

## **NEW ISSUE**

In the opinion of Inglesino, Pearlman, Wyciskala & Taylor, LLC, Bond Counsel, assuming continuing compliance by the Township with certain covenants described herein, under existing statutes and court decisions, interest on the Notes is excluded from gross income of the owners thereof for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended, ("the Code"). In the further opinion of Bond Counsel, interest on the Notes is not treated as a preference item for purposes of the alternative minimum tax imposed by the Code on individuals and corporations; such interest, however, is included in adjusted current earnings in the computation of alternative minimum taxable income for purposes of the alternative minimum tax imposed by the Code on certain corporations. No opinion is expressed regarding other federal tax consequences arising with respect to the Notes. Further, in the opinion of Bond Counsel, 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. See "TAX MATTERS" herein.

**TOWNSHIP OF PARSIPPANY-TROY HILLS,  
IN THE COUNTY OF MORRIS, NEW JERSEY  
\$22,500,000 BOND ANTICIPATION NOTES, SERIES 2012  
consisting of  
\$12,350,000 General Improvement Bond Anticipation Notes, Series 2012,  
\$1,200,000 Water Utility Bond Anticipation Notes, Series 2012,  
\$8,500,000 Sewer Utility Bond Anticipation Notes, Series 2012 and  
\$450,000 Golf and Recreational Utility Bond Anticipation Notes, Series 2012  
(BOOK-ENTRY ONLY)  
(Non-Callable)**

Dated: October 4, 2012  
Maturing: October 4, 2013  
Rate of Interest: 0.75% per annum  
Yield: 0.25%

The \$22,500,000 Bond Anticipation Notes, Series 2012 (the "Notes"), consisting of \$12,350,000 General Improvement Bond Anticipation Notes, Series 2012, \$1,200,000 Water Utility Bond Anticipation Notes, Series 2012, \$8,500,000 Sewer Utility Bond Anticipation Notes, Series 2012 and \$450,000 Golf and Recreational Utility Bond Anticipation Notes, Series 2012 of the Township of Parsippany-Troy Hills (the "Township"), in the County of Morris, New Jersey (the "State"), are valid and legally binding obligations of the Township and are secured by the full faith and credit of the Township for the payment of principal thereof and interest thereon. Unless paid from other sources, the Notes are payable from ad valorem taxes levied upon all of the taxable property within the Township for the payment of principal of and interest on the Notes without limitation as to rate or amount. Interest on the Notes is payable at maturity of the Notes. The Notes are not subject to redemption prior to maturity.

The Notes may (at the option of the successful bidder) be issued in the form of one certificate for the aggregate principal amount of the Notes and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York, which will act as Securities Depository. Interest on the Notes will be credited to the participants of the Depository Trust Company as listed on its records as of the close of business on September 14, 2013 (the "Record Date"). See "Book-Entry Only System" herein

The Notes are offered when, as and if issued and delivered to the Underwriter, subject to prior sale, to withdrawal or modification of the offer without notice and to approval of legality by the law firm of Inglesino, Pearlman, Wyciskala & Taylor, LLP, Parsippany, New Jersey. It is anticipated that the Notes will be available for delivery to the DTC in New York on or about October 4, 2012.

**TD Securities (USA) LLC**

Dated: September 20, 2012

**TOWNSHIP OF PARSIPPANY-TROY HILLS  
COUNTY OF MORRIS, NEW JERSEY**

**MAYOR**

James R. Barberio

**TOWNSHIP COUNCIL**

Brian Stanton	President
Vincent Ferrara	Vice-President
Paul Carifi, Jr.	Councilperson
Michael J. dePierro	Councilperson
James J. Vigilanti	Councilperson

**TOWNSHIP ADMINISTRATOR**

Jasmine Lim

**CHIEF FINANCIAL OFFICER / TOWNSHIP TREASURER**

Ruby A. Malcolm, CPA, CMFO

**TOWNSHIP CLERK**

Yancy Wazirmas

**TOWNSHIP COUNSEL**

Inglesino, Pearlman, Wyciskala & Taylor, LLC

**TOWNSHIP AUDITOR**

Samuel Klein and Company

**BOND COUNSEL**

Inglesino, Pearlman, Wyciskala & Taylor, LLC

No dealer, broker or salesperson or other person has been authorized by the Township of Parsippany-Troy Hills to give any information or to make any representations with respect to the Notes other than those contained in this Official Statement. If given or made, such information or representations must not be relied upon as having been authorized by the Township. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor there any sale of the Notes by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

Certain information set forth herein has been obtained from sources other than the Township that are believed to be reliable, but such sources are not guaranteed as to accuracy or completeness by the Township. Such information is not to be construed as a representation of the Township.

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

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

All quotations from and summaries and explanations of provisions of law herein do not purport to be complete, and reference is made to such laws for full and complete statements of their provisions.

This Official Statement is not to be construed as a contract or an agreement between the Township of Parsippany-Troy Hills and the purchasers or holders of any of 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, estimates and expressions of opinion herein are subject to change without notice. The delivery of this Official Statement or any sale of the Notes made hereunder shall not, under any circumstances, create any implication that there has been no change in the affairs of the Township since the date hereof. This Official Statement is submitted in connection with the sale of the Notes referred to herein and may not be reproduced or used, in whole or in part, for any other purposes.

Inglesino, Pearlman, Wyciskala & Taylor, LLC has not participated in the preparation of this Official Statement, nor has it verified the accuracy, completeness, or fairness thereof, and accordingly, expresses no opinion with respect thereto.

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**OFFICIAL STATEMENT  
Relating to**

**\$22,500,000 BOND ANTICIPATION NOTES, SERIES 2012  
consisting of  
\$12,350,000 General Improvement Bond Anticipation Notes, Series 2012,  
\$1,200,000 Water Utility Bond Anticipation Notes, Series 2012,  
\$8,500,000 Sewer Utility Bond Anticipation Notes, Series 2012 and  
\$450,000 Golf and Recreational Utility Bond Anticipation Notes, Series 2012**

**of the  
TOWNSHIP OF PARSIPPANY-TROY HILLS  
COUNTY OF MORRIS, NEW JERSEY**

**INTRODUCTION**

This Official Statement, which includes the cover page and the appendices, has been prepared by the Township of Parsippany-Troy Hills (the "Township"), in the County of Morris (the "County"), State of New Jersey (the "State"), and provides certain information relating to the Township in connection with the sale and issuance of the \$22,500,000 Bond Anticipation Notes, Series 2012 (the "Notes"), consisting of \$12,350,000 General Improvement Bond Anticipation Notes, Series 2012, \$1,200,000 Water Utility Bond Anticipation Notes, Series 2012, \$8,500,000 Sewer Utility Bond Anticipation Notes, Series 2012 and \$450,000 Golf and Recreational Utility Bond Anticipation Notes, Series 2012. This Official Statement has been executed on behalf of the Township by the Chief Financial Officer/Treasurer and may be distributed in connection with the sale of the Notes described herein.

**DESCRIPTION OF THE NOTES**

**General**

The Notes comprise an issue in the aggregate principal amount of \$22,500,000, will be dated October 4, 2012, will mature October 4, 2013, and will bear interest at the rate per annum set forth on the cover page hereof. The notes may be purchased in book-entry only form in the amount of \$5,000 denominations through book entries made on the books of DTC and its participants. So long as the Depository Trust Company, New York, New York ("DTC"), or its nominee Cede & Co. (or any successor or assign) is the registered owner of the Notes, payments of principal of and interest on the Notes will be made by the Township directly to Cede & Co. (or any successor or assign) as the nominee of DTC. Interest on the Notes will be credited to the participants of the DTC as listed on the records of DTC as of the close of business on September 14, 2013 (the "Record Date" for payment of interest on the Notes.)

**Book-Entry Only System**

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

The Depository Trust Company, New York, New York (“DTC”) will act as securities depository for the Notes. The Notes will be issued as fully-registered Notes 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 Note certificate will be issued for each series of the Notes, each in the aggregate principal amount of such series, 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 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 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, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. 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 Standard & Poor’s highest rating: AAA. 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](http://www.dtcc.com).

Purchases of the Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC’s records. The ownership interest of each actual purchaser of each 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 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 Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of 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 Notes; DTC’s records reflect only the identity of the Direct Participants to whose accounts such 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 Bond Anticipation Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Notes, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Notes may wish to ascertain that the nominee holding the Notes for their benefit has agreed to obtain and transmit notices to Beneficial Owners. 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.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to 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 Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on 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 Paying Agent, on 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, the Township as Paying Agent (the "Paying Agent"), subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

**SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE NOTES, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE NOTEHOLDERS OR REGISTERED OWNERS OF THE**

NOTES (OTHER THAN UNDER THE CAPTION "TAX EXEMPTION") SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE NOTES.

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

### **SECURITY AND SOURCE OF PAYMENT**

The Notes will be valid and binding general obligations of the Township and, unless paid from other sources, are payable from *ad valorem* taxes levied upon all taxable property within the Township without limitation as to rate or amount. The Township is required to include the total amount of interest and debt redemption charges on all of its general obligation indebtedness, such as the Notes, for the current year in each annual municipal budget. The enforceability of rights or remedies with respect to the Notes, may be limited by bankruptcy, insolvency or other laws affecting creditors' rights or remedies heretofore or hereafter enacted.

The Notes are not a debt or obligation, legal or otherwise, of the State or any political subdivision thereof, other than the Township.

**AUTHORIZATION AND PURPOSE OF THE NOTES**

The Notes are authorized and are to be issued pursuant to the Local Bond Law of New Jersey, N.J.S.A. 40A:2-1 et seq. (the "Local Bond Law") under which the Township is authorized to incur indebtedness, borrow money and issue negotiable obligations.

The Notes are issued pursuant to the various bond ordinances of the Township set forth below:

<b>ORDINANCE NUMBER</b>	<b>DESCRIPTION OF IMPROVEMENT AND DATE OF ADOPTION</b>	<b>AGGREGATE AMOUNT OF NOTES TO BE ISSUED</b>
01-16; 02-09	Acquisition and Development of the Brookwood Swim Club Property adopted May 22, 2001 and amended April 09, 2002.	\$17,000
04-23	Various General Capital Improvements adopted July 20, 2004.	\$ 22,500
07-18	Various General Capital Improvements adopted July 24, 2007.	\$55,000
08-13	Various General Capital Improvements adopted May 13, 2008.	\$346,250
09-24	Various General Capital Improvements adopted June 16, 2009.	\$1,165,750
10-13	Various General Capital Improvements adopted July 20, 2010.	\$3,840,000
11-07	Various General Capital Improvements adopted June 21, 2011.	\$4,215,710
12-24	Various General Capital Improvements adopted June 19, 2012.	\$2,687,790
10-14	Various General Capital Improvements to the Water Utility System adopted July 20, 2010.	\$101,750
11-08	Various General Capital Improvements to the Water Utility System adopted June 21, 2011.	\$423,250
12-25	Various General Capital Improvements to the Water Utility System adopted June 19, 2012.	\$675,000
07-20	Various General Capital Improvements to the Sewer Utility System adopted July 24, 2007.	\$6,500
08-15	Various General Capital Improvements to the Sewer Utility System adopted May 13, 2008.	\$47,500

<b>ORDINANCE NUMBER</b>	<b>DESCRIPTION OF IMPROVEMENT AND DATE OF ADOPTION (cont.)</b>	<b>AGGREGATE AMOUNT OF NOTES TO BE ISSUED</b>
09-26	Various General Capital Improvements to the Sewer Utility System adopted June 16, 2009.	\$540,000
10-15	Various General Capital Improvements to the Sewer Utility System adopted July 20, 2010.	\$1,400,000
11-09	Various General Capital Improvements to the Sewer Utility System adopted June 21, 2011.	\$1,900,000
12-26	Various General Capital Improvements to the Sewer Utility System adopted June 19, 2012.	\$4,606,000
09-27	Various General Capital Improvements to the Golf & Recreational Utility System adopted June 16, 2009.	\$7,500
10-16	Various General Capital Improvements to the Golf & Recreational Utility System adopted July 20,2010.	\$121,500
11-10	Various General Capital Improvements to the Golf & Recreational Utility System adopted June 21,2011.	\$192,500
12-27	Various General Capital Improvements to the Golf & Recreational Utility System adopted June 19, 2012.	\$128,500
Total		\$22,500,000

## **PROVISION FOR THE PROTECTION OF GENERAL OBLIGATION DEBT**

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

In general, the provisions of the Local Budget Law restrict the amount of revenue which can be anticipated based on the prior year's actual collection rate and limit the deferral of operating costs incurred but not anticipated in the budget to one year.

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

The Director has no authority over individual operating appropriations, unless a specific amount is required by law, but the review focusing on anticipated revenues serves to protect the solvency of all local units. The budgets of local units must be in balance; *i.e.*, total anticipated revenues must equal total appropriations.

If in any year a Local Unit's expenditures exceed (or are less than) its realized revenues for that year, then such deficit (excess) must be raised (accounted for) in the succeeding year's budget.

### **Municipal "CAP" Law and State Budget "CAP" Law**

Chapter 68 of the Pamphlet Laws of 1976 (N.J.S.A. 40A:4-45.1 et seq.), as amended and supplemented by P.L. 1983, c. 49, P.L. 1990, c. 89, and by P.L. 2004, c. 74 (the "CAP Law"), imposes restrictions which limit the allowable increase in municipal appropriations over the previous year's appropriations to the lesser of 102.5% or the increase in the Implicit Price Deflator for State and Local Government Purchases of Goods and Services as published by the United States Department of Commerce (the "Cost-of-Living Adjustment"). If the Cost-of-Living Adjustment is less than or equal to 2.5% an increase equal to 3.5% will be permitted by adoption of an ordinance. If the Cost-of Living Adjustment is greater than 2.5%, an increase in any amount above 2.5% will be permitted upon passage of a referendum. This limitation is subject to the following exceptions among others: (i) all debt service payments (the obligation of each Series 2012 Local Unit to repay its Series 2012 Local Unit Loan comes within this exception); (ii) the amount of revenue generated by the increase in valuations within the municipality based solely on applying the preceding year's municipal tax rate to the apportionment valuation of new construction or improvements within the municipality and such increase shall be levied in direct proportion to said valuation; (iii) capital expenditures funded by any source; (iv) an increase involving certain defined categories of emergency appropriations as approved by the Director in certain cases; (v) amounts required to be paid pursuant to any contract between the municipality and any political subdivision or public body in connection with the provision and/or financing of projects for certain public purposes such as water, sewer, parking, senior citizens' housing or any similar purpose; or (vi) that portion of the municipal tax levy which represents funding to participate in any Federal or State aid program and amounts received or to be received from Federal, State or other funds in reimbursement for local expenditures.

Additionally, the Legislature of the State of New Jersey has previously enacted P.L. 2007, c. 62 (the "Property Tax Act") effective April 3, 2007, which imposed a 4% cap on the tax levy of a municipality,

county, School District or solid waste collection district, with certain exceptions and subject to a number of adjustments. The Property Tax Act has now been amended by the provisions of P.L. 2010, c. 44 effective June 13, 2010 (the "Amendment") and applicable to the next budget year following enactment. The Amendment reduces the tax levy cap to 2% from 4%, limits exclusions only to capital expenditures, including debt service, certain increases in pension contributions and accrued liability for pension contributions in excess of 2%, certain healthcare cost increases in excess of 2% and extraordinary costs directly related to a declared emergency. Waivers from the Division of Local Government Services or the Local Finance Board are no longer available under the Amendment.

For municipalities, the levy cap is in addition to the existing appropriation cap; both cap laws must be met.

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.

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

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

#### Debt Limits

The authorized bonded indebtedness of the Township is limited by statute, subject to the exceptions noted below, to an amount equal to 3-1/2% of its equalized valuation basis. The equalized valuation basis of the Township is set by statute as the average for the last three years of the equalized value of all taxable real property and improvements and certain Class II railroad property within its boundaries, as annually determined by the Director of Taxation, Department of the Treasury, State of New Jersey (the "State Director of Taxation") is \$9,371,643,519.

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

The Township has not exceeded its statutory debt limit. As of December 31, 2011, the statutory net debt as a percentage of average equalized valuation was .739% for the Township. As noted above, the statutory limit is 3-1/2%.

#### Exceptions to Debt Limits - Extension of Credit

The debt limit of a local unit may be exceeded with the approval of the Local Finance Board, 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 must apply to the Local Finance Board for an extension of credit. If the Local Finance Board determines that a proposed debt authorization would not materially impair the ability of a Local Unit to meet its obligations or to provide essential services, and the Local Finance Board makes other statutory determinations, approval is granted.

### 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. Bond Anticipation Notes may be issued for periods not greater than one year. Generally, Bond Anticipation Notes may not be outstanding for longer than ten years. An additional period may be available following the tenth anniversary date equal to the period from the Bonds' maturity to the end of the tenth fiscal year in which the Bonds mature plus 4 months (May 1) in the next following fiscal year from the date of original issuance. Beginning in the third year, the amount of notes that may be issued is decreased by the minimum amount required for the first year's principal payment for a bond issue.

### School Debt - Subject to Voter Approval

In the State of New Jersey, in a Type II school district without a Board of School Estimate, school debt authorized by the board of education must be approved by the registered voters of that school district. When the amount authorized exceeds the school district's limit, the district may use the municipality's share of available borrowing capacity upon approval of the proposed debt by the State Commissioner of Education (the "Commissioner") and the Local Finance Board, and subsequently by the registered voters of the district. School debt of a Type I school district is authorized by a Board of School Estimate and the governing body of a local unit.

### 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. Because of the changes in property resale values, annual adjustments could not keep pace with the changing values. A re-evaluation of all property in the Township was last completed in 2002 and placed on the 2003 Tax List.

Upon the filing of certified adopted budgets by the Township's Local School District, Fire Districts 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-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 are mailed annually in June by the Township. The taxes are due August 1 and November 1 respectively, and are adjusted to reflect the current calendar year's total tax liability. The preliminary taxes due February 1 and May 1 of the succeeding 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 \$1,500.00 of the delinquency and 18% per annum on any amount in excess of \$1,500.00. 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. The Township has \$109,332.75 in liens as of December 31, 2011.

