

PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER 13, 2017

NEW ISSUE

Ratings: (See "RATINGS" herein)

In the opinion of DeCotiis, FitzPatrick, Cole & Giblin, LLP, Bond Counsel, assuming continuing compliance by the Township of South Brunswick (the "Township") with certain covenants described herein, under current law, interest on the Bonds and the Notes is not includable in gross income for federal income tax purposes and is not an item of tax preference under Section 57 of the Internal Revenue Code of 1986, as amended (the "Code"), for purposes of computing the federal alternative minimum tax; however, interest on the Bonds and the Notes held by corporate taxpayers is included in the relevant income computation for calculation of the federal alternative minimum tax as a result of the inclusion of interest on the Bonds and the Notes in "adjusted current earnings". No opinion is expressed regarding other federal tax consequences arising with respect to the Bonds and the Notes. Further, in the opinion of Bond Counsel, under current law interest on the Bonds and the Notes and any gain on the sale thereof are not includable as gross income under the New Jersey Gross Income Tax Act. See "TAX MATTERS" herein.

\$22,400,000
TOWNSHIP OF SOUTH BRUNSWICK
IN THE COUNTY OF MIDDLESEX, NEW JERSEY
GENERAL OBLIGATION BONDS, SERIES 2017
(BOOK-ENTRY ONLY) (CALLABLE)

consisting of:
\$9,837,000 General Improvement Bonds
\$12,147,000 Water-Sewer Utility Bonds
\$416,000 Open Space Bonds

Dated: Date of Delivery
Due: October 1, as shown on the inside front cover

\$9,134,000
TOWNSHIP OF SOUTH BRUNSWICK
IN THE COUNTY OF MIDDLESEX, NEW JERSEY
WATER-SEWER UTILITY BOND ANTICIPATION NOTES, SERIES 2017
(NON-CALLABLE)

Dated: Date of Delivery
Due: October 2, 2018

The \$22,400,000 General Obligation Bonds, Series 2017, consisting of \$9,837,000 General Improvement Bonds (the "General Improvement Bonds"), \$12,147,000 Water-Sewer Utility Bonds (the "Water-Sewer Utility Bonds") and \$416,000 Open Space Bonds (the "Open Space Bonds" and, collectively with the General Improvement Bonds and the Water-Sewer Utility Bonds, the "Bonds") of the Township of South Brunswick in the County of Middlesex, New Jersey (the "Township"), are valid and legally binding general obligations of the Township and, unless paid from other sources, are payable from ad valorem taxes levied upon all taxable real property within the Township for the payment of the Bonds and the interest thereon without limitation as to rate or amount.

The \$9,134,000 Water-Sewer Utility Bond Anticipation Notes, Series 2017 (the "Notes") are also general obligations of the Township, payable from ad valorem taxes levied upon all the taxable property within the Township for the payment of the Notes and the interest thereon without limitation as to rate or amount, as more fully described herein.

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

Principal of the Bonds is payable on October 1 in each of the years set forth on the inside front cover page hereof. Interest on the Bonds is payable initially on April 1, 2018 and semiannually thereafter on October 1 and April 1 of each year until maturity or earlier redemption. As long as DTC or its nominee Cede & Co. is the registered owner of the Bonds, payment of the principal of and interest on the Bonds will be made by the Township directly to DTC or its nominee, Cede & Co. Interest on the Bonds will be credited to the participants of DTC as listed on the records of DTC as of each next preceding March 15 and September 15 (the "Record Dates" for the payment of interest on the Bonds). Principal of and interest on the Notes will be payable by the Township or a duly designated paying agent at the date of maturity. While DTC is acting as securities depository for the Bonds and the Notes, the principal of and interest on the Bonds and the Notes will be payable by wire transfer to DTC or its nominee, which is obligated to remit such principal and interest payments to DTC Participants. DTC Participants and Indirect Participants will be responsible for remitting such principal and interest payments to the Beneficial Owners of the Bonds or the Notes. See "BOOK-ENTRY ONLY SYSTEM" herein.

The Bonds are subject to redemption prior to their stated maturities and the Notes are not subject to redemption prior to their stated maturities as described herein.

The Notes will bear interest at the rate per annum indicated on the inside front cover, commencing from their date of delivery. Interest on the Notes will be payable at maturity, as indicated above.

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

The Bonds and the Notes are offered when, as and if issued and subject to prior sale, to withdrawal or modification of the offer without notice, and to the approval of legality by the law firm of DeCotiis, FitzPatrick, Cole & Giblin, LLP, Teaneck, New Jersey, Bond Counsel, and certain other conditions described herein. Certain legal matters will be passed upon for the Township by its Counsel, Donald Sears, South Brunswick, New Jersey. Phoenix Advisors, LLC has served as Municipal Advisor in connection with the Bonds and the Notes. The Bonds and the Notes are expected to be available for delivery in definitive form through DTC in New York, New York on or about October 3, 2017.

BID PROPOSALS FOR THE BONDS WILL BE ACCEPTED ONLY BY ELECTRONIC SUBMISSION VIA THE MUNIAUCTION WEBSITE AT WWW.GRANTSTREET.COM (OPEN AUCTION) ON SEPTEMBER 20, 2017 @ 11:00 A.M. TO 11:15 A.M., SUBJECT TO THE 2 MINUTE RULE. FOR MORE DETAILS ON HOW TO BID ELECTRONICALLY AND TO VIEW THE NOTICE OF SALE, VISIT THE WEBSITE ADDRESS ABOVE.

BIDS FOR THE NOTES, IN ACCORDANCE WITH THE FULL NOTICE OF SALE FOR THE NOTES, WILL BE RECEIVED BY THE TOWNSHIP, UNTIL 11:30 AM ON SEPTEMBER 20, 2017, BY FACSIMILE: (732) 274-8864, EMAIL: JMONZO@SBTNJ.NET OR ELECTRONICALLY VIA THE PARITY ELECTRONIC BID SUBMISSION SYSTEM.

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

\$22,400,000
TOWNSHIP OF SOUTH BRUNSWICK
IN THE COUNTY OF MIDDLESEX, NEW JERSEY
GENERAL OBLIGATION BONDS, SERIES 2017
 consisting of:
\$9,837,000 General Improvement Bonds
\$12,147,000 Water-Sewer Utility Bonds
\$416,000 Open Space Bonds

MATURITIES, AMOUNTS, INTEREST RATES, YIELD AND CUSIP*

<u>Year</u>	<u>General Improvement</u>	<u>Water/Sewer Utility</u>	<u>Open Space</u>	<u>Aggregate Principal</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP*</u>
2018	\$377,000	\$352,000	\$21,000	\$750,000	%	%	836785__
2019	430,000	400,000	20,000	850,000			836785__
2020	450,000	425,000	25,000	900,000			836785__
2021	600,000	550,000	25,000	1,175,000			836785__
2022	750,000	600,000	25,000	1,375,000			836785__
2023	750,000	600,000	25,000	1,375,000			836785__
2024	750,000	600,000	25,000	1,375,000			836785__
2025	750,000	600,000	25,000	1,375,000			836785__
2026	750,000	600,000	25,000	1,375,000			836785__
2027	730,000	610,000	35,000	1,375,000			836785__
2028	700,000	620,000	30,000	1,350,000			836785__
2029	700,000	650,000	30,000	1,380,000			836785__
2030	700,000	665,000	35,000	1,400,000			836785__
2031	700,000	675,000	35,000	1,410,000			836785__
2032	700,000	700,000	35,000	1,435,000			836785__
2033	0	700,000	0	700,000			836785__
2034	0	700,000	0	700,000			836785__
2035	0	700,000	0	700,000			836785__
2036	0	700,000	0	700,000			836785__
2037	0	700,000	0	700,000			836785__

\$9,134,000

WATER-SEWER UTILITY BOND ANTICIPATION NOTES, SERIES 2017

COUPON: ._% YIELD: ._% CUSIP*: 836785__

* CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein are provided by Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. The CUSIP numbers listed above are being provided solely for the convenience of holders of the Bonds and the Notes only at the time of issuance of the Bonds and the Notes and the Township does not make any representation with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds or the Notes as a result of procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds or the Notes.

**TOWNSHIP OF SOUTH BRUNSWICK
MUNICIPAL BUILDING
540 RIDGE ROAD
MONMOUTH JUNCTION, NEW JERSEY 08852**

Mayor

Chris Killmurray

Township Council

Charles Carley(Deputy Mayor)

Kenneth Bierman

Joseph Camarota Jr.

Josephine Hochman

Township Manager

Bernard P. Hvozdovic Jr.

Township Chief Financial Officer

Joseph P. Monzo

Tax Collector

Kathie Gilliland

Township Clerk

Barbara Nyiatri

Township Solicitor

Donald J. Sears, Esquire

Township Auditor

Wiss & Company, LLP

Iselin, New Jersey

Bond Counsel

DeCotiis, FitzPatrick, Cole & Giblin, LLP

Teaneck, New Jersey

Municipal Advisor

Phoenix Advisors, LLC

Bordentown, New Jersey

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

References in this Official Statement to laws, rules, regulations, resolutions, agreements, reports and documents do not purport to be comprehensive or definitive. All references to such documents are qualified in their entirety by reference to the particular document, the full text of which may contain qualifications of and exceptions to statements made herein, and copies of which may be inspected at the offices of the Township 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 and the Notes in any jurisdiction in which it is unlawful for any person to make such an offer, solicitation or sale. No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations other than as contained in this Official Statement. If given or made, such other information or representations must not be relied upon as having been authorized by the Township or the Underwriter.

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**OFFICIAL STATEMENT
Relating to**

**TOWNSHIP OF SOUTH BRUNSWICK IN THE
COUNTY OF MIDDLESEX, NEW JERSEY**

**\$22,400,000 GENERAL OBLIGATION BONDS, SERIES 2017
consisting of:
\$9,837,000 General Improvement Bonds
\$12,147,000 Water-Sewer Utility Bonds
\$416,000 Open Space Bonds**

and

\$9,134,000 WATER-SEWER UTILITY BOND ANTICIPATION NOTES, SERIES 2017

INTRODUCTION

This Official Statement, which includes the cover page, inside front cover page and the appendices attached hereto, has been prepared by the Township of South Brunswick in the County of Middlesex, New Jersey (the "Township"), in connection with the sale and the issuance of \$22,400,000 General Obligation Bonds, Series 2017, consisting of \$9,837,000 General Improvement Bonds (the "General Improvement Bonds"), \$12,147,000 Water-Sewer Utility Bonds (the "Water-Sewer Utility Bonds") and \$416,000 Open Space Bonds (the "Open Space Bonds" and, collectively with the General Improvement Bonds and the Water-Sewer Utility Bonds, the "Bonds") and \$9,134,000 Water-Sewer Utility Bond Anticipation Notes, Series 2017 (the "Notes"). This Official Statement has been executed by and on behalf of the Township by the Chief Financial Officer and may be distributed in connection with the sale of the Bonds.

THE BONDS

General Description

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

Principal of the Bonds is payable on October 1 in each of the years set forth on the inside front cover hereof. Interest on the Bonds is payable initially on April 1, 2018 and semiannually thereafter on October 1 and April 1 of each year until maturity or earlier redemption. As long as DTC or its nominee Cede & Co. is the registered owner of the Bonds, payment of the principal of and interest on the Bonds will be made by the Township directly to DTC or its nominee, Cede & Co. Interest on the Bonds will be credited to the participants of DTC as listed on the records of DTC as of each next preceding September 15 and March 15 (the "Record Dates" for the payment of interest on the Bonds).

AUTHORIZATION AND PURPOSE OF THE BONDS

The Township is authorized to issue the Bonds pursuant to the Local Bond Law, N.J.S.A. 40A: 2-1 et seq., as amended and supplemented (the "Local Bond Law"), and by virtue of various bond ordinances adopted by the Township Council, as described in the following table, and published in accordance with the requirements of the Local Bond Law; and by a resolution adopted by the Township Council on August 22, 2017.

The proceeds of the Bonds will be issued to: (i) refund, on a current basis, \$5,366,000 of the Township's bond anticipation notes issued in the aggregate principal amount of \$6,000,000, dated October 5, 2016 and maturing October 4, 2017 (the "2016 Prior Notes"); (ii) refund, on a current basis, \$7,882,000 of the Township's bond anticipation notes issued in the aggregate principal amount of \$16,382,000, dated January 26, 2017 and maturing October 4, 2017 (the "2017 Prior Notes" and together with the 2016 Prior Notes, the "Prior Notes"); (iii) permanently finance \$9,152,000 of various new money capital projects in the Township; and (iv) pay costs and expenses incidental to the issuance and delivery of the Bonds.

General Improvement Ordinances			
Ordinance Number	Description of Improvements	Amount of Prior Notes Being Refunded With the Bonds	Amount of New Money
2008-52	Acquisition of Ambulance, adopted September 23, 2008.	\$29,000	\$500
2012-10	Various Improvements, adopted April 24, 2012.	100,000	
2012-14	Various Improvements, adopted on May 8, 2012.	0	5,000,000
2013-09	Various Improvements, adopted on March 26, 2013.	0	750
2014-24	Various Improvements, adopted July 22, 2014.	400,000	850,150
2015-24	Various Improvements, adopted July 14, 2015.	1,000,000	245,000
2016-17	Various Improvements, adopted July 26, 2016.	<u>2,000,000</u>	<u>211,600</u>
SUB-TOTAL:		\$3,529,000	\$6,308,000
TOTAL GENERAL IMPROVEMENT BONDS:			<u>\$9,837,000</u>

Water-Sewer Utility Ordinances			
Ordinance Number	Description of Improvements	Amount of Prior Notes Being Refunded With the Bonds	Amount of New Money
2011-21	Various Water-Sewer Improvements, adopted June 28, 2011.	\$1,900,000	\$65,000
2012-16	Various Water-Sewer Improvements, adopted May 8, 2012.	225,000	200,000
2012-23	Various Water-Sewer Improvements, adopted August 14, 2012.	5,050,000	2,500,000
2014-23	Various Water-Sewer Improvements, adopted July 22, 2014.	1,733,000	74,000
2016-18	Various Water-Sewer Improvements, adopted July 26, 2016.	<u>400,000</u>	<u>0</u>
SUB-TOTAL:		\$9,308,000	\$2,839,000
TOTAL WATER-SEWER UTILITY BONDS:			<u>\$12,147,000</u>

Open Space Ordinances			
Ordinance Number	Description of Improvements	Amount of Prior Notes Being Refunded With the Bonds	Amount of New Money
2012-33	Acquisition of Real Property, adopted October 9, 2012.	\$211,000	\$0
2015-26	Various Improvements, adopted July 14, 2015.	<u>200,000</u>	<u>5,000</u>
SUB-TOTAL:		\$411,000	\$5,000
TOTAL OPEN SPACE BONDS:			<u>\$416,000</u>
GRAND TOTAL BONDS:			<u>\$22,400,000</u>

THE NOTES

General Description

The Notes shall be dated and shall bear interest from their date of delivery, and will mature on the date and in the amount shown on the front and inside front cover pages hereof. The Notes shall bear interest, payable at maturity, at the rate shown on the inside front cover page hereof.

The Notes may be purchased in book-entry only form in the amount of \$5,000 or any integral multiple of \$1,000 in excess thereof through book-entries made on the books and the records of DTC.

AUTHORIZATION AND PURPOSE OF THE NOTES

The Notes are being issued pursuant to the Local Bond Law to provide funds for: (i) the current refunding of a \$634,000 portion of the 2016 Prior Notes; (ii) the current refunding of a \$8,500,000 portion of the 2017 Prior Notes; and (iii) pay costs and expenses incidental to the issuance and delivery of the Notes. The Notes have been authorized by the ordinance adopted by the Township Council as set forth below:

Open Space Ordinances			
Ordinance Number	Description of Improvements	Amount of Prior Notes Being Refunded With the Bonds	Amount of New Money
2015-25	Various Improvements, adopted July 14, 2015.	<u>\$9,134,000</u>	<u>\$0</u>
TOTAL NOTES:			<u>\$9,134,000</u>

BOOK-ENTRY ONLY SYSTEM

General

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

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

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

Purchases of Bonds and Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds and the Notes on DTC's records. The ownership interest of each actual purchaser of each Bond or Note ("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 and the Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds and the Notes, except in the event that use of the book-entry system for the Bonds and the Notes is discontinued.

To facilitate subsequent transfers, all Bonds and Notes deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds and Notes 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 and the Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds and Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds and Notes, unless authorized by a Direct Participant in accordance with DTC's 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 and Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds and the Notes 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 agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, agent, or the Township, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Township or agent, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

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

REDEMPTION

Bonds

The Bonds of this issue maturing prior to October 1, 2028 are not subject to redemption prior to their stated maturities. The Bonds of this issue maturing on or after October 1, 2028 are redeemable at the option of the Township in whole or in part on any date on or after October 1, 2027 upon notice as required herein at one hundred percent (100%) of the principal amount being redeemed (the "Redemption Price"), plus accrued interest to the date fixed for redemption.

Notice of Redemption of Bonds

Notice of redemption ("Notice of Redemption") shall be given by mailing such notice at least thirty (30) days but not more than sixty (60) days before the date fixed for redemption by first class mail in a sealed envelope with postage prepaid to the registered owners of such Bonds at their respective addresses as they last appear on the registration books kept for that purpose by the Township or a duly appointed Bond Registrar. So long as DTC (or any successor thereto) acts as Securities Depository for the Bonds, Notice of Redemption shall be sent to such Securities Depository and shall not be sent to the beneficial owners of the Bonds. Any failure of the Securities 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 prior to maturity, such Bonds shall be selected by the Township; the Bonds to be redeemed having the same maturity shall be selected by the Securities Depository in accordance with its regulations.

If Notice of Redemption has been given as provided 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. Interest shall cease to accrue on the Bonds after the date fixed for redemption.

Notes

The Notes are not subject to redemption prior to maturity.

SECURITY AND SOURCE OF PAYMENT

General

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

THE TOWNSHIP

General Information

The Township of South Brunswick is located in the County of Middlesex, New Jersey. The governing body of the Township consists of the Mayor and four (4) elected at-large members of the Township Council, each of whom serve a four-year term. The Township Manager is the Chief Executive Officer of the Township and is responsible for carrying out the policies of the Township Council. The Chief Financial Officer heads the Finance Department which is responsible for tax collection, sewer and water utilities collection, data processing, treasury and purchasing.

For more information regarding the Township including the tax base, please see "Appendix A: General Information Regarding the Township of South Brunswick" and "Appendix B: Audited Financial Data as of December 31, 2016."

MUNICIPAL FINANCE - FINANCIAL REGULATION OF COUNTIES AND MUNICIPALITIES

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

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

Debt Limits

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

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

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

Exceptions to Debt Limits - Extension of Credit

Municipalities may exceed their debt limits with the approval of the Local Finance Board, a state regulatory agency, and as permitted by other statutory exceptions. If all or any part of a proposed debt authorization would exceed its debt limit, the local unit may apply to the Local Finance Board for an extension of credit. If the Local Finance Board determines that a proposed debt authorization would not materially impair the credit of the local unit or substantially reduce the ability of the local unit to meet its obligations or to provide essential public 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 local unit to fund certain notes, to provide for self-liquidating purposes, and, in each fiscal year, to provide for purposes in an amount not exceeding 2/3 of the amount budgeted in such fiscal year for the retirement of outstanding obligations (exclusive of utility and assessment obligations).

Short-Term Financing

The Township may sell short-term “bond anticipation notes” to temporarily finance a capital improvement or project in anticipation of the issuance of bonds if the bond ordinance or a subsequent resolution so provides. A local unit’s bond anticipation notes must mature within one year, but may be renewed or rolled over. Bond anticipation notes, including renewals, must mature and be paid no later than the first day of the fifth month following the close of the tenth fiscal year next following the date of the original notes. For bond ordinances adopted on or after February 3, 2003, notes may only be renewed beyond the third anniversary date of the original notes if a minimum payment equal to the first year’s legally payable installment of the bonds in anticipation of which those notes are issued is paid and retired on or before each anniversary date from funds other than the proceeds of bonds or notes. For bond ordinances adopted prior to February 3, 2003, the governing body may elect to make such minimum principal payment only when the notes are renewed beyond the third and fourth anniversary dates.

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

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

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

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

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

Miscellaneous Revenues

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

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

Real Estate Taxes

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

Deferral of Current Expenses

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

The exceptions are certain enumerated quasi-capital projects ("special emergencies") such as ice, snow and flood damage to streets, roads and bridges, which may be amortized over three years, and tax map preparation, re-evaluation programs, revision and codification of ordinances, master plan preparations, drainage map preparation for flood control purposes, expenses of a municipal consolidation commission, contractually required severance liabilities and sanitary or storm system map preparation which may be amortized over five years. Of course, emergency appropriations for capital projects may be financed through the adoption of a bond ordinance and amortized over the useful life of the project, and emergency appropriations for other purposes may be funded by refunding bond ordinance over a period approved by the Local Finance Board.

Budget Transfers

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

Operations of Utilities

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

Capital Budget

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

Appropriation and Tax Levy "CAPS"

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

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

Exclusions from the two percent (2%) tax levy cap include: (i) increases required to be raised by taxation for capital expenditures, including debt service as defined by law; (ii) increases in pension contributions and accrued liability for pension contributions in excess of 2.0%; (iii) increases in health care costs equal to that portion of the actual increase in total health care costs for the budget year that is in excess of 2.0% of the total health care costs in the prior year, but is not in excess of the product of the total health care costs in the prior year and the average percentage increase of the State Health Benefits Program, P.L.1961, c.49 (C.52:14-17.25 et seq.), as annually determined by the Division of Pensions and Benefits in the Department of the Treasury; and (iv) and extraordinary costs incurred by a local unit directly related to a declared emergency, as defined by regulation promulgated by the Commissioner of the Department of Community Affairs, in consultation with the Commissioner of Education, as

appropriate. The amendments to the tax levy cap sections of the "Cap Law" (specifically, N.J.S.A. 40A:-45.44-46) in 2010 no longer permit Municipalities, counties, fire districts and solid waste collection districts to request approval from the Local Finance Board for a waiver to increase the amount to be raised by taxation in excess of the two percent (2%) cap. However, counties, municipalities, fire districts and solid waste collection districts may request, through a public question submitted to the voters, an increase in the amount to be raised by taxes above the two percent (2%) tax levy cap. Such approval must be achieved by an affirmative vote in excess of fifty percent (50%) of those voting on such public question.

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

Fiscal Year Adjustment Law

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

State Supervision

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

Tax Assessment and Collection Procedure

Property valuations (assessments) are determined on true values as arrived at by a cost approach, market data approach and capitalization of net income, where appropriate. Current assessments are the results of new assessments on a like basis with established comparable properties for newly-assessed or

purchased properties. This method assures equitable treatment to like property owners, but it often results in a divergence of the assessment ratio to true value.

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

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

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

Tax Appeals

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

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

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

An independent examination of each local unit accounts must be performed annually by a licensed registered municipal accountant. The audit, conforming to the Division of Local Government Services' "Requirements of Audit," includes recommendations for 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 30 days of its submission. The entire Annual Report for the Township is on file with the Township Clerk and is available for review during normal business hours.

SECONDARY MARKET DISCLOSURE

Bonds

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, 2017, 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 material 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 material events is set forth in “APPENDIX E - Form of Continuing Disclosure Certificate for the Bonds.” These covenants have been made to assist the Underwriter in complying with Rule 15c2-12.

Notes

The Township has covenanted for the benefit of the holders and beneficial owners of the Notes to provide notices of the occurrence of certain enumerated events. The event notices will be filed by the Township with the MSRB. The specific nature of the information to be contained in the event notices is set forth in “APPENDIX F - Form of Continuing Disclosure Certificate for the Notes.” These covenants have been made to assist the Underwriter in complying with Rule 15c2-12.

