

BOROUGH OF WASHINGTON,
IN THE COUNTY OF WARREN,
NEW JERSEY

NOTICE OF SALE OF
\$3,536,000*
GENERAL OBLIGATION BONDS, SERIES 2012
CONSISTING OF
\$2,706,000 GENERAL IMPROVEMENT BONDS, SERIES 2012
AND
\$830,000* GENERAL OBLIGATION REFUNDING BONDS, SERIES 2012

(BOOK-ENTRY BONDS) (BANK-QUALIFIED)

ELECTRONIC PROPOSALS (the "Proposals"), via BiDCOMP/PARITY Competitive Bidding System ("PARITY") only, will be received by the Chief Financial Officer of the Borough of Washington in the County of Warren, New Jersey (the "Borough"), on August 2, 2012 until 11:00 a.m., New York City time, at which time they will be announced, for the purchase of all, but not less than all, of the Borough's \$3,536,000* General Obligation Bonds, Series 2012, consisting of \$2,706,000 General Improvement Bonds, Series 2012 (the "Series 2012A Bonds") and \$830,000* General Obligation Refunding Bonds, Series 2012 (the "Series 2012B Bonds", and together with the Series 2012A Bonds, the "Bonds"). Bidders are required to submit their Proposal for the purchase of the Bonds in accordance with the terms of the Notice of Sale.

Principal Amortization

Principal of the Bonds will be paid annually, subject to prior optional redemption, on the first day of April in the following years and in the following aggregate amounts:

Series 2012A Bonds

Year	Principal Amount	Year	Principal Amount
2013	\$125,000	2021	\$125,000
2014	185,000	2022	125,000
2015	190,000	2023	250,000
2016	190,000	2024	250,000
2017	195,000	2025	250,000
2018	125,000	2026	225,000
2019	125,000	2027	221,000
2020	125,000		

Series 2012B Bonds

<u>Year</u>	<u>Principal Amount*</u>
2013	\$205,000
2014	215,000
2015	205,000
2016	205,000

The combined maturity schedule for the Bonds is as follows:

<u>Year</u>	<u>Principal Amount*</u>	<u>Year</u>	<u>Principal Amount*</u>
2013	\$330,000	2021	\$125,000
2014	400,000	2022	125,000
2015	395,000	2023	250,000
2016	395,000	2024	250,000
2017	195,000	2025	250,000
2018	125,000	2026	225,000
2019	125,000	2027	221,000
2020	125,000		

* Preliminary, subject to change.

Interest Payment Dates

The Bonds will be dated the date of delivery (which is expected to be August 15, 2012) and will bear interest at the rate per annum specified by the successful bidder therefor in accordance herewith, payable on April 1, 2013 and semi-annually thereafter on the first day of October and April in each year until maturity or prior redemption.

Optional Redemption Provisions

The Bonds maturing on or prior to April 1, 2022 shall not be subject to redemption prior to their respective maturity dates. The Bonds maturing on or after April 1, 2022 shall be subject to redemption prior to their respective maturity dates, on or after April 1, 2022 at the option of the Borough, either in whole or in part at any time in any order of maturity at one hundred percent (100%) of the principal amount of the Bonds being redeemed (the "Redemption Price"), plus in each case accrued interest thereon to the date fixed for redemption.

A Notice of Redemption shall be mailed at least thirty (30) but not more than sixty (60) days before the date fixed for redemption by first class mail in a sealed envelope with postage prepaid to the registered owners of such Bonds at their respective addresses as they last appear on the registration books kept for that purpose by the Borough. However, so long as DTC (or any successor thereto) acts as Securities Depository for the Bonds, Notices of Redemption shall be sent to such depository and shall not be sent to the beneficial owners of the Bonds, and will be done in accordance with DTC procedures. Any failure of such depository to advise any of its participants or any failure of any participant to notify any beneficial owner of any Notice of Redemption shall not affect the validity of the redemption proceedings. If the Borough determines to redeem a portion of the Bonds of a maturity, such Bonds shall be selected by the Borough by lot. If Notice of Redemption has been given as described herein, the Bonds, or the portion thereof called for redemption, shall be due and payable on the date fixed for redemption at the Redemption Price, together with accrued interest to the date fixed for redemption. Payment shall be made upon surrender of the Bonds redeemed.

Book-Entry-Only System

As long as DTC or its nominee, Cede & Co., is the registered owner of the Bonds, payments of the principal of and interest on the Bonds will be made directly to Cede & Co., as nominee of DTC, which will credit payments of principal of and interest on the Bonds to the DTC participants as listed in the records of DTC as of each next preceding March 15 and September 15, respectively (the "Record Dates" for payment of interest on the Bonds), which participants will in turn credit such payments to the beneficial owners of the Bonds.

All bidders of the Bonds must be participants of The Depository Trust Company, New York, New York ("DTC") or affiliated with its participants. The Bonds will be issued in fully registered form, and when issued will be registered in the name of and held by Cede & Co., as the registered owner thereof and nominee for DTC, an automated depository for securities and clearinghouse for securities transactions.

Individual purchases of beneficial ownership interests in the Bonds will be made in book-entry form (without certificates) in the denomination of \$1,000 each or any integral multiple thereof (with a minimum purchase of \$5,000). It shall be the obligation of the successful bidder to furnish to DTC an underwriter's questionnaire and the denomination of the Bonds not less than seventy-two (72) hours prior to the delivery of the Bonds.

In the event that either DTC determines not to continue to act as securities depository for the Bonds or the Borough determines that the beneficial owners of the Bonds be able to obtain bond certificates, the Borough will appoint a paying agent and will issue and deliver replacement Bonds in the form of fully registered certificates.

Adjustment to Principal Amounts

The preliminary aggregate principal amount of the Series 2012B Bonds and the preliminary principal amount of each annual payment on the Series 2012B Bonds as set forth in this Notice of Sale (the "Preliminary Aggregate Principal Amount" and the "Preliminary

Principal Amount” of each annual payment, respectively; collectively, the “Preliminary Amounts”) may be revised before the receipt of electronic bids for their purchase. ANY SUCH REVISIONS made prior to the receipt of electronic bids (the “Revised Aggregate Principal Amount” and the “Revised Principal Amount” of each annual payment, respectively; collectively, the “Revised Amounts”) WILL BE PUBLISHED ON THOMSON MUNICIPAL MARKET MONITOR (“TM3”) (www.TM3.com) NOT LATER THAN 11:00 A.M. (NEW YORK CITY TIME) ON THE LAST BUSINESS DAY PRIOR TO THE DATE OF SALE. In the event that no such revisions are made, the Preliminary Amounts will constitute the Revised Amounts. Bidders shall submit bids based on the Revised Amounts and the Revised Amounts will be used to compare bids and select a winning bidder.

As promptly as reasonably possible after the bids are received, the Borough will notify the bidder to whom the Series 2012B Bonds will be awarded, if and when such award is made, and such bidder, upon such notice, shall advise the Borough of the initial reoffering prices to the public of each maturity of the Series 2012B Bonds (the “Initial Reoffering Prices”). Such Initial Reoffering Prices, among other things, will be used by the Borough to calculate the final principal amount of each annual payment on the Series 2012B Bonds (the “Final Aggregate Principal Amount” and the “Final Principal Amount” of each annual payment, respectively; collectively, the “Final Amounts”) to accommodate the refunding objectives of the Borough. The Final Aggregate Principal Amount of the Series 2012B Bonds will not be reduced or increased by more than 10% from the Revised Aggregate Principal Amount. THE SUCCESSFUL BIDDER MAY NOT WITHDRAW ITS BID OR CHANGE THE INTEREST RATES BID OR THE INITIAL REOFFERING PRICES AS A RESULT OF ANY CHANGES MADE TO THE REVISED AMOUNTS. The dollar amount bid by the successful bidder for the Series 2012B Bonds will be adjusted to reflect changes in the dollar amount of the underwriter’s discount and the original issue discount/premium, if any, but will not change the selling compensation per \$1,000 of par amount of Series 2012B Bonds from the selling compensation that would have been received based on the purchase price in the winning bid and the Initial Reoffering Prices. The Final Amounts will be communicated to the successful bidder as soon as possible, but not later than 11:00 a.m. the day after awarding the Series 2012B Bonds.

Electronic Bidding Procedures

Bids may be submitted electronically via PARITY in accordance with this Notice of Sale, until 11:00 a.m., New York City time, on August 2, 2012, but no bid will be received after the time for receiving bids specified above. To the extent any instructions or directions set forth in PARITY conflict with this Notice of Sale, the terms of this Notice of Sale shall control. For further information about PARITY, potential bidders may contact PARITY at (212) 849-5021. In the event that a bid for the Bonds is submitted via PARITY, the bidder further agrees that:

1. The Borough may regard the electronic transmission of the bid through PARITY (including information about the purchase price of the Bonds, the interest rate or rates to be borne by the various maturities of the Bonds, the initial public offering price of each maturity and any other information included in such transmission) as though the same information were submitted directly to the Borough and executed by a duly authorized signatory of the bidder. If a bid submitted electronically by PARITY is accepted by the Borough, the terms of the Proposal

for Bonds and this Notice of Sale and the information that is electronically transmitted through PARITY shall form a contract, and the successful bidder shall be bound by the terms of such contract.

2. PARITY is not an agent of the Borough, and the Borough shall have no liability whatsoever based on any bidder's use of PARITY, including but not limited to any failure by PARITY to correctly or timely transmit information provided by the Borough or information provided by the bidder.

3. The Borough may choose to discontinue use of electronic bidding via PARITY by issuing a notification to such effect via TM3 News Services, or by other available means, no later than 3:00 p.m. (New York City Time) on the last business date prior to the bid date set forth above.

4. Once the bids are communicated electronically via PARITY to the Borough as described above, each bid will constitute a Proposal for Bonds and shall be deemed to be an irrevocable offer to purchase the Bonds on the terms provided in this Notice of Sale. For purposes of submitting all Proposal for Bonds, whether by hand delivery or electronically via Parity, the time as maintained on PARITY shall constitute the official time.

5. Each bidder choosing to bid electronically shall be solely responsible to make necessary arrangements to access PARITY for purposes of submitting its bid in a timely manner and in compliance with the requirements of this Notice of Sale. Neither the Borough nor Parity shall have any duty or obligation to undertake such registration to bid for any prospective bidder or to provide or assure access to any qualified prospective bidder, and neither the Borough nor Parity shall be responsible for the proper operation of, or have any liability for any delays or interruptions of, or any damages caused by PARITY. The Borough is using PARITY as a communication mechanism, and not as the Borough's agent, to conduct the electronic bidding for the Bonds. By using PARITY, each bidder agrees to hold the Borough harmless for any harm or damages caused to such bidder in connection with its use of PARITY for bidding on the Bonds.

Bid Specifications

Each Proposal submitted must name the rate or rates of interest per annum to be borne by the Bonds bid for and the rate or rates named must be multiples of one-eighth or one-twentieth of one per centum. Not more than one rate may be named for Bonds of the same maturity. There is no limitation on the rates that may be named. If more than one rate of interest is named, no interest rate named for any maturity may be less than the interest rate named for any prior maturity, and the difference between the highest and lowest rates of interest named in the Proposal shall not exceed four percent (4%). Each Proposal submitted must be for all of the Bonds and the purchase price specified in the proposal must be not less than 100% of the aggregate par value of the Bonds or for more than 104% of the aggregate par value of the Bonds.

Award, Delivery And Payment

The Bonds will be awarded to the bidder on whose bid the total loan may be made at the lowest true interest cost. Such true interest cost shall be computed, as to each bid, by doubling the semiannual interest rate (compounded semiannually) necessary to discount the debt service payments from the payment dates to the date of the Bonds and the price bid, excluding accrued interest to the delivery date. No Proposal shall be considered that offers to pay an amount less than the principal amount of Bonds offered for sale or under which the total loan is made at an interest cost higher than the lowest true interest cost to the Borough under any legally acceptable proposal. If two or more such bidders offer to pay the lowest true interest cost, then the Bonds will be sold to one of such bidders selected by lot from among all such bidders. The bidder to which the Bonds are awarded (in the manner specified above) is herein referred to as the "Successful Bidder."

It is expected that delivery of the Bonds to DTC and payment for the Bonds will take place on or about, August 15, 2012 at the offices of Gibbons P.C., bond counsel to the Borough ("Bond Counsel"), in Newark, New Jersey or at such other place as may be agreed upon with the Successful Bidder. The Bonds will be delivered to DTC in single denominations for each maturity of each series of bond. PAYMENT FOR THE BONDS AT THE TIME OF ORIGINAL ISSUANCE AND DELIVERY SHALL BE IN IMMEDIATELY AVAILABLE FUNDS.

Change of Bid Date and Closing Date

The Borough reserves the right to postpone, from time to time, the date established for the receipt of bids and will undertake to notify registered prospective bidders via notification published on Thomson Municipal Market Monitor ("TM3") (www.tm3.com). Prospective bidders may request notification by facsimile transmission of any such changes in the date or time for the receipt of bids by so advising, and furnishing their telecopier numbers to the Chief Financial Officer of the Borough at (908) 689-3600 Ext. 143, and the Borough's Financial Advisor, Phoenix Advisors, LLC (the "Financial Advisor") at (609) 291-0130, by 12:00 Noon, New York City time, on the day prior to the announced date for receipt of bids. In addition, the Borough reserves the right to make changes to this Notice of Sale. Such changes will be announced on the TM3.

A postponement of the bid date will be announced via TM3 not later than 11:00 a.m., New York City time, on the last business day prior to any announced date for receipt of bids, and an alternative sale date and time will be announced via TM3 by Noon, New York City time, not less than forty-eight (48) hours prior to such alternative date for receipt of bids.

On any such alternative date and time for receipt of bids, the Borough will accept electronic bids for the purchase of the Bonds, such bids to conform in all respects to the provisions of this Notice of Sale, except for the changes in the date and time for receipt of bids and any other changes announced via TM3 at the time the date and time for receipt of bids are announced.

Right To Reject Bids; Waive Irregularities

The right is reserved to reject all bids, and any bid not complying with the terms of this Notice of Sale will be rejected. The Borough reserves the right to reject any or all Proposals and so far as permitted by law, to waive any irregularity or informality in any or all Proposals.

Good Faith Deposit

A good faith deposit (the "Deposit"), in the form of either (i) a financial surety bond (the "Financial Surety Bond"), or (ii) an electronic transfer of immediately available federal funds in accordance with the wiring instructions to be obtained from the Borough's Financial Advisor (contact Anthony P. Inverso at (609) 291-0130), in the amount of \$71,120 is required for each bid for the Bonds to be considered. The Financial Surety Bond must be from an insurance company licensed to issue such a bond in the State of New Jersey and approved by the Director of the Division of Local Government Services of New Jersey (the "Director"). At present, the Director has approved the use of Sure-Bid, a division of Financial Security Assurance Inc. Use of any other Financial Surety Bond must be approved by the Director prior to the bid and will not be accepted by the Borough unless evidence of such approval is provided prior to the bid. The Financial Surety Bond must be submitted to the Borough prior to 10:30 a.m. New York City time on the date for receipt of bids, and must be in the form and substance acceptable to the Borough. Neither the Borough, the Financial Advisor, nor Bond Counsel are responsible for ensuring receipt of such Deposit. A Financial Surety Bond must identify the bidder whose Deposit is guaranteed by such Financial Surety Bond. The Successful Bidder for the Bonds who utilized a Financial Surety Bond is required to submit its Deposit to the Borough in the form of a wire transfer not later than 1:00 p.m. New York City time on the next business day following the award. If such Deposits are not received by that time, the Financial Surety Bond may be drawn by the Borough to satisfy the Deposit requirement.

A bidder providing the Deposit via electronic transfer of funds shall contact the Borough's Financial Advisor for applicable wire instructions, as described above.

If an electronic transfer of funds is used, such funds must be received in the account identified immediately above no later than 10:30 a.m. New York City time on the date for receipt of bids, and must be accompanied by detailed wiring instructions, including bidder contact information, for the return thereof in the event that such bidder is not the Successful Bidder. Please note that the Borough contact information provided above should be used by bidders for the purposes of confirming receipt of electronic transfer of funds and the transmittal of instructions for the return of such electronic transfers of funds in the event such bidder is not the Successful Bidder. Electronic transfers of funds of unsuccessful bidders for the Bonds will be returned upon award of the Bonds. It is the intent of the Borough that electronic transfers of funds will be returned via wire transfer to the unsuccessful bidders not later than 5:00 p.m. on the date for receipt of bids, provided that wiring instructions have been provided by such unsuccessful bidder at the time of transmission of the Deposit to the Borough. The Borough shall not bear any liability for any delay that may occur in the return of an electronic transfer of the Deposit to an unsuccessful bidder. Interest earned on the Deposit will be credited to the Borough and will not be available to the Successful Bidder for the Bonds.

The Deposit of the Successful Bidder will be collected and the proceeds thereof retained by the Borough to be applied in partial payment for the Bonds and no interest will be allowed or paid upon the amount thereof, but in the event the Successful Bidder of the Bonds shall fail to comply with the terms of its respective bid, the proceeds thereof will be retained as and for full liquidated damages. Award of the Bonds to the Successful Bidder of the Bonds or rejection of all bids is expected to be made within five hours after opening of the bids, but such Successful Bidder of the Bonds may not withdraw its Proposal for the Bonds until after 5:00 p.m. of the day of such bid-opening and then only if such award has not been made prior to the withdrawal.

Bond Insurance

If the Bonds qualify for issuance of any policy of municipal bond insurance, any purchase of such policy shall be at the sole option and expense of the Successful Bidder. If the Bonds are to be insured, the Successful Bidder shall pay the premium therefor prior to the delivery of the Bonds. Any failure of the Bonds to be so insured or of any such policy of insurance to be issued shall not in any way relieve the Successful Bidder of its contractual obligations arising from the acceptance of its Proposal for Bonds for the purchase of the Bonds.

CUSIP Numbers

It is anticipated that CUSIP identification numbers will be printed on the Bonds, but neither the failure to print such number on any such Bond nor any error with respect thereto shall constitute cause for the failure or refusal of the Successful Bidder to accept delivery of and pay for the Bonds. The CUSIP Service Bureau charges for the assignment of CUSIP numbers on the Bonds shall be the responsibility of and shall be paid for by the Successful Bidder. **ONE SERIES OF CUSIP NUMBERS WILL BE ASSIGNED TO THE SERIES 2012A BONDS AND THE SERIES 2012B BONDS.**

Undertakings of the Successful Bidder

THE SUCCESSFUL BIDDER(S) SHALL MAKE A BONA FIDE PUBLIC OFFERING OF THE BONDS AT THEIR RESPECTIVE INITIAL REOFFERING PRICES AND SHALL PROVIDE THE RELATED CERTIFICATION DESCRIBED BELOW.

The successful bidder shall within thirty (30) minutes after being notified of the award of the Bonds, advise the Borough in writing (via facsimile transmission) of the initial reoffering prices to the public of each maturity of the Bonds (the "Initial Reoffering Prices"). The successful bidder must, by facsimile transmission or delivery received by the Borough within twenty-four (24) hours after notification of the award, furnish the following information to the Borough to complete the Official Statement in final form, as described below:

- A. Selling compensation (aggregate total anticipated compensation to the underwriters expressed in dollars, based on the expectation that all the Bonds are sold at the prices or yields at which the successful bidder advised the Borough that the Bonds were initially offered to the public).

- B. The identity of the underwriters if the successful bidder is part of a group or syndicate.
- C. Any other material information that the Borough determines is necessary to complete the Official Statement in final form.

After the award of the Bonds, the Borough will prepare copies of the final Official Statement and will include therein such additional information concerning the reoffering of the bonds as the successful bidder(s) may reasonably request. The successful bidder(s) will be responsible to the Borough in all aspects for the accuracy and completeness of information provided by such successful bidder(s) with respect to such reoffering.

SIMULTANEOUSLY WITH OR BEFORE DELIVERY OF THE BONDS, THE SUCCESSFUL BIDDER(S) SHALL FURNISH TO THE BOROUGH A CERTIFICATE ACCEPTABLE TO BOND COUNSEL TO THE EFFECT THAT (I) THE SUCCESSFUL BIDDER(S) HAVE MADE A BONA FIDE PUBLIC OFFERING OF THE BONDS AT THE INITIAL REOFFERING PRICES, (II) AS OF THE DATE OF THE SALE OF THE BONDS, THE SUCCESSFUL BIDDER(S) REASONABLY EXPECTED TO SELL A SUBSTANTIAL AMOUNT OF THE BONDS TO THE PUBLIC (EXCLUDING BOND HOUSES, BROKERS AND OTHER INTERMEDIARIES) AT THEIR RESPECTIVE INITIAL REOFFERING PRICES, AND (III) SUBSTANTIAL AMOUNTS OF THE BONDS WERE SOLD TO THE PUBLIC (EXCLUDING BOND HOUSES, BROKERS AND OTHER INTERMEDIARIES) AT THEIR RESPECTIVE INITIAL REOFFERING PRICES. Bond counsel advises that (i) such certificate must be made on the best knowledge, information and belief of the successful bidder, (ii) the sale to the public of 10% or more in par amount of the Bonds of each maturity at the initial reoffering prices would be sufficient to certify as to the sale of a substantial amount of the Bonds, and (iii) reliance on other facts as a basis for such certification would require evaluation by bond counsel to assure compliance with the statutory requirement to avoid the establishment of an artificial price for the Bonds.