## Tax Appeals

The New Jersey Statutes provide a taxpayer with remedial procedures for appealing an assessment deemed excessive. Prior to February 1 in each year, the Township 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 the 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 canceled 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.

## Real Estate Taxes

Under New Jersey Law, the maximum amount of delinquent tax that may be anticipated to be collected by a local unit in a fiscal year is "the sum produced by multiplication of the amount of delinquent taxes unpaid and owing to the local unit on the first day of the current fiscal year by the percentage of collection of delinquent taxes for the year immediately preceding the current fiscal year."

With regard to the amount of current taxes that may be anticipated to be collected by a local unit in a fiscal year, New Jersey law provides that "Receipts from the collection of taxes levied or to be levied in the municipality or in the case of a county for general county purposes and payable in the fiscal year, shall be anticipated in an amount which is not in excess of the percentage of taxes levied and payable during the next preceding fiscal year which was received in cash by December 31 of such preceding fiscal year."

New Jersey Law also requires that an additional amount (the "reserve for uncollected taxes") be added to the tax levy required to balance the budget so that when the percentage of the prior year's tax collection is applied to the combined total, the product will at least be equal to the tax levy required to balance the budget.

## Miscellaneous Revenue

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

The Local Budget Law also provides that no budget or amendment thereof shall be adopted by a local unit 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 Township's calendar year. However, grant revenue is generally not realized until received in cash.

## Deferral of Current Expenses

A local unit may make emergency appropriations after the adoption of a budget and the determination of the tax rate, but only to meet unforeseen pressing needs to protect or promote public health, safety, morals or welfare, or to provide temporary housing or public assistance. With limited

exceptions set forth below, such appropriations must be included in full in the following year's budget. If such emergency appropriations exceed 3% of the adopted operating budget, consent of the Director is required (N.J.S.A. 40A:4-46, -47, -49). The exceptions are certain enumerated quasi-capital projects such as ice, snow, and flood damage to streets, roads and bridges, which may be amortized over three years, and tax map preparation, revision of ordinances, and master plan preparations, which may be amortized over five years (N.J.S.A. 40A:4-55, -55.3).

Under the CAP Law, emergency resolutions aggregating less than 3% of the previous year's final current operating appropriations may be raised in that portion of the budget outside its limitations if approved by at least two-thirds of the members of the governing body and the Director. Emergency resolutions that aggregate more than 3% of the previous year's final current operating appropriations must be raised within its limitations. Emergency resolutions for debt service, capital improvements, the County's share of Federal or State grants and other statutorily permitted items are outside its limitation.

### Budget Transfers

Budget transfers provide a degree of flexibility and afford a control mechanism. Transfers between appropriation accounts are prohibited until the last two months of the year and the first two months of the subsequent year, although sub-accounts within an appropriation are not subject to the same year end transfer restriction, they are subject to review and approval by the Township Council.

### Capital Budget

In accordance with the Local Budget Law, the Township must adopt and may from time to time amend rules and regulations for capital budgets which rules and regulations must require a statement of capital undertakings underway or projected for a period 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.

### Operation 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 provided for from utility surplus, if any, are required to be raised in the "current" or operating budget.

### The Local Fiscal Affairs Law

This law regulates the nonbudgetary financial activities of local governments including the receipt, expenditure and investment of funds held by a municipality. An annual, independent audit of the local unit's accounts for the previous year must be performed 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 director prior to June 1 of each year; however an automatic extension may be granted to July 31, in certain circumstances. A synopsis of the audit report, together with all recommendations made, must be published in a local newspaper within 30 days of its completion.

The financial officer of every local unit must file annually with the Director a verified statement of the financial condition of the local unit. The entire annual audit report is filed with the Municipal Clerk and is available for review during business hours.

#### **CONTINUING DISCLOSURE**

The Township has covenanted for the benefit of the holders and beneficial owners of the Notes to provide certain financial information and operating data relating to the Township no later than nine (9) months after the end of each fiscal year (the "Annual Report") commencing with the first fiscal year ending December 31, 2012, and to provide notices of the occurrence of certain enumerated events, if material. The Annual Report will be filed by the Township with the Municipal Rulemaking Board (the "MSRB"). The notices of material events will be filed by the Township with the MSRB. Such information shall be provided in an electronic format and accompanied by identifying information as prescribed by the MSRB. The specific nature of the information to be contained in the Annual Report of the notices of material events is set forth in "Appendix D-Form of Continuing Disclosure Certificate."

The Township never has failed to comply with the terms of any undertaking to provide secondary market disclosure information set forth in SEC Rule 15c2-12.

#### **TAX MATTERS**

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

Assuming the Township observes its covenants with respect to compliance with the Code, Inglesino, Pearlman, Wyciskala & Taylor, LLC, Bond Counsel to the Township, is of the opinion that, under existing statutes and court decisions, interest on the Notes is excluded from the gross income of the owners of the Notes for Federal income tax purposes pursuant to Section 103 of the Code. Bond Counsel is further of the opinion that interest on the Notes is not an item of tax preference for purposes of the alternative minimum tax imposed under the Code on individuals and corporations, but that such interest may be included in adjusted current earnings for purposes of computing alternative minimum taxable income with respect to the alternative minimum tax imposed under the Code on certain corporations. See "Certain Federal Tax Considerations" below.

In the opinion of Bond Counsel, interest on the Notes and any gain on the sale thereof are not includable

in gross income under the New Jersey Gross Income Tax Act.

### Certain Federal Tax Considerations

Collateral Federal Tax Consequences. Ownership of the Notes may result in collateral federal tax consequences to certain taxpayers, including, without limitation, financial institutions, S corporations with excess net passive income, property and casualty companies, individual recipients of social security or railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, foreign corporations that may be subject to the foreign branch profits tax, and taxpayers who may be deemed to have incurred indebtedness to purchase or carry the Notes. Bond Counsel will express no opinion with respect to these or any other collateral tax consequences of the ownership of the Notes. The nature and extent of the tax benefit to a taxpayer of ownership of the Notes will generally depend upon the particular nature of such taxpayer or such taxpayer's own particular circumstances, including other items of income or deduction. Accordingly, prospective purchasers of the Notes should consult their own tax advisors with respect to these and other collateral federal tax consequences resulting from ownership of the Notes.

Original Issue Premium. The initial public offering price of the Notes may be greater than the stated redemption price thereof at maturity (each a "Premium Bond"). The difference between the initial public offering price for any such Premium Bond and the stated redemption price at maturity is "original issue premium." For federal income tax purposes original issue premium is amortizable periodically over the term of a Premium Bond through reductions in the holder's tax basis for the Premium Bond for determining taxable gain or loss from sale or from redemption prior to maturity. Amortizable premium is accounted for as reducing the tax-exempt interest on the Premium Bond rather than creating a deductible expense or loss. Purchasers of the Bonds should consult their tax advisors for an explanation of the accrual rules for original issue premium and any other federal, state or local tax consequences of the purchase of any Premium Bonds.

Backup Withholding. Commencing with interest paid in 2006, interest paid on tax-exempt obligations such as the Notes is subject to information reporting to the IRS in a manner similar to interest paid on taxable obligations. In addition, interest on the Notes may be subject to backup withholding if such interest is paid to a registered owner that (a) fails to provide certain identifying information (such as the registered owner's taxpayer identification number) in the manner required by the IRS, or (b) has been identified by the IRS as being subject to backup withholding.

Bond Counsel is not rendering any opinion on any federal tax matters other than those described under the caption "TAX MATTERS". Prospective investors, particularly those who may be subject to special rules described above, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Notes, as well as any tax consequences arising under the laws of any state or other taxing jurisdiction.

Section 265 Qualification. The Code denies the interest deduction for indebtedness incurred by banks, thrift institutions and other financial institutions to purchase or to carry tax-exempt obligations. The denial to such institutions of one hundred percent (100%) of the deduction for interest paid on funds allocable to tax-exempt obligations applies to those tax-exempt obligations acquired by such institutions after August 7, 1986. For certain issues, which must be so designated by the issuer as qualified under Section 265 of the Code, eighty percent (80%) of such interest may be deducted as a business expense by such institutions.

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.

Change in Law and Post-Issuance Events. Legislative or administrative actions and court decisions, at either the federal or state level, could have an adverse impact on the potential benefits of the exclusion from gross income of the interest on the Notes for federal or state income tax purposes, and thus on the value or marketability of the Notes. This impact could result from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax), repeal of the exclusion of interest on the Notes from gross income of the owners thereof for federal or state income tax purposes, or otherwise. It is not possible to predict whether any legislative or administrative actions or court decisions having an adverse impact on the federal or state income tax treatment of holders of the Notes may occur. Prospective purchasers of the Notes should consult their own tax advisors regarding such matters.

Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance and delivery of the Notes may affect the tax status of interest on the Notes. Bond Counsel expresses no opinion as to any federal, state or local tax law consequences with respect to the Notes, or the interest thereon, if any action is taken with respect to the Notes or the proceeds thereof upon the advice or approval of other counsel.

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

#### **LITIGATION**

To the knowledge of the Township Attorney, Inglesino, Pearlman, Wyciskala & Taylor, LLC Parsippany, New Jersey, there is no litigation of any nature now pending or threatened, restraining or enjoining the issuance or the delivery of the Notes, or the levy or the collection of any taxes to pay the principal of or the interest on the Notes, or in any manner questioning the authority or the proceedings for the issuance of 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.

Further, there is no litigation presently pending or threatened that, in the opinion of the Township Attorney, would have a material adverse impact on the Township if decided adversely to the interest of the Township.

#### **LEGALITY FOR INVESTMENT**

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

## MUNICIPAL BANKRUPTCY

The undertakings of the Township should be considered with reference to Chapter IX of the Bankruptcy Act, 11 U.S.C. Section 401, et seq., as amended by Public Law 94-260, approved April 8, 1976, and as further amended on November 6, 1978 by the Bankruptcy Reform Act of 1978, effective October 1, 1979, and other bankruptcy laws affecting creditor's rights and municipalities in general. The amendments of P.L. 94-260 replace former Chapter IX and permit the State or any political subdivision, public agency, or instrumentality that is insolvent or unable to meet its debts to file a petition in a court of bankruptcy for the purpose of effecting a plan to adjust its debt; 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 owned 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 1978 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 9 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 Notes are subject to the approval of Inglesino, Pearlman, Wyciskala & Taylor, LLC, Parsippany, New Jersey, Bond Counsel to the Township, whose approving legal opinion will be delivered with the Notes substantially in the form set forth as Appendix D hereto. Certain legal matters will be reviewed on behalf of the Township by its counsel, John Inglesino, Parsippany, 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 Underwriter by a certificate signed by the Chief Financial Officer/Treasurer, that to his knowledge such descriptions and statements, as of the date of this Official Statement, are true and correct in all material respects and do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements herein, in light of the circumstances under which they were made, not misleading.

Samuel Klein and Company, Newark, New Jersey, takes responsibility for the audited financial statements to the extent specified in their Independent Auditor's Report.

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

Inglesino, Pearlman, Wyciskala & Taylor, LLC, 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.

### **UNDERWRITING**

The Bonds have been purchased from the Township, at a public sale in accordance with the Notice of Sale, by TD Securities (USA) LLC (the "Purchaser"), at a price of \$22,609,800.

### **ADDITIONAL INFORMATION**

Inquiries regarding this Official Statement, including information additional to that contained herein, may be directed to Ruby A. Malcolm, Chief Financial Officer/Treasurer (973) 263-4265.

### **MISCELLANEOUS**

This Official Statement is not to be construed as a contract or agreement between the Township and the purchasers or holders of any of the 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 made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Township since the date hereof. The information contained in the Official Statement is not guaranteed as to accuracy or completeness.

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

TOWNSHIP OF PARSIPPANY-TROY HILLS  
IN THE COUNTY OF MORRIS  
NEW JERSEY

By: /s/ Ruby A. Malcolm  
Ruby A. Malcolm, CPA, CMFO  
Chief Financial Officer/Treasurer

Dated: September 20, 2012

**APPENDIX A**

**CERTAIN ECONOMIC AND FINANCIAL INFORMATION RELATING TO THE  
TOWNSHIP OF PARSIPPANY-TROY HILLS**

TOWNSHIP OF PARSIPPANY-TROY HILLS  
COUNTY OF MORRIS, NEW JERSEY

**ECONOMIC AND FINANCIAL INFORMATION**

The following material presents certain economic, demographic and financial information on the Township of Parsippany-Troy Hills.

Additional information is included in Appendix B and such information is derived from certified audits and financial documents and should be used in conjunction with the audit from which they are derived. Unless otherwise stated, all information is from the Township.

The financial statements have been prepared in conformance with accounting practices prescribed by the Division of Local Government Services, Department of Community Affairs and State of New Jersey. These practices differ in certain respects, which in some instances may be material, from generally accepted accounting principles applicable to local government units.

**Building Permits**

	<u>Number of Permits</u>				
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Residential:					
New	9	16	14	27	24
Additions/Alterations	2303	1897	2176	1916	1992
Business:					
New		1	2	2	3
Additions/Alterations	315	336	303	374	321
Industrial/Factory:					
New					
Additions/Alterations	4	3	4	1	5
Mercantile					
New	1		2	2	1
Additions/Alterations	9	19	26	18	15
Educational / Institutional:					
New					1
Additions/Alterations	16	29	19	17	43
Storage/Accessory					
New		1	1	1	1
Additions/Alterations	4	7	10	6	7
Churches, Restaurants, Entertainment					
New		1		1	
Additions/Alterations	53	45	32	43	49
Demolitions/Other					
Total	<u>251</u>	<u>205</u>	<u>190</u>	<u>239</u>	<u>203</u>
	<u>2965</u>	<u>2560</u>	<u>2779</u>	<u>2647</u>	<u>2665</u>

**Employment and Unemployment Comparisons**

For the years 2007 to 2011, the New Jersey Department of Labor reported the following annual average employment information for the Township of Parsippany-Troy Hills, County of Morris and the State of New Jersey:

Township of Parsippany-Troy Hills

<u>Year</u>	<u>Total Labor Force</u>	<u>Employed Labor Force</u>	<u>Total Unemployed</u>	<u>Unemployment Rate</u>
2011	31,900	29,700	2,300	7.1%
2010	30,348	28,036	2,312	7.6%
2009	30,821	28,485	2,336	7.6%
2008	30,858	29,550	1,308	4.2%
2007	30,891	30,056	835	2.7%

County of Morris

<u>Year</u>	<u>Total Labor Force</u>	<u>Employed Labor Force</u>	<u>Total Unemployed</u>	<u>Unemployment Rate</u>
2011	272,800	253,700	19,100	7.0%
2010	270,300	250,600	19,600	7.3%
2009	274,500	254,700	19,800	7.2%
2008	275,214	264,203	11,011	4.0%
2007	272,700	264,500	8,200	3.0%

State of New Jersey

<u>Year</u>	<u>Total Labor Force</u>	<u>Employed Labor Force</u>	<u>Total Unemployed</u>	<u>Unemployment Rate</u>
2011	4,556,200	4,131,800	424,400	9.3%
2010	4,502,400	4,076,700	425,700	9.5%
2009	4,536,700	4,118,400	418,300	9.2%
2008	4,502,800	4,257,000	245,800	5.5%
2007	4,466,300	4,276,600	189,700	4.2%

Source: New Jersey Department of Labor, Division of Planning and Research, Office of Demographics and Economic Analysis; Bureau of Labor Force Statistics; Local Area Unemployment Statistics

### Per Capita Income

<u>Year</u>	<u>Parsippany- Troy Hills</u>	<u>Morris County</u>	<u>New Jersey</u>
2000	\$32,220.00	\$36,964.00	\$27,006.00
1990	22,137.00	25,177.00	18,714.00
1980	9,576.00	9,910.00	8,128.00
1977	6,931.00	7,548.00	6,492.00
1975	5,911.00	6,399.00	5,600.00
1970	\$ 3,878.00	\$ 4,131.00	\$ 3,674.00

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

### Median Family Income 2000\*

<u>Income Group</u>	<u>Parsippany- Troy Hills</u>	<u>Morris County</u>	<u>New Jersey</u>
\$ - to \$ 10,000	811	5,280	213,939
10,000 to 14,999	522	4,162	143,783
15,000 to 24,999	1,018	9,016	288,606
25,000 to 34,999	1,397	11,528	305,449
35,000 to 49,999	2,830	19,304	437,373
50,000 to 74,999	4,228	32,678	608,244
75,000 to 99,999	3,250	26,978	413,928
100,000 to 149,999	3,467	31,791	391,123
150,000 to 199,999	1,253	13,776	130,492
200,000 to More	<u>852</u>	<u>15,281</u>	<u>132,837</u>
Total Families	<u>19,628</u>	<u>169,794</u>	<u>3,065,774</u>
Median Family Income	<u>\$68,133</u>	<u>\$77,340</u>	<u>\$55,146</u>

\*Median Family Income is that level of income where half of the recipients lie above and half lie below.

