

PRELIMINARY OFFICIAL STATEMENT DATED AUGUST 13, 2013

NEW ISSUE - BOOK-ENTRY ONLY

Rating: Moody's:

In the opinion of Gibbons P.C., Bond Counsel to the Township, assuming continuing compliance by the Township 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.

**TOWNSHIP OF FAIRFIELD
IN THE COUNTY OF ESSEX, NEW JERSEY**

\$6,132,000 GENERAL OBLIGATION BONDS, SERIES 2013
Consisting of
\$5,316,000 GENERAL IMPROVEMENT BONDS, SERIES 2013,
\$758,000 WATER UTILITY BONDS, SERIES 2013
AND
\$58,000 SWIMMING POOL UTILITY BONDS, SERIES 2013
(CALLABLE) (BANK-QUALIFIED)

Dated: Date of Delivery

Due: August 15, as shown on inside front cover

The \$6,132,000 General Obligation Bonds, Series 2013 consisting of \$5,316,000 General Improvement Bonds, Series 2013 (the "General Improvement Bonds"), \$758,000 Water Utility Bonds, Series 2013 (the "Water Utility Bonds") and \$58,000 Swimming Pool Utility Bonds, Series 2013 (the "Swimming Pool Utility Bonds" and together with the General Improvement Bonds and the Water Utility Bonds, the "Bonds"), of the Township of Fairfield, in the County of Essex, New Jersey (the "Township") will be issued in the form of one certificate for each series for the aggregate principal amount of the Bonds maturing in each year and when issued will be registered in the name of CEDE & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as Securities Depository. See "Book-Entry Only System" herein.

Interest on the Bonds will be payable semiannually on the fifteenth day of February and August in each year until maturity or prior optional redemption, commencing February 15, 2014. The principal of and the interest on the Bonds will be paid to DTC by the Township or its designated Paying Agent. Interest on the Bonds will be credited to the participants of DTC as listed on the records of DTC as of each next preceding February 1 and August 1 (the "Record Dates" for the payment of interest on the Bonds).

The Bonds are being issued pursuant to the Local Bond Law of New Jersey, constituting Chapter 2 of Title 40A of the New Jersey Statutes, as amended, various ordinances and a resolution of the Township. The Bonds are being issued to provide funds to (i) refund certain outstanding bond anticipation notes of the Township and permanently finance various capital projects of the Township, and (ii) pay certain costs incurred in connection with the issuance of the Bonds.

The Bonds are subject to redemption prior to their stated maturities, as described herein. See "THE BONDS – Optional Redemption".

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

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

The Bonds are offered when, as and if issued and delivered to the purchaser, subject to prior sale, to withdrawal or modification of the offer without notice and to approval of legality by the law firm of Gibbons P.C., Newark, New Jersey and certain other conditions described herein. Delivery is anticipated to be through the facilities of DTC in New York, New York, on or about August 28, 2013.

Dated: August __, 2013

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 Township 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.

**TOWNSHIP OF FAIRFIELD
IN THE COUNTY OF ESSEX, NEW JERSEY**

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND YIELDS

\$6,132,000 GENERAL OBLIGATION BONDS, SERIES 2013
Consisting of
\$5,316,000 GENERAL IMPROVEMENT BONDS, SERIES 2013,
\$758,000 WATER UTILITY BONDS, SERIES 2013
and
\$58,000 SWIMMING POOL UTILITY BONDS

<u>Year</u>	<u>General Improvement Bonds</u>	<u>Water Utility Bonds</u>	<u>Swimming Pool Utility Bonds</u>	<u>Combined Principal Amounts</u>	<u>Interest Rates</u>	<u>Yields</u>
2014	\$ 210,000	\$ 20,000	\$ 10,000	\$ 240,000		
2015	235,000	20,000	10,000	265,000		
2016	235,000	40,000	10,000	285,000		
2017	385,000	40,000	10,000	435,000		
2018	385,000	40,000	10,000	435,000		
2019	385,000	40,000	8,000	433,000		
2020	385,000	40,000		425,000		
2021	385,000	40,000		425,000		
2022	385,000	40,000		425,000		
2023	385,000	40,000		425,000		
2024	385,000	40,000		425,000		
2025	410,000	40,000		450,000		
2026	410,000	40,000		450,000		
2027	410,000	40,000		450,000		
2028	326,000	40,000		366,000		
2029		40,000		40,000		
2030		40,000		40,000		
2031		40,000		40,000		
2032		40,000		40,000		
2033		38,000		38,000		

**TOWNSHIP OF FAIRFIELD
COUNTY OF ESSEX, NEW JERSEY**

MAYOR

James Gasparini

TOWNSHIP COUNCIL

Joseph Cifelli
John LaForgia
Michael McGlynn, President
Thomas Morgan

TOWNSHIP ADMINISTRATOR

Joseph Catenaro

CHIEF FINANCIAL OFFICER

Joseph J. McCluskey

TOWNSHIP CLERK

Denise D. Cafone

TOWNSHIP COUNSEL

Dennis M. Galvin, Esq.

PROFESSIONAL ADVISORS

TOWNSHIP AUDITOR

Samuel Klein and Company
Certified Public Accountants

BOND COUNSEL

Gibbons P.C.

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

References in this Official Statement to laws, rules, regulations, resolutions, agreements, reports and documents do not purport to be comprehensive or definitive. All references to such documents are qualified in their entirety by references to the particular document, the full text of which may contain qualifications of and exceptions to statements made herein, and copies of which may be inspected at the offices of the Township's Chief Financial Officer 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, salesman or other person has been authorized to give any information or to make any representations other than as contained in this Official Statement. If given or made, such other information or representations must not be relied upon as having been authorized by the Township.

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**OFFICIAL STATEMENT
OF
THE TOWNSHIP OF FAIRFIELD
IN THE COUNTY OF ESSEX, NEW JERSEY**

**\$6,132,000
GENERAL OBLIGATION BONDS, SERIES 2013
Consisting of
\$5,316,000 GENERAL IMPROVEMENT BONDS, SERIES 2013,
\$758,000 WATER UTILITY BONDS, SERIES 2013
and
\$58,000 SWIMMING POOL UTILITY BONDS, SERIES 2013**

INTRODUCTION

This Official Statement, which includes the cover page hereof and the appendices attached hereto, is furnished by the Township of Fairfield (the "Township"), in the County of Essex (the "County"), State of New Jersey (the "State"), in connection with the sale and issuance of \$6,132,000 General Obligation Bonds, Series 2013 consisting of \$5,316,000 General Improvement Bonds, Series 2013 (the "General Improvement Bonds"), \$758,000 Water Utility Bonds, Series 2013 (the "Water Utility Bonds") and \$58,000 Swimming Pool Utility Bonds, Series 2013 (the "Swimming Pool Utility Bonds" and together with the General Improvement Bonds and the Water Utility Bonds, the "Bonds"). This Official Statement has been executed by and on behalf of the Township by the Chief Financial Officer.

Prior to the issuance of the Bonds, the Township will enter into an agreement for the benefit of the holders of the Bonds to comply with the secondary market disclosure requirements of the Securities and Exchange Commission's Rule 15c2-12 ("Rule 15c2-12"). See "APPENDIX B - FORM OF CONTINUING DISCLOSURE CERTIFICATE" herein.

THE BONDS

General Description

The Bonds shall be dated the date of delivery and mature on the fifteenth day of August in the years and in the principal amounts as set forth on the inside front cover page hereof. Interest on the Bonds is payable semiannually on the fifteenth day of February and August in each year, commencing on February 15, 2014, until maturity or prior optional redemption. Interest on the Bonds will be credited to the participants of The Depository Trust Company, New York, New York ("DTC"), as listed on the records of DTC as of each next preceding February 1 and August 1.

Denomination and Place of Payment

The Bonds will be issued in fully-registered form and registered in the name of Cede & Co., as nominee of DTC which will act as the securities depository. Principal of and interest on the Bonds will be paid by the Township as paying agent (the "Paying Agent") to DTC.

The Bonds are issuable as fully registered book-entry bonds in the form of one certificate for each series for the aggregate amount of the Bonds maturing in each year. 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 Paying Agent directly to Cede & Co. (or any successor or assign), as nominee for DTC. Disbursement of such payments to the participants of DTC is the responsibility of DTC. See "Book-Entry Only System" herein.

Book-Entry Only System

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

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co., or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

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

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

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

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

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

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

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

Discontinuation of Book-Entry Only System

If the Township, 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 Township will attempt to locate another qualified Securities Depository. If the Township fails to find such Securities Depository, or if the Township determines, in its sole discretion, that it is in the best interest of the Township or that the interest of the Beneficial Owners might be adversely affected if the book-entry only system of transfer is continued (the Township undertakes no obligation to make an investigation to determine the occurrence of any events that would permit it to make such determination) the Township shall notify DTC of the termination of the book-entry only system.

In the event that the book-entry only for the Bonds is discontinued, the Township has provided that upon receipt of the Bond certificates from DTC and the Participant information, the Township 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.

Optional Redemption

The Bonds maturing on or prior to August 15, 2023 shall not be subject to redemption prior to their respective maturity dates. The Bonds maturing on or after August 15, 2024 shall be subject to redemption prior to their respective maturity dates, on or after August 15, 2023 at the option of the Township, 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.

Notice of Redemption shall be given by mailing 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 Township, at least thirty (30) but not more than sixty (60) days before the date fixed for redemption. 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. Any failure of such depository to advise any of its participants or any failure of any participant to notify any beneficial owner of any Notice of Redemption shall not affect the validity of the redemption proceedings. If the Township determines to redeem a portion of the Bonds of a maturity, such Bonds shall be selected by the Township 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.

AUTHORIZATION AND PURPOSE OF THE BONDS

\$5,316,000 General Improvement Bonds, Series 2013

The General Improvement Bonds are being issued pursuant to the Local Bond Law of the State, N.J.S.A. 40A:2-1 et seq. (the "Local Bond Law"), a resolution and the various bond ordinances of the Township set forth below:

Amount to be <u>Bonded</u>	<u>Ordinance Number</u>	<u>Description of Improvement</u>
\$ 570,000	2004-01	Acquisition of Fire Truck
721,700	2004-07/2004-12	Various Capital Improvements
49,200	2004-13	Summit Avenue Bypass Drainage Improvements
352,800	2005-08/2005-14	Various Capital Improvements
82,310	2005-12	Various Local Improvements
292,725	2006-13	Various Capital Improvements
329,250	2006-21	Architectural Design and Construction Administration Services for the Public Safety Complex
13,695	2007-14	Various Local Improvements
617,010	2007-15	Various Capital Improvements
425,000	2008-10	Various Capital Improvements
1,100,000	2007-44/2009-30	Construction of Public Safety Complex
500,000	2011-12	Reconstruction of Upper Fleetwood Avenue, Sunset Road and Mill Street
<u>262,310</u>	2011-17	Various Capital Improvements
<u><u>\$5,316,000</u></u>		

Proceeds from the sale and issuance of the General Improvement Bonds will be used to (i) refund certain outstanding bond anticipation notes of the Township and permanently finance various capital projects of the Township, and (ii) pay the costs associated with the authorization, sale and issuance of the General Improvement Bonds.

\$758,000 Water Utility Bonds, Series 2013

The Water Utility Bonds are being issued pursuant to the Local Bond Law, a resolution and the various bond ordinances of the Township set forth below:

<u>Amount to be Bonded</u>	<u>Ordinance Number</u>	<u>Description of Improvement</u>
\$ 58,000	2004-08	Various Improvements to the Water System
36,800	2005-09	Various Improvements to the Water System
20,000	2006-04	Engineering Services for New Water Transmission Main for the Water System
540,000	2006-17	New Water Transmission Main for the Water System
34,200	2007-16	Acquisition of Various Items of Equipment for the Water System
31,000	2008-17	Acquisition of Various Items of Equipment for the Water System
38,000	2011-16	Acquisition of Various Items of Equipment for the Water System
<u>\$ 758,000</u>		

Proceeds from the sale and issuance of the Water Utility Bonds will be used to (i) refund certain outstanding bond anticipation notes of the Township and permanently finance various capital projects of the Township, and (ii) pay the costs associated with the authorization, sale and issuance of the Water Utility Bonds.

\$58,000 Swimming Pool Utility Bonds, Series 2013

The Swimming Pool Utility Bonds are being issued pursuant to the Local Bond Law, a resolution and a bond ordinance of the Township set forth below:

<u>Amount to be Bonded</u>	<u>Ordinance Number</u>	<u>Description of Improvement</u>
<u>\$58,000</u>	2006-18	Swimming Pool Main Filter System Renovation

Proceeds from the sale and issuance of the Swimming Pool Utility Bonds will be used to (i) refund certain outstanding bond anticipation notes of the Township, and (ii) pay the costs associated with the authorization, sale and issuance of the Swimming Pool Utility Bonds.

SECURITY AND SOURCE OF PAYMENT

The Bonds are valid and legally binding obligations of the Township and the full faith and credit of the Township are pledged to the payment of the principal of and interest on the Bonds, for which payment the Township is obligated to levy *ad valorem* taxes upon all the taxable property within the Township without limitation as to rate or amount.

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

PROVISIONS FOR THE PROTECTION OF GENERAL OBLIGATION DEBT

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

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

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

This law regulates the nonbudgetary 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's accounts must be performed annually by a licensed registered municipal accountant. The audit, conforming to the Division of Local Government Services' "Requirements of Audit", includes recommendations for improvement of the local 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 thirty (30) days of its submission. The entire annual audit report for the year ended December 31, 2011 is on file with the Township Clerk and is available for review during business hours.

Debt Limits

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

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

As of December 31, 2012, the Township's statutory net debt as a percentage of equalized valuation basis was 0.379% and such debt was comprised of the following:

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School	\$ 925,000.00	\$ 925,000.00	\$ -
Regional High School	8,870,630.79	8,870,630.79	-
Water Utility	1,354,350.00	1,354,350.00	-
Sewer Utility	789,500.00	789,500.00	-
Swimming Pool Utility	297,000.00	297,000.00	-
General	11,253,960.00	295,930.50	10,958,029.50
	<u>\$ 23,490,440.79</u>	<u>\$ 12,532,411.29</u>	<u>\$ 10,958,029.50</u>

Overlapping Debt

	<u>Total Debt</u>	<u>Township Share</u>	
		<u>Percent</u>	<u>Amount</u>
County of Essex	<u>\$ 1,049,465,324.49</u>	<u>3.353%</u>	<u>\$ 35,188,572.33</u>

Exceptions to Debt Limit - Extensions of Credit

The Township may exceed its debt limit with the approval of the Local Finance Board. If all or any part of a proposed debt authorization would exceed its debt limit, the Township must apply to the Local Finance Board for an extension of credit. If the Local Finance Board determines that a proposed debt authorization would not materially impair the credit of the Township or substantially reduce the ability of the Township to meet its obligations or to provide essential public improvements 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 Township without the approval of the Local Finance Board to fund certain notes for self-liquidating purposes, and, in each fiscal year, to provide for purposes in an amount not exceeding 2/3 of the amount budgeted in such fiscal year for the retirement of outstanding obligations (exclusive of utility and assessment obligations).

Short-Term Financing

The Township may issue short-term "bond anticipation notes" to temporarily finance capital improvement or project in anticipation of the issuance of bonds, if the bond ordinance or subsequent resolution so provides. Bond anticipation notes for capital improvements may be issued in an aggregate amount not exceeding the amount specified in the ordinance, as may be amended and supplemented, creating such capital expenditures. A local unit's bond anticipation notes may be issued for periods not greater than one year. Generally, bond anticipation notes may not be outstanding for longer than ten years. An additional period may be available following the tenth anniversary date equal to the period from the notes' maturity to the end of the tenth fiscal year in which the notes mature plus four (4) months in the next following fiscal year from the date of original issuance. Certain statutory payments are required if the notes are renewed beyond the third anniversary date equal to the minimum amount required for the first year's principal payment for a bond issue.