Legal Opinions

The obligations hereunder to pay for and to accept delivery of the Bonds shall be conditioned on the availability and the delivery at the time of delivery of the Bonds of the approving opinion of the law firm of Gibbons P.C., Newark, New Jersey, bond counsel to the Borough, which will be furnished without cost to the Successful Bidder, substantially in the form set forth in the Official Statement distributed in preliminary form in connection with the sale of the Bonds. Such opinion shall state to the effect that the Bonds are valid and legally binding obligations of the Borough, and that all the taxable property therein will be subject to the levy of ad valorem taxes, without limitation as to rate or amount, to pay the principal of the Bonds and the interest thereon; and will also state that under existing law, interest on the Bonds is excluded from gross income for purposes of Federal income taxation. The obligations hereunder to pay for and to accept delivery of the Bonds shall be further conditioned on the availability and delivery to the Successful Bidder, at the time of delivery of the Bonds, of (i) certificates from the Borough Chief Financial Officer in form satisfactory to Bond Counsel evidencing the proper execution and delivery of the Bonds, the receipt of payment therefor and the fact the Bonds will

not be arbitrage obligations within the meaning of the Code; (ii) a certificate from the Borough Attorney, in form and tenor satisfactory to Bond Counsel and dated as of the date of such delivery, to the effect that there is no litigation pending or (to the knowledge of the signer or signers thereof) threatened affecting the validity of the Bonds; and (iii) a certificate from the Borough Chief Financial Officer, in form and tenor satisfactory to Bond Counsel and dated as of the date of such delivery, to the effect that to the best of his knowledge of such and belief, and after reasonable investigation: (1) neither the Official Statement relating to the Bonds nor any amendment, or supplement thereto contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements therein, in the light of the circumstances in which they were made, not misleading; (2) since the date of the Official Statement (or the date of the most recent amendment or supplement thereto) no event has occurred which would make the statements therein untrue or, in the light of the circumstances in which they were made, misleading, and (3) there has not been any material adverse change in the operation or financial affairs of the Borough since the date of such Official Statement.

Bank-Qualified

The Bonds will be designated as “qualified tax-exempt obligations” for purposes of Section 265(b)(3) of the Code.

Concerning The Preliminary Official Statement

The Borough has issued an Official Statement with respect to the sale of the Bonds in preliminary form (the “Preliminary Official Statement”) which the Borough has deemed final as of its date for purposes of paragraph (b)(1) of Rule 15c2-12 under the Securities Exchange Act of 1934 (“Rule 15c2-12”), except for certain omissions permitted thereunder and except for changes permitted by other applicable law.

The Preliminary Official Statement may be accessed via the Internet at www.i-dealprospectus.com. A printed version is also available upon request made to the Chief Financial Officer of the Borough at 100 Belvidere Avenue, Washington, New Jersey 07882 (telephone (908) 689-3600 Ext. 143).

Official Statement

The Borough agrees to provide the successful bidder with up to one hundred (100) copies of the final Official Statement adopted by the Borough in relation to the sale by the Borough of the Bonds within the period of time allowed under Rule 15c2-12, at the sole cost and expense of the Borough, with any additional copies which the successful bidder shall reasonably request to be provided at the sole cost and expense of the successful bidder.

Continuing Disclosure

In order to assist the successful bidder in complying with Rule 15c2-12, the Borough agrees to deliver on the Closing Date a Continuing Disclosure Certificate to be dated as of the Closing Date pursuant to which the Borough shall agree to provide at the times and to the

information repositories and other persons described in Rule 15c2-12 the financial or operating data required to be disclosed on a continuing basis pursuant to Rule 15c2-12.

Natasha S. Turchan
Chief Financial Officer

Dated: July 26, 2012

PRELIMINARY OFFICIAL STATEMENT DATED JULY 26, 2012

NEW ISSUE - Book Entry Only

**Rating: Standard & Poor's: "A+"
(See "RATING" herein)**

In the opinion of Gibbons P.C., Bond Counsel to the Borough, assuming compliance by the Borough with certain tax covenants described herein, under existing law, interest on the Bonds is excluded from the gross income of the owners of the Bonds for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and interest on the Bonds is not an item of tax preference under Section 57 of the Code for purposes of computing alternative minimum tax. Under existing law, interest on the Bonds and net gains from the sale of the Bonds are exempt from the tax imposed by the New Jersey Gross Income Tax Act. In the case of certain corporate holders of the Bonds, interest on the Bonds will be included in the calculation of the alternative minimum tax as a result of the inclusion of interest on the Bonds in "adjusted current earnings" of certain corporations. See "TAX MATTERS" herein.

\$3,536,000*

**BOROUGH OF WASHINGTON
IN THE COUNTY OF WARREN, STATE OF NEW JERSEY
GENERAL OBLIGATION BONDS, SERIES 2012**

Consisting of

\$2,706,000 General Improvement Bonds, Series 2012

and

**\$830,000* General Obligation Refunding Bonds, Series 2012
(BANK-QUALIFIED)(CALLABLE)**

DATED: Date of Delivery

DUE: April 1, as shown below

The \$3,536,000* General Obligation Bonds, Series 2012, consisting of \$2,706,000 General Improvement Bonds, Series 2012 (the "Series 2012A Bonds") and \$830,000* General Obligation Refunding Bonds, Series 2012 (the "Series 2012B Bonds" and, together with the Series 2012A Bonds, the "Bonds") of the Borough of Washington in the County of Warren, New Jersey (the "Borough"), are valid and legally binding general obligations of the Borough and, unless paid from other sources, are payable from *ad valorem* taxes levied upon all taxable property within the Borough for the payment of the principal of the Bonds and the interest thereon without limitation as to rate or amount.

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

Principal of the Bonds is payable on April 1 in each of the years set forth below. Interest on the Bonds is payable initially on April 1, 2013 and semiannually thereafter on October 1 and April 1 of each year until maturity or prior optional redemption. As long as DTC or its nominee Cede & Co. is the registered owner of the Bonds, payment of the principal of and interest on the Bonds will be made by the Borough directly to DTC or its nominee, Cede & Co. Interest on the Bonds will be credited to the participants of DTC as listed on the records of DTC as of each next preceding March 15 and September 15 (the "Record Dates" for the payment of interest on the Bonds).

The Bonds are subject to redemption prior to their stated maturities as described herein. See "THE BONDS - Redemption Provisions."

MATURITIES, INTEREST RATES, AND YIELDS

<u>Year</u>	<u>Series 2012A</u>	<u>Series 2012B</u>	<u>Aggregate</u>	<u>Interest</u>	<u>Yield</u>	<u>Year</u>	<u>Series 2012A</u>	<u>Series 2012B</u>	<u>Aggregate</u>	<u>Interest</u>	<u>Yield</u>
	<u>Bonds</u>	<u>Bonds</u>					<u>Amount*</u>	<u>Amount*</u>			
2013	\$125,000	\$205,000	\$330,000	%	%	2021	\$125,000	---	\$125,000	%	%
2014	185,000	215,000	400,000			2022	125,000	---	125,000		
2015	190,000	205,000	395,000			2023	250,000	---	250,000		
2016	190,000	205,000	395,000			2024	250,000	---	250,000		
2017	195,000	---	195,000			2025	250,000	---	250,000		
2018	125,000	---	125,000			2026	225,000	---	225,000		
2019	125,000	---	125,000			2027	221,000	---	221,000		
2020	125,000	---	125,000								

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

The issuance of the Bonds is subject to the approving legal opinion of Gibbons P.C., Newark, New Jersey, Bond Counsel to the Borough, and certain other conditions described herein. Phoenix Advisors, LLC, Bordentown, New Jersey has served as financial advisor to the Borough in connection with the issuance of the Bonds. It is anticipated that the Bonds will be available for delivery to DTC on or about August 15, 2012 in New York, New York, or at such other place and time as may be agreed to by the Borough.

**BIDS FOR THE BONDS WILL BE RECEIVED BY THE BOROUGH UNTIL 11:00 A.M. ON AUGUST 2, 2012, VIA PARITY.
ALL BIDS MUST BE IN ACCORDANCE WITH THE NOTICE OF SALE POSTED AT WWW.I-DEALPROSPECTUS.COM.
FOR MORE DETAILS ON HOW TO BID ELECTRONICALLY, VISIT THE WEBSITE ADDRESS NOTED ABOVE.**

* Preliminary, subject to change.

This is a Preliminary Official Statement "deemed final" within the meaning of and with the exception of certain information permitted to be omitted by Rule 15c2-12 of the Securities and Exchange Commission, and is otherwise subject to change in accordance with applicable law. The Borough will deliver a final Official Statement in compliance with Rule 15c2-12. This Preliminary Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale prior to registration, qualification or exemption under the securities laws of any such jurisdiction.

**BOROUGH OF WASHINGTON
100 BELVIDERE AVENUE
WASHINGTON, NEW JERSEY 07882-1498**

MAYOR

Scott McDonald

BOROUGH COUNCIL

Patrick Boyle (Deputy Mayor)
David Higgins
John Valentine
Jeanine Gleba
Robert Torres
Justin Jewell

CHIEF FINANCIAL OFFICER

Natasha Turchan

TAX COLLECTOR

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Newton, New Jersey

FINANCIAL ADVISOR

Phoenix Advisors, LLC
Bordentown, New Jersey

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

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

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds in any jurisdiction in which it is unlawful for any person to make such an offer, solicitation or sale. No dealer, broker, salesperson 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 Borough or the Underwriter.

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OFFICIAL STATEMENT

Relating to

\$3,536,000*

**BOROUGH OF WASHINGTON
IN THE COUNTY OF WARREN, STATE OF NEW JERSEY
GENERAL OBLIGATION BONDS, SERIES 2012**

Consisting of

\$2,706,000 GENERAL IMPROVEMENT BONDS, SERIES 2012

and

**\$830,000* GENERAL OBLIGATION REFUNDING BONDS, SERIES 2012
(BANK-QUALIFIED) (CALLABLE)**

INTRODUCTION

This Official Statement, which includes the cover page and the appendices attached hereto, has been prepared by the Borough of Washington in the County of Warren, New Jersey (the "Borough") in connection with the sale and the issuance of \$3,536,000* General Obligation Bonds, Series 2012, consisting of \$2,706,000 General Improvement Bonds, Series 2012 (the "Series 2012A Bonds") and \$830,000* General Obligation Refunding Bonds, Series 2012 (the "Series 2012B Bonds" and, together with the Series 2012A Bonds, the "Bonds"). This Official Statement has been executed by and on behalf of the Borough by the Chief Financial Officer and may be distributed in connection with the sale of the Bonds.

THE BONDS

Details

Principal of the Bonds is payable on April 1 in each of the years set forth on the front cover. Interest on the Bonds is payable initially on April 1, 2013 and semiannually thereafter on October 1 and April 1 of each year until maturity or prior optional redemption. As long as DTC or its nominee Cede & Co. is the registered owner of the Bonds, payment of the principal of and interest on the Bonds will be made by the Borough directly to DTC or its nominee, Cede & Co. Interest on the Bonds will be credited to the participants of DTC as listed on the records of DTC as of each next preceding March 15 and September 15 (the "Record Dates" for the payment of interest on the Bonds).

The Bonds are dated their date of delivery, will mature on the dates and in the amounts and will bear interest payable semiannually, all as set forth on the cover page hereof. The Bonds may be purchased in book-entry only form in the amount of \$1,000 each or any integral multiple thereof (with a minimum purchase of \$5,000) through book-entries made on the books of The Depository Trust Company, New York, New York ("DTC"), and its participants. 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 Borough directly to Cede & Co. (or any successor or assign) as nominee for DTC.

Optional Redemption

The Bonds maturing on or prior to April 1, 2022 shall not be subject to redemption prior to their respective maturity dates. The Bonds maturing on or after April 1, 2023 shall be subject to redemption prior to their respective maturity dates, on or after April 1, 2022 at the option of the Borough, either in whole or in part at any time in any order of maturity at one hundred percent (100%) of the principal

amount of the Bonds being redeemed, plus in each case accrued interest thereon to the date fixed for redemption.

A Notice of Redemption shall be mailed at least thirty (30) but not more than sixty (60) days before the date fixed for redemption by first class mail in a sealed envelope with postage prepaid to the registered owners of such Bonds at their respective addresses as they last appear on the registration books kept for that purpose by the Borough. However, so long as DTC (or any successor thereto) acts as Securities Depository for the Bonds, Notices of Redemption shall be sent to such depository and shall not be sent to the beneficial owners of the Bonds, and will be done in accordance with DTC procedures. Any failure of such depository to advise any of its participants or any failure of any participant to notify any beneficial owner of any Notice of Redemption shall not affect the validity of the redemption proceedings. If the Borough determines to redeem a portion of the Bonds of a maturity, such Bonds shall be selected by the Borough by lot. If Notice of Redemption has been given as described herein, the Bonds, or the portion thereof called for redemption, shall be due and payable on the date fixed for redemption at the Redemption Price, together with accrued interest to the date fixed for redemption. Payment shall be made upon surrender of the Bonds redeemed.

Book-Entry Only System

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

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

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

Poor's rating of "AA+". The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com 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 Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds, unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Borough 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 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 Borough or agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of

DTC nor its nominee, agent, or the Borough, 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 Borough or agent, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

Discontinuation of Book-Entry Only System

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

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

AUTHORIZATION AND PURPOSE OF THE BONDS

Series 2012A Bonds

The Series 2012A Bonds have been authorized and are being issued pursuant to the laws of the State, including the Local Bond Law (constituting Chapter 2 of Title 40A of the New Jersey Statutes, as amended) (the "Local Bond Law"). The Series 2012A Bonds are authorized by bond ordinances adopted by the Borough Council referred to in the table below (the "Bond Ordinances") and by a resolution duly adopted by the Borough Council on July 3, 2012, (the "Resolution").

The proceeds of the Series 2012A Bonds will be used to (i) retire at maturity, the Borough's outstanding \$2,706,000 bond anticipation notes issued on March 9, 2012 and maturing on September 19, 2012 and (ii) pay costs and expenses incidental to the issuance and delivery of the Series 2012A Bonds. The purposes for which the Bonds are to be issued have been authorized by duly adopted, approved and published ordinances of the Borough, which ordinances are described in the following table by ordinance number, description, and date of final adoption.

General Improvements		
Ordinance Number	Description of Improvements	Principal Amount of the Bonds
#07-2007	Various improvements, finally adopted August 7, 2007.	\$1,857,247.25
#02-2008	Redevelopment projects, finally adopted April 15, 2008.	95,911.18
#05-2008	Various improvements, finally adopted July 1, 2008.	303,293.57
#11-2008	Acquisition of fire fighting apparatus, finally adopted November 17, 2008.	449,548.00
Total:		\$2,706,000.00

Series 2012B Bonds

The Series 2012B Bonds have been authorized and are being issued pursuant to the laws of the State, including the Local Bond Law, a refunding bond ordinance of the Borough Council finally adopted on June 6, 2012, and entitled “*REFUNDING BOND ORDINANCE PROVIDING FOR THE REFUNDING OF CERTAIN GENERAL OBLIGATION BONDS OF THE BOROUGH OF WASHINGTON, NEW JERSEY, APPROPRIATING \$850,000 THEREFOR AND AUTHORIZING THE ISSUANCE OF \$850,000 BONDS OR NOTES OF THE BOROUGH FOR FINANCING THE COST THEREOF*” and by a resolution duly adopted by the Borough Council on July 3, 2012 (the “Resolution”). The Local Finance Board in the Division of Local Government Services of the Department of Community Affairs of the State of New Jersey approved the issuance of the Series 2012B Bonds by virtue of a resolution adopted on April 11, 2012.

The purpose of the Series 2012B Bonds is to (i) currently refund the outstanding callable principal amount of the originally issued \$2,410,000 General Obligation Bonds, Series 2001 (the “2001 Bonds”) maturing on April 1 in the years 2013 through 2016, inclusive, in the total amount of \$810,000 (the “Refunded Bonds”), on September __, 2012, upon the required notice of redemption (the “Redemption Date”) at 100% of the principal amount of the Refunded Bonds plus accrued interest to the Redemption Date and (ii) pay the costs of issuance with respect to the Series 2012B Bonds.

A portion of the proceeds of the Series 2012B Bonds will be deposited upon delivery thereof in an escrow account for the Series 2012B Bonds with The Bank of New York Mellon, Woodland Park, New Jersey (the “Escrow Agent”), and such proceeds will be invested in direct non-callable obligations of the United States of America (the “Government Obligations”), the principal of which, together with cash and any investment earnings thereon, will be sufficient to pay, when due, the interest on the Refunded Bonds to their Redemption Date and the principal and redemption premium, if any, on the Refunded Bonds on their Redemption Date.

The Borough will give irrevocable instructions to the Escrow Agent on the delivery date to have the Refunded Bonds called for redemption on the Redemption Date.

ESTIMATED SOURCES AND USES OF FUNDS

The Borough expects to use the proceeds from the sale of the Bonds as follows:

Sources of Funds:	Series 2012A <u>Bonds</u>	Series 2012B <u>Bonds</u>	<u>Combined</u>
Par Amount	\$		
[Net] Original Issue Premium/(Discount)			
Total Sources of Funds:	<u>\$</u>		
Uses of Funds:			
Retirement of Bond Anticipation Notes			
Deposit to Escrow Fund			
Underwriter's Discount			
Costs of Issuance ¹			
Total Uses of Funds	<u>\$</u>		

⁽¹⁾ Includes, *inter alia*, credit rating, legal, financial advisory, accounting, printing and fiduciary fees and other expenses incurred in connection with the issuance of the Bonds.

SECURITY AND SOURCE OF PAYMENT

General

The Bonds are valid and legally binding general obligations of the Borough, and the Borough has pledged its full faith and credit for the payment of the principal of and the interest on the Bonds. Unless paid from other sources, the Bonds are payable from *ad valorem* taxes to be levied upon all the taxable property within the Borough without limitation as to rate or amount. However, the enforceability of rights or remedies with respect to such Bonds may be limited by bankruptcy, moratorium or similar laws relating to the enforcement of creditors' rights or to the application of general principles of equity by a court of competent jurisdiction.

MUNICIPAL FINANCE - FINANCIAL REGULATION OF COUNTIES AND MUNICIPALITIES

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

The Local Bond Law governs the issuance of bonds and notes by counties and municipalities ("local units" or, individually, "local unit") 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 annual installments. A 5% cash down payment is generally required toward the financing of expenditures for municipal purposes. All bonds and notes issued by the local unit are general full faith and credit obligations.

Debt Limits

The authorized bonded indebtedness of the local unit for municipal purposes is limited by statute, subject to the exceptions noted below, to an amount equal to 3-1/2% of its average equalized valuation basis.

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

The Borough has not exceeded its statutory debt limit. See “Appendix A: General Information Regarding the Borough of Washington.”

Exceptions to Debt Limits - Extension of Credit

Municipalities may exceed their debt limits with the approval of the Local Finance Board, a state regulatory agency, and as permitted by other statutory exceptions. If all or any part of a proposed debt authorization would exceed its debt limit, the local unit 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 local unit or substantially reduce the ability of the local unit to meet its obligations or to provide essential public Obligations and services, or if it makes certain other statutory determinations, approval is granted. In addition, debt in excess of the statutory limit may be issued by the local unit 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 Borough may sell short-term “bond anticipation notes” to temporarily finance a capital Obligation or project in anticipation of the issuance of bonds if the bond ordinance or a subsequent resolution so provides. A local unit’s bond anticipation notes must mature within one year, but may be renewed or rolled over. Bond anticipation notes, including renewals, must mature and be paid no later than the first day of the fifth month following the close of the tenth fiscal year next following the date of the original notes. For bond ordinances adopted on or after February 3, 2003, notes may only be renewed beyond the third anniversary date of the original notes if a minimum payment equal to the first year’s legally payable installment of the bonds in anticipation of which those notes are issued is paid and retired on or before each anniversary date from funds other than the proceeds of bonds or notes. For bond ordinances adopted prior to February 3, 2003, the governing body may elect to make such minimum principal payment only when the notes are renewed beyond the third and fourth anniversary dates.

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 (the "Division"). Certain items of revenue and appropriation are regulated by law and the proposed budget must be certified by the Director of the Division (the "Director") prior to final adoption. The Local Budget Law requires each local unit to appropriate sufficient funds for payment of current debt service, and the Director is required to review the adequacy of such appropriations.

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

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

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

Miscellaneous Revenues

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

No budget or budget amendment may be adopted unless the Director shall have previously certified his approval of such anticipated revenues except that categorical grants-in-aid contracts may be included for their face amount with an offsetting appropriation. The fiscal years for such grants rarely coincide with the municipality's calendar year. However, grant revenue is generally not realized until received in cash.

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

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 a local unit. 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, re-evaluation programs, revision and codification of ordinances, master plan preparations, drainage map preparation for flood control purposes, expenses of a municipal consolidation commission, contractually required severance liabilities and sanitary or storm system map preparation 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, and emergency appropriations for other purposes may be funded by refunding bond ordinance over a period approved by the Local Finance Board.

Budget Transfers

Budget transfers provide a degree of flexibility and afford a control mechanism. Transfers between major appropriation accounts are prohibited, except for: (i) during the first three (3) months of a current fiscal year, appropriation reserves may be transferred to the immediately preceding fiscal year's budget; and (ii) transfers between major appropriation accounts are permitted during the last two (2) months of a current fiscal year. Such transfers must be approved by two-thirds of the full membership of the governing body of a local governmental unit. Although sub-accounts within an appropriation account are not subject to the same year-end transfer restriction, they are subject to internal review and approval.