Source: 2000 Income Census, U.S. Bureau of the Census

### **Population**

	<u>2000</u>	<u>1990</u>	<u>1980</u>
Township of Parsippany-Troy Hills	50,649	48,478	49,868
Morris County	470,212	421,361	407,630
State of New Jersey	8,414,350	7,730,180	7,364,158

Source: U.S. Census of Population

### **Largest Taxpayers**

The ten largest commercial taxpayers in the Township and their 2011 assessed valuation are listed below:

<u>Taxpayer</u>	<u>Land Use</u>	<u>Assessed Value</u>
Knoll Manor Assoc.	Apartment Complex	61,015,400
Morris Corporate Ctr HDQ III	Office	60,875,100
State Farm Insurance	Office	58,544,700
Morris Corporate Ctr HDQ I & II	Office	57,660,700
One Campus Drive	Office	57,268,000
Powder Mill Heights	Apartment Complex	51,831,300
Sylvan/Campus Rlty, LLC	Office	49,101,800
MCC IV Phase I LLC	Office	43,526,900
Troy Hills Village	Apartment Complex	41,506,500
MCC IV Phase II LLC	Office	41,107,000
Total		522,437,400

Source: Township of Parsippany-Troy Hills.  
March, 2012

## Major Employers

The largest employers in the Township of Parsippany-Troy Hills, based upon their estimate of full time employees, are listed below:

<u>Employer</u>	<u>Type of Business</u>	<u>Number of Employees</u>
United Parcel Service	Package Delivery	1,927
Parsippany Board of Education	Schools	1,785
Wyndham	Hotels	1,366
Automatic Data Processing	Data Processing	1,300
Avis	Car Rental	1,025
Deloitte-Touche.	Accounting	1,000
Realogy	Hotels	900
Tiffany & Co.	Retail – Distribution Warehouse	710
State Farm	Insurance	700
EBI	Medical	580
Common Health	Health Care Communication	555
NY Life Investment Mgt., LLC	Investment	525
Township of Parsippany-Troy Hills	Municipal Government	512
Reckitt Benckiser	Pharmaceutical	500
Novartis	Consumer Health	450
Glaxo Smith-Kline	Health Care	423
AIGS	Claims	399
IMS	Health Care Research	325
Safilo	Manufacturing & Distribution	315
Daiichi Sankyo	Pharmaceutical	300
Delta Dental	Insurance	294
Dialogic	Computers	225
Medicines Company	Pharmaceutical	200
Prudential	Insurance	200
Thebault Co.	Printing Services	170
Daily Record	Newspapers	157
Skanska	Building Contractor	140
J.B. Hanauer	Securities	139

Source: Township of Parsippany-Troy Hills Planning Department  
March, 2012

**PROPERTY VALUATIONS**

(For Years Ended December 31)

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Assessed Valuations:					
Real Property*	7,333,031,800	7,404,684,500	7,487,275,800	7,535,638,200	\$7,577,700,200
Personal Property	<u>9,863,997</u>	<u>11,066,916</u>	<u>10,866,942</u>	<u>10,448,091</u>	<u>10,582,176</u>
Total Assessed Valuation	<u>7,342,895,797</u>	<u>7,415,751,416</u>	<u>7,498,142,742</u>	<u>7,546,086,291</u>	<u>7,588,282,176</u>
County Equalized Valuations	<u>9,254,973,276</u>	<u>9,607,140,065</u>	<u>9,825,897,971</u>	<u>9,641,096,577</u>	<u>9,300,505,179</u>
County Equalized Ratio	<u>79.34%</u>	<u>77.19%</u>	<u>76.31%</u>	<u>78.27%</u>	<u>81.59%</u>

\* Does not include tax exempt property

Source: Township of Parsippany-Troy Hills  
Office of the Assessor, 2012

**ASSESSED VALUATION OF REAL PROPERTY BY CLASS**

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Vacant Land	77,607,500	78,507,700	89,270,400	103,134,600	\$112,099,100
Residential	4,408,878,400	4,405,406,300	4,385,585,100	4,365,430,400	4,323,446,400
Farm	329,500	329,500	329,500	329,500	329,500
Commercial	2,197,090,300	2,246,593,800	2,306,569,900	2,362,622,800	2,433,467,700
Industrial	258,137,400	282,858,500	314,532,200	314,532,200	318,309,500
Apartments	390,988,700	390,988,700	390,988,700	389,588,700	390,048,000
Tangible Personal Property	9,863,997	11,066,916	10,866,942	10,448,091	10,582,176
Exempt Property	<u>585,116,700</u>	<u>584,988,900</u>	<u>581,936,200</u>	<u>485,730,900</u>	<u>481,727,700</u>
Totals	<u>7,928,012,497</u>	<u>8,000,740,316</u>	<u>8,080,078,942</u>	<u>8,031,817,191</u>	<u>8,070,010,076</u>

Source: Township of Parsippany-Troy Hills  
March, 2012

**Analysis of Tax Rates per \$100**

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Apportionment of Tax Rate:					
Municipal	.556	.540	.562	.517	\$.491
Municipal Library*	.041	.042			
County	.286	.275	.267	.256	.244
Local School	1.638	1.599	1.564	1.499	1.417
County Open Space	.019	.022	.029	.043	.055
Municipal Open Space	<u>.017</u>	<u>.020</u>	<u>.020</u>	<u>.020</u>	<u>.020</u>
Total Tax Rate	<u>2.557</u>	<u>\$2.498</u>	<u>\$2.442</u>	<u>\$2.335</u>	<u>\$2.227</u>

Not included in the tax rates above are six local Fire District Levies. The rates and charges for those districts are not uniform throughout the Township, however, the total tax levies shown below in dollars do reflect the Fire District Levies.

\*Beginning in 2011 the Municipal Library rate is reflected as a separate line item on the tax bills. Previously it was included in the Municipal Tax rate.

**Comparisons of Tax Levies and Collections**

<u>Year</u>	(1) <u>Tax Levy</u>	(1) <u>Collections During Year of Levy</u>	<u>Percentage of Collection</u>
2011	\$186,427,296	\$185,020,170	99.24%
2010	\$184,193,967	\$182,917,253	99.30%
2009	\$178,695,176	\$177,178,889	99.15%
2008	\$171,522,238	\$170,225,464	99.24%
2007	\$165,266,161	\$163,700,458	99.05%

(1) Includes Fire District Levies.

**Delinquent Taxes and Tax Title Liens  
For the Years Ended December 31**

<u>Year</u>	<u>Amount of Tax Title Liens</u>	<u>Amount of Delinquent Taxes</u>	<u>Total Delinquent</u>	<u>Percentage of Tax Levy</u>
2011	\$109,333	\$1,364,382	\$1,473,715	.79%
2010	\$100,497	\$1,233,154	\$1,333,651	.72%
2009	\$87,540	\$1,480,993	\$1,568,533	.87%
2008	\$82,484	\$1,270,453	\$1,352,937	.78%
2007	\$79,224	\$1,541,388	\$1,620,612	.98%

Source: Township of Parsippany-Troy Hills

**Comparative Schedules of Fund Balances**

	<u>Year</u>	<u>Balance December 31</u>	<u>Appropriated in Budgets of Succeeding Year</u>
Current Fund:			
	2011	\$5,703,535	\$3,400,000
	2010	6,163,263	3,450,000
	2009	5,588,804	3,250,000
	2008	5,441,428	3,300,000
	2007	6,185,187	4,000,000
Water Utility Operating Fund:			
	2011	\$2,428,157	\$850,000
	2010	1,073,087	773,000
	2009	169,850	60,000
	2008	369,850	200,000
	2007	325,919	200,000
Sewer Utility Operating Fund:			
	2011	\$7,448,317	\$2,000,000
	2010	5,460,629	1,615,000
	2009	4,035,497	1,250,000
	2008	2,161,756	500,000
	2007	1,241,458	0
Golf and Recreation Utility Operating Fund:			
	2011	\$278,455	\$200,000
	2010	441,986	355,000
	2009	336,558	275,000
	2008	629,185	550,000
	2007	791,039	350,000

Source: Township of Parsippany-Troy Hills

**Debt Limit of the Township as of December 31, 2011**

Average Equalized Valuation Basis (2009, 2010 & 2011)	<u>\$ 9,371,643,519</u>
Permitted Debt Limitations (3 1/2%)	\$ 328,007,523
Net Debt Issued and Outstanding	\$ 69,259,506
Remaining Borrowing Power	<u>\$ 258,748,017</u>
Percentage of Net Debt to Average Equalized Valuation	<u>.739%</u>

**Township Indebtedness**

**Debt Statement - December 31, 2011**

Total Bonds and Notes for School Purposes	\$42,583,000
Self-Liquidating Indebtedness:	
Bonds Outstanding	17,414,000
New Jersey Environmental Trust 2001A-Water Utility	283,839
New Jersey Environmental Trust-Sewer Utility	18,791,073
New Jersey Environmental Trust- Sewer	161,965
Bond Anticipation Notes Authorized but Not Issued	13,917,788
Other Indebtedness:	
Bonds Outstanding	56,896,000
Bond Anticipation Notes Authorized but Not Issued	11,818,079
State of New Jersey Loans Outstanding:	
Green Acres	613,690
Total Gross Debt	162,479,434
Less: Self-Liquidating Debt	50,568,666
Less: Deduction for School Debt	42,583,000
Less: Reserve to Pay Debt Service	68,262
Total Net Debt	<u>\$ 69,259,506</u>

Source: 2011 Annual Debt Statement

**Direct and Overlapping Debt Issued and Outstanding As of December 31, 2011**

**DIRECT DEBT**

Bonds and Notes for School Purposes		\$42,583,000
<hr/>		
Bonds (Issued):		
General Purpose	56,896,000	
Water Utility	6,279,000	
Sewer Utility	8,781,300	
Golf Course and Recreational Utility	2,353,700	
Total Bonds Issued		\$74,310,000
<hr/>		
Bonds and Notes Authorized but not issued		
General Purpose	11,818,079	
Water Utility	667,000	
Sewer Utility	12,675,745	
Golf Course and Recreational Utility	575,043	
Total Authorized but not Issued		\$25,735,867
<hr/>		
State of New Jersey Loans: Green Acres	613,690	
NJ Environmental Infrastructure Trust 2001A-water utility	283,839	
NJ Environmental Infrastructure Trust-sewer	18,791,073	
NJ Environmental Infrastructure Trust-sewer	161,965	
Total Loans Outstanding		\$19,850,567

**GROSS DIRECT DEBT** 162,479,434

**OVERLAPPING DEBT**

Morris County, Township Share (9.46251%)	25,477,541	
Total Overlapping Debt		25,477,541

**GROSS DIRECT AND OVERLAPPING DEBT** 187,956,975

Less:		
For School Purposes	42,583,000	
Self-Supporting Debt:		
Water Utility	7,229,840	
Sewer Utility	40,410,083	
Golf Course and Recreational Utility	2,928,743	
Reserve to Pay Debt Service	68,262	
Total Deductions		93,219,928

**NET DIRECT AND OVERLAPPING DEBT** \$ 94,737,047

Source: Township of Parsippany-Troy Hills  
County of Morris

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**APPENDIX B**

**TOWNSHIP OF PARSIPPANY-TROY HILLS AUDITOR'S REPORT AND FINANCIAL STATEMENTS**

**SAMUEL KLEIN AND COMPANY**  
**CERTIFIED PUBLIC ACCOUNTANTS**

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

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

**INDEPENDENT AUDITOR'S REPORT**

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

**TOWNSHIP OF PARSIPPANY-TROY HILLS  
COUNTY OF MORRIS**

as of and for the years ended December 31, 2011, 2010, 2009, 2008 and 2007. These statutory basis financial statements are the responsibility of the municipality's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

These statutory basis financial statements have been prepared in conformity with accounting practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey which are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. These practices differ in certain respects, which in some instances may be material, from generally accepted accounting principles applicable to local government units. The more significant of these practices are described in Note 1 to the financial statements.

These statutory basis financial statements were prepared for the purpose of inclusion in an official statement for the issuance of Bond Anticipation Notes of the Township of Parsippany-Troy Hills and were abstracted from audit reports issued under the periods referred to above as dated May 18, 2012, June 2, 2011, June 17, 2010, June 30, 2009 and April 15, 2008, respectively.

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

Public Assistance Trust Fund  
Capital Fixed Assets

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

In our opinion, because of the municipality's policy to prepare its financial statements on the basis of accounting discussed in the third paragraph of this report, the financial statements referred to above do not present fairly, in conformity with generally accepted accounting principles, the financial position of the Township of Parsippany-Troy Hills as of December 31, 2011, 2010, 2009, 2008 and 2007 or the results of its operations for the years then ended.

However, in our opinion, the statutory basis financial statements referred to above present fairly, in all material respects, the financial position of the Township of Parsippany-Troy Hills in the County of Morris, as of December 31, 2011, 2010, 2009, 2008 and 2007, and the results of operations of such funds for the years then ended, in accordance with accounting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey and described in Note 1 to the financial statements.



SAMUEL KLEIN AND COMPANY  
CERTIFIED PUBLIC ACCOUNTANTS

JOSEPH J. FACCONI, RMA, PA

Newark, New Jersey  
May 18, 2012

TOWNSHIP OF PARSIPPANY-TROY HILLS  
COUNTY OF MORRIS, NEW JERSEY  
CURRENT FUND

COMPARATIVE BALANCE SHEETS

<u>ASSETS AND DEFERRED CHARGES</u>	<u>Balance</u> <u>Dec. 31, 2011</u>	<u>Balance</u> <u>Dec. 31, 2010</u>	<u>Balance</u> <u>Dec. 31, 2009</u>	<u>Balance</u> <u>Dec. 31, 2008</u>	<u>Balance</u> <u>Dec. 31, 2007</u>
<u>Regular Fund</u>					
Cash and Investments	\$ 10,164,810.51	\$ 12,229,700.03	\$ 13,501,053.95	\$ 16,072,735.36	\$ 16,700,880.23
Due from State of New Jersey per Ch. 129, P. L. 1976	68,907.10	61,555.83	65,720.47	68,468.90	66,071.52
	<u>10,233,717.61</u>	<u>12,291,255.86</u>	<u>13,566,774.42</u>	<u>16,141,204.26</u>	<u>16,766,951.75</u>
Receivables and Other Assets with Full Reserves:					
Delinquent Taxes	1,364,381.90	1,233,153.71	1,480,992.52	1,270,453.41	1,541,387.66
Tax Title Liens	109,332.75	100,496.76	87,540.43	82,483.93	79,224.37
Other Liens Receivable	192,731.95	193,906.95	192,506.95	191,926.95	191,926.95
Property Acquired for Taxes at Assessed Valuations	1,428,800.00	1,428,800.00	1,428,800.00	1,428,800.00	1,428,800.00
Revenue Accounts Receivable	384,454.41	308,410.00	473,949.63	451,112.92	488,837.76
Interfunds Receivable	3,258.46	2.70			
	<u>3,482,959.47</u>	<u>3,264,770.12</u>	<u>3,663,789.53</u>	<u>3,424,777.21</u>	<u>3,730,176.74</u>
Deferred Charges:					
Emergency Authorization	140,000.00				
Special Emergency Authorization (N.J.S. 40A:40-53)	1,466,755.00				
	<u>1,606,755.00</u>				
	<u>15,323,432.08</u>	<u>15,556,025.98</u>	<u>17,230,563.95</u>	<u>19,565,981.47</u>	<u>20,497,128.49</u>
<u>State and Federal Grant Fund</u>					
Cash	254,097.91	312,920.05	228,241.63	222,373.32	230,159.48
State and Federal Grants Receivable	246,942.94	515,609.89	432,907.74	177,382.47	40,753.80
	<u>501,040.85</u>	<u>828,529.94</u>	<u>661,149.37</u>	<u>399,755.79</u>	<u>270,913.28</u>
	<u>\$ 15,824,472.93</u>	<u>\$ 16,384,555.92</u>	<u>\$ 17,891,713.32</u>	<u>\$ 19,965,737.26</u>	<u>\$ 20,768,041.77</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>					
<u>Regular Fund</u>					
Liabilities and Reserve:					
Appropriation Reserves	\$ 3,744,734.07	\$ 3,173,602.64	\$ 3,761,411.80	\$ 3,837,294.46	\$ 3,484,128.98
Reserve for Tax Appeals	667,320.63	672,357.13	272,357.13	1,307,442.13	1,934,614.43
Accounts Payable	35,208.29	24,720.99	335,000.00	153,555.86	13,416.72
Due to State of New Jersey	22,617.00	16,843.00	18,765.00	28,239.00	16,036.00
Prepaid Taxes	1,091,073.19	1,413,162.47	1,459,958.44	1,299,898.82	1,248,151.66
Prepaid Revenue	104,066.41	110,818.83	120,359.60	100,431.64	71,385.50
Tax Overpayments	152,102.01	219,079.94	296,924.14	247,383.78	320,310.81
Interfunds Payable	235,347.66	403,424.16	760,641.83	1,876,691.31	1,412,996.10
Accumulated Revenue Unappropriated	55,178.00	55,178.00	808,532.91	1,709,628.29	1,990,196.74
County Taxes Payable	29,289.89	38,805.76	144,019.46	139,211.20	90,527.88
	<u>6,136,937.15</u>	<u>6,127,992.92</u>	<u>7,977,970.31</u>	<u>10,699,776.49</u>	<u>10,581,764.82</u>
Reserve for Receivables and Other Assets	3,482,959.47	3,264,770.12	3,663,789.53	3,424,777.21	3,730,176.74
Fund Balance	5,703,535.46	6,163,262.94	5,588,804.11	5,441,427.77	6,185,186.93
	<u>15,323,432.08</u>	<u>15,556,025.98</u>	<u>17,230,563.95</u>	<u>19,565,981.47</u>	<u>20,497,128.49</u>
<u>State and Federal Grant Fund</u>					
Accumulated Revenue Unappropriated	73,318.38	285,468.74	105,142.50	74,620.76	47,545.99
Appropriated Reserves for State and Federal Grants	427,722.47	543,061.20	556,006.87	325,135.03	223,367.29
	<u>501,040.85</u>	<u>828,529.94</u>	<u>661,149.37</u>	<u>399,755.79</u>	<u>270,913.28</u>
	<u>\$ 15,824,472.93</u>	<u>\$ 16,384,555.92</u>	<u>\$ 17,891,713.32</u>	<u>\$ 19,965,737.26</u>	<u>\$ 20,768,041.77</u>

See accompanying notes to financial statements.

