanding bond anticipation note (a refunding note), to be amortized over 20 years in installments of \$659,000 per year. The Township intends to issue bonds within the next few years to permanently finance this obligation. This amount is NOT a part of this 2013 Bond Sale. This BAN matures in March 2014, and is part of the Annual Debt Statement statistics included in the 2012 ADS. In addition, the LFB approved \$1,143,000 refunding BAN, to be amortized in equal installments over three years, commencing in 2013 covering the tax appeal of the Jersey City Municipal Utilities Authority (JCMUA). The JCMUA was to have built a sewer service line to the EnCap site. The line was partially built but never placed into service. This BAN also matures in March 2014 and is not a part of this 2013 Bond issue.

ONGOING ECONOMIC DEVELOPMENT ACTIVITIES

Two significant residential development projects are now occurring in Lyndhurst, both are located in the New Jersey Meadowlands District (NJMD). The first, is the Russo residential rental (apartment) project having 194 units. The estimated assessed value will be \$40,000,000; and is currently coming "on-line" for the 2014 tax year.

The second project is a Denholtz residential rental (apartment) project have 224 units. This will come on-line in 2015 and will have an estimated assessed value of \$46,000,000.

On July 2, 2013 the Board of Commissioners and Planning Board held a joint meeting to begin the process of attracting investment to the central business district of Lyndhurst. This includes the redevelopment of the TWO train stations located in Lyndhurst.

PREPARATION OF OFFICIAL STATEMENT

The 2012 Annual Financial Statement, 2012 Annual Debt Statement, and the 2013 Annual Budget with accompanying schedules, including the Statement of Change in Operations (P&L) and Balance Sheet were prepared by Robert Benecke. Mr. Benecke is a principal in the firm Benecke Economics which serves as financial advisors to municipalities. Mr. Benecke was appointed CFO of the Township in June 2012. Mr. Benecke takes responsibility for the veracity of the information contained in these documents and any information included herein which have been abstracted from these documents.

The firm of Di Maria & Di Maria LLP, Lodi, New Jersey, Certified Public Accountants, is the Township's Independent Auditor and takes responsibility for the financial statements set forth in Appendix B hereof to the extent specified in the Independent Auditor's Report.

The firm of Di Maria & Di Maria LLP, assisted in the preparation of information contained in this Official Statement and information has been obtained from sources which Di Maria & Di Maria LLP, considers to be reliable but they make no warranty, guarantee or other representation with respect to the accuracy and completeness of such information.

APPROVAL OF OFFICIAL STATEMENT

Prior to the delivery of the Bonds, the Board of Commissioners of the Township will have adopted a resolution approving this Official Statement, deeming it a "final official statement" for purposes of Rule 15c2-12 and directing the Chief Financial Officer to deliver a reasonable number of copies thereof in final form to the Underwriter for its use in the sale, resale or distribution of the Bonds.

ADDITIONAL INFORMATION

Inquiries regarding this Official Statement including information additional to that contained herein may be directed to Robert Benecke, Chief Financial Officer, Township of Lyndhurst, 367 Valley Brook Avenue, Lyndhurst, New Jersey 07071, telephone (201) 804-2457 ext. 2665.

MISCELLANEOUS

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

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

TOWNSHIP OF LYNDHURST, IN THE COUNTY OF BERGEN, NEW JERSEY

By: _____
Robert Benecke
Chief Financial Officer

By: _____
Helen Polito
Township Clerk

Dated: August__, 2013

APPENDIX A

ECONOMIC AND DEMOGRAPHIC INFORMATION RELATING TO THE TOWNSHIP OF LYNDBURST

INFORMATION REGARDING THE TOWNSHIP

The following material presents certain economic and demographic information of the Township.

General Information

Lyndhurst is a Township of 4.70 square miles located between the Passaic River and the Hackensack River in southwest Bergen County. It is bounded by Rutherford, Hudson County, North Arlington and Passaic County; and is located 8.0 miles southwest of the George Washington Bridge. The Township is within close proximity to the New Jersey Sports and Exposition Authority's Meadowlands Sports Complex, including MetLife Stadium, the Izod Center and the Meadowlands Race Track.

Public Safety

The Lyndhurst Police Department provides protection for Township residents. The department has a staff of 46, including superior officers. In addition, crossing guards are employed to insure safe passage of children to and from school. Police equipment is maintained at high standards.

Ambulance service is provided for the public by a volunteer ambulance corps, which is housed in a modern building.

Fire protection is provided by a volunteer fire company, which is also housed in a modern building. All equipment is maintained in superior condition and is replaced as needed.

Utilities

Electricity and gas are supplied by Public Service Electric & Gas Company.

The Township's water is supplied by the Passaic Valley Water Commission, via the Lyndhurst Water Distribution System.

The Township's sewerage system is connected with the Passaic Valley Sewerage Commission. For this service the Township pays an annual service charge based on the metered flow of sewerage. This service charge is part of the general property tax levy.

Recreation

The Township's Recreation Department is administered by a commission. It provides activities such as summer day camp, soccer, baseball and basketball.

Transportation

Lyndhurst is strategically located within the nation's largest metropolitan region. New Jersey Transit provides service to Newark, New York City and major shopping malls from the Township. Automotive transportation has access to State Highways 3, 17, 4, 46, 21, the New Jersey Turnpike (I 95), the Garden State Parkway and Interstate Routes 80 and 287.

Bus Routes 32, 40, 44, 45, 786, 191, 192 service the Township, while the New Jersey Transit Main/Bergen Rail Line provides passenger and freight rail lines to the Township.

Library

The Lyndhurst library is organized under the laws of the State of New Jersey as a free public library. The library is governed by a Board of Appointed Library Trustees. The library has a full time library director and a small staff. The required Annual Municipal Funding Appropriation is one third of a mill of the assessed valuations. The library is a member of the Bergen County Cooperative Library System. The library is computerized and has Internet access, and is located in a recently renovated municipal facility.

Retirement Systems

All full-time permanent or qualified Township employees who began employment after 1944 must enroll in one of two retirement systems depending upon their employment status. These systems were established by acts of the State Legislature. Benefits, contributions, means of funding and the manner of administration are set by State law. The Division of Pensions within the New Jersey Department of Treasury is the administrator of the funds with the benefit and contribution levels set by the State. The Township is enrolled in the Public Employees' Retirement System and the Police and Firemen's Retirement System.

Pension Information

Employees, who are eligible to participate in a pension plan, are enrolled in the Public Employees' Retirement System ("PERS") or the Police and Firemen's Retirement System ("PFRS"), Department of the State of New Jersey. The State Division of Pensions annually charges municipalities and other participating governmental units for their respective contributions to the plans based upon actuarial calculations. The employees contribute a portion of the cost. The Township's share of pension costs in 2012, which is based upon the annual billings, received from the State, amounted to \$744,005 for PERS and \$1,793,604 for PFRS.

Employment and Unemployment Comparisons

For the following years, the New Jersey Department of Labor reported the following annual average employment information for the Township, the County, and the State of New Jersey:

	<u>Total Labor Force</u>	<u>Employed Labor Force</u>	<u>Total Unemployed</u>	<u>Unemployment Rate</u>
<u>Township</u>				
2012	11,270	10,035	1,235	11.0%
2011	11,179	9,974	1,205	10.8%
2010	11,132	9,867	1,265	11.4%
2009	11,254	10,079	1,175	10.4%
2008	11,064	10,389	675	6.1%
<u>County</u>				
2012	483,097	443,956	39,141	8.1%
2011	479,131	441,277	37,854	7.9%
2010	476,243	436,522	39,721	8.3%
2009	480,720	443,620	37,100	7.7%
2008	478,584	457,046	21,538	4.5%
<u>State</u>				
2012	4,595,500	4,159,300	436,200	9.5%
2011	4,556,200	4,131,800	424,400	9.3%
2010	4,502,400	4,076,700	425,700	9.5%
2009	4,536,700	4,118,400	418,300	9.2%
2008	4,496,700	4,251,200	245,500	5.5%

Source: New Jersey Department of Labor, Office of Research and Planning, Division of Labor Market and Demographic Research, Bureau of Labor Force Statistics, Local Area Unemployment Statistics

Income (as of 2010)

	<u>Township</u>	<u>County</u>	<u>State</u>
Median Household Income	\$70,433	\$81,708	\$69,811
Median Family Income	76,369	100,310	84,904
Per Capita Income	32,812	42,006	34,858

Source: US Bureau of the Census 2010

Population

The following tables summarize population increases and the decreases for the Township, the County, and the State.

	<u>Township</u>			<u>County</u>		<u>State</u>	
		Percent		Percent		Percent	
<u>Year</u>	<u>Population</u>	<u>Change</u>	<u>Population</u>	<u>Change</u>	<u>Population</u>	<u>Change</u>	
2010	20,554	6.04%	905,116	2.38%	8,791,894	4.49%	
2000	19,383	6.14	884,118	7.12	8,414,350	8.85	
1990	18,262	-10.15	825,380	-2.37	7,730,188	4.96	
1980	20,326	-10.57	845,385	-5.77	7,365,001	2.75	
1970	22,729	--	897,148	--	7,168,164	--	

Source: United States Department of Commerce, Bureau of the Census

Largest Taxpayers

The ten largest taxpayers in the Township and their assessed valuations are listed below:

<u>Taxpayers</u>	2013 Assessed <u>Valuation</u>	% of Total <u>Assessed Valuation</u>
Avalon Bay Communities, Inc.	\$ 65,600,000	2.47%
Wells Operating Partnership (2 Properties)	54,200,000	2.04
Chubb Funding, LLC	50,122,100	1.89
Sika Chemical Corp. (2 Properties)	32,396,800	1.22
Veterans Square Towne Center, LLC	31,000,000	1.17
DGDJ 1-1200 WSW 337771, LLC (ETALS)	30,072,200	1.13
Riverside Plz Urban RN, LLC (3 Properties)	21,740,000	0.82
Lyndhurst Residential Comm 2, LLC	21,731,000	0.82
Denholtz 1099 Wall Street, LLC (2 Properties)	21,269,800	0.80
DDR-SAU Lew Andowski LLC (2 Properties)	<u>21,000,000</u>	<u>0.79</u>
Total	<u>\$349,131,900</u>	<u>13.15%</u>

Source: School District CAFR & Municipal Tax Assessor

Budget Information

Current Fund

<u>Anticipated Revenues</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009TY</u>	<u>2009SFY</u>
Fund Balance	\$0	\$0	\$0	\$0	\$1,035,251	\$2,800,000
Miscellaneous Revenues	5,681,187	6,004,048	5,722,974	8,260,769	2,899,136	4,617,826
Receipts from Delinquent Taxes	1,900,000	1,200,000	980,000	1,300,000	287,659	150,000
Amount to be Raised by Taxes for Support of Municipal Budget	<u>30,190,530</u>	<u>28,486,165</u>	<u>26,962,518</u>	<u>25,997,381</u>	<u>12,333,586</u>	<u>23,496,308</u>
	<u>\$37,771,718</u>	<u>\$35,690,213</u>	<u>\$33,665,491</u>	<u>\$35,558,150</u>	<u>\$16,555,632</u>	<u>\$31,064,134</u>
<u>Appropriations</u>						
General Appropriations	\$23,948,657	\$23,922,849	\$22,932,073	\$23,156,778	\$6,375,250	\$12,213,600
Operations	3,643,354	3,904,836	4,298,953	5,153,190	6,970,515	12,535,006
Deferred Charges and Statutory Expenditures	1,437,842	937,577	933,614	2,063,243	874,974	1,859,105
Judgments					12,500	25,000
Capital Improvement Fund	275,000	50,000	50,000	100,000	87,000	0
Municipal Debt Service	5,916,864	4,374,951	3,450,851	3,349,938	1,332,959	2,695,167
Reserve for Uncollected Taxes	<u>2,550,000</u>	<u>2,500,000</u>	<u>2,000,000</u>	<u>1,735,000</u>	<u>902,434</u>	<u>1,736,256</u>
	<u>\$37,771,718</u>	<u>\$35,690,213</u>	<u>\$33,665,491</u>	<u>\$35,558,150</u>	<u>\$16,555,632</u>	<u>\$31,064,134</u>