Operations of Utilities

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

Capital Budget

In accordance with the Local Budget Law, each local unit must adopt and may from time to time amend rules and regulations for capital budgets, which rules and regulations must require a statement of capital undertakings underway or projected for a period not greater than over the next ensuing six years as a general Obligation 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 terms were detailed.

Appropriation and Tax Levy "CAPS"

A provision of law known as the New Jersey "Cap Law" (N.J.S.A. 40A: 4-45. 1 et seq.) imposes limitations on increases in municipal appropriations subject to various exceptions. The payment of debt service is an exception from this limitation. The Cap formula is somewhat complex, but basically, it permits a municipality to increase its overall appropriations by the lesser of 2.5% or the "Index Rate". The "Index Rate" is the rate of annual percentage increase, rounded to the nearest one-half percent, in the Implicit Price Deflator for State and Local Government purchases of goods and services computed by the U.S. Department of Commerce. Exceptions to the limitations imposed by the Cap Law also exist for other things, including capital expenditures. Counties are also prohibited from increasing their tax levies by more than the lesser of 2.5% or the Index Rate subject to certain exceptions. Municipalities by ordinance approved by a majority of the full membership of the governing body may increase appropriations up to 3.5% over the prior year's appropriation and counties by resolution approved by a majority of the full membership of the governing body may increase the tax levy up to 3.5% over the prior years' tax levy in years when the Index Rate is 2.5% or less.

Additionally, P.L 2007, c. 62, effective April 3, 2007, imposed a 4% cap on the tax levy of a municipality, county, fire district, or solid waste collection district, with certain exclusions and allowing waivers by the Local Finance Board, and on July 13, 2010, P.L. 2010, c. 44 was approved, effective for budget years following enactment, reducing the tax levy cap to 2%.

Exclusions from the two percent (2%) tax levy cap include: (i) increases required to be raised by taxation for capital expenditures, including debt service as defined by law; (ii) increases in pension contributions and accrued liability for pension contributions in excess of 2.0%; (iii) increases in health care costs equal to that portion of the actual increase in total health care costs for the budget year that is in excess of 2.0% of the total health care costs in the prior year, but is not in excess of the product of the total health care costs in the prior year and the average percentage increase of the State Health Benefits Program, P.L.1961, c.49 (C.52:14-17.25 et seq.), as annually determined by the Division of Pensions and Benefits in the Department of the Treasury; and (iv) and extraordinary costs incurred by a local unit directly related to a declared emergency, as defined by regulation promulgated by the Commissioner of the Department of Community Affairs, in consultation with the Commissioner of Education, as appropriate. The amendments to the tax levy cap sections of the "Cap Law" (specifically, N.J.S.A. 40A:-45.44-46) in 2010 no longer permit municipalities, counties, fire districts and solid waste collection districts to request approval from the Local Finance Board for a waiver to increase the amount to be raised by taxation in excess of the two percent (2%) cap. However, counties, municipalities, fire districts and solid waste collection districts may request, through a public question submitted to the voters, an increase in the amount to be raised by taxes above the two percent (2%) tax levy cap. Such approval must be achieved by an affirmative vote in excess of fifty percent (50%) of those voting on such public question.

Neither the tax levy limitation nor the "Cap Law" limits the obligation of the Borough to levy *ad valorem* taxes upon all taxable property within the Borough to pay debt service on its bonds or notes.

Fiscal Year Adjustment Law

Chapter 75 of the Pamphlet Laws of 1991, signed into law on March 28, 1992, requires certain municipalities and permits all other municipalities to adopt the state fiscal year in place of the existing calendar fiscal year. Municipalities that change fiscal years must adopt a six-month transition budget for January to June. Since expenditures would be expected to exceed revenues primarily because state aid for the calendar year would not be received by the municipality until after the end of the transition year budget, the Act authorizes the issuance of Fiscal Year Adjustment Bonds to fund the one-time deficit for the six-month transition budget. The Act provides that the deficit in the six-month transition budget may be funded initially with bond anticipation notes based on the estimated deficit in the six-month transition budget. Notes issued in anticipation of Fiscal Year Adjustment Bonds, including renewals, can only be issued for up to one year unless the Local Finance Board permits the municipality to renew them for a further period of time. The Local Finance Board must confirm the actual deficit experienced by the municipality. The municipality then may issue Fiscal Year Adjustment Bonds to finance the deficit on a permanent basis. The purpose of the Act is to assist municipalities that are heavily dependent on state aid and that have had to issue tax anticipation notes to fund operating cash flow deficits each year. While the Act does not authorize counties to change their fiscal years, it does provide that counties with cash flow deficits may issue Fiscal Year Adjustment Bonds as well. The Borough has not changed its fiscal year.

State Supervision

State law authorizes state officials to supervise fiscal administration in any municipality which is in default on its obligations; which experiences severe tax collection problems for two successive years; which has a deficit greater than 4 percent of its tax levy for two successive years; which has failed to make payments due and owing to the state, county, school district or special district for two consecutive years; which has an appropriation in its annual budget for the liquidation of debt which exceeds 25 percent of its total operating appropriations (except dedicated revenue appropriations) for the previous budget year; or which has been subject to a judicial determination of gross failure to comply with the

Local Bond Law, the Local Budget Law or the Local Fiscal Affairs Law which substantially jeopardizes its fiscal integrity. State officials are authorized to continue such supervision for as long as any of the conditions exist and until the municipality operates for a fiscal year without incurring a cash deficit.

Tax Assessment and Collection Procedure

Property valuations (assessments) are determined on true values as arrived at by a cost approach, market data approach and capitalization of net income, where appropriate. Current assessments are the results of new assessments on a like basis with established comparable properties for newly-assessed or purchased properties. This method assures equitable treatment to like property owners, but it often results in a divergence of the assessment ratio to true value.

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

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

Tax installments not paid on or before the due date are subject to interest penalties of 8% per annum on the first \$1,500 of the delinquency and 18% per annum on any amount in excess of \$1,500. Pursuant to c. 75, P.L. 1991, the governing body may also fix a penalty to be charged to a taxpayer with a delinquency in excess of \$10,000 who fails to pay that delinquency prior to the end of the calendar year. The penalty so fixed shall not exceed 6% of the amount of the delinquency. These interest and penalties are the highest permitted under New Jersey Statutes. Delinquent taxes open for one year or more are annually included in a tax sale in accordance with New Jersey Statutes.

Tax Appeals

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

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

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

An independent examination of each local unit accounts must be performed annually by a licensed registered municipal accountant. The audit, conforming to the Division of Local Government Services' "Requirements of Audit," includes recommendations for Obligation of the local unit's financial procedures and must be filed with the report, together with all recommendations made, and must be published in a local newspaper within 30 days of its submission. The entire Annual Report for the Borough is on file with the Borough Clerk and is available for review during normal business hours.

SECONDARY MARKET DISCLOSURE

The Borough has covenanted for the benefit of the holders and beneficial owners of the Bonds to provide certain financial information and operating data relating to the Borough by no later than nine (9) months after the end of each fiscal year (the "Annual Report") commencing with the fiscal year ending December 31, 2011, and to provide notices of the occurrence of certain enumerated events. The Annual Report will be filed by the Borough with the Municipal Securities Rulemaking Board (the "MSRB"). The notices of enumerated events will be filed by the Borough with the MSRB. The specific nature of the information to be contained in the Annual Report or the notices of enumerated events is set forth in "APPENDIX C - Form of Continuing Disclosure Certificate." These covenants have been made to assist the Underwriter in complying with S.E.C. Rule 15c2-12 (the "Rule"). As of the date of this Official Statement, all appropriate filings and notices have been made and the Borough is in compliance with the Rule with respect to its prior undertakings. With respect to the Bonds, the Borough expects to file its Annual Report and any notice of the occurrence of the enumerated events with the MSRB's Electronic Municipal Market Access System ("EMMA") (<http://emma.msrb.org>).

LITIGATION

To the knowledge of the attorney for the Borough, Richard P. Cushing, Esq., Gebhardt & Kiefer, P.C., Annandale, New Jersey (the "Borough Attorney"), there is no litigation of any nature now pending or threatened, restraining or enjoining the issuance or the delivery of the Bonds, or the levy or the collection of any taxes to pay the principal of or the interest on the Bonds, or in any manner questioning the authority or the proceedings for the issuance of the Bonds or for the levy or the collection of taxes, or contesting the corporate existence or the boundaries of the Borough or the title of any of the present officers. Moreover, to the knowledge of the Borough Attorney, no litigation is presently pending or threatened that, in the opinion of the Borough Attorney, would have a material adverse impact on the financial condition of the Borough if adversely decided, except that the Borough is involved in a lawsuit with First Surety Financial, LLC, Docket No. WRN-L-430-10, which provided financing to the contractor for the Borough garage construction, and Aegis Security Insurance Company, the company which provided the performance bond to the contractor. First Surety sued the Borough asserting that the Borough had agreed to make all payments on that construction project to First Surety pursuant to an agreement entered into between the Borough Administrator and a representative of the contractor. The Borough disputed that claim and it has now been withdrawn. In addition, the Borough has sued Aegis seeking payment of liquidated damages due under the contract. Aegis, in turn, has asserted a claim against the Borough seeking the balance due on the contract together with other unspecified damages. Although the outcome of litigation depends on factual determinations and legal rulings and can never be predicted with certainty, in the opinion of the Borough Attorney, we do not believe that the claims by Aegis will have a material adverse impact on the financial condition of the Borough if adversely decided. A certificate to such effect will be executed by the Borough Attorney and delivered to the Underwriter of the Bonds at the closing.

TAX MATTERS

Exclusion of Interest on the Bonds from Gross Income for Federal Income Tax Purposes

The Internal Revenue Code of 1986, as amended (the “Code”), imposes certain requirements which must be met on a continuing basis subsequent to the issuance of the Bonds in order to assure that interest on the Bonds will be excluded from gross income for purposes of Federal income taxation under Section 103 of the Code. Failure of the Borough to comply with such requirements may cause interest on the Bonds to be included in gross income for Federal income tax purposes, retroactive to the date of the issuance of the Bonds. The Borough has covenanted to comply with the provisions of the Code applicable to the Bonds and has covenanted not to take any action or permit any action that would cause the interest on the Bonds to be included in gross income under Section 103 of the Code or cause interest on the Bonds to be treated as an item of tax preference under Section 57 of the Code.

Assuming the Borough observes its covenants with respect to continuing compliance with the Code, Gibbons P.C., Bond Counsel to the Borough, is of the opinion that, under existing law, interest on the Bonds is excluded from the gross income of the owners of the Bonds for Federal income tax purposes pursuant to Section 103 of the Code and interest on the Bonds is not an item of tax preference under Section 57 of the Code for purposes of computing the alternative minimum tax.

Additional Federal Income Tax Consequences

In the case of certain corporate holders of the Bonds, interest on the Bonds will be included in the calculation of the alternative minimum tax as a result of the inclusion of interest on the Bonds in “adjusted current earnings” of certain corporations.

Prospective purchasers of the Bonds should be aware that ownership of, accrual of, receipt of, interest on, or disposition of, tax-exempt obligations, such as the Bonds, may have additional Federal income tax consequences for certain taxpayers, including without limitation, taxpayers eligible for the earned income credit, recipients of certain Social Security and certain Railroad Retirement benefits, taxpayers that may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, financial institutions, property and casualty companies, foreign corporations and certain S corporations.

The Bonds have been designated by the Borough as “Qualified Tax-Exempt Obligations” for purposes of Section 265(b)(3) of the Code. The Borough intends that, by such designation of the Bonds, the Bonds will not be subject to Section 265(b)(1) of the Code, which relates to the complete disallowance of deduction for interest expense of certain financial institutions that is allocable to interest on certain tax-exempt obligations acquired by a financial institution after August 7, 1986. The interest expense of certain financial institutions allocable to Qualified Tax-Exempt Obligations is subject to Sections 291(a)(3) and 291(e)(1)(B) of the Code, relation to the non-deductibility of twenty (20) percent of the interest expense allocable to such tax-exempt obligations.

Bond Counsel expresses no opinion regarding any Federal tax consequences other than its opinion with regard to the exclusion of interest on the Bonds from gross income pursuant to Section 103 of the Code and interest on the Bonds not constituting an item of tax preference under Section 57 of the Code. Prospective purchasers of the Bonds should consult their tax advisors with respect to all other tax consequences (including, but not limited to, those listed above) of holding the Bonds.

State Taxation

Bond Counsel is of the opinion that, under existing law, interest on the Bonds and net gains from the sale of the Bonds are exempt from the tax imposed by the New Jersey Gross Income Tax Act.

Miscellaneous

Amendments to federal and state tax laws are proposed from time to time and could be enacted, and court decisions and administrative interpretations may be rendered, in the future. There can be no assurance that any such future amendments or actions will not adversely affect the value of the Bonds, the exclusion of interest on the Bonds from gross income, alternative minimum taxable income, state taxable income, or any combination from the date of issuance of the Bonds or any other date, or that such changes will not result in other adverse federal or state tax consequences.

THE ABOVE SUMMARY OF POSSIBLE TAX CONSEQUENCES IS NOT EXHAUSTIVE OR COMPLETE. ALL PURCHASERS OF THE BONDS SHOULD CONSULT THEIR TAX ADVISORS REGARDING THE POSSIBLE FEDERAL, STATE AND LOCAL INCOME TAX CONSEQUENCES OF OWNERSHIP OF THE BONDS.

RATING

Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, Inc. (the "Rating Agency") has assigned its rating of "A+" to the Bonds.

An explanation of the significance of such credit rating may be obtained from the Rating Agency at 55 Water Street, New York, New York 10041. There is no assurance that such credit rating will continue for any period of time or that such rating will not be revised or withdrawn. Any such revision or withdrawal of such credit rating may have an adverse effect on the market price of the Bonds.

UNDERWRITER

The Bonds have been purchased at a public sale by _____, _____, New Jersey (the "Underwriter") at a price of \$_____. The Bonds have been purchased in accordance with the Notice of Sale issued by the Borough.

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

FINANCIAL ADVISOR

Phoenix Advisors, LLC, Bordentown, New Jersey served as financial advisor to the Borough (the "Financial Advisor") with respect to the issuance of the Bonds. This Official Statement has been prepared with the assistance of the Financial Advisor. Certain information set forth herein has been obtained from the Borough and other sources, which are deemed reliable, but no warranty, guaranty or other representation as to the accuracy or completeness is made as to such information contained herein. There is no assurance that any of the assumptions or estimates contained herein will be realized. The

Financial Advisor is an independent firm and is not engaged in the business of underwriting, trading or distributing municipal securities or any other negotiable instrument.

BANKRUPTCY

Pursuant to New Jersey Revised Statutes 52:27-40 to -45.10, any county, municipality, school district, or political subdivision of this State has the “power to file a petition or petitions with any United States court or court in bankruptcy . . . , for the purpose of effecting a plan of readjustment of its debts or for the composition of its debts. . . .” The filing of such petition(s) must be authorized by resolution, in the case of county or school district, or by ordinance, in the case of a municipality or political subdivision, of the governing body adopted by the affirmative vote of not less than two-thirds (“2/3”) of all the members elected to such governing body. Such petition(s) can only be filed with the approval of the Local Finance Board. In addition thereto, no plan of readjustment can be approved, put into temporary effect, or finally confirmed by the court having jurisdiction thereover without the approval of the Local Finance Board. The Borough has not by resolution authorized the filing of a bankruptcy petition. The Borough is fiscally sound and has a broad and growing tax base. This reference to the bankruptcy statute is for disclosure purposes only and is not intended to be and should not be construed as an indication that the Borough expects to utilize the provisions of such laws.

APPROVAL OF LEGAL PROCEEDINGS

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

FINANCIAL STATEMENTS

The financial statements of the Borough for the year ended December 31, 2011 (unaudited) and December 31, 2010 (audited) are presented in Appendix B to this Official Statement (the “Financial Statements”). The Financial Statements have been audited by Ferraioli, Weilkotz, Cerullo & Cuva, Newton, New Jersey, an independent auditor (the “Auditor”), as stated in its report appearing in Appendix B to this Official Statement. See "APPENDIX B - Financial Statements of the Borough”. Such Financial Statements are included herein for informational purposes only, and the information contained in these Financial Statements should not be used to modify the description of the security for the Bonds contained herein.

PREPARATION OF OFFICIAL STATEMENT

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

Phoenix Advisors, LLC has participated in the preparation of this Official Statement on behalf of the Borough, but has not independently verified the accuracy, completeness or fairness thereof and, accordingly, takes no responsibility and express no opinion with respect thereto.

Ferraioli, Weilkotz, Cerullo & Cuva, Auditor to the Borough, has assisted in the preparation of information contained in this Official Statement, but has not examined and takes no responsibility for general information and data contained herein. It takes responsibility for the audited financial statements to the extent specified in the Accountant's Opinion in Appendix A.

Bond Counsel has not participated in the preparation of the financial or statistical information contained in this official statement, nor have they verified the accuracy, completeness or fairness thereof and, accordingly, expresses no opinion with respect thereto.

ADDITIONAL INFORMATION

Inquiries regarding this Official Statement, including information additional to that contained herein, may be directed to Natasha Turchan, Chief Financial Officer, Borough of Washington, Municipal Building, 100 Belvidere Avenue, Washington, New Jersey, 07882, (908) 689-3600 or to Anthony P. Inverso, Managing Director, Phoenix Advisors, LLC, 4 West Park Street, Bordentown New Jersey, 08505, (609) 291-0130.

MISCELLANEOUS

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

**BOROUGH OF WASHINGTON
IN THE COUNTY OF WARREN, NEW JERSEY**

**NATASHA TURCHAN
CHIEF FINANCIAL OFFICER**

Dated: August __, 2012

APPENDIX A

GENERAL INFORMATION REGARDING THE BOROUGH

GENERAL INFORMATION

Location and Area

Washington Borough is located in the south-central part of Warren County, which is located in the northwestern part of the State of New Jersey. It is approximately 52 miles west of New York City and 12 miles from the industrial complex of Phillipsburg and Easton on the Delaware River. The Borough is located on intersecting State Highway Routes 31 and 57 which provide access to Interstate Routes 78 and 80 and the New York Metropolitan area and other points in New Jersey and Pennsylvania.

Washington Borough covers an area of 1.9 square miles. The Borough is entirely surrounded by Washington Township. The 2010 Census lists the Borough's population at 6,461.

In character, Washington Borough is a self contained rural-urban service center. It has an industrial and commercial base which provides employment and services to the surrounding rural areas. The Borough's industrial and commercial growth developed from the Borough's location on both the Morris Canal, now long defunct, and the Erie-Lackawanna Railroad. Washington was once known as the "Organ Center of the World" with several large factories turning out organs and pianos. The Borough's present industrial base consists of Twist Beauty Packaging, Inc., a major manufacturer of plastic tubing, and a BASF Corporation plant, which manufactures chemicals for eventual commercial product applications.

Form of Government

The Borough of Washington's form of government is Council-Manager Plan E of the New Jersey Optional Municipal Charter Law. The Borough is governed by a seven member Borough Council. Members of the Borough council are elected. Elections are held every two years, three Borough Council members in one election, and then, two years later, the other four. Every two years the Borough Council chooses a Mayor and a Deputy Mayor from its Members. The Mayor, or in the Mayor's absence, the Deputy Mayor, presides over Borough Council meetings. By law, the Borough Council has responsibility for all legislative matters, ranging from the enactment of ordinances and resolutions to general citizen representation. Policy formulation by the Borough Council is assisted by a number of separate advisory boards, committees, and citizen input.

Executive responsibilities of the Borough are vested in the full-time Borough Manager. The Manager is appointed by the Borough Council and is the chief executive and administrative head of the Borough government. The Manager's duties include management of the Borough's day-to-day business, including the coordination of all departments and employees, implementation of Council policy, and the enforcement of all ordinances and contracts. In addition, the Manager prepares the Borough's annual budget.

Population

<u>Census Year</u>	<u>Population</u>
1960	5,723
1970	5,955
1980	6,429
1990	6,474
2000	6,712
2010	6,461

Services

The Borough has a Shared Services Agreement with Washington Township to provide Police services.

The Borough has a forty-five (45) member Volunteer Fire Department which has two (2) Mack 1,000 GPM customized pumpers and a Mack 75 aerial scope ladder truck. Mutual aid is in effect with all surrounding communities. The department also has a utility truck for equipment and a four-wheel-drive chief's vehicle.

The Borough also has an emergency service which is over sixty (60) years old. The emergency Squad has forty (40) members and has four (4) fully equipped ambulances, one four-wheel-drive command vehicle and one (1) heavy rescue truck. The squad operations on a 24 hour a day basis and provides ambulance service to Washington Borough and Washington Township at no cost to the users of the service.

The Borough has a 7,000 square foot library which houses approximately 37,000 volumes and has approximately 100 paid subscriptions. The library is under the control of an independent Board of Trustees which supervises one (1) full-time staff member, including a part-time Certified Library Director and a part-time staff of four.

The Borough has a seven (7) member Recreation Commission which oversees the Borough's part-time Recreational Program. The Borough has a 8.43 acre park which houses a lighted baseball field with a grandstand and has a children's play area, swimming pool and bathhouse facility and lighted basketball court. A very active Little League Program and Junior Football League Program exists in the Borough which are run independently of the municipal government. Programs under commission sponsorship include swimming lessons, girls' softball, girls' field hockey, arts and craft, music in the park, soccer, men's basketball and youth basketball.

Utilities

Borough residents obtain their water from the New Jersey-American Water Company, a subsidiary of American Water Works Company, Inc., a large investor-owned utility whose stock is traded on the New York Stock Exchange.