TOWNSHIP OF PARSIPPANY-TROY HILLS  
COUNTY OF MORRIS, NEW JERSEY  
CURRENT FUND

COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGE IN FUND BALANCE

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
<u>Revenue and Other Income</u>					
Fund Balance Utilized	\$ 3,450,000.00	\$ 3,250,000.00	\$ 3,300,000.00	\$ 4,000,000.00	\$ 3,500,000.00
Receipts from Current Taxes	185,020,169.71	182,917,252.71	177,178,888.71	170,225,464.39	163,700,457.97
Receipts from Delinquent Taxes	1,236,657.29	1,491,192.72	1,248,655.69	1,552,163.39	1,635,582.61
Miscellaneous Revenue Anticipated	15,276,894.36	15,926,872.10	15,585,973.07	16,805,036.45	17,497,665.84
Nonbudget Revenue	1,251,593.43	956,486.03	752,118.53	689,486.76	670,757.40
Other Credits to Income	1,209,827.56	1,444,541.61	1,509,371.76	1,375,740.67	1,783,997.55
	<u>207,445,142.35</u>	<u>205,986,345.17</u>	<u>199,575,007.76</u>	<u>194,647,891.66</u>	<u>188,788,461.37</u>
<u>Expenditures</u>					
Budget Appropriations	62,308,971.58	59,555,280.18	57,259,482.57	57,849,276.76	54,590,524.43
Special District Taxes	2,755,466.18	2,781,633.39	2,490,039.34	2,434,610.40	2,217,989.41
Local School District Tax	117,350,067.50	115,992,802.00	112,326,004.00	106,919,998.50	103,009,827.50
County Taxes	21,815,674.55	21,925,197.34	22,532,872.77	22,635,517.07	22,155,830.78
Reserve for Tax Appeals Established	500,000.00	400,000.00			1,000,000.00
Dedicated Open Space Taxes	1,470,551.68	1,485,771.60	1,509,262.04	1,518,556.68	1,524,450.86
Interfund Charges	3,255.76	2.70			
Grants Receivable Cancelled	12.26	1,292.99			
Miscellaneous Other Expenditures	36,814.32	19,906.14	9,970.70	33,691.41	23,679.88
	<u>206,240,813.83</u>	<u>202,161,886.34</u>	<u>196,127,631.42</u>	<u>191,391,650.82</u>	<u>184,522,302.86</u>
Excess in Revenue	1,204,328.52	3,824,458.83	3,447,376.34	3,256,240.84	4,266,158.51
Adjustments to Income before Surplus:					
Expenditures Included Above Which					
Are by Statute Deferred Charges					
to Budget of Succeeding Year	<u>1,785,944.00</u>				
Statutory Excess to Surplus	2,990,272.52	3,824,458.83	3,447,376.34	3,256,240.84	4,266,158.51
<u>Fund Balance</u>					
Balance January 1	6,163,262.94	5,588,804.11	5,441,427.77	6,185,186.93	5,419,028.42
	<u>9,153,535.46</u>	<u>9,413,262.94</u>	<u>8,888,804.11</u>	<u>9,441,427.77</u>	<u>9,685,186.93</u>
Decreased by:					
Utilized as Anticipated Revenue	<u>3,450,000.00</u>	<u>3,250,000.00</u>	<u>3,300,000.00</u>	<u>4,000,000.00</u>	<u>3,500,000.00</u>
Balance December 31	<u>\$ 5,703,535.46</u>	<u>\$ 6,163,262.94</u>	<u>\$ 5,588,804.11</u>	<u>\$ 5,441,427.77</u>	<u>\$ 6,185,186.93</u>

See accompanying notes to financial statements.

TOWNSHIP OF PARSIPPANY-TROY HILLS  
COUNTY OF MORRIS, NEW JERSEY  
CURRENT FUND

COMPARATIVE STATEMENTS OF MISCELLANEOUS REVENUE

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
<u>Miscellaneous Revenue</u>					
Alcoholic Beverage Licenses	\$ 89,190.00	\$ 88,470.00	\$ 74,660.00	\$ 74,260.00	\$ 74,660.00
Other Licenses	161,628.00	161,025.50	155,095.00	146,742.00	160,791.57
Construction Code Official Fees and Permits	1,788,251.25	1,898,715.50	1,635,246.25	2,603,671.50	2,139,178.00
Other Fees and Permits	989,353.79	984,089.52	881,673.17	840,155.62	1,039,292.49
Municipal Court Fines and Costs	622,474.48	816,952.75	783,470.07	870,396.78	837,987.54
Interest and Costs on Taxes	326,033.12	371,138.82	319,893.45	375,045.89	361,119.82
Interest on Investments and Deposits	77,316.59	111,674.79	243,088.97	431,036.26	919,857.00
Energy Receipts Tax	3,743,840.00	3,656,700.00	3,681,502.00	3,413,824.00	3,244,146.00
Supplemental Energy Receipts Tax			200,231.00	200,231.00	149,420.00
Legislative Initiative Municipal Block Grant Program					212,124.00
Consolidated Municipal Property Tax Relief Act	751,183.00	838,323.00	1,768,830.00	2,181,395.00	2,455,910.00
Municipal Homeland Security					140,000.00
Municipal Tax Assistance					117,426.00
Watershed Moratorium Offset Aid	55,178.00	55,178.00	55,178.00	55,178.00	55,178.00
Garden State Trust Fund		916.04	1,066.00	1,161.87	1,312.69
Payment in Lieu of Taxes - New Jersey Housing Finance Agency - Senior Citizen Apartment	145,184.35	144,491.00	144,455.00	144,365.00	144,453.55
Garbage and Trash Removal Fees	1,566,692.94	1,690,191.23	1,458,226.31	1,851,762.66	2,013,907.91
Special Police Services		5,533.25	7,970.68	8,280.13	7,659.89
Community Center Concession Rents	154,375.00	150,930.00	153,633.49	166,703.20	163,172.27
Fall Festival Donations				10,000.00	22,420.00
Hotel Tax	1,942,324.76	1,701,432.43	1,675,714.99	2,040,811.82	2,029,784.70
Cablevision Franchise Fees	236,640.79	217,161.06	198,409.71	184,678.80	160,666.00
Public and Private Programs	591,466.88	806,052.15	632,183.52	358,343.14	220,609.46
Uniform Fire Safety Code (Ch. 383, P.L. 1985)	105,446.90	137,352.61	165,118.31	154,552.90	129,875.32
Sewer Utility Surplus	700,000.00				
Animal Control Shared Services	26,600.00				
Reserve to Pay Debt Service	22,000.00	417,998.00		179.00	
Reserve for Developer Contributions - Road Improvements		17,000.00		68,233.00	
Rescue and Recovery Contribution	9,000.00	9,000.00	9,000.00	9,000.00	
General Capital Fund Balance			45,000.00	40,000.00	95,000.00
Current Capital Surplus	35,000.00	154,000.00			
Ambulance Service Billing	687,802.59	476,146.73	375,382.15	274,555.88	385,290.63
Accumulated Revenue - Unappropriated		752,438.87	900,945.00	280,473.00	196,423.00
Reserve for Uniform Fire Penalties	14,000.00	20,000.00	20,000.00	20,000.00	20,000.00
Health Insurance Offset	427,911.92	235,960.85			
Concert Donations	8,000.00	8,000.00			
	<u>\$ 15,276,894.36</u>	<u>\$ 15,926,872.10</u>	<u>\$ 15,585,973.07</u>	<u>\$ 16,805,036.45</u>	<u>\$ 17,497,665.84</u>

See accompanying notes to financial statements.

TOWNSHIP OF PARSIPPANY-TROY HILLS  
COUNTY OF MORRIS, NEW JERSEY  
CURRENT FUND

COMPARATIVE STATEMENTS OF BUDGET APPROPRIATIONS

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
<u>Budget Appropriations</u>					
General Government	\$ 2,403,259.00	\$ 2,505,142.00	\$ 2,639,548.00	\$ 2,815,300.00	\$ 2,678,979.00
Maintenance of Free Public Library	3,114,636.00	3,236,886.00	3,295,157.00	3,230,687.00	3,135,186.00
Land Use Administration	177,078.00	185,403.00	187,753.00	188,634.00	192,669.00
Code Enforcement and Administration	417,292.00	422,756.00	425,754.00	452,771.00	436,489.00
Insurance	9,742,963.00	7,654,738.00	7,296,250.00	6,798,034.00	6,165,831.00
Public Safety	14,726,784.00	15,795,307.00	15,781,854.45	15,874,059.00	15,201,216.00
Public Works	5,589,955.00	5,887,419.00	5,992,036.00	6,278,343.00	6,115,072.00
Health and Human Services	1,146,720.00	1,230,520.00	1,232,493.00	1,341,500.00	1,354,939.00
Parks and Recreation	2,234,889.00	2,427,701.00	2,494,165.00	2,467,044.00	2,399,821.00
Celebration of Public Events	27,200.00	27,200.00	39,000.00	87,000.00	101,000.00
Utilities	2,165,500.00	2,113,500.00	2,222,070.00	2,270,200.00	1,872,000.00
Solid Waste Disposal Costs	1,525,000.00	1,500,000.00	1,550,000.00	1,703,000.00	1,698,250.00
Uniform Construction Code	997,326.00	1,554,070.00	1,669,322.00	1,686,668.00	1,431,291.00
Unclassified and Contingent	15,000.00	15,000.00	40,000.00	25,000.00	45,000.00
Deferred Charges	179,189.00	138.00			625.00
Statutory Expenditures - Social					
Security and Pensions	5,463,896.00	4,327,984.00	4,310,955.00	4,138,915.01	2,917,811.00
Other Operations	2,809,831.00	839,160.00	60,000.00	70,000.00	70,000.00
Public and Private Programs	598,716.88	813,302.15	639,409.52	358,343.14	220,609.46
Capital Improvements	281,640.00	286,225.00	274,850.00	328,500.00	257,002.00
Debt Service	8,692,096.70	8,732,829.03	7,108,865.60	7,735,278.61	8,296,733.97
	<u>\$ 62,308,971.58</u>	<u>\$ 59,555,280.18</u>	<u>\$ 57,259,482.57</u>	<u>\$ 57,849,276.76</u>	<u>\$ 54,590,524.43</u>

See accompanying notes to financial statements.

TOWNSHIP OF PARSIPPANY-TROY HILLS  
COUNTY OF MORRIS, NEW JERSEY  
TRUST FUNDS

COMPARATIVE BALANCE SHEETS

<u>ASSETS</u>	Balance <u>Dec. 31, 2011</u>	Balance <u>Dec. 31, 2010</u>	Balance <u>Dec. 31, 2009</u>	Balance <u>Dec. 31, 2008</u>	Balance <u>Dec. 31, 2007</u>
<u>Animal Control Trust Fund</u>					
Change Fund	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00
Due from Municipal Court	275.00	200.00	75.00		
Interfund Receivable	49,146.02	51,968.33	25,788.34	60,588.14	48,709.14
	<u>49,471.02</u>	<u>52,218.33</u>	<u>25,913.34</u>	<u>60,638.14</u>	<u>48,759.14</u>
<u>General Trust Fund</u>					
Cash and Investments	12,873,960.47	12,944,203.94	12,415,095.39	12,154,423.08	10,862,378.13
Assets in the Hands of Plan Administrator:					
Workers' Compensation Plan	56,356.12	48,130.48	19,244.14	30,453.92	26,641.58
Due from Municipal Court	1,318.00	589.50	1,877.50	1,126.00	897.50
Other Accounts Receivable	72,316.00	117,320.00	21,160.00	28,515.00	29,622.13
Interfund Receivable	25.40	308,158.48	261,166.76	799,570.13	332,470.37
	<u>13,003,975.99</u>	<u>13,418,402.40</u>	<u>12,718,543.79</u>	<u>13,014,088.13</u>	<u>11,252,009.71</u>
<u>Grant Trust Fund</u>					
Federal Grants Receivable	280,038.97	318,806.52	279,664.65	357,231.31	523,034.57
	<u>\$ 13,333,485.98</u>	<u>\$ 13,789,427.25</u>	<u>\$ 13,024,121.78</u>	<u>\$ 13,431,957.58</u>	<u>\$ 11,823,803.42</u>
 <u>LIABILITIES, RESERVES AND FUND BALANCE</u>					
<u>Animal Control Trust Fund</u>					
Prepaid Licenses	\$ 5,533.80	\$ 9,218.40	\$ 7,541.60	\$ 6,916.80	\$ 7,559.20
Due to State of New Jersey	571.20	974.40	1,252.20	1,164.00	1,321.20
Due to Municipal Court				770.00	545.00
Reserves for:					
Contributions	11,204.62	9,525.92	7,241.92	14,336.74	1,946.74
Animal Trap Security	225.00	225.00	225.00	1,050.00	1,050.00
Animal Control Trust Fund Expenditures	31,936.40	32,274.61	9,652.62	36,400.60	36,337.00
	<u>49,471.02</u>	<u>52,218.33</u>	<u>25,913.34</u>	<u>60,638.14</u>	<u>48,759.14</u>
<u>General Trust Fund</u>					
Special Deposits	6,934,116.44	7,375,514.95	7,535,774.15	7,354,553.77	6,894,285.36
Premiums on Tax Sale	365,100.00	364,600.00	360,700.00	349,900.00	467,000.00
Security Deposits	12,089.51	12,071.97	12,040.51	17,857.73	4,476.09
Municipal Open Space Preservation Trust Fund	5,492,172.23	5,496,054.67	4,686,554.68	5,187,016.25	3,805,884.95
Interfund Payable	2,963.31			81.84	81.84
Fund Balance:					
Workers' Compensation	56,356.12	48,130.48	19,244.14	30,453.92	26,641.58
Unemployment Insurance Trust Fund	141,178.38	122,030.33	104,230.31	74,224.62	53,639.89
	<u>13,003,975.99</u>	<u>13,418,402.40</u>	<u>12,718,543.79</u>	<u>13,014,088.13</u>	<u>11,252,009.71</u>
<u>Grant Trust Fund</u>					
Reserve for Grant Trust Fund Expenditures	280,038.97	318,806.52	279,664.65	357,231.31	523,034.57
	<u>\$ 13,333,485.98</u>	<u>\$ 13,789,427.25</u>	<u>\$ 13,024,121.78</u>	<u>\$ 13,431,957.58</u>	<u>\$ 11,823,803.42</u>

See accompanying notes to financial statements.

TOWNSHIP OF PARSIPPANY-TROY HILLS  
COUNTY OF MORRIS, NEW JERSEY  
GENERAL CAPITAL FUND

COMPARATIVE BALANCE SHEETS

<u>ASSETS AND DEFERRED CHARGES</u>	Balance <u>Dec. 31, 2011</u>	Balance <u>Dec. 31, 2010</u>	Balance <u>Dec. 31, 2009</u>	Balance <u>Dec. 31, 2008</u>	Balance <u>Dec. 31, 2007</u>
Cash and Investments	\$ 3,297,628.58	\$ 6,107,500.95	\$ 5,724,845.44	\$ 2,139,210.41	\$ 5,795,322.14
Grants Receivable	312,500.00	445,000.00	320,000.00	186,215.00	970,490.00
Interfund Receivable	185,898.94	138.00			
Deferred Charges to Future Taxation:					
Funded	57,509,689.92	64,164,199.87	55,230,145.16	59,779,232.00	47,290,639.61
Unfunded	11,818,078.69	6,716,918.69	15,703,781.69	10,481,631.69	22,541,508.69
	<u>\$ 73,123,796.13</u>	<u>\$ 77,433,757.51</u>	<u>\$ 76,978,772.29</u>	<u>\$ 72,586,289.10</u>	<u>\$ 76,597,960.44</u>
 <u>LIABILITIES, RESERVES AND FUND BALANCE</u>					
General Serial Bonds	\$ 46,361,000.00	\$ 49,596,000.00	\$ 50,046,000.00	\$ 55,916,000.00	\$ 41,876,000.00
Refunding Bonds	10,535,000.00	13,834,000.00	4,331,809.86	2,844,588.50	4,182,964.32
Bond Anticipation Notes			9,570,000.00		15,155,000.00
Green Acres Trust Acquisition Loan Payable	613,689.92	734,199.87	852,335.30	1,018,643.50	1,231,675.29
Improvement Authorizations:					
Funded	4,035,194.53	5,787,008.06	1,465,641.12	2,652,540.90	742,049.27
Unfunded	11,163,625.45	7,071,229.95	10,193,247.08	9,739,738.27	12,933,636.46
Capital Improvement Fund	5,357.00	5,357.00	5,357.00	5,357.00	5,357.00
Deposit for Regional Contribution Agreement	261,420.19	261,420.19	261,420.19	261,420.19	261,420.19
Reserve for:					
Debt Service	68,262.39	29,295.79	1,998.79	1,998.79	179.00
Developer Contributions - Road Improvement	79,652.68	79,652.68	96,652.68	96,652.68	164,885.68
Fund Balance	593.97	35,593.97	154,310.27	49,349.27	44,793.23
	<u>\$ 73,123,796.13</u>	<u>\$ 77,433,757.51</u>	<u>\$ 76,978,772.29</u>	<u>\$ 72,586,289.10</u>	<u>\$ 76,597,960.44</u>
 Bonds and Notes Authorized but Not Issued	 <u>\$ 11,818,078.69</u>	 <u>\$ 6,716,918.69</u>	 <u>\$ 6,133,781.69</u>	 <u>\$ 10,481,631.69</u>	 <u>\$ 7,436,403.69</u>

See accompanying notes to financial statements.