GENERAL INFORMATION REGARDING THE TOWNSHIP

Historical and Geographical Data

The Township, formerly known as the Borough of Fairfield and also formerly known as the Township of Caldwell, was incorporated in 1798. It has an area of approximately ten square miles and is located in the Northwestern part of Essex County and bordered on two sides by Passaic and Morris Counties. It is traversed in an east/west direction by Interstate Route 80 and New Jersey State Highway Route 46. Bloomfield Avenue, which is part of the Essex County Highway System, begins in the Township and leads to the industrial and commercial centers of Newark. The Township is located approximately twenty miles west of New York City and is immediately adjacent to Interstate Routes 287 and 280 and New Jersey State Highway Route 23. Essex County Airport, formerly Caldwell-Wright Airport, is located in the Township and provides convenient air travel for private planes and some commercial air traffic. The Township is uniquely situated to provide easy access to all points within the New York, New Jersey Metropolitan Area.

Government

The Township is governed by a Mayor and four Councilmen, elected under the optional Municipal Charter Law, designated as Small Municipality Plan C. The Township has been, and continues to be a community with an excellent diversification of commercial, industrial and residential development.

Fiscal

The following is a comparison of the assessed valuations of real property for 2012, 2011, 2010, 2009 and 2008. The Township's development is primarily in the industrial and commercial areas.

<u>Class of Property</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009*</u>	<u>2008</u>
Vacant Land	\$ 40,010,500	\$ 48,359,400	\$ 50,823,000	\$ 44,949,900	\$ 23,548,300
Residential	1,105,701,000	1,320,103,100	1,317,526,000	1,317,292,700	656,158,400
Farm	457,500	548,800	540,400	540,400	288,200
Commercial	692,955,600	774,727,000	775,320,000	777,919,000	409,624,400
Industrial	823,057,500	918,689,900	938,752,800	946,905,400	476,087,700
Public Utility	15,000,000	15,000,000	16,500,000	16,500,000	5,617,500
	<u>\$ 2,677,182,100</u>	<u>\$ 3,077,428,200</u>	<u>\$ 3,099,462,200</u>	<u>\$ 3,104,107,400</u>	<u>\$ 1,571,324,500</u>

Source: Township of Fairfield Tax Assessor

*Revaluation

During the past five years, development has been primarily of commercial and industrial properties with larger and better buildings being built. Also, the trend is to construct low rise buildings (3-5 stories) rather than the one or two story types that were predominant in the past.

Sewer and Water Utilities

The Township's water is supplied by an interconnection to the Passaic Valley Water Commission treatment plant. Under the current agreement with the supplier, the Township has 2,750,000 gallons/day available for its usage. Water storage consists of a 1.3 million gallon storage tank and a 0.25 million gallon elevated storage tank. The system is completely automated with telemetering facilities which supplements and monitors the system with a central alarm panel located at the police desk.

Prior to 1975, approximately 25% of the community, predominantly residential, was connected to a central sewerage system. The balance of the community was serviced by septic systems. Since 1975, with the help of federal and state grants, the municipality has embarked on a comprehensive sewerage program to provide sewer service for the entire municipality. In addition, the Township is a member of the Pequannock, Lincoln Park and Fairfield Sewerage Authority, also known as the Two Bridges Sewerage Authority, which operates a wastewater treatment plant located in Lincoln Park. By agreement, the Authority is committed to the treatment of all sewage wastes generated within the Township. The local collection system, begun in 1975, has been completed and has been placed in operation.

By careful planning and an intensive capital improvement program, coupled with the ability to take advantage of federal and state funding, the Township, over the past twenty years, has developed a water and sewerage system which can service every area of the municipality.

Police Department

The Township's Police Department was established in 1937 when the municipality was known as Caldwell Township. In 1962, the Township's name was changed to Fairfield as was the Police Department's. The Department currently employs 32 sworn officers and 4 civilians.

There are several sections within the Police Department including: operations/patrol, investigative, records, community services, traffic, training and emergency services. The department functions off a Computer Aided Dispatch System complete with mobile data terminals in the patrol units.

Fire Department

Fire protection for the Township is provided by the Fairfield Volunteer Fire Department, consisting of 47 all volunteer members operating 2 strategically located fire stations, and a part time administrative assistant. A two way radio notification system consisting of a network of audio pagers alert the firefighters to a request for assistance. A communications system consisting of portable and mobile two way radios as well as a backup dispatch desk allow efficient communications between members and apparatus. Apparatus consists of two 750 gallon, 2000GPM pumpers, one 1000 gallon, 2000GPM pumper, one 100 foot aerial platform, one special services unit, one Chevrolet Suburban and one Ford Crown Victoria.

The Fairfield Fire Prevention Bureau consists of a full time Fire Official, one full time and one part time Fire Inspector. This Bureau regularly inspects industrial, commercial and retail facilities to enforce the State of New Jersey Uniform Fire Code, Township Fire Prevention ordinances and the Township's hazardous chemical control programs.

Educational Services

The Fairfield School System operates as a Type II District under Title 18A of the Revised Statutes of New Jersey and is governed by a five-member elected Board. The system consists of two elementary schools, with an average enrollment of 740 pupils in Pre-K through grade 6. The Adlai Stevenson School has a physical plant consisting of 25 classrooms with three small group instructional spaces, cafeteria, library and gymnasium. The Winston Churchill School has a physical plant of 18 instructional areas consisting of 16 regular classrooms and two small group instructional spaces, library, gymnasium and an all-purpose room (cafeteria). Both schools have more than ample outdoor athletic and recreation facilities.

Students in grades 7 through 12 attend the West Essex Regional School System created by Essex Fells, Fairfield, North Caldwell and Roseland in December of 1957. The middle school was built in 1969. The middle school, known as the junior high school, houses grades 7, 8 and 9; and the senior high school houses grades 10, 11 and 12. Both schools are located in the adjoining Township of North Caldwell with an enrollment of 1,647 students, of which 693 are from the Township. The facilities, curriculum, administrative and teaching staff and a wide range of activities are considered excellent.

Ten Largest Taxpayers

	2012 Assessed <u>Valuation</u>
AMB-AMS	\$ 63,765,000
AMB Partners II LP	31,019,700
Green Brook Property, LLC	30,895,800
Karczynski, Stanley	29,988,600
Fairfield BB Group LLC	28,175,200
LMR USA LLC	21,283,800
True North Fairfield Property LLC	20,400,000
Kyocera Mita America	20,023,600
RRAMC	19,809,000
JHD Assoc/Levitz Furniture and Peer Age Corp.	19,177,500
	<u><u>\$284,538,200</u></u>

Source: Township of Fairfield Tax Assessor

Library

The Anthony Pio Costa Memorial Library is an outstanding municipal facility completed in 1985 at a cost of \$790,000 and is located next to the recreation complex. Costs in the sum of \$400,000 were funded from the proceeds of a private bond sale in the latter part of 1984, under a "guaranty" agreement with the Pio Costa family, whereby principal and interest on the bonds is reimbursed by the guarantor to the Township annually. The Library has an excellent core collection of books and offers a wide range of services and programs.

In 2012, the Library underwent a \$700,000 renovation and modernization. Increased attendance in children's programs, the addition of new public computers, the need for self space and storage areas, and a demand for a larger meeting room are some of the reasons the renovation project was undertaken.

Recreation

In addition to the six neighborhood parks, the Township has embarked on a comprehensive recreational program which involves the development of approximately forty acres which it presently owns, in the center of the residential area. Assisted by a 50% grant from the State of New Jersey, the Township has completed the recreation complex. The facility includes baseball, football and soccer fields, tennis courts, platform tennis courts, paddle ball courts, basketball courts, 18 station exercise trails for the able-bodied and the handicapped, nature trail, pavilion, bocci courts, shuffleboard, horseshoes, playgrounds, a turf football/multi-purpose field and other related facilities.

The Mayor and Council created a swimming pool utility in 1979. A swimming pool has been built on seven acres of municipal property adjoining the recreation complex and is currently in operation. The facility is operated as a self-liquidating utility.

Trend in Property Valuations

<u>Year</u>	<u>Land and Improvements</u>	<u>Personal Property</u>	<u>Net Valuation Taxable</u>	<u>Estimated True Value of Taxable Real Property</u>	<u>Estimated Ratio of Assessed Valuation of Real Property to True Value of Real Property</u>
2012	\$ 2,677,182,100	\$10,025,440	\$ 2,687,207,540	\$ 2,962,755,685	91.60 %
2011	3,077,428,200	10,130,737	3,087,558,937	3,004,475,056	103.90
2010	3,099,462,200	10,901,748	3,110,363,948	3,125,008,280	100.64
2009*	3,104,107,400	10,901,748	3,115,009,148	3,109,397,060	101.32
2008	1,565,707,000	5,617,500	1,571,324,500	2,992,559,251	52.32

Source: Township of Fairfield Tax Assessor

*Revaluation

Construction History

<u>Year</u>	<u>Number of Building Permits Issued</u>	<u>Estimated Value</u>
2012	670	\$25,639,987
2011	705	29,775,804
2010	594	30,249,529
2009	507	18,525,122
2008	543	20,429,534

Source: Township of Fairfield Construction Code Official

Population

<u>Year</u>	<u>Population</u>
2012 (Estimate)	7,497
2010	7,466
2000	7,063
1990	7,615
1980	7,987

MUNICIPAL BUDGET

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

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

The foundation of the 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.

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.

Limitations on Municipal Appropriations and Tax Levy

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” if the index rate is greater than 2.5%. 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; extraordinary expenses approved by the Local Finance Board for implementation of an interlocal services agreement; expenditures mandated as a result of certain emergencies; and certain expenditures for services mandated by law. 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 in years when the Index Rate is 2.5% or less.

Additionally, legislation constituting P.L. 2007, c.62, effective April 3, 2007, imposes a 4% cap on the tax levy of a municipality, county, fire district or solid waste collection district, with certain exceptions and subject to a number of adjustments. The exclusions from the limit include increases required to be raised for debt service and certain lease payments to county improvement authorities, increases to replace certain lost state aid, increases in certain pension contributions, increases in the reserve for uncollected taxes required for municipalities, and certain increases in health care costs over 4%. The Local Finance Board may approve waivers for certain extraordinary costs identified by the statute, and voters may approve increases above 4% not otherwise permitted by a vote of 60% of the voters voting on a public question.

This legislation has now been amended by P.L. 2010, c. 44, approved July 13, 2010 and applicable to the next local budget year following enactment to limit tax levy increases for those local units to 2% with exceptions only for capital expenditures including debt service, increases in pension contributions and accrued liability for pension contributions in excess of 2%, certain healthcare increases, extraordinary costs directly related to a declared emergency and amounts approved by a simple majority of voters voting at a special election. Chapter 44 eliminates the process for obtaining waivers for additional spending under the tax levy limitation.

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

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

Real Estate Taxes

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

N.J.S.A. 40A:4-41 provides with regard to current taxes that: “Receipts from the collection of taxes levied or to be levied in the municipality, or in the case of a county for general county purposes and payable in the fiscal year, shall be anticipated in an amount which is not in excess of the percentage of taxes levied and payable during the next preceding fiscal year which was received in cash by December 31, of such preceding fiscal year.”

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

$$\frac{\text{Levy required to balance budget}}{\text{Prior Year's Percentage of Township's Current Tax Collections or Less}} = \text{Total Taxes to be Levied}$$

Miscellaneous Revenues

The Local Budget Law (N.J.S.A. 40A:4-26) provides that "No miscellaneous revenues from any source shall be included as an anticipated revenue in the budget in excess of the amount actually realized in cash from the same source during the next preceding fiscal year, unless the Director shall determine upon application by the governing body that the facts clearly warrant the expectation that such excess amount will actually be realized in cash during the fiscal year and shall certify such determination, in writing to the local unit."

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

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 Township Council. 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, revisions and codification of ordinances, master plan preparations and drainage map preparation for flood control purposes which may be amortized over five years. Of course, emergency appropriations for capital projects may be financed through the adoption of a bond ordinance and amortized over the useful life of the project.

Budget Transfers

Budget transfers provide a degree of flexibility and afford a control mechanism. Transfers between major appropriation accounts may be made only during the last two months of the year. Appropriation reserves may also be transferred during the first three (3) months of the year, to the previous year's budget. Both types of transfers require a 2/3 vote of the full membership of the governing body, however, (a) no transfers may be made to appropriations for contingent expenses, deferred charges, or emergency appropriation, and (b) no transfers may be made from appropriations for contingent expenses, deferred charges, cash deficit of preceding year, reserve for uncollected taxes, down payments, capital improvement fund, interest and redemption charges and emergency appropriations.

TAX INFORMATION ON THE TOWNSHIP

Tax Collection Procedures

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

Tax Appeals

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

Tax Collection Experience

<u>Year</u>	<u>Tax Levy</u>	<u>Collections During Year of Levy</u>		<u>Added Taxes</u>	<u>Collections to Date Dec. 31</u>		<u>*Uncollected Dec. 31</u>
		<u>Amount</u>	<u>Percentage</u>		<u>Amount</u>	<u>Percentage</u>	
2012**	\$ 50,513,519.25	\$ 49,637,048.77	98.26 %	\$	\$ 49,637,048.77	98.26 %	\$ 727,503.23
2011	50,282,463.68	48,462,139.83	96.38	74,451.72	49,055,716.33	97.56	367.70
2010	48,474,513.60	46,875,324.90	96.70	32,980.50	47,891,798.83	98.80	-
2009	45,525,600.05	44,256,113.92	97.21	1,000.00	45,028,043.94	98.90	-
2008	43,903,875.30	42,955,713.00	97.84	36,524.56	43,384,451.20	98.81	-

*Balances remaining after credits for remissions and transfers to tax title liens.

**Unaudited

Net Assessed Valuations and Annual Tax Rates

<u>Year</u>	<u>Net Assessed Valuation</u>	<u>Total Tax Rate</u>	<u>Regional High School</u>	<u>Local School</u>	<u>Municipal</u>	<u>Municipal Open Space</u>	<u>Municipal Library</u>	<u>County</u>	<u>County Open Space</u>
2012	\$ 2,687,207,540	\$1.886	\$0.525	\$0.372	\$0.457	\$0.010	\$0.036	\$0.470	\$0.016
2011	3,087,558,937	1.627	0.468	0.321	0.374	0.010	0.032	0.407	0.015
2010	3,110,363,948	1.556	0.438	0.313	0.386	0.010	-	0.394	0.015
2009*	3,115,009,148	1.459	0.409	0.309	0.344	0.010	-	0.372	0.015
2008	1,571,324,500	2.787	0.778	0.590	0.660	0.010	-	0.720	0.029

Source: Township of Fairfield Tax Assessor and Tax Collector

*Revaluation

DEBT INFORMATION ON THE TOWNSHIP

The Township 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 Township must file an Annual Debt Statement with the Division. This report is made under oath and states the authorized, issued and unissued debt of the Township as of the previous December 31. Through the Annual and Supplemental Debt Statements, the Division monitors all local borrowing.