The Township previously failed to file, in accordance with the Rule, in a timely manner, under previous filing requirements: (i) its adopted budget for the fiscal year ending December 31, 2012; and (ii) operating data for the fiscal years ending December 2011, 2012 and 2013. Additionally, the Township acknowledges that it previously failed to file material event notices and late filing notices in connection with (i) its timely filings of annual financial information; (ii) certain bond insurer rating changes; and (iii) certain rating changes from Standard & Poor’s Ratings Services and Moody’s Investors Service. Such notices of material events and late filings have been filed with EMMA. The Township has appointed Phoenix Advisors, LLC to serve as continuing disclosure agent.

The Township expects to file its Annual Reports and any notice of the occurrence of the enumerated events with the MSRB’s Electronic Municipal Market Access System (“EMMA”) (<http://emma.msrb.org>).

LITIGATION

To the knowledge of the attorney for the Township, Donald Sears, South Brunswick, New Jersey, there is no litigation of any nature now pending or threatened, restraining or enjoining the issuance or the delivery of the Bonds and the Notes, or the levy or the collection of any taxes to pay the principal of or the interest on the Bonds and the Notes, or in any manner questioning the authority or the proceedings for the issuance of the Bonds and the Notes 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 attorney for the Township, no litigation is presently pending or threatened that, in the opinion of the attorney for the Township, 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 attorney for the Township and delivered to the underwriter(s) of the Bonds and the Notes at the closing.

TAX MATTERS

The Township has covenanted to comply with any continuing requirements that may be necessary to preserve the exclusion from gross income for purposes of federal income taxation of interest on the Bonds and the Notes under the Internal Revenue Code of 1986, as amended ("Code"). Failure to comply with certain requirements of the Code could cause interest on the Bonds and the Notes to be includable in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds and the Notes. In the opinion of DeCotiis, FitzPatrick, Cole & Giblin, LLP, Bond Counsel, to be delivered at the time of original issuance of the Bonds and the Notes, assuming continuing compliance by the Township with certain covenants described herein, under current law, interest on the Bonds and the Notes is not includable in gross income for federal income tax purposes and is not an item of tax preference under Section 57 of the Code for purposes of computing the federal alternative minimum tax; however, interest on the Bonds and the Notes held by corporate taxpayers is included in the relevant income computation for calculation of the federal alternative minimum tax as a result of the inclusion of interest on the Bonds and the Notes in "adjusted current earnings" (see discussion below). No opinion is expressed regarding other federal tax consequences or other federal taxes arising with respect to the Bonds and the Notes.

The Code imposes certain significant ongoing requirements that must be met after the issuance and delivery of the Bonds and the Notes in order to assure that the interest on the Bonds and the Notes will be and remain excludable from gross income for federal income tax purposes. These requirements include, but are not limited to, requirements relating to use and expenditure of proceeds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on investments of gross proceeds of the Bonds and the Notes be rebated to the federal government. Noncompliance with such requirements may cause interest on the Bonds and the Notes to become subject to federal income taxation retroactive to their date of issuance, regardless of the date on which such noncompliance occurs or is discovered. The Township has covenanted that it shall do and perform all acts permitted by law that are necessary or desirable to assure that interest on the Bonds and the Notes will be and will remain excluded from gross income for federal income tax purposes. The Township will deliver its Arbitrage and Tax Certificates concurrently with the issuance of the Bonds and the Notes, which will contain provisions relating to compliance with the requirements of the Code, including certain covenants in that regard by the Township. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Township in connection with the Bonds and the Notes, and Bond Counsel has assumed compliance by the Township with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Bonds and the Notes from gross income under Section 103 of the Code.

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

The opinions of Bond Counsel are limited to and based upon the laws and judicial decisions of the State and the federal laws and judicial decisions of the United States of America as of the date of the opinions, and are subject to any amendment, repeal or other modification of the applicable laws or judicial decisions that served as the basis for their opinions or to any laws or judicial decisions hereafter enacted or rendered. Bond Counsel assumes no obligation to update its opinions after the issue date to reflect any future action, fact or circumstance, or change in law or interpretation, or otherwise. Bond Counsel expresses no opinion on the effect of any action taken after the date of the opinions or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for federal income tax purposes of interest on the Bonds and the Notes.

Alternative Minimum Tax. Section 55 of the Code provides that an alternative minimum tax is imposed on corporations at a rate of 20 percent. For purposes of the corporate alternative minimum tax, the Code includes an increase adjustment for computation of the alternative minimum tax consisting generally of seventy-five percent of the amount by which "adjusted current earnings" exceeds alternative minimum taxable income (computed without regard to this adjustment and the alternative tax net operating loss deduction). Thus, to the extent that interest on the Bonds and the Notes is a component of a corporate holder's "adjusted current earnings", a portion of that interest may be subject to an alternative minimum tax.

Bank Qualification. The Bonds and the Notes will NOT be designated as qualified under Section 265 of the Code by the Township for an exemption from the denial of deduction for interest paid by financial institutions to purchase or to carry tax-exempt obligations.

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

S Corporation Tax. Section 1375 of the Code imposes a tax on the "excess net passive income" of certain S corporations with passive investment income in excess of 25 percent of gross receipts for a taxable year. The U.S. Department of Treasury has issued regulations indicating that interest on tax-exempt bonds and notes, such as the Bonds and the Notes, held by an S corporation would be included in the calculation of excess net passive income.

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

Possible Government Action. Legislation affecting municipal bonds is regularly under consideration by the United States Congress. In addition, the Internal Revenue Service ("IRS") has established an expanded audit program for tax-exempt bonds. There can be no assurance that legislation enacted or proposed or an audit initiated or concluded by the IRS after the issue date of the Bonds and the Notes involving either the Bonds and the Notes or other tax-exempt bonds or notes will not have an adverse effect on the tax-exempt status or market price of the Bonds and the Notes.

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

RATINGS

Bonds

The Township has requested a rating for the Bonds from Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business (the "Rating Agency"). The Rating Agency has assigned its rating of "AA" to the Bonds.

An explanation of the significance of such credit rating may be obtained from the Rating Agency at 55 Water Street, New York, New York 10041. There is no assurance that such credit rating will continue for any period of time or that such rating will not be revised or withdrawn. Any such revision or withdrawal of such credit rating may have an adverse affect on the market price of the Bonds. Neither the Township nor the Underwriter have undertaken or will undertake any responsibility to bring to the attention of the owners of the Bonds any proposed change or withdrawal of such credit rating or to oppose any such proposed revision.

Notes

The Notes have not been rated.

UNDERWRITERS

Bonds

The Bonds have been purchased from the Township at a public sale by _____, _____ (the "Bonds Underwriter") at a purchase price of \$ _____ (the "Bonds Purchase Price"). The Bonds Underwriter has purchased the Bonds in accordance with the Notice of Sale. The Bonds Purchase Price of the Bonds reflects a par amount of the Bonds of \$ _____ plus a bid premium of \$ _____. The Bonds are being offered for sale at the yields or prices set forth on the inside front cover page of this Official Statement, which yields or prices may be changed from time to time by the Bonds Underwriter without notice.

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

Notes

The Notes have been purchased from the Township at a public sale by ____, ____, ____ (the "Notes Underwriter"; and together with the Bonds Underwriter, the "Underwriters") at a price of \$ _____ (the "Notes Purchase Price"). The Notes Purchase Price reflects a par amount of \$ _____ plus a bid premium of \$ _____.

MUNICIPAL ADVISOR

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

MUNICIPAL BANKRUPTCY

The undertakings of the Township should be considered with reference to Chapter IX of the Bankruptcy Act, 11 U.S.C. Section 401, et seq., as amended by Public Law 94-260, approved April 8, 1976, the Bankruptcy Reform Act of 1978, effective October 1, 1979, 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 local political subdivisions 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.

APPROVAL OF LEGAL PROCEEDINGS

All legal matters incident to the authorization, the issuance, the sale and the delivery of the Bonds and the Notes are subject to the approval of DeCotiis, FitzPatrick, Cole & Giblin, LLP, Teaneck, New Jersey, Bond Counsel to the Township, whose approving legal opinion will be delivered with the Bonds and the Notes substantially in the forms set forth as Appendices C and D, respectively. Certain legal matters will be passed on for the Township by its Counsel, Donald Sears, South Brunswick, New Jersey.

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 purchasers of the Bonds and the Notes, 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.

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

ADDITIONAL INFORMATION

Inquiries regarding this Official Statement, including information additional to that contained herein, may be directed to Joseph P. Monzo, Chief Financial Officer, Township of South Brunswick, Municipal Building, 540 Ridge Road, Monmouth Junction, New Jersey 08852, (732) 329-4000 (ext. 7322) or to Sherry L. Tracey, Senior Managing Director, Phoenix Advisors, 4 West Park Street, Bordentown NJ 08505, (609) 291-0130.

MISCELLANEOUS

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

**THE TOWNSHIP OF SOUTH BRUNSWICK
IN THE COUNTY OF MIDDLESEX, NEW JERSEY**

By: /s/

**JOSEPH P. MONZO
CHIEF FINANCIAL OFFICER**

October __, 2017

APPENDIX A

**GENERAL INFORMATION REGARDING THE
TOWNSHIP OF SOUTH BRUNSWICK**

Township of South Brunswick, in the County of Middlesex, New Jersey

GOVERNING BODY AND ADMINISTRATION

The governing body of the Township of South Brunswick, in the County of Middlesex, New Jersey (the “Township” or “South Brunswick”) consists of the Mayor and four (4) elected at-large members of the Township Council, each of whom serve a four-year term. Terms are staggered by two-year intervals. The Council serves as a legislative arm of the government and establishes the policies of the Township. The Township Council conducts meetings on the second and fourth Tuesday of the month at which it enacts ordinances and resolutions. On the first Tuesday of each month, work sessions are held for Council to discuss pending actions and policies. All meetings are held in accordance with the State’s Open Public Meetings Act. Since 1995, all meetings of Council have been televised on the local television station.

The Township Manager is the Chief Executive Officer of the Township and is responsible for carrying out the policies of the Township Council. The responsibilities of the Township Manager include being accountable for all employees, proposing the annual budget and coordinating all activities of all departments within the Township. Most of the Department Heads have professional and/or State Licenses in their respective field, which greatly contributes to the high quality of municipal management. The Township employs a full-time licensed Planner who advises the administration, elected and appointed officials on development within the Township. The Township employs approximately two hundred sixty (260) full-time employees, and fourteen (14) part-time employees.

Labor Relations

The following is a summary of the labor organizations which represent various Township employees.

<u>Union</u>	<u>Representing</u>	<u>Number of Employees</u>	<u>Date of Contract Expiration</u>
PBA	Patrol Officers	52	12/31/2018
FOP	Superior Officers	25	12/31/2018
SBSA	Administrative	14	12/31/2019
AFSCME	Administrative	63	12/31/2020
CWA	Library	22	12/31/2018
PWEA	Public Works	60	12/31/2016
FMBA	Dispatch/Fire	15	12/31/2019

Employee Pensions

Eligible Township employees are enrolled in pension plans administered by the State of New Jersey. State law regulates the administration of the pension fund system. State law requires that all systems are subject to actuarial valuation every year and actuarial investigation every three years. Such valuations and investigations are designed to insure that these programs adequately recognize the additional costs resulting from experience or legislative changes in the benefits to be paid.

State law also provides that any changes in pension fund benefits must be approved by the Legislature, and that each bill submitted to the Legislature must be accompanied by a fiscal note stating the cost of the proposal. State law provides that pension fund benefits are not subject to negotiations between public employers and the employee members of the plan.

Township employees are also covered by the Federal Insurance Contribution Act (Social Security). The following table shows the Township’s expenditures for pension costs:

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<u>State Pensions:</u>					
Township:	\$3,237,033	\$3,107,927	\$3,292,825	\$3,493,392	\$3,492,278
Water & Sewer:	<u>382,000</u>	<u>380,000</u>	<u>400,000</u>	<u>450,000</u>	<u>462,000</u>
Total:	<u>\$3,619,033</u>	<u>\$3,487,927</u>	<u>\$3,692,825</u>	<u>\$3,943,392</u>	<u>\$3,954,278</u>
<u>Social Security:</u>					
Township:	\$1,650,000	\$1,650,000	\$1,636,166	\$1,715,000	\$1,800,000
Water & Sewer:	<u>160,000</u>	<u>205,000</u>	<u>210,000</u>	<u>210,000</u>	<u>220,000</u>
Total:	<u>\$1,810,000</u>	<u>\$1,855,000</u>	<u>\$1,846,166</u>	<u>\$1,925,000</u>	<u>\$2,020,000</u>

Insurance and Health Benefits

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<u>Liability Insurance:</u>					
Current Budget	\$401,438	\$364,503	\$407,346	\$412,140	\$368,900
Water Budget	100,000	100,000	100,000	100,000	130,000
Sewer Budget	100,000	100,000	100,000	100,000	130,000
Library Budget	<u>113,000</u>	<u>113,000</u>	<u>113,000</u>	<u>113,000</u>	<u>113,000</u>
Total:	<u>\$714,438</u>	<u>\$677,503</u>	<u>\$720,346</u>	<u>\$725,140</u>	<u>\$741,900</u>
<u>Workers Comp:</u>					
Current Budget	\$143,975	\$66,497	\$195,000	\$122,860	\$135,000
Water Budget	90,000	90,000	90,000	90,000	95,000
Sewer Budget	90,000	90,000	90,000	90,000	95,000
Library Budget	<u>15,468</u>	<u>16,000</u>	<u>15,468</u>	<u>16,000</u>	<u>16,000</u>
Total:	<u>\$339,443</u>	<u>\$262,497</u>	<u>\$390,468</u>	<u>\$318,860</u>	<u>\$341,000</u>
<u>Health Insurance:</u>					
Current Budget	\$4,954,500	\$5,739,200	\$6,429,150	\$8,552,100	\$9,779,100
Water Budget	394,750	412,500	412,500	446,200	446,200
Sewer Budget	394,750	412,500	412,500	446,200	446,200
Library Budget	384,225	395,000	350,000	450,000	383,000
Court	<u>0</u>	<u>30,000</u>	<u>30,000</u>	<u>34,500</u>	<u>34,500</u>
Total:	<u>\$6,128,225</u>	<u>\$6,989,200</u>	<u>\$7,634,150</u>	<u>\$9,929,000</u>	<u>\$11,089,000</u>

Police and Fire Protection

The Police Department consists of seventy-seven (77) full-time professional officers. Additional employees serve on a full-time and part-time basis as dispatchers, auxiliary officers, school crossing guards, and administrative and clerical support. The department uses a state of the art Police Information Management System, operated on the Township's computer network. The Township equips police vehicles with Mobile Data Computers (MDCs) that give officers the latest in technology, efficiency, and safety, and most police vehicles are equipped with in-car video systems. The department's MDCs are among the first in the State of New Jersey. The Township provides and services nine area law enforcement departments with MDCs through interlocal service agreements. These agreements help defray the Township's cost of the program.

Three (3) volunteer fire companies (within independent fire districts with separate taxing power) provide fire protection to the Township.

Water and Sewer Utility

The Township-owned Water and Sewer Utility provides potable water and sewerage service. The Utility pumps water from New Jersey's largest aquifer to storage facilities throughout the developed area of the Township. The Township has storage capacity for 10 million gallons representing two days' average usage.

The Township also uses an interconnection with the Elizabethtown Water Company to supplement its water supply. The Township currently draws 3.7 million gallons a day from the Elizabethtown source. The Township's water supply is sufficient to meet all approved development. The Township also has four (4) emergency interconnections with three (3) neighboring utilities.

The Township is a member of the Stony Brook Regional Sewerage Authority ("Stony Brook") and a customer of the Middlesex County Utilities Authority (the "MCUA"). All sanitary sewage is pumped by the Township to either the Stony Brook tertiary treatment facility or the MCUA secondary treatment facility. It is estimated that both facilities have sufficient capacity. No sewer moratoriums or bans are in effect in the Township.

The Township Water and Sewer Utility maintains a budget separate from the general Township operating fund, which is funded through water and sewer charges. Water and sewer rates are charged at levels sufficient to finance all operating costs and debt service for the current year to maintain the utility's self-liquidating status. The Township periodically reviews water and sewer rates to ensure a self-liquidating status. The last increases in water and sewer rates went into effect in 2014. Water and sewer utility charges are billed quarterly.

Solid Waste Disposal

The Township is currently under contract with a private hauler for the disposal of the Township's solid waste. The Township expects overall costs to remain stable due to the high level of competition among the many private haulers in central New Jersey. The Township also has a highly successful recycling program that has been a model for other municipalities.

EDUCATION

The School District serving South Brunswick is an independent legal entity under the laws of New Jersey but is geographically coterminous with the Township. It provides a comprehensive program for students from pre-K to grade 12.

Organization and Staffing

The School District is managed from a central administrative complex which includes garage and maintenance facilities.

The Superintendent is the chief administrative officer of the School District. The building principals, Director of Curriculum and Instruction, and Director of Special Services are responsible to the Superintendent of Schools. The Board Secretary/Business Administrator oversees the School District's business functions and reports through the Superintendent to the Board of Education.

The business functions include purchasing, accounting and reporting which are integrated using automated business systems. They also include the School District's support service, food service, transportation, school maintenance and custodial operations.

There are approximately 1,249 full and part-time employees of the School District; 854 are teaching professionals. The balance is administrative, maintenance, transportation and clerical personnel and para professionals.

Curriculum

The School District offers a wide range of courses in the traditional academic disciplines. From the beginning, education is directed toward the fullest development of the student. In the elementary level, the schools place the child in the learning environment which best meets the child's individual needs. In the Middle School, the students have the opportunity to begin high school level math and language skills. They also begin to select classes in music, art and the industrial arts.

The High School offers honors and advanced placement courses and also programs in academic areas which spread the normal curriculum over a longer span of time. Work-study programs are also available for students in office and industrial skills. Inter-scholastic competition is available in most sports. A special program offering career exploration, community service and intensive pursuit of an academic or cultural interest is available. This program is closely monitored and students are carefully selected.

A Department of Special Services is maintained for children with special needs, physical handicaps and learning disabilities. Most children are assigned to regular classes with extra help provided through resource room teachers or aides.

Approximately two-thirds of the School District's graduates pursue additional education. Adult evening classes have recently been added to help meet the community's continuing educational needs.

Pupil Enrollments

The following tables present the historical annual pupil enrollment through the school year 2015-2016.

Pupil Enrollments	
<u>School Year</u>	<u>Enrollment</u>
2017-2018	8,719
2016-2017	8,688
2015-2016	8,755
2014-2015	8,633
2013-2014	8,870

District School Facilities

The School District operates the following ten schools:

Facility	Grade Level	Student Enrollment (As of 6/30/16)
Brooks Crossing	K-5	730
Brunswick Acres	K-5	511
Cambridge	K-5	563
Constable	K-5	495
Green Brook	K-5	438
Indian Fields	K-5	615
Monmouth Junction	K-5	343
Crossroads North	6-8	1,016
Crossroads South	6-8	1,057
High School	9-12	2,919

GENERAL AND DEMOGRAPHIC INFORMATION

Location and Transportation

The Township encompasses 41.7 square miles in the southern part of Middlesex County and is strategically located about sixty (60) miles from New York City, ten (10) miles from Princeton and sixty (60) miles from Philadelphia. The Township is within thirty (30) minutes of Newark International Airport. LaGuardia, Kennedy International and Philadelphia airports are within ninety (90) minutes.

AMTRAK and New Jersey Transit operate their commuter rail service, the Northeast Corridor, through the Township. Access to commuter rail service facilities is located in nearby Princeton Junction and New Brunswick. Conrail serves as the freight line for the rail service.

The Township is serviced by a network of well-maintained state, county and local roads, including the New Jersey Turnpike, Route 1, Route 130, Route 27 and Route 522.

The location and transportation alternatives make the Township an ideal area for businesses and commuters.

Life Style and Recreation

The Township has a comfortable suburban environment, recreational and cultural opportunities and an outstanding school system. With its country living and easy access to all urban amenities, the Township achieves the best of both worlds. Space is available for growth that the Township has carefully planned so that it will not jeopardize the natural environment.

The Township offers outstanding recreational programs year-round through its Senior Citizen Center, Youth Center and Community Center. The Community Center is centrally located and contains lighted ball fields, tennis courts and handball courts. The scenic Delaware/Raritan Canal tow path offers opportunities for walking, jogging, hiking, canoeing and nature study. The Township maintains twenty-five (25) parks covering over 1,016 acres.

<u>Name</u>	<u>Acreage</u>	<u>Name</u>	<u>Acreage</u>
Bedford Park	2.9	Kendall Woods Park	100
Beechwoods Park	90.0	Kingsley Park	6.9
College Park	7.0	Mapleton Preserve	100
Dayton Mini Park	0.5	Rowland Park	79.5
Dobin Park	41.2	Richler Park	49
Environmental Center	17.5	Sondek Park	110.7
Freedom Trail	4.5	Summerfield I	6
Friendship Park	31.5	Summerfield II	35
Haven Pond Park	36.0	Tall Timbers	23.2
Harvest Woods Park	77.5	Veterans Park	15
Heathcote Park	19.0	Wetherhill	3.5
Ireland Brook Park	3.0	<u>Woodlot Park</u>	<u>156.6</u>
Junction Springs Park	0.4	Total Acreage:	1,016.40

The Township library provides access to approximately 750,000 volumes through its county co-op system and offers movies, senior citizens and youth projects and special activities to residents. The Township's state of the art public library is open 7 days a week. Nearby Princeton and New Brunswick and the universities located there provide opportunities for attendance at concerts, theater, ballet and other cultural events.

Planning and Development

The Township's excellent geographic location and accessibility have encouraged tremendous growth, which the Township has assumed a prominent role in planning. This growth provides increased ratables and economic opportunity. While the community has been successful in attracting valuable commercial and industrial ratables, it has been equally successful in maintaining and developing high quality residential housing. An Industrial Commission, consisting of active business people and industrialists, works closely with the Township Planning Department in seeking both development and positive community relations. The Industrial Commission produced a fifteen (15) minute video about the Township. The video is available to potential developers. The cost of the video is entirely underwritten by the private sector.

Industrial acreage is available in quantity in the Township. Most of the 8,000 acres zoned for industry are generous tracts, with excellent access to the major roads that traverse the Township.

Well-planned and managed growth has been the key to the Township's success. An approved Township Master Plan guides development and is strictly followed to preserve the quality of life. The Township closely scrutinizes proposed development applications to insure quality construction. The impacts on municipal services are evaluated fully before approvals for any new construction.

Residential Development

The following charts list the major residential projects that the Planning and Zoning Boards have approved, and those that are under construction as of July 2017.

<u>Approved - Under Construction</u>	<u>Total Units</u>	<u>Single Family</u>	<u>Apartment</u>
PPSD Dev. (Millenium Homes)	204	204	0
Toll Brothers	349	349	0
US Lennar Homes	210	210	0
Major Road North	6	6	0
M & M Investments	85	0	85
K-Land No. 55	70	70	0
K.Hovnanian	196	0	196
Byron Hill Homebuilders	16	16	0

<u>Approvals</u>	<u>Total Units</u>	<u>Single Family</u>	<u>Apartment</u>
Joseph Kremer	4	4	0
CZ Patel	4	4	0
Edward Gunderson	3	3	0
Baker Residential	170	0	170
Richard Spilatore	4	4	0
George & Joanne Olynyk	3	3	0
Cranbury Meadows	8	8	0
Robert Gelbard	55	55	0
Orchardside Development	7	7	0
Culver Estates	6	6	0
Zahab	7	7	0
South Ridge Builders	32	32	0

Building Permits

The following unaudited data shows the dollar value of construction as of December 31.