TOWNSHIP OF PARSIPPANY-TROY HILLS  
COUNTY OF MORRIS, NEW JERSEY  
WATER UTILITY FUND

COMPARATIVE BALANCE SHEETS

Sheet #1

<u>ASSETS</u>	<u>Balance</u> <u>Dec. 31, 2011</u>	<u>Balance</u> <u>Dec. 31, 2010</u>	<u>Balance</u> <u>Dec. 31, 2009</u>	<u>Balance</u> <u>Dec. 31, 2008</u>	<u>Balance</u> <u>Dec. 31, 2007</u>
<u>Operating Fund</u>					
Cash and Investments	\$ 3,181,968.08	\$ 1,478,263.03	\$ 857,474.25	\$ 491,975.04	\$ 912,819.98
Interfunds Receivable		30,361.69	87,887.13	371,231.11	254,993.20
	<u>3,181,968.08</u>	<u>1,508,624.72</u>	<u>945,361.38</u>	<u>863,206.15</u>	<u>1,167,813.18</u>
Assets with Full Reserves:					
Consumer Accounts Receivable and Water Utility Liens	290,699.80	293,131.43	227,034.52	573,230.14	704,779.07
Inventory - Materials and Supplies	91,100.00	109,200.00	95,800.00	94,000.00	83,000.00
	<u>381,799.80</u>	<u>402,331.43</u>	<u>322,834.52</u>	<u>667,230.14</u>	<u>787,779.07</u>
Deferred Charges:					
Special Emergency Authorization	50,000.00	75,000.00	100,000.00	125,000.00	
Deficit in Operations			7,641.33		
	<u>50,000.00</u>	<u>75,000.00</u>	<u>107,641.33</u>	<u>125,000.00</u>	
	<u>3,613,767.88</u>	<u>1,985,956.15</u>	<u>1,375,837.23</u>	<u>1,655,436.29</u>	<u>1,955,592.25</u>
<u>Capital Fund</u>					
Cash and Investments	576,160.96	931,738.28	1,396,152.72	783,638.08	622,157.08
Fixed Capital	32,818,448.10	31,608,448.10	30,903,448.10	30,903,448.10	30,903,448.10
Fixed Capital Authorized and Uncompleted	3,760,000.00	4,375,000.00	4,815,000.00	3,825,000.00	3,465,000.00
Interfunds Receivable					988.00
	<u>37,154,609.06</u>	<u>36,915,186.38</u>	<u>37,114,600.82</u>	<u>35,512,086.18</u>	<u>34,991,593.18</u>
	<u>\$ 40,768,376.94</u>	<u>\$ 38,901,142.53</u>	<u>\$ 38,490,438.05</u>	<u>\$ 37,167,522.47</u>	<u>\$ 36,947,185.43</u>

TOWNSHIP OF PARSIPPANY-TROY HILLS  
COUNTY OF MORRIS, NEW JERSEY  
WATER UTILITY FUND

COMPARATIVE BALANCE SHEETS

Sheet #2

<u>LIABILITIES, RESERVES AND FUND BALANCE</u>	Balance <u>Dec. 31, 2011</u>	Balance <u>Dec. 31, 2010</u>	Balance <u>Dec. 31, 2009</u>	Balance <u>Dec. 31, 2008</u>	Balance <u>Dec. 31, 2007</u>
<u>Operating Fund</u>					
Appropriation Reserves	\$ 702,656.04	\$ 382,958.31	\$ 614,628.44	\$ 347,247.05	\$ 673,008.48
Accounts Payable			30,000.00		
Reserve for Water Master Plan	24,250.03	27,612.50	113,000.00	125,000.00	
Accrued Interest on Bonds	55,932.50	62,873.76	65,604.59	70,354.07	45,475.94
Accrued Interest on Notes			2,376.39		26,665.33
Accrued Interest on Loans	3,239.58	3,468.75	3,697.92	3,906.25	4,135.42
Water Rent Overpayments	17,732.89	33,624.75	53,845.54	71,848.95	91,621.50
Interfunds Payable					988.00
	<u>803,811.04</u>	<u>510,538.07</u>	<u>883,152.88</u>	<u>618,356.32</u>	<u>841,894.67</u>
Reserve for Receivables and Inventory	381,799.80	402,331.43	322,834.52	667,230.14	787,779.07
Fund Balance	<u>2,428,157.04</u>	<u>1,073,086.65</u>	<u>169,849.83</u>	<u>369,849.83</u>	<u>325,918.51</u>
	<u>3,613,767.88</u>	<u>1,985,956.15</u>	<u>1,375,837.23</u>	<u>1,655,436.29</u>	<u>1,955,592.25</u>
<u>Capital Fund</u>					
Serial Bonds	3,614,000.00	3,834,000.00	3,736,000.00	5,676,000.00	4,321,000.00
Refunding Bonds	2,665,000.00	3,281,000.00	2,324,266.15	1,100,933.17	1,559,399.03
Bond Anticipation Notes			855,500.00		1,428,500.00
N.J. Environmental Infrastructure Loans Payable	283,839.52	305,644.43	327,803.64	350,284.95	373,120.57
Improvement Authorizations:					
Funded	297,829.26	653,406.58	540,759.57	559,104.42	183,006.70
Unfunded	667,000.00	101,750.00	1,564,015.00	861,561.51	1,017,371.83
Capital Improvement Fund	14,498.22	14,498.22	14,498.22	14,498.22	8,248.22
Reserves for:					
Debt Service	204,438.21	204,438.21	204,438.21	204,438.21	204,438.21
Amortization	28,051,858.58	27,133,553.67	26,142,878.31	25,403,729.98	24,577,428.50
Deferred Amortization	1,296,750.00	1,327,500.00	1,349,500.00	1,300,000.00	1,282,000.00
Fund Balance	<u>59,395.27</u>	<u>59,395.27</u>	<u>54,941.72</u>	<u>41,535.72</u>	<u>37,080.12</u>
	<u>37,154,609.06</u>	<u>36,915,186.38</u>	<u>37,114,600.82</u>	<u>35,512,086.18</u>	<u>34,991,593.18</u>
	<u>\$ 40,768,376.94</u>	<u>\$ 38,901,142.53</u>	<u>\$ 38,490,438.05</u>	<u>\$ 37,167,522.47</u>	<u>\$ 36,947,185.43</u>
Bonds and Notes Authorized but Not Issued	<u>\$ 667,000.00</u>	<u>\$ 101,750.00</u>	<u>\$ 982,500.00</u>	<u>\$ 897,500.00</u>	<u>\$ 827,000.00</u>

See accompanying notes to financial statements.

TOWNSHIP OF PARSIPPANY-TROY HILLS  
COUNTY OF MORRIS, NEW JERSEY  
WATER UTILITY FUND

COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGE IN FUND BALANCE

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
<u>Revenue and Other Income</u>					
Fund Balance Utilized	\$ 773,000.00	\$ 60,000.00	\$ 200,000.00	\$ 200,000.00	\$ 250,000.00
Water Rents and Liens	7,865,214.27	7,439,148.02	6,011,261.04	6,568,449.47	5,941,859.33
Taps and Connections				1,295.00	7,110.00
Interest on Investments	14,733.28	20,389.49	34,097.78	58,610.48	128,859.96
Miscellaneous Revenue Anticipated				44,374.35	158,264.68
Nonbudget Revenue	69,666.18	57,837.52	217,103.99	49,728.91	47,999.38
Other Credits to Income:					
Unexpended Balance of Appropriation Reserves	167,865.48	114,038.36	60,205.65	105,822.38	72,519.31
Water Rent Overpayments Cancelled	257.22				1,413.99
	<u>8,890,736.43</u>	<u>7,691,413.39</u>	<u>6,522,668.46</u>	<u>7,028,280.59</u>	<u>6,608,026.65</u>
<u>Expenditures</u>					
Budget Appropriations:					
Operating	5,269,652.00	5,138,339.00	5,001,638.00	4,700,935.00	4,507,350.00
Capital Improvements	29,750.00	13,250.00	49,500.00	24,250.00	33,000.00
Debt Service	1,090,330.04	1,250,956.24	1,173,509.79	1,558,027.38	1,630,289.65
Deferred Charges and Statutory Expenditures	372,934.00	325,631.33	305,662.00	257,291.00	211,448.00
	<u>6,762,666.04</u>	<u>6,728,176.57</u>	<u>6,530,309.79</u>	<u>6,540,503.38</u>	<u>6,382,087.65</u>
Prior Year Revenue Refunded	<u>6,762,666.04</u>	<u>6,728,176.57</u>	<u>6,530,309.79</u>	<u>6,909,349.27</u>	<u>6,382,087.65</u>
Operating Deficit to be Raised in Budget of Succeeding Year			<u>\$ 7,641.33</u>		
Excess in Revenue	2,128,070.39	963,236.82		118,931.32	225,939.00
Adjustment to Income before Fund Balance:					
Expenditures Included Above Which Are by Statute Deferred Charges to Budget of Succeeding Year				125,000.00	
Statutory Excess to Fund Balance	2,128,070.39	963,236.82		243,931.32	225,939.00
<u>Fund Balance</u>					
Balance January 1	<u>1,073,086.65</u>	<u>169,849.83</u>	<u>\$ 369,849.83</u>	<u>325,918.51</u>	<u>349,979.51</u>
	3,201,157.04	1,133,086.65	369,849.83	569,849.83	575,918.51
Decreased by:					
Utilized as Anticipated Revenue	<u>773,000.00</u>	<u>60,000.00</u>	<u>200,000.00</u>	<u>200,000.00</u>	<u>250,000.00</u>
Balance December 31	<u>\$ 2,428,157.04</u>	<u>\$ 1,073,086.65</u>	<u>\$ 169,849.83</u>	<u>\$ 369,849.83</u>	<u>\$ 325,918.51</u>

See accompanying notes to financial statements.

TOWNSHIP OF PARSIPPANY-TROY HILLS  
COUNTY OF MORRIS, NEW JERSEY  
SEWER UTILITY FUND

COMPARATIVE BALANCE SHEETS

Sheet #1

<u>ASSETS</u>	Balance <u>Dec. 31, 2011</u>	Balance <u>Dec. 31, 2010</u>	Balance <u>Dec. 31, 2009</u>	Balance <u>Dec. 31, 2008</u>	Balance <u>Dec. 31, 2007</u>
<u>Operating Fund</u>					
Cash and Investments	\$ 9,426,048.05	\$ 7,441,736.72	\$ 5,579,622.64	\$ 2,996,437.14	\$ 2,120,185.85
Interfunds Receivable		11,810.18	385,194.42	643,618.40	773,225.30
	<u>9,426,048.05</u>	<u>7,453,546.90</u>	<u>5,964,817.06</u>	<u>3,640,055.54</u>	<u>2,893,411.15</u>
Assets with Full Reserves:					
Sewer Revenue Accounts					
Receivable	691,079.61	708,389.59	524,977.22	1,214,793.10	1,002,890.70
Sewer Liens Receivable	721.81	721.81	721.81		
Inventory - Materials and Supplies	79,041.00	62,503.00	55,620.00	42,800.78	58,913.54
	<u>770,842.42</u>	<u>771,614.40</u>	<u>581,319.03</u>	<u>1,257,593.88</u>	<u>1,061,804.24</u>
	<u>10,196,890.47</u>	<u>8,225,161.30</u>	<u>6,546,136.09</u>	<u>4,897,649.42</u>	<u>3,955,215.39</u>
<u>Capital Fund</u>					
Cash and Investments	2,551,501.67	3,604,552.64	3,646,337.61	434,982.92	774,382.10
Loans Receivable	7,771,001.00	19,992,291.00			
Grants Receivable				44,000.00	44,000.00
Fixed Capital	135,903,319.44	135,503,319.44	135,423,319.44	132,702,319.44	130,006,319.44
Fixed Capital Authorized and Uncompleted	43,011,405.00	41,411,405.00	39,566,405.00	7,187,405.00	6,703,405.00
	<u>189,237,227.11</u>	<u>200,511,568.08</u>	<u>178,636,062.05</u>	<u>140,368,707.36</u>	<u>137,528,106.54</u>
	<u>\$ 199,434,117.58</u>	<u>\$ 208,736,729.38</u>	<u>\$ 185,182,198.14</u>	<u>\$ 145,266,356.78</u>	<u>\$ 141,483,321.93</u>

TOWNSHIP OF PARSIPPANY-TROY HILLS  
 COUNTY OF MORRIS, NEW JERSEY  
 SEWER UTILITY FUND

COMPARATIVE BALANCE SHEETS

Sheet #2

LIABILITIES, RESERVES AND FUND BALANCE	Balance Dec. 31, 2011	Balance Dec. 31, 2010	Balance Dec. 31, 2009	Balance Dec. 31, 2008	Balance Dec. 31, 2007
<u>Operating Fund</u>					
Liabilities:					
Appropriation Reserves	\$ 1,772,030.35	\$ 1,761,583.32	\$ 1,595,938.89	\$ 1,199,504.41	\$ 1,461,610.95
Accounts Payable			175,905.74	47,000.00	
Accrued Interest on Bonds and Notes	61,232.67	70,091.77	77,979.76	75,052.63	78,630.73
Accrued Interest on Loans	106,596.45	110,101.43			
Sewer Overpayments	37,871.11	51,141.36	79,495.99	156,742.32	111,521.93
Interfunds Payable					189.94
	1,977,730.58	1,992,917.88	1,929,320.38	1,478,299.36	1,651,953.55
Reserve for Receivables and Inventory	770,842.42	771,614.40	581,319.03	1,257,593.88	1,061,804.24
Fund Balance	7,448,317.47	5,460,629.02	4,035,496.68	2,161,756.18	1,241,457.60
	10,196,890.47	8,225,161.30	6,546,136.09	4,897,649.42	3,955,215.39
<u>Capital Fund</u>					
Serial Bonds	5,316,300.00	5,636,300.00	3,358,000.00	6,528,000.00	6,218,000.00
Refunding Bonds	3,465,000.00	4,440,000.00	4,234,764.21	2,526,432.57	4,117,895.40
N.J. Environmental Infrastructure Trust Loan Payable	18,953,038.24	19,883,852.86			
Bond Anticipation Notes			4,003,300.00		557,500.00
Improvement Authorizations:					
Funded	1,555,895.23	2,524,443.68	104,686.00	481,084.44	346,872.68
Unfunded	20,314,718.66	30,720,511.18	36,733,541.13	3,250,820.00	948,027.69
Capital Improvement Fund	1,023,750.00	1,023,750.00	1,023,750.00	23,750.00	23,750.00
Reserves for:					
Grants Receivable				44,000.00	44,000.00
Amortization	131,413,024.94	130,290,129.44	128,744,915.23	127,029,186.87	124,793,424.04
Deferred Amortization	7,091,616.26	5,888,697.14	338,190.00	453,250.00	448,550.00
Fund Balance	103,883.78	103,883.78	94,915.48	32,183.48	30,086.73
	189,237,227.11	200,511,568.08	178,636,062.05	140,368,707.36	137,528,106.54
	\$ 199,434,117.58	\$ 208,736,729.38	\$ 185,182,198.14	\$ 145,266,356.78	\$ 141,483,321.93
Bonds and Notes Authorized but Not Issued	\$ 12,675,745.00	\$ 10,775,745.00	\$ 34,310,555.00	\$ 3,308,855.00	\$ 530,355.00

See accompanying notes to financial statements.

TOWNSHIP OF PARSIPPANY-TROY HILLS  
COUNTY OF MORRIS, NEW JERSEY  
SEWER UTILITY FUND

COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGE IN FUND BALANCE

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
<u>Revenue and Other Income</u>					
Fund Balance Utilized	\$ 1,615,000.00	\$ 1,550,000.00	\$ 500,000.00	\$	\$ 150,000.00
Sewer Rents	15,182,863.48	14,802,010.02	15,174,465.97	15,227,558.71	15,083,701.29
Septage Removal	867,639.55	495,463.65	534,615.22	367,092.48	640,212.64
Interest on Investments	47,655.50	43,671.25	76,170.60	111,025.70	202,559.28
Capacity and Connection Fees	59,073.34	17,184.39	268,246.88	50,138.07	272,529.33
Reserve for Debt Service			75,384.00	74,000.00	74,692.00
Nonbudget Revenue	80,589.78	40,935.54	70,998.31	54,383.83	31,354.62
Other Credits to Income:					
Sewer Overpayments Cancelled					681.79
Unexpended Balance of Appropriation Reserves	887,927.57	536,068.36	269,461.17	594,743.09	7,671.21
Accounts Payable Cancelled		41,986.50			
	<u>18,740,749.22</u>	<u>17,527,319.71</u>	<u>16,969,342.15</u>	<u>16,478,941.88</u>	<u>16,463,402.16</u>
<u>Expenditures</u>					
Budget Appropriations:					
Operating	10,486,370.00	10,408,910.00	10,029,438.00	10,250,778.00	9,898,529.00
Capital Improvements	100,000.00	96,250.00	1,095,000.00	159,000.00	26,500.00
Debt Service	2,794,054.22	3,120,922.02	2,745,144.26	4,553,081.21	4,684,632.65
Deferred Charges and Statutory Expenditures	554,506.00	473,000.00	488,484.00	412,465.00	341,255.00
	<u>13,934,930.22</u>	<u>14,099,082.02</u>	<u>14,358,066.26</u>	<u>15,375,324.21</u>	<u>14,950,916.65</u>
Prior Year Revenue Refunds	503,130.55	453,105.35	237,535.39	183,319.09	337,723.49
	<u>14,438,060.77</u>	<u>14,552,187.37</u>	<u>14,595,601.65</u>	<u>15,558,643.30</u>	<u>15,288,640.14</u>
Excess in Revenue	4,302,688.45	2,975,132.34	2,373,740.50	920,298.58	1,174,762.02
<u>Fund Balance</u>					
Balance January 1	5,460,629.02	4,035,496.68	2,161,756.18	1,241,457.60	216,695.58
	<u>9,763,317.47</u>	<u>7,010,629.02</u>	<u>4,535,496.68</u>	<u>2,161,756.18</u>	<u>1,391,457.60</u>
Decreased by:					
Utilized as Anticipated Revenue:					
Sewer Operating Fund	1,615,000.00	1,550,000.00	500,000.00		150,000.00
Current Fund	700,000.00				
	<u>2,315,000.00</u>	<u>1,550,000.00</u>	<u>500,000.00</u>		<u>150,000.00</u>
Balance December 31	<u>\$ 7,448,317.47</u>	<u>\$ 5,460,629.02</u>	<u>\$ 4,035,496.68</u>	<u>\$ 2,161,756.18</u>	<u>\$ 1,241,457.60</u>

See accompanying notes to financial statements.