Water Utility

<u>Anticipated Revenues</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009TY</u>	<u>2009SFY</u>
Fund Balance	\$685,212	\$0	\$400,000	\$400,000	\$497,000	\$175,000
Rents	3,250,000	3,500,000	3,226,545	3,000,000	1,650,000	2,501,000
Fines	40,000	50,000	190,000	75,000	75,000	169,000
Miscellaneous	<u>180,000</u>	<u>265,000</u>	<u>51,000</u>	<u>10,000</u>	<u>10,000</u>	<u>25,000</u>
	<u>\$4,155,212</u>	<u>\$3,815,000</u>	<u>\$3,867,545</u>	<u>\$3,485,000</u>	<u>\$2,232,000</u>	<u>\$2,870,000</u>
<u>Appropriations</u>						
Operating	\$2,528,466	\$2,532,998	\$3,429,880	\$2,847,697	\$1,298,508	\$2,126,542
Capital Improvments	20,000	3,798	0	0	0	60,000
Debt Service	1,192,570	472,354	367,664	349,889	123,533	333,813
Deferred Charges	47,575	0	0	254,834	794,959	319,644
Statutory Expenditures	66,901	72,511	70,000	32,581	15,000	30,000
Surplus (General Budget)	<u>300,000</u>	<u>733,339</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>\$4,155,512</u>	<u>\$3,815,000</u>	<u>\$3,867,545</u>	<u>\$3,485,000</u>	<u>\$2,232,000</u>	<u>\$2,870,000</u>

Fund Balance

<u>Year</u>	Current Fund		Water Utility Fund	
	Balance	Utilized in Budget	Balance	Utilized in Budget
	<u>12/31</u>	<u>of Succeeding Year</u>	<u>12/31</u>	<u>of Succeeding Year</u>
2012	\$3,169,321	\$0	\$983,721	\$685,212
2011	1,814,340	0	971,698	0
2010	929,590	0	688,717	400,000
2009TY	0	0	655,897	400,000
2009SFY	1,018,049	1,035,251	1,152,897	497,000

<u>Year</u>	Swimming Pool Utility Fund	
	Balance	Utilized in Budget
	<u>12/31</u>	<u>of Succeeding Year</u>
2012	\$99,755	\$0
2011	99,755	0

TY = Transition Year (July1, 2009 to December 31, 2009)

SFY = State Fiscal Year Ending June 30, 2009

Source: Annual Audit Reports of the Township

Comparison of Tax Levies and Collections

<u>Year</u>	<u>Tax Levy</u>	Current Year	Current Year
		<u>Collection</u>	<u>Percentage of Collection</u>
2012	\$67,857,360	\$65,612,799	96.69%
2011	66,179,378	59,988,671	90.65
2010	63,393,449	58,425,753	92.16
2009TY	30,904,791	27,416,737	88.71
2009SFY	58,847,938	56,344,944	95.75

TY = Transition Year (July1, 2009 to December 31, 2009)

SFY = State Fiscal Year Ending June 30, 2009

Source: Annual Audit Reports of the Township

Delinquent Taxes and Tax Title Liens

<u>Year</u>	Amount of Tax	Amount of	Total	% of
	<u>Title Liens</u>	<u>Delinquent Tax</u>	<u>Delinquent</u>	<u>Tax Levy</u>
2012	\$1,627,174	\$5,127,240	\$6,754,414	9.95%
2011	1,602,460	5,092,612	6,695,072	10.12
2010	5,634,175	7,098,769	12,732,944	20.09
2009TY	2,895,284	6,412,223	9,307,507	30.12
2009SFY	2,323,315	4,158,299	6,481,614	11.01

TY = Transition Year (July1, 2009 to December 31, 2009)

SFY = State Fiscal Year Ending June 30, 2009

Source: Annual Audit Reports of the Township

Property Acquired by Tax Lien Liquidation

<u>Year</u>	<u>Amount</u>
2012	\$7,542,000
2011	7,542,000
2010	7,542,000
2009TY	7,542,000
2009SFY	7,542,000

TY = Transition Year (July 1, 2009 to December 31, 2009)

SFY = State Fiscal Year Ending June 30, 2009

Source: Annual Audit Reports of the Township

Tax Rates per \$100 of Net Valuations Taxable and Allocations

The table below lists the tax rates for the past five (5) years.

<u>Year</u>	<u>Municipal</u>	<u>Local School</u>	<u>County Open Space</u>	<u>County</u>	<u>Total Taxes</u>
2013	\$1.137*	\$1.255	\$0.003	\$0.236	\$2.631
2012R	1.072*	1.237	0.003	0.238	2.550
2011	0.776*	0.928	0.003	0.199	1.906
2010	0.742	0.878	0.002	0.191	1.813
2009	0.681	0.824	0.010	0.176	1.691

*Include Municipal Library

R=Revaluation

Source: Abstract of Ratables and State of New Jersey – Property Taxes

Valuation of Property

<u>Year</u>	<u>Aggregate Assessed Valuation of Real Property</u>	<u>Ratio of Assessed to True Value</u>	<u>Aggregate True Value of Real Property</u>	<u>Equalized Valuation</u>
2013	\$2,651,019,700	94.59	\$2,802,642,668	\$2,806,997,877
2012R	2,650,682,100	94.59	2,802,285,760	2,806,938,071
2011	3,467,136,250	108.80	3,186,706,112	3,193,353,845
2010	3,496,730,200	103.73	3,370,992,191	3,377,569,707
2009	3,524,849,400	100.82	3,496,180,718	3,502,693,288

R=Revaluation

Source: Abstract of Ratables and State of New Jersey – Table of Equalized Valuations

Classification of Ratables

The table below lists the comparative assessed valuation for each classification of real property within the Township for past five (5) years.

<u>Year</u>	<u>Vacant Land</u>	<u>Residential</u>	<u>Farm</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Apartments</u>	<u>Total</u>
2013	\$51,265,900	\$1,564,237,000	\$0	\$403,364,900	\$575,442,300	\$56,709,600	\$2,651,019,700
2012R	51,468,800	1,562,667,400	0	404,209,800	575,492,500	56,843,600	2,650,682,100
2011	161,491,700	2,119,432,600	0	467,476,050	655,880,200	62,855,700	3,467,136,250
2010	155,689,200	2,114,056,800	0	469,021,100	696,219,400	61,743,700	3,496,730,200
2009	157,651,000	2,108,894,900	0	450,421,800	718,638,000	89,243,700	3,524,849,400

R=Revaluation

Source: Abstract of Ratables and State of New Jersey – Property Value Classification

Township Indebtedness as of December 31, 2012

General Purpose Debt

Serial Bonds	9,473,000
Bond Anticipation Notes	50,803,000
Bonds and Notes Authorized but Not Issued	14,250
Other Bonds, Notes and Loans	2,996,053
Total:	\$63,286,303

Local School District Debt

Serial Bonds	4,675,000
Temporary Notes Issued	0
Bonds and Notes Authorized but Not Issued	0
Total:	\$4,675,000

Self-Liquidating Debt

Serial Bonds	2,070,000
Bond Anticipation Notes	3,530,000
Bonds and Notes Authorized but Not Issued	0
Other Bonds, Notes and Loans	10,137,000
Total:	\$15,737,000

TOTAL GROSS DEBT

\$83,698,303

Less: Statutory Deductions

General Purpose Debt	15,753,000
Local School District Debt	4,675,000
Self-Liquidating Debt	15,737,000
Total:	\$36,165,000

TOTAL NET DEBT

\$47,533,303

Source: 2012 Annual Debt Statement of the Township

Overlapping Debt (as of December 31, 2012)

<u>Name of Related Entity</u>	<u>Related Entity Debt Outstanding</u>	<u>Townsh¹ Percentage</u>	<u>Township Share</u>
Passaic Valley Sewerage Commission	\$316,515,886	1.346%	\$4,260,253
County of Bergen	786,791,919	1.700%	<u>13,375,463</u>
Net Indirect Debt			17,635,716
Net Direct Debt			<u>47,533,303</u>
Total Net Direct and Indirect Debt			<u>\$65,169,019</u>

Debt Limit

Average Equalized Valuation Basis (2010, 2011, 2012)	\$3,119,994,688
Permitted Debt Limitation (3 1/2%)	109,199,814
Less: Net Debt	<u>47,533,303</u>
Remaining Borrowing Power	<u>\$61,666,511</u>
Percentage of Net Debt to Average Equalized Valuation	1.52%
Gross Debt Per Capita based on 2010 population of 20,554	\$4,072
Net Debt Per Capita based on 2010 population of 20,554	\$2,313

Source: 2012 Annual Debt Statement of the Township

¹ Township percentage based on the Township's share of total equalized valuation in the County

APPENDIX B

**INDEPENDENT AUDITORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
OF THE TOWNSHIP OF LYNDHURST,
IN THE COUNTY OF BERGEN, STATE OF NEW JERSEY**

Independent Auditors' Report

Honorable Mayor and Members of the Board of Commissioners
Township of Lyndhurst, County of Bergen, New Jersey

Report on the Financial Statements

We have audited the financial statements - *regulatory basis* - of the various funds of the Township of Lyndhurst, in the County of Bergen (the "Borough") as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, as listed in the foregoing table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division") which demonstrate compliance with the modified accrual basis, with certain exceptions, and the budget laws of New Jersey, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America as described in Note 1 to the financial statements. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, audit requirements prescribed by the Division, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Borough's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Borough's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Independent Auditors' Report (Continued)

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for the Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to in the first paragraph do not present fairly in conformity with accounting principles generally accepted in the United States of America the financial position of the Township as of December 31, 2012 and 2011, or the changes in financial position or where applicable, cash flows thereof, for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements - *regulatory basis* - referred to above present fairly, in all material respects, the financial position of the various funds of the Township as of December 31, 2012 and 2011, and the results of operations and changes in fund balance, where applicable, of such funds, thereof for the years then ended on the basis of the financial reporting provisions prescribed by the Division, as described in Note 1.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the post-retirement benefits - schedule of funding progress be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township's financial statements. The supplementary data schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedules of expenditures of federal and state awards, as required by the U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*; and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, are presented for purposes of additional analysis and are not a required part of the financial statements.

Independent Auditors' Report (Continued)

The supplementary data schedules and the schedules of expenditures of federal and state awards 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. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary data schedules and the schedules of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2013 on our consideration of the Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.