<u>Year</u>	<u>Value of Residential</u>	<u>Value of Construction</u>
2016	\$64,919,542	\$91,050,508
2015	49,593,591	79,500,701
2014	30,556,025	71,098,412
2013	33,201,019	54,406,690
2012	33,206,682	69,453,171

Population

The U.S. Census figures for the Township's population is shown below:

<u>Year</u>	<u>Township</u>		<u>County</u>		<u>State</u>	
	<u>Population</u>	<u>% Change</u>	<u>Population</u>	<u>% Change</u>	<u>Population</u>	<u>% Change</u>
2010	43,417	15.06	809,858	7.96	8,791,894	4.49
2000	37,734	46.30	750,162	11.67	8,414,350	8.85
1990	25,792	50.59	671,780	12.74	7,730,188	4.96
1980	17,127	21.83	595,893	2.07	7,365,001	2.75
1970	14,058	36.78	583,813	34.56	7,168,164	18.15
1960	10,278	--	433,856	--	6,066,782	--

Income (2010)

The U.S. Census American Community Survey 5-Year Estimates for median family, median household and per capita income are shown below:

	<u>Township</u>	<u>County</u>	<u>State</u>
Median Household Income	\$100,950	\$77,615	\$69,811
Median Family Income	116,127	91,543	84,904
Per Capita Income	40,468	33,289	34,858

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Employment and Unemployment Comparisons¹

The high skill level of the Township's work force has helped to insulate it from unemployment problems. This is shown by comparison with state unemployment statistics of the New Jersey Department of Labor Bureau of Labor Statistics, below.

For the years 2012 to 2016, the New Jersey Department of Labor reported the following annual average employment information for the Township, Middlesex County and the State of New Jersey:

	<u>Total Labor Force</u>	<u>Employed Labor Force</u>	<u>Total Unemployed</u>	<u>Unemployment Rate</u>
<u>Township</u>				
2016	25,063	24,116	947	3.8%
2015	24,716	23,719	997	4.0%
2014	24,387	23,159	1,228	5.0%
2013	24,052	22,533	1,519	6.3%
2012	23,949	22,247	1,702	7.1%
<u>County</u>				
2016	442,447	422,948	19,499	4.4%
2015	440,343	418,408	21,935	5.0%
2014	434,918	408,531	26,387	6.1%
2013	430,286	398,053	32,233	7.5%
2012	431,219	394,154	37,065	8.6%
<u>State</u>				
2016	4,524,262	4,299,923	224,315	5.0%
2015	4,543,800	4,288,800	255,000	5.6%
2014	4,513,600	4,209,700	303,900	6.7%
2013	4,528,500	4,157,600	370,800	8.2%
2012	4,585,300	4,158,600	426,800	9.3%

Employment

The Township's highly skilled work force has many employment choices. There are a significant number of residents that commute to the metropolitan areas of New York and Philadelphia. However, there are major employment centers nearby. Virtually every field of employment, from the most highly skilled professional to office and retail, is afforded within a 30-45 minute commute from the Township. Within the Township, major opportunities in pharmaceuticals, healthcare, computer services and finance are provided by Dow Jones & Co., Wyeth-Ayerst and Bloomberg Financial – all of which employ more than 500 people.

Important to the above listing of largest employers are the scores of employment opportunities afforded by the office parks, warehousing, distribution and service industries that populate the Route 1 corridor and the Route 130/New Jersey Turnpike area.

¹ Source: New Jersey Department of Labor, Labor Planning and Analysis

Ten Largest Taxpayers 2017¹

<u>Taxpayers</u>	<u>2017 Assessed Valuation</u>	<u>% of Total Assessed Valuation</u>
Forsgate Industrial Complex	\$117,968,600	3.20%
Dow Jones & Company, Inc.	53,340,600	1.45%
Heller SBIP, Heller XI Part., other Heller Properties	34,268,400	0.93%
Royal Oaks Apartments, LLC	29,450,700	0.80%
Windsor South Ridge LLC	29,072,700	0.79%
CNJ Company IV LLC	23,207,900	0.63%
KTR NJ I, LLC	22,296,600	0.60%
Middlesex Industrial Developers	21,485,700	0.58%
AMB / ERIE, LP c/o Prologis	17,838,500	0.48%
426 Royal, LLC	<u>16,810,100</u>	<u>0.46%</u>
Total	<u>\$365,739,800</u>	<u>9.92%</u>

Assessed and True Values

<u>Year</u>	<u>Aggregate Assessed Valuation of Real Property</u>	<u>Aggregate True Value of Real Property</u>	<u>Ratio of Assessed to True Value</u>	<u>Assessed Value of Personal Property</u>	<u>Equalized Valuation</u>
2016	\$3,634,794,600	\$8,716,533,813	41.70%	\$6,523,012	8,723,056,825
2015	3,616,739,200	7,943,639,798	45.53%	7,125,716	7,950,765,514
2014	3,594,136,800	7,816,739,452	45.98%	7,119,252	7,823,858,704
2013	3,604,022,000	7,658,355,291	47.06%	8,109,311	7,666,464,602
2012	3,611,378,000	8,122,757,535	44.46%	9,211,459	8,131,968,994

Classification of Ratables ¹

<u>Year</u>	<u>Vacant Land</u>	<u>Residential</u>	<u>Farm</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Apartments</u>	<u>Total</u>
2016	\$95,056,600	\$2,377,216,400	\$16,951,300	\$272,150,800	\$784,435,300	\$88,984,200	\$3,634,794,600
2015	91,042,100	2,367,054,100	17,192,600	283,762,500	768,957,900	88,730,000	3,616,739,200
2014	80,498,700	2,342,837,800	17,454,900	283,769,300	780,846,100	88,730,000	3,594,136,800
2013	88,869,200	2,332,156,400	19,196,400	288,138,600	786,931,400	88,730,000	3,604,022,000
2012	94,341,800	2,337,963,300	19,275,200	292,082,700	778,848,400	88,866,600	3,611,378,000

¹ Source: Township Tax Assessor's Office

Analysis of Tax Rates per \$100 of Assessed Valuation¹

<u>Year</u>	<u>Municipal</u>	<u>Municipal Open Space</u>	<u>Municipal Library</u>	<u>Local School</u>	<u>County</u>	<u>Total</u>
2017	\$0.836	\$0.040	\$0.077	\$3.019	\$0.938	4.910
2016	0.819	0.040	0.079	2.979	0.941	4.858
2015	0.809	0.040	0.073	2.913	0.874	4.709
2014	0.772	0.040	0.072	2.884	0.866	4.634
2013	0.751	0.041	0.070	2.853	0.813	4.528

Comparisons of Tax Levies and Collections

<u>Year</u>	<u>Tax Levy</u>	<u>Current Year Collection</u>	<u>Current Year % of Collection</u>
2016	\$182,247,838	\$180,465,008	99.02%
2015	174,120,125	172,365,521	98.99%
2014	171,387,655	169,970,808	99.17%
2013	166,588,940	164,373,768	98.67%
2012	165,461,541	163,199,573	98.63%

Delinquent Taxes and Tax Title Liens

<u>Year</u>	<u>Amount of Tax Title Liens</u>	<u>Amount of Delinquent Tax</u>	<u>Total Delinquent</u>	<u>% of Tax Levy</u>
2016	\$610,314	\$1,208,894	\$1,819,208	1.00%
2015	540,441	1,744,993	2,285,434	1.31%
2014	608,948	1,375,447	1,984,395	1.16%
2013	538,061	2,059,902	2,597,963	1.56%
2012	429,147	1,984,458	2,413,605	1.46%

Water and Sewer Collections

<u>Year</u>	<u>Tax Levy</u>	<u>Current Year Collection</u>	<u>Current Year % of Collection</u>
2016	\$25,399,477	\$25,342,182	99.77%
2015	24,606,661	24,592,012	99.94%
2014	23,852,465	24,180,093	101.37%
2013	23,204,340	23,728,982	102.26%
2012	23,193,658	22,540,891	97.19%

¹ Source: Township Tax Collectors Office

Comparative Schedule of Fund Balances (Current Fund)

<u>Year</u>	<u>Fund Balance - Current Fund</u>	
	<u>Balance</u> <u>12/31</u>	<u>Utilized in Budget</u> <u>of Succeeding Year</u>
2016	\$3,716,735	\$3,700,000
2015	3,305,537	3,000,000
2014	3,662,160	3,090,000
2013	1,851,536	1,625,000
2012	3,018,868	2,200,000

Water and Sewer Utility Operating Fund

<u>Year</u>	<u>Water and Sewer Utility Operating Fund</u>	
	<u>Balance</u> <u>12/31</u>	<u>Utilized in Budget</u> <u>of Succeeding Year</u>
2016	\$4,380,823	\$1,500,000
2015	2,300,241	1,500,000
2014	149,247	145,000
2013	993,110	940,000
2012	913,703	960,000

Open Space Trust Fund

The Township passed a referendum creating an Open Space Trust Fund in November of 1996. Costs associated with designating open space purchases, including debt service on any bonds issued for open space acquisition, are payable from the fund. The Open Space Trust Fund was effective January of 1997. In November 2002 voters approved a 2 cent increase in the Open Space Trust Fund (1½ cents for acquisition and debt service and ½ cent for development). This increase was effective on January 1, 2003. The fund is a dedicated trust fund for the acquisition of open space throughout the Township at a rate of \$0.04 of the Township's tax base.

As of December 31, 2016, there was \$323,757 in the Open Space Trust Fund. Additionally, as of December 31, 2016, \$ 11,038,622 of debt is outstanding for Open Space purposes.

Financial Operations

The following table summarizes the Township's Current Fund budget for the past five (5) fiscal years ending December 31. The following summary should be used in conjunction with the tables in the sourced documents from which it is derived.

Summary of Current Fund Budget

<u>Anticipated Revenues</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Fund Balance Utilized	\$2,200,000	\$1,625,000	\$3,090,000	\$3,000,000	\$3,700,000
Miscellaneous Revenues	14,374,658	16,150,970	13,505,408	15,085,017	16,305,839
Receipts from Delinquent Taxes	1,839,000	1,816,000	1,461,000	1,555,000	1,250,000
Amount to be Raised by Taxation	<u>29,686,043</u>	<u>30,430,411</u>	<u>31,962,367</u>	<u>32,715,251</u>	<u>33,709,664</u>
Total Revenue:	<u>\$48,099,701</u>	<u>\$50,022,381</u>	<u>\$50,018,775</u>	<u>\$52,355,268</u>	<u>\$54,965,503</u>
<u>Appropriations</u>					
General Appropriations	\$35,401,520	\$36,495,502	\$38,143,103	\$40,341,048	\$42,324,011
Operations (Excluded from CAPS)	3,330,345	3,772,559	3,494,474	3,745,204	3,764,471
Deferred Charges and Statutory Expenditures	1,125,000	1,385,000	835,000	430,000	415,000
Judgments	0	0	0	0	0
Capital Improvement Fund	50,000	100,000	100,000	100,000	410,000
Municipal Debt Service	5,890,272	6,141,834	6,010,810	5,928,371	6,191,124
Reserve for Uncollected Taxes	<u>2,302,564</u>	<u>2,127,486</u>	<u>1,435,389</u>	<u>1,810,645</u>	<u>1,860,897</u>
Total Appropriations:	<u>\$48,099,701</u>	<u>\$50,022,381</u>	<u>\$50,018,775</u>	<u>\$52,355,268</u>	<u>\$54,965,503</u>

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DEBT INFORMATION
As of December 31, 2016

General Purpose Debt

Serial Bonds	\$39,506,000
Bond Anticipation Notes	0
Bonds and Notes Authorized but Not Issued	9,275,732
Other Bonds, Notes and Loans	<u>0</u>
Total:	\$48,781,732

Local School District Debt

Serial Bonds	\$57,280,000
Temporary Notes Issued	0
Bonds and Notes Authorized but Not Issued	<u>0</u>
Total:	\$57,280,000

Self-Liquidating Debt

Serial Bonds	\$29,070,000
Bond Anticipation Notes	18,442,000
Bonds and Notes Authorized but Not Issued	23,445,450
Other Bonds, Notes and Loans	<u>0</u>
Total:	\$70,957,450

TOTAL GROSS DEBT

\$177,019,182

Less: Statutory Deductions	
General Purpose Debt	\$0
Local School District Debt	57,280,000
Self-Liquidating Debt	<u>70,957,450</u>
Total:	\$128,237,450

TOTAL NET DEBT

\$48,781,732

Statutory Borrowing Power

Average Equalized Valuation Basis (2014, 2015, 2016)	\$8,365,870,557
Permitted Debt Limitation (3 1/2%)	292,805,469
Less: Net Debt	<u>48,781,732</u>
Remaining Borrowing Power	<u>\$244,023,737</u>
Percentage of Net Debt to Average Equalized Valuation	0.583%

Gross Debt Per Capita based on 2010 population of 43,417	\$4,077
Net Debt Per Capita based on 2010 population of 43,417	\$1,124

Overlapping Debt – As of December 31, 2016

<u>Name of Related Entity</u>	<u>Related Entity Debt Outstanding</u>	<u>Township Percentage</u>	<u>Township Share</u>
Local School District	\$57,280,000	100.00%	\$57,280,000
Stony Brook Reg. Sew. Auth	24,968,394	40.45%	10,099,715
Middlesex County Improvement Authority	224,176,418	8.52%	19,099,831
County	512,964,315	8.52%	<u>43,722,705</u>
Net Indirect Debt			\$130,202,252
Net Direct Debt			<u>48,781,732</u>
Total Net Direct and Indirect Debt			<u>\$178,983,984</u>

Lease Commitments

The Township participates in leasing programs with TD Bank to lease equipment and other capital projects for three years. The Township's payments due are as follows:

<u>Aggregate Lease Payment Due in:</u>	<u>As of December 31, 2016</u>
2017	\$299,788
2018	<u>160,000</u>
Total:	\$459,788

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

² Township percentage based on the Township's usage

APPENDIX B

AUDITED FINANCIAL DATA AS OF DECEMBER 31, 2016

**TOWNSHIP OF SOUTH BRUNSWICK
COUNTY OF MIDDLESEX, NEW JERSEY**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY SCHEDULES
FOR THE YEARS ENDED DECEMBER 31, 2016 and 2015**

TOWNSHIP OF SOUTH BRUNSWICK
MIDDLESEX COUNTY, NEW JERSEY

CURRENT FUND
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
DECEMBER 31, 2016 AND 2015

ASSETS	REF.	BALANCE DEC. 31, 2016	BALANCE DEC. 31, 2015	LIABILITIES, RESERVES AND FUND BALANCE	REF.	BALANCE DEC. 31, 2016	BALANCE DEC. 31, 2015
Cash and Cash Equivalents - Treasurer	A-4	\$ 5,627,552.58	\$ 5,129,726.04	Liabilities:			
Cash - Change Fund	A		750.00	Appropriation Reserves	A-3, A-12	\$ 1,013,093.16	\$ 490,090.40
Investments	A-5	2,442,252.00	1,898,976.00	Reserve for Encumbrances	A-3, A-21	530,510.89	1,083,229.73
Due from FEMA	A		36,916.79	Accounts Payable	A-16	12,808.40	16,007.90
				Special Emergency Notes Payable	A-24	1,290,000.00	1,295,000.00
				Prepaid Taxes	A-14	2,405,800.99	1,539,905.38
		<u>8,069,804.58</u>	<u>7,066,368.83</u>	Due to State of N.J. per Ch. 20,P.L. 1976	A-8	63,681.27	61,931.27
Receivables and Other Assets With Offsetting Reserves:				Tax Overpayments	A-17	149,649.95	54,951.17
Taxes Receivable	A-7	1,208,893.81	1,744,992.92	Due to State of New Jersey	A-13	72,356.35	123,545.35
Tax Title Liens	A-9	610,313.73	540,441.30	Interfund Payable - State and Federal Grant Fund	A-28		49,818.32
Property Acquired for Taxes (At Assessed Valuation)	A-10	771,640.00	771,640.00	Interfund Payable - Other Trust Fund	A-6	70,491.51	99,202.69
Revenue Accounts Receivable	A-11	71,284.65	68,976.63	Interfund Payable - Open Space Trust Fund	A-6	230.00	630.00
Interfund Receivable - Payroll Fund	A-6		21.96	Local District School Taxes Payable	A-20	1.50	1.50
Interfund Receivable - Grant Fund	A-28	117,440.09		Reserve for Various Deposits	A-15	<u>34,445.92</u>	<u>242,146.99</u>
Interfund Receivable - Capital Fund	A-6	2,392.94	982.46				
Interfund Receivable - Other Trust Fund	A-6	1,019.43	12.09				
Interfund Receivable -Animal Control Trust Fund	A-6	<u>10,900.45</u>	<u>16,494.48</u>				
						5,643,069.94	5,056,460.70
	A	<u>2,793,885.10</u>	<u>3,143,561.84</u>	Reserve for Receivables	Reserve	2,793,885.10	3,143,561.84
Deferred Charges:				Fund Balance	A-1	<u>3,716,734.64</u>	<u>3,305,537.27</u>
Overexpenditure of an Appropriation Reserve	A-23		629.14				
Special Emergency Authorizations	A-22	<u>1,290,000.00</u>	<u>1,295,000.00</u>				
Total Current Fund		<u>12,153,689.68</u>	<u>11,505,559.81</u>	Total Current Fund		<u>12,153,689.68</u>	<u>11,505,559.81</u>
State and Federal Grant Fund:				State and Federal Grant Fund:			
Grants Receivable	A-25	1,107,867.48	1,131,134.14	Reserve for State and Federal Grants:			
Interfund Receivable - Current Fund	A-28		49,818.32	Appropriated	A-27	878,872.89	1,071,813.79
				Unappropriated	A-26	24,307.00	28,037.99
				Interfund Payable - Current Fund	A-28	117,440.09	
				Reserve for Encumbrances	A-21	<u>87,247.50</u>	<u>81,100.68</u>
Total State and Federal Grant Fund		<u>1,107,867.48</u>	<u>1,180,952.46</u>	Total State and Federal Grant Fund		<u>1,107,867.48</u>	<u>1,180,952.46</u>
		<u>\$ 13,261,557.16</u>	<u>\$ 12,686,512.27</u>			<u>\$ 13,261,557.16</u>	<u>\$ 12,686,512.27</u>

See accompanying notes to the financial statements.

CURRENT FUND
COMPARATIVE STATEMENTS OF OPERATIONS AND
CHANGES IN FUND BALANCES - REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>REF.</u>	<u>YEAR 2016</u>	<u>YEAR 2015</u>
<u>REVENUE AND OTHER INCOME</u>			
Fund Balance Utilized	A-2	\$ 3,000,000.00	\$ 3,090,000.00
Miscellaneous Revenues Anticipated	A-2	15,677,967.40	14,986,934.95
Receipts from Delinquent Taxes	A-2	1,640,617.35	1,332,834.36
Receipts from Current Taxes	A-2	180,501,540.26	172,365,520.85
Non-Budget Revenue	A-2	425,931.87	143,977.91
Other Credits to Income:			
Unexpended Balance of Approp. Reserves	A-12	236,586.81	633,468.28
Cancellation of Accounts Payable			41,404.61
Cancellation of Disputed Funds Held In Reserve	A-15	32,798.00	
Cancellation of Appropriated Grant Reserves			6,248.30
Cancellation of Stale Outstanding Checks			4,569.70
Interfund Loans Returned	A	17,510.99	70,177.90
		<u>201,532,952.68</u>	<u>192,675,136.86</u>
Total Revenues and Other Income			
<u>EXPENDITURES</u>			
Budget and Emergency Appropriations:			
Operations:			
Salaries and Wages	A-3	23,039,140.60	22,242,315.54
Other Expenses	A-3	16,357,984.47	15,112,383.99
Capital Improvements	A-3	100,000.00	100,000.00
Municipal Debt Service	A-3	5,924,466.38	6,010,785.04
Def. Charges and Statutory Expend.	A-3	5,693,118.49	5,852,553.06
County Tax	A-7, A-19	31,608,711.35	29,269,920.80
County Open Space Taxes	A-7, A-19	2,620,311.29	2,387,997.92
Cty. Share of Added and Omitted Taxes	A-7, A-19	586,028.63	248,027.20
Local District School Tax	A-7, A-20	108,441,707.00	105,563,611.00
Special District Taxes	A-7, A-18	2,215,951.00	2,026,060.00
Municipal Open Space Taxes	A-4, A-7	1,456,525.00	1,449,585.97
Prior Yr. Sr. Cit. Ded. Disallowed (net)	A-8	6,314.38	7,027.38
Refund of Prior Year Tax Appeal	A-4	378,533.30	45,475.53
Interfunds Established	A	117,963.42	1,016.51
		<u>198,546,755.31</u>	<u>190,316,759.94</u>
Total Expenditures			

See accompanying notes to the financial statements.

CURRENT FUND
COMPARATIVE STATEMENTS OF OPERATIONS AND
CHANGES IN FUND BALANCES - REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>REF.</u>	<u>YEAR 2016</u>	<u>YEAR 2015</u>
Excess in Revenues over Expenditures		<u>\$ 2,986,197.37</u>	<u>\$ 2,358,376.92</u>
Adjustments to Income before Fund Balance:			
Expenditures Included Above Which are by			
Statute Deferred Charges to Budgets of			
Succeeding Year -			
Special Emergency Authorization	A-22	<u>425,000.00</u>	<u>375,000.00</u>
		425,000.00	375,000.00
Statutory Excess to Fund Balance		3,411,197.37	2,733,376.92
<u>FUND BALANCE</u>			
Balance - January 1	A	<u>3,305,537.27</u>	<u>3,662,160.35</u>
		6,716,734.64	6,395,537.27
Decreased by:			
Utilization as Anticipated Revenue	A-2	<u>3,000,000.00</u>	<u>3,090,000.00</u>
Balance - December 31	A	<u>\$ 3,716,734.64</u>	<u>\$ 3,305,537.27</u>

See accompanying notes to the financial statements.

TOWNSHIP OF SOUTH BRUNSWICK
MIDDLESEX COUNTY, NEW JERSEY
CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016

	REF.	ANTICIPATED		REALIZED	EXCESS OR (DEFICIT)
		2016 BUDGET	N.J.S.A. 40A:4-87		
Surplus Anticipated	A-1	\$ 3,000,000.00		\$ 3,000,000.00	
Miscellaneous Revenues:					
Licenses:					
Alcoholic Beverages	A-11	55,000.00		58,760.00	\$ 3,760.00
Other	A-11	40,000.00		45,503.00	5,503.00
Fees and Permits:					
Other	A-11	651,000.00		635,851.70	(15,148.30)
Fines and Costs:					
Municipal Court	A-11	690,000.00		852,152.96	162,152.96
Interest and Costs on Taxes	A-11	485,000.00		385,834.76	(99,165.24)
Interest on Investments and Deposits	A-2	25,000.00		58,409.92	33,409.92
Cable TV Franchise Fee	A-11	500,000.00		516,612.65	16,612.65
Energy Receipts Tax	A-11	4,882,235.00		4,882,235.00	
Supplemental Energy Receipts Tax	A-11	281,706.00		281,706.00	
Watershed Moratorium Offset Aid	A-11	987.00		987.00	
Garden State Aid Trust Fund	A-11	26,751.00		26,751.00	
Uniform Construction Code Fees	A-11	2,500,000.00		2,912,093.00	412,093.00
Fire District #1 contract	A-11	115,000.00		125,473.24	10,473.24
Fire District #2 contract	A-11	190,000.00		202,742.59	12,742.59
Fire District #3 contract	A-11	75,000.00		87,630.94	12,630.94
Spotswood Contract - Data Processing	A-11			17,054.14	17,054.14
Milltown Contract - Data Processing	A-11	16,000.00		12,296.07	(3,703.93)
Cranbury Contract - Data Processing	A-11	21,000.00		24,675.00	3,675.00
Monroe Contract - Data Processing	A-11	36,000.00		60,000.00	24,000.00
Helmetta Contract - Data Processing	A-11	4,000.00		7,500.00	3,500.00
Middlesex County College:					
Contract - Data Processing	A-11	13,000.00		9,825.00	(3,175.00)
Interlocal Cranbury Dispatch	A-11	120,000.00		123,287.67	3,287.67
Public and Private Revenues Offset with Approp:					
Distracted Driver	A-25		\$ 7,827.82	7,827.82	
ROID	A-25		537.50	537.50	
Body Armor Replacement Grant	A-25		6,915.89	6,915.89	
Senior Transportation Grant	A-25	3,250.00	1,625.00	4,875.00	
NJ Forestry Service	A-25		10,000.00	10,000.00	
Recycling Tonnage Grant	A-25	24,307.99		24,307.99	
Clean Communities Grant	A-25		99,851.27	99,851.27	
Pandemic Influenza - Hepatitis B	A-25	480.00		480.00	
Drunk Driving Enforcement Fund	A-25		15,133.80	15,133.80	
Click it or Ticket	A-25		5,000.00	5,000.00	
Ebola Monitoring	A-25		2,100.00	2,100.00	
Other Special items					
Uniform Fire Safety Act - Life Hazard					
Use Fees	A-11	265,000.00		268,186.49	3,186.49
Sale of Recycling Materials	A-11	2,000.00		1,052.27	(947.73)
Site Leasing - Antennae	A-11	270,000.00		277,819.04	7,819.04
PILOT - South Brunswick Community					
Development Corp.	A-11	35,000.00		35,265.44	265.44
Contribution from Library Board of Trustees		100,000.00			(100,000.00)
PILOT - CIL Woods	A-11	13,000.00		11,617.64	(1,382.36)
PILOT- Oakwoods	A-11	42,000.00		40,164.00	(1,836.00)
PILOT- VOA	A-11	1,300.00		1,567.94	267.94
Utility Payments for SW Chargebacks	A-11	1,000,000.00		1,000,000.00	
Hotel/Motel Tax	A-11	800,000.00		828,784.85	28,784.85
Reserve for Quasi Duty - Other Trust Fund	A-11, B-11	106,000.00		100,000.00	(6,000.00)
Planning - Land Use Charges	A-11	55,000.00		8,722.82	(46,277.18)
Prior Year Utility Surplus	A-11	1,500,000.00		1,500,000.00	
School Resource Officer	A-11	140,000.00		100,376.00	(39,624.00)
Total Miscellaneous Revenues	A-1, A-2	15,085,016.99	148,991.28	15,677,967.40	443,959.13

See accompanying notes to the financial statements.

TOWNSHIP OF SOUTH BRUNSWICK
MIDDLESEX COUNTY, NEW JERSEY
CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016

	REF	ANTICIPATED		REALIZED	EXCESS OR (DEFICIT)
		2016 BUDGET	N.J.S.A. 40A:4-87		
Receipts from Delinquent Taxes	A-1, A-2	\$ 1,555,000.00		\$ 1,640,617.35	\$ 85,617.35
Subtotal General Revenues		19,640,016.99	\$ 148,991.28	20,318,584.75	529,576.48
Amount to be Raised by Taxation for Support of Municipal Budget:					
Local Tax for Mun. Purposes		29,821,799.72		32,489,499.92	2,667,700.20
Minimum Library Tax Levy		2,893,451.00		2,893,451.00	
	A-2	32,715,250.72	-	35,382,950.92	2,667,700.20
Total Budget Revenues		52,355,267.71	148,991.28	55,701,535.67	3,197,276.68
Non-Budget Revenues	A-1, A-4			425,931.87	425,931.87
GRAND TOTALS	A-3	\$ 52,355,267.71	\$ 148,991.28	\$ 56,127,467.54	\$ 3,623,208.55

ANALYSIS OF REALIZED REVENUES

Receipts from Delinquent Taxes:

Cash Receipts - Taxes	A-7	\$ 1,613,946.69
Cash Receipts - Tax Title Liens	A-9	26,670.66
Delinquent Tax Collections	A-1, A-2	\$ 1,640,617.35

Allocation of Current Tax Collections:

FY 2016 Cash Collections	A-7	\$ 178,790,134.88
Prepaid Taxes Applied	A-7, A-14	1,539,905.38
State Share for Senior Citizen and Veteran Deductions	A-7, A-8	171,500.00
	A-1	180,501,540.26

Allocated to:

School, County, Open Space and Special District Taxes	A-7	146,929,234.27
		33,572,305.99

Add: Reserve For Uncollected Taxes

	A-3	1,810,644.93
	A-2	\$ 35,382,950.92

Analysis of Miscellaneous Revenue Anticipated

Revenue Accounts Receivable - Cash Received	A-4, A-11	\$ 15,498,043.10
State and Federal Grants Receivable	A-25	177,029.27
Due from General Capital	A-6, C-7	\$ 2,392.94
Due from Animal Control Fund	A-6	5.99
Due from Other Trust Fund	A-6, B-11	496.10
		2,895.03
	A-2	\$ 15,677,967.40

Analysis of Interest Earned on Investments

Due from General Capital Fund	A-6, C-7	\$ 2,392.94
Due from Animal Control Fund	A-6	5.99
Due from Other Trust Fund	A-6, B-11	496.10
Cash Receipts	A-11	55,514.89
	A-2	\$ 58,409.92

TOWNSHIP OF SOUTH BRUNSWICK
MIDDLESEX COUNTY, NEW JERSEY

CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016

	2016 BUDGET	CH 159'S	EMERGENCIES AND TRANSFERS	BUDGET AFTER MODIFICATION	EXPENDED			UNEXPENDED BALANCE CANCELLED
					PAID OR CHARGED	ENCUMBERED	RESERVED	
OPERATIONS WITHIN "CAPS"								
Township Council								
Salaries and Wages	\$ 44,852.00		\$ 1.00	\$ 44,853.00	\$ 44,852.08		\$ 0.92	
Other Expenses	18,515.00			18,515.00	14,505.04		4,009.96	
Township Manager								
Salaries and Wages	351,969.70		565.00	352,534.70	352,530.19		4.51	
Other Expenses	32,050.00		30,000.00	62,050.00	59,767.41		2,282.59	
Township Clerk								
Salaries and Wages	269,778.00		725.00	270,503.00	269,733.42		769.58	
Other Expenses	29,890.00			29,890.00	25,315.12	\$ 787.50	3,787.38	
Elections								
Salaries and Wages	4,000.00		(595.00)	3,405.00	3,401.30		3.70	
Other Expenses	14,100.00		(12,000.00)	2,100.00	2,041.63		58.37	
CATV Advisory Commission (N.J.S.A. 48A:56A-26)								
Salaries and Wages	4,000.00			4,000.00	2,648.91		1,351.09	
Other Expenses	700.00			700.00	431.89		268.11	
Financial Administration								
Salaries and Wages	463,019.00		(10,000.00)	453,019.00	435,866.21		17,152.79	
Other Expenses	11,100.00			11,100.00	11,020.71	62.74	16.55	
Purchasing								
Salaries and Wages	116,237.00			116,237.00	114,102.98		2,134.02	
Other Expenses	79,000.00			79,000.00	65,468.28	3,481.70	10,050.02	
Computerized Data Processing Center								
Salaries and Wages	317,644.00		5,205.00	322,849.00	322,848.39		.61	
Other Expenses	127,000.00			127,000.00	126,488.44	392.41	119.15	
Collection of Taxes								
Salaries and Wages	200,417.00		4,036.00	204,453.00	204,452.79		.21	
Other Expenses	9,700.00		1,000.00	10,700.00	9,532.96	1,141.00	26.04	
Annual Audit								
Other Expenses	15,000.00			15,000.00		15,000.00		
Assessment of Taxes								
Salaries and Wages	238,165.00		(2,000.00)	236,165.00	235,310.53		854.47	
Other Expenses	189,470.00			189,470.00	103,774.88	48,959.26	36,735.86	
Engineering Services								
Other Expenses	5,000.00		(5,000.00)					
Legal Service and Costs								
Salaries and Wages	95,123.90		854.00	95,977.90	95,974.97		2.93	
Other Expenses	57,500.00			57,500.00	40,337.94	10,365.26	6,796.80	

See accompanying notes to the financial statements.

TOWNSHIP OF SOUTH BRUNSWICK
MIDDLESEX COUNTY, NEW JERSEY

CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016

	2016 BUDGET	CH 159'S	EMERGENCIES	BUDGET AFTER MODIFICATION	EXPENDED		UNEXPENDED BALANCE CANCELLED
			AND TRANSFERS		PAID OR CHARGED	ENCUMBERED	
OPERATIONS WITHIN "CAPS"							
Municipal Land Use Law (N.J.S.A. 40:55D-1)							
Board of Adjustments							
Salaries and Wages	\$ 13,500.00			\$ 13,500.00	\$ 11,632.68	\$ 1,666.70	\$ 200.62
Other Expenses	3,000.00		\$ 12,000.00	15,000.00	7,294.87	3,721.50	3,983.63
Community Development							
Salaries and Wages	411,288.00		(58,000.00)	353,288.00	348,317.68	4,165.00	805.32
Other Expenses	42,000.00		11,000.00	53,000.00	32,298.76	20,675.73	25.51
Industrial Commission (N.J.S.A. 40A:55-56A-5)							
Salaries and Wages	1,000.00		750.00	1,750.00	1,737.40		12.60
Other Expenses	3,000.00		(750.00)	2,250.00	1,078.53		1,171.47
Environmental Commission (N.J.S.A. 40:56A-10)							
Salaries and Wages	1,225.00			1,225.00	260.61		964.39
Other Expenses	500.00			500.00			500.00
Transportation Advisory Committee							
Salaries and Wages	300.00			300.00			300.00
Other Expenses	1,000.00			1,000.00	817.92		182.08
Public Building and Grounds							
Salaries and Wages	165,742.00		5,780.00	171,522.00	171,520.64		1.36
Other Expenses	152,384.00			152,384.00	141,474.47	9,165.72	1,743.81
Maintenance of Parks							
Salaries and Wages	828,104.00		1,300.00	829,404.00	829,401.76		2.24
Other Expenses	63,700.00			63,700.00	56,230.97	6,314.86	1,154.17
Shade Tree							
Salaries and Wages	700.00			700.00	479.08		220.92
Other Expenses	2,000.00			2,000.00	805.00		1,195.00
Streets and Roads Maintenance							
Salaries and Wages	1,771,302.00		25,000.00	1,796,302.00	1,791,165.48		5,136.52
Other Expenses	145,365.00			145,365.00	132,201.39	10,555.31	2,608.30
Snow Removal							
Salaries and Wages	133,000.00		200,000.00	333,000.00	333,000.00		
Vehicle Maintenance							
Salaries and Wages	543,099.00		675.00	543,774.00	543,769.81		4.19
Other Expenses	171,825.00			171,825.00	159,363.02	11,276.01	1,185.97
Recycling							
Salaries and Wages	194,965.00		(15,000.00)	179,965.00	162,174.55		17,790.45
Other Expenses	7,200.00			7,200.00	5,334.05	836.38	1,029.57
Transit - Other Public Works Functions							
Salaries and Wages	363,700.00		5,120.00	368,820.00	349,318.94		19,501.06
Other Expenses	5,150.00			5,150.00	1,316.90	571.18	3,261.92
Aid to Volunteer Ambulance Companies							
Other Expenses	135,000.00			135,000.00	135,000.00		
Public Safety							
Fire Prevention Service							
Salaries and Wages	313,451.14			313,451.14	313,451.14		
Other Expenses	20,472.00			20,472.00	16,958.61	1,055.14	2,458.25

See accompanying notes to the financial statements.

TOWNSHIP OF SOUTH BRUNSWICK
MIDDLESEX COUNTY, NEW JERSEY

CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016

	2016 BUDGET	CH 159'S	EMERGENCIES	BUDGET AFTER MODIFICATION	EXPENDED			UNEXPENDED BALANCE CANCELLED
			AND TRANSFERS		PAID OR CHARGED	ENCUMBERED	RESERVED	
OPERATIONS WITHIN "CAPS"								
Police								
Salaries and Wages								
Regular Police	\$ 9,265,090.00		\$ 118,450.00	\$ 9,383,540.00	\$ 9,383,535.62		\$ 4.38	
School Crossing Guards	145,000.00			145,000.00	134,022.85		10,977.15	
Other Expenses								
Regular Police	296,421.00			296,421.00	184,922.51	\$ 54,854.50	56,643.99	
School Crossing Guards	2,374.00			2,374.00	1,338.81	847.48	187.71	
Police Dispatch/911								
Salaries and Wages	865,000.00		4,950.00	869,950.00	869,931.41		18.59	
Other Expenses	14,833.00			14,833.00	11,260.57	2,267.10	1,305.33	
Emergency Management Services								
Salaries and Wages	16,500.00			16,500.00	12,119.25		4,380.75	
Other Expenses	2,500.00			2,500.00	723.58		1,776.42	
Municipal Prosecutor								
Salaries and Wages	42,500.00			42,500.00	38,958.26	3,541.74		
Health and Welfare								
Contribution to Social Service Agreement								
Other Expenses	33,300.00			33,300.00			33,300.00	
Board of Health								
Salaries and Wages	296,464.00			296,464.00	278,279.02		18,184.98	
Other Expenses	76,480.00			76,480.00	70,819.86	621.75	5,038.39	
Animal Control Regulation								
Salaries and Wages	90,612.06			90,612.06	89,468.45		1,143.61	
Other Expenses	21,675.00			21,675.00	16,670.72	1,207.16	3,797.12	
Recreation Services and Programs								
Salaries and Wages	547,369.00		(15,000.00)	532,369.00	482,268.58		50,100.42	
Other Expenses	85,500.00		15,000.00	100,500.00	97,408.28	3,078.74	12.98	
Senior Services								
Salaries and Wages	445,417.00			445,417.00	431,654.10		13,762.90	
Other Expenses	54,590.00			54,590.00	52,370.06		2,219.94	
Public Assistance								
Salaries and Wages	94,087.00			94,087.00	77,878.74		16,208.26	
Other Expenses	1,250.00			1,250.00	566.76		683.24	
Celebration of Public events								
Other Expenses	12,000.00			12,000.00	11,387.04		612.96	
Sick Payouts / Salary Adjustments	174,500.00		(119,737.00)	54,763.00	47,009.59		7,753.41	
Solid Waste Collection								
Other Expenses	1,917,311.00			1,917,311.00	1,776,945.96	130,620.31	9,744.73	
Landfill/Solid Waste Disposal Costs								
Other Expenses	925,000.00			925,000.00	837,959.49	50,363.61	36,676.90	
Condominium Services Act								
Other Expenses	131,000.00		11,500.00	142,500.00	126,272.67	16,091.70	135.63	
Municipal Court								
Salaries and Wages	464,143.00		(29,191.00)	434,952.00	424,551.31		10,400.69	
Other Expenses	20,950.00			20,950.00	14,486.39	3,412.11	3,051.50	
Public Defender								
Other Expenses	33,000.00			33,000.00	26,766.57	6,233.43		

See accompanying notes to the financial statements.

TOWNSHIP OF SOUTH BRUNSWICK
MIDDLESEX COUNTY, NEW JERSEY

CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016

	2016 BUDGET	CH 159'S	EMERGENCIES AND TRANSFERS	BUDGET AFTER MODIFICATION	EXPENDED		UNEXPENDED BALANCE CANCELLED
					PAID OR CHARGED	ENCUMBERED	
OPERATIONS WITHIN "CAPS"							
Insurance							
Group Insurance	\$ 7,297,355.00		\$ (33,000.00)	\$ 7,264,355.00	\$ 7,263,835.50	\$ 519.50	
General Liability	484,250.00		(45,000.00)	439,250.00	436,803.80	356.19	\$ 2,090.01
Unemployment Insurance	10,000.00			10,000.00	10,000.00		
Workers Compensation	152,000.00			152,000.00	152,000.00		
Waiver of Health Benefits	100,000.00		7,250.00	107,250.00	107,246.97		3.03
Construction Official							
Salaries and Wages	1,064,618.00		(76,000.00)	988,618.00	987,411.20		1,206.80
Other Expenses	12,000.00			12,000.00	8,052.24	338.42	3,609.34
Accumulated Leave Expenses							
Salaries and Wages			425,000.00	425,000.00	425,000.00		
Utilities							
Electricity	625,000.00			625,000.00	463,960.62		161,039.38
Street Lighting	525,000.00			525,000.00	437,513.37	8,400.60	79,086.03
Telephone	125,000.00		15,500.00	140,500.00	129,632.77	10,392.65	474.58
Water	27,400.00		6,500.00	33,900.00	33,662.43		237.57
Sewerage Disposal	10,000.00		4,100.00	14,100.00	14,013.22		86.78
Natural Gas	2,250.00			2,250.00	773.11		1,476.89
Fuel Oil	135,000.00			135,000.00	55,489.93		79,510.07
Gasoline	241,000.00		(100,000.00)	141,000.00	110,993.48		30,006.52
Fire Hydrant	38,000.00			38,000.00	30,859.75		7,140.25
Total Operations Within "CAPS"	35,111,941.80		390,988.00	35,502,929.80	34,253,635.17	443,340.39	805,954.24
DETAIL:							
Salaries and Wages	20,357,881.80		592,625.00	20,776,006.80	20,573,030.33	9,373.44	193,603.03
Other Expenses	14,754,060.00		(201,637.00)	14,726,923.00	13,680,604.84	433,966.95	612,351.21
STATUTORY EXPENDITURES							
<u>MUNICIPAL WITHIN "CAPS"</u>							
Statutory Expenditures:							
Contribution to:							
Public Employee's Retirement System	1,382,350.00		7,211.00	1,389,561.00	1,389,560.24		76
Social Security System (O.A.S.L.)	1,700,000.00		15,000.00	1,715,000.00	1,654,403.19		60,596.81
Police and Firemen's Retirement System of NJ	2,095,030.00		8,801.00	2,103,831.00	2,103,830.38		62
Defined Contribution Retirement Program	13,000.00		3,000.00	16,000.00	16,000.00		
Total Statutory Expenditures							
Municipal Within "CAPS"	5,190,380.00	-	34,012.00	5,224,392.00	5,163,793.81	-	60,598.19
Total General Appropriations for Municipal Purposes Within "CAPS"	40,302,321.80	-	425,000.00	40,727,321.80	39,417,428.98	443,340.39	866,552.43

See accompanying notes to the financial statements.

TOWNSHIP OF SOUTH BRUNSWICK
MIDDLESEX COUNTY, NEW JERSEY

CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016

	2016 BUDGET	CH 159'S	EMERGENCIES AND TRANSFERS	BUDGET AFTER MODIFICATION	EXPENDED		UNEXPENDED BALANCE CANCELLED
					PAID OR CHARGED	ENCUMBERED	
Operations Excluded from "CAPS"							
<u>OTHER OPERATIONS EXCLUDED FROM "CAPS"</u>							
Insurance							
Group Insurance Other Expenses	\$ 115,715.00			\$ 115,715.00	\$ 114,855.81		\$ 859.19
Maintenance of Free Public Library							
Salaries and Wages	1,772,000.00			1,772,000.00	1,711,265.39		60,734.61
Other Expenses	1,121,451.00			1,121,451.00	1,017,048.96	\$ 70,337.64	34,064.40
Length of Service Award Program (LOSAP)							
Other Expenses	65,000.00			65,000.00	40,626.80		24,373.20
Storm Removal Emergencies							
Other Expenses	167,000.00			167,000.00	167,000.00		
Interlocal Municipal Services Agreement							
Fire Services							
Salaries and Wages	385,000.00			385,000.00	358,490.67		26,509.33
Data Processing							
Salaries and Wages	91,000.00			91,000.00	91,000.00		
Total Other Operations Excluded from "CAPS"	3,717,166.00	-		3,717,166.00	3,500,287.63	70,337.64	146,540.73
<u>OTHER OPERATIONS EXCLUDED FROM "CAPS"</u>							
<u>STATE AND FEDERAL PROGRAMS OFFSET BY REVENUES</u>							
Distracted Driver							
Other Expenses		\$ 7,827.82		7,827.82	7,827.82		
Drunk Driving Enforcement Fund							
Salaries & Wages		15,133.80		15,133.80	15,133.80		
Pandemic Influenza - Hepatitis B							
Other Expenses	480.00			480.00	480.00		
Senior Transportation Grant							
Other Expenses	3,250.00	1,625.00		4,875.00	4,875.00		
Body Armor Replacement Grant							
Other Expenses		6,915.89		6,915.89	6,915.89		
Clean Communities Grant							
Other Expenses	24,307.99	99,851.27		124,159.26	124,159.26		
Handicapped Recreation Opportunity Grant							
Other Expenses		537.50		537.50	537.50		
Community Forestry Management Plan							
Other Expenses		10,000.00		10,000.00	10,000.00		
Click it or Tickit Grant							
Other Expenses		5,000.00		5,000.00	5,000.00		
Ebola Monitoring		2,100.00		2,100.00	2,100.00		
Total Public and Private Revenues Offset by Revenues	28,037.99	148,991.28		177,029.27	177,029.27		
Total Operations Excluded from "CAPS"	3,745,203.99	148,991.28		3,894,195.27	3,677,316.90	70,337.64	146,540.73
<u>DETAIL:</u>							
Salaries and Wages	2,248,000.00	15,133.80		2,263,133.80	2,175,889.86		87,243.94
Other Expenses	1,497,203.99	133,857.48		1,631,061.47	1,501,427.04	70,337.64	59,296.79

See accompanying notes to the financial statements.

TOWNSHIP OF SOUTH BRUNSWICK
MIDDLESEX COUNTY, NEW JERSEY

CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016

	2016 BUDGET	CH 159'S	EMERGENCIES AND TRANSFERS	BUDGET AFTER MODIFICATION	EXPENDED			UNEXPENDED BALANCE CANCELLED
					PAID OR CHARGED	ENCUMBERED	RESERVED	
CAPITAL IMPROVEMENTS - EXCLUDED FROM "CAPS"								
Capital Improvement Fund	\$ 100,000.00			\$ 100,000.00	\$ 100,000.00			
Total Capital Improv. - Excl. from "CAPS"	100,000.00			100,000.00	100,000.00			
MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"								
Payment of Bond Principal	4,423,500.50			4,423,500.50	4,423,500.50			
Interest on Bonds	1,052,375.00			1,052,375.00	1,052,375.00			
Interest on Notes	9,015.00			9,015.00	9,014.64			\$ 0.36
Capital Lease Obligation - Principal	425,980.00			425,980.00	422,076.24			3,903.76
Capital Lease Obligation - Interest	17,500.00			17,500.00	17,500.00			
Total Mun. Debt Service - Excl. from "CAPS"	5,928,370.50			5,928,370.50	5,924,466.38			3,904.12
DEFERRED CHARGES - MUNICIPAL EXCLUDED FROM "CAPS"								
Deferred Charges:								
Special Emergency Authorizations - 5 Years (N.J.S.A. 40A:4-53)	430,000.00			430,000.00	430,000.00			
Overexpenditure of Grants	18,750.00			18,750.00	18,750.00			
Overexpenditure of Appropriation Reserves	629.14			629.14	629.14			
Capital Ordinance Cash Deficit	19,347.35			19,347.35	19,347.35			
Total Deferred Charges - Municipal Excluded from "CAPS"	468,726.49	-		468,726.49	468,726.49	-	-	-
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	10,242,300.98	\$ 148,991.28		10,391,292.26	10,170,509.77	\$ 70,337.64	\$ 146,540.73	3,904.12
Subtotal General Appropriations	50,544,622.78	148,991.28	\$ 425,000.00	51,118,614.06	49,587,938.75	513,678.03	1,013,093.16	3,904.12
Reserve for Uncollected Taxes	1,810,644.93			1,810,644.93	1,810,644.93			
Total General Appropriations	\$ 52,355,267.71	\$ 148,991.28	\$ 425,000.00	\$ 52,929,258.99	\$ 51,398,583.68	\$ 513,678.03	\$ 1,013,093.16	\$ 3,904.12
Ref.	A-2	A-2	A-1, A-22	Below	Below	A-21	A	A-1
Adopted Budget	A-2			\$ 52,355,267.71				
Emergency Authorizations	A-22			425,000.00				
Approp. By N.J.S.A. 40A:4-87	A-2			148,991.28				
Above				\$ 52,929,258.99				
Cash Disbursed	A-4				\$ 48,942,182.99			
Deferred Charges - Special Emergency	A-22				430,000.00			
Deferred Charges - Improvement Authorization Unfunded	A-23				19,347.35			
Deferred Charges -Overexpenditure of Appropriation Reserve	A-23				629.14			
Deferred Charges -Overexpenditure of Grant	A-23				18,750.00			
Reserve for Uncollected Taxes	A-2				1,810,644.93			
Due to State and Federal Grant Fund								
Reserve for State and Federal Grants Appropriated	A-27				177,029.27			
Above					\$ 51,398,583.68			

See accompanying notes to the financial statements.

TOWNSHIP OF SOUTH BRUNSWICK
MIDDLESEX COUNTY, NEW JERSEY

TRUST FUNDS
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
DECEMBER 31, 2016 AND 2015

ASSETS	REF.	BALANCE DEC. 31, 2016	BALANCE DEC. 31, 2015 (As Restated)	LIABILITIES, RESERVES AND FUND BALANCE	REF.	BALANCE DEC. 31, 2016	BALANCE DEC. 31, 2015 (As Restated)
Assessment Fund:				Assessment Fund:			
Deferred Assessment Receivable	B-3	\$ 2,151.21	\$ 2,151.21	Reserve For Assessments Receivable	B-3	\$ 2,151.21	\$ 2,151.21
Total Assessment Fund		<u>2,151.21</u>	<u>2,151.21</u>	Total Assessment Fund		<u>2,151.21</u>	<u>2,151.21</u>
Animal Control Fund:				Animal Control Fund:			
Cash and Cash Equivalents - Treasurer	B-1	<u>47,238.98</u>	<u>55,580.11</u>	Due to State of New Jersey	B-6	57.00	64.80
				Reserve for Encumbrances	B-9	406.00	793.90
				Reserve for Animal Control Expenditures	B-9	35,875.53	38,226.93
				Interfund Payable - Current	B-9	<u>10,900.45</u>	<u>16,494.48</u>
Total Animal Control Fund		<u>47,238.98</u>	<u>55,580.11</u>	Total Animal Control Fund		<u>47,238.98</u>	<u>55,580.11</u>
Other Trust Fund				Other Trust Fund			
Cash and Cash Equivalents - Treasurer	B-1	15,628,125.72	14,774,684.23	Interfund Payable - General Capital	B-4	100,000.00	100,000.00
Interfund Receivable - Current	B-4	70,721.51	99,832.69	Interfund Payable - CDBG	B	72,782.16	52,448.22
Interfund Receivable - Payroll Trust	B-4	74,714.59		Interfund Payable - Current	B-4	1,019.43	12.09
Due from the State of New Jersey	B-5	29,502.08	27,805.13	Reserve for:			
Investments	B-2	198,000.00	960,781.00	Open Space	B-11	323,757.28	1,024,613.38
Investments in LOSAP (Unaudited)	B-2	<u>885,317.14</u>	<u>851,820.81</u>	Other Reserves	B-10	15,156,592.14	14,482,537.49
				Encumbrances	B-10, B-11	346,912.89	203,491.87
				Investment in LOSAP (Unaudited)	B-2	<u>885,317.14</u>	<u>851,820.81</u>
Total Other Trust Fund		<u>16,886,381.04</u>	<u>16,714,923.86</u>	Total Other Trust Fund		<u>16,886,381.04</u>	<u>16,714,923.86</u>
Community Development Block Grant Fund:				Community Development Block Grant Fund:			
Interfund Receivable - Other Trust Fund	B	72,782.16	52,448.22	Reserve for Program Expenditures	B-8	147,881.59	115,433.74
Accounts Receivable - Community Development Block Grant	B-7	<u>76,893.27</u>	<u>64,085.58</u>	Reserve for Encumbrances	B-8	<u>1,793.84</u>	<u>1,100.06</u>
Total Community Development Block Grant Fund		<u>149,675.43</u>	<u>116,533.80</u>	Total Community Development Block Grant Fund		<u>149,675.43</u>	<u>116,533.80</u>
		<u>\$ 17,085,446.66</u>	<u>\$ 16,889,188.98</u>			<u>\$ 17,085,446.66</u>	<u>\$ 16,889,188.98</u>

See accompanying notes to the financial statements.

TOWNSHIP OF SOUTH BRUNSWICK
COUNTY OF MIDDLESEX, NEW JERSEY

GENERAL CAPITAL FUND
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
DECEMBER 31, 2016 AND 2015

	<u>REF.</u>	<u>BALANCE DEC. 31, 2016</u>	<u>BALANCE DEC. 31, 2015</u>
Assets			
Cash and Cash Equivalents - Treasurer	C-2, C-3	\$ 11,175,653.12	\$ 9,131,417.45
Grants Receivable - State of New Jersey	C-10	400,000.00	583,050.00
Interfund Receivable - Other Trust Fund	C-12	100,000.00	100,000.00
Interfund Receivable - Utility Capital Fund	C-13	-	3,012,500.00
Deferred Charges to Future Taxation:			
Funded	C-4	39,506,000.00	45,581,000.00
Unfunded	C-5	13,214,434.70	11,587,182.05
		<u>\$ 64,396,087.82</u>	<u>\$ 69,995,149.50</u>
Liabilities, Reserves and Fund Balance			
General Serial Bonds Payable	C-14	\$ 39,506,000.00	\$ 45,581,000.00
Bond Anticipation Notes	C-16	3,940,000.00	
Reserve for Encumbrances	C-15	1,480,644.76	3,608,256.51
Improvement Authorizations:			
Funded	C-6	10,537,842.60	10,934,730.28
Unfunded	C-6	8,164,328.10	8,514,770.57
Interfund Payable - Current Fund	C-11	2,392.94	982.46
Capital Improvement Fund	C-8	23.58	16,423.58
Reserve for Debt Service	C-7	13,228.45	4,308.71
Reserve for Contributions	C-9	740,812.99	740,812.99
Reserve for Preliminary Costs	C	10,000.00	10,000.00
Reserve for Grant Receivables - State	C-10	-	583,050.00
Fund Balance	C-1	814.40	814.40
		<u>\$ 64,396,087.82</u>	<u>\$ 69,995,149.50</u>

There were Bonds and Notes Authorized but Not Issued at December 31, 2016 and 2015 in the amounts of \$9,274,434.70 and \$11,004,132.05, respectively. See Exhibit C-17.

TOWNSHIP OF SOUTH BRUNSWICK
COUNTY OF MIDDLESEX, NEW JERSEY

GENERAL CAPITAL FUND
STATEMENT OF CHANGES IN FUND BALANCE - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016 AND 2015

	<u>REF.</u>	
Balance, December 31, 2016 and 2015	C	<u>\$ 814.40</u>

See accompanying notes to the financial statements.

**TOWNSHIP OF SOUTH BRUNSWICK
MIDDLESEX COUNTY, NEW JERSEY**

**WATER AND SEWER UTILITY OPERATING FUND
COMPARATIVE STATEMENTS OF OPERATIONS AND
CHANGES IN FUND BALANCES - REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

		YearS ended December 31	
		<u>2016</u>	<u>2015</u>
Revenues and Other Income:			
Fund Balance Utilized	D-4	\$ 1,500,000.00	\$ 145,000.00
Rents	D-4 , D-10	25,342,181.84	24,592,012.46
Water and Sewer Connection Fees and Charges	D-4	3,031,289.13	2,654,250.25
Miscellaneous	D-4	213,808.00	190,538.84
Reserve for Debt Service	D-4 ,D-6	168,394.00	-
Other Credits to Income:			
Appropriation Reserves Lapsed	D-13	343,270.14	38,464.20
Total Revenues and Other Income		<u>30,598,943.11</u>	<u>27,620,265.75</u>
Expenditures:			
Budget Appropriations:			
Operations	D-5	20,059,549.00	19,826,010.00
Debt Service	D-5	4,798,811.50	4,896,761.62
Deferred Charges and Statutory Expenditures	D-5	660,000.00	601,500.00
Surplus (General Budget)	D-5	1,500,000.00	-
Total Expenditures		<u>27,018,360.50</u>	<u>25,324,271.62</u>
Excess in Revenues Over Expenditures / Statutory			
Excess to Fund Balance		3,580,582.61	2,295,994.13
Balance - January 1	D	<u>2,300,240.84</u>	<u>149,246.71</u>
		5,880,823.45	2,445,240.84
Decreased By:			
Utilization as Anticipated Revenue	D-4	<u>1,500,000.00</u>	<u>145,000.00</u>
Balance - December 31	D	<u>\$ 4,380,823.45</u>	<u>\$ 2,300,240.84</u>

See accompanying notes to the financial statements.

**TOWNSHIP OF SOUTH BRUNSWICK
MIDDLESEX COUNTY, NEW JERSEY**

**WATER AND SEWER UTILITY ASSESSMENT TRUST FUND
STATEMENT OF CHANGES IN FUND BALANCE - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Ref.</u>	
Balance - December 31, 2016 and 2015	D	<u>\$ 124,606.54</u>

See accompanying notes to the financial statements.

**WATER AND SEWER UTILITY CAPITAL FUND
STATEMENT OF CHANGES IN FUND BALANCE - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Ref.</u>	
Balance - December 31, 2016 and 2015	D	<u>\$ 690.32</u>

See accompanying notes to the financial statements.

**TOWNSHIP OF SOUTH BRUNSWICK
MIDDLESEX COUNTY, NEW JERSEY**

**WATER AND SEWER UTILITY OPERATING FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Ref.	2016 Budget	Realized	Excess
Utility Operating Surplus	D-1	\$ 1,500,000.00	\$ 1,500,000.00	
Water / Sewer Rents	D-1, D-10	24,000,000.00	25,342,181.84	\$ 1,342,181.84
Water and Sewer Connection Fees	D-1, D-6	1,350,000.00	3,031,289.13	1,681,289.13
Miscellaneous	D-1, D-4, D-6		213,808.00	213,808.00
Reserve for Debt Service	D-1, D-6	168,394.00	168,394.00	
TOTALS	D-5	<u>\$ 27,018,394.00</u>	<u>\$ 30,255,672.97</u>	<u>\$ 3,237,278.97</u>
 <u>Analysis of Miscellaneous:</u>				
Other	D-6		\$ 182,966.74	
Interest	D-6		30,841.26	
	Above		<u>\$ 213,808.00</u>	

See accompanying notes to the financial statements.

**TOWNSHIP OF SOUTH BRUNSWICK
MIDDLESEX COUNTY, NEW JERSEY**

**WATER AND SEWER UTILITY OPERATING FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	2016 Budget	Budget After Modification	Expended		Unexpended Balance Cancelled	
			Paid or Charged	Encumbered		Reserved
Operating:						
Salaries and Wages	\$ 3,798,294.00	\$ 3,798,294.00	\$ 3,704,526.27		\$ 93,767.73	
Other Expenses	16,285,100.00	16,261,255.00	15,072,506.45	\$ 379,292.39	809,456.16	
Total Operations	20,083,394.00	20,059,549.00	18,777,032.72	379,292.39	903,223.89	
Debt Service:						
Payment of Bond Principal	3,370,000.00	3,370,000.00	3,370,000.00			
Interest on Bonds	1,100,000.00	1,122,277.75	1,122,244.25		\$ 33.50	
Interest on Notes	305,000.00	306,567.25	306,567.25			
Total Debt Service	4,775,000.00	4,798,845.00	4,798,811.50		33.50	
Deferred Charges and Statutory Expenditures:						
Contribution to:						
Public Employees Retirement System	450,000.00	450,000.00	450,000.00			
Social Security System	210,000.00	210,000.00	198,740.91		11,259.09	
Total Deferred Charges and Statutory Expenditures	660,000.00	660,000.00	648,740.91		11,259.09	
Surplus - General Budget	1,500,000.00	1,500,000.00	1,500,000.00			
	<u>\$ 27,018,394.00</u>	<u>\$ 27,018,394.00</u>	<u>\$ 25,724,585.13</u>	<u>\$ 379,292.39</u>	<u>\$ 914,482.98</u>	<u>\$ 33.50</u>
Ref.	D-4	D-4	Below	D	D	D-1
Cash Disbursed	D-6		\$ 22,795,773.63			
Utilized in Current Fund Budget	D-6		1,500,000.00			
Accrued Interest on Bonds and Notes	D-12		1,428,811.50			
Above			<u>\$ 25,724,585.13</u>			

See accompanying notes to the financial statements.

TOWNSHIP OF SOUTH BRUNSWICK
MIDDLESEX COUNTY, NEW JERSEY

PAYROLL FUND
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
DECEMBER 31, 2016 AND 2015

<u>ASSETS</u>	<u>REF.</u>	<u>BALANCE DEC. 31, 2016</u>	<u>BALANCE DEC. 31, 2015</u>
Cash and Cash Equivalents	E-1	\$ 320,307.32	\$ 221,757.12
		<u>\$ 320,307.32</u>	<u>\$ 221,757.12</u>
 <u>LIABILITIES</u>			
Payroll Deductions Payable	E-3	\$ 245,592.73	\$ 221,735.16
Interfund Payable - Unemployment Fund	E-2	74,714.59	21.96
		<u>\$ 320,307.32</u>	<u>\$ 221,757.12</u>

See accompanying notes to the financial statements.

TOWNSHIP OF SOUTH BRUNSWICK
MIDDLESEX COUNTY, NEW JERSEY

GENERAL FIXED ASSETS ACCOUNT GROUP
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
DECEMBER 31, 2016 AND 2015

<u>ASSETS</u>	<u>BALANCE DEC. 31, 2016</u>	<u>BALANCE DEC. 31, 2015</u>
Land	\$ 52,799,808.00	\$ 52,572,344.00
Land Improvements	3,256,487.00	3,256,487.00
Buildings and Improvements	48,119,844.00	48,119,844.00
Infrastructure	3,760,723.00	3,751,900.00
Machinery, Equipment, Furniture and Fixtures and Vehicles	<u>25,505,270.00</u>	<u>24,690,155.00</u>
	<u>\$ 133,442,132.00</u>	<u>\$ 132,390,730.00</u>
 <u>RESERVE</u>		
Investment in General Fixed Assets	<u>\$ 133,442,132.00</u>	<u>\$ 132,390,730.00</u>

See accompanying notes to the financial statements.

TOWNSHIP OF SOUTH BRUNSWICK
MIDDLESEX COUNTY, NEW JERSEY
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

Note 1: FORM OF GOVERNMENT

The governing body of the Township of South Brunswick, in the County of Middlesex, New Jersey (the "Township") consists of the Mayor and four (4) elected at-large members of the Township Council, each of whom serve a four-year term. Terms are staggered by two-year intervals. The Council serves as a legislative arm of the government and establishes the policies of the Township. The Township Manager is the Chief Executive Officer of the Township and is responsible for carrying out the policies of the Township Council. The responsibilities of the Township Manager include being accountable for all employees, proposing the annual budget and coordinating all activities of all departments within the Township.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Governmental Accounting Standards Board (GASB) established criteria to be used to determine which component units should be included in the financial statements of the oversight entity. The Division of Local Government Services (the "Division") requires the financial statements of the Township of South Brunswick to be reported separately.

Except as noted below, the financial statements of the Township of South Brunswick include every board, body, officer or commission supported and maintained wholly or in part by funds appropriated by the Township of South Brunswick, as required by N.J.S.A. 40A:5-5. Accordingly, the financial statements of the Township of South Brunswick do not include the operations of the municipal library, first aid organizations or volunteer companies.

B. Description of Funds

The accounting policies of the Township of South Brunswick conform to the accounting principles applicable to municipalities, which have been prescribed by the Division. Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. Under this method of accounting, the Township of South Brunswick accounts for its financial transactions through the following separate funds and an account group:

Current Fund – records resources and expenditures for governmental operations of a general nature, including Federal and State grant funds, except as otherwise noted.

Trust Fund – records receipts, custodianship and disbursement of funds in accordance with the purpose for which each reserve was created. Pursuant to the provisions of N.J.S.A. 40A:4-39, the financial transactions of the Community Development Block Grant fund are reported within the Trust Funds. In addition, the financial transactions of the following funds and accounts are also reported within the Trust Funds:

Assessment Trust Fund
Other Trust Fund
Animal Control Trust Fund

TOWNSHIP OF SOUTH BRUNSWICK
MIDDLESEX COUNTY, NEW JERSEY
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

General Capital Fund – records resources, including Federal and State Grants in aid of construction, and expenditures for the acquisition of general capital facilities, other than those acquired through the Current Fund, including the status of bonds and notes authorized for said purposes. General bonds, notes and loans payable are recorded in this fund offset by deferred charges to future taxation.

Water and Sewer Utility Fund – records resources and expenditures for the operations and acquisition of capital facilities of the municipally owned Water and Sewer Utility.

Payroll Fund – records resources, deposits of gross salaries of municipal and utility operations into bank accounts of the payroll fund, Social Security and other payroll contributions are also deposited therein. Net salaries and remittances to all federal, state and other agencies are paid from this fund.

General Fixed Assets Account Group - The General Fixed Assets Account Group is used to account for fixed assets used in governmental fund type operations for control purposes. All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available or any other reasonable basis, provided such basis is adequately disclosed in the financial statements. Donated fixed assets are valued at their estimated fair value at the date of donation. No depreciation is recorded on general fixed assets.

The Governmental Accounting Standards Board (GASB) is the accepted standards-setting body for establishing governmental accounting and financial reporting principles. GASB's Codification of Governmental Accounting and Financial Reporting Standards recognizes three fund categories as appropriate for the accounting and reporting of the financial position and results of operations in accordance with generally accepted accounting principles (GAAP) to provide detailed information about the governmental unit. This structure of funds differs from the organization of funds prescribed under the regulatory basis of accounting utilized by the Township. The resultant presentation of financial position and results of operations in the form of basic financial statements is not intended to present the basic financial statements required by GAAP.

C. Regulatory-Basis Financial Statements

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

TOWNSHIP OF SOUTH BRUNSWICK
MIDDLESEX COUNTY, NEW JERSEY
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting

Basis of Accounting and Measurement Focus - The basis of accounting, as prescribed by the Division for its operating funds is generally a modified cash basis for revenue recognition and a modified accrual basis for expenditures. The operating funds utilize a "current financial resources" measurement focus. The accounting principles and practices prescribed for municipalities by the Division differ in certain respects from generally accepted accounting principles (GAAP) applicable to local government units. The most significant is the reporting of entity-wide financial statements, which are not presented in the accounting principles prescribed by the Division. The other more significant differences are as follows:

Revenues - Revenues are recorded as received in cash except for statutory reimbursements and grant funds, which are due from other governmental units. State and Federal grants, entitlements and shared revenues received for operating purposes are realized as revenues when anticipated in the Township budget.

Receivables for property taxes and water and sewer utility consumer charges are recorded with offsetting reserves within the Current Fund and Water and Sewer Utility Fund, respectively. Other amounts that are due to the Township which are susceptible to accrual are recorded as receivables with offsetting reserves. These reserves are liquidated and revenues are recorded as realized upon receipt of cash. GAAP requires the recognition of revenues for general operations in the accounting period in which they become available and measurable, with the exception of utility consumer charges, which should be recognized in the period they are earned and become measurable.

Expenditures - For purposes of financial reporting, expenditures are recorded as "paid or charged" or "appropriation reserves." Paid or charged refers to the Township's "budgetary" basis of accounting. Generally, these expenditures are recorded when an amount is encumbered for goods or services through the issuance of a purchase order in conjunction with the encumbrance accounting system. Reserves for unliquidated encumbrances at the close of the year are reported as a cash liability. Encumbrances do not constitute expenditures under GAAP. Appropriation reserves refer to unexpended appropriation balances at the close of the year. Appropriation reserves are automatically created and recorded as a cash liability, except for amounts, which may be cancelled by the governing body. Appropriation reserves are available until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred and not recorded in the preceding fiscal year. Lapsed appropriation reserves are recorded as income. Generally, unexpended balances of budget appropriations are not recorded as expenditures under GAAP. Expenditures for compensated absences, i.e., accumulations of earned but unused vacations and sick leave, are recorded in the accounting period in which the payments are made. GAAP requires that expenditures be recorded in the governmental (Current) fund in an amount that would normally be liquidated with available financial resources, and that expenditures be recorded in the enterprise (Water and Sewer Utility) fund on a full accrual basis.

For the purposes of calculating the results of Current Fund operations, the regulatory basis of accounting utilized by the Township requires that certain expenditures be deferred and raised as items of appropriation in budgets of succeeding years. These deferred charges include the two general categories of overexpenditures and emergency appropriations. Overexpenditures occur when expenditures recorded as "paid or charged" exceed available appropriation balances. Emergency appropriations occur when, subsequent to the adoption of a balanced budget, the governing body authorizes the establishment of additional appropriations based on unforeseen circumstances or for other special purposes as defined by statute. Overexpenditures and emergency appropriations are deducted from total expenditures in the calculation of operating results and are established as assets (Deferred Charges) on the balance sheets.

TOWNSHIP OF SOUTH BRUNSWICK
MIDDLESEX COUNTY, NEW JERSEY
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GAAP does not permit the deferral of overexpenditures to succeeding budgets. In addition, GAAP does not recognize expenditures based upon the authorization of an appropriation. Instead, the authorization of special purpose expenditures, such as the preparation of tax maps or the revaluation of assessable real property, would represent the designation of fund balance.

The Local Budget Law (N.J.S.A. 40A:4-1 et seq.) requires that certain operating transfers between funds, such as transfers from the Current Fund or Utility Operating Funds to a Self-insurance Trust Fund, transfers of anticipated operating surpluses among the Current Fund, Water and Sewer Utility Fund, transfers from utility operating funds to capital funds (i.e., finance capital projects) and transfers from the Current Fund to the Trust Funds or General Capital Fund are required to be included in the Township's annual budgets as budget appropriations. Expenditures are recorded upon the adoption of the budget for legally required transfers, and upon the determination of availability of funds for any discretionary transfers. Under GAAP, operating transfers are not recognized as expenditures.

New Jersey statutes require municipalities to provide annual funding to Free Public Libraries through the Current Fund Budget. Amounts paid on behalf of the Free Public Library or transferred to the custody of the Library's management are recorded as budgetary expenditures of the Township, notwithstanding the fact that the Library is recognized as a separate entity for financial reporting purposes. Under GAAP, the Library would be recognized, as a "component unit" of the Township, and discrete reporting of the Library's financial position and operating results would be incorporated in the Township's financial statements.

Property Acquired for Taxes - Foreclosed property is recorded in the Current Fund at the assessed valuation when such property was acquired and is fully reserved. GAAP requires such property to be recorded in the governmental fixed assets at the lower of cost or fair market value.

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

Compensated Absences - The Township has adopted written policies via employee contracts and municipal ordinances which set forth the terms under which an employee may accumulate earned, but unused, vacation and sick leave, establishes the limits on such accumulations and specifies the conditions under which the right to receive payment for such accumulations vests with the employee. The Township records expenditures for payments of earned and unused vacation and sick leave in the accounting period in which the payments are made. GAAP requires that expenditures be recorded in the governmental (Current) fund in an amount that would normally be liquidated with available financial resources, and that expenditures be recorded in the enterprise (Utility Funds) funds on a full accrual basis.

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

Long-term debt - The Township's long-term debt is stated at face value. The debt is not traded and it is not practicable to determine its fair value without incurring excessive cost. Additional information pertinent to the Township's long-term debt is provided in Note 4 to the financial statements.

TOWNSHIP OF SOUTH BRUNSWICK
MIDDLESEX COUNTY, NEW JERSEY
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fixed Assets - Property and equipment acquired by the Current, Community Development Block Grant and General Capital Funds are recorded as expenditures at the time of purchase and are not capitalized. Property and equipment acquired by the Water and Sewer Utility Fund are recorded in their respective capital accounts at cost and are adjusted for dispositions and abandonments. Contributions in aid of construction are not capitalized. The balances in the Reserve for Amortization and Deferred Reserve for Amortization accounts in the Water and Sewer Utility Capital Fund represent charges to operations for the costs of acquisitions of property, equipment and improvements plus any costs funded from sources other than bonded debt of the utility. The utility does not record depreciation on fixed assets. GAAP does not require the establishment of a reserve for amortization for utility fixed assets, but does require the recognition of depreciation of these assets as an operating expense of the utility.

The Township has developed a general fixed asset accounting and reporting system that utilizes multiple dollar thresholds for the inclusion of certain assets and also utilizes estimated insurable values, which are updated annually to reflect current appraisal values, for inventoried structures. Accordingly, a statement of general fixed assets, developed using recognized valuation methods and uniform capitalization rules, which is required pursuant to generally accepted accounting principles and accounting practices prescribed for municipalities by the State of New Jersey, is included in the financial statements.

Net Pension Liability and Pension Related Deferred Outflows of Resources and Deferred Inflows of Resources and Pension Expense – the requirements of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68* require governmental entities to record their distributive shares of net pension liability, deferred outflows of resources, deferred inflows of resources and total pension related expense. Accounting principles applicable to municipalities, which have been prescribed by the Division, do not require the recording of these liabilities, deferrals and expenses, but do require the disclosure of these amounts. Since the Township does not follow generally accepted accounting principles, the GASBs did not result in a change in the Township's assets, liabilities and contribution requirements. However, it did result in additional note disclosures as required by the GASBs (See Note 9 for additional information).

E. Comparative Data

Comparative data for the prior year has been presented in order to provide an understanding of changes in the Township's financial position and operations. However, comparative data has not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

F. GASB Implemented in the 2016 Fiscal Year

GASB Statement No. 72, *Fair Value Measurement and Application* ("GASB 72"). The objective of this Statement is to provide guidance for applying fair value for certain assets and liabilities and disclosures related to all fair value measurements. The requirements of this Statement mandate the use of valuation techniques that are appropriate under the circumstances and for which sufficient data are available to measure fair value. The requirements of this Statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015. The Township has

TOWNSHIP OF SOUTH BRUNSWICK
MIDDLESEX COUNTY, NEW JERSEY
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

adopted GASB No. 72 during the year ended December 31, 2016.

The GASB issued Statement No. 77, *Tax Abatement Disclosures* in August 2015. This Statement is intended to improve financial reporting by requiring disclosure of tax abatement information about a reporting government's own tax abatement agreements and those that are entered into by other governments and that reduce the reporting government's tax revenues. The requirements of this Statement are effective for financial statements for reporting periods beginning after December 31, 2015. Refer to Note 19 for these disclosures.

G. Recent Pronouncements

The GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* in June 2015. This Statement replaces the requirements of Statement No. 45 and the primary objective of this Statement is to improve accounting and reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local government employers about financial support for OPEB that is provided by other entities. The requirements of this Statement are effective for financial statements for reporting periods beginning after June 30, 2017. Management has not yet determined the impact of the Statement on the financial statements.

H. Reclassification

Certain prior period amounts have been reclassified to conform to the current year presentation. Such reclassifications were limited to balance sheet and schedule of improvement authorizations and did not impact fund balance. Specifically, the Township reclassified amounts from "Improvement Authorizations-Unfunded" to "Improvement Authorizations-Funded."

I. Subsequent Events

Management has reviewed and evaluated all events and transactions that occurred from December 31, 2016 through August 14, 2017, that date that the financial statements were issued and the effects of those that provided additional pertinent information about conditions that existed at the balance sheet date, have been recognized in the accompanying financial statements.

Note 3: DEFERRED COMPENSATION PLAN

The Deferred Compensation Plan was established pursuant to Section 457 of the Internal Revenue Code and P.L. 1977, C. 381; P.L. 1978, C. 39; and P.L. 1980, C. 78 of the Statutes of New Jersey. The Plan is an arrangement whereby a public employer may establish a plan and permit its employees to voluntarily authorize a portion of their current salary to be withheld and invested in one or more of the types of investments permitted under the governing regulations. The program balances are not recorded in the Trust Fund of the Township. The deferred compensation plans are administered by the ICMA Retirement Corporation, the Lincoln National Life Insurance Company, Metlife, Nationwide Mutual Insurance Company and MassMutual. The Township does not make any contributions to the plan and the deferred compensation is not available to employees until termination, retirement, death or unforeseeable hardship.

In accordance with the requirements of the Small Business Job Protection Act of 1996 and the funding requirements of the Internal Revenue Code Section 457(g), the Township's plan was amended to

TOWNSHIP OF SOUTH BRUNSWICK
MIDDLESEX COUNTY, NEW JERSEY
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

Note 3: DEFERRED COMPENSATION PLAN (Continued)

require that all amounts of compensation deferred under the Plan are held for the exclusive benefits of plan participants and beneficiaries. All assets and income under the plan are held in trust, in annuity contracts or custodial accounts. The plan's assets are not the property of the Township and therefore are not presented in the financial statements.

As of December 31, 2016 and 2015, the amounts held in trust amounted to \$18,968,501.43 and \$18,467,257.85, respectively.

Note 4: DEBT, DEBT SERVICE AND STATUTORY DEBT CONDITION

The Local Bond Law, N.J.S.A. 40A:2 et seq, governs the issuance of bonds and notes to finance municipal capital expenditures. The Township's municipal debt is summarized as follows:

Summary of Municipal Debt for Capital Projects

	<u>Year 2016</u>	<u>Year 2015</u>
Issued:		
General:		
Bond Anticipation Notes	\$ 3,940,000.00	\$ -
Bonds	39,506,000.00	45,581,000.00
Water and Sewer Utility:		
Bond Anticipation Notes	18,442,000.00	3,450,000.00
Bonds	<u>29,070,000.00</u>	<u>32,440,000.00</u>
Total debt issued	90,958,000.00	81,471,000.00
Less:		
Funds temporarily held to pay		
Bonds and notes	<u>58,127.83</u>	<u>5,291.37</u>
	90,899,872.17	81,465,708.63
Authorized but not issued:		
General:		
Bonds and notes	9,274,434.70	11,004,132.05
Water and Sewer Utility:		
Bonds and notes	<u>8,453,450.80</u>	<u>20,913,450.80</u>
Total authorized but not issued	<u>17,727,885.50</u>	<u>31,917,582.05</u>
Net bonds and notes issued and authorized but not issued	<u>\$ 108,627,757.67</u>	<u>\$ 113,383,290.68</u>

TOWNSHIP OF SOUTH BRUNSWICK
MIDDLESEX COUNTY, NEW JERSEY
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

Note 4: DEBT, DEBT SERVICE AND STATUTORY DEBT CONDITION (Continued)

B. Summary of Statutory Debt Condition - Annual Debt Statement – 2016

The summarized statement of debt condition which follows is reported in accordance with the required method for preparation of the Annual Debt Statement and indicates a statutory net debt of:

	Gross Debt	Deductions	Net Debt
Local school district debt	\$ 57,280,000.00	\$ 57,280,000.00	
Water and sewer utility debt	55,965,450.80	55,965,450.80	
General debt	52,720,434.70	13,228.45	\$ 52,707,206.25
	\$ 165,965,885.50	\$ 113,258,679.25	\$ 52,707,206.25

Net Debt \$52,377,206.25 Divided by Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended \$8,365,870,557.00 equals .63%.

EQUALIZED VALUATION BASIS

2014 Equalized Valuation Basis of Real Property	\$ 7,893,996,925.00
2015 Equalized Valuation Basis of Real Property	8,673,235,492.00
2016 Equalized Valuation Basis of Real Property	8,530,379,254.00

Average Equalized Valuation	\$ 8,365,870,557.00
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BORROWING POWER UNDER N.J.S.A 40A:2-6 AS AMENDED

3 1/2% of Equalized Valuation Basis Municipal	\$ 292,805,469.50
Net Debt	52,707,206.25

Remaining Borrowing Power	\$ 240,098,263.25
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The Township's water and sewer utility fund was self-liquidating as of December 31, 2016.

The foregoing debt information is not in agreement with the annual debt statement filed by the chief financial officer. A revised annual debt statement should be filed.

The Township of South Brunswick Board of Education is a Type II School District. As such, the members of the Board of Education are elected by the citizens of the Township and school appropriations are set by the Board of Education. Bonds and notes authorized by voter referendum to finance capital expenditures are general obligations of the Board of Education and, as such, are reported on the balance sheet of the Board of Education.

TOWNSHIP OF SOUTH BRUNSWICK
MIDDLESEX COUNTY, NEW JERSEY
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

Note 4: DEBT, DEBT SERVICE AND STATUTORY DEBT CONDITION (Continued)

D. Schedule of Annual Debt Service for Principal and Interest for the
Next Five Years and in Five Year Increments Thereafter for Bonded Debt Issued and Outstanding

Fiscal Year	General		Water and Sewer Utility		Total
	Principal	Interest	Principal	Interest	
2017	\$ 6,200,000.00	\$ 1,332,773.00	\$ 3,460,000.00	\$ 1,038,028.00	\$ 12,030,801.00
2018	5,940,000.00	1,141,333.00	3,463,000.00	931,676.00	11,476,009.00
2019	6,060,000.00	934,589.00	3,495,000.00	808,523.00	11,298,112.00
2020	6,255,000.00	707,963.00	3,600,000.00	676,523.00	11,239,486.00
2021	5,425,000.00	468,573.00	3,570,000.00	534,523.00	9,998,096.00
2022-2026	7,977,000.00	857,995.00	10,002,000.00	1,146,915.00	19,983,910.00
2027-2030	1,649,000.00	111,093.00	1,480,000.00	67,100.00	3,307,193.00
Total	<u>\$ 39,506,000.00</u>	<u>\$ 5,554,319.00</u>	<u>\$ 29,070,000.00</u>	<u>\$ 5,203,288.00</u>	<u>\$ 79,333,607.00</u>

During 2015, the Township issued \$8,320,000 of refunding bonds consisting of \$5,396,000.00 General Improvement Bonds, \$2,561,000.00 Water-Sewer Utility Bonds, and \$363,000.00 Open Space Bonds. The purpose of the 2015 refunding bonds was to advance refund the outstanding callable principal amount of the originally issued \$19,719,000.00 General Obligation Bonds dated March 1, 2007 maturing March 1, 2018 through 2027 in the total amount of \$8,594,000.00, consisting of \$5,482,000.00 General Improvement Bonds maturing on March 1 in the years 2018 through and including 2022, \$2,743,000.00 Water-Sewer Utility Bonds maturing on March 1 in the years 2018 through and including 2027 and \$369,000.00 Open Space Bonds maturing on March 1 in the years 2018 through and including 2022. As a result, these refunded bonds were considered to be defeased and the refunded portion of the debt was removed from the General Capital Fund and Water and Sewer Utility Capital Fund.

Pursuant to a bonds purchase contract entered into between the Township and the underwriter, the bonds are being purchased at an aggregate purchase price of \$9,109,566.10 (representing the principal amount of the bonds, plus an original issue premium of \$831,166.10 and less an underwriter's discount of \$41,600.00).

The difference between cash flows required to service the old debt and the cash flows to service the new debt was \$393,641.25. The economic gain (net present value) resulting from the refunding was \$363,461.01. As a result of the refunding, \$8,594,000.00 of the defeased debt is still outstanding at December 31, 2016 and 2015.

For detail of future years serial bonds required debt principal payments see Exhibit C-14 and Exhibit D-20.

E. Notes

As of December 31, 2016, the Township had a special emergency note outstanding in the amount of \$1,290,000 in the current fund. The note matures on December 15, 2017 with an interest rate of 1.19%.

TOWNSHIP OF SOUTH BRUNSWICK
MIDDLESEX COUNTY, NEW JERSEY
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

Note 4: DEBT, DEBT SERVICE AND STATUTORY DEBT CONDITION (Continued)

As of December 31, 2016, the Township has outstanding bond anticipation notes in the general capital fund in the amount of \$3,940,000. The notes mature on October 4, 2017 with an interest rate of 0.94%.

As of December 31, 2016, the Township has outstanding bond anticipation notes in the water and sewer utility capital fund in the amount of \$3,450,000. The notes mature on January 27, 2017 with an interest rate of 2.00%.

As of December 31, 2016, the Township has outstanding bond anticipation notes in the water and sewer utility capital fund in the amount of \$14,992,000. The note matures on October 4, 2017 with an interest rate of 0.94%.

Note 5: FUND BALANCES APPROPRIATED

Fund balances at December 31, 2016 and 2015 were appropriated and included as anticipated revenue in their own respective funds for the "Fiscal Year" ending December 31, 2017 and 2016 as follows:

	<u>2017</u>	<u>2016</u>
Current fund	\$ 3,700,000.00	\$ 3,000,000.00
Water and Sewer Utility Operating Fund	\$ 1,500,000.00	\$ 1,500,000.00

Note 6: DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

As noted in Note 2, certain expenditures are required to be deferred to budgets of succeeding years.

The following deferred charges are shown of the December 31, 2016 and 2015 balance sheet of the Township's Current Fund.

	<u>2016</u>	<u>2015</u>
Overexpenditure of an Appropriation Reserve		\$ 629.14
Special Emergency Authorizations (40A:4-53)	\$ 1,290,000.00	1,295,000.00
	<u>\$ 1,290,000.00</u>	<u>\$ 1,295,629.14</u>

The over-expenditure of an appropriation reserve represents budgetary over-expenditures of certain prior year budgetary reserve appropriations.

The special emergency authorizations consist of \$1,290,000 of appropriations to pay the costs associated with accumulated sick leave payouts due to former employees who retired from the Township. Of these balances, one-fifth of the deferred charges for each year was raised in the Township's 2016 Current Fund

TOWNSHIP OF SOUTH BRUNSWICK
MIDDLESEX COUNTY, NEW JERSEY
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

Note 6: DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS (Continued)

budget. The remaining deferred charges from the special emergencies in the current fund will be raised in the Township's 2017-2021 budgets.

Note 7: DEPOSITS AND INVESTMENTS

Deposits

New Jersey statutes permit the deposit of public funds in institutions located in New Jersey which are insured by the Federal Deposit Insurance Corporation (FDIC) or by any other agencies of the United States that insures deposits or the State of New Jersey Cash Management Fund. New Jersey statutes require public depositories to maintain collateral for deposit of public funds that exceed insurance limits as follows:

Cash on deposit is partially insured by federal deposit insurance in the amount of \$250,000.00 in each depository. Balances above the federal deposit insurance amount are insured by the Government Unit Deposit Protection Act (GUDPA), N.J.S.A. 17:941, et seq., which insures all New Jersey governmental units' deposits in excess of the federal deposit insurance maximums.

Based on GASB criteria, the Township considers cash and cash equivalents to include petty cash, change funds, demand deposits, money market accounts, short-term investments and cash management money market mutual funds such as Pillar Funds, and are either any direct and general obligation of the

United States of America and its agencies or certificates of deposit issued by any bank, savings and loan association or national banking association if qualified to serve as a depository for public funds under the provisions of the Government Unit Depository Protection Act. Cash and cash equivalents have original maturities of three months or less from the date of purchase. Investments are stated at cost, which approximates fair value.

At December 31, 2016 and 2015, the book values of the cash and cash equivalents of the Township consisted of the following:

	Book Balance	
	2016	2015
Cash (Demand Accts)	\$ 39,090,772.60	\$ 26,837,831.62
NJ ARM	4,937,226.56	5,119,634.50
Change Funds (On-Hand)	-	1,890.00
	\$ 44,027,999.16	\$ 31,959,356.12
Total		

There was \$320,057.32 of funds held in Township agency accounts at December 31, 2016 that were not covered by GUDPA.

Custodial Credit Risk - Deposits - Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned. The government does not have a specific deposit policy for custodial credit risk other than those policies that adhere to the requirements of statute and to deposit all of its funds in banks covered by FDIC and GUDPA. At least five percent of the Township's deposits were fully

TOWNSHIP OF SOUTH BRUNSWICK
MIDDLESEX COUNTY, NEW JERSEY
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

Note 7: DEPOSITS AND INVESTMENTS (Continued)

collateralized by funds held by the financial institution, but not in the name of the Township. Due to the nature of GUDPA, further information is not available regarding the full amount that is collateralized.

The Township of South Brunswick had the following depository accounts. All deposits are carried at cost.

	Bank Balance	
	2016	2015
Insured-FDIC	\$ 723,238.31	\$ 681,499.79
Insured-NJGUDPA (N.J.S.A. 17:941)	38,316,280.26	24,009,164.04
Total	\$ 39,039,518.57	\$ 24,690,663.83

Investments

New Jersey Statutes establish the following securities as eligible for the investment of Township funds:

1. Bonds or other obligations of the United States of America or obligations guaranteed by the United States;
2. Government money market mutual funds;
3. Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided such obligation bear a fixed rate of interest not dependent on any index or other external factor;
4. Bonds or other obligations of the Township or bonds or other obligations of school districts of which the Township is a part and within which the school district is located.
5. Bonds or other obligations having a maturity date of not more than 397 days from the date of purchase that are approved by the Division of Investment of the Department of Treasury for investment by local units;
6. Local government investment pools;
7. Deposits with the State of New Jersey Cash Management Fund established pursuant to section I of P.L. 1997, c. 281 (C.52:IXA-90G4);
8. Deposits with the New Jersey Asset and Rebate Management Fund ("NJ ARM"); or
9. Agreements for the repurchase of fully collateralized securities, if:
 - a. the underlying securities are permitted investments pursuant to paragraphs (1) and (3);
 - b. the custody collateralized is transferred to a third party;
 - c. the maturity of the agreement is not more than 30 days; and
 - d. the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c.236 (C.199-41) and for which a master repurchase agreement providing for the custody and security of the collateral is executed.

Governmental Accounting Standards Board Statement No. 40 - Deposit and investment Risk Disclosures requires the Township to disclose its deposits and investment policies regarding certain types of investment risks.

TOWNSHIP OF SOUTH BRUNSWICK
MIDDLESEX COUNTY, NEW JERSEY
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

Note 7: DEPOSITS AND INVESTMENTS (Continued)

New Jersey Asset and Rebate Management

The Township also invests funds in the New Jersey Asset and Rebate Management Fund (“NJARM”), which is an investment pool managed by Public Financial Management Company. NJARM allows governments within the state to pool their funds for investment purposes and the Securities and Exchange Commission (SEC) does not restrict the pool. Earnings are allocated to all participants based upon shares held in the pool and distributed on the last day of each month. In addition, the fair value of the Township’s portion of the pool is the same as the value of its shares. Agencies that participate in the NJARM typically earn returns that mirror short-term investment rates. Monies can be freely added or withdrawn from the NJARM on a daily basis without penalty. At December 31, 2016 and 2015, the Township’s balance in NJARM was \$4,937,226.58 and \$5,119,634.59, respectively.

GASB 72

GASB 72 established a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurement.) The three levels of the fair value hierarchy under GASB 72 are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Authority has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The Township’s investments consisted of bond anticipation notes purchased by the Township during the year and all investments were held directly by the Township. The investments in bond anticipation notes are considered level 2 investments as they are in an inactive market and inputs other than quoted prices are observable. The investments are held for one year. The balance of these investments at December 31, 2016 and 2015 were as follows:

TOWNSHIP OF SOUTH BRUNSWICK
MIDDLESEX COUNTY, NEW JERSEY
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

Note 7: DEPOSITS AND INVESTMENTS (Continued)

Description of Investment	Interest Rates	Amount	
		2016	2015
<u>Current Fund</u>			
City of West Wildwood, NJ			
Bond Anticipation Notes - maturing 5/12/2017	0.70%	\$ 440,000.00	\$ 440,000.00
City of West Wildwood, NJ			
Bond Anticipation Notes - matured 7/22/2016	1.00%		1,294,238.00
City of West Wildwood, NJ			
Bond Anticipation Notes - maturing 7/21/2017	1.00%	1,254,305.00	
City of West Wildwood, NJ			
Bond Anticipation Notes - maturing 7/21/2017	1.00%	164,738.00	164,738.00
Town of Seacaucus, NJ			
Bond Anticipation Notes - maturing 4/14/2017	0.90%	583,209.00	
Total Current Fund		<u>\$ 2,442,252.00</u>	<u>\$ 1,898,976.00</u>
<u>Open Space Trust Fund</u>			
Township of Lawrence, NJ			
Bond Anticipation Notes - maturing 11/17/2017	0.75%	\$ 160,000.00	
Township of Barnegat, NJ			
Bond Anticipation Notes - maturing 6/16/2017	0.70%	38,000.00	
Township of Brick, NJ			
Bond Anticipation Notes - matured 9/23/2016	1.33%		\$ 120,000.00
City of Ventnor, NJ			
Bond Anticipation Notes - matured 12/8/2016	1.00%		120,000.00
Township of Lawrence, NJ			
Bond Anticipation Notes - matured 11/18/2016	0.75%		320,000.00
City of Bordentown, NJ			
Bond Anticipation Notes - matured 6/1/2016	0.75%		400,781.00
Total Open Space Trust Fund		<u>\$ 198,000.00</u>	<u>\$ 960,781.00</u>
<u>Water and Sewer Utility Operating Fund</u>			
City of Egg Harbor, NJ			
Bond Anticipation Notes - maturing 4/12/2017	1.00%	\$ 1,268,000.00	
Total Water-Sewer Utility Operating Fund		<u>\$ 1,268,000.00</u>	
<u>Water and Sewer Utility Capital Fund</u>			
Township of Port Republic, NJ			
Bond Anticipation Notes - maturing 9/21/2017	1.25%	\$ 500,000.00	
Township of Egg Harbor, NJ			
Bond Anticipation Notes - maturing 1/15/2017	0.80%	2,225,000.00	
Total Water-Sewer Utility Capital Fund		<u>\$ 2,725,000.00</u>	
Grand Total		<u>\$ 6,633,252.00</u>	<u>\$ 2,859,757.00</u>

TOWNSHIP OF SOUTH BRUNSWICK
MIDDLESEX COUNTY, NEW JERSEY
NOTES TO THE FINANCIAL STATEMENTS
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Note 7: DEPOSITS AND INVESTMENTS (Continued)

Interest Rate Risk – As a means of limiting its exposure to fair value losses arising from increasing interest rates, the Township generally limits its investment maturities to within two years of the date of purchase.

Credit Risk – As of December 31, 2016 the Township's various investments for the City of West Wildwood, Town of Seacaucus, Township of Lawrence, Township of Barnegat, City of Egg Harbor, Township of Port Republic and Township of Egg Harbor were not rated by a nationally recognized bond rating agency.

Custodial Credit Risk – For investments, custodial credit risk is the risk that in the event of the failure of the counter-party, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of the outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured and are not registered in the name of the Township. The Township manages custodial credit risk by limiting its investments to the debt of other governmental units within the State of New Jersey.

Concentration of Credit Risk – The Township places no limit on the amount the Township may invest in any one issuer. As of December 31, 2016 the Township had amounts invested with for the City of West Wildwood, Town of Seacaucus, Township of Lawrence, Township of Barnegat, City of Egg Harbor, Township of Port Republic and Township of Egg Harbor represented 28.02%, 8.79%, 2.41%, 0.57%, 19.1%, 7.50% and 33.54%, respectively of the total carrying amount of the Township's investments.

Note 8: ASSESSMENT AND COLLECTION OF PROPERTY TAXES

A taxable valuation of real property is prepared by the Tax Assessor as of October 1 in each year and filed with the County Board of Taxation by January 10 of the following year. The County Board of Taxation establishes tax rates to reflect the levy necessary for municipal, local school district, special district and county taxes.

Tax bills are prepared and mailed by the Collector of Taxes of the Township annually and set forth the final tax for the tax year. The bill contains a credit for preliminary amounts billed previously with the balance payable in equal installments on August 1st and November 1st of the tax year. In addition, the property owner receives a preliminary bill for the succeeding year based on one half of the previous year's tax. The preliminary payments are due and payable on February 1st and May 1st. NJ Statutes allow a grace period of 10 days for each payment period and the Township granted this option to taxpayers. Taxes become delinquent if not paid on the installment dates and become subject to interest penalties of 8% to 18% of the amounts delinquent, and if a delinquency (including interest) is in excess of \$10,000.00 and remains in arrears after December 31, an additional flat penalty of 6% shall be charged against the delinquency. If taxes are delinquent on or after April 1st of the succeeding year, the delinquent amount is subject to "Tax Sale" which places a tax lien on the property allowing the holder to enforce the tax lien by collection or foreclosure. New Jersey property tax laws establish a tax lien on real estate as of January 1st of the current tax year even though the amount due is not known.

Note 9: PENSION AND RETIREMENT PLANS

Substantially, all Township employees participate in the Public Employees' Retirement System and Police and Firemen's Retirement System. The Division of Pensions within the Treasury Department of the State of New Jersey is the administrator of the funds and charges municipalities annually for their respective contributions. The plans provide retirement and disability benefits, annual cost of living adjustments and benefits to plan members and beneficiaries.

TOWNSHIP OF SOUTH BRUNSWICK
MIDDLESEX COUNTY, NEW JERSEY
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

Note 9: PENSION AND RETIREMENT PLANS (Continued)

The plans are cost sharing multiple-employer defined benefit plans and as such do not maintain separate records for each municipality in the state and, therefore, the actuarial data for the Township is not available.

The Division of Pensions issues publicly available financial reports for each of the plans that include financial statements and required supplementary information. The reports may be obtained by writing the State of New Jersey, Division of Pensions.

Covered employees are required by State statute to contribute a certain percentage of their salary to the plan. Each member's percentage is based on age determined at the effective date of enrollment. In addition, the PERS and PFRS bills the Township annually at an actuarially determined rate for its required contribution. The current rate of required contribution of annual covered payroll is 7.20% for PERS employees and 10.0% for PFRS.

The contribution requirements of plan members and the Township are established and may be amended by the Board of Trustees of the respective plans. The Township's contributions to the PERS for the years ended December 31, 2016, 2015 and 2014 were \$1,832,347.00, \$1,725,790.00, and \$1,582,948.00, respectively. The Township's contributions to the PFRS for the years ended December 31, 2016, 2015 and 2014 were \$2,095,030.00, \$1,967,003.00, and \$1,854,127.00, respectively. In 2009, the State of New Jersey permitted Municipalities to defer up to 50% of their contributions due in 2009. The Township elected this option, resulting in the deferral of their 2009 PERS and PFRS bills in the amounts of \$498,160.50 and \$814,062.00, respectively. In accordance with state regulations, the Township began repaying this liability in April 2012 over a 15 year period and included in the payments identified above during 2016 for PERS and PFRS were principal payments of \$33,129.00 and \$122,564.00, respectively for repayment of this deferred liability.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Public Employee's Retirement System (PERS)

At December 31, 2016 and 2015, the Township's liability for its proportionate share of the net pension liability was \$60,361,945.00 and \$45,846,998.00, respectively. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015 which was rolled forward to June 30, 2016. The Township's proportion of the net pension liability was based on a projection of the Township's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2016, the Township's proportion was 0.2038075315 percent, which was a decrease of 0.0004289515 from its proportion measured as of June 30, 2015.

At December 31, 2016, the Township's deferred outflows of resources and deferred inflows of resources related to PERS were from the following sources:

TOWNSHIP OF SOUTH BRUNSWICK
MIDDLESEX COUNTY, NEW JERSEY
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

Note 9: PENSION AND RETIREMENT PLANS (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 12,503,771.00	
Difference between expected and actual experience	1,122,549.00	
Net difference between projected and actual earnings on pension plan investments	2,301,656.00	
Changes in proportion and differences between Township contributions and proportionate share of contributions	514,744.00	\$ 80,290.00
Township contributions subsequent to the measurement date	943,957.00	
	\$ 17,386,677.00	\$ 80,290.00

At December 31, 2015, the Township's deferred outflows of resources and deferred inflows of resources related to PERS were from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 4,923,601.00	
Difference between expected and actual experience	1,093,748.00	
Net difference between projected and actual earnings on pension plan investments		\$ 737,132.00
Changes in proportion and differences between Township contributions and proportionate share of contributions	653,116.00	13,404.00
Township contributions subsequent to the measurement date	877,943.00	
	\$ 7,548,408.00	\$ 750,536.00

\$943,957.00 and \$877,943.00 as of December 31, 2016 and 2015, respectively, are reflected above as deferred outflows of resources related to pensions resulting from Township contributions subsequent to the measurement date. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions would be recognized in pension expense on the GAAP basis as follows:

TOWNSHIP OF SOUTH BRUNSWICK
MIDDLESEX COUNTY, NEW JERSEY
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

Note 9: PENSION AND RETIREMENT PLANS (Continued)

Year ended December 31:

2017	\$	3,709,419.00
2018		3,709,420.00
2019		4,267,654.00
2020		3,575,005.00
2021		1,100,932.00
		\$ 16,362,430.00

Actuarial Assumptions

The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. This actuarial valuation used the following actuarial assumptions:

Inflation rate		3.08%
Salary increase through 2026		1.65 - 4.15%
		based on age
Thereafter		2.65 - 5.15%
		based on age
Investment rate of return		7.65%

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014.

The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014, which was rolled forward to June 30, 2015. This actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

Inflation rate		3.04%
Salary increase through 2026		2.15 - 4.40%
		based on age
Thereafter		3.15 - 5.40%
		based on age
Investment rate of return		7.90%

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2013.

TOWNSHIP OF SOUTH BRUNSWICK
MIDDLESEX COUNTY, NEW JERSEY
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Note 9: PENSION AND RETIREMENT PLANS (Continued)

Mortality Rates

Pre-retirement mortality rates were based on the RP-2000 Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2014 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2014 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

Long-Term Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.65% at June 30, 2016) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2016 are summarized in the following table:

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MIDDLESEX COUNTY, NEW JERSEY
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Note 9: PENSION AND RETIREMENT PLANS (Continued)

Asset Class	Allocation	Real Rate of Return
Cash	5.00%	8.70%
U.S. Treasuries	1.50%	1.74%
Investment grade credit	8.00%	1.79%
Mortgages	2.00%	1.67%
High yield bonds	2.00%	4.56%
Inflation-indexed bonds	1.50%	3.44%
Broad U.S. equities	26.00%	8.53%
Developed foreign equities	13.25%	6.83%
Emerging market equities	6.50%	9.95%
Private equity	9.00%	12.40%
Hedge funds/Absolute return	12.50%	4.68%
Real Estate (property)	2.00%	6.91%
Commodities	0.50%	5.45%
Global debt ex U.S.	5.00%	-0.25%
REIT	5.25%	5.63%
	100.00%	

Discount Rate

The discount rate used to measure the total pension liability was 3.98% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65%, and a municipal bond rate of 2.85% as of June 30, 2016 based on the Bond Buyer GO 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 30% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2034. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

The discount rate used to measure the total pension liability was 4.90% as of June 30, 2015. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.90%, and a municipal bond rate of 3.80% as of June 30, 2015 based on the Bond Buyer GO 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the

TOWNSHIP OF SOUTH BRUNSWICK
MIDDLESEX COUNTY, NEW JERSEY
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Note 9: PENSION AND RETIREMENT PLANS (Continued)

current member contribution rates and that contributions from employers will be made based on the average of the last five years of contributions made in relation to the last five years of recommended contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the Township's proportionate share of the net pension liability to changes in the discount rate

The following presents the Township's proportionate share of the net pension liability as of December 31, 2016 calculated using the discount rate as disclosed above as well as what the Township's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.98 percent) or 1-percentage-point higher (4.98 percent) than the current rate:

	At 1% decrease (2.98%)	At current discount rate (3.98%)	At 1% increase (4.98%)
Township's proportionate share of the net pension liability	\$ 73,966,518.00	\$ 60,361,945.00	\$ 49,130,190.00

The following presents the Township's proportionate share of the net pension liability as of June 30, 2015 calculated using the discount rate as disclosed above as well as what the Township's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.90 percent) or 1-percentage-point higher (5.90 percent) than the current rate:

	At 1% decrease (3.90%)	At current discount rate (4.90%)	At 1% increase (5.90%)
Township's proportionate share of the net pension liability	\$ 56,982,209.00	\$ 45,846,998.00	\$ 36,511,318.00

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report for the State of New Jersey Public Employees Retirement System.

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MIDDLESEX COUNTY, NEW JERSEY
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YEARS ENDED DECEMBER 31, 2016 AND 2015

Note 9: PENSION AND RETIREMENT PLANS (Continued)

Additional Information

Collective balances of the Local Group at June 30, 2016 are as follows:

Deferred outflows of resources	\$ 6,135,087,729
Deferred inflows of resources	\$ 870,133,595
Net pension liability	\$ 29,617,131,759
 Township's Proportion	 0.2038075315%

Collective balances of the Local Group at June 30, 2015 are as follows:

Deferred outflows of resources	\$ 2,946,265,815
Deferred inflows of resources	\$ 360,920,604
Net pension liability	\$ 22,447,996,119
 Township's Proportion	 0.204236483%

Collective pension expense for the Local Group for the measurement period ended June 30, 2016 and 2015 were \$2,827,610,195.00 and \$1,472,586,715.00, respectively.

The average of the expected remaining service lives of all plan members is 5.57 and 5.72 years for 2016 and 2015, respectively.

Police and Firemen's Retirement System (PFRS)

At December 31, 2016 and 2015, the Township's liability for its proportionate share of the net pension liability was \$45,513,485.00 and \$40,418,741.00, respectively. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. The Township's proportion of the net pension liability was based on a projection of the Township's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2016, the Township's proportion was 0.2382585899 percent, which was a decrease of 0.00440167362 from its proportion measured as of June 30, 2015.

At December 31, 2016, the Township's deferred outflows of resources and deferred inflows of resources related to PFRS were from the following sources:

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Note 9: PENSION AND RETIREMENT PLANS (Continued)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ 6,303,992.00	
Differences between expected and actual experience		\$ 298,348
Net difference between projected and actual earnings on pension plan investments	3,189,038.00	
Changes in proportion and differences between Township contributions and proportionate share of contributions	380,277.00	506,335.00
Township contributions subsequent to the measurement date	1,033,188.00	
	<u>\$ 10,906,495.00</u>	<u>\$ 804,683.00</u>

At December 31, 2015, the Township's deferred outflows of resources and deferred inflows of resources related to PFRS were from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ 7,462,304.00	
Differences between expected and actual experience		\$ 348,624.00
Net difference between projected and actual earnings on pension plan investments		703,453.00
Changes in proportion and differences between Township contributions and proportionate share of contributions	493,436.00	
Township contributions subsequent to the measurement date	986,233.00	
	<u>\$ 8,941,973.00</u>	<u>\$ 1,052,077.00</u>

\$1,033,188.00 and \$986,233.00 as of December 31, 2016 and 2015, respectively were reported as deferred outflows of resources related to pensions resulting from Township contributions subsequent to the measurement date. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions would be recognized in pension expense on the GAAP basis as follows:

Year ended December 31:

2017	\$ 2,207,563.00
2018	2,207,563.00
2019	2,978,354.00
2020	1,675,144.00
	<u>\$ 9,068,624.00</u>

TOWNSHIP OF SOUTH BRUNSWICK
MIDDLESEX COUNTY, NEW JERSEY
NOTES TO THE FINANCIAL STATEMENTS
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Note 9: PENSION AND RETIREMENT PLANS (Continued)

Actuarial Assumptions

The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. This actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

Inflation rate	3.08%
Salary increase through 2026	2.10 - 8.98%
	based on age
Thereafter	3.10 - 9.98%
	based on age
Investment rate of return	7.65%

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014.

The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014, which was rolled forward to June 30, 2015. This actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

Inflation rate	3.04%
Salary increase through 2026	2.60 - 9.48%
	based on age
Thereafter	3.60 - 10.48%
	based on age
Investment rate of return	7.90%

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2013.

Mortality Rates

Pre-retirement mortality rates were based on the RP-2000 Pre-Retirement mortality tables projected thirteen years using Projection Scale BB and then projected on a generational basis using the plan actuary's modified 2014 projection scales. Post-retirement mortality rates for male service retirements and beneficiaries are based on the RP-2000 Combined Healthy Mortality Tables projected one year using Projection Scale AA and two years using the plan actuary's modified 2014 projection scales.

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MIDDLESEX COUNTY, NEW JERSEY
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Note 9: PENSION AND RETIREMENT PLANS (Continued)

Post retirement mortality rates for female service retirements and beneficiaries were based on the RP-2000 Combined Healthy Mortality Tables projected thirteen years using Projection Scale BB and then two years using the plan actuary's modified 2014 projection scales, which was further projected on a generational basis using the plan actuary's modified 2014 projection scales. Disability mortality rates were based on special mortality tables used for the period after disability retirement.

Long-Term Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in PFRS's target asset allocation as of June 30, 2016 are summarized in the following table:

Asset Class	Allocation	Real Rate of Return
Cash	5.00%	0.87%
U.S. Treasuries	1.50%	1.74%
Investment Grade Credit	8.00%	1.79%
Mortgages	2.00%	1.67%
High Yield Bonds	2.00%	4.56%
Inflation-Indexed Bonds	1.50%	3.44%
Broad US Equities	26.00%	8.53%
Developed Foreign Markets	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%
Private Equity	9.00%	12.40%
Hedge Funds / Absolute Return	12.50%	4.68%
Real Estate (Property)	2.00%	6.91%
Commodities	0.50%	5.45%
Global Debtrex US	5.00%	-0.25%
REIT	5.25%	5.63%
	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 5.55% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65%, and a municipal bond rate of 2.85% as of June 30, 2016 based on the Bond Buyer GO 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the

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Note 9: PENSION AND RETIREMENT PLANS (Continued)

current member contribution rates and that contributions from employers and the nonemployer contributing entity will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 30% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2050. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2050, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

The discount rate used to measure the total pension liability was 5.79% as of June 30, 2015. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.90%, and a municipal bond rate of 3.80% as of June 30, 2015 based on the Bond Buyer GO 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years of contributions made in relation to the last five years of recommended contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2045. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2045, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the Township's proportionate share of the net pension liability to changes in the discount rate

The following presents the Township's proportionate share of the net pension liability as of December 31, 2016 calculated using the discount rate as disclosed above as well as what the Borough's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.55 percent) or 1-percentage-point higher (6.55 percent) than the current rate:

	At 1% decrease (4.55%)	At current discount rate (5.55%)	At 1% increase (6.55%)
Township's proportionate share of the net pension liability	\$ 58,686,302.00	\$ 45,513,485.00	\$ 34,771,845.00

The following presents the Township's proportionate share of the net pension liability as of June 30, 2015 calculated using the discount rate as disclosed above as well as what the Township's

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Note 9: PENSION AND RETIREMENT PLANS (Continued)

proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.79 percent) or 1-percentage-point higher (6.79 percent) than the current rate:

	At 1% decrease (4.79%)	At current discount rate (5.79%)	At 1% increase (6.79%)
Township's proportionate share of the net pension liability	\$ 53,284,733.00	\$ 40,418,741.00	\$ 29,927,674.00

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report for the State of New Jersey Police and Firemen's Retirement System.

Additional Information

Collective balances of the Local Group at June 30, 2016 are as follows:

Deferred outflows of resources	\$	4,547,316,543
Deferred inflows of resources	\$	688,197,590
Net pension liability	\$	20,706,699,056

Township's Proportion	0.2382585899%
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Collective balances of the Local Group at June 30, 2015 are as follows:

Deferred outflows of resources	\$	3,075,206,294
Deferred inflows of resources	\$	433,559,708
Net pension liability	\$	18,117,234,618

Township's Proportion	0.2426602635%
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Collective pension expense for the Local Group for the measurement period ended June 30, 2016 and 2015 is \$2,248,798,664 and \$1,619,458,723, respectively.

The average of the expected remaining service lives of all plan members is 5.58 and 5.53 years for 2016 and 2015, respectively.

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MIDDLESEX COUNTY, NEW JERSEY
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Note 9: PENSION AND RETIREMENT PLANS (Continued)

Special Funding Situation

Under N.J.S.A 43:16A-15, local participating employers are responsible for their own contributions based on actuarially determined amounts, except where legislation was passed which legally obligated the State if certain circumstances occurred. The amounts contributed on behalf of the local participating employers under this legislation is considered to be a special funding situation and the State is treated as a non-employer contributing entity. The non-employer contributing entities' total proportionate share of the collective net pension liability that is associated with the Township as of June 30, 2016 and 2015 for police and fire is 0.2382585899% and 0.2426602635%, respectively, and the non-employer contributing entities' contribution for the year ended June 30, 2016 and 2015 for police and fire was \$146,448.00 and \$184,514.00, respectively. The state's proportionate share of the net pension liability attributable to the Township as of June 30, 2016 and 2015 is \$3,822,004.00 and \$3,544,588.00, respectively.

Note 10: POST RETIREMENT HEALTH BENEFITS

In addition to the pension and retirement plans described in Note 9, the Township provides post-retirement health care benefits, in accordance with State statute N.J.S.A. 40A:10-23 to employees who retire with at least 25 years of pension service credit and 15 years of consecutive service with the Township, or go out on disability with 10 years of service or more. The Township does not issue a publicly available financial report for the plan. Benefit provisions for the plan are established and amended with the approval of the Township's governing body and there is no statutory requirement for the Township to continue this plan for future Township employees. The plan is a contributory plan with all payments for plan benefits being funded by the Township.

GASB Statement 45 applied to the Township of South Brunswick starting with the year ended December 31, 2015 (the Township previously participated in the New Jersey State Health Benefits Plan). GASB Statement 45 requires that the Township disclose its annual OPEB cost for the plan which is calculated based on the annual required contribution ("ARC"), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

As of December 31 2015, the date of the most recent actuarial valuation, under GASB Statement 45, the Township's annual required contribution for 2015 and 2014 were \$7,100,000.00 and \$5,810,000.00, respectively. The Township's contributions for post-retirement benefits for the years ended December 31, 2016, 2015, and 2014 were \$3,507,054.35, \$2,945,051.55, and \$2,209,532.76, respectively. The Township's net OPEB obligation as of December 31, 2015 was \$11,500,000.00.

As of December 31 2015, the actuarial accrued liability for benefits was \$84,530,000.00, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$24,860,000.00, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 340% for the same aforementioned period.

The latest actuarial valuation date is December 31, 2015. Actuarial valuations involve estimates of the value reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funding status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

TOWNSHIP OF SOUTH BRUNSWICK
MIDDLESEX COUNTY, NEW JERSEY
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Note 10: POST RETIREMENT HEALTH BENEFITS (Continued)

Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the Township and the plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

For the December 31, 2015 actuarial valuation, the project unit credit funding method was used. The actuarial assumptions included a 4.50% discount rate and an annual healthcare cost trend rate of 8.5% in the first year (2013), reducing by 0.5% per annum, leveling at 5% per annum in year 8, for medical, dental and prescription. As required by Local Finance Notice 2007-15, the Township's demographic assumptions were selected based on those used by the State Division of Pensions and Benefits calculation from its December 31, 2015 report. The Township has a total of 390 plan members of which 249 are active participants with an average age of 47 years and 141 are retired participants. The cost medical benefits range from \$181 through \$1,893 per month and for dental benefits range from \$18 through \$154 per month.

Note 11: RISK MANAGEMENT

The Township has maintained a limited self-insurance plan for worker's compensation coverage. Claims are paid from a fund provided through the annual budget appropriation. Also, individual stop loss and aggregate stop loss policies are purchased to protect the Township from catastrophic loss. There is a reserve in the Other Trust Fund to pay incurred costs if such were to exceed the annual budget appropriation. The governing body of South Brunswick adopted this plan in accordance with N.J.S.A. 40A:10-36. The Township is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; error or omission, injuries to employees; and natural disasters. The Township is a member of the Middlesex County Municipal Joint Insurance Fund ("JIF"). The JIF is a public entity risk pool currently operating as a common risk management and insurance program for municipalities established for the purpose of insuring against property damage, general liability, motor vehicles and equipment liability and workers' compensation. While additional assessments on premiums can be levied by the JIF to assure payment of the JIF's obligations, no such additional premiums have been necessary as of December 31, 2016. The JIF is expected to be self-sustaining through member premiums of which the Township portion is reported as expenditure in the Township's financial statements and liabilities of the JIF are based on the estimated ultimate cost of settling the claims. The JIF participates in the AIG Municipal Excess Liability Program, which has a contract for excess liability insurance.

The Township is not aware of any claims pending that have a demand in excess of coverages provided under the JIF. In addition, there were no significant reductions in insurance coverage from prior year coverage and there were no amounts settled which exceeded insurance coverage for each of the past three years.

Note 12: ACCRUED SICK AND VACATION BENEFITS

The Township has established policies, which set forth the terms under which an employee may accumulate unused benefits. The Township's general policy is as follows:

Vacations - Vacation pay for permanent employees is accumulated in accordance with the approved schedules for their respective units. Vacation days shall be taken during the current year and shall not

TOWNSHIP OF SOUTH BRUNSWICK
MIDDLESEX COUNTY, NEW JERSEY
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Note 12: ACCRUED SICK AND VACATION BENEFITS (Continued)

accumulate, except that vacation time may be carried over to the next succeeding year only. This carryover provision is not applicable to Police and Fire Officers. An employee who has separated his/her employment in good standing shall be entitled in time or in pay to any earned vacation accumulated and not previously used.

The payroll office maintains up-to-date records of each employee's status relating to earned and unused sick and vacation pay. At December 31, 2016 and 2015, the total value of accumulated compensated absences, based upon the current pay rates, was \$5,392,267.83 and \$4,827,161.52, respectively. Expenditures for payment of accrued sick and vacation benefits are recorded in the period in which the payments are made. Additionally, at December 31, 2016 and 2015, the Township has reserved funds in the Other Trust Fund of \$247,721.56 and \$9,234.40, respectively to help offset future costs incurred.

Note 13: LEASE COMMITMENTS

The Township has entered into lease/purchase agreements with TD Bank for the acquisition of equipment and other capital items.

Future lease payments and the present value of net minimum lease payments at December 31, 2016 are as follows:

Year Ended December 31	
2017	\$ 299,787.90
2018	<u>160,000.36</u>
Total minimum lease payments	459,788.26
Less: Amount representing interest / fees	<u>15,111.92</u>
Present value of net minimum lease payments	<u><u>\$ 444,676.34</u></u>

Note 14: TAX APPEALS

At December 31, 2016, there are several tax appeals pending before the New Jersey Tax Court requesting a reduction of assessed valuation for 2016 and prior years. Any reduction in assessed valuation will result in a refund of prior year's taxes in the year of settlement, which may be funded from the Township's tax levy or through the issuance of refunding bonds per N.J.S. 40A:2-51. In accordance with the National Council on Governmental Accounting Statement 4, "Accounting and Financial Reporting Principles for Claims and Judgments and Compensated Absences," the Township charges current fund operations for all State Board Judgments rendered during the year which will be paid from expendable available financial resources.

The Township's share of the County taxes paid on any successful tax appeal would result in appropriate reductions applied against the County tax levy of the following year.

TOWNSHIP OF SOUTH BRUNSWICK
MIDDLESEX COUNTY, NEW JERSEY
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YEARS ENDED DECEMBER 31, 2016 AND 2015

Note 15: CONTINGENT LIABILITIES

At December 31, 2016, the Township had litigation pending. The majority of this litigation involves claims against the Township relating to matters that traditionally would be covered through the procurement of workers' compensation and liability insurance policy coverages. As more fully described in Note 11, the Township has participated in a joint insurance fund for general liability and is partially self-insured for workers compensation. Management indicates the Township is not involved in any pending or threatened litigation nor are there any unasserted claims or assessments requiring disclosure in the financial statements.

The Township participates in several federal and state financial assistance grant programs. Entitlement to the funds is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable regulations, including the expenditures of funds for eligible purposes. These programs are also subject to compliance and financial audits by the grantors or their representatives. As of December 31, 2015, the Township does not believe that any material liabilities will result from such audits.