TOWNSHIP OF PARSIPPANY-TROY HILLS  
COUNTY OF MORRIS, NEW JERSEY  
GOLF AND RECREATION UTILITY FUND

COMPARATIVE BALANCE SHEETS

Sheet #1

<u>ASSETS</u>	<u>Balance</u> <u>Dec. 31, 2011</u>	<u>Balance</u> <u>Dec. 31, 2010</u>	<u>Balance</u> <u>Dec. 31, 2009</u>	<u>Balance</u> <u>Dec. 31, 2008</u>	<u>Balance</u> <u>Dec. 31, 2007</u>
<u>Operating Fund</u>					
Cash and Investments	\$ 1,176,183.80	\$ 1,473,267.87	\$ 1,537,148.40	\$ 982,078.39	\$ 979,904.21
Interfunds Receivable	40,301.14				
	<u>1,216,484.94</u>	<u>1,473,267.87</u>	<u>1,537,148.40</u>	<u>982,078.39</u>	<u>979,904.21</u>
Assets with Full Reserves:					
Revenue Accounts Receivable	62,901.78	55,188.62	53,292.33	36,427.48	28,698.90
	<u>1,279,386.72</u>	<u>1,528,456.49</u>	<u>1,590,440.73</u>	<u>1,018,505.87</u>	<u>1,008,603.11</u>
<u>Capital Fund</u>					
Cash	676.95	212,591.28	320,641.47	378,861.94	816,946.62
Fixed Capital	23,852,276.61	22,732,276.61	22,293,276.61	21,969,276.61	21,467,776.61
Fixed Capital Authorized and Uncompleted	2,063,677.00	2,981,000.00	3,120,000.00	3,289,000.00	3,315,500.00
	<u>25,916,630.56</u>	<u>25,925,867.89</u>	<u>25,733,918.08</u>	<u>25,637,138.55</u>	<u>25,600,223.23</u>
	<u>\$ 27,196,017.28</u>	<u>\$ 27,454,324.38</u>	<u>\$ 27,324,358.81</u>	<u>\$ 26,655,644.42</u>	<u>\$ 26,608,826.34</u>

TOWNSHIP OF PARSIPPANY-TROY HILLS  
COUNTY OF MORRIS, NEW JERSEY  
GOLF AND RECREATION UTILITY FUND

COMPARATIVE BALANCE SHEETS

Sheet #2

<u>LIABILITIES, RESERVES AND FUND BALANCE</u>	Balance <u>Dec. 31, 2011</u>	Balance <u>Dec. 31, 2010</u>	Balance <u>Dec. 31, 2009</u>	Balance <u>Dec. 31, 2008</u>	Balance <u>Dec. 31, 2007</u>
<u>Operating Fund</u>					
Appropriation Reserves	\$ 259,175.38	\$ 345,273.72	\$ 450,943.21	\$ 313,170.03	\$ 161,976.94
Accounts Payable			60,000.00		275.00
Sales Tax Payable	457.70	150.69	169.58	154.65	2.94
Accrued Interest on Bonds and Notes	27,251.92	30,551.60	31,833.55	32,086.67	23,254.46
Prepaid Revenue	650,000.00	652,000.00	655,500.00	4,000.00	2,000.00
Membership Overpayments	1,145.08	3,305.89	2,144.30	3,481.95	1,355.78
	<u>938,030.08</u>	<u>1,031,281.90</u>	<u>1,200,590.64</u>	<u>352,893.30</u>	<u>188,865.12</u>
Reserve for Receivables	62,901.78	55,188.62	53,292.33	36,427.48	28,698.90
Fund Balance	<u>278,454.86</u>	<u>441,985.97</u>	<u>336,557.76</u>	<u>629,185.09</u>	<u>791,039.09</u>
	<u>1,279,386.72</u>	<u>1,528,456.49</u>	<u>1,590,440.73</u>	<u>1,018,505.87</u>	<u>1,008,603.11</u>
<u>Capital Fund</u>					
Serial Bonds	1,938,700.00	2,078,700.00	1,410,000.00	1,755,000.00	330,000.00
Refunding Bonds	415,000.00	915,000.00	1,414,185.52	1,646,963.36	2,062,541.00
Bond Anticipation Notes			571,200.00		859,000.00
Improvement Authorizations:					
Funded	95,708.42	150,625.79	62,666.82	358,520.07	322,060.19
Unfunded	377,144.90	381,600.00	481,808.82	680,877.04	1,349,103.01
Capital Improvement Fund	28,343.05	28,343.05	28,343.05	28,343.05	28,343.05
Reserves for:					
Amortization	22,684,526.61	21,669,526.61	20,909,091.09	20,067,313.25	19,461,535.61
Deferred Amortization	302,684.00	667,550.00	823,800.00	1,076,250.00	1,167,700.00
Interfunds Payable	40,001.14				
Fund Balance	<u>34,522.44</u>	<u>34,522.44</u>	<u>32,822.78</u>	<u>23,871.78</u>	<u>19,940.37</u>
	<u>25,916,630.56</u>	<u>25,925,867.89</u>	<u>25,733,918.08</u>	<u>25,637,138.55</u>	<u>25,600,223.23</u>
	<u>\$ 27,196,017.28</u>	<u>\$ 27,454,324.38</u>	<u>\$ 27,324,358.81</u>	<u>\$ 26,655,644.42</u>	<u>\$ 26,608,826.34</u>
Bonds and Notes Authorized but Not Issued	<u>\$ 575,043.00</u>	<u>\$ 382,500.00</u>	<u>\$ 285,000.00</u>	<u>\$ 712,750.00</u>	<u>\$ 902,500.00</u>

See accompanying notes to financial statements.

TOWNSHIP OF PARSIPPANY-TROY HILLS  
COUNTY OF MORRIS, NEW JERSEY  
GOLF AND RECREATION UTILITY FUND

COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGE IN FUND BALANCE

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
<u>Revenue and Other Income</u>					
Fund Balance Utilized	\$ 355,000.00	\$ 275,000.00	\$ 550,000.00	\$ 350,000.00	\$ 600,000.00
Golf Fees	3,087,995.51	3,438,219.05	3,399,940.24	3,513,325.82	3,573,824.70
Room Rentals	15,032.75	14,354.50	14,645.72	14,324.97	13,525.72
Interest on Investments	8,491.68	21,400.73	38,918.73	93,168.11	183,573.13
Concession - Miscellaneous	1,341,554.00	1,302,480.00	896,683.50	794,130.75	756,315.00
Concession - Utilities	18,733.54	26,172.94	37,223.29	39,758.78	38,023.45
Nonbudget Revenue	30,737.51	3,564.44	1,379.15	179.45	1,025.90
Other Credits to Income:					
Unexpended Balance of Appropriation Reserves	149,203.62	202,832.11	42,562.45	24,200.38	13,266.26
Accounts Payable Cancelled		11,569.99			
Membership Overpayments Cancelled					441.71
	<u>5,006,748.61</u>	<u>5,295,593.76</u>	<u>4,981,353.08</u>	<u>4,829,088.26</u>	<u>5,179,995.87</u>
<u>Expenditures</u>					
Budget Appropriations:					
Operating	3,760,507.00	3,915,195.00	3,734,300.00	3,703,638.00	3,352,118.00
Capital Improvements	10,134.00	15,000.00	7,550.00	23,750.00	257,500.00
Debt Service	739,301.72	721,479.55	735,955.41	694,034.26	683,627.51
Statutory Expenditures	304,837.00	263,491.00	246,175.00	219,520.00	175,659.00
	<u>4,814,779.72</u>	<u>4,915,165.55</u>	<u>4,723,980.41</u>	<u>4,640,942.26</u>	<u>4,468,904.51</u>
Prior Year Revenue Refunds	500.00				
	<u>4,815,279.72</u>	<u>4,915,165.55</u>	<u>4,723,980.41</u>	<u>4,640,942.26</u>	<u>4,468,904.51</u>
Excess in Revenue	191,468.89	380,428.21	257,372.67	188,146.00	711,091.36
<u>Fund Balance</u>					
Balance January 1	441,985.97	336,557.76	629,185.09	791,039.09	679,947.73
	<u>633,454.86</u>	<u>716,985.97</u>	<u>886,557.76</u>	<u>979,185.09</u>	<u>1,391,039.09</u>
Decreased by:					
Utilized as Anticipated Revenue	355,000.00	275,000.00	550,000.00	350,000.00	600,000.00
Balance December 31	<u>\$ 278,454.86</u>	<u>\$ 441,985.97</u>	<u>\$ 336,557.76</u>	<u>\$ 629,185.09</u>	<u>\$ 791,039.09</u>

See accompanying notes to financial statements.

**NOTES TO FINANCIAL STATEMENTS**

## TOWNSHIP OF PARSIPPANY-TROY HILLS

### NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2011

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### A. Reporting Entity

The Township of Parsippany-Troy Hills is organized with a Mayor-Council form of government under the provisions of N.J.S. 40:69A-31 et seq. As stated under the statutory reference, the Township shall be governed by an elected council and an elected mayor and by such other officers and employees as may be duly appointed pursuant to this article. The mayor shall be elected by the voters of the municipality and shall serve for a term of four years and the council shall consist of five members who shall also serve a term of four years. The terms of office of the mayor and council members shall begin on January 1<sup>st</sup> next following their election.

Each member of the Council carries a legislative vote.

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

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

##### B. Description of Funds

The Governmental Accounting Standards Board ("GASB") is the recognized standard setting body for establishing governmental accounting and financial reporting principles. However, the accounting policies of the Township of Parsippany-Troy Hills conform to the accounting principles applicable to municipalities that have been prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. These principles are an "Other Comprehensive Basis of Accounting" ("OCBOA") which differs from accounting principles generally accepted in the United States of America ("GAAP") for governmental entities. 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 Parsippany-Troy Hills accounts for its financial transactions through the following separate funds and an account which differs from GAAP.

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

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

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### B. Description of Funds (Continued)

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

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

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

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

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

### C. Basis of Accounting

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

#### Property Taxes and Other Revenue

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

#### Grant Revenue

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

#### Expenditures

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

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Basis of Accounting (Continued)**

**Expenditures (Continued)**

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

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

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

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

**Encumbrances**

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

**Appropriation Reserves**

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

**Compensated Absences**

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

**Property Acquired for Taxes**

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

**Self-Insurance Contributions**

Contributions to self-insurance funds are charged to budget appropriations. GAAP requires that payments be accounted for as an operating transfer and not as an expenditure.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Basis of Accounting (Continued)**

**Interfunds Receivable**

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

**Inventories of Supplies**

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

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

**Capital Fixed Assets**

General:

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

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

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

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

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

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

Utilities:

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Basis of Accounting (Continued)**

**Capital Fixed Assets (Continued)**

Utilities: (Continued)

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

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

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

**D. Basic Financial Statements**

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

**2. CASH, CASH EQUIVALENTS AND INVESTMENTS**

**A. Cash and Cash Equivalents**

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

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

In addition, by regulation of the Division of Local Government Services, municipalities are allowed to deposit funds in the Municipal Bond Insurance Association (MBIA) through their investment management company, the Municipal Investors Service Corporation.

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

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

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

## **2. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)**

### **A. Cash and Cash Equivalents (Continued)**

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

### **B. Investments**

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

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

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

As of December 31, 2011, the Township had funds on deposit in checking, governmental money market funds and investment accounts. The amount on deposit of the Township's Cash and Cash Equivalents as of December 31, 2011 was \$44,427,229.92. These funds constitute "deposits with financial institutions" as defined by GASB Statement No. 40. There were no securities categorized as investments as defined by GASB Statement No. 40.

## **3. TAXES AND TAX TITLE LIENS RECEIVABLE**

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

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

### 3. TAXES AND TAX TITLE LIENS RECEIVABLE (Continued)

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

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

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

#### Comparative Schedule of Tax Rates

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Tax Rate	<u>\$2.498</u>	<u>\$2.442</u>	<u>\$2.335</u>	<u>\$2.227</u>	<u>\$2.14</u>
Apportionment of Tax Rate:					
Municipal	\$0.540	\$0.562	\$0.517	\$0.491	\$0.47
County	0.275	0.267	0.256	0.244	0.23
School	1.599	1.564	1.499	1.417	1.36
Municipal Open Space	0.020	0.020	0.020	0.020	0.02
Municipal Library Tax	0.042				
County Open Space	0.022	0.029	0.043	0.055	0.06

Fire District tax rates are not included above.

#### Assessed Valuations

<u>Year</u>	<u>Amount</u>
2011	\$ 7,342,895,797.00
2010	7,415,751,416.00
2009	7,498,142,742.00
2008	7,546,086,291.00
2007	7,588,282,376.00

#### Comparison of Tax Levies and Collections

<u>Year</u>	<u>Tax Levy*</u>	<u>Collections</u>	<u>Percentage of Collections</u>
2011	\$ 186,427,295.92	\$ 185,020,169.71	99.24 %
2010	184,193,966.89	182,917,252.71	99.30
2009	178,695,176.29	177,178,888.71	99.15
2008	171,522,238.16	170,225,464.39	99.24
2007	165,266,161.08	163,700,457.97	99.05

\*Includes Levy for Fire District.

**3. TAXES AND TAX TITLE LIENS RECEIVABLE (Continued)**

**Delinquent Taxes and Tax Title Liens**

<u>Year</u>	<u>Amount of Tax Title Liens</u>	<u>Amount of Delinquent Taxes</u>	<u>Total Delinquent</u>	<u>Percentage of Tax Levy</u>
2011	\$ 109,332.75	\$ 1,364,381.90	\$ 1,473,714.65	0.79 %
2010	100,496.76	1,233,153.71	1,333,650.47	0.72
2009	87,540.43	1,480,992.52	1,568,532.95	0.87
2008	82,483.93	1,270,453.41	1,352,937.34	0.78
2007	79,224.37	1,541,387.66	1,620,612.03	0.98

**4. PROPERTY ACQUIRED BY TAX TITLE LIEN LIQUIDATION**

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

<u>Year</u>	<u>Amount</u>
2011	\$ 1,428,800.00
2010	1,428,800.00
2009	1,428,800.00
2008	1,428,800.00
2007	1,428,800.00

**5. WATER CONSUMER ACCOUNTS RECEIVABLE**

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

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

<u>Year</u>	<u>Billing</u>	<u>Collection</u>
2011	\$ 7,862,782.64	\$ 7,865,214.27
2010	7,505,244.93	7,439,148.02
2009	5,664,812.85	6,011,261.04
2008	6,436,900.54	6,568,449.47
2007	6,139,985.33	5,941,859.33

**6. SEWER TREATMENT PLANT INCOME**

The Township of Parsippany-Troy Hills maintains a utility fund for the billing and collection of sewer rents and septage removal. The Township bills sewer user charges on a quarterly basis and septage removal on a monthly basis.

**6. SEWER TREATMENT PLANT INCOME (Continued)**

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

<u>Year</u>	<u>Billing</u>	<u>Collection</u>
2011	\$ 16,033,193.05	\$ 16,050,503.03
2010	15,484,285.03	15,297,473.67
2009	15,019,265.31	15,709,081.19
2008	15,806,553.59	15,594,651.19
2007	15,614,475.67	15,723,913.93

**7. GOLF AND RECREATION FEES**

The Township of Parsippany-Troy Hills maintains a utility fund for two golf courses. The Knoll West Golf Course is a private golf course and the Knoll East Golf Course is a public golf course.

A comparison of accrued revenue for the past five years is as follows:

<u>Year</u>	<u>Total</u>	<u>Membership Fees</u>	<u>Other Fees</u>	<u>Cart Rentals</u>
2011	\$ 3,106,331.98	\$ 847,399.00	\$ 1,745,634.50	\$ 513,298.48
2010	3,447,404.71	826,015.58	2,027,308.76	594,080.37
2009	3,418,755.09	831,719.00	2,008,348.40	578,687.69
2008	3,525,559.64	829,385.30	2,086,312.89	609,861.45
2007	3,558,204.93	827,856.00	2,112,485.39	617,863.54

## 8. FUND BALANCES APPROPRIATED

	<u>Year</u>	<u>Balance December 31</u>	<u>Utilized in Budgets of Succeeding Year</u>
Current Fund:	2011	\$ 5,703,535.46	\$ 3,400,000.00
	2010	6,163,262.94	3,450,000.00
	2009	5,588,804.11	3,250,000.00
	2008	5,441,427.77	3,300,000.00
	2007	6,185,186.93	4,000,000.00
Water Utility Operating Fund:	2011	2,428,157.04	850,000.00
	2010	1,073,086.65	773,000.00
	2009	169,849.83	60,000.00
	2008	369,849.83	200,000.00
	2007	325,918.51	200,000.00
Sewer Utility Operating Fund:	2011	7,448,317.47	2,000,000.00
	2010	5,460,629.02	1,615,000.00
	2009	4,035,496.68	1,550,000.00
	2008	2,161,756.18	500,000.00
	2007	1,241,457.60	-
Golf and Recreation Utility Operating Fund:	2011	278,454.86	200,000.00
	2010	441,985.97	355,000.00
	2009	336,557.76	275,000.00
	2008	629,185.09	550,000.00
	2007	791,039.09	350,000.00

## 9. PENSION PLANS

### Description of Systems

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

#### Public Employees' Retirement System:

The Public Employees' Retirement System (PERS) was established in January, 1955 under the provisions of N.J.S.A. 43:15A to provide coverage, including post-retirement health care, to substantially all full-time employees of the State or any county, municipality, school district or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees and vesting occurs after 8 to 10 years of service and 25 years for health care coverage. Members are eligible for retirement at age 60 with an annual benefit generally determined to be 1/55<sup>th</sup> of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of creditable service. Pension benefits for members enrolled in the system after May 21, 2010 would be based on 1/60<sup>th</sup> of the average annual compensation for the last five years of service or any five fiscal years of membership that provide the largest benefit to the member or the member's beneficiary. Early retirement is available to those under age 60 with 25 or more years of credited service. Anyone who retires early and is under age 55 receives retirement benefits as calculated in the above-mentioned formula but at a reduced rate (one quarter of one percent for each month the member lacks of attaining age 55).