DI MARIA & DI MARIA LLP
Accountants and Consultants

Frank Di Maria

Registered Municipal Accountant
RMA No. CR00463

June 30, 2013

TOWNSHIP OF LYNDHURST
COMBINED STATEMENT OF ASSETS, LIABILITIES, RESERVES AND FUND BALANCE
ALL FUND TYPES AND ACCOUNT GROUPS
December 31, 2012
(With Comparative Totals for December 31, 2011)

	Current Fund	Federal and State Grant Fund	Trust Fund	General Capital Fund	Fixed Assets Account Group	Water Utility Operating Fund	Water Utility Capital Fund	Swimming Pool Utility Operating Fund	Totals (Memorandum Only)	
									2012	2011
<u>ASSETS AND OTHER DEBITS</u>										
Cash	\$ 6,416,430	\$ 854,159	\$ 1,142,324	\$ 4,690,013	\$ -	\$ 732,273	\$ 90,436	\$ 128,373	\$ 14,054,008	\$ 10,440,597
Deferred Compensation Assets	-	-	553,794	-	-	-	-	-	553,794	485,346
Interfunds Receivable	104,000	-	1,908,965	961,970	-	807,667	3,100,000	-	6,882,602	8,793,202
Intergovernmental Receivable	-	135,129	-	6,560,550	-	-	1,625,320	-	8,320,999	18,981,092
Other Receivables	14,296,414	-	-	72,178	-	500,156	-	-	14,868,748	15,236,185
Fixed Capital	-	-	-	-	-	-	17,907,325	-	17,907,325	17,907,325
Fixed Capital Authorized and Uncompleted	-	-	-	-	-	-	3,552,224	-	3,552,224	3,552,224
Fixed Assets	-	-	-	-	48,047,094	-	-	-	48,047,094	48,047,094
Deferred Charges	3,978,779	12,229	-	63,420,250	-	47,675	-	43,944	67,502,877	67,060,168
Total Assets and Other Debits	<u>\$ 24,795,623</u>	<u>\$ 1,001,517</u>	<u>\$ 3,605,083</u>	<u>\$ 75,704,961</u>	<u>\$ 48,047,094</u>	<u>\$ 2,087,771</u>	<u>\$ 26,275,305</u>	<u>\$ 172,317</u>	<u>\$ 181,689,671</u>	<u>\$ 190,503,233</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>										
Accounts/Contracts Payable	\$ -	\$ -	\$ -	\$ 946,311	\$ -	\$ -	\$ -	\$ -	946,311	946,311
Interfunds Payable	5,120,935	150,000	-	702,672	-	82,000	804,968	22,027	6,882,602	8,793,202
Intergovernmental Payable	18,707	-	-	-	-	-	-	-	18,707	16,583
Other Liabilities and Reserves	2,086,246	851,517	3,605,083	835,091	-	521,895	6,163,937	50,535	14,114,304	23,173,948
Improvement Authorizations	-	-	-	9,852,584	-	-	3,567,799	-	13,420,383	26,252,060
Serial Bonds Payable	-	-	-	9,473,000	-	-	2,070,000	-	11,543,000	13,158,000
Bond Anticipation Notes Payable	-	-	-	50,803,000	-	-	3,530,000	-	54,333,000	38,190,000
Loans Payable	-	-	-	2,996,053	-	-	10,137,776	-	13,133,829	13,267,776
Reserve for Receivables and Other Assets	14,400,414	-	-	-	-	500,156	-	-	14,900,570	15,194,387
Reserve for Investment in Fixed Assets	-	-	-	-	48,047,094	-	-	-	48,047,094	48,047,094
Fund Balance	3,169,321	-	-	96,250	-	983,720	825	99,755	4,349,871	3,463,872
Total Liabilities, Reserves and Fund Balance	<u>\$ 24,795,623</u>	<u>\$ 1,001,517</u>	<u>\$ 3,605,083</u>	<u>\$ 75,704,961</u>	<u>\$ 48,047,094</u>	<u>\$ 2,087,771</u>	<u>\$ 26,275,305</u>	<u>\$ 172,317</u>	<u>\$ 181,689,671</u>	<u>\$ 190,503,233</u>

TOWNSHIP OF LYNDHURST
COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE
STATUTORY BASIS - CURRENT AND UTILITY OPERATING FUND
Year Ended December 31, 2012

	Current Fund	Water Utility Operating Fund	Swimming Pool Utility Operating Fund
<u>REVENUES AND OTHER CREDITS TO INCOME</u>			
Revenues:			
Fund Balance Anticipated	\$ -	\$ -	\$ -
Miscellaneous Revenues	6,063,410	182,331	-
Receipts from Delinquent Taxes	1,958,205	-	-
Amount to be Raised by Taxation - Local	27,828,062	-	-
Amount to be Raised by Taxation - Library	1,064,451	-	-
Utility Rents	-	3,257,348	151,285
Fines	-	41,221	-
Shared Service Agreement - Lyndhurst BOE	-	-	60,000
Deficit (General Budget)	-	-	113,339
Total Revenues	36,914,128	3,480,900	324,624
Other Credits to Income	39,486,905	346,122	11,778
Total Revenues and Other Credits to Income	\$ 76,401,033	\$ 3,827,022	\$ 336,402
<u>EXPENDITURES AND OTHER CHARGES TO INCOME</u>			
Expenditures:			
Within "CAPS":			
Operations:			
Salaries and Wages	\$ 11,739,299	\$ -	\$ -
Other Expenses	9,849,230	-	-
Deferred Charges and Statutory Expenditures	2,811,816	-	-
Excluded From "CAPS":			
Operations:			
Salaries and Wages	-	-	-
Other Expenses	3,904,836	-	-
Capital Improvements	50,000	-	-
Debt Service	4,376,953	-	-
Deferred Charges	758,079	-	-
Judgments	-	-	-
Reserve for Uncollected Taxes	2,500,000	-	-
Utility:			
Operating	-	2,532,998	230,093
Capital Improvements	-	3,799	-
Debt Service	-	472,353	-
Deferred Charges	-	-	118,339
Statutory Expenditures	-	72,511	14,907
Judgements	-	-	-
Surplus (General Budget)	-	733,339	-
Total Expenditures	\$ 35,990,213	\$ 3,815,000	\$ 363,339
Other Charges to Income	39,355,839	-	-
Total Expenditures and Other Charges to Income	\$ 75,346,052	\$ 3,815,000	\$ 363,339
Excess in Revenue	\$ 1,054,981	\$ 12,022	\$ (26,937)
Transferred to Deferred Charge of Succeeding Year	\$ 300,000	\$ -	\$ 26,937
Fund Balance, January 1	1,814,340	971,698	99,755
	\$ 3,169,321	\$ 983,720	\$ 99,755
Utilization as Anticipated Revenue	-	-	-
Fund Balance, December 31	\$ 3,169,321	\$ 983,720	\$ 99,755
	-	-	-

TOWNSHIP OF LYNDHURST
COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE
STATUTORY BASIS - BUDGET AND ACTUAL -- CURRENT FUND
Year Ended December 31, 2012

	Budget as Modified	Actual	Variance
REVENUES AND OTHER CREDITS TO INCOME			
Revenues:			
Fund Balance Anticipated	\$ -	\$ -	\$ -
Miscellaneous Revenues	6,004,047	6,063,410	59,363
Receipts from Delinquent Taxes	1,200,000	1,958,205	758,205
Amount to be Raised by Taxation - Local	27,421,715	27,828,062	406,347
Amount to be Raised by Taxation - Library	1,064,451	1,064,451	-
Total Revenues	35,690,213	36,914,128	1,223,915
Other Credits to Income	39,220,286	39,486,905	266,619
Total Revenues and Other Credits to Income	\$ 74,910,499	\$ 76,401,033	\$ 1,490,534
EXPENDITURES AND OTHER CHARGES TO INCOME			
Expenditures:			
Within "CAPS":			
Operations:			
Salaries and Wages	\$ 11,739,299	\$ 11,739,299	\$ -
Other Expenses	9,849,230	9,849,230	-
Deferred Charges and Statutory Expenditures	2,811,816	2,811,816	-
Excluded From "CAPS":			
Operations:			
Salaries and Wages	-	-	-
Other Expenses	3,904,836	3,904,836	-
Capital Improvements	50,000	50,000	-
Debt Service	4,376,953	4,376,953	-
Deferred Charges	758,079	758,079	-
Judgements	-	-	-
Reserve for Uncollected Taxes	2,500,000	2,500,000	-
Total Expenditures	35,990,213	35,990,213	-
Other Charges to Income	39,220,286	39,355,839	135,553
Total Expenditures and Other Charges to Income	\$ 75,210,499	\$ 75,346,052	\$ 135,553
Excess (Deficit) in Revenue		1,054,981	
Expenditures Included Above Which Are by Statute			
Deferred Charges to Budget of Succeeding Year		300,000	
Fund Balance, January 1		1,814,340	
		\$ 3,169,321	
Utilization as Anticipated Revenue		-	
Fund Balance, December 31		\$ 3,169,321	

TOWNSHIP OF LYNDHURST
COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE
STATUTORY BASIS - BUDGET AND ACTUAL -- WATER UTILITY OPERATING FUND
Year Ended December 31, 2012

	Budget as Modified	Actual	Variance
REVENUES AND OTHER CREDITS TO INCOME			
Revenues:			
Operating Surplus Anticipated	\$ -	\$ -	\$ -
Rents	3,500,000	3,257,348	(242,652)
Miscellaneous	265,000	182,331	(82,669)
Fines	50,000	41,221	(8,779)
Deficit (General Budget)	-	-	-
Total Revenues	3,815,000	3,480,900	(334,100)
Other Credits to Income	-	346,122	346,122
Total Revenues and Other Credits to Income	<u>\$ 3,815,000</u>	<u>\$ 3,827,022</u>	<u>\$ 12,022</u>
EXPENDITURES AND OTHER CHARGES TO INCOME			
Expenditures:			
Operating	\$ 2,532,998	\$ 2,532,998	\$ -
Capital Improvements	3,799	3,799	-
Debt Service	472,353	472,353	-
Deferred Charges	-	-	-
Statutory Expenditures	72,511	72,511	-
Judgements	-	-	-
Surplus (General Budget)	733,339	733,339	-
Total Expenditures	3,815,000	3,815,000	-
Other Charges to Income	-	-	-
Total Expenditures and Other Charges to Income	<u>\$ 3,815,000</u>	<u>\$ 3,815,000</u>	<u>\$ -</u>
Excess in Revenues		\$ 12,022	
Transferred to Deferred Charge of Succeeding Year		\$ -	
Fund Balance, January 1		971,698	
		<u>\$ 983,720</u>	
Utilization as Anticipated Revenue		-	
Fund Balance, December 31		<u>\$ 983,720</u>	

TOWNSHIP OF LYNDHURST
COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE
STATUTORY BASIS - BUDGET AND ACTUAL -- SWIMMING POOL UTILITY OPERATING FUND
Year Ended December 31, 2012

	Budget as Modified	Actual	Variance
<u>REVENUES AND OTHER CREDITS TO INCOME</u>			
Revenues:			
Operating Surplus Anticipated	\$ -	\$ -	\$ -
Rents	190,000	151,285	(38,715)
Miscellaneous	-	-	-
Shared Service Agreement - Lyndhurst BOE	60,000	60,000	-
Deficit (General Budget)	113,339	113,339	-
Total Revenues	363,339	324,624	(38,715)
Other Credits to Income	-	11,778	11,778
Total Revenues and Other Credits to Income	\$ 363,339	\$ 336,402	\$ (26,937)
<u>EXPENDITURES AND OTHER CHARGES TO INCOME</u>			
Expenditures:			
Operating	\$ 230,093	\$ 230,093	\$ -
Capital Improvements	-	-	-
Debt Service	-	-	-
Deferred Charges	118,339	118,339	-
Statutory Expenditures	14,907	14,907	-
Judgements	-	-	-
Total Expenditures	363,339	363,339	-
Other Charges to Income	-	-	-
Total Expenditures and Other Charges to Income	\$ 363,339	\$ 363,339	\$ -
Excess in Revenues		\$ (26,937)	
Transferred to Deferred Charge of Succeeding Year		\$ 26,937	
Fund Balance, January 1		99,755	
		\$ 99,755	
Utilization as Anticipated Revenue		-	
Fund Balance, December 31		\$ 99,755	

TOWNSHIP OF LYNDHURST
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2012

Note 1 - Reporting Entity, Organization and Function

A. Introduction

The Township of Lyndhurst (the "Township") is located within the County of Bergen, approximately 5 miles west of the City of New York. The Township's population according to the 2010 census is 20,554.