On May 1, 2013, the Council on Affordable Housing ("COAH"), State of New Jersey passed a resolution authorizing the COAH to begin the process of seizing "uncommitted" municipal affordable housing trust funds. The COAH issued letters to all municipalities in the State of New Jersey requesting them to certify the amount of funds held in trust that are committed and uncommitted and submit the information to COAH. On May 13, 2013, the Appellate Court of the State of New Jersey issued an injunction regarding the resolution passed by the COAH on May 1, 2013 no longer requiring local municipalities to certify the amount of committed and uncommitted funds held in trust. On May 28, 2013, the New Jersey Supreme Court kept in place the portion of the stay ordered by the Appellate Division, thereby enjoining the State from seeking the transfer of any affordable housing trust funds. However, the Court lifted the portion of the stay which prohibited the State from its administrative process of gathering and evaluating municipal submissions. On June 25, 2013, municipalities with affordable housing trust funds were issued a letter from the COAH giving all municipalities until August 2, 2013 to confirm or challenge the figures of funds that the COAH records indicate are being held by local municipalities for affordable housing. On September 26, 2013, the New Jersey Supreme Court again affirmed, in part, the Appellate Division Court decision passed on May 1, 2013 and also gave the COAH five months through February 26, 2014 to promulgate new regulations which would comply with the Fair Housing Act. On February 26, 2014, COAH filed an extension requesting to extend that time frame until May 1, 2014 which was granted by the New Jersey Supreme Court on March 14, 2014, subject to certain provisions, including the COAH to propose new regulations by May 1, 2014 and adopt such regulations on or before October 22, 2014. In October 2014, the COAH failed to meet the deadline established by the New Jersey Supreme Court. In March 2015, the New Jersey Supreme Court made a determination that affordable housing obligations would be administered by the Court. As of December 31, 2016 and 2015, the Township held \$2,947,376.88 and \$3,476,176.19, respectively of funds for the Council on Affordable Housing.

TOWNSHIP OF SOUTH BRUNSWICK
MIDDLESEX COUNTY, NEW JERSEY
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

Note 16: INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances, which represent short term loans between funds or interest due to other funds, remained on the balance sheets as of December 31, 2016:

Fund	Interfund Receivable	Interfund Payable
Current Fund	\$ 131,752.91	\$ 70,721.51
State and Federal Grant Fund		117,440.09
Other Trust Fund	145,436.10	173,801.59
Animal Control Trust Fund		10,900.45
Community Development Block Grant Trust Fund	72,782.16	
General Capital Fund	100,000.00	2,392.94
Water and Sewer Utility Operating Fund	5,216.53	
Water and Sewer Utility Assessment Fund		15.83
Water and Sewer Utility Capital Fund		5,200.70
Payroll Fund		74,714.59
Total	\$ 455,187.70	\$ 455,187.70

All interfunds are expected to be liquidated within one year.

Note 17: UNEMPLOYMENT COMPENSATION INSURANCE

Effective January 1, 1978, most municipal employees were eligible for unemployment compensation insurance (N.J.S.A. 43:21-3 et seq.). The Township has elected to provide a self-insured plan whereby the municipal costs and employee contributions are deposited into a trust fund from which claims, if any, will be paid. All funds collected from employees are transmitted to the state for this period. The Reserve for Unemployment Compensation Insurance at December 31, 2016 and 2015 totaled \$66,156.00 and \$1,825.19, respectively.

Note 18: LOSAP PROGRAM (Unaudited)

The Township has established a Length of Service Award Program (LOSAP) Deferred Compensation Plan. The LOSAP is an incentive award program for volunteers who meet specified service criteria and is a qualified plan under Internal Revenue Code Section 457(e). Funding for the plan is provided via Township budget appropriations and the Township has authorized Lincoln National Life Insurance, as the plan provider. As of December 31, 2016 and 2015, the cumulative balance of the Length of Service Award Program was \$885,317.14 and \$851,820.81, respectively and is recorded in the Other Trust Fund of the Township.

In accordance with N.J.A.C. 5:30-14, the funds held in the LOSAP remain the assets of the Township until they are distributed and as such are subject to the claims of the Township's general creditors.

TOWNSHIP OF SOUTH BRUNSWICK
MIDDLESEX COUNTY, NEW JERSEY
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

Note 19: GASB 77 TAX ABATEMENTS

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.

The Township has entered into several property tax abatement agreements in order to provide incentives to redevelop areas that are in need for improvement or to create economic growth. These agreements are authorized under various New Jersey state statutes. The following represent the Township's most significant tax abatement agreements:

Entity Name	Commencement Date	Termination Date	Pilot Billing	Taxes if Billed in Full	Abated Taxes
Oak Woods	1997	2037	\$ 42,965.00	\$ 93,788.67	\$ 50,823.67
CIL Woods	1998	2038	8,106.00	32,833.32	24,727.32
South Brunswick VOA	2005	2040	9,630.00	72,927.86	63,297.86
ARC - 9 Helen Drive	2013	2043	4,000.00	8,621.18	4,621.18
ARC - 24 Palmer Road	2013	2043	4,000.00	8,329.76	4,329.76
ARC - 125 Kendall Road	2013	2043	4,000.00	7,892.63	3,892.63
ARC - 24 Kindsey Road	2013	2043	4,000.00	7,261.22	3,261.22
			<u>\$ 76,701.00</u>	<u>\$ 231,654.64</u>	<u>\$ 154,953.64</u>

Note 20: RESTATEMENT

The Township has restated its December 31, 2015 cash and reserve for other reserves balances in the Other Trust Fund that had not previously been recorded in the financial statements in the amount of \$1,560,260.83. The restatement was limited to the Other Trust Fund Comparative Balance Sheets. This restatement did not result in a change in fund balance.

APPENDIX C

FORM OF LEGAL OPINION FOR THE BONDS

*An opinion in substantially the following form
will be delivered at Closing, assuming no
material changes in facts or law*

_____, 2017

Township Council of the
Township of South Brunswick in the
County of Middlesex, New Jersey

Re: Township of South Brunswick, in the County of Middlesex, New Jersey
\$22,400,000 General Obligation Bonds, Series 2017

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance by the Township of South Brunswick, in the County of Middlesex, New Jersey (the "Township"), of its General Obligation Bonds, Series 2017, in the aggregate principal amount of \$22,400,000 (the "Bonds"), consisting of \$9,837,000 General Improvement Bonds, \$12,147,000 Water-Sewer Utility Bonds and \$416,000 Open Space Bonds. The Bonds are general obligations of the Township and the full faith, credit and taxing power of the Township is available to pay the principal of and interest on the Bonds. The Bonds are dated October __, 2017 and mature on October 1 in the years and in the principal amounts and bear interest at the rates, payable on April 1, 2018 and semiannually thereafter on the first days of October and April in each year until maturity or earlier redemption, as follows:

	General Improvement Bond	Water-Sewer Utility Bonds	Open Space Bonds	Total	Interest Rate
<u>Year</u>	<u>Principal</u>	<u>Principal</u>	<u>Principal</u>	<u>Principal</u>	<u>%</u>
2018	\$377,000	\$352,000	\$21,000	\$750,000	
2019	430,000	400,000	20,000	850,000	
2020	450,000	425,000	25,000	900,000	
2021	600,000	550,000	25,000	1,175,000	
2022	750,000	600,000	25,000	1,375,000	
2023	750,000	600,000	25,000	1,375,000	
2024	750,000	600,000	25,000	1,375,000	
2025	750,000	600,000	25,000	1,375,000	

	General Improvement Bonds	Water-Sewer Utility Bonds	Open Space Bonds	Total	Interest Rate
<u>Year</u>	<u>Principal</u>	<u>Principal</u>	<u>Principal</u>	<u>Principal</u>	<u>%</u>
2026	\$750,000	\$600,000	\$25,000	\$1,375,000	
2027	730,000	610,000	35,000	1,375,000	
2028	700,000	620,000	30,000	1,350,000	
2029	700,000	650,000	30,000	1,380,000	
2030	700,000	665,000	35,000	1,400,000	
2031	700,000	675,000	35,000	1,410,000	
2032	700,000	700,000	35,000	1,435,000	
2033		700,000		700,000	
2034		700,000		700,000	
2035		700,000		700,000	
2036		700,000		700,000	
2037		700,000		700,000	

The Bonds will be initially issued in book-entry form only in the form of one certificate for the principal amount of Bonds of each series maturing in each year, registered in the name of and held by Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. DTC will be responsible for maintaining the book-entry system for recording the interests of its participants or the transfers of such interests among such participants. Such participants shall be responsible for maintaining records regarding the beneficial ownership interests in the Bonds on behalf of individual purchasers. Individual purchases of the Bonds may be made in the principal amount of \$5,000 or multiples of \$1,000 in excess thereof through book-entries on the books and records of DTC and its participants.

The Bonds are issued under the provisions of the Local Bond Law, Chapter 169 of the Laws of 1960 of the State of New Jersey, effective January 1, 1962, and the acts amendatory thereof and supplemental thereto (the "Act"), Bond Ordinance Nos. 2008-52, 2011-21, 2012-10, 2012-14, 2012-16, 2012-23, 2012-33, 2013-09, 2014-23, 2014-24, 2015-24, 2016-26, 2016-17 and 2016-18 of the Township (collectively, the "Ordinances"), and a resolution adopted by the Township Council on August 22, 2017 (the "Resolution"). The Bonds are issued for the purpose of providing funds for the financing of the capital improvements described in the Ordinances.

The Bonds are subject to redemption prior to maturity as described in the Resolution.

In our capacity as Bond Counsel and as a basis for the opinions set forth below, we have examined the proceedings relating to the authorization and issuance of the Bonds, including (a) copies of the Resolution and the Ordinances; (b) such matters of law, including, *inter alia*, the Act and the Internal Revenue Code of 1986, as amended (the "Code"); and (c) such other agreements, proceedings, certificates, records, approvals, resolutions and documents as to

various matters with respect to the issuance of the Bonds as we have deemed necessary. We have further assumed and relied upon the genuineness, accuracy and completeness of all of the documents and other instruments which we have examined. As to questions of fact material to our opinion, we have relied upon the proceedings and other certifications of public officials executed and furnished to us without undertaking to verify the same by independent investigation.

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

1. The Bonds have been duly authorized, issued, executed and sold by the Township; the Ordinances and the Resolution have been duly authorized and adopted by the Township; and the Bonds, the Ordinances and the Resolution are legal, valid and binding obligations of the Township enforceable in accordance with their respective terms.

2. The Township has covenanted to comply with any continuing requirements that may be necessary to preserve the exclusion from gross income for purposes of federal income taxation of interest on the Notes under the Code. Failure to comply with certain requirements of the Code could cause interest on the Notes to be includable in gross income for federal income tax purposes retroactive to the date of issuance of the Notes. In our opinion, assuming continuing compliance by the Township with its covenants, under current law, interest on the Notes is not includable in gross income for federal income tax purposes and is not an item of tax preference under Section 57 of the Code for purposes of computing the alternative minimum tax; however, interest on the Notes held by corporate taxpayers is included in the relevant income computation for calculation of the federal alternative minimum tax as a result of the inclusion of interest on the Notes in "adjusted current earnings".

3. Under current law, interest on the Bonds and any gain on the sale thereof are not includable as gross income under the New Jersey Gross Income Tax Act.

4. The power and obligation of the Township to pay the Bonds is unlimited, and the Township shall be required to levy *ad valorem* taxes upon all taxable real property within the Township for the payment of the principal of and interest on the Bonds without limitation as to rate or amount.

For purposes of this opinion, the enforceability (but not the validity) of the documents mentioned herein may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other laws now or hereafter enacted by any state or by the federal government affecting the enforcement of creditors' rights generally, and by equitable principles, and the phrase "enforceable in accordance with their respective terms" shall not mean that specific performance would necessarily be available as a remedy in every situation.

Other than as set forth in Paragraphs 2 and 3 hereof, we express no opinion regarding other federal and state tax consequences arising with respect to the Bonds.

The opinions expressed herein are limited to and based upon the laws and judicial decisions of the State of New Jersey and the federal laws and judicial decisions of the United States of America as of the date hereof, and are subject to any amendment, repeal or other modification of the applicable laws or judicial decisions that served as the basis for our opinions or to any laws or judicial decisions hereafter enacted or rendered.

We express no opinion herein as to the adequacy or accuracy of any official statement, private placement memorandum or other offering material pertaining to the offering of the Bonds.

DECOTIIS, FITZPATRICK, COLE & GIBLIN, LLP

APPENDIX D

FORM OF LEGAL OPINION FOR THE NOTES

*An opinion in substantially the following form
will be delivered at Closing, assuming no
material changes in facts or law*

October __, 2017

Township Council of the
Township of South Brunswick, in the
County of Middlesex, New Jersey

Re: Township of South Brunswick in the County of Middlesex, New Jersey
\$9,134,000 Water-Sewer Utility Bond Anticipation Notes

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance by the Township of South Brunswick, in the County of Middlesex, New Jersey (the "Issuer"), of its aggregate principal amount of \$9,134,000 Water-Sewer Utility Bond Anticipation Notes (the "Notes"). The Notes are general obligations of the Issuer and the full faith, credit and taxing power of the Issuer are available to pay the principal of and the interest on the Notes. The Notes are issued in registered form and are dated October __, 2017, mature on October 2, 2018, bear interest at a rate of ____% percent per annum payable at maturity, and are not subject to redemption prior to maturity.

The Notes are issued under the provisions of the Local Bond Law, Chapter 169 of the Laws of 1960 of the State of New Jersey, and the acts amendatory thereof and supplemental thereto (collectively, the "Act") and ordinance of the Issuer numbered 2015-25 (the "Ordinance"). The Notes are issued for the purpose of providing funds to re-finance various water-sewer utility capital improvements (collectively, the "Project"). The Project was authorized by the Ordinance.

In our capacity as Bond Counsel and as a basis for the opinions set forth below, we have examined the proceedings relating to the authorization and issuance of the Notes, including: (a) copies of the Ordinance; (b) such matters of law, including *inter alia*, the Act and the Internal Revenue Code of 1986, as amended (the "Code"); and (c) such other agreements, proceedings, certificates, records, approvals, resolutions, and documents as to various matters with respect to the issuance of the Notes as we have deemed necessary. We have further assumed and relied upon the genuineness, accuracy and completeness of all of the documents and other instruments which we have examined. As to questions of fact material to our opinion, we have relied upon the forms of the proceedings and other certifications of public officials to be executed and furnished to us without undertaking to verify the same by independent investigation.

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

1. The Notes have been duly authorized, issued, executed and sold by the Issuer; the Ordinance has been duly authorized and adopted by the Issuer; and the Notes and the Ordinance are legal, valid and binding obligations enforceable in accordance with their respective terms.

2. The power and obligation of the Issuer to pay the Notes is unlimited, and, unless paid from other sources, the Issuer shall be 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 Notes, without limitation as to rate or amount.

3. The Issuer has covenanted to comply with any continuing requirements that may be necessary to preserve the exclusion from gross income for purposes of federal income taxation of interest on the Notes under the Code. Failure to comply with certain requirements of the Code could cause interest on the Notes to be includable in gross income for federal income tax purposes retroactive to the date of issuance of the Notes. In our opinion, assuming continuing compliance by the Issuer with its covenants, under current law, interest on the Notes is not includable in gross income for federal income tax purposes and is not an item of tax preference under Section 57 of the Code for purposes of computing the alternative minimum tax; however, interest on the Notes held by corporate taxpayers is included in the relevant income computation for calculation of the federal alternative minimum tax as a result of the inclusion of interest on the Notes in “adjusted current earnings”.

4. Interest on the Notes and any gain on the sale thereof are not includable as gross income under the New Jersey Gross Income Tax Act.

For purposes of this opinion, the enforceability (but not the validity) of the documents mentioned herein may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other laws now or hereafter enacted by any state or by the federal government affecting the enforcement of creditors' rights generally, and by equitable principles, and the phrase “enforceable in accordance with their respective terms” shall not mean that specific performance would necessarily be available as a remedy in every situation.

Other than as set forth in Paragraphs 3 and 4 hereof, we express no opinion regarding other federal and state tax consequences arising with respect to the Notes.

The opinions expressed herein are limited to and based upon the laws and judicial decisions of the State of New Jersey and the federal laws and judicial decisions of the United States of America as of the date hereof, and are subject to any amendment, repeal or other modification of the applicable laws or judicial decisions that served as the basis for our opinions or to any laws or judicial decisions hereafter enacted or rendered.

We express no opinion herein as to the adequacy or accuracy of any official statement, private placement memorandum or other offering material pertaining to the offering of the Notes.

DECOTIIS, FITZPATRICK, COLE & GIBLIN, LLP

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE FOR THE BONDS

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the Township of South Brunswick, in the County of Middlesex, New Jersey (the “Issuer”) in connection with the issuance by the Issuer of \$22,400,000 principal amount of its General Obligation Bonds, Series 2017, consisting of \$9,837,000 principal amount of General Improvement Bonds, \$12,147,000 principal amount of Water-Sewer Utility Bonds and \$416,000 principal amount of Open Space Bonds, Series 2017 (collectively, the “Bonds”). The Issuer covenants and agrees as follows:

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

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

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

“Beneficial Owner” shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

“Bondholder” shall mean any person who is the registered owner of any Bond, including holders of beneficial interests in the Bonds.

“Dissemination Agent” shall mean the Issuer, or any successor Dissemination Agent designated in writing by the Issuer and which has filed with the Issuer a written acceptance of such designation.

“EMMA” means the MSRB’s Electronic Municipal Markets Access System.

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

“MSRB” shall mean the Municipal Securities Rulemaking Board.

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

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

“State” shall mean the State of New Jersey.

Section 3. Provision of Annual Reports.

(a) Not later than nine (9) months after the end of the Issuer’s fiscal year, beginning with the fiscal year ending December 31, 2017, the Issuer shall, or shall cause the Dissemination Agent to, provide to the MSRB, in an electronic format as prescribed by the MSRB and accompanied by such identifying information as is prescribed by the MSRB, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information which has been made available to the public on the MSRB’s website or filed with the Securities and Exchange Commission; provided that the audited financial statements of the Issuer may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the Issuer’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c).

(b) Not later than fifteen (15) Business Days prior to said date, the Issuer shall provide the Annual Report to the Dissemination Agent (if other than the Issuer). If the Issuer is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the Issuer shall send a notice to the MSRB in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall, if the Dissemination Agent is other than the Issuer, file a report with the Issuer certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided.

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

(a) The audited financial statements of the Issuer for the prior fiscal year, prepared in accordance with generally accepted accounting standards (GAAS) as from time to time in effect, and as prescribed by the Division of Local Government Services in the Department of Community Affairs of the State pursuant to Chapter 5 of Title 40A of the New Jersey Statutes. If the Issuer's audited financial statements are not available by the time the Annual Report is required to be provided pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements and the audited financial statements shall be provided in the same manner as the Annual Report when they become available.

(b) Certain financial information and operating data consisting of (i) Issuer and overlapping indebtedness including a schedule of outstanding debt issued by the Issuer, (ii) the Issuer’s most current adopted budget, (iii) property valuation information, and (iv) tax rate, levy and collection data.

Section 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Issuer will provide, in a timely manner not in excess of ten (10) business days after the occurrence of any of the following

events, to the MSRB through EMMA, notice of any of the following events with respect to the Bonds (each, a “Listed Event”):

1. Principal and interest payment delinquencies.
2. Non-payment related defaults, if material.
3. Unscheduled draws on debt service reserves reflecting financial difficulties.
4. Unscheduled draws on credit enhancements reflecting financial difficulties.
5. Substitution of credit or liquidity providers or their failure to perform.
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds.
7. Modifications to rights of holders of the Bonds, if material.
8. Bond calls, if material, and tender offers.
9. Defeasances.
10. Release, substitution or sale of property securing repayment of the Bonds, if material.
11. Rating changes.
12. Bankruptcy, insolvency, receivership or similar event of the Issuer.
13. 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.
14. Appointment of a successor or additional trustee, or the change of name of a trustee, if material.

(b) Upon the occurrence of a Listed Event, the Issuer shall promptly file, in a timely manner not in excess of ten (10) business days after the occurrence of the Listed Event, in an electronic format as prescribed by the MSRB and accompanied by such identifying information

as is prescribed by the MSRB, a notice of such occurrence with the MSRB through EMMA. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Bondholders of affected Bonds pursuant to the Resolution.

Section 6. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Issuer shall give notice of such termination in the same manner as for a Listed Event under Section 5(b).

Section 7. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Issuer pursuant to this Disclosure Certificate. The initial Dissemination Agent shall be the Issuer.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Issuer may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Section 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Bondholders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the Issuer shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Issuer. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(b), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the

basis of the new accounting principles and those prepared on the basis of the former accounting principles.

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

Section 10. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate any Bondholder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Issuer to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default on the Bonds, and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action to compel performance.

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

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

TOWNSHIP OF SOUTH BRUNSWICK, IN THE
COUNTY OF MIDDLESEX, NEW JERSEY

Dated: _____, 2017

By: _____
Chief Financial Officer

**EXHIBIT A TO CONTINUING DISCLOSURE CERTIFICATE
NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: Township of South Brunswick, in the County of Middlesex, New Jersey

Name of Bond Issue: \$22,400,000 General Obligation Bonds, Series 2017

Dated Date: _____, 2017

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report with respect to the above-named Bonds as required by Section 3(a) of the Continuing Disclosure Certificate dated _____, 2017. The Issuer anticipates that the Annual Report will be filed by _____.

Dated: _____

TOWNSHIP OF SOUTH BRUNSWICK,
IN THE COUNTY OF MIDDLESEX, NEW
JERSEY

By: _____
Name:
Title:

APPENDIX F

FORM OF CONTINUING DISCLOSURE CERTIFICATE FOR THE NOTES

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the Township of South Brunswick, in the County of Middlesex, New Jersey (the “Issuer”) in connection with the issuance by the Issuer of \$9,134,000 aggregate principal amount of its Water-Sewer Utility Bond Anticipation Notes (the “Notes”). The Issuer covenants and agrees as follows:

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

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

“Beneficial Owner” shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Notes (including persons holding Notes through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Notes for federal income tax purposes.

“Dissemination Agent” shall mean the Issuer, or any successor Dissemination Agent designated in writing by the Issuer and which has filed with the Issuer a written acceptance of such designation.

“EMMA” means the MSRB’s Electronic Municipal Markets Access System.

“Listed Events” shall mean any of the events listed in Section 3(a) of this Disclosure Certificate.

“MSRB” shall mean the Municipal Securities Rulemaking Board.

“Noteholder” shall mean any person who is the registered owner of any Note, including holders of beneficial interests in the Notes.

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

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

SECTION 3. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 3, the Issuer shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Notes:

1. principal and interest payment delinquencies;
2. non-payment related defaults, if material;
3. unscheduled draws on the debt service reserves reflecting financial difficulties;
4. unscheduled draws on the credit enhancements reflecting financial difficulties;
5. substitution of the credit or liquidity providers or their failure to perform;
6. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Notes or other material events affecting the tax status of the Notes;
7. modifications to rights of Noteholders;
8. bond calls, if material, and tender offers;
9. defeasances;
10. release, substitution or sale of property securing repayment of the Notes, if material;
11. rating changes;
12. bankruptcy, insolvency, receivership or similar event of the Issuer;
13. the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, 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; or
14. appointment of a successor or additional trustee, or the change of name of a trustee, if material.

(b) Whenever the Issuer obtains knowledge of the occurrence of a Listed Event, the Issuer shall file or cause to be filed a notice of such occurrence with the MSRB through EMMA in a timely manner not in excess of ten (10) business days after the occurrence of such event.

SECTION 4. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Notes. If such termination occurs prior to the final maturity of the Notes, the Issuer shall give notice of such termination in the same manner as for a Listed Event under Section 3(c)

SECTION 5. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Issuer pursuant to this Disclosure Certificate. The initial Dissemination Agent shall be the Issuer.

SECTION 6. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Issuer may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Section 3, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Notes, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Notes, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Noteholders or Beneficial Owners of the Notes.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the Issuer shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Issuer. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, notice of such change shall be given in the same manner as for a Listed Event under Section 3(b).

SECTION 7. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of

dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to include any information in any notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Certificate to update such information or include it in any future or notice of occurrence of a Listed Event.

SECTION 8. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate any Noteholder or Beneficial Owner of the Notes may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Issuer to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default on the Notes, and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 9. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Issuer agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Notes.

SECTION 10. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriters and the Noteholders and Beneficial Owners from time to time of the Notes, and shall create no rights in any other person or entity.

Dated: _____, 2017

TOWNSHIP OF SOUTH BRUNSWICK, IN THE
COUNTY OF MIDDLESEX, NEW JERSEY

By: _____
Joseph Monzo, Chief Financial Officer