SUMMARY OF MUNICIPAL DEBT

	December 31				
	<u>Year 2012</u>	<u>Year 2011</u>	<u>Year 2010</u>	<u>Year 2009</u>	<u>Year 2008</u>
<u>Issued</u>					
General:					
Bonds and Notes	\$ 11,078,815.00	\$ 9,531,190.00	\$ 9,351,190.00	\$ 9,426,190.00	\$ 9,168,000.00
Assessments:					
Bonds	175,145.00	215,145.00	250,145.00	285,145.00	266,000.00
Water Utility:					
Bonds and Notes	1,251,050.00	1,211,050.00	1,363,050.00	1,515,050.00	1,571,000.00
Sewer Utility:					
Bonds and Notes	654,000.00	737,000.00	817,000.00	883,000.00	936,000.00
Swimming Pool Utility:					
Bonds and Notes	179,000.00	203,000.00	227,000.00	296,000.00	370,000.00
	<u>13,338,010.00</u>	<u>11,897,385.00</u>	<u>12,008,385.00</u>	<u>12,405,385.00</u>	<u>12,311,000.00</u>
<u>Authorized but Not Issued</u>					
General:					
Bonds and Notes		809,354.13	41,204.13	1,191,204.13	10,101,138.13
Water Utility:					
Bonds and Notes	103,300.00	103,550.00	65,550.00	65,550.00	65,550.00
Sewer Utility:					
Bonds and Notes	135,500.00	135,500.00	135,500.00	135,500.00	135,500.00
Swimming Pool Utility:					
Bonds and Notes	118,000.00	118,000.00	118,000.00	118,000.00	118,000.00
	<u>356,800.00</u>	<u>1,166,404.13</u>	<u>360,254.13</u>	<u>1,510,254.13</u>	<u>10,420,188.13</u>
Net Bonds and Notes Issued and Authorized but Not Issued	<u>\$ 13,694,810.00</u>	<u>\$ 13,063,789.13</u>	<u>\$ 12,368,639.13</u>	<u>\$ 13,915,639.13</u>	<u>\$ 22,731,188.13</u>

LITIGATION

To the knowledge of the Township Attorney, Dennis M. Galvin, Jackson, New Jersey, 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 Township or the title of any of the present officers. Moreover, to the knowledge of the Township Attorney, no litigation is presently pending or threatened that, in the opinion of the Township Attorney, would have a material adverse impact on the financial condition of the Township if adversely decided. A certificate to such effect will be executed by the Township's Attorney and delivered to the Underwriter 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 Township to comply with such requirements may cause interest on the Bonds to lose the exclusion from gross income for Federal income tax purposes, retroactive to the date of the issuance of the Bonds. The Township has covenanted to comply with the provisions of the Code applicable to the Bonds and has covenanted not to take any action or fail to take any action that would cause the interest on the Bonds to lose the exclusion from 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 Township observes its covenants with respect to continuing compliance with the Code, Gibbons P.C., Bond Counsel to the Township, 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 Township as “Qualified Tax-Exempt Obligations” for purposes of Section 265(b)(3) of the Code. The Township 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.

SECONDARY MARKET DISCLOSURE

The Township 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 Township 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, 2012, and to provide notices of the occurrence of certain enumerated events. The Annual Report will be filed by the Township with the Municipal Securities Rulemaking Board (the "MSRB"). The notices of enumerated events will be filed by the Township 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 B" - Form of Continuing Disclosure Certificate." These covenants have been made to assist the Underwriter in complying with Rule 15c2-12. The Township made late filings in connection with its continuing disclosure obligations with respect to its bonds in each of the fiscal years ending December 31, 2008, 2009, 2010 and 2011. The Township has since taken the requisite remedial steps by filing the necessary continuing disclosure obligations with the MSRB. Moreover, the Township has since implemented the necessary safeguards to ensure that, in the future, it will file its future continuing disclosure in a timely fashion. As of the date of this Official Statement, all appropriate filings and notices have been made and the Township is in compliance with Rule 15c2-12 with respect to its prior undertakings. With respect to the Bonds, the Township 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>).

PREPARATION OF OFFICIAL STATEMENT

The Township hereby states that the descriptions and statements herein, including financial statements, are true and correct in all material respects and it will confirm to the Underwriter by a certificate signed by the Chief Financial Officer, that to his 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.

Samuel Klein and Company, Newark, New Jersey, assisted in the preparation of information contained in this Official Statement and takes responsibility for the audited financial statements to the extent specified in their Independent Auditor's Report.

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

Gibbons P.C. 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, express no opinion with respect thereto.

LEGALITY FOR INVESTMENT

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

MUNICIPAL BANKRUPTCY

The undertakings of the Township should be considered with reference to Chapter IX of the Bankruptcy Act, 11 U.S.C. Section 901, et seq., as amended by Public Law 94-260, approved April 8, 1976, and as further amended on November 6, 1978 by the Bankruptcy Reform Act of 1978, effective October 1, 1979, as further amended by Public Law 100-597, effective November 3, 1988, the Bankruptcy Reform Act of 1994, effective October 22, 1994 and other bankruptcy laws affecting creditor's rights and municipalities in general. The amendments of P.L. 94-260 replace former Chapter IX and permit the State or any political subdivision, public agency, or instrumentality that is insolvent or unable to meet its debts to file a petition in a court of bankruptcy for the purpose of effecting a plan to adjust its debts; directs such a petitioner to file with the court a list of petitioner's creditors; provides that a petition filed under this chapter shall operate as a stay of the commencement or continuation of any judicial or other proceeding against the petitioner; grants priority to debt owed for services or material actually provided within three months of the filing of the petition; directs a petitioner to file a plan for the adjustment of its debts; and provides that the plan must be accepted in writing by or on behalf of creditors holding at least two-thirds in amount or more than one-half in number of the listed creditors. The 1976 Amendments were incorporated into the Bankruptcy Reform Act of 1978 with only minor changes.

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

RATING

Moody's Investors Service, Inc. (the "Rating Agency") has assigned the Bonds the rating of "_____". The rating reflects only the views of the Rating Agency and an explanation of the significance of such rating may only be obtained from the Rating Agency at the following address: 7 World Trade Center at 350 Greenwich Street, New York, New York 10007. The Township furnished to the Rating Agency certain information and materials concerning the Bond and the Township. There can be no assurance that the rating will be maintained for any given period of time or that it may not be raised, lowered or withdrawn entirely if, in the Rating Agency's judgment, circumstances so warrant. Any downward change in or withdrawal of such rating may have an adverse effect on the marketability or market price of the Bonds.

UNDERWRITING

_____, _____, _____ (the "Underwriter") has agreed, subject to certain customary conditions precedent to closing, to purchase the Bonds at a purchase price of \$_____. The purchase price of the Bonds reflects the principal amount of \$_____, plus a [net] original issue premium in the amount of \$_____. The Bonds are being offered to the public at the prices or yields set forth on the inside front cover page of this Official Statement, which prices may be changed from time to time by the Underwriter without notice. The Bonds may be offered and sold to dealers, including the Underwriter and dealers acquiring the Bonds for their own account or any account managed by them, at prices lower than the public offering prices. The Underwriter has purchased the Bonds in accordance with the Notice of Sale.

APPROVAL OF OFFICIAL STATEMENT

The Chief Financial Officer, pursuant to authority delegated to him, has authorized this Official Statement on behalf of the Township and will deliver a reasonable number of copies thereof, in final form, to the purchaser of the Bonds for their use in the sale, resale, or distribution of the Bonds.

ADDITIONAL INFORMATION

Additional information may be obtained upon request from the office of the Chief Financial Officer, Township of Fairfield, 230 Fairfield Road, Fairfield, New Jersey 07004.

MISCELLANEOUS

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

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

TOWNSHIP OF FAIRFIELD IN THE COUNTY OF ESSEX

By: _____
Joseph J. McCluskey, Chief Financial Officer

Dated: August __, 2013

APPENDIX A
TOWNSHIP OF FAIRFIELD
AUDITOR'S REPORT, FINANCIAL STATEMENTS AND
NOTES TO FINANCIAL STATEMENTS

SAMUEL KLEIN AND COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

*550 Broad Street
Newark, New Jersey 07102-4517
Phone (973) 624-6100
Fax (973) 624-6101*

*36 West Main Street, Suite 301
Freehold, New Jersey 07728-2291
Phone (732) 780-2600
Fax (732) 780-1030*

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying statutory basis financial statements of the various funds of the

**TOWNSHIP OF FAIRFIELD
COUNTY OF ESSEX**

as of and for the years ended December 31, 2011, 2010, 2009 and 2008. These statutory basis financial statements are the responsibility of the Municipality's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

These statutory basis financial statements have been prepared in conformity with accounting practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey which 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. These practices differ in certain respects, which in some instances may be material, from generally accepted accounting principles applicable to local government units. The more significant of these practices are described in Note 1 to the financial statements.

These statutory basis financial statements were prepared for the purpose of inclusion in an official statement for the issuance of General Obligation Bonds, Series 2013 consisting of General Improvement Bonds, Series 2013, Water Utility Bonds, Series 2013 and \$58,000 Swimming Pool Utility Bonds of the Township of Fairfield and were abstracted from the audit reports issued under the period referred to above as dated October 10, 2012, September 30, 2011, June 30, 2010 and August 11, 2009, respectively.

The following funds and account groups which were required to be the subject of our audit for the statutory basis financial statements of the Township of Fairfield are not required for this purpose and are not included in these special purpose financial statements:

Public Assistance Trust Fund
Capital Fixed Assets

The omission of these funds and account groups from the statements presented herein, do not materially affect the financial position of the Township.

In our opinion, because of the Township's policy to prepare its financial statements on the basis of accounting discussed in the third paragraph of this report, the financial statements referred to above do not present fairly, in conformity with generally accepted accounting principles, the financial position of the Township of Fairfield as of December 31, 2011, 2010, 2009 and 2008 or the results of its operations for the years then ended.

However, in our opinion, the statutory basis financial statements referred to above present fairly, in all material respects, the financial position of the Township of Fairfield in the County of Essex, as of December 31, 2011, 2010, 2009 and 2008, and the results of operations of such funds for the years then ended, in accordance with accounting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey and described in Note 1 to the financial statements.


SAMUEL KLEIN AND COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

JOSEPH J. FACCONI, RMA, PA

Newark, New Jersey
October 10, 2012

TOWNSHIP OF FAIRFIELD
COUNTY OF ESSEX, NEW JERSEY
CURRENT FUND

COMPARATIVE BALANCE SHEETS

Sheet #1

	Unaudited	Audited			
	Balance Dec. 31, 2012	Balance Dec. 31, 2011	Balance Dec. 31, 2010	Balance Dec. 31, 2009	Balance Dec. 31, 2008
<u>ASSETS AND DEFERRED CHARGES</u>					
<u>Regular Fund</u>					
Cash - Checking	\$ 5,280,988.05	\$ 5,287,757.60	\$ 4,268,882.90	\$ 1,376,319.70	\$ 2,514,090.26
Cash - Money Market Fund	128,475.38	126,510.64	122,989.20	1,907,647.44	400,191.91
Change Funds	170.00	170.00	170.00	170.00	170.00
	<u>5,409,633.43</u>	<u>5,414,438.24</u>	<u>4,392,042.10</u>	<u>3,284,137.14</u>	<u>2,914,452.17</u>
Due from State of New Jersey per Ch. 129, P.L. 1976	13,492.51	14,352.95	18,135.37	14,775.10	14,874.82
	<u>5,423,125.94</u>	<u>5,428,791.19</u>	<u>4,410,177.47</u>	<u>3,298,912.24</u>	<u>2,929,326.99</u>
Receivables and Other Assets with Full Reserves:					
Taxes Receivable	727,870.93	595,375.30	1,261,134.62	1,450,126.42	1,035,316.68
Tax Title Liens Receivable	1,826,307.32	1,927,917.86	1,146,828.40	1,027,871.48	923,938.57
Property Acquired for Taxes - Assessed Valuations	6,137,614.00	4,989,914.00	574,463.00	574,463.00	574,463.00
Revenue Accounts Receivable	16,779.43	19,053.97	37,376.16	28,629.34	25,213.99
Interfunds Receivable	490,711.54	318,597.09	107,642.91	31,436.86	108,767.79
	<u>9,199,283.22</u>	<u>7,850,858.22</u>	<u>3,127,445.09</u>	<u>3,112,527.10</u>	<u>2,667,700.03</u>
Deferred Charges:					
Emergency Authorization (N.J.S. 40A:4-46)		1,507,559.79	150,000.00		
Expenditure Without Appropriation			117,955.20		
Special Emergency Authorization (N.J.S.A. 40A:4-53)	352,900.00		80,000.00	160,000.00	240,000.00
Deferred School Taxes	12,061,069.22				
	<u>27,036,378.38</u>	<u>14,787,209.20</u>	<u>7,885,577.76</u>	<u>6,571,439.34</u>	<u>5,837,027.02</u>
<u>Federal and State Grant Fund</u>					
Interfunds Receivable	158,061.38	224,413.29	91,136.28	91,974.78	107,012.91
Federal and State Grants Receivable	822,178.39	683,880.92	409,125.58	440,425.71	168,669.13
	<u>980,239.77</u>	<u>908,294.21</u>	<u>500,261.86</u>	<u>532,400.49</u>	<u>275,682.04</u>
	<u>\$ 28,016,618.15</u>	<u>\$ 15,695,503.41</u>	<u>\$ 8,385,839.62</u>	<u>\$ 7,103,839.83</u>	<u>\$ 6,112,709.06</u>

TOWNSHIP OF FAIRFIELD
COUNTY OF ESSEX, NEW JERSEY
CURRENT FUND

COMPARATIVE BALANCE SHEETS

Sheet #2

	Unaudited	Audited			
	Balance Dec. 31, 2012	Balance Dec. 31, 2011	Balance Dec. 31, 2010	Balance Dec. 31, 2009	Balance Dec. 31, 2008
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>					
<u>Regular Fund</u>					
Appropriation Reserves:					
Encumbered	\$ 168,960.31	\$ 233,402.68	\$ 99,114.54	\$ 45,793.63	\$ 36,389.47
Unencumbered	1,561,578.67	1,701,313.68	1,255,228.10	1,152,880.36	819,401.69
Reserve for Revaluation Program					53,983.37
Accounts Payable	49,989.63	50,000.00		20,673.25	2,619.38
Tax Overpayments	160,906.70	31,981.31	115,014.92	96,211.60	95,116.10
Interfunds Payable	752,472.08	493,040.40	730,071.17	664,403.17	363,012.96
Special Emergency Note Payable		1,400,000.00	80,000.00	160,000.00	240,000.00
County Taxes Payable	19,185.34				
Prepaid Taxes	361,800.26	168,947.36	408,153.48	252,700.14	101,793.54
Unappropriated Reserves	10,447.00	10,447.00	10,447.41	15,670.41	
	<u>3,085,339.99</u>	<u>4,089,132.43</u>	<u>2,698,029.62</u>	<u>2,408,332.56</u>	<u>1,712,316.51</u>
Reserve for Receivables and Other Assets	9,199,283.22	7,850,858.22	3,127,445.09	3,112,527.10	2,667,700.03
Special Emergency Notes Payable	352,900.00				
Reserve for Deferred School Taxes	12,061,069.22				
Fund Balance	<u>2,337,785.95</u>	<u>2,847,218.55</u>	<u>2,060,103.05</u>	<u>1,050,579.68</u>	<u>1,457,010.48</u>
	<u>27,036,378.38</u>	<u>14,787,209.20</u>	<u>7,885,577.76</u>	<u>6,571,439.34</u>	<u>5,837,027.02</u>
<u>Federal and State Grant Fund</u>					
Federal and State Grant Programs Appropriated:					
Encumbered		5,122.54	13,720.80	5,040.45	9,184.45
Unencumbered	916,549.86	894,596.59	486,541.06	509,457.69	253,547.63
Unappropriated Reserves	63,689.91	8,575.08		17,902.35	12,949.96
	<u>980,239.77</u>	<u>908,294.21</u>	<u>500,261.86</u>	<u>532,400.49</u>	<u>275,682.04</u>
	<u>\$ 28,016,618.15</u>	<u>\$ 15,695,503.41</u>	<u>\$ 8,385,839.62</u>	<u>\$ 7,103,839.83</u>	<u>\$ 6,112,709.06</u>

See accompanying notes to financial statements.

TOWNSHIP OF FAIRFIELD
COUNTY OF ESSEX, NEW JERSEY
CURRENT FUND

COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE

	Unaudited 2012	2011	2010	Audited 2009	2008
<u>Revenue and Other Income</u>					
Fund Balance Utilized	\$ 1,300,000.00	\$ 1,200,000.00	\$ 800,000.00	\$ 1,166,277.65	\$ 2,000,000.00
Miscellaneous Revenue Anticipated	8,078,434.54	4,333,242.35	4,225,115.57	4,479,202.29	4,522,647.58
Receipts from Current Taxes	49,637,048.77	48,964,710.89	47,224,535.31	44,455,557.74	43,164,976.55
Receipts from Delinquent Taxes	625,343.49	1,063,800.59	742,625.38	432,590.87	334,572.67
Nonbudget Revenue	187,367.16	248,146.88	464,665.27	169,062.02	324,435.60
Other Credits to Income:					
Prior Years' Outstanding Checks Cancelled					3,806.89
Statutory Excess Animal Control Trust Fund				1,224.77	4,327.59
Due to State of New Jersey Cancelled				275.00	
Prior Year Interfunds Returned in 2012	5,046.84				
Unexpended Balance of Appropriation Reserves	640,066.45	801,043.50	888,256.64	537,010.12	364,131.45
Accounts Payable Cancelled			2,619.38		138,570.00
Tax Overpayments Cancelled		358,651.96	64,311.03		
Increase in Deferred Local District School Tax	48,664.00	83,572.00	269,645.02	164,574.98	200,669.00
Increase in Deferred Regional High School Tax		402,380.76	445,647.84	257,794.56	269,117.94
	<u>60,521,971.25</u>	<u>57,455,548.93</u>	<u>55,127,421.44</u>	<u>51,663,570.00</u>	<u>51,327,255.27</u>
<u>Expenditures and Other Charges</u>					
Budget Appropriations:					
Operations:					
Salaries and Wages	6,712,500.00	6,181,405.00	6,379,055.39	6,702,894.61	7,079,114.23
Other Expenses	10,556,329.09	8,682,170.49	7,702,501.04	6,837,824.01	7,459,837.00
Capital Improvements	288,750.00	338,841.69	25,000.00	215,000.00	165,000.00
Debt Service	1,792,449.17	1,479,957.90	1,446,585.62	1,474,796.51	1,405,770.93
Deferred Charges	1,435,100.00	423,201.48	80,000.00	80,000.00	238,500.00
Statutory Expenditures	1,524,635.00	1,772,430.00	884,544.72	820,731.50	311,688.00
	<u>22,309,763.26</u>	<u>18,878,006.56</u>	<u>16,517,686.77</u>	<u>16,131,246.63</u>	<u>16,659,910.16</u>
Accounts Receivable Cancelled				25.00	
Expenditure Without Appropriation			117,955.20		
Prior Year Senior Citizen Deductions Disallowed	1,750.00	1,850.00	1,000.00	500.00	1,000.00
Other Reserves				18,611.12	
Prior Year Paid Taxes Cancelled			461,511.58		22,364.58
Interfund Advances Originating in 2012	177,161.29	210,954.18	76,206.05	4,483.87	94,915.38
Decrease in Deferred Regional High School Tax	160,612.74	200,665.50			
County Taxes	13,045,858.40	13,027,150.79	12,725,766.80	12,092,508.61	11,792,254.09
Local School District Taxes	10,006,617.00	9,909,289.00	9,742,145.00	9,604,193.00	9,275,043.00
Regional High School Taxes	14,115,521.40	14,436,746.92	13,631,985.36	12,740,689.68	12,225,100.60
Municipal Open Space Tax	269,119.76	311,330.27	311,596.51	311,465.24	157,626.08
	<u>60,086,403.85</u>	<u>56,975,993.22</u>	<u>53,585,853.27</u>	<u>50,903,723.15</u>	<u>50,228,213.89</u>
Excess in Revenue	435,567.40	479,555.71	1,541,568.17	759,846.85	1,099,041.38
Adjustments to Income before Fund Balance:					
Expenditures Included Above Which Are by Statute					
Deferred Charges to Budget of Succeeding Year	355,000.00	1,507,559.79	267,955.20		
Statutory Excess to Fund Balance	790,567.40	1,987,115.50	1,809,523.37	759,846.85	1,099,041.38
<u>Fund Balance</u>					
Balance January 1	2,847,218.55	2,060,103.05	1,050,579.68	1,457,010.48	2,357,969.10
	<u>3,637,785.95</u>	<u>4,047,218.55</u>	<u>2,860,103.05</u>	<u>2,216,857.33</u>	<u>3,457,010.48</u>
Decreased by:					
Utilized as Anticipated Revenue	1,300,000.00	1,200,000.00	800,000.00	1,166,277.65	2,000,000.00
Balance December 31	<u>\$ 2,337,785.95</u>	<u>\$ 2,847,218.55</u>	<u>\$ 2,060,103.05</u>	<u>\$ 1,050,579.68</u>	<u>\$ 1,457,010.48</u>

See accompanying notes to financial statements.

TOWNSHIP OF FAIRFIELD
COUNTY OF ESSEX, NEW JERSEY
CURRENT FUND

COMPARATIVE STATEMENTS OF MISCELLANEOUS REVENUE REALIZED

	Unaudited		Audited		
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
<u>Miscellaneous Revenue</u>					
Alcoholic Beverage Licenses	\$ 48,796.00	\$ 41,317.00	\$ 45,801.00	\$ 46,041.00	\$ 38,201.00
Other Licenses	10,030.00	11,874.00	10,521.00	10,851.00	12,012.00
Fees and Permits	177,059.20	172,105.30	121,041.85	136,624.85	136,975.93
Municipal Court Fines and Costs	194,438.54	284,176.30	304,874.20	303,162.25	366,295.99
Interest and Costs on Taxes	169,544.02	182,870.80	162,284.71	117,065.56	97,771.57
Interest on Investments and Deposits	11,662.14	16,355.81	28,625.53	39,836.06	154,203.65
Comcast Franchise Fees (N.J.S.A. 48:5A-30)	66,753.61	67,057.18	59,625.48	25,719.95	28,795.35
Hazardous Chemical Control Fees	62,286.77	61,918.42	59,332.31	46,161.85	42,661.05
Recycling Fees	14,575.05	19,032.55	15,323.23	8,544.25	32,369.20
Hotel Inspection Fees	42,570.00	52,250.00	32,890.00	41,690.00	30,960.00
Consolidated Municipal Property Tax Relief Act	59,824.00	100,293.00	123,197.00	264,937.00	370,833.00
Energy Receipts Tax	1,115,071.00	1,074,602.00	1,051,698.00	1,240,374.00	1,185,163.00
Garden State Trust Pilot	10,447.00	10,447.41	15,670.00	18,611.12	22,506.84
Municipal Homeland Security					50,000.00
Uniform Construction Code Fees	181,243.00	241,704.00	284,790.00	134,422.00	122,138.00
Verizon FIOS Franchise Fee (N.J.S.A. 48:5A-30)	44,235.04	39,677.02	28,569.26	15,002.40	
Cellular Tower Rental	217,413.45	219,288.34	196,187.68	199,896.67	138,188.18
Site Plan Review	4,132.75	4,215.00	2,130.00	8,592.05	12,313.96
Fire Prevention Services	110,550.00	106,649.90	110,747.50	87,300.00	87,807.51
Engineering Escrow Fees	4,129.45	18,828.20	15,595.11	18,407.84	22,261.58
Public and Private Revenue Offset with Appropriations	4,772,719.59	751,890.88	293,400.06	1,019,912.42	659,206.05
Other Special Items:					
Uniform Fire Safety Act	124,909.47	145,281.44	139,634.23	132,344.49	134,267.18
Guaranty Agreement - Payment of Library Debt Service:					
1984 Bonds	28,100.00	30,800.00	33,500.00	36,200.00	38,900.00
ECIA Loans		110,000.00	110,000.00		124,955.12
General Capital Surplus			132,133.00		
Contracts with Free Public Library			300,000.00		
Reserve to Pay Debt Service			8,350.00		
Hotel and Motel Occupancy Fees	607,944.46	570,607.71	539,194.42	527,505.53	613,861.42
	<u>\$ 8,078,434.54</u>	<u>\$ 4,333,242.26</u>	<u>\$ 4,225,115.57</u>	<u>\$ 4,479,202.29</u>	<u>\$ 4,522,647.58</u>

See accompanying notes to financial statements.

TOWNSHIP OF FAIRFIELD
COUNTY OF ESSEX, NEW JERSEY
CURRENT FUND

COMPARATIVE STATEMENTS OF BUDGET APPROPRIATIONS

	Unaudited	Audited			
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
<u>Appropriations</u>					
Operations:					
General Government	\$ 4,288,550.00	\$ 3,956,835.00	\$ 3,818,800.61	\$ 3,954,364.57	\$ 3,994,302.61
Public Safety	4,858,900.00	4,388,600.00	4,712,144.00	4,890,915.04	4,855,600.00
Streets and Roads	1,040,500.00	873,500.00	801,296.00	774,705.00	833,497.00
Health and Welfare	1,029,000.00	986,625.00	993,482.39	1,137,833.00	1,067,026.11
Recreation and Education	395,900.00	400,400.00	314,145.00	379,822.46	482,106.00
Uniform Construction Code	338,000.00	320,000.00	302,111.00	347,380.00	480,452.00
Unclassified	605,000.00	617,000.00	585,000.00	595,000.00	622,500.00
Other Operations	4,712,979.09	3,320,615.49	2,554,577.43	1,460,698.55	2,203,467.51
	<u>17,268,829.09</u>	<u>14,863,575.49</u>	<u>14,081,556.43</u>	<u>13,540,718.62</u>	<u>14,538,951.23</u>
Capital Improvements	288,750.00	338,841.69	25,000.00	215,000.00	165,000.00
Deferred Charges	1,435,100.00	423,201.48	80,000.00	80,000.00	238,500.00
Statutory Expenditures:					
Contributions to:					
Public Employees' Retirement System	262,518.00	352,135.00	158,155.72	152,807.50	21,688.00
Social Security System (OASI)	272,000.00	257,000.00	257,000.00	260,000.00	290,000.00
Police and Firemen's Retirement System	890,929.00	964,107.00	422,201.00	407,924.00	
Police and Firemen's Retirement System -					
Early Retirement	21,688.00	21,688.00	21,688.00		
DC Retirement Program	2,500.00	2,500.00	2,500.00		
Unemployment Contribution	75,000.00	175,000.00	23,000.00		
Debt Service	1,792,449.17	1,479,957.90	1,446,585.62	1,474,796.51	1,405,770.93
	<u>\$ 22,309,763.26</u>	<u>\$ 18,878,006.56</u>	<u>\$ 16,517,686.77</u>	<u>\$ 16,131,246.63</u>	<u>\$ 16,659,910.16</u>

See accompanying notes to financial statements.

TOWNSHIP OF FAIRFIELD
COUNTY OF ESSEX, NEW JERSEY
TRUST FUND

COMPARATIVE BALANCE SHEETS

Sheet #1

ASSETS	Unaudited	Audited			
	Balance Dec. 31, 2012	Balance Dec. 31, 2011	Balance Dec. 31, 2010	Balance Dec. 31, 2009	Balance Dec. 31, 2008
<u>Assessment Trust Fund</u>					
Cash - Checking	\$ 118,463.40	\$ 49,369.14	\$ 65,866.58	\$ 83,260.21	\$ 54,363.13
Assessments Receivable:					
Pledged		46,355.14	61,241.62	77,935.55	23,682.81
Unpledged	81,502.79	14,643.83	361.48	361.48	361.48
Assessment Liens:					
Pledged	2,028.61	2,028.61	1,603.71	1,603.71	1,603.71
Unpledged	1,040.54	1,040.54	1,040.54	1,040.54	1,040.54
Interfunds Receivable	9,698.94	9,698.94	9,698.94	9,698.94	
Prospective Assessments Funded	115,690.95	115,690.95	115,690.95	115,690.95	188,388.95
Amount to be Raised by Taxation:					
Funded by Assessment Bonds			3,145.14	3,145.14	3,145.14
Cancelled Assessments			825.00	825.00	825.00
	<u>328,425.23</u>	<u>238,827.15</u>	<u>259,473.96</u>	<u>293,561.52</u>	<u>273,410.76</u>
<u>Animal Control Trust Fund</u>					
Cash - Checking	14,473.22	11,030.45	9,790.92	12,792.74	8,941.17
Due from State of New Jersey			1.80	3.00	
	<u>14,473.22</u>	<u>11,030.45</u>	<u>9,792.72</u>	<u>12,795.74</u>	<u>8,941.17</u>
<u>General Trust Fund</u>					
Cash - Checking	1,216,059.73	1,256,100.86	888,991.62	986,530.51	1,167,148.91
Cash - New Jersey Cash Management Fund	249,554.27	249,413.76	249,143.55	248,513.32	246,935.45
	<u>1,465,614.00</u>	<u>1,505,514.62</u>	<u>1,138,135.17</u>	<u>1,235,043.83</u>	<u>1,414,084.36</u>
Interfunds Receivable	569,333.79	201,864.44	539,556.66	545,474.77	261,996.52
Community Development Block Grant Funds					
Receivable	12,249.92	12,249.92	120,000.00	154,269.42	144,231.45
Other Accounts Receivable	21,034.98	21,034.98	19,561.53	40,575.57	47,816.66
Due from Municipal Court					975.00
	<u>2,068,232.69</u>	<u>1,740,663.96</u>	<u>1,817,253.36</u>	<u>1,975,363.59</u>	<u>1,869,103.99</u>
<u>Developers' Escrow Trust Fund</u>					
Cash	889,992.86	649,360.50	640,248.71	738,148.64	814,719.64
	<u>\$ 3,301,124.00</u>	<u>\$ 2,639,882.06</u>	<u>\$ 2,726,768.75</u>	<u>\$ 3,019,869.49</u>	<u>\$ 2,966,175.56</u>

TOWNSHIP OF FAIRFIELD
COUNTY OF ESSEX, NEW JERSEY
TRUST FUND

COMPARATIVE BALANCE SHEETS

Sheet #2

<u>LIABILITIES, RESERVES AND FUND BALANCE</u>	Unaudited	Audited			
	Balance Dec. 31, 2012	Balance Dec. 31, 2011	Balance Dec. 31, 2010	Balance Dec. 31, 2009	Balance Dec. 31, 2008
<u>Assessment Trust Fund</u>					
Assessment Serial Bonds	\$ 121,000.00	\$ 161,000.00	\$ 196,000.00	\$ 231,000.00	\$ 266,000.00
Assessment Bond Anticipation Notes	54,145.00	54,145.00	54,145.00	54,145.00	
Interfunds Payable	4,755.94	4,728.19	4,657.35	3,744.91	2,739.15
Reserve for Assessment and Liens	82,543.33	15,684.37	1,402.02	1,402.02	1,402.02
Fund Balance	65,980.96	3,269.59	3,269.59	3,269.59	3,269.59
	<u>328,425.23</u>	<u>238,827.15</u>	<u>259,473.96</u>	<u>293,561.52</u>	<u>273,410.76</u>
<u>Animal Control Trust Fund</u>					
Due to State of New Jersey		3.60			1.20
Interfunds Payable	2,924.13	2,924.13	5,587.54	6,396.74	5,171.97
Reserve for Expenditures	11,549.09	8,102.72	4,205.18	6,399.00	3,768.00
	<u>14,473.22</u>	<u>11,030.45</u>	<u>9,792.72</u>	<u>12,795.74</u>	<u>8,941.17</u>
<u>General Trust Fund</u>					
Accounts Payable	1,600.00	1,600.00	700.00	1,150.00	2,775.00
Due to State of New Jersey	28,348.00	10,737.00	9,361.00	3,525.00	3,780.00
Interfunds Payable	31,765.85	32,895.85	9,243.17	3,880.32	3,880.32
Due to Municipal Court	29,206.60	29,206.60	29,206.60	26,656.60	
Other Deposits		665,605.25	650,905.78	657,682.46	934,145.34
Redemption of Tax Title Liens		32,921.37	24,507.76	21,682.68	22,390.00
Premiums Received at Tax Sale		95,200.00	26,700.00	75,600.00	1,500.00
Reserves for:					
Municipal Open Space		529,911.34	583,539.39	587,552.85	276,087.61
Recreation Program Expenditures	325,422.39	255,138.91	291,073.90	295,622.78	245,854.07
Community Development Block Grant Expenditures	18,010.52	12,249.92	120,000.00	154,269.42	144,231.45
Third Party Lien Redemption	28,549.96				
Premium on Tax Sale	149,800.00				
Open Space Trust Fund	641,611.59				
State Unemployment Insurance Trust Expenditures	14,770.85	5,618.02	6,948.65	103,643.52	180,230.88
Outside Employment for Off-Duty Police Officers	105,659.36	69,579.70	65,067.11	44,097.96	54,229.32
Other Deposits and Reserves	693,487.57				
	<u>2,068,232.69</u>	<u>1,740,663.96</u>	<u>1,817,253.36</u>	<u>1,975,363.59</u>	<u>1,869,103.99</u>
<u>Developers' Escrow Trust Fund</u>					
Interfunds Payable	227,687.59	25,459.53	24,019.63	21,295.21	18,435.89
Developers' Escrow Trust Funds	662,305.27	623,900.97	616,229.08	716,853.43	796,283.75
	<u>889,992.86</u>	<u>649,360.50</u>	<u>640,248.71</u>	<u>738,148.64</u>	<u>814,719.64</u>
	<u>\$ 3,301,124.00</u>	<u>\$ 2,639,882.06</u>	<u>\$ 2,726,768.75</u>	<u>\$ 3,019,869.49</u>	<u>\$ 2,966,175.56</u>

See accompanying notes to financial statements.

TOWNSHIP OF FAIRFIELD
COUNTY OF ESSEX, NEW JERSEY
GENERAL CAPITAL FUND

COMPARATIVE BALANCE SHEETS

	Unaudited	Audited			
	Balance Dec. 31, 2012	Balance Dec. 31, 2011	Balance Dec. 31, 2010	Balance Dec. 31, 2009	Balance Dec. 31, 2008
<u>ASSETS AND DEFERRED CHARGES</u>					
Cash - Checking	\$ 1,517,122.13	\$ 1,488,138.50	\$ 755,735.11	\$ 454,780.07	\$ 104,294.32
Cash - Money Market Account	631,929.94	631,929.94	631,929.94	631,929.94	431,929.94
	<u>2,149,052.07</u>	<u>2,120,068.44</u>	<u>1,387,665.05</u>	<u>1,086,710.01</u>	<u>536,224.26</u>
Note Receivable	352,900.00		80,000.00	160,000.00	240,000.00
Interfunds Receivable	222,103.09	20,000.00		16,177.09	
Prospective Assessments Raised by Taxation					8,550.00
Deferred Charges to Future Taxation:					
Funded	1,598,000.00	2,555,000.00	3,557,000.00	4,482,000.00	5,369,000.00
Unfunded	9,651,664.07	7,547,039.07	5,596,889.07	5,896,889.07	13,756,114.63
	<u>\$ 13,973,719.23</u>	<u>\$ 12,242,107.51</u>	<u>\$ 10,621,554.12</u>	<u>\$ 11,641,776.17</u>	<u>\$ 19,909,888.89</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>					
Serial Bonds	\$ 1,598,000.00	\$ 2,008,000.00	\$ 2,418,000.00	\$ 2,828,000.00	\$ 5,369,000.00
Refunding Bonds		547,000.00	1,139,000.00	1,654,000.00	
Bond Anticipation Notes	7,252,815.00	5,310,190.00	5,470,190.00	4,512,190.00	3,259,000.00
Tax Appeal Refunding Note	2,228,000.00	1,666,000.00	324,000.00	432,000.00	540,000.00
Improvement Authorizations:					
Funded	71,776.24	65,526.24	66,538.69	116,358.12	404,604.75
Unfunded	1,971,565.74	2,136,853.63	857,587.81	1,777,794.28	9,904,649.85
Capital Improvement Fund	72,100.00	72,100.00	85,950.00	60,950.00	35,950.00
Interfunds Payable	443,410.80	163,506.82	45,564.10		984.98
Reserves for:					
Prospective Assessments Raised by Taxation					8,550.00
Improvements to Municipal Complex					87,804.00
Preliminary Costs					7,512.75
Storm Drainage Improvements					4,200.00
Payment of Debt Service				8,350.00	8,350.00
Contributions	240,000.00	200,000.00	160,000.00	120,000.00	80,000.00
Fund Balance	96,051.45	72,930.82	54,723.52	132,133.77	199,282.56
	<u>\$ 13,973,719.23</u>	<u>\$ 12,242,107.51</u>	<u>\$ 10,621,554.12</u>	<u>\$ 11,641,776.17</u>	<u>\$ 19,909,888.89</u>
Bonds and Notes Authorized but Not Issued	\$ 409,354.13	\$ 809,354.13	\$ 41,204.13	\$ 1,191,204.13	\$ 10,101,138.13

See accompanying notes to financial statements.

TOWNSHIP OF FAIRFIELD
COUNTY OF ESSEX, NEW JERSEY
WATER UTILITY

COMPARATIVE BALANCE SHEETS

Sheet #1

	Unaudited	Audited			
	Balance	Balance	Balance	Balance	Balance
<u>ASSETS AND DEFERRED CHARGES</u>	<u>Dec. 31, 2012</u>	<u>Dec. 31, 2011</u>	<u>Dec. 31, 2010</u>	<u>Dec. 31, 2009</u>	<u>Dec. 31, 2008</u>
<u>Operating Fund</u>					
Cash - Checking Account	\$ 760,397.57	\$ 526,700.02	\$ 159,690.65	\$ 117,840.23	\$ 50,126.85
Cash - Money Market	69,985.59	69,106.21	67,424.87	63,747.92	89,738.74
Interfunds Receivable	78,307.72	78,288.08	61,281.58	64,117.58	60,965.40
	<u>908,690.88</u>	<u>674,094.31</u>	<u>288,397.10</u>	<u>245,705.73</u>	<u>200,830.99</u>
Receivables and Inventory with Full Reserves:					
Consumer Accounts Receivable	90,683.92	67,892.48	91,049.82	411,759.60	406,087.02
Deferred Charges:					
Deficit in Operations (N.J.S.A. 40A:4-46)				8,576.91	
Emergency Authorization (N.J.S.A. 40A:4-47)		80,000.00	380,000.00		
		<u>80,000.00</u>	<u>380,000.00</u>	<u>8,576.91</u>	
	<u>999,374.80</u>	<u>821,986.79</u>	<u>759,446.92</u>	<u>666,042.24</u>	<u>606,918.01</u>
<u>Capital Fund</u>					
Cash - Checking Account	3,202.09	20,907.63	5,094.66	17,969.08	55,347.00
Cash - Money Market	270,364.23	270,364.23	295,364.23	295,364.23	295,364.23
	<u>273,566.32</u>	<u>291,271.86</u>	<u>300,458.89</u>	<u>313,333.31</u>	<u>350,711.23</u>
Interfunds Receivable:					
General Capital Fund	190,342.42	2,136.56			
Fixed Capital	4,984,660.95	4,984,660.95	4,984,660.95	4,984,660.95	4,952,660.95
Fixed Capital Authorized and Uncompleted	1,277,000.00	1,082,000.00	1,042,000.00	1,042,000.00	1,042,000.00
	<u>6,725,569.69</u>	<u>6,360,069.37</u>	<u>6,327,119.84</u>	<u>6,339,994.26</u>	<u>6,345,372.18</u>
	<u>\$ 7,724,944.49</u>	<u>\$ 7,182,056.16</u>	<u>\$ 7,086,566.76</u>	<u>\$ 7,006,036.50</u>	<u>\$ 6,952,290.19</u>

TOWNSHIP OF FAIRFIELD
COUNTY OF ESSEX, NEW JERSEY
WATER UTILITY

COMPARATIVE BALANCE SHEETS

Sheet #2

LIABILITIES, RESERVES AND FUND BALANCE	Unaudited	Audited			
	Balance Dec. 31, 2012	Balance Dec. 31, 2011	Balance Dec. 31, 2010	Balance Dec. 31, 2009	Balance Dec. 31, 2008
<u>Operating Fund</u>					
Appropriation Reserves:					
Encumbered	\$ 1,391.99	\$ 8,942.35	\$ 1,121.27	\$ 3,445.45	\$ 4,719.69
Unencumbered	278,560.59	119,563.57	139,551.09	234,594.35	87,690.01
Accrued Interest on Bonds	3,607.09	4,569.59	5,559.59	5,050.84	17,589.69
Accrued Interest on Notes	6,178.72	7,956.59	10,085.88	10,746.88	14,632.63
Water Rent Overpayments	6,789.84	5,017.15	523.66	218.85	283.95
Interfunds Payable	271,999.13	260,975.83	164,486.38		38,188.75
	<u>568,527.36</u>	<u>407,025.08</u>	<u>321,327.87</u>	<u>254,056.37</u>	<u>163,104.72</u>
Reserve for Receivables and Inventory	90,683.92	67,892.48	91,049.82	411,759.60	406,087.02
Fund Balance	340,163.52	347,069.23	347,069.23	226.27	37,726.27
	<u>999,374.80</u>	<u>821,986.79</u>	<u>759,446.92</u>	<u>666,042.24</u>	<u>606,918.01</u>
<u>Capital Fund</u>					
Serial Bonds					714,000.00
Refunding Bonds	359,000.00	464,000.00	572,000.00	666,000.00	
Bond Anticipation Notes	892,050.00	747,050.00	791,050.00	849,050.00	857,000.00
Improvement Authorizations:					
Funded	11,581.77				3,065.60
Unfunded	309,671.77	153,978.72	140,172.25	153,084.67	187,549.17
Capital Improvement Fund	552.00	552.00	2,552.00	2,552.00	2,552.00
Interfunds Payable	78,181.72	78,162.08	61,155.58	61,117.58	60,965.40
Reserves for:					
Amortization	4,625,660.95	4,520,660.95	4,412,660.95	4,318,660.95	4,238,660.95
Deferred Reserve for Amortization	281,650.00	231,400.00	185,400.00	127,400.00	119,450.00
Fund Balance	167,221.48	164,265.62	162,129.06	162,129.06	162,129.06
	<u>6,725,569.69</u>	<u>6,360,069.37</u>	<u>6,327,119.84</u>	<u>6,339,994.26</u>	<u>6,345,372.18</u>
	<u>\$ 7,724,944.49</u>	<u>\$ 7,182,056.16</u>	<u>\$ 7,086,566.76</u>	<u>\$ 7,006,036.50</u>	<u>\$ 6,952,290.19</u>
 Bonds and Notes Authorized but Not Issued	 \$ 103,300.00	 \$ 103,550.00	 \$ 65,550.00	 \$ 65,550.00	 \$ 65,550.00

See accompanying notes to financial statements.

TOWNSHIP OF FAIRFIELD
COUNTY OF ESSEX, NEW JERSEY
WATER UTILITY

COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE

	Unaudited <u>2012</u>	<u>2011</u>	Audited <u>2010</u>	<u>2009</u>	<u>2008</u>
<u>Revenue and Other Income</u>					
Fund Balance Utilized	\$ 127,050.00	\$ 1,828,331.91	\$ 1,734,053.41	\$ 37,500.00	\$ 9,300.00
Water Rents	1,911,303.95			1,507,233.89	1,524,055.24
Miscellaneous	52,713.06	61,596.60	46,576.60	34,528.40	41,004.35
Deficit (General Budget)		56,993.79			
Other Credits to Income:					
Unexpended Balance of Appropriation					
Reserves	40,419.45	47,773.65	179,959.37	16,323.30	15,849.80
	<u>2,131,486.46</u>	<u>1,994,695.95</u>	<u>1,960,589.38</u>	<u>1,595,585.59</u>	<u>1,590,209.39</u>
<u>Expenditures</u>					
Budget Appropriations:					
Operations	1,698,600.00	1,483,595.00	1,778,594.60	1,448,802.50	1,389,162.00
Capital Improvements					1,650.00
Debt Service	170,742.17	171,763.95	176,237.91	125,150.00	153,385.46
Deferred Charges	80,000.00				
Statutory Expenditures	62,000.00	39,337.00	30,337.00	28,710.00	31,337.00
Deficit in Operations in Prior Years		380,000.00	8,576.91		
	<u>2,011,342.17</u>	<u>2,074,695.95</u>	<u>1,993,746.42</u>	<u>1,602,662.50</u>	<u>1,575,534.46</u>
Prior Year Revenue Refunds	<u>2,011,342.17</u>	<u>2,074,695.95</u>	<u>1,993,746.42</u>	<u>1,604,162.50</u>	<u>1,575,534.46</u>
Excess in Revenue	120,144.29				14,674.93
Deficit in Revenue		<u>\$ (80,000.00)</u>	<u>\$ (33,157.04)</u>	<u>\$ (8,576.91)</u>	
Adjustments to Income before Fund Balance:					
Expenditures Included Above Which are by					
Statute Deferred Charges to Budget of					
Succeeding Year:					
Emergency Authorization		<u>\$ 80,000.00</u>	<u>\$ 380,000.00</u>		
Statutory Excess to Surplus	120,144.29	-	346,842.96		14,674.93
<u>Fund Balance</u>					
Balance January 1	<u>347,069.23</u>	<u>347,069.23</u>	<u>226.27</u>	<u>\$ 37,726.27</u>	<u>107,351.34</u>
	<u>467,213.52</u>	<u>347,069.23</u>	<u>347,069.23</u>	<u>37,726.27</u>	<u>122,026.27</u>
Decreased by:					
Utilized as Anticipated Revenue	127,050.00			37,500.00	9,300.00
Prior Year Surplus Appropriated in					
2008 Budget					75,000.00
	<u>127,050.00</u>			<u>37,500.00</u>	<u>84,300.00</u>
Balance December 31	<u>\$ 340,163.52</u>	<u>\$ 347,069.23</u>	<u>\$ 347,069.23</u>	<u>\$ 226.27</u>	<u>\$ 37,726.27</u>

See accompanying notes to financial statements.

TOWNSHIP OF FAIRFIELD
COUNTY OF ESSEX, NEW JERSEY
SEWER UTILITY

COMPARATIVE BALANCE SHEETS

Sheet #1

	Unaudited	Audited			
	Balance Dec. 31, 2012	Balance Dec. 31, 2011	Balance Dec. 31, 2010	Balance Dec. 31, 2009	Balance Dec. 31, 2008
<u>ASSETS</u>					
<u>Operating Fund</u>					
Cash - Checking	\$ 1,468,295.74	\$ 834,127.85	\$ 240,030.66	\$ 87,248.65	\$ 39,311.14
Cash - Money Market	1,018.85	873.56	613.14	47.30	112,945.62
Interfunds Receivable	186,011.39	221,853.62	243,925.08	48,435.55	2,575.07
	<u>1,655,325.98</u>	<u>1,056,855.03</u>	<u>484,568.88</u>	<u>135,731.50</u>	<u>154,831.83</u>
Receivables and Inventory with Full Reserves:					
Sewer Rents Receivable	201,104.49	207,201.50	248,276.20	1,262,384.65	864,501.39
Sewer Liens Receivable		18,777.59	9,430.89		
	<u>201,104.49</u>	<u>225,979.09</u>	<u>257,707.09</u>	<u>1,262,384.65</u>	<u>864,501.39</u>
Deferred Charges:					
Deficit in Operations					12,656.85
	<u>1,856,430.47</u>	<u>1,282,834.12</u>	<u>742,275.97</u>	<u>1,398,116.15</u>	<u>1,031,990.07</u>
<u>Assessment Trust Fund</u>					
Cash - Checking Account	63,384.79	63,365.66	63,325.26	63,265.93	53,131.65
Assessments Receivable:					
Unpledged	19,730.67	19,730.67	19,730.67	19,730.67	33,428.67
Assessment Liens:					
Unpledged	2,580.60	2,580.60	2,580.60	2,580.60	2,580.60
Assessment Lien Interest and Costs	428.13	428.13	428.13	428.13	428.13
Interfunds Receivable	13,698.00	13,698.00	13,698.00	13,698.00	379.00
	<u>99,822.19</u>	<u>99,803.06</u>	<u>99,762.66</u>	<u>99,703.33</u>	<u>89,948.05</u>
<u>Capital Fund</u>					
Cash - Checking Account	1,051.46	1,050.30	1,048.90	7,535.57	20,805.41
Cash - Money Market	55,213.61	55,213.61	55,213.61	55,213.61	77,102.63
	56,265.07	56,263.91	56,262.51	62,749.18	97,908.04
Fixed Capital	21,873,151.35	21,873,151.35	21,873,151.35	21,873,151.35	21,851,151.35
Fixed Capital Authorized and Uncompleted	884,100.00	884,100.00	884,100.00	884,100.00	884,100.00
	<u>22,813,516.42</u>	<u>22,813,515.26</u>	<u>22,813,513.86</u>	<u>22,820,000.53</u>	<u>22,833,159.39</u>
	<u>\$ 24,769,769.08</u>	<u>\$ 24,196,152.44</u>	<u>\$ 23,655,552.49</u>	<u>\$ 24,317,820.01</u>	<u>\$ 23,955,097.51</u>