#### Police and Firemen's Retirement System:

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

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

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

## 9. PENSION PLANS (Continued)

### Contributions Required and Made

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

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

Employer contributions are actuarially determined on an annual basis by the Division of Pensions. Contributions to the plan for the past three (3) years are as follows:

Year	PERS		PFRS	
	Township	Employees	Township	Employees
2011	\$ 1,955,061.00	\$ 882,120.64	\$ 3,055,660.00	\$ 941,619.00
2010	1,526,781.00	865,453.10	2,418,638.00	909,946.09
2009	1,330,019.00	866,648.99	2,431,785.00	947,985.87

## 10. DEFINED CONTRIBUTION RETIREMENT PROGRAM

### Description of System

The Defined Contribution Retirement Program (DCRP) was established on July 1, 2007 for certain public employees under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007. The program provides eligible members, with a minimum base salary of \$1,500.00 or more, with a tax-sheltered, defined contribution retirement benefit, in addition to life insurance and disability coverage. If the eligible elected or appointed official will earn less than \$5,000.00 annually, the official may choose to waive participation in the DCRP for that office or position. This waiver is irrevocable.

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

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

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

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

- All elected officials taking office on or after July 1, 2007, except that a person who is reelected to an elected office held prior to that date without a break in service may remain in the Public Employees' Retirement System (PERS).
- A Governor appointee with the advice and consent of the Legislature or who serves at the pleasure of the Governor only during that Governor's term of office.
- Other employees commencing service after July 1, 2007, pursuant to an appointment by an elected official or elected governing body which include the statutory untenured chief administrative officer such as the Business Administrator, County Administrator or Municipal or County Manager, Department Heads, Legal Counsel, Municipal or County Engineer, Municipal Prosecutor and the Municipal Court Judge.

**10. DEFINED CONTRIBUTION RETIREMENT PROGRAM (Continued)**

**Description of System (Continued)**

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

**Contributions Required and Made**

Contributions made by employees for DCRP are currently at 5.5% of their base wages. Member contributions are matched by a 3.0% employer contribution. Contributions to the plan for the past two years are as follows:

<u>Year</u>	<u>Township</u>	<u>Employees</u>
2011	\$ 5,030.59	\$ 7,281.04
2010	643.89	1,141.19

**11. POST-RETIREMENT BENEFITS**

**Plan Description**

The Township of Parsippany, by contractual agreement, provides certain post-employment benefits to retired employees and their covered eligible dependents which include health insurance, prescription, dental and vision coverage. Eligible employees who retire in the Police and Firemen's Retirement System also receive life insurance coverage.

For the employee to be eligible for such benefits the retiree in the Public Employees' Retirement System must have twenty-five years or more of pension service credits and twenty-five years of service with the Township and the retiree in the Police and Firemen's System must have twenty-five years or more of pension service credits and fifteen years of service with the Township.

Eligible retirees under the Public Employees' Retirement System will receive post-employment benefits until they reach the age of 65. Eligible retirees under the Police and Firemen's Retirement System will receive post-employment benefits for life.

**Actuarial Valuations**

The Township of Parsippany has contracted with an actuary and received an actuarial certification regarding the plan in accordance with the requirements of GASB 45, detailed as follows:

Unfunded Accrued Liability as of December 31, 2011	<u><u>\$ 79,440,000.00</u></u>
Net OPEB Obligation December 31, 2010	\$ 2,950,000.00
Annual OPEB Cost	<u>5,250,000.00</u>
	8,200,000.00
Contributions Made	<u>2,450,000.00</u>
Net OPEB Obligation December 31, 2011	<u><u>\$ 5,750,000.00</u></u>

**Other Information**

Participant Information:

Active Employees Plus Dependents	384
Retirees Plus Dependents	123

Market Value of Assets \$ -

## 12. MUNICIPAL DEBT

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

### Summary of Municipal Debt (Excluding Current and Operating Debt)

	<u>Year 2011</u>	<u>Year 2010</u>	<u>Year 2009</u>
<u>Issued</u>			
General:			
Bonds and Notes	\$ 56,896,000.00	\$ 63,430,000.00	\$ 63,947,809.86
Loans	613,689.92	734,199.87	852,335.30
Water Utility Fund:			
Bonds and Notes	6,279,000.00	7,115,000.00	6,915,766.15
Loans	283,839.52	305,644.43	327,803.64
Sewer Utility Fund:			
Bonds and Notes	8,781,300.00	10,076,300.00	11,596,064.21
Loans	18,953,038.24	19,883,852.86	
Golf and Recreation Fund:			
Bonds and Notes	2,353,700.00	2,993,700.00	3,395,385.52
	<u>94,160,567.68</u>	<u>104,538,697.16</u>	<u>87,035,164.68</u>
 <u>Authorized but Not Issued</u>			
General:			
Bonds and Notes	11,818,078.69	6,716,918.69	6,133,781.69
Water Utility:			
Bonds and Notes	667,000.00	101,750.00	982,500.00
Sewer Utility:			
Bonds and Notes	12,675,745.00	10,775,745.00	34,310,555.00
Golf and Recreation Utility:			
Bonds and Notes	575,043.00	382,500.00	285,000.00
	<u>25,735,866.69</u>	<u>17,976,913.69</u>	<u>41,711,836.69</u>
 Total Debt	 <u>119,896,434.37</u>	 <u>122,515,610.85</u>	 <u>128,747,001.37</u>
 Less: Reserve for Debt Service:			
General Capital Fund	68,262.39	29,295.79	1,998.79
Water Capital Fund	204,438.21	204,438.21	204,438.21
	<u>272,700.60</u>	<u>233,734.00</u>	<u>206,437.00</u>
 Net Bonds and Notes Issued and Authorized but Not Issued	 <u><u>\$ 119,623,733.77</u></u>	 <u><u>\$ 122,281,876.85</u></u>	 <u><u>\$ 128,540,564.37</u></u>

**12. MUNICIPAL DEBT (Continued)**

**Summary of Statutory Debt Condition - Annual Debt Service**

The summarized statement of debt condition which follows is prepared in accordance with the required methods of setting up the Annual Debt Statement and indicates a statutory net debt of 0.739%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
School	\$ 42,583,000.00	\$ 42,583,000.00	\$
General	69,327,768.61	68,262.39	69,259,506.22
Water Utility	7,229,839.52	7,229,839.52	
Sewer Utility	40,410,083.24	40,410,083.24	
Golf and Recreation Utility	<u>2,928,743.00</u>	<u>2,928,743.00</u>	
	<u>\$ 162,479,434.37</u>	<u>\$ 93,219,928.15</u>	<u>\$ 69,259,506.22</u>

Net debt, \$69,259,506.22, divided by Equalized Valuation Basis per N.J.S. 40A:2-2 as amended, \$9,371,643,519.00 equals 0.739%.

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

3 1/2% of Equalized Valuation Basis	\$ 328,007,523.16
Net Debt	<u>69,259,506.22</u>
Remaining Borrowing Power	<u>\$ 258,748,016.94</u>

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

Fund Balance Utilized and Cash Receipts from Fees, Rents or Other Charges for Year	\$ 8,722,613.73
Deductions:	
Operating and Maintenance Costs	\$ 5,617,586.00
Debt Service per Water Utility Operating Fund	<u>1,090,330.04</u>
	<u>6,707,916.04</u>
Excess in Revenue	<u>\$ 2,014,697.69</u>

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

**12. MUNICIPAL DEBT (Continued)**

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

Fund Balance Utilized and Cash Receipts from Fees, Rents or Other Charges for Year		\$ 17,852,821.65
Deductions:		
Operating and Maintenance Costs	\$ 11,040,876.00	
Debt Service per Water Utility Operating Fund	<u>2,794,054.22</u>	
		<u>13,834,930.22</u>
Excess in Revenue		<u>\$ 4,017,891.43</u>

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

**Calculation of "Self-Liquidating Purposes" Golf and Recreation Utility per N.J.S. 40A:2-45**

Fund Balance Utilized and Cash Receipts from Fees, Rents or Other Charges for Year		\$ 4,857,544.99
Deductions:		
Operating and Maintenance Costs	\$ 4,065,344.00	
Debt Service per Water Utility Operating Fund	<u>739,301.72</u>	
		<u>4,804,645.72</u>
Excess in Revenue		<u>\$ 52,899.27</u>

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

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

**12. MUNICIPAL DEBT (Continued)**

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

**General Obligation Bonds**

Serial Bonds:

\$23,261,000.00, 2005 Bonds due in annual installments of \$990,000.00 to \$1,570,000.00 through July, 2025, interest at 4.00% to 4.125%	\$ 18,201,000.00	
\$17,000,000.00, 2008 Bonds due in annual installments of \$1,450,000.00 to \$2,000,000.00 through July, 2019, interest at 3.50% to 4.00%	13,300,000.00	
\$14,425,000.00, 2010 Bonds due in annual installments of \$1,150,000.00 through November, 2023, interest at 2.00% to 3.00%	13,800,000.00	
\$1,325,000.00, 2010 Bonds due in annual installments of \$265,000.00 through November, 2015, interest at 2.00%	<u>1,060,000.00</u>	\$ 46,361,000.00

Refunding Bonds:

\$12,092,000.00, 2010 Bonds due in annual installments of \$1,595,000.00 to \$1,940,000.00 through October, 2017, interest at 2.00% to 5.00%	<u>10,535,000.00</u>	
		<u>\$ 56,896,000.00</u>

## 12. MUNICIPAL DEBT (Continued)

### Water Utility Bonds

#### Serial Bonds:

\$456,000.00, 2005 Bonds due in annual installments of \$30,000.00 to \$40,000.00 through July, 2020, interest at 4.00%	\$ 316,000.00	
\$1,700,000.00, 2008 Bonds due in annual installments of \$100,000.00 to \$200,000.00 through July, 2019, interest at 3.50% to 4.00%	1,400,000.00	
\$1,988,000.00, 2010 Bonds due in annual installments of \$90,000.00 to \$175,000.00 through November, 2023, interest at 2.00% to 3.00%	<u>1,898,000.00</u>	\$ 3,614,000.00

#### Refunding Bonds:

\$1,185,000.00, 2003 Bonds due in annual installments of \$120,000.00 to \$125,000.00 through December, 2013, interest at 4.00%	245,000.00	
\$1,630,000.00, 2009 Bonds due in annual installments of \$175,000.00 to \$190,000.00 through December, 2017, interest at 2.00% to 4.125%	1,095,000.00	
\$1,524,000.00, 2010 Bonds due in annual installments of \$200,000.00 to \$240,000.00 through October, 2017, interest at 2.00% to 5.00%	<u>1,325,000.00</u>	<u>2,665,000.00</u>
		<u>\$ 6,279,000.00</u>

12. MUNICIPAL DEBT (Continued)

Sewer Utility Bonds

\$1,283,000.00, 2005 Bonds due in annual installments of \$80,000.00 to \$115,000.00 through July, 2020, interest at 4.00%	\$ 878,000.00	
\$800,000.00, 2008 Bonds due in annual installments of \$60,000.00 to \$100,000.00 through July, 2019, interest at 3.50% to 4.00%	620,000.00	
\$4,003,300.00, 2010 Bonds due in annual installments of \$185,000.00 to \$370,000.00 through November, 2023, interest at 2.00% to 3.00%	<u>3,818,300.00</u>	\$ 5,316,300.00

Refunding Bonds:

\$2,985,000.00, 2003 Bonds due in annual installments of \$170,000.00 to \$175,000.00 through December, 2013, interest at 4.00%	345,000.00	
\$2,871,000.00, 2009 Bonds due in annual installments of \$310,000.00 to \$330,000.00 through December, 2017, interest at 2.00% to 4.125%	1,925,000.00	
\$1,374,000.00, 2010 Bonds due in annual installments of \$180,000.00 to \$220,000.00 through October, 2017, interest at 2.00% to 5.00%	<u>1,195,000.00</u>	<u>3,465,000.00</u>
		<u>\$ 8,781,300.00</u>

**12. MUNICIPAL DEBT (Continued)**

**Golf and Recreation Utility Bonds**

Serial Bonds:

\$1,500,000.00, 2008 Bonds due in annual installments of \$100,000.00 to \$170,000.00 through July, 2019, interest at 3.50% to 4.00%	\$1,220,000.00	
\$758,700.00, 2010 Bonds due in annual installments of \$40,000.00 to \$80,000.00 through November, 2023, interest at 2.00% to 3.00%	<u>718,700.00</u>	\$ 1,938,700.00

Refunding Bonds:

\$3,805,000.00, 2003 Bonds due in annual installments of \$415,000.00 through December, 2012, interest at 4.00%		<u>415,000.00</u>
		<u><u>\$ 2,353,700.00</u></u>

**Green Acres Trust Loans Payable**

The Township of Parsippany-Troy Hills entered into loan agreements with the State of New Jersey, Department of Environmental Protection and Energy under the Green Acres Trust Program to finance part of the acquisition of certain lands at an interest rate of 2.0%.

\$1,500,000.00, 1996 Loan due in semi-annual installments of \$46,637.40 through April, 2016, interest at 2.0%	\$ 399,496.74	
\$664,482.00, 1997 Loan due in semi-annual installments of \$20,659.80 through May, 2017, interest at 2.0%	<u>214,193.18</u>	<u><u>\$ 613,689.92</u></u>

**N.J. Environmental Infrastructure Trust Loan Payable**

Loan agreements were entered into by the Township of Parsippany-Troy Hills with the New Jersey Department of Environmental Protection for the purpose of improvements to the water system in 2001 at an interest rate of 4.75% to 5.50% and for the purpose of improvements to the waste water treatment plant in 2010 at an interest rate of .86% to 5.00%. Loans payable at December 31, 2011 in the amount of \$19,236,877.76 are detailed as follows:

	<u>Total</u>	<u>Water Utility</u>	<u>Sewer Utility</u>
Trust Share	\$ 6,168,095.08	\$ 155,000.00	\$ 6,013,095.08
Fund Share	<u>13,068,782.68</u>	<u>128,839.52</u>	<u>12,939,943.16</u>
	<u><u>\$ 19,236,877.76</u></u>	<u><u>\$ 283,839.52</u></u>	<u><u>\$ 18,953,038.24</u></u>

## 12. MUNICIPAL DEBT (Continued)

An amortization schedule detailing principal and interest is detailed as follows:

Calendar Year	Total	Water Utility		Sewer Utility	
		Principal	Interest	Principal	Interest
2012	\$ 1,225,883.65	\$ 21,450.59	\$ 7,775.00	\$ 940,826.58	\$ 255,831.48
2013	1,232,200.35	29,317.28	7,225.00	950,843.27	244,814.80
2014	1,234,343.87	28,785.81	6,400.00	965,865.78	233,292.28
2015	1,230,860.72	28,302.66	5,650.00	975,896.48	221,011.58
2016	1,231,877.58	27,819.52	4,900.00	990,935.48	208,222.58
2017	1,227,144.42	27,336.36	4,150.00	1,000,982.22	194,675.84
2018	1,226,911.28	26,853.22	3,400.00	1,016,036.10	180,621.96
2019	1,225,928.13	26,370.07	2,650.00	1,031,095.24	165,812.82
2020	1,230,515.97	34,107.91	1,900.00	1,041,160.42	153,347.64
2021	1,232,954.16	33,496.10	950.00	1,061,231.84	137,276.22
2022	1,198,308.06			1,071,308.56	126,999.50
2023	1,199,308.07			1,086,392.39	112,915.68
2024	1,194,708.07			1,096,482.63	98,225.44
2025	1,194,708.06			1,111,578.46	83,129.60
2026	1,199,108.06			1,131,680.52	67,427.54
2027	1,194,758.08			1,141,789.24	52,968.84
2028	1,197,958.06			1,161,904.80	36,053.26
2029	1,195,358.63			1,177,028.23	18,330.40
	<u>\$ 21,872,835.22</u>	<u>\$ 283,839.52</u>	<u>\$ 45,000.00</u>	<u>\$ 18,953,038.24</u>	<u>\$ 2,590,957.46</u>

### Bond Anticipation Notes

There were no Bond Anticipation Notes outstanding at December 31, 2011.