The Township was incorporated in 1917 and operates under a Five Member Board of Commission form of government. The mayor is selected by the Board. The Township previously operated on a state fiscal year, July 1 to June 30, operated on a transition year from July 1 2009 to December 31, 2009 and has now reverted back to a calendar fiscal year.

The municipal budget includes the following generally stated municipal services:

- General Government Functions
- Land Use Administration Functions
- Public Safety Functions
- Health and Human Service Functions
- Park and Recreation Functions
- Educational Functions
- Code Enforcement Functions
- Municipal Court Functions
- Capital Improvements
- Debt Service

B. Basis of Accounting

A modified accrual basis of accounting is followed with minor exceptions. Accounting principles prescribed for New Jersey municipalities by the Department of Community Affairs, Division of Local Government Services differ in certain respects from generally accepted accounting principles applicable to local government units.

C. Component Units

The financial statements of the component units of the municipality are not presented in accordance with Governmental Accounting Standards Board Statement No. 14. If the provisions of GASBS No. 14 had been complied with, the financial statements of the following component units would have been either blended or discretely presented with the financial statements of the municipality:

- Volunteer Fire Department
- Volunteer Ambulance Corp.
- Free Public Library

TOWNSHIP OF LYNDHURST
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2012

Note 2 - Summary of Significant Accounting Policies

The financial statements contain all applicable funds and account groups in accordance with the "Requirements of Audit" and the "N.J. Comprehensive Annual Financial Report" as promulgated by the State of New Jersey, Department of Community Affairs, Division of Local Government Services. Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. Under this method of accounting, the municipality accounts for its financial transactions through the following separate funds which differs from the funds required by generally accepted accounting principles (GAAP).

A. Funds and Account Groups

The accounts are organized into the following funds and account groups:

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

Federal and State Grant Fund - The Federal and State Grant Fund accounts for the budgeted and unbudgeted revenue/receipt, expenditure/disbursement of federal and state grants which qualify for accounting treatment more closely related to GAAP.

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

General Capital Fund - The General Capital fund accounts for receipt and disbursement of funds for the acquisition of general capital facilities, other than those acquired in the Current Fund. It is also the only fund, other than the Current Fund, that possesses the statutory authority to issue debt.

General Fixed Asset Account Group - The General Fixed Asset Account Group accounts for Township owned real and personal property in accordance with Technical Accounting Directive #85-2.

Water & Swimming Pool Utility Operating and Capital Funds - The Water & Swimming Pool Utility Operating and Capital Funds account for the operations and acquisition of capital facilities of the municipally owned water and swimming pool utilities.

TOWNSHIP OF LYNDHURST
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2012

Note 2 - Summary of Significant Accounting Policies (Continued)

B. Budgets and Budgetary Accounting

The municipality must adopt an annual budget in accordance with N.J.S.A. 40A:4 et al. N.J.S.A. 40A:4-5 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 (10) 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 (28) 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 Local Finance Board. Budgets are adopted on the same basis of accounting utilized for the preparation of the municipalitie's financial statements.

C. Cash 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 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 cash management plan adopted by the municipality requires that funds be deposited 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 government units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act. 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. All certificates of deposit are recorded as cash regardless of date of maturity.

TOWNSHIP OF LYNDHURST
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2012

Note 2 - Summary of Significant Accounting Policies (Continued)

D. Interfunds

Interfund receivables and payables that arise from transactions between funds are recorded by all funds affected by such transactions in the period in which the transaction is executed. 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.

E. Inventories of Supplies

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

F. 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 generally accepted accounting principles. The following is a brief description of the provisions 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. No depreciation on general fixed assets is recorded in the financial statements. Expenditures for construction in progress are recorded in the Capital Funds until such time as the construction is completed and put into operation. Fixed assets acquired through grants-in-aid or contributed capital have not been accounted for separately.

TOWNSHIP OF LYNDHURST
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2012

Note 2 - Summary of Significant Accounting Policies (Continued)

G. Foreclosed Property

Foreclosed property is recorded in the Current Fund at the assessed value when such property was acquired and is fully reserved. Ordinarily it is the intention of the municipality to resell foreclosed property in order to recover all or a portion of the delinquent taxes or assessments and to return the property to a taxpaying basis. For this reason the value of foreclosed property has not been included in the General Fixed Asset Account Group. If such property is converted to a municipal use, it will be capitalized in the General Fixed Asset Account Group. GAAP requires property to be recorded in the General Fixed Asset Account Group at the market value at the time of acquisition.

H. Deferred Charges

The recognition of certain expenditures is deferred to future periods. These expenditures, or deferred charges, are generally overexpenditures of legally adopted budget appropriations or emergency appropriations made in accordance with N.J.S.A. 40A:4-46 et al. Deferred charges are subsequently raised as items of appropriation in budgets of succeeding years.

I. Appropriation Reserves

Appropriation reserves covering unexpended appropriation balances are automatically created at year end and recorded as liabilities, except for amounts which may be canceled by the governing body. Appropriation reserves are available, until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred during the preceding fiscal year. Lapsed appropriation reserves are recorded as income. Appropriation Reserves are not established under GAAP.

J. Liens Sold for Other Governmental Units

Liens sold on behalf of other governmental units are not recorded on the records of the tax collector until such liens are collected. Upon their collection, such liens are recorded as a liability due to the governmental unit net of the costs of the initial sale. The related costs of sale are recognized as revenue when received.

K. Fund Balance

Fund Balances included in the current fund represent amounts available for anticipation as revenue in future years budgets, with certain restrictions.

TOWNSHIP OF LYNDHURST
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2012

Note 2 - Summary of Significant Accounting Policies (Continued)

L. Revenues

Revenues are recorded when received in cash except for certain amounts which are due from other governmental units. Revenue from Federal and State grants are realized as and when anticipated as such in the Township's budget. Other amounts that are due the Township which are susceptible to accrual are also recorded as receivables with offsetting reserves and recorded as revenue when received. GAAP generally requires that grant revenues be recognized when the actual expenditures financed by the grant are made.

M. Property Tax Revenues

Property tax revenues are collected in quarterly installments due February 1, May 1, August 1, and November 1. Property taxes unpaid on April 1 of the year following their final due date are subject to tax sale in accordance with the statutes. The amount of taxes levied includes not only the amount required in support of the Township's annual budget, but also the amounts required in support of the budgets of the entities that follow. 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. GAAP requires such revenue to be recognized when available and measurable reduced by an allowance for doubtful accounts.

N. School Taxes

The municipality is responsible for levying, collecting and remitting school taxes for the Local School District. Operations are charged for the full amount required to be raised from taxation to operate the local school district for the period from July 1 to June 30. GAAP would require the recording of a deferred revenue.

O. County Taxes

The municipality is responsible for levying, collecting and remitting county taxes for the County. Operations are charged for the amount due the County for the year, based upon the ratables required to be certified to the County Board of Taxation by January 10 of the current year. In addition, operations are charged for the County share of Added and Omitted Taxes certified to the County Board of Taxation by October 10 of the current year and due to be paid to the County by February 15 of the following year.

TOWNSHIP OF LYNDHURST
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2012

Note 2 - Summary of Significant Accounting Policies (Continued)

P. Reserve for Uncollected Taxes

The inclusion of the "Reserve for Uncollected Taxes" appropriation in the municipality's annual budget protects from taxes not paid currently. The reserve, the minimum amount of which is determined on the percentage of collections experienced in the immediate preceding year, is required to provide assurance that cash collected in the current year will provide sufficient cash flow to meet expected obligations. A Reserve for Uncollected Taxes is not established under GAAP.

Q. Expenditures

Expenditures are recorded on the "budgetary" basis of accounting. Generally, expenditures are recorded when an amount is encumbered for goods or services through the issuance of a purchase order in conjunction with the encumbrance accounting system. Outstanding encumbrances at December 31, are recorded as a cash liability. Appropriations for principal payments on outstanding general capital bonds and notes are provided on the cash basis; interest on general capital indebtedness is on the cash basis. GAAP requires expenditures to be recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on long term debt which is recognized when due.

R. Compensated Absences and Postemployment Benefits

Compensated absences for vacation, sick leave and other compensated absences are recorded and provided for in the annual budget in the year in which they are paid, on a pay-as-you-go basis. Likewise, no accrual is made for postemployment benefits, if any, which are also funded on a pay-as-you-go basis. GAAP requires that the amount that would normally be liquidated with expendable financial resources be recorded as an expenditure in the operating funds and the remaining obligations be recorded as long term obligations.

S. Total Columns on Combined Statements

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

TOWNSHIP OF LYNDHURST
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2012

Note 2 - Summary of Significant Accounting Policies (Continued)

T. Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

U. New Reporting Standard(s)

In July 2004, the Governmental Accounting Standards Board (GASB) adopted statement number 45, "Accounting and Financial Reporting by Employers for Post Employment Benefits Other than Pensions". This statement will become effective for governmental entities on a phased in basis based on the entities total annual revenues. This phase in began with fiscal years beginning after December 15, 2006 and continued thru December 15, 2008 depending on annual revenues. The Township's effective date is the year beginning January 1, 2009. This statement will require Governmental entities to report the future cost of other post employment benefits (OPEB) on a present value basis instead of the present "pay as you go" method. Refer to footnote 14 for further information on the actuarial computation of this disclosure.

TOWNSHIP OF LYNDHURST
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2012

Note 3 - Cash and Cash Equivalents

Change funds, petty cash, cash in banks, certificates of deposit and funds on deposit with the New Jersey Cash Management Fund are considered cash and cash equivalents.

A. Deposits

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

All bank deposits as of the balance sheet date are entirely insured or collateralized by a collateral pool maintained by public depositories as required by the Governmental Unit Deposit Protection Act. In general, bank deposits are classified as to credit risk by the three categories described below:

Category 1 - Insured or collateralized with securities held by the municipality or by its agent in the municipality's name.

Category 2 - Collateralized with securities held by the pledging public depository's trust department or agent in the municipality's name.

Category 3 - Uncollateralized, including any deposits that is collateralized with securities held by the pledging public depository, or by its trust department or agent but not in the municipality's name.

At December 31, the municipality's deposits categorized by level of risk are summarized as follows:

Year	Bank Balance	Category			Carrying Value
		1	2	3	
2012	\$ 13,033,823	\$ 13,033,823	\$ -	\$ -	\$ 14,054,008
2011	\$ 9,130,795	\$ 9,130,795	\$ -	\$ -	\$ 10,440,597
2010	\$ 8,373,662	\$ 8,373,662	\$ -	\$ -	\$ 7,765,017
TY2009	\$ 3,336,895	\$ 3,336,895	\$ -	\$ -	\$ 3,155,547
SFY2009	\$ 9,073,825	\$ 9,073,825	\$ -	\$ -	\$ 9,246,720
SFY2008	\$ 18,853,193	\$ 18,853,193	\$ -	\$ -	\$ 18,676,695
SFY2007	\$ 13,166,806	\$ 13,166,806	\$ -	\$ -	\$ 12,632,707
SFY2006	\$ 7,957,573	\$ 7,957,573	\$ -	\$ -	\$ 7,676,223
SFY2005	\$ 7,109,715	\$ 7,109,715	\$ -	\$ -	\$ 6,820,360
SFY2004	\$ 5,172,747	\$ 5,172,747	\$ -	\$ -	\$ 5,644,859

B. New Jersey Cash Management Fund

The State of New Jersey Cash Management Fund is managed by the State of New Jersey, Division of Investment under the Department of Treasury. It consists of U.S. Treasury obligations, government agency obligations, certificates of deposit and commercial paper. At December 31, 2012 the municipality did not have any cash deposited with the New Jersey Cash Management Fund.

TOWNSHIP OF LYNDHURST
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2012

Note 4 - Investments

New Jersey Statutes permit the municipality to purchase the following types of securities for investment:

- a. Bonds or other obligations of the United States or obligations guaranteed by the United States of America.
- b. Government Money Market Mutual Funds.
- c. Any obligation that a federal agency or federal instrumentality has issued, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest.
- d. Bonds or other obligations of municipalities or bonds or other obligations of school districts.
- e. Bonds or other obligations, having a maturity date of not more than 397 days from the date of purchase that are approved by the New Jersey Department of Treasury, Division of Investments.
- f. Local government investment pools.
- g. Agreement for the repurchase of fully collateralized securities, if transacted in accordance with N.J.S.A. 40A:5-15.1(8a-8e).

No investments were held as of December 31, 2012.

TOWNSHIP OF LYNDHURST
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2012

Note 5 - Receivables

New Jersey municipal accounting procedures require accrued receivables to be off-set with a reserve originating with a charge to operations. Exceptions to this requirement include those grants used to fund capital projects reflected in the General Capital Fund, amounts due from the State of New Jersey for Veterans and Senior Citizens Deductions and public and private programs qualifying for grant accounting treatment in the Federal and State Grant Fund.

TOWNSHIP OF LYNDHURST
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2012

Note 6 - Commitments

The municipality is entered into a number of operating leases which vary on cancellation provisions and other terms. Annual requirements are provided for in appropriate department budget appropriations. Complete lease information is on file and available with the municipality.

TOWNSHIP OF LYNDHURST
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2012

Note 7 - Fixed Assets

The following is a summary of general fixed asset additions, deletions and adjustments:

2012

	Beginning Balance	Additions	Deletions	Adjustments	Ending Balance
Land	\$ 35,786,800	\$ -	\$ -	\$ -	\$ 35,786,800
Buildings and Improvements	5,681,100	-	-	-	5,681,100
Equipment	6,579,194	-	-	-	6,579,194
	<u>\$ 48,047,094</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 48,047,094</u>

2011

	Beginning Balance	Additions	Deletions	Adjustments	Ending Balance
Land	\$ 35,786,800	\$ -	\$ -	\$ -	\$ 35,786,800
Buildings and Improvements	5,681,100	-	-	-	5,681,100
Equipment	6,579,194	-	-	-	6,579,194
	<u>\$ 48,047,094</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 48,047,094</u>

TOWNSHIP OF LYNDHURST
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2012

Note 8 - Municipal Debt

A. Types of Municipal Debt

Capital Debt

The "Local Bond Law" of New Jersey Statutes governs the issuance of bonds and notes to finance capital expenditures, and are permitted only from the General Capital Fund. Bonds and Notes are backed by the full faith and credit of the municipality. Capital projects under financed under the Local Bond Law must have a minimum useful life of five years.

Bond Anticipated Notes - Bond Anticipation Note ("BANs") are issued to temporarily finance projects prior to the issuance of permanent bonds. Generally, the term of BANs can not exceed one year, but may be renewed from time to time for periods not exceeding one year, and ultimately paid or permanently financed no later than the first day of the fifth month following the close of the tenth fiscal year following the original issue date of the BAN. New Jersey Statutes require that on or before the third anniversary date of the original BAN issue date, an amount at least equal to the first legally payable installment must be paid towards the BAN upon each renewal until permanently funded or retired.

Bonds - Bonds issued are retired in serial installments within statutory periods of usefulness. New Jersey Statutes limit installment increments unless approval for a non-conforming maturity schedule is approved by the Local Finance Board.

TOWNSHIP OF LYNDHURST
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2012

Note 8 - Municipal Debt (Continued)

B. Comparative Summary of Debt and Remaining Borrowing Power

The following comparative information summarizes the statutory debt calculations of the municipality as reported on the municipality's Annual Debt Statement.

	<u>2012</u>	<u>2011</u>
Issued:		
School Bonds and Notes	\$ 4,675,000	\$ 5,110,000
Water Utility Bonds and Notes	15,737,000	13,662,776
General Bonds, Notes and Loans	63,272,053	50,953,000
	<u>\$ 83,684,053</u>	<u>\$ 69,725,776</u>
Authorized but not Issued:		
School Bonds and Notes	\$ -	\$ -
Water Utility Bonds and Notes	-	2,262,224
General Bonds and Notes	14,250	14,195,750
	<u>\$ 14,250</u>	<u>\$ 16,457,974</u>
Gross Debt	<u>\$ 83,698,303</u>	<u>\$ 86,183,750</u>
Deductions:		
School Deduction	\$ (4,675,000)	\$ (5,110,000)
Utility Deduction	(15,737,000)	(15,925,000)
Funds on Hand	(15,753,000)	(16,911,087)
Total Deductions	<u>\$ (36,165,000)</u>	<u>\$ (37,946,087)</u>
Net Debt	<u>\$ 47,533,303</u>	<u>\$ 48,237,663</u>
Equalized Valuation Basis	\$ 3,119,994,688	\$ 3,426,599,226
Statutory Net Debt Percentage	1.52%	1.41%
3-1/2% of Equalized Valuation Basis	\$ 109,199,814	\$ 119,930,973
Remaining Borrowing Power	\$ 61,666,511	\$ 71,693,310

TOWNSHIP OF LYNDHURST
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2012

Note 8 - Municipal Debt (Continued)

C. Long-Term Bonded Debt Service Requirements to Maturity

The annual debt service requirement for long-term obligations requirements to maturity, including principal and interest as of December 31, 2012 for the General Capital Fund are as follows:

Year	<u>2001 General Improvement Bonds</u>		<u>2003 Refunding Bonds</u>	
	Principal	Interest	Principal	Interest
2013	535,000	112,353	470,000	46,268
2014	535,000	87,208	480,000	31,580
2015	535,000	62,064	470,000	15,980
2016	535,000	36,919	-	-
2017	518,000	12,173	-	-
	<u>\$ 2,658,000</u>	<u>\$ 310,717</u>	<u>\$ 1,420,000</u>	<u>\$ 93,828</u>

Year	<u>2005 General Improvement Bonds</u>	
	Principal	Interest
2013	415,000	105,064
2014	415,000	91,162
2015	425,000	76,844
2016	425,000	61,968
2017	425,000	46,882
2018	425,000	31,476
2019	420,000	7,875
	<u>\$ 2,950,000</u>	<u>\$ 421,271</u>

TOWNSHIP OF LYNDHURST
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2012

Note 8 - Municipal Debt (Continued)

C. Long-Term Bonded Debt Service Requirements to Maturity (Continued)

Schedule of Annual Debt Service for Principal and Interest for Bonded Debt Issued and Outstanding - General Capital Fund (Continued)

Year	2006 BCIA Bonds		Total	
	Principal	Interest	Principal	Interest
2013	90,000	120,000	1,510,000	383,685
2014	90,000	115,500	1,520,000	325,450
2015	95,000	110,875	1,525,000	265,763
2016	100,000	106,000	1,060,000	204,887
2017	105,000	100,875	1,048,000	159,930
2018	105,000	95,625	530,000	127,101
2019	110,000	90,250	530,000	98,125
2020	115,000	84,625	115,000	84,625
2021	120,000	40,875	120,000	40,875
2022	125,000	110,500	125,000	110,500
2023	130,000	66,250	130,000	66,250
2024	135,000	59,625	135,000	59,625
2025	140,000	52,750	140,000	52,750
2026	145,000	45,625	145,000	45,625
2027	150,000	38,250	150,000	38,250
2028	160,000	30,500	160,000	30,500
2029	170,000	22,250	170,000	22,250
2030	175,000	13,625	175,000	13,625
2031	185,000	4,625	185,000	4,625
	<u>\$ 2,445,000</u>	<u>\$ 1,308,625</u>	<u>\$ 9,473,000</u>	<u>\$ 2,134,441</u>

N.J.E.I.T. Loans Payable

Year	2010 Trust Loan (CW)		2010 Fund Loan (CW)	
	Principal	Interest	Principal	Interest
2013	55,000	74,250	83,947	-
2014	55,000	71,500	83,947	-
2015	60,000	68,750	83,947	-
2016	60,000	65,750	83,947	-
2017	65,000	62,750	83,947	-
2018	65,000	59,500	83,947	-
2019	70,000	56,250	83,947	-
2020	75,000	52,750	83,947	-
2021	80,000	49,000	83,947	-
2022	80,000	45,000	83,947	-
2023	85,000	41,000	83,947	-
2024	90,000	36,750	83,947	-
2025	95,000	32,250	83,947	-
2026	100,000	27,500	83,947	-
2027	105,000	22,500	83,947	-
2028	110,000	17,250	83,947	-
2029	115,000	11,750	83,947	-
2030	120,000	6,000	83,954	-
	<u>\$ 1,485,000</u>	<u>\$ 800,500</u>	<u>\$ 1,511,053</u>	<u>\$ -</u>

Note 8 - Municipal Debt (Continued)

C. Long-Term Bonded Debt Service Requirements to Maturity (Continued)

TOWNSHIP OF LYNDHURST
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2012

Schedule of Annual Debt Service for Principal and Interest for Bonded Debt Issued and Outstanding -
General Capital Fund (Continued)

N.J.E.I.T. Loans Payable (Cont.)

	Total	
	Principal	Interest
2013	138,947	74,250
2014	138,947	71,500
2015	143,947	68,750
2016	143,947	65,750
2017	148,947	62,750
2018	148,947	59,500
2019	153,947	56,250
2020	158,947	52,750
2021	163,947	49,000
2022	163,947	45,000
2023	168,947	41,000
2024	173,947	36,750
2025	178,947	32,250
2026	183,947	27,500
2027	188,947	22,500
2028	193,947	17,250
2029	198,947	11,750
2030	203,954	6,000
	<u>\$ 2,996,053</u>	<u>\$ 800,500</u>

TOWNSHIP OF LYNDHURST
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2012

Note 8 - Municipal Debt (Continued)

C. Long-Term Bonded Debt Service Requirements to Maturity (Continued)

Schedule of Annual Debt Service for Principal and Interest for Bonded Debt Issued and Outstanding -
Water Utility Capital Fund

Year	2001 Water Utility Bonds		2005 Water Utility Bonds	
	Principal	Interest	Principal	Interest
2013	115,000	102,638	-	-
2014	115,000	96,773	-	-
2015	115,000	90,907	-	-
2016	115,000	85,042	-	-
2017	115,000	79,177	-	-
2018	116,000	73,287	-	-
2019	116,000	67,371	-	-
2020	116,000	61,455	-	-
2021	116,000	55,539	-	-
2022	116,000	49,623	-	-
2023	116,000	43,707	-	-
2024	116,000	37,791	-	-
2025	116,000	31,875	-	-
2026	116,000	25,959	-	-
2027	116,000	20,043	-	-
2028	116,000	14,127	-	-
2029	116,000	8,211	-	-
2030	103,000	2,626	-	-
	<u>\$ 2,070,000</u>	<u>\$ 946,151</u>	<u>\$ -</u>	<u>\$ -</u>

Year	Total	
	Principal	Interest
2013	115,000	102,638
2014	115,000	96,773
2015	115,000	90,907
2016	115,000	85,042
2017	115,000	79,177
2018	116,000	73,287
2019	116,000	67,371
2020	116,000	61,455
2021	116,000	55,539
2022	116,000	49,623
2023	116,000	43,707
2024	116,000	37,791
2025	116,000	31,875
2026	116,000	25,959
2027	116,000	20,043
2028	116,000	14,127
2029	116,000	8,211
2030	103,000	2,626
	<u>\$ 2,070,000</u>	<u>\$ 946,151</u>

Note 8 - Municipal Debt (Continued)

C. Long-Term Bonded Debt Service Requirements to Maturity (Continued)

TOWNSHIP OF LYNDHURST
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2012

Schedule of Annual Debt Service for Principal and Interest for Bonded Debt Issued and Outstanding -
Water Utility Capital Fund

N.J.E.I.T. Loans Payable

Year	2010 Trust Loan (DW)		2010 Fund Loan (DW)	
	Principal	Interest	Principal	Interest
2013	180,000	254,500	280,432	-
2014	190,000	245,500	280,432	-
2015	200,000	236,000	280,432	-
2016	210,000	226,000	280,432	-
2017	220,000	215,500	280,432	-
2018	230,000	204,500	280,432	-
2019	245,000	193,000	280,432	-
2020	255,000	180,750	280,432	-
2021	265,000	168,000	280,432	-
2022	280,000	154,750	280,432	-
2023	295,000	140,750	280,432	-
2024	310,000	126,000	280,432	-
2025	325,000	110,500	280,432	-
2026	340,000	94,250	280,432	-
2027	360,000	77,250	280,432	-
2028	375,000	59,250	280,432	-
2029	395,000	40,500	280,432	-
2030	415,000	20,750	280,432	-
	<u>\$ 5,090,000</u>	<u>\$ 2,747,750</u>	<u>\$ 5,047,776</u>	<u>\$ -</u>

Year	Total	
	Principal	Interest
2013	460,432	254,500
2014	470,432	245,500
2015	480,432	236,000
2016	490,432	226,000
2017	500,432	215,500
2018	510,432	204,500
2019	525,432	193,000
2020	535,432	180,750
2021	545,432	168,000
2022	560,432	154,750
2023	575,432	140,750
2024	590,432	126,000
2025	605,432	110,500
2026	620,432	94,250
2027	640,432	77,250
2028	655,432	59,250
2029	675,432	40,500
2030	695,432	20,750
	<u>\$ 10,137,776</u>	<u>\$ 2,747,750</u>

TOWNSHIP OF LYNDHURST
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2012

Note 8 - Municipal Debt (Continued)

D. Summary of Changes in Municipal Debt

During the year ended December 31, 2012, the following changes occurred in liabilities reported as general long-term debt:

	Beginning Balance	Authorized/ Issued	Retired	Ending Balance
Short-Term Debt:				
Tax Anticipation Notes	\$ -	\$ -	\$ -	\$ -
Emergency Notes	-	-	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Long-Term Debt:				
Serial Bonds	\$ 10,923,000	\$ -	\$ (1,450,000)	\$ 9,473,000
Loan Payable	3,130,000	-	(133,947)	2,996,053
Bond Anticipation Notes	36,900,000	50,803,000	(36,900,000)	50,803,000
Authorized but not Issued	14,195,750	3,333,000	(17,514,500)	14,250
	<u>\$ 65,148,750</u>	<u>\$ 54,136,000</u>	<u>\$ (55,998,447)</u>	<u>\$ 63,286,303</u>
	<u>\$ 65,148,750</u>	<u>\$ 54,136,000</u>	<u>\$ (55,998,447)</u>	<u>\$ 63,286,303</u>

	Ending Balance	Amounts Due within One Year	Long-term Portion
Short-Term Debt:			
Tax Anticipation Notes	\$ -		\$ -
Emergency Notes	-		-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Long-Term Debt:			
Serial Bonds	\$ 9,473,000	\$ 1,510,000	\$ 7,963,000
Loan Payable	2,996,053	138,947	2,857,106
Bond Anticipation Notes	50,803,000	50,803,000	-
Authorized but not Issued	14,250	-	14,250
	<u>\$ 63,286,303</u>	<u>\$ 52,451,947</u>	<u>\$ 10,834,356</u>
	<u>\$ 63,286,303</u>	<u>\$ 52,451,947</u>	<u>\$ 10,834,356</u>

TOWNSHIP OF LYNDHURST
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2012

Note 8 - Municipal Debt (Continued)

D. Summary of Changes in Municipal Debt

During the year ended December 31, 2012, the following changes occurred in liabilities reported as water utility capital long-term debt:

	Beginning Balance	Issued	Cancelled/ Retired	Ending Balance
Short-Term Debt:				
Tax Anticipation Notes	\$ -	\$ -	\$ -	\$ -
Emergency Notes	-	-	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Long-Term Debt:				
Serial Bonds	\$ 2,235,000	\$ -	\$ (165,000)	\$ 2,070,000
Loan Payable	10,137,776	-	-	10,137,776
Bond Anticipation Notes	1,290,000	3,530,000	(1,290,000)	3,530,000
Authorized but not Issued	2,262,224	-	(2,262,224)	-
	<u>\$ 15,925,000</u>	<u>\$ 3,530,000</u>	<u>\$ (3,717,224)</u>	<u>\$ 15,737,776</u>
	<u>\$ 15,925,000</u>	<u>\$ 3,530,000</u>	<u>\$ (3,717,224)</u>	<u>\$ 15,737,776</u>

	Ending Balance	Amounts Due within One Year	Long-term Portion
Short-Term Debt:			
Tax Anticipation Notes	\$ -		\$ -
Emergency Notes	-		-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Long-Term Debt:			
Serial Bonds	\$ 2,070,000	\$ 115,000	\$ 1,955,000
Loan Payable	10,137,776	460,432	9,677,344
Bond Anticipation Notes	3,530,000	3,530,000	-
Authorized but not Issued	-	-	-
	<u>\$ 15,737,776</u>	<u>\$ 4,105,432</u>	<u>\$ 11,632,344</u>
	<u>\$ 15,737,776</u>	<u>\$ 4,105,432</u>	<u>\$ 11,632,344</u>

TOWNSHIP OF LYNDHURST
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2012

Note 9 - Risk Management

The Township is exposed to various risks of loss related to general liability, automobile coverage, damage and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township has obtained insurance coverage to guard against these events which will provide minimum exposure to the Township should they occur. The Township is a member of the South Bergen Municipal Joint Insurance Fund (SBJIF) and Municipal Excess Liability Joint Insurance Fund (MEL). The joint insurance funds are both an insured and self-administered group of municipalities established for the purpose of insuring against property damage, general liability, motor vehicles and equipment and worker's compensation. The SBJIF and MEL coverage amounts are on file with the Township. The relationship between the Township and respective insurance funds is governed by a contract and by-laws that have been adopted by resolution of each unit's governing body. The Township is contractually obligated to make all annual and supplementary contributions to insurance, to report claims on a timely basis, cooperate with the management of the Fund, its claims investigation and settlement, and to follow risk management procedures as outlined by the insurance pools. Members have a contractual obligation to fund any deficit of the insurance fund attributable to a membership year during which they were a member. The funds provide its members with risk management services, including the defense of and settlement of claims, and established reasonable and necessary loss reduction and preventive procedures to be followed by the members. There has been no significant reduction in insurance coverage from the previous year nor have been there been any settlements in excess of insurance coverage in any of the prior three years. Contributions to the Funds, including a reserve for contingencies, are payable in four installments and are based on actuarial assumptions determined by the Fund's actuary. The Commissioner of Insurance may order additional assessments to supplement the Fund's claim, loss retention or administrative accounts to assure the payment of the Fund's obligations.

The Township has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method". Under this plan the State of New Jersey provides the administration of payments to former employees of the Township. The Township is billed quarterly for benefits paid to former employees.

TOWNSHIP OF LYNDHURST
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2012

Note 10 - Interfunds

As of December 31, interfund balances on the Township's various balance sheets were as follows:

	<u>Interfunds Receivable</u>	<u>Interfunds Payable</u>
<u>2012</u>		
Current Fund	\$ 104,000	\$ 5,120,935
Federal and State Grant Fund	-	150,000
Trust Fund	1,908,965	-
General Capital Fund	961,970	702,672
Water Utility Operating Fund	807,667	82,000
Water Utility Capital Fund	3,100,000	804,968
Swimming Pool Utility Operating Fund	-	22,027
Swimming Pool Utility Capital Fund	-	
	<u>\$ 6,882,602</u>	<u>\$ 6,882,602</u>

2011

Current Fund	\$ -	\$ 7,380,893
Federal and State Grant Fund	-	-
Trust Fund	216,359	-
General Capital Fund	7,151,970	702,672
Water Utility Operating Fund	719,552	2,321
Water Utility Capital Fund	702,321	707,289
Swimming Pool Utility Operating Fund	3,000	27
Swimming Pool Utility Capital Fund	-	-
	<u>\$ 8,793,202</u>	<u>\$ 8,793,202</u>

TOWNSHIP OF LYNDHURST
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2012

Note 11 - Deferred Charges to be Raised in Succeeding Budgets

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, the following deferred charges are shown on the balance sheet of the Current Fund:

	<u>Balance</u>	<u>Appropriated in Subsequent Year's Budget</u>	<u>Balance to Succeeding</u>
<u>CY2012</u>			
Current Fund:			
Overexpenditures	\$ -	\$ -	\$ -
Expenditures Without Appropriations	-	-	-
Deficit in Operations	-	-	-
Emergency Authorizations (40A:4-47)	300,000	300,000	-
Special Emergency Authorizations (40A:4-53)	1,040,000	580,000	460,000
EnCap Tax Refunding - Township Portion	2,638,779	376,857	2,261,922
	<u>\$ 3,978,779</u>	<u>\$ 1,256,857</u>	<u>\$ 2,721,922</u>

CY2011

Current Fund:			
Overexpenditures	\$ -	\$ -	\$ -
Expenditures Without Appropriations	-	-	-
Deficit in Operations	-	-	-
Emergency Authorizations (40A:4-47)	498,079	498,079	-
Special Emergency Authorizations (40A:4-53)	1,300,000	260,000	1,040,000
	<u>\$ 1,798,079</u>	<u>\$ 758,079</u>	<u>\$ 1,040,000</u>

Note 12 - Retirement Plans

Those employees who are eligible for pension coverage are enrolled in either the Public Employees Retirement System of New Jersey (PERS) or the Police and Firemen's Retirement System of New Jersey (PFRS) and the Defined Contribution Retirement Program (DCRP). The systems are cost-sharing multiple-employer contributory defined benefit pension plans, and are component units of the State of New Jersey. Each retirement system has a Board of Trustees which is responsible for its organization and administration.

A. Public Employees' Retirement System (PERS)

Description of the System - The State of New Jersey Public Employees' Retirement System (the System; PERS) is a cost-sharing multiple-employer contributory defined benefit plan which was established as of January 1, 1955, under the provisions of N.J.S.A. 43:15A. The System is included along with other state-administered pension trust and agency funds in the basic financial statements of the State of New Jersey.

At June 30, 2011 and 2010, the dates of the most recent actuarial valuations, participating employers consisted of the following:

	2011	2010
State of New Jersey	1	1
County Agencies	65	65
Municipalities	579	580
School Districts	580	581
Other Public Agencies	481	483
Total	<u>1,706</u>	<u>1,710</u>

The System's designated purpose is to provide retirement, death, disability and medical benefits to certain qualified members. Membership in the System is mandatory for substantially all full-time employees of the State of New Jersey or any county, municipality, school district or public agency, provided the employee is not required to be a member of another state-administered retirement system or other state pension fund or local jurisdiction's pension fund. The System's Board of Trustees is primarily responsible for the administration of the System.

According to the State of New Jersey Administrative Code, all obligations of the System will be assumed by the State of New Jersey should the System terminate.

Note 12 - Retirement Plans (Continued)

A. Public Employees' Retirement System (PERS) (Continued)

Vesting and Benefit Provisions - The vesting and benefit provisions are set by N.J.S.A. 43:15A and 43:3B. The System provides retirement, death and disability benefits. All benefits vest after eight to ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of the System.

For Tier 1 members, retirement benefits for age and service are available at age 60 and are generally determined to be 1/55 of final average salary for each year of service credit, as defined. Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek early retirement after achieving 25 years service credit, as defined, or they may elect deferred retirement after achieving eight to ten years of service credit, in which case benefits would begin the first day of the month after the member attains normal retirement age.

Members are always fully vested for their own contributions and, after three years of service credit, become vested for earnings on their contributions at 2% per annum. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

Eligible retirees receiving monthly benefits are entitled to cost-of-living increases equal to 60% of the change in the average consumer price index for the calendar year in which the pensioner retired, as compared to the average consumer price index for a 12-month period ending with each August 31st immediately preceding the year in which the adjustment becomes payable. The regular retirement allowance is multiplied by the 60% factor as developed and results in a dollar amount of the adjustment payable. Retired members become eligible for pension adjustment benefits after 24 months of retirement. The COLA increases are funded by the retirement system and are included in the annual actuarial calculations of the required state and state-related employer contributions. Pursuant to the provisions of Chapter 78, P.L. 2011, COLA increases are suspended for all current and future retirees of all retirement systems. No further COLA increases will be granted. The law does not reduce any COLA increases that have already been added to retiree benefits.

Significant Legislation - Chapter 103, P.L. 2007 amended the early retirement reduction formula for members hired on or after July 1, 2007 and prior to November 2, 2008 (Tier 2 members) and retiring with 25 years of service to be reduced by 1% for every year between age 55 and 60, plus 3% for every year under age 55. Also, this law provided that the amount of compensation for Tier 2 members used for employer and member contributions and benefits under the PERS cannot exceed the annual maximum wage contribution base for Social Security, pursuant to the Federal Insurance Contributions Act.

Chapter 89, P.L. 2008 increased the PERS eligibility age for unreduced benefits from age 60 to age 62 for members hired on or after November 1, 2008 and on or before May 21, 2010 (Tier 3 members). It also increased the minimum annual compensation required for membership eligibility for new Tier 3 members from \$1,500 to \$7,500 in addition to amending the early retirement reduction formula for Tier 3 members retiring with 25 years of service to 1% for every year between age 55 and 62, plus 3% for every year under age 55.

Chapter 1, P.L. 2010, effective May 21, 2010, changed the membership eligibility criteria for new members of PERS hired after May 21, 2010 (Tier 4 and Tier 5 members) from the amount of annual compensation to the number of hours worked weekly. Also, it returned the benefit multiplier for these members of PERS to 1/60 from 1/55, and it provided that the retirement allowance for these members be calculated using the average annual compensation for the last five years of service instead of the last three years of service. Tier 4 and Tier 5 members of PERS no longer receive pension service credit from more than one employer. Pension service credit is earned for the highest paid position only. This law also closed the Prosecutors Part of the PERS to new members.

Chapter 3, P.L. 2010, effective May 21, 2010, replaced the accidental and ordinary disability retirement for Tier 4 and Tier 5 members of the PERS with disability insurance coverage similar to that provided by the State to individuals enrolled in the State's Defined Contribution Retirement Program.

Chapter 78, P.L. 2011, provided that new members of PERS hired on or after June 28, 2011 (Tier 5 members) need 30 years of creditable service and age 65 for receipt of the early retirement benefit without a reduction of ¼ of 1% for each month that the member is under age 65. Tier 5 members are eligible for a service retirement benefit at age 65.

Membership in the system consisted of the following at June 30, 2011 and 2010, the dates of the most recent actuarial valuations:

	2011	2010
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	149,218	141,973
Active Members:		
Vested	149,719	149,506
Non-Vested	142,107	159,593
Total Active Members	291,826	309,099
Total	441,044	451,072

Note 12 - Retirement Plans (Continued)

B. Police and Firemen's Retirement System (PFRS)

Description of the System

State of New Jersey Police and Firemen's Retirement System (the System; PFRS) is a cost-sharing multiple-employer contributory defined benefit plan which was established as of July 1, 1944, under the provisions of N.J.S.A. 43:16A. The System is included along with other state-administered pension trust and agency funds in the basic financial statements of the State of New Jersey.

At June 30, 2011 and 2010, the dates of the most recent actuarial valuations, participating employers consisted of the following:

	2011	2010
State of New Jersey	1	1
Municipalities	585	588
Total	586	589

The System's designated purpose is to provide retirement, death and disability benefits to its members. Membership in the System is mandatory for substantially all full-time county and municipal police or firemen, and state firemen or officer employees with police powers appointed after June 30, 1944. The System's Board of Trustees is primarily responsible for its administration.

According to State of New Jersey Administrative Code, all obligations of the System will be assumed by the State of New Jersey should the System terminate.

Note 12 - Retirement Plans (Continued)

B. Police and Firemen's Retirement System (PFRS) (Continued)

Vesting and Benefit Provisions

The vesting and benefit provisions are set by N.J.S.A. 43:16A and 43:3B. The PFRS provides retirement as well as death and disability benefits. All benefits vest after ten years of service, except disability benefits which vest after four years of service. Retirement benefits for age and service are available at age 55 and are generally determined to be 2% of final compensation for each year of creditable service, as defined, up to 30 years plus 1% for each year of service in excess of 30 years. Final compensation equals the compensation for the final year of service prior to retirement. Members may seek special retirement after achieving 25 years of creditable service or they may elect deferred retirement after achieving ten years of service, in which case benefits would begin at age 55 equal to 2% of final compensation for each year of service. The annual benefit under special retirement is 65% of the member's final compensation plus 1% for each year of creditable service over 25 years but not to exceed 30 years. The maximum allowance is therefore 70% of final compensation. Pursuant to the provisions of Chapter 78, P.L. 2011, the annual benefit under special retirement for members enrolled after June 28, 2011 (Tier 3 members), is 60% of the member's final compensation plus 1% for each year of creditable service over 25 years but not to exceed 30 years. The maximum allowance is therefore 65% of final compensation.

Widow/widowers of members retired since December 18, 1967 receive 50% of the retiree's final compensation. The minimum annual widow/widower's benefits of an accidental disability retiree prior to December 18, 1967 and of all retirees since December 18, 1967 is \$4,500.

Members are always fully vested for their own contributions. In the case of death before retirement, members' beneficiaries are entitled to full payment of members' contributions providing no survivor death benefits are payable.

Eligible retirees receiving monthly benefits are entitled to cost-of-living (COLA) increases equal to 60% of the change in the average consumer price index for the calendar year in which the pensioner retired, as compared to the average consumer price index for a 12-month period ending with each August 31st immediately preceding the year in which the adjustment becomes payable. The regular retirement allowance is multiplied by the 60% factor as developed and results in the dollar amount of the adjustment payable. Retired members become eligible for pension adjustment benefits after 24 months of retirement. The COLA increases are funded by the retirement system and are included in the annual actuarial calculations of the required state and state-related employer contributions. Pursuant to the provisions of Chapter 78, P.L. 2011, COLA increases are suspended for all current and future retirees of all retirement systems. No further COLA increases will be granted. The law does not reduce any COLA increases that have already been added to retiree benefits.

Note 12 - Retirement Plans (Continued)

B. Police and Firemen's Retirement System (PFRS) (Continued)

Significant Legislation:

Pursuant to Chapter 1, P.L. 2010, for new members of PFRS hired after May 21, 2010 (Tier 2 members), this law capped the maximum compensation that can be used to calculate a pension from these plans at the annual wage contribution base for Social Security, and required the pension benefit to be calculated using a three-year average annual compensation instead of the last year's salary.

Membership in the System consisted of the following at June 30, 2011 and 2010 the dates of the most recent actuarial valuations:

	2011	2010
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	38,091	35,973
Active members:		
Vested	28,817	29,552
Non-vested	13,182	14,652
Total active members	41,999	44,204
Total	80,090	80,177

Note 12 - Retirement Plans (Continued)

C. Defined Contribution Retirement Program (DCRP)

The Defined Contribution Retirement Program (DCRP) was established July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, and expanded under the provisions of Chapter 89, P.L. 2008,

The DCRP provides eligible members with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage.

Eligibility

Individuals eligible for membership in the DCRP include:

- 1) State or local officials who are elected or appointed on or after July 1, 2007
- 2) Employees enrolled in the Public Employees Retirement System (PERS) or Teachers Pension and Annuity Fund (TPAF) on or after July 1, 2007, who earn salary in excess of established "maximum compensation" limits; and
- 3) Employees otherwise eligible to enroll in the PERS or TPAF on or after November 2, 2008, who do not earn the minimum annual salary for PERS or TPAF Membership Tier 3 enrollment (\$7,500 in 2009, subject to adjustment in future years) but who earn salary of at least \$1,500 annually.)

Employees enrolled in the PERS or TPAF on or after July 1, 2007 are subject to a maximum compensation limit for PERS and TPAF pension contributions. The maximum compensation is based on the annual maximum wage for Social Security (see chart below) and is subject to change at the start of each calendar year.

Enrollment

Eligible PERS or TPAF members are enrolled in the DCRP when the annual salary exceeds the maximum compensation limit. This may occur either:

Upon enrollment into the PERS or TPAF when an annual base salary is reported on the Enrollment Application that will exceed the maximum compensation; or when a PERS or TPAF member's annual salary is increased to where it will exceed the maximum compensation and it is reported by the employer to the Division of Pensions and Benefits (either by directly contacting the Division, or when submitted by the employer on the Quarterly Report of Contributions). When enrolled in the DCRP, members contribute 5.5% of the base salary in excess of the maximum compensation limit to a tax-deferred investment account established with Prudential Financial, which jointly administers the DCRP investments with the Division of Pensions and Benefits. Member contributions are matched by a 3% employer contribution based on the salary in excess of the maximum compensation limit.

It is important that an employer enroll a DCRP eligible PERS or TPAF member as soon as it is known that the employee's annual salary will exceed the maximum compensation, so that the DCRP account can be established in advance of collection of any required contributions.

Note 12 - Retirement Plans (Continued)

C. Defined Contribution Retirement Program (DCRP)

Retirement

Six months before retirement, a member should contact the employer and Prudential Financial for information regarding DCRP benefits and options.

A DCRP member may elect to receive all or a portion of his/her account in a lump-sum distribution, or in a variety of periodic payment methods. Please contact your administrative services provider for more information. All returns of contributions and earnings are considered taxable in the year they are received; therefore, the type of payout plan should be considered carefully prior to retirement.

There is no minimum retirement age under the DCRP. The member will automatically be considered retired, regardless of age, if there is any distribution of mandatory contributions.

A member may take a distribution at any time after termination of employment; however, if you return to public employment in New Jersey, you cannot participate in any State-administered retirement system.

TOWNSHIP OF LYNDHURST
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2012

Note 12 - Retirement Plans (Continued)

D. Contributions Required by Employer

Year	Pension Cost	Non-Contributory Life Insurance @ 100%	Pension Percentage Contributed	Pension Obligation
<i>Police and Firemen's Retirement System (PFRS)</i>				
2012	1,366,752	47,058	100.00%	\$ 1,413,810
2011	\$ 1,520,025	\$ 66,116	100.00%	\$ 1,586,141
2010	\$ 1,233,609	\$ 62,717	100.00%	\$ 1,296,326
TY2009	\$ -	\$ -	0.00%	\$ -
SFY2009	\$ 576,322	\$ 47,396	50.00%	\$ 1,200,040
SFY2008	\$ 1,136,157	\$ -	100.00%	\$ 1,136,157
<i>Public Employees Retirement System (PERS)</i>				
2012	667,685	40,824	100.00%	\$ 708,509
2011	\$ 556,964	\$ 42,301	100.00%	\$ 599,265
2010	\$ 459,947	\$ 63,784	100.00%	\$ 523,731
TY2009	\$ -	\$ -	0.00%	\$ -
SFY2009	\$ 188,446	\$ 46,848	50.00%	\$ 423,740
SFY2008	\$ 283,235	\$ -	80.00%	\$ 354,044
<i>Defined Contribution Retirement Program</i>				
2012	\$ -	\$ -	0.00%	\$ -
2011	\$ -	\$ -	0.00%	\$ -
2010	\$ -	\$ -	0.00%	\$ -
TY2009	\$ -	\$ -	0.00%	\$ -
SFY2009	\$ -	\$ -	0.00%	\$ -
SFY2008	\$ -	\$ -	0.00%	\$ -

E. Trend Information

Historical trend information showing the plan's progress in accumulating sufficient assets to pay benefits when due are presented in the State of New Jersey's PERS, PFRS and DCRP financial reports. Those reports may be obtained by writing to the State of New Jersey, Department of Treasury Division of Pensions, Trenton, New Jersey.