The Borough has a municipal sewer utility, which consists of a collection system, three (3) pumping stations, and a newly completed wastewater treatment plant with treatment capacity of 1/2 million gallons per day. This utility serves virtually all the residential and commercial properties in the Borough, as well as about seventy residential customers in Washington Township and the Warren Hills Regional High School, also in Washington Township.

Nearly all Borough residents have the choice of natural gas or oil heat. Electricity is supplied by GPU Energy, and local telephone service is provided by Verizon, Inc. The cable television operator is Comcast.

Press

Four newspapers service the municipality. The Star-Gazette in Flemington (Weekly), The Star Ledger in Newark (Daily and Sunday), Express Times (Daily), and The Washington Messenger (Monthly).

FINANCIAL INSTITUTIONS

The following financial institutions service the financial needs of the Borough:

Wells Fargo
PNC Bank

UNEMPLOYMENT RATES

According to the State of New Jersey, Department of Labor and Industry, the estimated unemployment rates were as follows:

Borough of Washington	7.9% as of March 2012
County of Warren	9.0% as of March 2012
State of New Jersey	9.3% as of March 2012
United States	8.4% as of March 2012

VALUE OF BUILDING PERMITS ISSUED

<u>Year</u>	<u>New Buildings</u>	<u>Rehab Work</u>	<u>Total</u>
2006	\$293,158	\$6,232,677	\$6,525,835
2007	752,560	475,826	1,228,386
2008	401,100	1,242,841	1,643,941
2009	8,750	508,910	517,660
2010	-	339,062	339,062

LARGEST TAXPAYERS OF THE BOROUGH OF WASHINGTON

<u>TAXPAYER</u>	<u>2012 ASSESSED VALUATION</u>
Warren Washington Associates	\$7,000,000
B.A.S.F. Corporation	4,722,000
Twist Beauty Packaging, Inc.	4,020,000
Washington Gardens LLC	3,990,000
Washington Plaza Associates	3,400,000
Washington Heights, LLC	2,000,000
Warren Lumber, Inc.	1,658,000
Anthony, Charles	1,620,000
Candle Artisans, Inc.	1,550,000
Smith, John	1,250,000

FINANCIAL INFORMATION

Debt Statements

The Borough must report all new authorizations of debt or changes in previously authorized debt to the Division of Local Government Services, Department of Community Affairs of the State of New Jersey (the "Division"). The Supplemental Debt Statement, as this report is known, must be submitted to the Division before final passage of any debt authorization. Before January 31 of each year, the Borough must file an Annual Debt Statement with the Division. This report is made under oath and states the authorized, issued and unissued debt of the Borough as of the previous December 31. Through the Annual and Supplemental Debt Statements, the Division monitors all local borrowing.

Debt Incurring Capacity
As of December 31, 2011

Municipal:

1. Equalized Valuations (last three years average)	<u>\$556,822,869</u>
2. 3-1/2% Borrowing Margin	19,488,800
3. Net Debt Issued and Outstanding	9,583,066
4. Excess School Borrowing	-0-
5. Total Charges to Borrowing Margin	<u>9,583,066</u>
6. Remaining Municipal Borrowing (line 2 minus line 5) Capacity	9,905,734

Statement of Indebtedness
As of December 31, 2011

Gross Debt:

Local District School Debt:

Serial Bonds Issued and Outstanding	\$2,741,000	
Authorized but not Issued	<u> -</u>	\$ 2,741,000

Regional School Debt:

Serial Bonds Issued and Outstanding	5,588,694	
Authorized but not Issued	<u> -</u>	5,588,694

Municipal Debt:

Issued and Outstanding:

Serial Bonds, Notes and Loans	9,512,108	
Authorized but not Issued	<u> 70,958</u>	9,583,066

Issued and Outstanding Sewer Serial Bonds,

Notes and Loans	5,657,214	
Authorized but not Issued –Sewer	<u> 877,088</u>	<u> 6,534,302</u>

Total Gross Debt \$24,447,062

Less:

Statutory Deductions:

Local School District Debt	\$2,741,000	
Regional School Debt	5,588,694	
Sewer-Self Liquidating Debt	<u> 6,534,302</u>	<u>14,863,996</u>

Statutory Net Debt 9,583,066

Average Equalized Valuation of Real Property
 (Years 2009, 2010 & 2011) \$556,822,869

Statutory Net Debt Percentage 1.72%

Statistics on Debt
As of December 31, 2011

Gross Debt (Municipal and School)	\$24,447,062
Overlapping Debt	<u>847,611</u>
Gross Debt	\$25,294,673
Statutory Debt	\$9,583,066
Net Debt and Overlapping Debt	10,430,677
Average Equalized Valuations	\$556,822,869

Overlapping Debt
As of December 31, 2011

The Overlapping Debt of the Borough was as follows:

	<u>Gross Debt</u>	<u>Borough Share</u>	<u>Amount</u>
County of Warren	\$19,726,201	4.30%	<u>\$847,611</u>

DEBT SERVICE REQUIREMENTS

RETIREMENT SCHEDULE – OUTSTANDING DEBT – GENERAL CAPITAL

<u>YEAR</u>	<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2012	\$635,799.91	\$284,933.54	\$350,866.37
2013	636,062.41	269,575.62	366,486.79
2014	640,434.92	253,315.24	387,119.68
2015	648,641.15	235,875.88	412,765.27
2016	655,619.91	217,196.05	438,423.86
2017	769,152.41	195,056.73	574,095.68
2018	842,602.42	167,821.41	674,781.01
2019	921,327.41	135,847.31	785,480.10
2020	985,327.43	99,134.17	886,193.26
2021	947,077.42	60,156.68	886,920.74
2022	908,827.39	21,164.56	887,662.83
2023	19,259.68	1,384.75	17,874.93
2024	19,259.69	1,025.48	18,234.21
2025	19,259.68	658.96	18,600.72
2026	<u>19,259.68</u>	<u>285.09</u>	<u>18,974.59</u>
	<u>\$8,667,911.51</u>	<u>\$1,943,431.47</u>	<u>\$6,724,480.04</u>

DEBT SERVICE REQUIREMENTS
RETIREMENT SCHEDULE – OUTSTANDING DEBT – SEWER CAPITAL

<u>YEAR</u>	<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2012	\$1,260,118.27	\$225,610.00	\$1,034,508.27
2013	951,831.44	194,260.00	757,571.44
2014	948,666.88	161,560.00	787,106.88
2015	944,079.59	127,360.00	816,719.59
2016	937,762.95	91,760.00	846,002.95
2017	899,433.14	54,660.00	844,773.14
2018	185,682.87	15,605.00	170,077.87
2019	110,075.39	11,350.00	98,725.39
2020	105,513.11	8,600.00	96,913.11
2021	109,245.88	5,850.00	103,395.88
2022	<u>104,268.99</u>	<u>2,850.00</u>	<u>101,418.99</u>
	<u>\$6,556,678.51</u>	<u>\$899,465.00</u>	<u>\$5,657,213.51</u>

Assessed Valuations – Land & Improvements Improvements by Class

<u>Year</u>	<u>Vacant Land</u>	<u>Residential</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Apartment</u>	<u>Farm</u>		<u>Total</u>
						<u>Regular</u>	<u>Qualified</u>	
2007	\$5,960,300	\$282,165,460	\$48,804,000	\$16,823,900	\$23,083,000	\$437,600	\$5,300	\$377,279,560
2008	9,560,900	283,120,160	48,649,400	16,823,900	22,783,000	437,600	5,300	381,380,260
2009	8,457,100	278,216,160	48,064,100	16,823,900	22,283,000	437,600	5,300	374,287,160
2010	6,827,300	278,559,460	47,575,200	16,823,900	21,890,900	437,600	5,300	372,119,660
2011	5,350,500	278,666,860	47,429,000	16,323,400	21,890,900	437,600	5,300	370,103,560

Assessed Valuations – Net Valuation Taxable

<u>Year</u>	<u>Real Estate Land and Improvements</u>	<u>Business Personal Property</u>	<u>Less: Exemptions</u>	<u>Net Valuation Taxable</u>	<u>Ratio to True Value</u>	<u>Aggregate</u>
						<u>True Value Real Property</u>
2007	\$377,310,160	\$2,062,147	\$30,600	\$379,341,707	66.26%	\$575,868,580
2008	381,425,260	2,045,030	107,500	383,362,790	64.77	595,390,516
2009	374,888,460	2,099,466	601,300	376,386,626	64.40	587,949,681
2010	372,720,960	2,133,964	601,300	374,253,624	64.45	583,927,229
2011	370,704,860	2,045,901	601,300	372,149,461	64.84	577,042,195

Current Tax Collections

<u>Year</u>	<u>Total Levy</u>	<u>Amount</u>	<u>Collection During Year of Levy Percentage</u>
2007	\$15,303,660	\$14,805,785	96.74%
2008	15,682,830	15,018,538	95.76
2009	16,309,760	15,458,873	94.78
2010	17,023,522	16,333,251	95.95
2011	17,588,984	16,694,249	94.91

Total Tax Requirements Including School and County Purposes

<u>Year</u>	<u>Total Tax Requirements</u>	<u>Local Purposes</u>	<u>Special Improvement District</u>	<u>Local School</u>	<u>Regional School</u>	<u>County</u>
2007	\$15,303,660	\$3,859,547	\$200,000	\$3,714,305	\$4,314,983	\$3,214,826
2008	15,682,830	4,105,907	165,287	3,851,945	4,235,935	3,323,757
2009	16,309,760	4,688,937	201,840	3,999,715	4,163,247	3,256,021
2010	17,023,522	5,323,391	200,000	4,045,426	4,183,500	3,271,205
2011	17,588,984	5,571,805	200,000	4,187,281	4,247,430	3,382,468

Delinquent Taxes and Tax Title Liens December 31,

<u>Year</u>	<u>Tax Title Liens</u>	<u>Delinquent Taxes</u>	<u>Total</u>	<u>Percentage of Levy</u>
2007	\$549,380	\$439,900	\$ 989,279	6.46%
2008	627,218	496,953	1,124,171	7.17
2009	687,551	680,119	1,367,670	8.38
2010	764,724	589,848	1,354,572	7.96
2011	844,382	802,988	1,647,370	9.37

Assessed Valuations of Property Owned By the Borough – Acquired for Taxes

<u>Year</u>	
2007	\$112,300
2008	112,300
2009	112,300
2010	138,600
2011	138,600

Components of Real Estate Tax Rate
(Per \$100 of Assessment)

<u>Year</u>	<u>Total</u>	<u>Municipal</u>	<u>Local School</u>	<u>Regional School</u>	<u>County</u>
2007	\$3.970	\$1.005	\$0.980	\$1.138	\$.847
2008	4.027	1.054	1.005	1.104	.864
2009	4.273	1.239	1.063	1.106	.865
2010	4.488	1.415	1.081	1.118	.874
2011	4.670	1.494	1.125	1.141	.910

Comparative Schedule of Fund Balances

Year	<u>Current Fund</u>	
	Fund Balance December 31,	Utilized in Budget of Succeeding Year
2007	\$564,381	\$525,000
2008	39,381	-0-
2009	193,241	130,000
2010	637,454	306,681
2011	680,138	310,000

Year	<u>Sewer Utility Fund</u>	
	Fund Balance December 31,	Utilized in Budget of Succeeding Year
2007	\$421,634	\$-0-
2008	21,634	-0-
2009	36,269	-0-
2010	438,854	-0-
2011	778,276	433,227

Borough of Washington
2012 Municipal Budget
Current Fund

Anticipated Revenues:	
Surplus Anticipated	\$310,000
Local Revenues	220,500
State Aid without Offsetting Appropriations	593,376
Public and Private Revenues	17,134
Other Special Items	62,608
Receipts from Delinquent Taxes	439,483
Amount to be Raised by Taxation for Support of Municipal Budget:	
Local Tax for Municipal Purposes	5,387,071
Minimum Library Tax	<u>172,623</u>
 Total Anticipated Revenue	 <u>\$7,202,795</u>
 Appropriations:	
Total General Appropriations Within "CAPS"	\$2,878,676
Operations – Excluded from "CAPS":	
Other Operations	172,623
Shared Services Agreements	2,397,568
Public and Private Programs Offset with Revenues	19,092
Capital Improvements	12,500
Municipal Debt Service	807,541
Deferred Charges	69,763
Reserve for Uncollected Taxes	<u>845,032</u>
	 <u>\$7,202,795</u>

APPENDIX B

FINANCIAL STATEMENTS OF THE BOROUGH

Ferraioli, Wielkottz, Cerullo & Cuva, P.A.

Charles J. Ferraioli, Jr., MBA, CPA, RMA
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INDEPENDENT AUDITOR'S REPORT

May 31, 2012

The Honorable Mayor and
Members of the Borough Council
Borough of Washington
100 Belvidere Avenue
Washington, New Jersey 07882

We have audited the accompanying balance sheet - regulatory basis of the various funds and account group of the Borough of Washington in the County of Warren, as of and for the year ended December 31, 2011 and 2010 and the related statements of operations and changes in fund balance - regulatory basis for the year then ended, and the related statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the various funds for the years ended December 31, 2011. These financial statements are the responsibility of the Borough's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed below, we conducted our audit in accordance with auditing standards generally accepted in the United States of America, the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, and the standards applicable to financial audit contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, these financial statements were prepared in conformity with accounting practices prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, that demonstrates compliance with the modified accrual basis, with certain exceptions, and the budget laws of New Jersey, which practices differ from accounting principles generally accepted in the United States of America. The affect on the financial statements of the variances between the prescribed basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.



The Honorable Mayor and
Members of the Borough Council
May 31, 2012
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In our opinion, because of the Borough of Washington's policy to prepare its financial statements on the basis of accounting discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Borough of Washington, New Jersey as of December 31, 2011 and 2010 or the results of its operation for the years then ended.

However, in our opinion, the financial statements referred to above present fairly, in all material respects, the financial position - regulatory basis of the various funds and account group of the Borough of Washington, New Jersey at December 31, 2011, and the results of its operations and the changes in fund balance - regulatory basis of such funds for the year then ended and the statement of revenues - regulatory basis, and statement of expenditures - regulatory basis for the years ended December 31, 2011, and 2010, on the basis of accounting described in Note 1.

In accordance with the Government Auditing Standards, we have also issued a report dated May 31, 2012 on our consideration of the Borough of Washington, New Jersey internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Borough of Washington, State of New Jersey, taken as a whole. The accompanying supplementary information, schedules and exhibits listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements of the Borough of Washington, State of New Jersey. Such information has been subject to auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects, in relation to the financial statements taken as a whole, on the basis of accounting described in Note 1.



Thomas M. Ferry, C.P.A.
Registered Municipal Accountant
No. 497

Ferraioli, Wielkutz, Cerullo, & Cuva, P.A.

FERRAIOLI, WIELKOTZ, CERULLO & CUVA, P.A.
Certified Public Accountants



Borough of Washington, N.J.

Comparative Balance Sheet - Regulatory Basis

Current Fund

December 31, 2011 and 2010

	<u>Ref.</u>	<u>2011</u>	<u>2010</u>
<u>Assets</u>			
Current Fund:			
Cash	A-4	3,568,951.75	3,412,925.09
Change Fund	A-5	325.00	325.00
Due From State of New Jersey:			
Senior Citizen and Veteran Deductions	A-11	7,424.49	7,174.49
		<u>3,576,701.24</u>	<u>3,420,424.58</u>
Receivables and Other Assets with Full Reserves:			
Delinquent Taxes Receivable	A-6	802,987.98	589,847.80
Tax Title Liens Receivable	A-7	844,382.18	764,723.75
Property Acquired for Taxes - Assessed Valuation	A-8	138,600.00	138,600.00
Maintenance Liens Receivable	A-9	7,825.83	7,825.83
Revenue Accounts Receivable	A-10	3,670.41	5,340.58
Interfund Receivables:			
Animal Control Trust Fund	A-12		8,175.20
Other Trust	A-12	1,083.95	4,206.69
General Capital Fund	A-12	242,801.86	51,351.81
Sewer Operating Fund	A-12	129.57	129.57
		<u>2,041,481.78</u>	<u>1,570,201.23</u>
		<u>5,618,183.02</u>	<u>4,990,625.81</u>
Federal and State Grant Fund:			
Interfund Receivable:			
Current Fund	A-22	34,397.08	2,392.92
Grants Receivable	A-23	274,480.63	140,547.63
		<u>308,877.71</u>	<u>142,940.55</u>
		<u>5,927,060.73</u>	<u>5,133,566.36</u>

The accompanying "Notes to Financial Statements" are an integral part of these financial statements.

Borough of Washington, N.J.

Comparative Balance Sheet - Regulatory Basis

Current Fund

December 31, 2011 and 2010

	<u>Ref.</u>	<u>2011</u>	<u>2010</u>
<u>Liabilities, Reserves and Fund Balance</u>			
Current Fund:			
Appropriation Reserves	A-3;A-14	277,975.29	346,108.71
Interfunds Payable:			
Federal and State Grants	A-12	34,397.08	2,392.92
Tax Anticipation Note Payable	A-13	2,000,000.00	2,000,000.00
Tax Overpayments	A-15	65,571.19	48,854.97
Accounts Payable	A-15	24,313.66	22,037.49
Reserve for:			
Revaluation	A-15		868.10
State Library Aid	A-15	4,223.61	10,458.90
Tax Appeals	A-15	75,000.00	75,000.00
Sale of Municipal Assets	A-15	9,400.00	700.00
Encumbrances Payable	A-16	234,487.03	149,550.49
Prepaid Taxes	A-17	35,955.77	11,141.27
County Taxes Payable	A-18	1,924.79	2,103.92
Local School District Tax Payable	A-19	91,223.73	53,837.75
Regional High School Taxes Payable	A-20	42,091.46	55,126.44
Special Improvement District Tax Payable	A-21		4,789.20
		<u>2,896,563.61</u>	<u>2,782,970.16</u>
Reserve for Receivables	Contra	2,041,481.78	1,570,201.23
Fund Balance	A-1	680,137.63	637,454.42
		<u>5,618,183.02</u>	<u>4,990,625.81</u>
Federal and State Grant Fund:			
Appropriated Reserve for Grants	A-24	291,687.21	133,572.75
Unappropriated Reserve for Grants	A-25	6,617.47	
Encumbrances Payable	A-26	10,573.03	9,367.80
		<u>308,877.71</u>	<u>142,940.55</u>
		<u>5,927,060.73</u>	<u>5,133,566.36</u>

The accompanying "Notes to Financial Statements" are an integral part of these financial statements.

Borough of Washington, N.J.
Comparative Statement of Operations and Changes in Fund Balance - Regulatory Basis

Current Fund

Years Ended December 31, 2011 and 2010

	<u>Ref.</u>	<u>2011</u>	<u>2010</u>
Revenues and Other Income:			
Fund Balance Utilized	A-2	306,681.36	130,000.00
Miscellaneous Revenue Anticipated	A-2	1,094,572.98	1,581,642.85
Receipts from Delinquent Taxes	A-2	561,586.56	655,908.44
Receipts from Current Taxes	A-2	16,694,248.55	16,333,251.45
Non-Budget Revenue	A-2	162,998.37	38,278.79
Other Credits to Income:			
Statutory Excess In Animal Control Trust			8,175.20
Interfunds Returned	A-12	8,175.20	5,964.76
Appropriated Grant Reserves Canceled			38,707.89
Unexpended Balance of Appropriation Reserves	A-14	227,674.30	104,707.81
Cancellation of Various Reserves	A-15	1,438.92	
Encumbrances Cancelled	A-16	66,620.08	21,521.72
Cancellation of Special Improvement District Payable	A-21	4,789.20	
Total Revenues and Other Income		<u>19,128,785.52</u>	<u>18,918,158.91</u>
Expenditures:			
Budget and Emergency Appropriations:			
Operations - Within "CAPS"			
Operating	A-3	2,787,183.08	3,011,551.75
Deferred Charges and Statutory Expenditures	A-3	253,720.01	205,859.33
Operations - Excluded From CAPS:			
Operating	A-3	2,544,682.54	2,548,149.22
Capital Improvements	A-3	140,000.00	37,500.00
Municipal Debt Service	A-3	778,154.12	812,985.04
Deferred Charges	A-3	70,000.00	
Refund of Prior Year Revenue	A-4	175.00	21,315.57
Interfund Advances	A-12	188,327.31	4,336.26
Grant Receivables Canceled			2,116.97
County Taxes including Added Taxes	A-18	3,382,467.69	3,271,204.89
Local District School Tax	A-19	4,187,281.00	4,045,426.00
Regional High School Tax	A-20	4,247,430.20	4,183,500.16
Special Improvement District Tax	A-21	200,000.00	200,000.00
Total Expenditures		<u>18,779,420.95</u>	<u>18,343,945.19</u>
Excess (Deficit) Revenue Over Expenditures		349,364.57	574,213.72
Adjustment to Income Before Fund Balance			
Expenditures Included above Which are by Statute			
Deferred Charges to Budget of Succeeding Year			
		<u>349,364.57</u>	<u>574,213.72</u>
Statutory Excess to Fund Balance		349,364.57	574,213.72
Fund Balance, January 1,		<u>637,454.42</u>	<u>193,240.70</u>
		986,818.99	767,454.42
Decreased by:			
Fund Balance Utilized as Budget Revenue		<u>306,681.36</u>	<u>130,000.00</u>
Fund Balance, December 31,	A	<u><u>680,137.63</u></u>	<u><u>637,454.42</u></u>

The accompanying "Notes to Financial Statements" are an integral part of these financial statements.