TOWNSHIP OF FAIRFIELD
COUNTY OF ESSEX, NEW JERSEY
SEWER UTILITY

COMPARATIVE BALANCE SHEETS

Sheet #2

LIABILITIES, RESERVES AND FUND BALANCE	Unaudited	Audited			
	Balance Dec. 31, 2012	Balance Dec. 31, 2011	Balance Dec. 31, 2010	Balance Dec. 31, 2009	Balance Dec. 31, 2008
<u>Operating Fund</u>					
Appropriation Reserves:					
Encumbered	\$ 5,494.36	\$ 2,833.09	\$ 4,391.96	\$	\$ 2,297.79
Unencumbered	155,713.61	36,539.83	18,024.84	44,660.93	76,921.36
Accrued Interest on Bonds	8,772.84	9,647.11	9,309.06	9,304.39	21,928.16
Sewer User Overpayments	50,938.61	4,085.03	590.09	171.11	431.25
Interfunds Payable	69,476.53				34,043.51
	290,395.95	53,105.06	32,315.95	54,136.43	135,622.07
Reserve for Receivables and Inventory	201,104.49	225,979.09	257,707.09	1,262,384.65	864,501.39
Fund Balance	1,364,930.03	1,003,749.97	452,252.93	81,595.07	31,866.61
	1,856,430.47	1,282,834.12	742,275.97	1,398,116.15	1,031,990.07
<u>Assessment Trust Fund</u>					
Interfunds Payable	24,960.33	24,941.20	24,900.80	24,841.47	2,429.19
Reserves for:					
Assessment Liens Interest and Costs		428.13	428.13	428.13	
Assessments and Liens Receivable	22,739.40	22,311.27	22,311.27	22,311.27	36,437.40
Fund Balance	52,122.46	52,122.46	52,122.46	52,122.46	51,081.46
	99,822.19	99,803.06	99,762.66	99,703.33	89,948.05
<u>Capital Fund</u>					
Serial Bonds	83,000.00	98,000.00	108,000.00	123,000.00	936,000.00
Refunding Bonds	571,000.00	639,000.00	709,000.00	760,000.00	
Improvement Authorizations:					
Funded	16,883.21	16,883.21	16,883.21	16,883.21	21,383.21
Unfunded	93,849.66	93,849.66	93,849.66	100,349.66	114,155.66
Capital Improvement Fund	38,530.00	38,530.00	38,530.00	38,530.00	38,530.00
Interfunds Payable	33,308.91	33,307.75	33,306.35	33,293.02	145.88
Reserves for:					
Amortization	21,923,751.35	21,840,751.35	21,760,751.35	21,694,751.35	21,619,751.35
Deferred Reserve for Amortization	44,000.00	44,000.00	44,000.00	44,000.00	44,000.00
Fund Balance	9,193.29	9,193.29	9,193.29	9,193.29	59,193.29
	22,813,516.42	22,813,515.26	22,813,513.86	22,820,000.53	22,833,159.39
	\$ 24,769,769.08	\$ 24,196,152.44	\$ 23,655,552.49	\$ 24,317,820.01	\$ 23,955,097.51
 Bonds and Notes Authorized but Not Issued	 \$ 135,500.00	 \$ 135,500.00	 \$ 135,500.00	 \$ 135,500.00	 \$ 135,500.00

See accompanying notes to financial statements.

TOWNSHIP OF FAIRFIELD
COUNTY OF ESSEX, NEW JERSEY
SEWER UTILITY

COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE

	Unaudited	Audited			
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
<u>Revenue and Other Income</u>					
Fund Balance Utilized	\$	\$	\$ 81,500.00	\$ 19,200.00	\$ 321,837.00
Sewer Rents	4,513,977.30	4,471,538.86	4,241,823.87	3,790,594.84	3,147,769.77
Interest on Investments and Deposits	1,546.66	1,076.63	1,163.40	1,146.97	11,298.07
Miscellaneous	63,396.53	63,166.44	37,532.77	7,910.00	6,452.86
Sewer Assessment Trust Fund Balance				12,657.00	
Sewer Capital Fund Balance				50,000.00	
Other Credits to Income:					
Unexpended Balance of Appropriation					
Reserves	433.56	16,154.42	42,712.82	74,152.73	24,684.31
	<u>4,579,354.05</u>	<u>4,551,936.35</u>	<u>4,404,732.86</u>	<u>3,955,661.54</u>	<u>3,512,042.01</u>
<u>Expenditures</u>					
Budget Appropriations:					
Operations	3,953,680.00	3,865,651.00	3,834,238.00	3,736,624.87	3,365,500.00
Capital Improvements					4,500.00
Debt Service	102,493.99	102,451.31	88,000.00	108,741.36	123,361.86
Deferred Charges				12,656.85	
Statutory Expenditures	62,000.00	32,337.00	30,337.00	28,710.00	31,337.00
Surplus (General Budget)	100,000.00				
	<u>4,218,173.99</u>	<u>4,000,439.31</u>	<u>3,952,575.00</u>	<u>3,886,733.08</u>	<u>3,524,698.86</u>
Excess in Revenue	361,180.06	551,497.04	452,157.86	68,928.46	
Deficit in Revenue					<u>\$ (12,656.85)</u>
<u>Fund Balance</u>					
Balance January 1	1,003,749.97	452,252.93	81,595.07	31,866.61	353,703.61
	<u>1,364,930.03</u>	<u>1,003,749.97</u>	<u>533,752.93</u>	<u>100,795.07</u>	<u>353,703.61</u>
Decreased by:					
Utilized as Anticipated Revenue			81,500.00	19,200.00	321,837.00
Balance December 31	<u>\$ 1,364,930.03</u>	<u>\$ 1,003,749.97</u>	<u>\$ 452,252.93</u>	<u>\$ 81,595.07</u>	<u>\$ 31,866.61</u>

See accompanying notes to financial statements.

TOWNSHIP OF FAIRFIELD
COUNTY OF ESSEX, NEW JERSEY
SWIMMING POOL UTILITY

COMPARATIVE BALANCE SHEETS

	Unaudited	Audited			
	Balance Dec. 31, 2012	Balance Dec. 31, 2011	Balance Dec. 31, 2010	Balance Dec. 31, 2009	Balance Dec. 31, 2008
<u>ASSETS AND DEFERRED CHARGES</u>					
<u>Operating Fund</u>					
Cash - Checking	\$ 76,886.13	\$ 88,672.90	\$ 5,616.31	\$ 1,026.19	\$ 23,460.51
Cash - Money Market	524.08	476.21	390.43	703.94	6,459.31
Interfunds Receivable	30,203.36	37,144.88	43,908.12	7,131.98	319.73
Deferred Charges:					
Deficit in Operations			56.07	10,030.89	
	<u>107,613.57</u>	<u>126,293.99</u>	<u>49,970.93</u>	<u>18,893.00</u>	<u>30,239.55</u>
<u>Capital Fund</u>					
Cash - Checking Account	10,787.97	10,776.25	10,911.97	14,488.45	19,509.72
Cash - Money Market	18,000.00	18,000.00	18,000.00	18,000.00	18,000.00
	<u>28,787.97</u>	<u>28,776.25</u>	<u>28,911.97</u>	<u>32,488.45</u>	<u>37,509.72</u>
Interfunds Receivable:					
General Capital Fund	424.98	188.76			
Fixed Capital	1,548,406.45	1,548,406.45	1,548,406.45	1,548,406.45	1,547,406.45
Fixed Capital Authorized and Uncompleted	374,000.00	374,000.00	374,000.00	374,000.00	374,000.00
	<u>1,951,619.40</u>	<u>1,951,371.46</u>	<u>1,951,318.42</u>	<u>1,954,894.90</u>	<u>1,958,916.17</u>
	<u>\$ 2,059,232.97</u>	<u>\$ 2,077,665.45</u>	<u>\$ 2,001,289.35</u>	<u>\$ 1,973,787.90</u>	<u>\$ 1,989,155.72</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>					
<u>Operating Fund</u>					
Appropriation Reserves:					
Encumbered	\$	\$ 6,419.83	\$ 2,270.44	\$	\$ 656.45
Unencumbered	19,750.48	52,601.44	32,417.46	12,530.08	5,311.71
Accrued Interest on Notes	529.97	702.95	888.90	936.66	1,263.49
Accrued Interest on Bonds	1,957.31	2,291.90	2,626.48	3,249.80	5,734.56
Interfunds Payable	895.00	895.00	895.00	2,041.15	8,737.03
	<u>23,132.76</u>	<u>62,911.12</u>	<u>39,098.28</u>	<u>18,757.69</u>	<u>21,703.24</u>
Fund Balance	84,480.81	63,382.87	10,872.65	135.31	8,536.31
	<u>107,613.57</u>	<u>126,293.99</u>	<u>49,970.93</u>	<u>18,893.00</u>	<u>30,239.55</u>
<u>Capital Fund</u>					
Serial Bonds	117,000.00	137,000.00	157,000.00	177,000.00	296,000.00
Refunding Bonds				45,000.00	
Bond Anticipation Notes	62,000.00	66,000.00	70,000.00	74,000.00	74,000.00
Improvement Authorizations:					
Funded	48,678.68	48,678.68	48,678.68	48,678.68	48,678.68
Unfunded	80,291.89	80,291.89	80,441.99	84,046.99	89,100.04
Capital Improvement Fund	3,350.00	3,350.00	3,350.00	3,350.00	3,350.00
Interfunds Payable	7,186.60	7,174.88	7,160.50	7,131.98	319.73
Reserves for:					
Preliminary Study	7,280.80	7,280.80	7,280.80	7,280.80	7,280.80
Amortization	1,606,406.45	1,586,406.45	1,566,406.45	1,501,406.45	1,426,406.45
Deferred Amortization	19,000.00	15,000.00	11,000.00	7,000.00	7,000.00
Fund Balance	424.98	188.76			6,780.47
	<u>1,951,619.40</u>	<u>1,951,371.46</u>	<u>1,951,318.42</u>	<u>1,954,894.90</u>	<u>1,958,916.17</u>
	<u>\$ 2,059,232.97</u>	<u>\$ 2,077,665.45</u>	<u>\$ 2,001,289.35</u>	<u>\$ 1,973,787.90</u>	<u>\$ 1,989,155.72</u>
Bonds and Notes Authorized but Not Issued	<u>\$ 118,000.00</u>	<u>\$ 118,000.00</u>	<u>\$ 118,000.00</u>	<u>\$ 118,000.00</u>	<u>\$ 118,000.00</u>

See accompanying notes to financial statements.

TOWNSHIP OF FAIRFIELD
COUNTY OF ESSEX, NEW JERSEY
SWIMMING POOL UTILITY

COMPARATIVE STATEMENTS OF OPERATIONS
AND CHANGES IN FUND BALANCE

	Unaudited	Audited			
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
<u>Revenue and Other Income</u>					
Fund Balance Utilized	\$ 32,200.00	\$	\$	\$ 8,401.00	\$ 81,271.73
Membership Fees	173,475.00	197,812.00	208,650.00	211,535.00	220,823.00
Swimming Pool Utility Capital Surplus				6,780.47	
Nonbudget Revenue	37,101.64	23,451.83	29,475.16	28,721.19	29,796.34
Other Credits to Income:					
Prior Year Outstanding Checks Cancelled					134.80
Unexpended Balance of Appropriation					
Reserves	40,466.97	32,753.48	12,530.08	5,208.83	1,687.85
	<u>283,243.61</u>	<u>254,017.31</u>	<u>250,655.24</u>	<u>260,646.49</u>	<u>333,713.72</u>
<u>Expenditures</u>					
Budget Appropriations:					
Operations	189,500.00	163,693.93	146,225.18	172,101.97	220,500.00
Debt Service	29,315.67	30,257.09	76,217.90	84,724.24	89,740.41
Statutory Expenditures	10,000.00	7,500.00	7,500.00	13,851.17	14,937.00
Deficit in Operations of Prior Years		56.07	9,974.82		
	<u>228,815.67</u>	<u>201,507.09</u>	<u>239,917.90</u>	<u>270,677.38</u>	<u>325,177.41</u>
Refund of Prior Years' Revenue	1,130.00				
	<u>229,945.67</u>	<u>201,507.09</u>	<u>239,917.90</u>	<u>270,677.38</u>	<u>325,177.41</u>
Excess in Revenue	53,297.94	52,510.22	10,737.34		8,536.31
Deficit in Revenue				<u>\$ (10,030.89)</u>	
<u>Fund Balance</u>					
Balance January 1	63,382.87	10,872.65	135.31	\$ 8,536.31	81,271.73
	<u>116,680.81</u>	<u>63,382.87</u>	<u>10,872.65</u>	<u>8,536.31</u>	<u>89,808.04</u>
Decreased by:					
Utilized as Anticipated Revenue	32,200.00			8,401.00	81,271.73
Balance December 31	<u>\$ 84,480.81</u>	<u>\$ 63,382.87</u>	<u>\$ 10,872.65</u>	<u>\$ 135.31</u>	<u>\$ 8,536.31</u>

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

TOWNSHIP OF FAIRFIELD

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Township of Fairfield is governed by the Small Municipality Plan of the Optional Municipal Charter Law. The Township Council consists of four members, one of which is appointed Council President on an annual basis. The Mayor and each Council member is elected in a general election for a term of three years. Each Council member, including the Mayor, carries the power of one legislative vote.

Governmental Accounting Standards Board (GASB) establishes certain standards for defining and reporting on the financial reporting entity. In accordance with these standards, the reporting entity should include the primary government and those component units which are fiscally accountable to the primary government.

The financial statements of the Township of Fairfield include every board, body, officer or commission supported and maintained wholly or in part by funds appropriated by the Township, as required by the provisions of N.J.S. 40A:5-5. The financial statements, however, do not include the operations of the Municipal Library, which is a separate entity subject to a separate examination.

B. Description of Funds

The Governmental Accounting Standards Board (GASB) is the recognized standard setting body for establishing governmental accounting and financial reporting principles.

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

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

Trust Funds - The records of receipts, disbursements and custodianship of monies in accordance with the purpose for which each account was created are maintained in Trust Funds. These include the Assessment Trust Fund, Animal Control Trust Fund, General Trust Fund and Developers' Escrow Trust Fund.

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

Utilities Funds - Water, Sewer and Swimming Pool Utilities are treated as separate entities. Each maintains its own Operating and Capital Funds which reflect revenue, expenditures, stewardship, acquisitions of utility infrastructure and other capital facilities, debt service, long-term debt and other related activity.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Description of Funds (Continued)

Public Assistance Trust Fund - Receipts and disbursements of funds that provide assistance to certain residents of the Township of Fairfield pursuant to the provisions of Title 44 of the New Jersey statutes are maintained in the Public Assistance Trust Fund.

Free Public Library - Budget Appropriations and State Aid are transferred to the Free Public Library bank account and are expended with the approval of the Library for its purposes. Interest on investments, Library fines and other revenue are retained by the Library and expended therefrom. The Library is the subject of a separate report.

Payroll Fund - Net salaries, certain payroll deductions and social security contributions of municipal and utility operations are deposited into various bank accounts of the Payroll Fund. A Payroll Fund does not exist under GAAP.

Capital Fixed Assets - These accounts reflect estimated valuations of land, buildings and certain movable fixed assets of the Township as discussed under the caption of "Basis of Accounting".

C. Basis of Accounting

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

Property Taxes and Other Revenue

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

Grant Revenue

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

Expenditures

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting (Continued)

Expenditures (Continued)

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

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

Encumbrances

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

Appropriation Reserves

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

Compensated Absences

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

Property Acquired for Taxes

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

Interfunds Receivable

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting (Continued)

Inventories of Supplies

Materials and supplies purchased by all funds are recorded as expenditures.

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

Capital Fixed Assets

General:

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

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

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

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

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

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

Utilities:

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting (Continued)

Capital Fixed Assets (Continued)

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

D. Basic Financial Statements

The GASB Codification also defines the financial statements of a governmental unit to be presented in the general purpose financial statements to be in accordance with GAAP. The Township of Fairfield presents the financial statements listed in the table of contents which are required by the Division of Local Government Services 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.

2. CASH, CASH EQUIVALENTS AND INVESTMENTS

A. Cash and Cash Equivalents

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

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

In addition, by regulation of the Division of Local Government Services, municipalities are allowed to deposit funds in the Municipal Bond Insurance Association (MBIA) through their Investment Management Company.

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

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

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

All collateral must be deposited with the Federal Reserve Bank, The Federal Home Loan Bank Board or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.00.

B. Investments

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

- . Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America. This includes instruments such as Treasury bills, notes and bonds.

2. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

B. Investments (Continued)

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

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

As of December 31, 2011, the Township had funds invested and on deposit in checking, sweep accounts, governmental money market funds, certificates of deposit and New Jersey Cash Management Accounts. The amount of the Township's cash and cash equivalents on deposit as of December 31, 2011 was \$13,697,050.31. These funds constitute "deposits with financial institutions" as defined by GASB Statement No. 40. There were no securities categorized as investments as defined by GASB Statement No. 40.

3. TAXES AND TAX TITLE LIENS RECEIVABLE

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

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

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

3. TAXES AND TAX TITLE LIENS RECEIVABLE (Continued)

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

The following is a five year comparison of certain statistical information relative to property taxes and property tax collections for the current and previous four years.

Comparative Schedule of Tax Rates

	<u>2011</u>	<u>2010</u>	[*] <u>2009</u>	<u>2008</u>	<u>2007</u>
Tax Rate	<u>\$1.627</u>	<u>\$1.556</u>	<u>\$1.459</u>	<u>\$ 2.787</u>	<u>\$ 2.63</u>
Apportionment of Tax Rate:					
Municipal	\$0.406	\$0.386	\$0.344	\$ 0.660	\$ 0.60
Municipal Open Space	0.010	0.010	0.010	0.010	0.01
County	0.407	0.394	0.372	0.720	0.70
County Open Space	0.015	0.015	0.015	0.029	0.02
Local School	0.321	0.313	0.309	0.590	0.56
Regional High School	0.468	0.438	0.409	0.778	0.74

*Revaluation

Assessed Valuations

<u>Year</u>	<u>Amount</u>
2011	\$ 3,087,558,937.00
2010	3,110,363,948.00
2009	3,115,009,148.00 *
2008	1,571,324,500.00
2007	1,585,913,000.00

*Revaluation

Comparison of Tax Levies and Collections

<u>Year</u>	<u>Tax Levy</u>	<u>Collections</u>	<u>Percentage of Collections</u>
2011	\$ 50,282,463.68	\$ 48,964,710.89	97.38 %
2010	48,474,513.60	47,224,535.31	97.42
2009	45,525,600.05	44,455,557.74	97.64
2008	43,903,875.30	43,164,976.55	98.31
2007	42,003,762.49	41,278,266.51	98.27

3. TAXES AND TAX TITLE LIENS RECEIVABLE (Continued)

Delinquent Taxes and Tax Title Liens

<u>Year</u>	<u>Amount of Tax Title Liens</u>	<u>Amount of Delinquent Taxes</u>	<u>Total Delinquent</u>	<u>Percentage of Tax Levy</u>
2011	\$1,927,917.86	\$ 595,375.30	\$3,587,093.75	7.13 %
2010	1,146,828.40	1,261,134.62	2,407,963.02	4.97
2009	1,027,871.48	1,450,126.42	2,477,997.90	5.44
2008	923,938.57	1,035,316.68	1,959,255.25	4.46
2007	827,222.21	992,284.20	1,819,506.41	4.33

4. PROPERTY ACQUIRED BY TAX TITLE LIEN LIQUIDATION

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

<u>Year</u>	<u>Amount</u>
2011	\$4,989,914.00
2010	574,463.00
2009	574,463.00
2008	574,463.00
2007	574,463.00

5. WATER CONSUMER ACCOUNTS RECEIVABLE

The Township of Fairfield maintains a utility fund for the billing and collection of water rents. Billings are done on a quarterly basis.

A comparison of Water Utility billings and collections for the past five (5) years are as follows:

<u>Year</u>	<u>Billing</u>	<u>Collections*</u>
2011	\$ 1,805,174.57	\$ 1,828,331.91
2010	1,413,343.63 **	1,734,053.41
2009	1,512,906.47	1,507,233.89
2008	1,524,321.25	1,524,055.24
2007	1,526,208.13	1,480,776.80

*Collections include amounts that were levied in prior years.

** Represents three quarters of billings. A change to the accounting system in the year 2010 recorded the 4th quarter billing of \$426,591.00 in January of 2011.

6. SEWER RENTALS RECEIVABLE

The Township of Fairfield maintains a utility fund for the billing and collection of sewer user charges. Billings are done on a quarterly basis.

A comparison of billings and collections for the past five (5) years are as follows:

<u>Year</u>	<u>Billing</u>	<u>Collection*</u>
2011	\$ 4,439,810.86	\$ 4,471,538.86
2010	3,235,533.51 **	4,241,823.87
2009	4,188,478.10	3,790,594.84
2008	3,147,528.08	3,147,769.77
2007	2,974,599.95	3,180,430.74

*Collections include amounts that were levied in prior years.

**Represents three quarters of billings. A change to the accounting system in the year 2010 recorded the 4th quarter billing of \$1,022,796.25 in January of 2011.

7. SWIMMING POOL UTILITY

Swimming Pool Utility membership and guest fee collections for the past five (5) years are as follows:

<u>Year</u>	<u>Membership</u>	<u>Guests</u>
2011	\$ 197,812.00	\$ 4,045.00
2010	208,650.00	6,208.00
2009	211,535.00	4,823.00
2008	220,823.00	5,761.00
2007	243,620.00	4,164.00

8. FUND BALANCES APPROPRIATED

	<u>Year</u>	<u>Balance December 31</u>	<u>Utilized in Budgets of Succeeding Year</u>
Current Fund:	2011	\$ 2,847,218.55	\$ 1,300,000.00
	2010	2,060,103.05	1,200,000.00
	2009	1,050,579.68	800,000.00
	2008	1,457,010.48	1,137,000.00
	2007	2,357,969.10	2,000,000.00
Water Utility Operating Fund:	2011	347,069.23	127,050.00
	2010	347,069.23	-
	2009	226.27	-
	2008	37,726.27	37,500.00
	2007	107,351.34	9,300.00

8. FUND BALANCES APPROPRIATED (Continued)

	<u>Year</u>	<u>Balance December 31</u>	<u>Utilized in Budgets of Succeeding Year</u>
Sewer Utility Operating Fund:	2011	\$1,003,749.97	\$ -
	2010	452,252.93	-
	2009	81,595.07	81,500.00
	2008	31,866.61	19,200.00
	2007	353,703.61	321,837.00
Swimming Pool Utility Operating Fund:	2011	63,382.87	32,200.00
	2010	3,468.65	-
	2009	135.31	-
	2008	8,536.31	8,401.00
	2007	81,271.73	81,271.73

9. PENSION PLANS

Description of Systems

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

Public Employees' Retirement System:

The Public Employees' Retirement System (PERS) was established in January, 1955 under the provisions of N.J.S.A. 43:15A to provide coverage including post-retirement health care to substantially all full-time employees of the State or any county, municipality, school district or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees and vesting occurs after 8 to 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. Pension benefits for members enrolled in the system after May 21, 2010 would be based on 1/60th of the average annual compensation for the last five years of service or any five fiscal years of membership that provide the largest benefit to the member of the member's beneficiary. Early retirement is available to those under age 60 with 25 or more years of credited service. Anyone who retires early and is under age 55 receives retirement benefits as calculated in the above mentioned formula but at a reduced rate (one quarter of one percent for each month the member lacks of attaining age 55).

Police and Firemen's Retirement System:

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

9. PENSION PLANS (Continued)

Description of Systems (Continued)

Police and Firemen's Retirement System (Continued):

Chapter 428, Public Law of 1999, effective January 18, 2000, allows a member, age 55 and older with 20 or more years of service, to retire with a benefit equaling 50% of final compensation, in lieu of the regular retirement allowance available to the member. Final compensation means the compensation received by the member in the last twelve months of creditable service preceding retirement.

In addition, a member of the system as of the effective date of this law may retire with 20 or more years of service with a retirement allowance of 50% of final compensation, regardless of age, and, if required to retire because of attaining the mandatory retirement age of 65, an additional 3% of final compensation for every additional year of creditable service up to 25 years.

Contributions Required and Made

In accordance with the provisions of Chapter 78, P.L. 2011, employee pension contribution rates will be increased for PERS from 5.5% to 6.5% and for PFRS from 8.5% to 10% of their base wages, respectfully. These increases will be effective with the first payroll amount to be paid on or after October 1, 2011.

Employee contributions for PERS employees will be increased from 6.5% to 7.5% to be phased in equally over a 7 year period beginning July 2012. The contribution rate will increase by 0.14% each year with the first payroll of July until the 7.5% contribution rate is reached in July 2018.

Employer contributions are actuarially determined on an annual basis by the Division of Pensions. Contributions to the plan for the past three years are as follows:

<u>Year</u>	<u>PERS</u>		<u>PFRS</u>	
	<u>Township</u>	<u>Employees</u>	<u>Township</u>	<u>Employees</u>
2011	\$ 373,823.00	\$ 146,262.92	\$ 964,107.00	\$ 292,388.12
2010	278,740.00	154,553.08	840,044.00	299,619.40
2009	168,277.00	173,523.41	407,924.00	297,929.26

The Township of Fairfield, in accordance with the provisions of Public Law 2009, c. 19 (S21), elected by resolution of the governing body to defer the 50% of their 2009 normal and accrued pension liability for the PERS and PFRS pension retirement system obligation in the amount of \$496,879.00. This deferred pension liability will be repaid over a 15 year period starting in April 2012.

10. DEFINED CONTRIBUTION RETIREMENT PROGRAM

Description of System

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. 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. This waiver is irrevocable.

As of May 21, 2010, the minimum base salary required for eligibility in the DCRP was increased to \$5,000.00.

The DCRP is jointly administered by the Division of Pensions and Benefits and Prudential Financial.

10. DEFINED CONTRIBUTION RETIREMENT PROGRAM (Continued)

Description of System (Continued)

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 and 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 options 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 Public Employees' Retirement System (PERS).
- A Governor appointee with the 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 Required and Made

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

During the year 2011, there were two officials or employees enrolled in the DCRP.

11. POST-EMPLOYMENT BENEFITS OTHER THAN PENSION

Plan Description

The Township of Fairfield, by contractual agreement, provides medical benefits which include health and dental insurance coverage and prescription benefits to employees and their spouse after retirement with twenty-five years of full-time service with the municipality. These benefits are similar to health benefits provided to current employees.

Actuarial Valuation

An actuarial computation for the annual payment for currently retired employees and the future costs for those employees has not been prepared.

12. MUNICIPAL DEBT

The Local Bond Law governs the issuance of bonds and notes to finance general capital expenditures. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the Township are general obligation bonds, backed by the full faith and credit of the Township. Pursuant to N.J.S.A. 40A:2-8 bond anticipation notes, which are issued to temporarily finance capital projects, cannot be renewed past the third anniversary unless an amount equal to at least the first legally required installment is paid prior to each anniversary and must be paid off within ten years and five months or retired by the issuance of bonds.

Summary of Municipal Debt (Excluding Current and Operating Debt)

	<u>Year 2011</u>	<u>Year 2010</u>	<u>Year 2009</u>
<u>Issued</u>			
General:			
Bonds and Notes	\$ 9,531,190.00	\$ 9,351,190.00	\$ 9,426,190.00
Assessments:			
Bonds and Notes	215,145.00	250,145.00	285,145.00
Water Utility:			
Bonds and Notes	1,211,050.00	1,363,050.00	1,515,050.00
Sewer Utility:			
Bonds and Notes	737,000.00	817,000.00	883,000.00
Swimming Pool Utility:			
Bonds and Notes	203,000.00	227,000.00	296,000.00
	<u>11,897,385.00</u>	<u>12,008,385.00</u>	<u>12,405,385.00</u>
<u>Authorized but Not Issued</u>			
General:			
Bonds and Notes	809,354.13	41,204.13	1,191,204.13
Water Utility:			
Bonds and Notes	103,550.00	65,550.00	65,550.00
Sewer Utility:			
Bonds and Notes	135,500.00	135,500.00	135,500.00
Swimming Pool Utility:			
Bonds and Notes	118,000.00	118,000.00	118,000.00
	<u>1,166,404.13</u>	<u>360,254.13</u>	<u>1,510,254.13</u>
Net Bonds and Notes Issued and Authorized but Not Issued	<u>\$ 13,063,789.13</u>	<u>\$ 12,368,639.13</u>	<u>\$ 13,915,639.13</u>

12. MUNICIPAL DEBT (Continued)

Summary of Statutory Debt Condition - Annual Debt Statement

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of 0.342%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School	\$ 1,025,000.00	\$ 1,025,000.00	\$
Regional High School	8,877,506.08	8,877,506.08	
Water Utility	1,314,600.00	1,314,600.00	
Sewer Utility	872,500.00	872,500.00	
Swimming Pool Utility	321,000.00	321,000.00	
General	<u>10,555,689.13</u>	<u>289,575.36</u>	<u>10,266,113.77</u>
	<u>\$ 22,966,295.21</u>	<u>\$ 12,700,181.44</u>	<u>\$ 10,266,113.77</u>

Net debt, \$10,266,113.77, divided by Average Equalized Valuation Basis per N.J.S. 40A:2-2 as amended, \$2,995,195,964.00 equals 0.342%.

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

3 1/2% of Equalized Valuation Basis	\$ 104,831,858.74
Net Debt	<u>10,266,113.77</u>
Remaining Borrowing Power	<u>\$ 94,565,744.97</u>

School Debt Deductions

Local School Debt is deductible up to the extent of 3.0% of the Average Equalized Assessed Valuations of real property for the Local School District. As of December 31, 2011, local school district debt was the sum of \$1,025,000.00 and is fully deductible. Regional High School Debt is deductible in full. Regional High School Debt apportioned to the Township of Fairfield as of December 31, 2011 was the sum of \$8,877,506.08.

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

Cash Receipts from Fees, Rents or Other Charges for Year		\$ 1,889,928.51
Deductions:		
Operating and Maintenance Costs	\$ 1,522,932.00	
Debt Service per Water Utility Operating Fund	<u>171,763.95</u>	<u>1,694,695.95</u>
Excess in Revenue		<u>\$ 195,232.56</u>

There being an excess in revenue, all water utility debt is deductible for debt statement purposes.

12. MUNICIPAL DEBT (Continued)

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

Cash Receipts from Fees, Rents or Other Charges for Year		\$ 4,535,781.93
Deductions:		
Operating and Maintenance Costs	\$ 3,897,988.00	
Debt Service per Sewer Utility Operating Fund	<u>102,451.31</u>	<u>4,000,439.31</u>
Excess in Revenue		<u>\$ 535,342.62</u>

There being an excess in revenue, all Sewer Utility Debt is deductible for Debt Statement purposes.

Calculation of "Self-Liquidating Purposes" Swimming Pool Utility per N.J.S. 40A:2-45

Cash Receipts from Fees, Rents or Other Charges for Year		\$ 221,263.83
Deductions:		
Operating and Maintenance Costs	\$ 171,193.93	
Debt Service per Swimming Pool Utility Operating Fund	<u>30,257.09</u>	<u>201,451.02</u>
Excess in Revenue		<u>\$ 19,812.81</u>

There being an excess in revenue, all Swimming Pool Utility Debt is deductible for Debt Statement purposes.