TOWNSHIP OF LYNDHURST
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2012

Note 13 - Deferred Compensation Plan

A. Description

The Township offers its employees and qualifying volunteers participation in a deferred compensation plans created in accordance with Internal Revenue Code Section 457. The plans, which are administered by an outside contractor, permits participants to defer a portion of their Township contributions on behalf of volunteers until future years. Amounts deferred under the plan are not available to employees until termination, retirement, death or unforeseeable emergency.

All amounts of compensation deferred under the plan and all income attributable to those amounts are (until paid or made available to the employee or other beneficiary) solely the property and rights of the Township's subject only to the claims of the Township's general creditors. Participants' rights under the plan are equal to those of general creditors of the Township in an equal amount to the fair value of the deferred account for each participant.

It is the opinion of the Township's legal counsel that the Township has no liability for losses under the plan. Under the plan, participants select investments from alternatives offered by the plan administrators, who manages the plan on behalf of the Township. Investment selection by the participants may change from time to time, as the Township manages none of the investment selections. By making the selection, participants accept and assume all risks that adhere in the plan and its administration.

Information pertaining to the two plans offered by the Township are as follows:

Lincoln National Life Insurance Co.

This plan administers Township contributions towards its Volunteer Length of Service Award Program (LOSAP).

	<u>CY2012</u>
Assets, Beginning of Year (Market Value)	\$ 485,346
Township Contribution	26,355
Earnings and Adjustments to Market Value	59,682
Payments to Eligible Employees	(15,739)
Charges and Credits	(1,850)
Assets, Ending of Year (Market Value)	<u>\$ 553,794</u>

B. AXA Equitable

This "non-qualified" plan administers employee's current participant activity under traditional salary deferrals transfers from other plans and compensation deferred under a contractual agreement between eligible employees. Participants receive individual statements reflecting deferrals, earnings, payments, charges, credits, etc.

TOWNSHIP OF LYNDHURST
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2012

Note 14 - Other Post Retirement Benefits

A. Compensated Absences

The Township permits employees to accrue all their unused vacation and 1/2 of their unused sick pay, which may be taken as time off or paid at a later date at an agreed upon rate. A detail of amounts due is on file in the Office of the Township Clerk - Valley Brook Avenue, Lyndhurst NJ 07071 - (201) 804-2457. In accordance with accounting practices prescribed by the Division of Local Government Services, this amount is not recorded as either an expenditure or a liability. The Township approximates this liability at December 31, 2012 to be \$3,625,000.

TOWNSHIP OF LYNDHURST
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2012

Note 15 - Contingencies

A. Litigation

The municipality is a party to various legal proceedings which normally occur in the operation of government. These proceedings are not likely to have a materially adverse affect on the various funds of the municipality.

B. Federal and State Grants

The municipality participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor agency. If expenditures are disallowed, the municipality may be required to reimburse the grantor agency. As of December 31, 2012, significant amounts of grant expenditures have not been audited. The municipality believes that any future disallowed expenditures will not have a material effect on its financial position.

C. Tax Appeals

Various tax appeal cases were pending in the New Jersey Tax Court at December 31, 2012 and 2011. Amounts claimed have not yet been determined. The Township is vigorously defending its assessments in each case. Under the accounting principles prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the Township does not recognize a liability, if any, until these cases have been adjudicated. The Township expects such amounts, if any, to be material. As of December 31, 2012 and 2011, the Township did not record reserves in the Current Fund for tax appeals pending in the New Jersey Tax Court. Funding of any ultimate liability would be provided for in succeeding years' budgets, from fund balance or by issuance of refunding bonds.

TOWNSHIP OF LYNDHURST
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2012

Note 16 - Subsequent Events

As of the date of this report, the following are considered material subsequent events:

A. Subsequent Year Capital Projects

The Township's 2013 Capital Budget currently includes the following:

Purpose	Total	CIF and Other Funded	Bonds & Notes
		Sources	Authorized
Acquisition of Ambulance	\$ 100,000	\$ 100,000	\$ -
Acquisition of Computer Servers & Equipment	75,000	75,000	-
Sewer Reconstruction	100,000	100,000	-
	<u>\$ 275,000</u>	<u>\$ 275,000</u>	<u>\$ -</u>

B. Bond Anticipation Notes

On February 15, 2013 the Township issued Bond Anticipation Notes in the amount of \$38,277,000 comprised of \$34,887,000 of General Capital notes and \$3,390,000 of Water Capital notes to temporarily finance expenditures related to various capital projects. The Township paid down \$1,723,000 to the maturing notes derived from the 2013 Current Fund budget (\$1,583,000), and the 2013 Water Utility budget (\$140,000). The Township has awarded the sale of said notes to Oppenheimer & Company, Inc. at a gross interest rate of 1.50% receiving a premium of \$44,418 producing a blended reduced effective interest rate. These notes will mature on September 20, 2013 (\$33,909,000) and February 14, 2014 (\$4,368,000).

On March 21, 2013 the Township issued Bond Anticipation Notes in the amount of \$13,292,500 comprised solely of General Capital notes to temporarily finance expenditures related to various capital projects. The Township paid down \$1,040,500 to the maturing notes derived from the 2013 Current Fund budget. The Township has awarded the sale of said notes to Oppenheimer & Company, Inc. at a gross interest rate of 1.75% receiving a premium of \$64,261 producing a blended reduced effective interest rate. These notes will mature on March 20, 2014.

The Township is in process of preparing to permanently finance a portion of the above outstanding Bond Anticipation Notes. As of the date of this report, \$33,890,000 of General Improvement Bonds are expected to be sold consisting of \$30,500,000 of existing General Capital notes and \$3,390,000 of existing Water Capital notes.

C. Due From N.J. Meadowlands Commission

On May 21, 2012 the Township applied to the New Jersey Local Finance Board ("LFB") to allow the issuance of two (2) refunding bonds necessary to conclude the EnCap financing; the first to fund tax balances outstanding and the second to fund the refund of tax appeals. This financing includes taxes owed on Meadowlands area property by EnCap, or successor owner. (Now the New Jersey Meadowlands Commission ("NJMC").

The first financing totals \$1,143,000 needed to refund taxes on JCMUA property, which was to have constructed a water service line on the property to the EnCap project. This financing was approved by the LFB in August, 2012 and the refunding notes were issued on October 9, 2012. This is five (5) year debt authorization.

The second application was made so as to finance the remaining prior year's taxes owed by the NJMC to the Township; in the form of liens placed on the EnCap properties for taxes (excluding interest on tax balances). After much discussion this application was denied by the LFB, however, the LFB/DLGS did allow the Township to move forward with its 2012 Budget adoption on June 26, 2012 with an Account Receivable - Due From NJMC - Prior Years Taxes in the amount of \$7,813,779 on the books as of December 31, 2011.

The NJMC and the Township settled all outstanding litigation in June, 2012 and the Township received a \$5,000,000 payment towards the outstanding taxes bringing the account balance to \$2,813,779. The DLGS requested that the Township make a "significant" payment toward this amount in 2012. The Township and DLGS agreed to apply the 2012 PILOT payment of \$175,000 to the outstanding amount making the current outstanding balance \$2,638,779.

This balance will now be considered a "Deferred Charge to Future Taxation - EnCap Project -Tax Litigation", inasmuch as the NJMC does not owe any taxes on the EnCap properties to the Township. To pay off this deferred charge the Township must include a minimum of one-seventh of this amount (seven years straight-line financing) or \$376,968 in the budget of 2013 and thereafter until this deferred charge is paid off in full. This amount will be inside the tax levy cap and will be off-set with a minimum of \$175,000 in revenues from the PILOT - Due from the NJMC.

APPENDIX C

PROPOSED FORM OF BOND COUNSEL OPINION

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APPENDIX C

[Proposed Form of Bond Counsel Opinion]

August __, 2013

Board of Commissioners
Township of Lyndhurst
County of Bergen, New Jersey

Dear Commissioners:

We have acted as bond counsel in connection with the issuance of \$33,890,000 of bonds consisting of \$30,500,000 aggregate principal amount of General Improvement Bonds and \$3,390,000 aggregate principal amount of Water Utility Bonds (individually, the "General Improvement Bonds" or the "Water Utility Bonds"; collectively, the "Bonds") by the Township of Lyndhurst, in the County of Bergen, a municipal corporation of the State of New Jersey (the "Township"). The Bonds are dated August 15, 2013 and comprise two issues of registered bonds. The Bonds bear interest from their date, payable on each February 15 and August 15, commencing February 15, 2014 (each, an "Interest Payment Date"), in each year until maturity or prior redemption.

The General Improvement Bonds are payable in annual installments on August 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>
2014	\$1,400,000	%	2022	\$2,200,000	%
2015	1,450,000		2023	2,250,000	
2016	1,450,000		2024	2,350,000	
2017	1,650,000		2025	2,400,000	
2018	1,750,000		2026	2,550,000	
2019	1,850,000		2027	2,600,000	
2020	1,900,000		2028	2,700,000	
2021	2,000,000				

The Water Utility Bonds are payable in annual installments on August 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>
2014	\$225,000	%	2019	\$350,000	%
2015	245,000		2020	350,000	
2016	300,000		2021	400,000	
2017	300,000		2022	450,000	
2018	320,000		2023	450,000	

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

The General Improvement Bonds maturing on or before August 15, 2023 are not subject to redemption prior to their stated maturities. The General Improvement Bonds maturing on or after August 15, 2024 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 15, 2023, 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 General Improvement Bonds prior to maturity, such General Improvement 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 twenty-two bond ordinances adopted by the Board of Commissioners of the Township on May 9, 2006 (two ordinances: Ord. Nos. 2563 and 2566), May 9, 2006 (Ord. No. 2564, as amended by Ord. No. 2604 adopted on June 13, 2007), February 5, 2007 (Ord. No. 2593), June 13, 2007 (Ord. No. 2592), October 23, 2007 (Ord. No. 2625), October 23, 2007 (Ord. No. 2626, as amended by Ord. No. 2637 adopted on April 10, 2008), October 23, 2007 (Ord. No. 2627, as amended by Ord. No. 2638 adopted on April 10, 2008), December 5, 2007 (Ord. No. 2628), December 11, 2007 (Ord. No. 2629), April 10, 2008 (Ord. No. 2639), May 8, 2008 (two ordinances: Ord. Nos. 2646 and 2647), June 10, 2008 (Ord. No. 2648), September 8, 2009 (three ordinances: Ord. Nos. 2715, 2716 and 2722), November 10, 2009 (two ordinances: Ord. Nos. 2729 and 2730) and February 16, 2010 (three ordinances: Ord. Nos. 2742, 2743 and 2746) and resolutions adopted by the Board of Commissioners of the Township on July 1, 2013.

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