Statement of Revenues - Regulatory Basis

Current Fund

Year Ended December 31, 2011

	Ref.	Budget	Appropriated by: 40A:4-87	Realized	Excess or (Deficit)
Fund Balance Anticipated	A-1	306,681.36		306,681.36	
Miscellaneous Revenues:					
Licenses:					
Alcoholic Beverages	A-10	5,000.00		5,040.00	40.00
Other	A-10	2,400.00		2,955.00	555.00
Fees and Permits	A-10	35,000.00		32,079.00	(2,921.00)
Fines and Costs:					
Municipal Court	A-10	110,000.00		84,043.50	(25,956.50)
Interest and Costs on Taxes	A-10	95,000.00		127,067.77	32,067.77
Interest on Investments and Deposits	A-10	9,000.00		5,378.92	(3,621.08)
Consolidated Municipal Property Tax Relief Aid	A-10	83,506.00		83,506.00	
Energy Receipts Tax	A-10	509,870.00		509,870.00	
Special Items of General Revenue Anticipated					
With Prior Written Consent of Director of					
Local Government Services:					
Public and Private Revenues:					
Recycling Tonnage Grant	A-23		8,074.01	8,074.01	
Municipal Alliance	A-23	10,517.00		10,517.00	
Clean Communities Grant	A-23		11,537.17	11,537.17	
Energy Efficiency Block Grant	A-23		10,431.23	10,431.23	
DOT- Beethoven Avenue	A-23		140,000.00	140,000.00	
Other Special Items:					
Uniform Fire Safety Act	A-10	10,000.00		11,422.76	1,422.76
Cable TV Gross Receipts	A-10	21,000.00		20,542.62	(457.38)
Animal Shelter Trust Fund	A-10	10,108.00		10,108.00	
General Capital Fund Balance	A-10	22,000.00		22,000.00	
Total Miscellaneous Revenues	A-1	923,401.00	170,042.41	1,094,572.98	1,129.57
Receipts from Delinquent Taxes	A-1;A-2	344,431.55		561,586.56	217,155.01
Subtotal General Revenues		1,574,513.91	170,042.41	1,962,840.90	218,284.58
Amount to be Raised by Taxes for Support of					
Municipal Budget-Local Tax for Municipal		192,012.62		192,012.62	
Purposes Including Reserve for Uncollected Taxes	A-2	5,562,397.76		5,379,611.06	(182,786.70)
Budget Totals		7,136,911.67	170,042.41	7,342,451.96	35,497.88
Non-Budget Revenue	A-1;A-2			162,998.37	162,998.37
		<u>7,136,911.67</u>	<u>170,042.41</u>	<u>7,505,450.33</u>	<u>198,496.25</u>
		A-3	A-3		

Statement of Revenues - Regulatory Basis

Current Fund

Year Ended December 31, 2011

Analysis of Realized Revenues

Revenue from Collections	A-1;A-6	16,694,248.55
Allocated to School and County Taxes	A-6	<u>12,017,178.89</u>
Balance for Support of Municipal Budget Appropriations		4,677,069.66
Add:		
Appropriated Reserve for Uncollected Taxes	A-3	<u>702,541.40</u>
Amount for Support of Municipal Budget Appropriations	A-2	<u><u>5,379,611.06</u></u>
Receipts from Delinquent Taxes:		
Delinquent Taxes		
Taxes Receivable	A-6	557,162.97
Tax Title Liens Receivable	A-7	<u>4,423.59</u>
	A-2	<u><u>561,586.56</u></u>
<u>Analysis of Non-budget Revenues</u>	<u>Ref.</u>	
Miscellaneous Revenues Not Anticipated:		
Fire Prevention Inspection Fees		7,462.00
Division of Motor Vehicles Fines & Fees		897.00
Tax Department Miscellaneous		6,239.77
Senior Citizen and Veterans Admin. Costs Reimb.		1,010.00
Various Refunds and Miscellaneous		<u>24,492.64</u>
	A-4	40,101.41
Interfund Receivable	A-12	<u>122,896.96</u>
	A-2	<u><u>162,998.37</u></u>

Borough of Washington, N. J.
Statement of Expenditures - Regulatory Basis

General Appropriations	Current Fund				Paid or Charged	Reserved	Unexpended Balance Canceled
	Ref.	Budget	By Emergency	Budget After Modification			
Year Ended December 31, 2011							
General Government:							
Administrative and Executive:							
Salaries and Wages		119,818.00		119,818.00	119,818.00		
Other Expenses		29,659.00		29,659.00	26,999.67	2,659.33	
Mayor and Council:							
Salaries and Wages		10,500.00		10,500.00	10,500.00		
Other Expenses		7,715.00		7,715.00	7,045.46	669.54	
Municipal Clerk:							
Salaries and Wages		72,670.60		72,670.60	72,120.60	550.00	
Other Expenses		15,029.44		15,029.44	13,887.03	1,142.41	
Financial Administration:							
Salaries and Wages		92,224.33		92,224.33	90,724.33	1,500.00	
Other Expenses		15,000.00		15,000.00	14,999.33	0.67	
Annual Audit		25,980.00		25,980.00	24,850.00	1,130.00	
Forensic Audit		100,000.00		100,000.00	87,500.00	12,500.00	
Revenue Administration:							
Salaries and Wages		158,839.00		158,839.00	157,339.00	1,500.00	
Other Expenses		5,870.00		5,870.00	5,869.19	0.81	
Assessment of Taxes:							
Salaries and Wages		38,608.75		37,608.75	32,150.25	5,458.50	
Other Expenses		21,700.00		21,700.00	11,662.62	10,037.38	
Legal Services and Costs:							
Other Expenses		69,000.00		69,000.00	65,314.56	3,685.44	
Engineering Services and Costs:							
Other Expenses		47,500.00		49,500.00	49,183.06	316.94	
Municipal Land Use Law (N.J.S. 40:55 D-1)							
Planning Board:							
Salaries and Wages		3,727.59		3,727.59	3,727.59		
Other Expenses		7,637.34		13,137.34	12,733.77	403.57	
Board of Adjustment:							
Salaries and Wages		3,985.00		3,985.00	1,613.50	2,371.50	
Other Expenses		5,583.34		5,583.34	1,762.80	3,820.54	

The accompanying "Notes to Financial Statements" are an integral part of these financial statements.

Borough of Washington, N. J.
Statement of Expenditures - Regulatory Basis

		Current Fund					Unexpended
		Year Ended December 31, 2011					Balance
Ref.	Budget	By Emergency	Budget After Modification	Paid or Charged	Reserved	Canceled	
General Appropriations							
Local Code Enforcement:							
	40,000.00		19,500.00	17,628.50	1,871.50		
Salaries and Wages							
Other Expenses	1,875.00		1,875.00	1,551.06	323.94		
P.E.O.S.H.A. (P.L. 1983,C516):							
Other Expenses	1,000.00		1,000.00	269.00	731.00		
Insurance:							
General Liability	220,000.00		220,000.00	219,352.00	648.00		
Employee Group Health	214,483.41		214,483.41	171,541.76	42,941.65		
Public Safety:							
Fire:							
Other Expenses							
Miscellaneous Other Expenses	33,319.00		33,319.00	33,112.67	206.33		
Fire Hydrant Service	68,000.00		68,000.00	67,528.90	471.10		
Police:							
Salaries and Wages	14,608.04		14,608.04	14,608.04			
First Aid Organization - Aid Maintenance:							
Other Expenses	19,300.00		19,300.00	19,300.00			
Uniform Fire Safety Act (CH. 383, P.L. 1983)							
Fire and Code Enforcement:							
Salaries and Wages	22,662.72		22,662.72	19,142.38	3,520.34		
Other Expenses	4,821.28		4,821.28	4,167.91	653.37		
Office of Emergency Management:							
Salaries and Wages	5,015.00		5,015.00	2,975.00	2,040.00		
Other Expenses	1,000.00		1,000.00		1,000.00		
Public Works							
Road Repair and Maintenance							
Salaries and Wages	360,344.00		360,344.00	316,326.05	44,017.95		
Other Expenses	141,487.00		141,487.00	135,549.43	5,937.57		
Shade Tree Commission:							
Salaries and Wages	934.00		934.00	934.00			
Other Expenses	13,500.00		25,500.00	24,736.01	763.99		

The accompanying "Notes to Financial Statements" are an integral part of these financial statements.

Borough of Washington, N. J.
Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2011

General Appropriations	Ref.	Budget	By Emergency	Budget After Modification	Paid or Charged	Reserved	Unexpended Balance Canceled
Public Buildings and Grounds:							
Salaries and Wages		12,083.24		12,083.24	11,618.50	464.74	
Other Expenses		30,195.00		30,195.00	28,780.47	1,414.53	
Solid Waste Collection:							
Other Expenses		259,000.00		259,000.00	259,000.00		
Health and Welfare							
Animal Control:							
Salaries and Wages		10,108.00		10,108.00	10,057.94	50.06	
Park and Recreation:							
Recreation and Education							
Salaries and Wages		40,000.00		40,000.00	26,529.01	13,470.99	
Celebration of Public Event, Anniversary or Holiday							
Other Expenses		500.00		500.00	352.00	148.00	
Public Defender (P.L. 1977,C.256)							
Other Expenses		6,000.00		6,000.00	6,000.00		
Utility Expenses							
Electricity		59,000.00		59,000.00	46,826.63	12,173.37	
Natural Gas		35,000.00		35,000.00	24,450.70	10,549.30	
Heating Oil		5,000.00					
Street Lighting & Traffic Lights		83,500.00		83,500.00	73,835.34	9,664.66	
Solid Waste Disposal		173,400.00		173,400.00	173,311.60	88.40	
Telephone		30,000.00		30,000.00	16,640.68	13,359.32	
Water		15,000.00		15,000.00	10,287.34	4,712.66	
Gasoline and Diesel Fuel		15,000.00		22,000.00	21,999.07	0.93	
Total Operations Within "CAPS"		2,787,183.08		2,787,183.08	2,568,212.75	218,970.33	
Total Operations Including Contingent- Within "CAPS"		2,787,183.08		2,787,183.08	2,568,212.75	218,970.33	
Detail:							
Salaries and Wages	A-1	1,006,128.27		984,628.27	907,812.69	76,815.58	
Other Expenses (Including Contingent)	A-1	1,781,054.81		1,802,554.81	1,660,400.06	142,154.75	

Borough of Washington, N. J.
Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2011

<u>Ref.</u>	<u>Budget</u>	<u>By Emergency</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Canceled</u>
<u>General Appropriations</u>						
Deferred Charges and Statutory Expenditures-						
Municipal Within "CAPS"						
Statutory Expenditures						
Contribution to:						
	136,453.00		136,453.00	136,453.00		
	90,520.03		90,520.03	74,165.93	16,354.10	
	23,746.98		23,746.98	23,746.98		
	3,000.00		3,000.00	1,235.57	1,764.43	
A-1	253,720.01		253,720.01	235,601.48	18,118.53	
Total Deferred Charged and Statutory Expenditures - Municipal within "CAPS"						
	3,040,903.09		3,040,903.09	2,803,814.23	237,088.86	
Total General Appropriations for Municipal Purposes within "CAPS"						
Operations - Excluded From "CAPS"						
Maintenance of Free Public Library						
	147,141.00		147,141.00	124,295.05	22,845.95	
	45,522.00		45,522.00	45,446.11	75.89	
	3,234.00		3,234.00	3,234.00		
	195,897.00		195,897.00	172,975.16	22,921.84	
Total Other Operations - Excluded From Caps						
Shared Service Agreements						
	2,143,646.13		2,143,646.13	2,143,646.13		
	162,622.00		162,622.00	144,657.41	17,964.59	
Public and Private Programs Offset By Revenues						
	8,074.01		8,074.01	8,074.01		
	11,537.17		11,537.17	11,537.17		
Municipal Alliance:						
	10,517.00		10,517.00	10,517.00		
	1,958.00		1,958.00	1,958.00		
	10,431.23		10,431.23	10,431.23		
Total Public and Private Programs Offset By Revenues						
	2,348,785.54		2,348,785.54	2,330,820.95	17,964.59	

The accompanying "Notes to Financial Statements" are an integral part of these financial statements.

Borough of Washington, N. J.
Statement of Expenditures - Regulatory Basis

		Current Fund					
		Year Ended December 31, 2011					
Ref.	Budget	By Emergency	Budget After Modification	Paid or Charged	Reserved	Unexpended Balance Canceled	
<u>General Appropriations</u>							
	2,544,682.54		2,544,682.54	2,503,796.11	40,886.43		
Total Operations - Excluded from "CAPS"							
Detail:							
A-1	161,912.17		161,912.17	139,066.22	22,845.95		
A-1	2,382,770.37		2,382,770.37	2,364,729.89	18,040.48		
Capital Improvements - Excluded From "CAPS"							
	140,000.00		140,000.00	140,000.00			
A-1	140,000.00		140,000.00	140,000.00			
NJ DOT Trust Fund Authority Act Beethoven Ave Total Capital Improvements Excluded from "CAPS"							
Municipal Debt Service - Excluded From "CAPS"							
	305,000.00		305,000.00	305,000.00			
	87,000.00		87,000.00	57,267.95	0.00	29,732.05	
	290,160.00		290,160.00	290,160.00			
	51,964.65		51,964.65	51,893.55		71.10	
	39,702.40		39,702.40	38,832.63		869.77	
	35,000.00		35,000.00	34,999.99		0.01	
A-1	808,827.05		808,827.05	778,154.12		30,672.93	
Deferred Charges - Municipal - Excluded From "CAPS"							
Deferred Charges to Future Taxation Unfunded:							
	70,000.00		70,000.00	70,000.00			
A-1	70,000.00		70,000.00	70,000.00			
Total General Appropriations for Municipal Purposes Excluded from "CAPS"							
	3,563,509.59		3,563,509.59	3,491,950.23	40,886.43	30,672.93	
Total General Appropriations - Excluded From "CAPS"							
	3,563,509.59		3,563,509.59	3,491,950.23	40,886.43	30,672.93	
	6,604,412.68		6,604,412.68	6,295,764.46	277,975.29	30,672.93	
	702,697.55		702,697.55	702,541.40			
	7,307,110.23		7,306,954.08	6,998,305.86	277,975.29	30,672.93	
A							

The accompanying "Notes to Financial Statements" are an integral part of these financial statements.

Borough of Washington, N. J.
Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2011

<u>General Appropriations</u>	<u>Ref.</u>	<u>Budget</u>	<u>By Emergency</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Canceled</u>
Adopted Budget	A-2			7,136,911.67			
Appropriation by 40A:4-87	A-2			<u>170,042.41</u>			
				<u>7,306,954.08</u>			
<u>Analysis of Paid or Charged</u>							
Reserve for Uncollected Taxes	A-2				702,541.40		
Cash Disbursed	A-4				5,878,760.02		
Federal & State Grants (Matching Funds)	A-12				1,958.00		
Encumbrances Payable	A-16				234,487.03		
Interfund - Federal and State Grant Fund	A-24				<u>180,559.41</u>		
					<u>6,998,305.86</u>		

Comparative Balance Sheet - Regulatory Basis

Trust Funds

December 31, 2011 and 2010

	<u>Ref.</u>	<u>2011</u>	<u>2010</u>
<u>Assets</u>			
Assessment Trust Fund			
Cash	B-2	<u>2,749.34</u>	<u>2,749.34</u>
Animal Control Trust Fund:			
Cash- Treasurer	B-2	<u>20,021.40</u>	<u>28,865.60</u>
Other Trust Funds:			
Cash	B-2	<u>955,491.22</u>	<u>824,053.43</u>
		<u>978,261.96</u>	<u>855,668.37</u>

The accompanying "Notes to Financial Statements" are an integral part of these financial statements.

Comparative Balance Sheet - Regulatory Basis

Trust Funds

December 31, 2011 and 2010

	<u>Ref.</u>	<u>2011</u>	<u>2010</u>
<u>Liabilities, Reserves & Fund Balance</u>			
Assessment Trust Fund:			
Prepaid Assessments	B-7	1,488.20	1,488.20
Fund Balance	B-1	1,261.14	1,261.14
		<u>2,749.34</u>	<u>2,749.34</u>
Animal Control Trust Fund:			
Reserve for Animal Control Trust			
Fund Expenditures	B-3	19,997.40	20,676.00
Interfund Current Fund	B-4		8,175.20
Due State Department of Health	B-5	24.00	14.40
		<u>20,021.40</u>	<u>28,865.60</u>
Other Trust Fund:			
Interfund - Current Fund	B-4	1,083.95	4,206.69
Reserve for:			
Escrow Deposits	B-6	630,298.80	432,313.71
Municipal Alliance	B-6	2.79	2.79
POAA	B-6	1,612.78	1,300.78
Recreation	B-6	45,552.92	63,740.69
Police Department Trust	B-6	5,310.44	5,310.44
Police Donations	B-6	7,597.84	7,597.84
Tax Sale Premiums	B-6	61,600.00	135,725.00
Public Defender	B-6	4,961.50	4,361.50
Fire Safety Bureau Trust	B-6	12,012.09	14,137.29
C.O.A.H.	B-6	33,013.91	32,948.01
Unemployment	B-6	56,402.69	38,385.31
Payroll	B-6	13,872.19	14,023.38
Comcast	B-6	25,000.00	25,000.00
Snow Removal	B-6	57,169.32	45,000.00
		<u>955,491.22</u>	<u>824,053.43</u>
		<u>978,261.96</u>	<u>855,668.37</u>

The accompanying "Notes to Financial Statements" are an integral part of these financial statements.

Borough of Washington, N. J.

Statement of Fund Balance - Assessment Trust - Regulatory Basis

Trust Funds

Year Ended December 31, 2011

	<u>Ref.</u>	
Balance - December 31, 2010	B	<u>1,261.14</u>
Balance - December 31, 2011	B	<u>1,261.14</u>

The accompanying "Notes to Financial Statements" are an integral part of these financial statements.

Borough of Washington, N. J.

Comparative Balance Sheet - Regulatory Basis

General Capital Fund

December 31, 2011 and 2010

<u>Assets</u>	<u>Ref.</u>	<u>2011</u>	<u>2010</u>
Cash	C-2;C-3	94,932.34	23,690.25
Interfund - Sewer Capital Fund	C-5	799,612.30	899,612.30
Grants Receivable	C-7		139,763.00
Deferred Charges to Future Taxation			
Funded	C-8	6,724,480.04	7,059,738.22
Unfunded	C-9	2,858,586.00	2,846,090.95
		<u>10,477,610.68</u>	<u>10,968,894.72</u>
 <u>Liabilities, Reserves and Fund Balance</u>			
Interfund - Current Fund	C-4	242,801.86	51,351.81
Interfund - Sewer Operating Fund	C-6	150,000.00	250,000.00
Capital Improvement Fund	C-10	117,660.00	117,660.00
Improvement Authorizations:			
Funded	C-11	355,184.66	342,711.96
Unfunded	C-11	28,418.08	61,149.38
Reserve for:			
Contracts Payable	C-12	28,483.61	55,982.92
Bond Anticipation Notes	C-13	2,787,628.00	2,965,346.00
Green Acres Loan Payable	C-14	449,480.04	479,738.22
General Serial Bonds Payable	C-15	6,275,000.00	6,580,000.00
Fund Balance	C-1	42,954.43	64,954.43
		<u>10,477,610.68</u>	<u>10,968,894.72</u>

Footnote C: There were Bonds and Notes Authorized But Not Issued in the amount of \$70,958.00 on December 31, 2011. See Exhibit C-16.

The accompanying "Notes to Financial Statements" are an integral part of these financial statements.

Borough of Washington, N. J.
Schedule of Fund Balance - Regulatory Basis
General Capital Fund
Year Ended December 31, 2011

	<u>Ref.</u>	
Balance - December 31, 2010	C	64,954.43
Decreased by:		
Anticipated As Current Fund Revenue	C-2	<u>22,000.00</u>
Balance - December 31, 2011	C	<u><u>42,954.43</u></u>

The accompanying "Notes to Financial Statements" are an integral part of these financial statements.

Borough of Washington, N. J.

Comparative Balance Sheet - Regulatory Basis

Sewer Utility Fund

December 31, 2011 and 2010

	<u>Ref</u>	<u>2011</u>	<u>2010</u>
<u>Assets</u>			
Operating Fund:			
Cash-Treasurer	D-5	881,382.79	431,661.20
Change Fund	D-7	75.00	75.00
		<u>881,457.79</u>	<u>431,736.20</u>
Interfund Receivable:			
Sewer Capital Fund	D-13	0.44	0.44
General Capital	D-13	150,000.00	250,000.00
		<u>150,000.44</u>	<u>250,000.44</u>
Receivables with Full Reserves:			
Consumer Accounts	D-8	373,529.12	254,430.55
Sewer Liens	D-9	18,641.47	16,534.32
		<u>392,170.59</u>	<u>270,964.87</u>
Total Operating Fund		<u>1,423,628.82</u>	<u>952,701.51</u>
Capital Fund:			
Cash	D-5;D-6	54,016.30	54,016.30
Fixed Capital*	D-14	17,805,593.72	17,805,593.72
Fixed Capital Authorized and Uncompleted*	D-15	169,546.00	169,546.00
Wastewater Escrow Receivable	D-10		303,036.66
Wastewater Fund Loans Receivable	D-11		43,982.00
Wastewater Trust Loans Receivable	D-12		43,982.00
		<u>18,029,156.02</u>	<u>18,420,156.68</u>
Total Capital Fund		<u>18,029,156.02</u>	<u>18,420,156.68</u>
Total Assets		<u>19,452,784.84</u>	<u>19,372,858.19</u>

* The fixed capital reported is taken from the municipal records and does not necessarily reflect the true condition of such fixed capital.

The accompanying "Notes to Financial Statements" are an integral part of these financial statements.

Borough of Washington, N. J.

Comparative Balance Sheet - Regulatory Basis

Sewer Utility Fund

December 31, 2011 and 2010

	<u>Ref</u>	<u>2011</u>	<u>2010</u>
<u>Liabilities, Reserves and Fund Balance</u>			
Operating Fund:			
Appropriation Reserve	D-4;D-16	55,343.55	42,389.91
Encumbrances Payable	D-17	105,020.57	102,318.45
Interfund Payable			
Current Fund	D-13	129.57	129.57
Accrued Interest	D-18	76,598.25	78,579.72
Accounts Payable	D-21	10,517.44	16,523.75
Overpayment of Sewer Charges	D-21	5,572.56	2,941.45
		<u>253,181.94</u>	<u>242,882.85</u>
Reserve for Receivables	Contra	392,170.59	270,964.87
Fund Balance	D-1	778,276.29	438,853.79
Total Operating Fund		<u>1,423,628.82</u>	<u>952,701.51</u>
Capital Fund:			
Interfund Payable:			
General Capital Fund	D-13	799,612.30	899,612.30
Sewer Operating Fund	D-13	0.44	0.44
Improvement Authorization			
Funded	D-19	122,560.01	122,560.01
Reserve for:			
Wastewater Trust Loan Receivable	D-20		45,741.00
McKinley Avenue Sewers	D-20		4,430.93
Capital Improvement Fund	D-22	4,500.00	4,500.00
Reserve for Amortization	D-23	11,308,292.03	10,487,708.29
Reserve for Deferred Amortization	D-24	132,546.00	132,546.00
USDA Rural Development Loan	D-25	5,099,213.51	6,085,056.91
Serial Bonds Payable	D-26	558,000.00	638,000.00
Fund Balance	D-2	4,431.73	0.80
		<u>18,029,156.02</u>	<u>18,420,156.68</u>
Total Liabilities, Reserves and Fund Balances		<u>19,452,784.84</u>	<u>19,372,858.19</u>

Footnote D: There were Bonds and Notes Authorized But Not Issued on December 31, 2011 in the amount of \$877,088.18 Per Exhibit D-27.

The accompanying "Notes to Financial Statements" are an integral part of these financial statements.

Borough of Washington, N. J.

Comparative Statement of Operations and Changes in Fund Balance - Regulatory Basis

Sewer Utility Operating Fund

Years Ended December 31, 2011 and 2010

	<u>Ref.</u>	<u>2011</u>	<u>2010</u>
Revenue and Other Income Realized:			
Rents	D-3	2,254,288.64	2,022,313.04
Miscellaneous	D-3	22,000.00	17,104.11
Reserve Capacity Charges	D-3	24,215.85	39,821.38
Industrial/Commercial Permit Fees	D-3	21,628.37	17,880.00
Additional Sewer Charges			300,000.00
Non-Budget Revenues	D-3	152,985.73	20,144.92
Other Credits to Income:			
Unexpended Balance of			
Appropriation Reserves	D-16	31,872.47	135,882.78
Encumbrances Cancelled	D-17	24,719.21	11,946.57
Accounts Payable Cancelled	D-21	9,571.79	
Total Income		<u>2,541,282.06</u>	<u>2,565,092.80</u>
Expenditures:			
Operating	D-4	962,335.00	962,335.00
Debt Service	D-4	1,139,524.56	1,173,948.40
Deferred Charges and			
Statutory Expenditures	D-4	<u>100,000.00</u>	<u>26,224.86</u>
Total Expenditures		<u>2,201,859.56</u>	<u>2,162,508.26</u>
Excess (Deficit) in Revenue over Expenditures		<u>339,422.50</u>	<u>402,584.54</u>
Statutory Excess to Surplus		339,422.50	402,584.54
Expenditures Included Above Which are by Statute			
Deferred Charges to Budget of Succeeding Years			
Statutory Excess to Surplus			
Fund Balance - January 1,	D-1	<u>438,853.79</u>	<u>36,269.25</u>
Fund Balance - December 31,	D	<u><u>778,276.29</u></u>	<u><u>438,853.79</u></u>

The accompanying "Notes to Financial Statements" are an integral part of these financial statements.

Borough of Washington, N. J.

Statement of Fund Balance - Regulatory Basis

Sewer Utility Capital Fund

Year Ended December 31, 2011

	<u>Ref.</u>	
Balance - December 31, 2010	D	0.80
Increase by:		
Cancellation of Reserves	D-20	<u>4,430.93</u>
Balance - December 31, 2011	D	<u><u>4,431.73</u></u>

D-3

Statement of Revenues - Regulatory Basis

Sewer Utility Operating Fund

Year Ended December 31, 2011

	<u>Ref.</u>	<u>Anticipated</u>	<u>Realized</u>	<u>Excess (Deficit)</u>
Rents	D-1;D-8	2,312,000.00	2,254,288.64	(57,711.36)
Miscellaneous	D-1;D-5	22,000.00	22,000.00	
Reserve Capacity Charges	D-1;D-5	46,461.92	24,215.85	(22,246.07)
Industrial/Commercial Permit Fees	D-1;D-5	12,000.00	21,628.37	9,628.37
Non-Budget Revenues	D-1		<u>152,985.73</u>	<u>152,985.73</u>
Budget Totals		<u><u>2,392,461.92</u></u>	<u><u>2,475,118.59</u></u>	<u><u>82,656.67</u></u>

Analysis of Non-Budget Revenue

Interest on Investments:

Interest on Delinquent Sewer Rents
Miscellaneous
Connection Fees
Interest on Operating Deposits

	25,726.39
	1,025.00
	124,868.21
	<u>1,366.13</u>
D-5	152,985.73
D-3	<u><u>152,985.73</u></u>

The accompanying "Notes to Financial Statements" are an integral part of these financial statements.

Borough of Washington, N. J.
Statement of Expenditures - Regulatory Basis

Sewer Operating Fund

Year Ended December 31, 2011

	<u>Appropriated</u>	<u>Budget</u>	<u>Expended</u>	<u>Unexpended</u>
<u>Ref.</u>	<u>Budget</u>	<u>After</u>	<u>Paid or</u>	<u>Balance</u>
	<u>Modification</u>	<u>Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
Operating:				
Other Expenses	<u>962,335.00</u>	<u>962,335.00</u>	<u>906,991.45</u>	<u>55,343.55</u>
Total Operating	<u>962,335.00</u>	<u>962,335.00</u>	<u>906,991.45</u>	<u>55,343.55</u>
Debt Service:				
Payment of Bond Principal	80,000.00	80,000.00	80,000.00	
Interest on Bonds	24,928.53	24,928.53	24,928.53	
Infrastructure Trust Principal and Interest	<u>1,225,198.39</u>	<u>1,225,198.39</u>	<u>1,034,596.03</u>	<u>190,602.36</u>
Total Debt Service	<u>1,330,126.92</u>	<u>1,330,126.92</u>	<u>1,139,524.56</u>	<u>190,602.36</u>
Deferred Charges and Statutory Expenditures				
Capital Ordinance Funding	<u>100,000.00</u>	<u>100,000.00</u>	<u>100,000.00</u>	
Total Deferred Charges and Statutory Expenditures	<u>100,000.00</u>	<u>100,000.00</u>	<u>100,000.00</u>	
Total Sewer Utility Appropriations	<u>2,392,461.92</u>	<u>2,392,461.92</u>	<u>2,146,516.01</u>	<u>55,343.55</u>
				<u>190,602.36</u>
Cash Disbursed			2,016,566.91	
Encumbrances Payable			105,020.57	
Accrued Interest			<u>24,928.53</u>	
			<u>2,146,516.01</u>	

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The accompanying "Notes to Financial Statements" are an integral part of these financial statements.

Borough of Washington, N.J.

Comparative Balance Sheet - Regulatory Basis

Public Assistance Fund

December 31, 2011 and 2010

	<u>Ref.</u>	<u>2011</u>	<u>2010</u>
<u>Assets</u>			
Cash	E-1	<u>1,938.01</u>	<u>1,938.01</u>
<u>Liabilities and Reserves</u>			
Reserve for Public Assistance	E-6	<u>1,938.01</u>	<u>1,938.01</u>

The accompanying "Notes to Financial Statements" are an integral part of these Financial Statements.

Borough of Washington, N.J.

Comparative Statement of General Fixed Assets - Regulatory Basis

December 31, 2011 and 2010

	Balance <u>Dec. 31, 2011</u>	Balance <u>Dec. 31, 2010</u>
<u>General Fixed Assets:</u>		
Land / Land Improvements		
Buildings	5,354,300.00	5,354,300.00
Machinery and Equipment	<u>3,878,000.00</u>	<u>4,232,642.00</u>
	<u>9,232,300.00</u>	<u>9,586,942.00</u>
 Investment in Fixed Assets	 <u>9,232,300.00</u>	 <u>9,586,942.00</u>

The accompanying "Notes to Financial Statements" are an integral part of these Financial Statements.

BOROUGH OF WASHINGTON, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The financial statements of the Borough of Washington have been prepared in conformity with accounting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division") which is a comprehensive basis of accounting other than generally accepted accounting principles. Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. Under this method of accounting, the Borough accounts for it financial transactions through the following separate funds which differ from the fund structure required by GAAP.

A. Reporting Entity

The Borough of Washington (the "Borough") is an instrumentality of the State of New Jersey, established to function as a municipality. The Borough Council consists of elected officials and is responsible for the fiscal control of the Borough.

Except as noted below, the financial statements of the Borough of Washington include every board, body, officer or commission supported and maintained wholly or in part by funds appropriated by the Borough of Washington, as required by N.J.S.A. 40A:5-5. Accordingly, the financial statements of the Borough of Washington do not include operations of the library, first aid squads, local or regional school districts, inasmuch as their activities are administered by separate boards.

GASB has issued Statement No. 14 which requires the financial reporting entity to include both the primary government and those component units for which the primary government is financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either a) the ability to impose will, by the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government.

However, the municipalities in the State of New Jersey do not prepare financial statements in accordance with GAAP and thus do not comply with all of the GASB pronouncements. The financial statements contained herein include only those boards, bodies, officers or commissions as required by NJS 40A:5-5. Accordingly, the financial statements of the Borough do not include the volunteer Fire Department which is considered a component unit under GAAP. Complete financial statements of the above components can be obtained by contacting the Treasurer of the respective entity.

BOROUGH OF WASHINGTON, NJ

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(CONTINUED)**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Accounting

The Borough uses funds, as required by the Division, to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial administration by segregating transactions related to certain Borough functions or activities. An account group, on the other hand, is designed to provide accountability for certain assets and liabilities that are not recorded in those Funds.

The Borough has the following funds and account groups:

Current Fund - This fund accounts for resources and expenditures for governmental operations of a general nature, including Federal and State grants.

Trust Funds - Trust Funds are used to account for assets held by the government in a trustee capacity. Funds held by the Borough as an agent for individual, private organizations, or other governments are recorded in the Trust Funds.

Other Trust Fund - This fund is established to account for the assets and resources which are also held by the Borough as a trustee or agent for individuals, private organizations, other governments and/or other funds.

Animal Control Trust Fund - This fund is used to account for fees collected from dog and cat licenses and expenditures which are regulated by NJS 4:19-15.11.

General Capital Fund - This fund is used to account for the receipt and disbursement of funds used for acquisition or improvement of general capital facilities, other than those acquired in the Current Fund.

Sewer Utility Operating and Sewer Capital Fund - This fund was used to account for the operations and acquisition of capital facilities of the municipally owned Sewer Utility.

Public Assistance Fund - This fund is used to account for the receipt and disbursement of funds that provide assistance to certain residents of the Borough pursuant to Title 44 of New Jersey Statutes.

General Fixed Assets Account Group - To account for all fixed assets of the Borough. The Borough's infrastructure is not reported in the group.

BOROUGH OF WASHINGTON, NJ

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(CONTINUED)**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Accounting (continued)

Basis of Accounting

A modified accrual basis of accounting is followed by the Borough of Washington. Under this method of accounting revenues, except State/Federal Aid, are recognized when received and expenditure are recorded, when incurred. The accounting principles and practices prescribed for municipalities by the Division differ in certain respects from generally accepted accounting principles (GAAP) applicable to local government units. The more significant differences are as follows:

Property Tax Revenues - Real property taxes are assessed locally, based upon the assessed value of the property. The tax bill includes a levy for Municipal, County and School purposes. The bills are mailed annually in June for that calendar year's levy. Taxes are payable in four quarterly installments on February 1, May 1, August 1, and November 1. The amounts of the first and second installments are determined as one quarter of the total tax levied against the property for the preceding year. The installment due the third and fourth quarters is determined by taking the current year levy less the amount previously charged for the first and second installments, with the remainder being divided equally. 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. The school levy is turned over to the Board of Education as expenditures are incurred, and the balance, if any, must be 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 Borough. When unpaid taxes or any municipal lien, or part thereof, on real property, remains in arrears on April first in the year following the calendar year levy when the same became in arrears, the collector in the municipality shall subject to the provisions of the New Jersey Statutes enforce the lien by placing the property on a tax sale. Annual in rem tax foreclosure proceedings are instituted to enforce the tax collection or acquisition of title to the property by the Borough. In accordance with the accounting principles prescribed by the State of New Jersey, current and delinquent taxes are realized as revenue when collected. Since delinquent taxes and liens are fully reserved, no provision has been made to estimate that portion of the taxes receivable and tax title liens that are uncollectible. GAAP requires tax revenues to be recognized in the accounting period when they become susceptible to accrual, reduced by an allowance for doubtful accounts.

Miscellaneous Revenues - Miscellaneous revenues are recognized on a cash basis. Receivables for the miscellaneous items that are susceptible to accrual are recorded with offsetting reserves on the balance sheet of the Borough's Current Fund, and Sewer Operating Fund. GAAP requires such revenues to be recognized in the accounting period when they become susceptible to accrual.

BOROUGH OF WASHINGTON, NJ

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(CONTINUED)**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Accounting (continued)

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

Budgets and Budgetary Accounting

An annual budget is required to be adopted and integrated into the accounting system to provide budgetary control over revenues and expenditures for the Current Fund, and Sewer Operating Fund. Budget amounts presented in the accompanying financial statements represent amounts adopted by the Borough and approved by the State Division of Local Government Services per N.J.S.A. 40-A:4 et seq.

The Borough is not required to adopt budgets for the following funds:

Animal Control Trust Fund
General Capital Fund

Public Assistance Fund Trust Fund
Sewer Capital Fund

The governing body shall introduce and approve the annual budget not later than February 10, of the fiscal year. The budget shall be adopted not later than March 20, and prior to adoption must be certified by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The Director of the Division of Local Government Services, with the approval of the Local Finance Board may extend the introduction and approval and adoption dates of the municipal budget. The budget is prepared by fund, function, activity and line item (salary or other expense) and includes information on the previous year. The legal level of control for appropriations is exercised at the individual line item level for all operating budgets adopted. Emergency appropriations, those made after the adoption of the budget and determination of the tax rate, may be authorized by the governing body of the municipality. During the last two months of the fiscal year, the governing body may, by a 2/3 vote, amend the budget through line item transfers. Management has no authority to amend the budget without the approval of the Governing Body. Expenditures may not legally exceed budgeted appropriations at the line item level. During the year several budget transfers were approved by the governing body.

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 an encumbrance accounting system. Outstanding encumbrances at December 31, are reported as a cash liability in the financial statements. Unexpended or uncommitted appropriations, at December 31, are reported as expenditures through the establishment of appropriation reserves unless canceled by the governing body. GAAP requires expenditures to be recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt, which should be recognized when due.

BOROUGH OF WASHINGTON, NJ

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(CONTINUED)**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Accounting (continued)

Encumbrances - Contractual orders outstanding at December 31, are reported as expenditures through the establishment of an encumbrance payable. Encumbrances do not constitute expenditures under GAAP.

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

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

Property Acquired for Taxes - Is recorded in the Current Fund at the assessed valuation when such property was acquired and fully reserved. GAAP requires such property to be recorded in the General Fixed Assets Account Group at market value on the date of acquisition.

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

Inventories - 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.

Cash and Investments - Cash includes amounts in demand deposits as well as short-term investments with a maturity date within one year of the date acquired by the government. Investments are stated at cost and are limited by NJSA 40A:5-15.1(a).

Deferred Charges to Future Taxation Funded and Unfunded - Upon the authorization of capital projects, the Borough establishes deferred charges for the costs of the capital projects to be raised by future taxation. Funded deferred charges relate to permanent debt issued, whereas unfunded deferred charges relate to temporary or non-funding of the authorized cost of capital projects. According to N.J.S.A. 40A:2-4, the Borough may levy taxes on all taxable property within the local unit to repay the debt. Annually, the Borough raises the debt requirements for that particular year in the current budget. As the funds are raised by taxation, the deferred charges are reduced.

BOROUGH OF WASHINGTON, NJ

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(CONTINUED)**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Accounting (continued)

Comparative Data - Comparative data for the prior year has been presented in the accompanying balance sheets and statements of operations in order to provide an understanding of changes in the Borough's financial position and operations. However, comparative data have not been presented in all statements because their inclusion would make certain statements unduly complex and difficult to understand.

Use of Estimates - The preparation of financial statements requires management of the Borough 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.

General Fixed Assets - The Borough of Washington has developed a fixed asset accounting and reporting system, as promulgated by the Division of Local Government Services, which differs from generally accepted accounting principles

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 sidewalks and drainage systems are not capitalized.

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available.

No depreciation has been provided for 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.

GAAP requires that all fixed assets be capitalized at historical cost or estimated historical cost if actual historical cost is not available.

BOROUGH OF WASHINGTON, NJ

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(CONTINUED)**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basic Financial Statements

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

NOTE 2: BUDGETARY INFORMATION

Under New Jersey State Statutes, the annual budget is required to be a balanced cash basis document. To accomplish this, the municipality is required to establish a reserve for uncollected taxes. The 2011 statutory budget included a reserve for uncollected taxes in the amount of \$702,541.40. To balance the budget, the municipality is required to show a budgeted fund balance. The amount of fund balance budgeted to balance the 2011 statutory budget was \$306,681.36.

Interdepartment budget transfers are not permitted prior to November 1. After November 1, budget transfers can be made in the form of a resolution and approved by the Borough Council.

N.J.S.A. 40A:4-87 permits special items of revenue and appropriations to be inserted into the annual budget when the item has been made available by any public or private funding source and the item was not determined at the time of budget adoption. There were items of revenue and appropriation inserted into the annual budget for 2011; Clean Communities Grant for \$11,537.17; Recycling Tonnage for \$8,074.01; Energy Efficient Block Grant for \$10,431.23; and NJDOT Grant - Beethoven Avenue for \$140,000.00.

The municipality may make emergency appropriations, after the adoption of the budget, for a purpose which was not foreseen at the time the budget was adopted or for which adequate provision was not made therein. This type of appropriation shall be made to meet a pressing need or public expenditure to protect or promote the public health, safety, morals or welfare or to provide temporary housing or public assistance prior to the next succeeding fiscal year. Emergency appropriations, except those classified as a special emergency, must be raised in the budgets of the succeeding year. Special emergency appropriations are permitted to be raised in the budgets of the succeeding three or five years. During 2011, there were no special emergency appropriations.

BOROUGH OF WASHINGTON, NJ

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(CONTINUED)**

NOTE 3: FIXED ASSETS

The following schedule is a summarization of the changes in general fixed assets for the calendar year ended December 31, 2011.

	<u>Balance as of 12/31/10</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance as of 12/31/11</u>
Land, Land Improvements, & Buildings	\$5,354,300.00	\$ -	\$ -	\$5,354,300.00
Machinery & Equipment	<u>\$4,232,642.00</u>	<u>47,114.00</u>	<u>401,756.00</u>	<u>3,878,000.00</u>
	<u>\$9,586,942.00</u>	<u>\$47,114.00</u>	<u>\$401,756.00</u>	<u>\$9,232,300.00</u>

NOTE 4: MUNICIPAL DEBT

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

The Borough's debt is summarized as follows:

<u>Issued</u>	<u>Year 2011</u>	<u>Year 2010</u>	<u>Year 2009</u>
General:			
Bonds, Notes & Loans	\$ 9,512,108.04	\$10,025,084.22	\$10,371,352.20
Sewer Utility:			
Bonds, Notes & Loans	<u>5,657,213.51</u>	<u>6,723,056.91</u>	<u>7,775,979.95</u>
Total Issued	<u>15,169,321.55</u>	<u>16,748,141.13</u>	<u>18,147,332.15</u>
Less:			
Funds Temporarily Held to Pay Notes	<u>-</u>	<u>-</u>	<u>-</u>
Net Debt Issued	\$15,169,321.55	\$16,748,141.13	\$18,147,332.15

BOROUGH OF WASHINGTON, NJ

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(CONTINUED)**

NOTE 4: MUNICIPAL DEBT (CONTINUED)

<u>Authorized But Not Issued</u>	<u>Year 2011</u>	<u>Year 2010</u>	<u>Year 2009</u>
General:			
Bonds and Notes	\$ 70,958.00	\$ 1,195.00	\$ 2,577.00
Sewer Utility:			
Bonds and Notes	<u>877,088.18</u>	<u>631,828.52</u>	<u>631,828.52</u>
Total Authorized But Not Issued	<u>948,046.18</u>	<u>633,023.52</u>	<u>634,405.52</u>
Net Bonds and Notes Issued and Authorized But Not Issued	<u>\$16,117,367.73</u>	<u>\$17,381,164.65</u>	<u>\$18,781,737.67</u>

SUMMARY OF STATUTORY DEBT CONDITION - ANNUAL DEBT STATEMENT

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statement net debt of 1.72%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
General Debt	\$ 9,583,066.04	\$ -	\$9,583,066.04
Sewer Utility Debt	6,534,301.69	6,534,301.69	-
Local School District Debt	2,741,000.00	2,741,000.00	-
Regional School District Debt	<u>5,588,694.31</u>	<u>5,588,694.31</u>	<u>-</u>
	<u>\$24,447,062.04</u>	<u>\$14,863,996.00</u>	<u>\$9,583,066.04</u>

Net Debt \$9,583,066.04 divided by equalized valuation basis per N.J.S. 40A:2-2 as amended, \$556,822,869.00 = 1.72%.

BORROWING POWER UNDER N.J.S. 40A:2-6 AS AMENDED

3 ½% of Equalized Valuation Basis (Municipal)	\$19,488,800.42
Net Debt	<u>9,583,066.04</u>
Remaining Borrowing Power	<u>\$ 9,905,734.38</u>

ANALYSIS OF AVERAGE EQUALIZED VALUATION

2011	556,822,869.00	
2010		582,251,051.00
2009		585,113,298.33

BOROUGH OF WASHINGTON, NJ

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(CONTINUED)**

NOTE 4: MUNICIPAL DEBT (CONTINUED)

School Debt Deduction

School Debt is deductible up to the extent of 2.5% of the Average Equalized Assessed Valuation of real property for the Local and Regional School Districts.

CALCULATION OF "SELF-LIQUIDATING PURPOSE" SEWER UTILITY PER N.J.S. 40A:2-45

Cash Receipts from Fees, Rents or Other Charges for Year		\$2,475,118.59
Operating And Maintenance Costs	\$1,006,991.45	
Debt Service	<u>1,139,524.56</u>	
		<u>2,146,516.01</u>
Excess in Revenue		<u>\$ 328,602.58</u>

If there is an "excess in revenue" all such utility debt is deductible. If there is a deficit, then utility debt is not deductible to the extent of 20 times such deficit amount. The forgoing debt information is in agreement with the Annual Debt Statement filed by the Chief Financial Officer.

The Borough's debt issued and outstanding on December 31, 2011 is as follows:

General Capital Fund:

Green Acres Trust Loan - dated October 17, 2002 with New Jersey Department of Environmental Protection. This loan is payable in semi-annual installments through July 2022. Interest is paid semi-annually at a rate of 2.00% per annum. The balance remaining as of December 31, 2011 was \$200,955.86.

Green Acres Trust Loan - dated March 4, 2009 with New Jersey Department of Environmental Protection. This loan is payable in semi-annual installments through December 31, 2026. Interest is paid semi-annually at a rate of 2.00% per annum. The balance remaining as of December 31, 2011 was \$248,524.18.

General Serial Bonds - \$2,410,000.00 of 2001 General Improvement Bonds - dated April 1, 2001. This bond is payable in annual installments through April 1, 2016. The interest is payable annually at variable interest rates. The balance remaining as of December 31, 2011 was \$1,005,000.00.

General Serial Bonds - \$5,590,000.00 of 2008 General Improvement Bonds - dated March 12, 2008. This bond is payable in annual installments through March 1, 2022. The interest is payable annually at variable interest rates. The balance remaining as of December 31, 2011 was \$5,270,000.00.

BOROUGH OF WASHINGTON, NJ

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(CONTINUED)**

NOTE 4: MUNICIPAL DEBT (CONTINUED)

Sewer Utility Capital Fund:

Wastewater Treatment Loans:

\$7,060,000 of 1998 Trust Loan dated August 1, 1998. This loan is payable in annual installments of \$425,000.00 to \$575,000.00 through August 2017. Interest is calculated at 5.00% and is included in the annual installments. The remaining balance as of December 31, 2011 was \$3,055,000.00.

\$1,075,000.00 of 1998 Trust Loan dated August 1, 1998. This loan is payable in annual installments of \$65,000.00 to \$85,000.00 through August 2017. Interest is calculated at 5.00% and is included in the annual installments. The remaining balance as of December 31, 2011 was \$450,000.00.

\$790,000.00 of 2002 Trust Loan dated October 15, 2002. This loan is payable in annual installments of \$35,000.00 to \$60,000.00 through August 2022. Interest is calculated at variable interest rates and is included in the annual installments. The remaining balance as of December 31, 2011 was \$540,000.00.

\$6,485,430.00 of 1998 Fund Loan dated August 1, 1998. This loan is payable in semi-annual installments of \$363,176.35 to \$365,147.41 through August 2012. The remaining balance as of December 31, 2011 was \$301,691.41.

\$1,014,350.00 of 1998 Fund Loan dated August 1, 1998. This loan is payable in annual installments of \$11,047.73 to \$55,622.13 through August 2017. The remaining balance as of December 31, 2011 was \$282,416.34.

\$835,741.00 of 2002 Fund Loan dated October 15, 2002. This loan is payable in annual installments of \$41,418.99 to \$44,186.70 through August 2022. The remaining balance as of December 31, 2011 was \$470,105.76.

Sewer Revenue Bonds:

\$728,828.00 of 2008 Sewer Bonds Notes dated March 12, 2008. This loan is payable in annual installments of \$78,000.00 to \$80,000.00 through March 1, 2018. Interest is calculated at variable interest rates and is included in the annual installments. The remaining balance as of December 31, 2011 was \$558,000.00.

BOROUGH OF WASHINGTON, NJ

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(CONTINUED)**

NOTE 4: MUNICIPAL DEBT (CONTINUED)

The Borough's long term debt consisted of the following at December 31, 2011:

General Obligation Bonds & Loan from the General Capital Account	\$ 6,724,480.04
Sewer Utility Loan from the Sewer Utility Capital Account	<u>5,657,213.51</u>
	<u>\$12,381,693.55</u>

**SCHEDULE OF ANNUAL DEBT SERVICE FOR PRINCIPAL AND INTEREST FOR BONDED DEBT
ISSUED AND OUTSTANDING DECEMBER 31, 2011**

Calendar Year	<u>General</u>		<u>Sewer Utility</u>		<u>Yearly Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2012	350,866.37	284,933.54	1,034,508.27	225,610.00	1,385,374.64	510,543.54
2013	366,486.79	269,575.62	757,571.44	194,260.00	1,124,058.23	463,835.62
2014	387,119.68	253,315.24	787,106.88	161,560.00	1,174,226.56	414,875.24
2015	412,765.27	235,875.88	816,719.59	127,360.00	1,229,484.86	363,235.88
2016	438,423.86	217,196.05	846,002.95	91,760.00	1,284,426.81	308,956.05
2017-2021	3,807,470.79	658,016.30	1,313,885.39	96,065.00	5,121,356.18	754,081.30
2022-2026	<u>961,347.28</u>	<u>24,518.84</u>	<u>101,418.99</u>	<u>2,850.00</u>	<u>1,062,766.27</u>	<u>27,368.84</u>
Total	<u>6,724,480.04</u>	<u>1,943,431.47</u>	<u>5,657,213.51</u>	<u>899,465.00</u>	<u>12,381,693.55</u>	<u>2,842,896.47</u>

Long-term debt as of December 31, 2011 consisted of the following:

	<u>Balance Dec. 31, 2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance Dec. 31, 2011</u>	<u>Amount Due Within One Year</u>
General Capital Fund:					
General Serial Bonds	\$ 6,580,000.00	\$ -	\$305,000.00	\$6,275,000.00	\$320,000.00
Green Acres Trust Fund	<u>479,738.22</u>	<u>-</u>	<u>30,258.18</u>	<u>449,480.04</u>	<u>30,866.37</u>
	<u>7,059,738.22</u>	<u>-</u>	<u>335,258.18</u>	<u>6,724,480.04</u>	<u>350,866.37</u>
Sewer Capital Fund:					
General Serial Bonds	638,000.00	-	80,000.00	558,000.00	80,000.00
Waste Sewer Loans	<u>6,085,056.91</u>	<u>-</u>	<u>985,843.40</u>	<u>5,099,213.51</u>	<u>954,508.27</u>
	<u>6,723,056.91</u>	<u>-</u>	<u>1,065,843.40</u>	<u>5,657,213.51</u>	<u>1,034,508.27</u>
Compensated Absences Payable	<u>212,691.26</u>	<u>18,120.84</u>	<u>108,920.97</u>	<u>121,891.13</u>	<u>-</u>
	<u>\$13,995,486.39</u>	<u>\$18,120.84</u>	<u>\$1,510,022.55</u>	<u>\$12,503,584.68</u>	<u>\$1,385,374.64</u>

BOROUGH OF WASHINGTON, NJ

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(CONTINUED)**

NOTE 5: BOND ANTICIPATION NOTES

The Borough issues bond anticipation notes to temporarily fund various capital projects prior to the issuance of serial bonds. The term of the notes cannot exceed one year but the notes may be renewed from time to time for a period not exceeding one year. Generally, such notes must be paid no later than the first day of the fifth month following the close of the tenth fiscal year following the date of the original notes. The State of New Jersey also prescribes that on or before the third anniversary date of the original note, a payment of an amount at least equal to the first legally payable installment of the bonds in anticipation of such notes were issued be paid or retired. A second and third legal installment must be paid if the notes are to be renewed beyond the fourth and fifth anniversary date of the original issuance.

On December 31, 2011, the Borough had \$2,787,628.00 in Outstanding General Capital Bond Anticipation Notes. This note will mature on March 10, 2012 and it is the intent of the Borough Council to renew this note for another one year period. The current interest rate on this note is 1.78%. Principal and interest on this note is paid from the Current Fund budget of the Borough. The Borough renewed this note on March 9, 2012 with the paydown of \$81,176.00 payable to Oppenheimer & Co. Inc. with an interest rate of 2.00%.

The following activity related to bond anticipation notes occurred during the calendar year ended December 31, 2011.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Notes Payable:				
General Capital:				
PNC Bank	<u>\$2,965,346.00</u>	<u>\$2,787,628.00</u>	<u>\$2,965,346.00</u>	<u>\$2,787,628.00</u>

NOTE 6: TAX ANTICIPATION NOTES

Tax Anticipation Notes in the amount of \$2,000,000.00 issued March 18, 2011. The interest is payable annually at a rate of 1.86%. The balance remaining as of December 31, 2011 was \$2,000,000.00. The borough renewed this note for \$1,165,000.00 April 4, 2012 with an interest of 1.75%.

NOTE 7: FUND BALANCES APPROPRIATED

Fund balances at December 31, 2011 which are appropriated and included as anticipated revenue in their own respective funds for the year ending December 31, 2012 were as follows:

Current Fund	<u>\$310,000.00</u>
Sewer Utility Operating	<u>\$433,227.30</u>

BOROUGH OF WASHINGTON, NJ

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(CONTINUED)**

NOTE 8: TAXES COLLECTED IN ADVANCE

Taxes collected in advance are recorded as cash liabilities in the financial statements. Following is a comparison of the liability for the previous two years:

	<u>Balance Dec 31, 2011</u>	<u>Balance Dec 31, 2010</u>
Prepaid Taxes	<u>\$35,955.77</u>	<u>\$11,141.27</u>
Cash Liability for Taxes Collected in Advance	<u>\$35,955.77</u>	<u>\$11,141.27</u>

NOTE 9: LOCAL AND REGIONAL DISTRICT SCHOOL TAXES

Regulations provide for the deferral of not more than 50% of the annual levy when school taxes are raised for a school year and have not been requisitioned by the School District. The Borough of Washington has elected to defer school taxes.

	<u>Balance December 31, 2011</u>	<u>Balance December 31, 2010</u>
<u>Local District School Tax</u>		
Balance of Tax	\$2,057,809.75	\$2,020,423.77
Deferred	<u>1,966,586.02</u>	<u>1,966,586.02</u>
School Tax Payable	<u>91,223.73</u>	<u>53,837.75</u>
<u>Regional High School Tax</u>		
Balance of Tax	2,123,715.19	2,136,750.17
Deferred	<u>2,081,623.73</u>	<u>2,081,623.73</u>
School Tax Payable	<u>\$ 42,091.46</u>	<u>\$ 55,126.44</u>

BOROUGH OF WASHINGTON, NJ

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(CONTINUED)**

NOTE 10: PENSION PLANS

Description of Systems:

Substantially all of the Borough's employees participate in one of the following contributory defined benefit public employee retirement systems which have been established by State statute: the Police and Firemens' Retirement System (PFRS) or the Public Employees' Retirement System (PERS). These systems are sponsored and administered by the State of New Jersey. The Public Employees' Retirement System and the Police and Firemens' Retirement System (PFRS) are considered a cost sharing multiple-employer plans. According to the State of New Jersey Administrative Code, all obligations of the systems will be assumed by the State of New Jersey should the systems terminate.

Public Employees' Retirement System (PERS)

The Public Employees' Retirement System was established in January, 1955 under the provisions of N.J.S.A. 43:15A to provide coverage including post-retirement health care to certain qualified members. Membership is mandatory for substantially all full time employees of the State 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. Vesting occurs after 8-10 years of service and 25 years for health care coverage. Members are eligible for retirement at age 60 with an annual benefit generally determined to be 1/55th of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of creditable service. Early retirement is available to those under age 60 with 25 or more years of credited service. Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on contributions. In case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

Chapter 103, P.L. 2007 amended the early retirement reduction formula for members hired on or after July 1, 2007 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.

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; increased the minimum annual compensation required for membership eligibility for new members. Also, it amended the early retirement reduction formula for members hired on or after November 1, 2008 and retiring with 25 years of service to be reduced by 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 from the amount of compensation to the number of hours worked weekly. Also, it returned the benefit multiplier for new members of PERS to 1/60 from 1/55, and it provided that new

BOROUGH OF WASHINGTON, NJ

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(CONTINUED)**

NOTE 10: PENSION PLANS (CONTINUED)

Description of Systems, (continued)

Public Employees' Retirement System (PERS), (continued)

members of PERS have the retirement allowance calculated using the average annual compensation for the last five years of service instead of the last three years of service. New members of PERS will no longer receive pension service credit from more than one employer. Pension service credit will be earned for the highest paid position only. This law also closed the Prosecutors Part of the PERS to new members and repealed the law for new members that provided a non-forfeitable right to receive a pension based on the laws of the retirement system in place at the time 5 years of pension service credit is attained. The law also requires the State to make its full pension contribution, defined as 1/7th of the required amount, beginning in fiscal year 2012.

Chapter 3, P.L. 2010, effective May 21, 2010, replaced the accidental and ordinary disability retirement for new members of 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, provides that new members of PERS hired on or after June 28, 2011 (Tier 5 members) will need 30 years of creditable service and age 65 for receipt of the early retirement benefit without a reduction of $\frac{1}{4}$ of 1% for each month that the member is under age 65. Tier 5 members will be eligible for a service retirement benefit at age 65.

Police and Firemens' Retirement System (PFRS)

The Police and Firemens' Retirement System was established in July 1944 under the provisions of N.J.S.A. 43:16A to provide retirement, death and disability benefits to its members. Membership is mandatory for all full time county and municipal police and firemen, and state firemen or officer employees with police powers appointed after June 30, 1944.

Enrolled members of the Police and Firemens' Retirement System may retire at age 55 with no minimum service requirement. The annual allowance is equal to 2% of the members' final compensation for each year of service up to 30 years, plus 1% of each year of creditable service over 30 years. Final compensation equals the compensation for the final year of service prior to retirement. Special retirement is permitted to members who have 25 or more years of creditable service in the system. Benefits fully vest on reaching 10 years of service. 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.

BOROUGH OF WASHINGTON, NJ

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(CONTINUED)**

NOTE 10: PENSION PLANS (CONTINUED)

Description of Systems, (continued)

Police and Firemens' Employees' Retirement System (PFRS)

Chapter 1, P.L. 2010, effective May 21, 2010, eliminated the provision in PFRS that would permit a member to retire, at any age after 25 years of service credit, on a special retirement allowance of 70% of final compensation after the retirement system reaches a funded level of 104%. Also, for new members of PFRS, the law capped the maximum compensation that can be used to calculate a pension from the plan at the annual wage contribution base for Social Security, and requires the pension to be calculated using a three year average annual compensation instead of the last year's salary.

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

Contribution Requirements

The contribution policy is set by laws of the State of New Jersey and, in most retirement systems, contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. The pension funds provide for employee contributions based on 5.5% for PERS. This amount will increase to 6.5% plus an additional 1% phased in over 7 years beginning 2012 and 8.5% for PFRS, which increased to 10% in October 2011, of the employee's annual compensation, as defined by law. Employers are required to contribute at an actuarially determined rate in all Funds except the SACT. The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits in the PERS and PFRS. In the PERS and PFRS, the employer contribution includes funding for post-retirement medical premiums.

The Borough's contribution to the various plans, equal to the required contributions for each year, were as follows:

<u>Year Ended</u> <u>December 31,</u>	<u>PERS</u>	<u>PFRS</u>
2011	\$136,453.00	\$ -
2010	132,586.91	1,882.24
2009	66,867.50	131,241.62

BOROUGH OF WASHINGTON, NJ

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(CONTINUED)**

NOTE 10: PENSION PLANS (CONTINUED)

Defined Contribution Retirement Program

The Defined Contribution Retirement Program (DCRP) was established on July 1, 2007 for certain public employees under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007. The program provides eligible members, with a minimum base salary of \$1,500.00 or more, with a tax-sheltered, defined contribution retirement benefit, in addition to life insurance and disability coverage. The DCRP is jointly administered by the Division of Pensions and Benefits and Prudential Financial.

If the eligible elected or appointed official will earn less than \$5,000.00 annually, the official may choose to waive participation in the DCRP for that office or position. The waiver is irrevocable.

This retirement program is a new pension system where the value of the pension is based on the amount of the contribution made by the employee, employer and through investment earnings. It is similar to a Deferred Compensation Program where the employee has a portion of tax deferred salary placed into an account that the employee manages through investment option provided by the employer.

The law requires that three classes of employees enroll in the DCRP detailed as follows:

All elected officials taking office on or after July 1, 2007, except that a person who is reelected to an elected office held prior to that date without a break in service may remain in the PERS.

A Governor appointee with advice and consent of the Legislature or who serves at the pleasure of the Governor only during that Governor's term of office.

Other employees commencing service after July 1, 2007, pursuant to an appointment by an elected official or elected governing body which include the statutory untenured Chief Administrative Officer such as the Business Administrator, County Administrator, or Municipal or County Manager, Department Heads, Legal Counsel, Municipal or County Engineer, Municipal Prosecutor and the Municipal Court Judge.

Notwithstanding the foregoing requirements, other employees who hold a professional license or certificate or meet other exceptions are permitted to remain to join or remain in PERS.

Contributions made by employees for DCRP are currently at 5.5% of the base wages. Member contributions are matched by a 3.0% employer contribution.

BOROUGH OF WASHINGTON, NJ

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(CONTINUED)**

NOTE 11: ACCRUED SICK AND VACATION BENEFITS

The Borough of Washington has permitted employees to accrue unused sick pay, which may be taken as time off or paid at a later date at an agreed upon rate. It is estimated that the current cost of such unpaid compensation would be approximately \$121,891.13. This amount is not reported either as an expenditure or liability. However, it is expected that the cost of such unpaid compensation would be included in the Borough's budget operating expenditures in the year in which it is used.

NOTE 12: CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Borough's policy is based on New Jersey Statutes requiring cash be deposited only in New Jersey based banking institutions that participate in New Jersey Governmental Depository Protection Act (GUDPA) or in qualified investments established in New Jersey Statutes 40A:5-15.1(a) that are treated as cash equivalents. As of December 31, 2011, \$0- of the Borough's bank balance of \$5,666,701.16 was exposed to custodial credit risk.

Investments

Investment Rate Risk

The Borough does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, New Jersey Statutes 40A:5-15.1(a) limits the length of time for most investments to 397 days.

Credit Risk

New Jersey Statutes 40A:5-15.1(a) limits municipal investments to those specified in the Statutes. The type of allowance investments are Bonds of the United States of America, bonds or other obligations of the towns or bonds or other obligations of the local unit or units within which the Borough is located; obligations of federal agencies not exceeding 397 days; government money market mutual funds; the State of New Jersey Cash Management Plan; local government investment pools; or repurchase of fully collateralized securities.

Concentration of Credit Risk

The Borough places no limit on the amount the Borough may invest in any one issuer.

BOROUGH OF WASHINGTON, NJ

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(CONTINUED)**

NOTE 13: RISK MANAGEMENT

The Borough 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 Borough has obtained insurance coverage to guard against these events which will provide minimum exposure to the Borough should they occur. During the 2011 calendar year, the Borough did not incur claims in excess of their coverage and the amount of coverage did not significantly decrease.

NOTE 14: PUBLIC ASSISTANCE

The Borough of Washington has elected to have the County of Warren process all public assistance granted to the residents. Therefore, the Borough of Washington no longer has a public assistance director.

NOTE 15: HEALTH INSPECTIONS

The Borough of Washington has elected to have the County of Warren, Department of Health, do all the health inspections. Therefore, the Borough does not have a health inspector.

NOTE 16: DUE TO/FROM OTHER FUNDS

Balances due to/from other funds at December 31, 2011 consist of the following:

\$ 1,083.95	Due to Current Fund from Other Trust Fund for cash receipts and disbursements in the Current Fund.
242,801.86	Due to Current Fund from General Capital Fund for receipts and disbursements in the Current Fund.
34,397.08	Due to Federal and State Grant Fund from Current Fund for cash receipts in the Current Fund.
129.57	Due to Current Fund from Sewer Operating Fund for cash receipts and disbursements in the Current Fund.
799,612.30	Due to General Capital Fund from the Sewer Capital Fund for cash receipts and disbursements.
\$ 150,000.00	Due to Sewer Operating Fund from General Capital Fund for cash receipts in the General Fund.
<u>0.44</u>	Due to Sewer Operating Fund from Sewer Capital Fund for interest earned.
<u>\$1,228,025.20</u>	

It is anticipated that all interfunds will be liquidated during the calendar year.

BOROUGH OF WASHINGTON, NJ

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(CONTINUED)**

NOTE 17: CONTINGENT LIABILITIES

The Borough of Washington counsel advises us of the following:

- “1. Various claims by persons who have asserted tort claims against the Borough of Washington. These claims have been turned over to the insurance company and this firm is not familiar with the status of those claims, except that the insurance company has not advised us in writing that there are any claims that will exceed the policy limits or that there are any uncovered claims asserted.
2. Various tax appeals which are being handled by others.
3. The Borough is involved in litigation with First Surety Financial which claims that the contractor on the municipal garage site assigned to it all of the proceeds of the construction contract between the Borough and the contractor. When the contractor defaulted, the contractor instructed the Borough to pay any future payments due under the contract to the Borough’s surety. First Surety Financial asserts those payments should have been made to it. The total amount that is claimed is not known at the present time but it is thought to be under \$500,000. The Borough has joined its surety as a party in the matter. The Borough has also asserted claims against its surety for certain liquidated damages claims the Borough has against the contractor. The surety has denied an obligation to play these claims”.

APPENDIX C

FORM OF CONTINUING DISCLOSURE CERTIFICATE

CONTINUING DISCLOSURE CERTIFICATE

THIS CONTINUING DISCLOSURE CERTIFICATE is made as of August __, 2012 by the Borough of Washington, County of Warren, New Jersey, a political subdivision duly organized under the laws of the State of New Jersey (the "Issuer").

WITNESSETH:

WHEREAS, the Issuer is issuing its General Obligation Bonds, Series 2012 dated their date of delivery in the aggregate principal amount of \$_____ (the "Bonds") on the date hereof; and

WHEREAS, the Bonds are being issued pursuant to bond ordinances adopted by the Issuer and a certificate signed by the Issuer on August __, 2012; and

WHEREAS, the Securities and Exchange Commission (the "SEC") pursuant to the Securities Exchange Act of 1934, as amended and supplemented (codified on the date hereof at 15 U.S.C. 77 et seq.) (the "Securities Exchange Act") has adopted amendments to its Rule 15c2-12 (codified at 17 C.F.R. § 240.15c2-12) ("Rule 15c2-12") effective July 3, 1995 which generally prohibit a broker, dealer, or municipal securities dealer from purchasing or selling municipal securities, such as the Bonds, unless such broker, dealer or municipal securities dealer has reasonably determined that an issuer of municipal securities or an obligated person has undertaken in a written agreement or contract for the benefit of holders of such securities to provide certain annual financial information and event notices to the Municipal Securities Rulemaking Board; and

WHEREAS, the Issuer represented in its Notice of Sale dated July __, 2012 (the "Notice of Sale") that it would deliver on the closing date for the Bonds a "Continuing Disclosure Certificate" pursuant to which the Issuer will agree to provide certain financial and operating data, and timely notice of certain enumerated events required to be disclosed on a continual basis pursuant to Rule 15c2-12; and

WHEREAS, on August 2, 2012, the Issuer accepted the bid of _____, on behalf of itself and each of the original underwriters for the Bonds (each, a "Participating Underwriter") for the purchase of the Bonds; and

WHEREAS, the execution and delivery of this Certificate has been duly authorized by the Issuer and all conditions, acts and things necessary and required to exist, to have happened, or to have been performed precedent to and in the execution and delivery of this Certificate, do exist, have happened and have been performed in regular form, time and manner; and

WHEREAS, the Issuer is executing this Certificate for the benefit of the Holders of the Bonds.

NOW, THEREFORE, for and in consideration of the premises and of the mutual representations, covenants and agreements herein set forth, the Issuer, its successors and assigns, do mutually promise, covenant and agree as follows:

**ARTICLE I
DEFINITIONS**

Section 1.1 Terms Defined in Recitals. The following terms shall have the meanings set forth in the recitals hereto:

Bonds	Rule 15c2-12
Issuer	SEC
Notice of Sale	Securities Exchange Act
Participating Underwriter	

Section 1.2 Additional Definitions. The following additional terms shall have the meanings specified below:

“Annual Report” means Financial Statements and Operating Data provided at least annually.

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

“Business Day” means any day other than (a) a Saturday or Sunday, (b) a day on which commercial banks in New York, New York or in Somerville, New Jersey are authorized or required by law to close or (c) a day on which the New York Stock Exchange is closed.

“Disclosure Event” means any event described in subsection 2.1(d) of this Certificate.

“Disclosure Event Notice” means the notice to the MSRB as provided in subsection 2.4(a).

“Disclosure Representative” means the Chief Financial Officer of the Issuer or his or her designee, or such other officer or employee as the Issuer shall designate from time to time.

“Dissemination Agent” means an entity acting in such capacity under this Certificate or any other successor entity designated in writing by the Issuer and which has filed a written acceptance of such designation.

“Final Official Statement” means the final Official Statement of the Issuer dated August 2, 2012 pertaining to the Bonds.

“Financial Statements” means the audited financial statements of the Issuer for each Fiscal Year and includes balance sheets, statements of changes in fund balances and statements

of current funds, revenues, expenditures and other charges or statements which convey similar information.

“Fiscal Year” means the fiscal year of the Issuer. As of the date of this Certificate, the Fiscal Year of the Issuer begins on January 1 and closes on December 31 of each calendar year.

“GAAS” means generally accepted auditing standards as in effect from time to time, consistently applied.

“MSRB” means the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at <http://emma.msrb.org>.

“Operating Data” means the financial and statistical information of the Issuer of the type included in the Final Official Statement under the heading “GENERAL INFORMATION REGARDING THE BOROUGH”.

“State” means the State of New Jersey.

Section 1.3 Interpretation. Words of masculine gender include correlative words of the feminine and neuter genders. Unless the context shall otherwise indicate, words importing the singular include the plural and vice versa, and words importing persons include corporations, associations, partnerships (including limited partnerships), trusts, firms and other legal entities, including public bodies, as well as natural persons. Articles and Sections referred to by number mean the corresponding Articles and Sections of this Certificate. The terms “hereby”, “hereof”, “hereto”, “herein”, “hereunder” and any similar terms as used in this Certificate, refer to this Certificate as a whole unless otherwise expressly stated.

As the context shall require, the disjunctive term “or” shall be interpreted conjunctively as required to insure that the Issuer performs any obligations, mentioned in the passage in which such term appears.

The headings of this Certificate are for convenience only and shall not defined or limit the provisions hereof.

ARTICLE II CONTINUING DISCLOSURE COVENANTS AND REPRESENTATIONS

Section 2.1 Continuing Disclosure Covenants of the Issuer. The Issuer agrees that it will provide, or shall cause the Dissemination Agent to provide:

(a) Not later than September 30 of each year, commencing with the first Fiscal Year of the Issuer ending December 31, 2011, an Annual Report to the MSRB;

(b) Not later than fifteen (15) days prior to the date of each year specified in subsection 2.1(a), a copy of the Annual Report to the Dissemination Agent, if the Issuer has appointed or engaged a Dissemination Agent;

(c) If audited Financial Statements are not submitted as part of the filing as set forth in subsection 2.1(a), the Issuer will submit unaudited financial statements with such filing, and will subsequently submit audited Financial Statements when and if available, to the MSRB;

(d) In a timely manner not in excess of ten business days following the occurrence of any of the Disclosure Events (hereinafter defined), to the MSRB, notice of any of the following events with respect to the Bonds (each, a “Disclosure Event”);

- (i) principal and interest delinquencies;
- (ii) non-payment related defaults, if material;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) substitution of credit or liquidity providers, or their failure to perform;
- (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (vii) modifications to rights of Bondholders; if material;
- (viii) Bond calls, if material, and tender offers;
- (ix) defeasances;
- (x) release, substitution, or sale of property securing repayment of the Bonds, if material;
- (xi) rating changes;
- (xii) bankruptcy, insolvency, receivership or similar event of the Issuer;
- (xiii) the consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, 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

- (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material.

(e) In a timely manner, to the MSRB, notice of a failure by the Issuer to provide the Annual Report within the period described in subsection 2.1(a) hereof.

Section 2.2 Continuing Disclosure Representations. The Issuer represents and warrants that:

(a) Financial Statements shall be prepared according to principles prescribed by the Division of Local Government Services in the Department of Community Affairs of the State of New Jersey Pursuant to Chapter 5 of Title 40 of the New Jersey Statutes as in effect from time to time.

(b) Financial Statements prepared annually shall be audited in accordance with GAAS.

Section 2.3 Form of Annual Report.

(a) The Annual Report may be submitted as a single document or as separate documents comprising a package.

(b) Any or all of the items which must be included in the Annual Report may be incorporated by reference from other documents, including official statements of the Issuer or related public entities which have been submitted to the MSRB or filed with the SEC. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The Issuer shall clearly identify each such other document so incorporated by reference.

(c) The audited Financial Statements of the Issuer, if any, may be submitted separately from the balance of the Annual Report.

Section 2.4 Responsibilities, Duties, Immunities and Liabilities of the Dissemination Agent.

(a) If the Issuer or the Dissemination Agent (if one has been appointed or engaged by the Issuer) has determined it necessary to report the occurrence of a Disclosure Event, the Issuer or Dissemination Agent (if one has been appointed or engaged by the Issuer) shall file a notice of such occurrence with the MSRB (the "Disclosure Event Notice") in the form provided by the Issuer.

(b) The Issuer and/or the Dissemination Agent (if one has been appointed or engaged by the Issuer) shall file a written report with the Issuer certifying that the Annual Report has been provided pursuant to this Certificate, stating the date it was provided to the MSRB.

Section 2.5 Appointment, Removal and Resignation of the Dissemination Agent.

(a) The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carry out its obligations under this Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. If at any time there is not any other designated Dissemination Agent, the Issuer shall be the Dissemination Agent.

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

(c) The Dissemination Agent, or any successor thereto, may at any time resign and be discharged of its duties and obligations hereunder by giving not less than thirty (30) days written notice to the Issuer. Such resignation shall take effect on the date specified in such notice.

**ARTICLE III
DISCLOSURE DEFAULT AND REMEDIES**

Section 3.1 Disclosure Default. The occurrence and continuation of a failure or refusal by the Issuer to observe, perform or comply with any covenant, condition or agreement on its part to be observed or performed in this Certificate and such failure or refusal shall remain uncured for a period of thirty (30) days shall constitute a Disclosure Default hereunder.

Section 3.2 Remedies on Default.

(a) Any Bondholder, for the equal benefit and protection of all Bondholders similarly situated, may take whatever action at law or in equity against the Issuer and of the officers, agents and employees of the Issuer which is necessary or desirable to enforce the specific performance and observance of any obligation, agreement or covenant of the Issuer under this Certificate and may compel the Issuer or any such officers, agents, or employees, except of the Dissemination Agent, to perform and carry out their duties under this Certificate; provided, that no person or entity shall be entitled to recover monetary damages hereunder under any circumstances.

(b) In case any Bondholder shall have proceeded to enforce its rights under this Certificate and such proceedings shall have been discontinued or abandoned for any reason or shall have been determined adversely to any Bondholder, then and in every such case the Issuer and any Bondholder shall be restored respectively to their several positions and rights hereunder, and all rights, remedies and powers of the Issuer and any Bondholder shall continue as though no such proceeding had been taken.

(c) A default under this Certificate shall not be deemed a default under the Bonds, and the sole remedy under this Certificate in the event of any failure or refusal by the Issuer to comply with this Certificate shall be as set forth in subsection 3.2(a) of this Certificate.

ARTICLE IV MISCELLANEOUS

Section 4.1 Purposes of the Continuing Disclosure Certificate. This Certificate is being executed and delivered by the Issuer for the benefit of the Bondholders and in order to assist the Participating Underwriters in complying with clause (b)(5) of Rule 15c2-12.

Section 4.2 Additional Information. Nothing in this Certificate shall be deemed to prevent the Issuer from (a) disseminating any other information, using the means of dissemination set forth in this Certificate or any other means of communication, or (b) including any other information in any Annual Report or any Disclosure Event Notice, in addition to that which is required by this Certificate. If the Issuer chooses to include information in any Annual Report or any Disclosure Event Notice in addition to that which is specifically required by this Certificate, the Issuer shall have no obligation under this Certificate, the Issuer shall have no obligation under this Certificate to update such information or include it in any future Annual Report or any future Disclosure Event Notice.

Section 4.3 Notices. All notices required to be given or authorized shall be in writing and shall be sent by registered or certified mail to the Issuer, Municipal Building, 100 Belvidere Avenue, Washington, New Jersey 07882, Attention: Director of Finance.

Section 4.4 Severability. If any provision of this Certificate shall be held or deemed to be or shall, in fact, be illegal, inoperative or unenforceable, the same shall not affect any other provision or provisions herein contained or render the same invalid, inoperative or unenforceable to any extent whatever.

Section 4.5 Amendments, Changes and Modifications.

(a) Without the consent of any Bondholders, the Issuer at any time and from time to time may enter into any amendments or modifications to this Certificate for any of the following purposes:

- (i) to add to covenants and agreements of the Issuer hereunder for the benefit of the Bondholders, or to surrender any right or power conferred upon the Issuer by this Certificate;
- (ii) to modify the contents, presentation and format of the Annual Report from time to time to conform to changes in accounting or disclosure principles or practices and legal requirements followed by or applicable to the Issuer or to reflect changes in the identity, nature or status of the Issuer or in the business, structure or operations of the Issuer or any mergers,

consolidations, acquisitions or dispositions made by or affecting the Issuer; provided that any such modification shall comply with the requirements of Rule 15c2-12 as then in effect at the time of such modification; or

- (iii) to cure any ambiguity, to correct or supplement any provision hereof which may be inconsistent with any other provision hereof, or to include any other provisions with respect to matters or questions arising under this Certificate which, in each case, comply with Rule 15c2-12 as then in effect at the time of such modification.

provided, that prior to approving any such amendment or modification, the Issuer determines that such amendment or modifications does not adversely affect the interests of the Holders of the Bonds in any material respect.

(b) Upon entering into any amendment or modification required or permitted by this Certificate, the Issuer shall deliver, or cause the dissemination Agent to deliver, to the MSRB written notice of any such amendment or modification.

(c) The Issuer shall be entitled to rely exclusively upon an opinion of counsel nationally recognized as expert in federal securities law acceptable to the Issuer to the effect that such amendments or modifications comply with the conditions and provisions of this Section 4.5.

Section 4.6 Amendments Required by Rule 15c2-12. The Issuer recognizes that the provisions of this Certificate are intended to enable the participating Underwriters to comply with Rule 15c2-12. If, as a result of a change in Rule 15c2-12 or in the interpretation thereof, a change in this Certificate shall be permitted or necessary to assure continued compliance with Rule 15c2-12 and upon delivery by any Participating Underwriter of an opinion of counsel nationally recognized as expert in federal securities law acceptable to the Issuer to the effect that such amendment shall be permitted or necessary to assure continued compliance by the Participating Underwriter with Rule 15c2-12 as so amended or interpreted, then the Issuer shall amend this Certificate to comply with and be bound by any such amendment to this Certificate to the extent necessary or desirable to assure compliance with the provisions of Rule 15c2-12 and provide the written notice of such amendment as required by subsection 4.5(b) hereof.

Section 4.7 Governing Law. This Certificate shall be governed exclusively by and construed in accordance with the applicable laws of the State of New Jersey.

Section 4.8 Termination of Issuer's Continuing Disclosure Obligations. The continuing obligation of the Issuer under Section 2.1 hereof to provide the Annual Report and any Disclosure Event Notice and to comply with the other requirements of said Section shall terminate if and when either (a) the Bonds are no longer outstanding or (b) the Issuer no longer remains an "obligated person" (as defined in Rule 15c2-12(f)(10) with respect to the Bonds in either event, only after the Issuer delivers, or causes the Dissemination Agent to deliver, to the

MSRB written notice to such effect. This Certificate shall be in full force and effect from the date hereof and shall continue in effect so long as any Bonds are Outstanding.

Section 4.9 Binding Effect. This Certificate shall inure to the benefit of and shall be binding upon the Issuer and its successors and assigns.

IN WITNESS WHEREOF, THE BOROUGH OF WASHINGTON, COUNTY OF WARREN, NEW JERSEY has caused this Certificate to be executed in its name and its corporate seal to be hereunto affixed and attested by their duly authorized officers, all as of the date first above written.

[SEAL]

**THE BOROUGH OF WASHINGTON,
COUNTY OF WARREN, NEW JERSEY**

By: _____
Natasha S. Turchan
Director of Finance

APPENDIX D
FORM OF LEGAL OPINION

August __, 2012

Mayor and Borough Council
Borough of Washington
Municipal Building
100 Belvidere Avenue,
Washington, New Jersey 07882

Dear Mayor and Council Members:

We have examined certified copies of the proceedings of the Council of the Borough of Washington, in the County of Warren, State of New Jersey (the "Borough"), including ordinances, affidavits and certificates delivered by officials of the Borough, and other proofs submitted to us relative to the issuance and sale by the Borough of its \$_____ General Obligation Bonds, Series 2012, consisting of \$2,706,000 General Improvement Bonds, Series 2012 (the "General Improvement Bonds") and \$_____ General Obligation Refunding Bonds, Series 2012 (the "Refunding Bonds," and together with the General Improvement Bonds, the "Bonds"), dated their date of delivery.

The Bonds are issued pursuant to the Local Bond Law, constituting Chapter 2 of Title 40A of the New Jersey Statutes, as amended (the "Local Bond Law"), a resolution of the Borough adopted on July 3, 2012 and various bond ordinances of the Borough, in all respects duly adopted by the Council of the Borough.

Each of the Bonds is dated the date of delivery, bears interest at the interest rate set forth on the face of the Bonds and matures on April 1 in the years and principal amounts as set forth below:

<u>Date</u>	<u>General Improvement Bonds</u>	<u>Refunding Bonds</u>	<u>Combined</u>
April 1, 2013			
April 1, 2014			
April 1, 2015			
April 1, 2016			
April 1, 2017			
April 1, 2018			
April 1, 2019			
April 1, 2020			
April 1, 2021			
April 1, 2022			
April 1, 2023			
April 1, 2024			
April 1, 2025			
April 1, 2026			
April 1, 2027			

The Bonds are subject to redemption prior to their stated maturities.

We have examined the Local Bond Law and such other laws and originals (or copies certified or otherwise identified to our satisfaction) of such instruments, certificates and documents as we deem necessary to render the opinions set forth herein. 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.

Based upon the foregoing and subject to the qualifications set forth herein, we are of the opinion that:

1. The aforementioned proceedings and proofs show lawful authority for the issuance and sale of the Bonds pursuant to the Local Bond Law, and other applicable provisions of law, and that the Bonds have been duly authorized, executed and delivered and are a valid and legally binding obligation of the Borough.

2. The Borough has the power and is obligated to levy *ad valorem* taxes upon all the taxable property within the Borough for the payment of the principal of and interest on the Bonds, without limitation as to rate or amount.

3. Under existing law, interest on the Bonds is excluded from the gross income of the owners of the Bonds for Federal income tax purposes pursuant to Section 103 of the Internal

Revenue Code of 1986, as amended (the “Code”) and interest on the Bonds is not an item of tax preference under Section 57 of the Code for purposes of computing alternative minimum tax.

4. Under existing law, interest on the Bonds and net gains from the sale of the Bonds are exempt from the tax imposed by the New Jersey Gross Income Tax Act.

With respect to our Federal income tax opinion, we note that the Code imposes certain requirements that must be met on a continuing basis subsequent to the issuance of the Bonds in order for interest on the Bonds to be excluded from gross income for Federal income tax purposes under Section 103 of the Code. The Borough has covenanted to comply with the provisions of the Code applicable to the Bonds and has covenanted not to take any action or permit any action to be taken which would cause the interest on the Bonds to lose the exclusion from gross income for Federal income tax purposes under Section 103 of the Code or cause interest on the Bonds to be treated as an item of tax preference under Section 57 of the Code. We have assumed continuing compliance by the Borough with the above covenants in rendering our opinion with respect to the exclusion of interest on the Bonds from gross income for Federal income tax purposes and with respect to interest on the Bonds not constituting an item of tax preference.

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

Our opinion concerning the enforceability of the Bonds is subject to Federal and state laws regarding bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors’ rights and remedies generally (including, without limitation, laws relating to fraudulent conveyance, and by general principles of law and equity (regardless of whether enforcement is considered or sought in proceedings at law or in equity) and by limitation on remedial rights under applicable law). Their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

The opinions stated herein are based upon current authorities, and there can be no assurance that future legislative or administrative changes or court decisions will not affect said opinions. We undertake no obligation to inform you of any matter occurring after the date of this letter which affects in any way the opinion given herein.

Except as stated above, we express no opinion as to any Federal or state tax consequences with respect to the Bonds.

Very truly yours,

Gibbons P.C.