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

As of December 31, 2011, the Township's long-term debt is as follows:

General Capital Bonds

Serial Bonds:

\$400,000.00, 1984 Bonds due in annual installments of \$20,000.00 through December 2014, interest at 13.5% (noncallable)	\$ 60,000.00
\$3,808,000.00, 2004 Bonds due in annual installments of \$388,000.00 to \$390,000.00 through July 2016, interest at 3.65%	1,948,000.00

Refunding Bonds:

\$1,654,000.00, 2009 Bonds due in annual installments of \$547,000.00 through January 2012, interest at 2.00%	<u>547,000.00</u>
	<u>\$ 2,555,000.00</u>

12. MUNICIPAL DEBT (Continued)

Special Assessment Bonds

\$356,000.00, 2005 Bonds due in annual installments of \$40,000.00 to \$41,000.00 through March 2015, interest at 4.10%

\$ 161,000.00

Water Utility Bonds

Refunding Bonds:

\$666,000.00, 2009 Bonds due in annual installments of \$109,000.00 to \$138,000.00 through January 2015, interest at 2.00% to 2.50%

\$ 464,000.00

Sewer Utility Bonds

Serial Bonds:

\$163,000.00, 2004 Bonds due in annual installments of \$10,000.00 to \$15,000.00 through July, 2018, interest at 3.65%

\$ 98,000.00

Refunding Bonds:

\$760,000.00, 2009 Bonds due in annual installments of \$55,000.00 to \$80,000.00 through January 2020, interest at 2.00% to 4.00%

639,000.00

\$ 737,000.00

Swimming Pool Utility Bonds

Serial Bonds:

\$257,000.00, 2004 Bonds due in annual installments of \$17,000.00 to \$20,000.00 through July, 2018, interest at 3.65%

\$ 137,000.00

Tax Appeal Refunding Note

Outstanding Tax Appeal Refunding Notes are summarized as follows:

	<u>Interest Rate</u>	<u>Amount</u>
General Capital Fund	1.50 %	\$ 216,000.00
	1.75	700,000.00
	1.50	<u>750,000.00</u>
		<u>\$ 1,666,000.00</u>

12. MUNICIPAL DEBT (Continued)

Emergency Note

Outstanding Emergency Note is summarized as follows:

	<u>Interest Rate</u>	<u>Amount</u>
Current Fund	1.50%	<u>\$ 400,000.00</u>

Bond Anticipation Notes

Outstanding Bond Anticipation Notes are summarized as follows:

	<u>Interest Rate</u>	<u>Amount</u>
Assessment Trust Fund	1.25 %	<u>\$ 54,145.00</u>
General Capital Fund	1.25	<u>\$ 5,310,190.00</u>
Water Capital Fund	1.25	<u>\$ 747,050.00</u>
Swimming Pool Capital Fund	1.25	<u>\$ 66,000.00</u>

Statutory requirements for providing sums equivalent to legally payable installments for the redemption of notes (Budget Appropriations) and permanent funding (Bond Issues) are summarized as follows:

<u>Original Notes Issued</u>	<u>Legal Installments Due</u>	<u>Permanent Funding Required as of May 1</u>
2001	2004 - 2011	2012
2002	2005 - 2012	2013
2005	2008 - 2015	2016
2006	2009 - 2016	2017
2007	2010 - 2017	2018
2009	2012 - 2019	2020
2010	2013 - 2020	2021

12. MUNICIPAL DEBT (Continued)

A schedule of annual debt service for general bonds principal and interest for bonded debt is as follows:

Calendar Year	Total	General		Special Assessment		Sewer Utility		Swimming Pool Utility	
		Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 578,560.50	\$ 410,000.00	\$ 79,202.00	\$ 40,000.00	\$ 5,781.00	\$ 15,000.00	\$ 3,577.00	\$ 20,000.00	\$ 5,000.50
2013	558,708.00	410,000.00	62,267.00	40,000.00	4,141.00	15,000.00	3,029.50	20,000.00	4,270.50
2014	538,855.50	410,000.00	45,332.00	40,000.00	2,501.00	15,000.00	2,482.00	20,000.00	3,540.50
2015	499,982.50	390,000.00	28,397.00	41,000.00	840.50	15,000.00	1,934.50	20,000.00	2,810.50
2016	435,629.50	388,000.00	14,162.00			10,000.00	1,387.00	20,000.00	2,080.50
2017	37,372.50					15,000.00	1,022.00	20,000.00	1,350.50
2018	31,095.00					13,000.00	474.50	17,000.00	620.50
	<u>\$ 2,680,203.50</u>	<u>\$ 2,008,000.00</u>	<u>\$ 229,360.00</u>	<u>\$ 161,000.00</u>	<u>\$ 13,263.50</u>	<u>\$ 98,000.00</u>	<u>\$ 13,906.50</u>	<u>\$ 137,000.00</u>	<u>\$ 19,673.50</u>

12. MUNICIPAL DEBT (Continued)

A schedule of annual debt service for refunding bonds principal and interest for bonded debt is as follows:

Calendar Year	Total	General		Water Utility		Sewer Utility	
		Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 751,181.25	\$ 547,000.00	\$ 5,470.00	\$ 105,000.00	\$ 8,920.00	\$ 68,000.00	\$ 16,791.25
2013	207,131.25			112,000.00	6,750.00	73,000.00	15,381.25
2014	198,481.25			109,000.00	4,540.00	71,000.00	13,941.25
2015	219,118.75			138,000.00	1,725.00	67,000.00	12,393.75
2016	90,456.25					80,000.00	10,456.25
2017	83,231.25					75,000.00	8,231.25
2018	80,981.25					75,000.00	5,981.25
2019	78,356.25					75,000.00	3,356.25
2020	55,928.13					55,000.00	928.13
	<u>\$ 1,764,865.63</u>	<u>\$ 547,000.00</u>	<u>\$ 5,470.00</u>	<u>\$ 464,000.00</u>	<u>\$ 21,935.00</u>	<u>\$ 639,000.00</u>	<u>\$ 87,460.63</u>

12. MUNICIPAL DEBT (Continued)**Bonds and Notes Authorized but Not Issued**

	Balance <u>Dec. 31, 2011</u>	Balance <u>Dec. 31, 2010</u>	Balance <u>Dec. 31, 2009</u>
General Capital Fund:			
General Improvements	\$ 809,354.13	\$ 41,204.13	\$ 1,191,204.13
Water Utility Capital Fund:			
General Improvements	103,550.00	65,550.00	65,550.00
Sewer Utility Capital Fund:			
General Improvements	135,500.00	135,500.00	135,500.00
Swimming Pool Utility Capital Fund:			
General Improvements	<u>118,000.00</u>	<u>118,000.00</u>	<u>118,000.00</u>
	<u>\$ 1,166,404.13</u>	<u>\$ 360,254.13</u>	<u>\$ 1,510,254.13</u>

13. INTERFUND RECEIVABLES AND PAYABLES

As of December 31, 2011, interfund receivables and payables that resulted from various interfund transactions were as follows:

<u>Fund</u>	Due from <u>Other Funds</u>	Due to <u>Other Funds</u>
Current Fund	\$ 318,597.09	\$ 493,040.40
Federal and State Grant Fund	224,413.29	
Assessment Trust Fund	9,698.94	4,728.19
Animal Control Trust Fund		2,924.13
General Trust Fund	201,864.44	32,895.85
Developers' Escrow Trust Fund		25,459.53
General Capital Fund	20,000.00	163,506.82
Water Operating Fund	78,288.08	260,975.83
Water Capital Fund	2,136.56	78,162.08
Sewer Operating Fund	221,853.62	
Sewer Assessment Trust Fund	13,698.00	24,941.20
Sewer Capital Fund		33,307.75
Swimming Pool Operating Fund	37,144.88	895.00
Swimming Pool Capital Fund	188.76	7,174.88
Payroll Fund	<u>128.00</u>	
	<u>\$ 1,128,011.66</u>	<u>\$ 1,128,011.66</u>

14. DEFERRED CHARGES TO BE RAISED IN SUCCEEDING YEARS' BUDGETS

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2011, the following deferred charges are shown on the balance sheets of the Current Fund, Assessment Trust Fund, Water Operating Fund and Swimming Pool Operating Fund:

	<u>Balance Dec. 31, 2011</u>	<u>2012 Budget Appropriation</u>
<u>Current Fund</u>		
Emergency Authorization (N.J.S.A. 40A:4-47)	\$1,507,559.79	\$ 1,400,000.00
<u>Water Operating Fund</u>		
Emergency Authorization	80,000.00	80,000.00

15. DEFERRED SCHOOL TAXES

The Local School District Tax and the Regional High School Tax were raised on the school year basis and liability deferred by statute, resulting in school taxes payable set forth in liabilities computed as follows:

	<u>Local School District Balance Dec. 31, 2011</u>	<u>Regional High School Balance Dec. 31, 2011</u>
*Balance of Tax	\$ 4,954,644.50	\$ 7,218,373.46
Amount Deferred	<u>4,954,644.50</u>	<u>7,218,373.46</u>
Tax Payable (Cash Liability)	<u>\$ -</u>	<u>\$ -</u>

*Required for school operations for the six month period following December 31st.

16. DEFERRED COMPENSATION PLAN

The Township of Fairfield offers its employees a Deferred Compensation Plan created in accordance with the provisions of N.J.S. 43:15B-1 et seq., and the Internal Revenue Code, Section 457. The plan, available to all municipal employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

Statutory and regulatory requirements governing the establishment and operation of Deferred Compensation Plans have been codified in the New Jersey Administrative Code under the reference N.J.A.C. 5:37.

The "Small Business Job Protective Act of 1996" revised several provisions of Section 457 of the Internal Revenue Code. A provision of the act required that all existing plans be modified to provide that the funds be held for the exclusive benefit of the participating employees and their beneficiaries.

The Township of Fairfield authorized such modifications to their plan by resolution of the Township Council adopted September 28, 1998.

The Administrator for the Township of Fairfield's Deferred Compensation Plan is AXA Equitable Life Insurance Company.

17. RISK MANAGEMENT

The Township of Fairfield is a member of the Suburban Essex Joint Insurance Fund with respect to General Liability, Property, Workers' Compensation and Employer Liability.

Members may be subject to additional assessments and are also responsible for their respective share of the fund's liabilities, should the fund be dissolved.

Payment to this Fund for the year 2011 was the sum of \$481,882.02.

18. CONTINGENT LIABILITY

A. Compensated Absences

The Township of Fairfield has an accrued sick policy plan whereby eligible employees may receive one-half of accumulated sick time not to exceed twenty days. Employees are compensated for unused vacation days.

It is estimated that the sum of \$421,386.20 would be payable to officials and employees as of December 31, 2011 for accumulated vacation and sick days. This amount was not verified by audit.

Provisions for the above are not reflected on the financial statements of the Township.

B. Tax Appeal

As of September 28, 2012, there were tax appeals pending before the New Jersey Tax Court in an undetermined amount.

Judgments favorable to the taxpayers generally extend to two years following the year judged and would also subject the Township to a liability for statutory interest based upon the amount of taxes refunded from the date of payment to the date of refund (R.S. 54:3-27.2).

C. Federal and State Awards

The Township participates in several state grant programs which are governed by various rules and regulations of the grantor agencies; therefore, to the extent that the Township has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable at December 31, 2011 may be impaired. In the opinion of management, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provisions have been recorded in the accompanying statutory basis financial statements for such contingencies.

D. Arbitrage Rebate Calculation

In 1985, under the Tax Reform Act, the Arbitrage Rebate Law went into effect requiring issuers of tax exempt debt obligations to rebate to the Federal Government all of the earnings in excess of the yield on investments of proceeds of such debt issuances (the "rebate arbitrage"). The Rebate Regulations apply to obligations issued after August 31, 1986. The arbitrage rebate liability must be calculated every installment computation date (last day of the fifth bond year) or earlier if the bonds are retired, defeased or refunded and pay at least 90% of the rebatable arbitrage (plus any earnings thereon) within 60 days after such date.

E. Payments in Lieu of Taxes (PILOT)

Under N.J.S.A. 40A:20-12, each municipality is required to annually remit to the County five percent (5%) of the annual service charge for each long-term PILOT financial agreement entered into by the municipality.

18. CONTINGENT LIABILITY (Continued)

F. Litigation

There is no significant litigation or any contingent liabilities, unasserted claims or assessments or statutory violations which would affect the financial position or results of operations of the Township.

19. SECONDARY MARKET DISCLOSURE

Solely for purposes of complying with Rule 1602-12 of the Securities and Exchange Commission, as amended and interpreted from time to time (the "Rule"), and provided that the Bonds are not exempt from the Rule and provided that the Bonds are not exempt from the requirements in accordance with Paragraph (d) of the Rule, for so long as the Bonds remain outstanding (unless the Bonds have been wholly defeased), the municipality shall provide for the benefit of the holders of the Bonds and the beneficial owners thereof various financial documents relating to the financial conditions of the Municipal Securities Rulemaking Board through the Electronic Municipal Access Data Port (the "MSRB").

20. SUBSEQUENT EVENT

The Township of Fairfield has evaluated subsequent events that occurred after the balance sheet date, but before October 10, 2012. No items were determined to require disclosure.

APPENDIX B

FORM OF CONTINUING DISCLOSURE CERTIFICATE

CONTINUING DISCLOSURE CERTIFICATE

THIS CONTINUING DISCLOSURE CERTIFICATE is made as of August 1, 2013 by the Township of Fairfield, 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 2013 dated their date of delivery in the aggregate principal amount of \$6,132,000 (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 __, 2013; 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 August 1, 2013 (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 __, 2013, 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 Fairfield, 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 __, 2013 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 headings “Provisions for the Protection of General Obligation Debt - Debt Limits”, “Provisions for the Protection of General Obligation Debt - Overlapping Debt”, “General Information Regarding the Township - Fiscal”, “General Information Regarding the Township - Ten Largest Taxpayers”, “General Information Regarding the Township - Trend in Property Valuations”, “Tax Information on the Township - Tax Collection Experience”, “Tax Information on the Township - Net Assessed Valuations and Annual Tax Rates” and “Debt Information on the Township - Summary of Municipal Debt”.

“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 nine months after the end of each Fiscal Year, commencing with the Fiscal Year of the Issuer ending December 31, 2012, 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 and stating the date it was provided.

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 carrying 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, 230 Fairfield Road, Fairfield, New Jersey 07004, Attention: Joseph J. McCluskey.

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 TOWNSHIP OF FAIRFIELD, NEW JERSEY has caused this Certificate to be executed in its name and its corporate seal to be hereunto affixed and attested by its duly authorized officers, all as of the date first above written.

[SEAL]

TOWNSHIP OF FAIRFIELD, NEW JERSEY

ATTEST:

By: _____
Joseph J. McCluskey, Chief Financial Officer

APPENDIX C

FORM OF BOND COUNSEL OPINION

August __, 2013

Mayor and Township Council
Municipal Building
230 Fairfield Road
Fairfield, New Jersey 07004

Dear Mayor and Council Members:

We have examined certified copies of the proceedings of the Council of the Township of Livingston, in the County of Essex, State of New Jersey (the "Township"), including ordinances, affidavits and certificates delivered by officials of the Township, and other proofs submitted to us relative to the issuance and sale by the Township of its \$6,132,000 General Obligation Bonds, Series 2013, consisting of \$5,316,000 General Improvement Bonds, Series 2013 (the "General Improvement Bonds"), \$758,000 Water Utility Bonds, Series 2013 (the "Water Utility Bonds"), and \$58,000 Swimming Pool Utility Bonds, Series 2013 (the "Swimming Pool Utility Bonds," and together with the General Improvement Bonds and the Water Utility 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 Township adopted on July 15, 2013, and various bond ordinances of the Township, in all respects duly adopted by the Township Council of the Township.

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 August 15 in the years and principal amounts as set forth below:

<u>Year</u>	<u>General Improvement Bonds</u>	<u>Water Utility Bonds</u>	<u>Swimming Pool Utility Bonds</u>	<u>Combined</u>
2014	\$210,000	\$20,000	\$10,000	\$240,000
2015	235,000	20,000	10,000	265,000
2016	235,000	40,000	10,000	285,000
2017	385,000	40,000	10,000	435,000
2018	385,000	40,000	10,000	435,000
2019	385,000	40,000	8,000	433,000
2020	385,000	40,000	-	425,000
2021	385,000	40,000	-	425,000
2022	385,000	40,000	-	425,000
2023	385,000	40,000	-	425,000
2024	385,000	40,000	-	425,000
2025	410,000	40,000	-	450,000
2026	410,000	40,000	-	450,000
2027	410,000	40,000	-	450,000
2028	326,000	40,000	-	366,000
2029	-	40,000	-	40,000
2030	-	40,000	-	40,000
2031	-	40,000	-	40,000
2032	-	40,000	-	40,000
2033	-	38,000	-	38,000

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 Township.

2. The Township has the power and is obligated to levy *ad valorem* taxes upon all the taxable property within the Township 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 Township 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 Township 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 Township 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.