12. MUNICIPAL DEBT (Continued)

Schedule of Annual Debt Service for Principal and Interest for Bonded Debt Issued and Outstanding

REFUNDING BONDS

2003 ISSUE

Calendar Year	Total	Water Utility		Sewer Utility		Golf and Recreation Utility	
		Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 750,200.00	\$ 120,000.00	\$ 9,800.00	\$ 175,000.00	\$ 13,800.00	\$ 415,000.00	\$ 16,600.00
2013	306,800.00	125,000.00	5,000.00	170,000.00	6,800.00		
	<u>\$ 1,057,000.00</u>	<u>\$ 245,000.00</u>	<u>\$ 14,800.00</u>	<u>\$ 345,000.00</u>	<u>\$ 20,600.00</u>	<u>\$ 415,000.00</u>	<u>\$ 16,600.00</u>

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2009 ISSUE

Calendar Year	Total	Water Utility		Sewer Utility	
		Principal	Interest	Principal	Interest
2012	\$ 588,493.76	\$ 175,000.00	\$ 37,568.76	\$ 310,000.00	\$ 65,925.00
2013	583,793.76	175,000.00	34,068.76	315,000.00	59,725.00
2014	571,600.00	180,000.00	27,900.00	315,000.00	48,700.00
2015	566,800.00	185,000.00	20,700.00	325,000.00	36,100.00
2016	556,400.00	190,000.00	13,300.00	330,000.00	23,100.00
2017	541,450.00	190,000.00	7,837.50	330,000.00	13,612.50
	<u>\$ 3,408,537.52</u>	<u>\$ 1,095,000.00</u>	<u>\$ 141,375.02</u>	<u>\$ 1,925,000.00</u>	<u>\$ 247,162.50</u>

12. MUNICIPAL DEBT (Continued)

Schedule of Annual Debt Service for Principal and Interest for Bonded Debt Issued and Outstanding

REFUNDING BONDS

2010 ISSUE

Calendar Year	Total	General		Water Utility		Sewer Utility	
		Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 2,448,450.02	\$ 1,595,000.00	\$ 381,981.26	\$ 200,000.00	\$ 48,043.76	\$ 180,000.00	\$ 43,425.00
2013	2,474,200.02	1,660,000.00	334,131.26	210,000.00	42,043.76	190,000.00	38,025.00
2014	2,485,500.00	1,720,000.00	286,800.00	215,000.00	36,050.00	195,000.00	32,650.00
2015	2,490,400.00	1,775,000.00	234,300.00	225,000.00	29,450.00	200,000.00	26,650.00
2016	2,508,850.00	1,845,000.00	176,550.00	235,000.00	22,150.00	210,000.00	20,150.00
2017	2,518,300.00	1,940,000.00	95,600.00	240,000.00	11,800.00	220,000.00	10,900.00
	<u>\$ 14,925,700.04</u>	<u>\$ 10,535,000.00</u>	<u>\$ 1,509,362.52</u>	<u>\$ 1,325,000.00</u>	<u>\$ 189,537.52</u>	<u>\$ 1,195,000.00</u>	<u>\$ 171,800.00</u>

12. MUNICIPAL DEBT (Continued)

Schedule of Annual Debt Service for Principal and Interest for Bonded Debt Issued and Outstanding

GENERAL BONDS

Calendar Year	Total	General		Water Utility		Sewer Utility		Golf and Recreation Utility	
		Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 6,459,200.00	\$ 3,855,000.00	\$ 1,588,077.50	\$ 220,000.00	\$ 112,725.00	\$ 325,000.00	\$ 154,386.00	\$ 140,000.00	\$ 64,011.50
2013	6,580,750.00	3,956,000.00	1,469,427.50	231,000.00	106,225.00	423,000.00	145,386.00	190,000.00	59,711.50
2014	6,671,400.00	4,000,000.00	1,346,987.50	388,000.00	99,485.00	458,300.00	134,266.00	190,700.00	53,661.50
2015	6,648,660.00	4,095,000.00	1,222,787.50	400,000.00	88,025.00	470,000.00	122,250.00	203,000.00	47,597.50
2016	6,347,625.00	3,930,000.00	1,091,162.50	400,000.00	75,825.00	485,000.00	109,725.00	215,000.00	40,912.50
2017	6,355,125.00	4,075,000.00	960,962.50	410,000.00	63,625.00	490,000.00	96,725.00	225,000.00	33,812.50
2018	6,577,075.00	4,425,000.00	822,337.50	410,000.00	50,787.50	530,000.00	82,750.00	230,000.00	26,200.00
2019	6,458,925.00	4,470,000.00	662,587.50	415,000.00	37,012.50	560,000.00	66,425.00	230,000.00	17,900.00
2020	3,853,612.50	2,520,000.00	498,162.50	215,000.00	22,600.00	465,000.00	48,400.00	75,000.00	9,450.00
2021	3,655,112.50	2,565,000.00	408,862.50	175,000.00	15,750.00	370,000.00	33,300.00	80,000.00	7,200.00
2022	3,590,262.50	2,610,000.00	317,762.50	175,000.00	10,500.00	370,000.00	22,200.00	80,000.00	4,800.00
2023	3,588,612.50	2,720,000.00	224,862.50	175,000.00	5,250.00	370,000.00	11,100.00	80,000.00	2,400.00
2024	1,697,562.50	1,570,000.00	127,562.50	175,000.00		370,000.00		80,000.00	
2025	1,634,762.50	1,570,000.00	64,762.50						
	<u>\$ 70,118,685.00</u>	<u>\$ 46,361,000.00</u>	<u>\$ 10,806,305.00</u>	<u>\$ 3,614,000.00</u>	<u>\$ 687,810.00</u>	<u>\$ 5,316,300.00</u>	<u>\$ 1,026,913.00</u>	<u>\$ 1,938,700.00</u>	<u>\$ 367,657.00</u>

The interest reflected above is on the cash basis for all funds.

## 12. MUNICIPAL DEBT (Continued)

### Green Acres Trust Acquisition Loans

An Amortization Schedule detailing principal and interest is detailed as follows:

Calendar Year	Total	1996 Loan		1997 Loan	
		Principal	Interest	Principal	Interest
2012	\$ 134,594.39	\$ 85,711.28	\$ 7,563.51	\$ 37,220.92	\$ 4,098.68
2013	134,594.38	87,434.07	5,840.71	37,969.06	3,350.54
2014	134,594.38	89,191.50	4,083.28	38,732.24	2,587.36
2015	134,594.40	90,984.25	2,290.53	39,510.77	1,808.85
2016	87,957.01	46,175.64	461.76	40,304.93	1,014.68
2017	20,659.81			20,455.26	204.55
	<u>\$ 646,994.37</u>	<u>\$ 399,496.74</u>	<u>\$ 20,239.79</u>	<u>\$ 214,193.18</u>	<u>\$ 13,064.66</u>

### Bonds and Notes Authorized but Not Issued

There were Bonds and Notes Authorized but Not Issued in the following amounts:

Fund	Balance Dec. 31, 2011
General Capital Fund:	
General Improvements	\$ 11,818,078.69
Water Utility Capital Fund:	
General Improvements	667,000.00
Sewer Utility Capital Fund:	
General Improvements	12,675,745.00
Golf and Recreation Utility Capital Fund:	
General Improvements	575,043.00
	<u>\$ 25,735,866.69</u>

## 13. INTERFUND RECEIVABLES AND PAYABLES

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

Fund	Due from Other Funds	Due to Other Funds
Current Fund	\$ 3,258.46	\$ 235,347.66
Animal Control Trust Fund	49,146.02	
General Trust Fund	25.40	2,963.31
General Capital Fund	185,898.94	
Golf and Recreation Utility Operating Fund	40,301.14	
Golf and Recreation Utility Capital Fund		40,001.14
Public Assistance Trust Fund	2.70	
Payroll Fund		320.55
	<u>\$ 278,632.66</u>	<u>\$ 278,632.66</u>

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

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

	<u>Balance</u> <u>Dec. 31, 2011</u>	<u>2012 Budget</u> <u>Appropriation</u>
Current Fund:		
Emergency Authorization	\$ 140,000.00	\$ 140,000.00
Special Emergency Authorization	1,466,755.00	329,189.00
Water Operating Fund:		
Special Emergency Authorization	50,000.00	25,000.00

#### 15. DEFERRED COMPENSATION PLAN

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

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

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

The Township of Parsippany-Troy Hills authorized such modifications to their plan by resolution of the Township Council adopted December 15, 1998.

The Administrator for the Township of Parsippany-Troy Hills Deferred Compensation Plan is the American United Life Insurance Company and Metropolitan Life Insurance Company.

#### 16. RISK MANAGEMENT

The Township is self-insured to the extent of the amounts "deductible" from umbrella insurance coverage for Workers' Compensation and Dental Insurance.

The Township was a member of IDA Health Insurance Program for major medical coverage for 2011.

Umbrella insurance coverage currently in force is carried for excess Workers' Compensation claims, with specified limits detailed as follows:

Specific Loss:

The Township can pay no more than \$450,000.00 for any one accident or occurrence.

There have been no provisions in the financial statements for claims incurred but not reported as of December 31, 2011.

## 16. RISK MANAGEMENT (Continued)

Claims for workers' compensation are funded on a cash basis through a loss fund which is administered by D and H Alternative Risk Solutions. A summary of the workers' compensation fund held by the insurance agent is detailed as follows:

Balance December 31, 2010	\$ 48,130.48
Receipts	<u>1,113,447.01</u>
	1,161,577.49
Disbursements	<u>1,105,221.37</u>
Balance December 31, 2011	<u>\$ 56,356.12</u>

## 17. CONTINGENT LIABILITIES

### a. Compensated Absences

The policy of the Township of Parsippany-Troy Hills concerning sick, vacation and personal days is summarized as follows:

#### Sick Benefit Plan:

Employees in their first year of service can accrue one sick day per month of employment. Those employees who have completed one full year of continuous service are entitled to 15 sick days per year. Unused sick leave may be accumulated without limitation.

Eligible employees, upon retirement, receive compensation for one-half of their accumulated sick days at the rate of compensation then in effect.

Police Officers will receive sixty-six percent of accumulated sick days at the rate of compensation then in effect, with a limit of two hundred days. Notwithstanding the foregoing, officers who have accumulated more than three hundred (300) days of sick leave as of July 20, 1999 will be grandfathered at such higher number, subject, however, to reduction due to subsequent use of such sick days.

Police Officers have the option of taking a terminal leave and receiving compensation on a bi-weekly basis for their prorated number of unused sick days.

#### Vacation Plan:

Vacation days are based upon length of service and level of employment. Upon termination, unused vacation days are paid to eligible employees computed on the employee's salary at the time of separation. The employee may elect to utilize all earned vacation days immediately preceding his separation.

#### Personal Days:

Employees are entitled to three personal days each year. Personal days cannot be accumulated or carried over into the next year.

Police Officers, upon termination, will be paid for any unused personal days earned before December 31, 1998, computed on the employee's salary at the time of separation.

**17. CONTINGENT LIABILITIES (Continued)**

**a. Compensated Absences (Continued)**

It is estimated that the sum of \$6,411,799.38 computed internally at the 2011 salary rates would be payable to 348 officials and employees of the Township of Parsippany-Troy Hills as of December 31, 2011 for accumulated sick, vacation and personal days. This amount was not verified by audit.

Provision for the above is not reflected on the Financial Statements of the Township.

**b. Tax Appeals**

As of April 23, 2012 there were seventy appeals pending before the New Jersey Tax Court with an assessed valuation of \$971,079,200.00. Potential liability was undeterminable. The Township has made provision from tax revenues, in the amount of \$667,320.63, for these appeals in the event that tax reductions are granted.

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

**c. Federal and State Awards**

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

**d. Litigation**

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

General liability and excess Worker's Compensation claims currently pending against the Township are handled by the Morris County Joint Insurance Fund.

**18. SUBSEQUENT EVENT**

The Township of Parsippany-Troy Hills has evaluated subsequent events that occurred after the balance sheet date, but before May 18, 2012. No items were determined to require disclosure.

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**APPENDIX C**  
**FORM OF BOND COUNSEL OPINION**

INGLESINO, PEARLMAN, WYCISKALA & TAYLOR, LLC

ATTORNEYS AT LAW

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[Date of Closing]

Township Council of the  
Township of Parsippany-Troy Hills, in the  
County of Morris, New Jersey

Re: **\$22,500,000 Bond Anticipation Notes, Series 2012 consisting of:  
\$12,350,000 General Improvement Bond Anticipation Notes, Series  
2012,  
\$1,200,000 Water Utility Bond Anticipation Notes, Series 2012,  
\$8,500,000 Sewer Utility Bond Anticipation Notes, Series 2012 and  
\$450,000 Golf and Recreational Utility Bond Anticipation Notes,  
Series 2012**

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance by the Township of Parsippany-Troy Hills, in the County of Morris, New Jersey (the "Issuer" or the "Township," as appropriate) of its \$22,500,000 Bond Anticipation Notes, Series 2012 (the "Notes"), consisting of \$12,350,000 in General Improvement Bond Anticipation Notes, \$1,200,000 in Water Utility Bond Anticipation Notes, \$8,500,000 in Sewer Utility Bond Anticipation Notes and \$450,000 in Golf and Recreational Utility Bond Anticipation Notes (collectively, 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 their date of delivery, mature on October 4, 2013, bear interest at 0.75% 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, effective January 1, 1962 and the acts amendatory thereof and supplemental thereto (the "Act") and bond ordinances 01-16, 02-09, 04-23, 07-18, 08-13, 09-24, 10-13, 11-07, 12-24, 10-14, 11-08, 12-25, 07-20, 08-15, 09-26, 10-15, 11-09, 12-25, 09-27, 10-16, 11-10 and 12-26 of the Issuer (collectively, the "Ordinances"). The Notes are issued for the purpose of providing funds to finance and refinance certain capital improvements as described in the Ordinances (the "Projects"). The Projects were authorized by the Ordinances.

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 Ordinances; and (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 on 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, and assuming that the Notes and other documents and certificates are executed and delivered as instructed by us, we are of the opinion that:

1. The Notes have been duly authorized, issued, executed and sold by the Issuer; the Ordinances have been duly authorized and adopted by the Issuer; and the Notes and the Ordinances are legal, valid and binding obligations of the Issuer 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 of interest on the Notes for purposes of federal income taxation 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 existing statutes and court decisions, interest on the Notes is excluded from 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. Such interest, however, may be included in adjusted current earnings in computing alternative minimum taxable income for purposes of the alternative minimum tax imposed under the Code on certain corporations.

4. Under current law, 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.

Township Council of the  
Township of Parsippany-Troy Hills, in the  
County of Morris, New Jersey  
[Date of Closing]  
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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 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.

This opinion is being delivered to you at your request. Our engagement by you with respect to the opinions expressed herein does not require, and shall not be construed to constitute, a continuing obligation on our part to notify or otherwise inform you or the reliance parties hereof of the amendment, repeal or other modification of the applicable laws or judicial decisions that served as the basis for this opinion letter or of laws or judicial decisions hereafter enacted or rendered which impact on this opinion letter.

INGLESINO, PEARLMAN, WYCISKALA  
& TAYLOR, LLC

**APPENDIX D**  
**CONTINUING DISCLOSURE CERTIFICATE**

## CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the Township of Parsippany-Troy Hills, in the County of Morris, New Jersey (the “Issuer”) in connection with the issuance by the Issuer of \$22,500,000 Bond Anticipation Notes, Series 2012 (the “Notes”), consisting of \$12,350,000 in General Improvement Bond Anticipation Notes, \$1,200,000 in Water Utility Bond Anticipation Notes, \$8,500,000 in Sewer Utility Bond Anticipation Notes and \$450,000 in Golf and Recreational Utility Bond Anticipation Notes (collectively, 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 Bondholders 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:

“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 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.

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

“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.

“MSRB” means the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to Rule 15c2-12. Effective July 1, 2009 and until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at <http://emma.msrb.org>.

“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.

“State” shall mean the State of New Jersey.

*Section 3. Provision of Annual Reports.*

(a) The Issuer shall, or shall cause the Dissemination Agent to, not later than nine (9) months after the end of the Issuer's fiscal year, commencing with the Annual Report for the fiscal year ending December 31, 2012, provide an Annual Report to the MSRB in an electronic format as prescribed by the MSRB (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 Local Unit may be submitted separately from the balance of the Annual Report and later than the date required herein for the filing of the Annual Report if the Financial Statements of the Local Unit are not available by that date, but only if the unaudited financial statements of the Local Unit are included in the Annual Report. If the Issuer's fiscal year changes, the Issuer shall promptly notify, in writing, the Dissemination Agent and shall disclose such change in its next report.

(b) Not later than fifteen (15) Business Days prior to the date specified in subsection 3(a) for making available the Annual Report, 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, if applicable, that the Annual Report has been provided pursuant to this Disclosure Certificate, and 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) The financial information and operating data set forth in Appendix A of the Official Statement dated September 6, 2012 prepared in connection with the sale of the Notes.

*Section 5. Reporting of Significant Events.*

(a) Pursuant to the provisions of this Section 5, the Issuer shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Notes (each a “Bond Disclosure Event”) to the MSRB no later than ten (10) business days after the occurrence of such events:

- (i) Principal and interest payment delinquencies;
- (ii) Non-payment related defaults, if material;
- (iii) Unscheduled draws on debt service reserves, reflecting financial difficulties;
- (iv) Unscheduled draws on credit enhancements, reflecting financial difficulties;
- (v) Substitution of credit or liquidity providers, or their failure to perform;
- (vi) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Notes, or other material events affecting the tax status of the Notes;
- (vii) Modifications to rights of the holder of the Notes, if material;
- (viii) Bond calls, if material, and tender offers;
- (ix) Defeasances;
- (x) Release, substitution, or sale of property securing repayment of the Notes, if material;
- (xi) Rating changes;
- (xii) Bankruptcy, insolvency, receivership or similar events of the Issuer;
- (xiii) The consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the

termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

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

(b) Whenever the Issuer obtains knowledge of the occurrence of a Bond Disclosure Event, the Issuer shall as soon as possible determine if such event would be material under applicable federal securities laws.

(c) If the Issuer determines that knowledge of the occurrence of a Bond Disclosure Event would be material under applicable federal securities laws, the Issuer shall promptly file, in an electronic format as prescribed by the MSRB, a notice of such occurrence with the MSRB. Notwithstanding the foregoing, notice of Bond Disclosure Events described in subsections (a) (viii) and (ix) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Bondholders of affected Notes 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 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 Bond Disclosure Event under Section 5(c).

*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 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 Bondholders 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, (i) notice of such change shall be given in the same manner as for a Bond Disclosure Event under Section 5(c), 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 Bond Disclosure 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 Bond Disclosure 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 Bond Disclosure 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 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 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 Notes.

*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 Notes, and shall create no rights in any other person or entity.

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Dated: October 4, 2012

TOWNSHIP OF PARSIPPANY-TROY HILLS, IN  
THE COUNTY OF MORRIS, NEW JERSEY

By: \_\_\_\_\_  
Chief Financial Officer

**EXHIBIT A**

**NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: Township of Parsippany-Troy Hills, in the County of Morris, New Jersey

Name of Bond Issue: \$22,500,000 Bond Anticipation Notes, Series 2012

Dated Date: \_\_\_\_\_, 2012

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report with respect to the above-named Notes as required by Section 3(a) of the Continuing Disclosure Certificate dated \_\_\_\_\_, 2012. The Issuer anticipates that the Annual Report will be filed by \_\_\_\_\_, \_\_\_\_\_.

Dated: \_\_\_\_\_

TOWNSHIP OF PARSIPPANY-TROY  
HILLS, IN THE COUNTY OF MORRIS,  
NEW JERSEY

By: \_\_\_\_\_  
Name:  
Title: