

OFFICIAL STATEMENT DATED NOVEMBER 30, 2017

New Issue (Book-Entry Only)

Ratings: See "RATINGS" herein

In the opinion of Wilentz, Goldman & Spitzer, P.A., Woodbridge, New Jersey, Bond Counsel ("Bond Counsel") to the City (as hereinafter defined) under existing statutes, regulations, rulings and court decisions, and assuming continuing compliance with certain covenants described herein, interest on the Bonds (as defined herein) and Notes (as defined herein) (i) is not includable in gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) will not be treated as a preference item under Section 57 of the Code for purposes of calculating the Federal alternative minimum tax; however, the interest received by a corporate owner of the Bonds and Notes will be taken into account in the calculation of such owner's alternative minimum tax liability. Bond Counsel is further of the opinion that, under existing laws of the State of New Jersey, interest on the Bonds and Notes and any gain on the sale thereof are not includable in gross income under the New Jersey Gross Income Tax Act. See "TAX MATTERS" herein.

CITY OF ORANGE TOWNSHIP, In the County of Essex, New Jersey

**\$9,433,000 GENERAL IMPROVEMENT BONDS,
SERIES 2017
(QUALIFIED PURSUANT TO THE PROVISIONS OF THE
MUNICIPAL QUALIFIED BOND ACT CONSTITUTING P.L. 1976,
c.38, AS AMENDED**

NONCALLABLE

Dated: Date of Delivery

Due: December 1, as shown on the inside front cover

**\$6,264,000 GENERAL OBLIGATION NOTES,
SERIES 2017
Consisting of
\$1,720,000 Refunding Notes, Series 2017
\$3,744,000 School Promissory Notes, Series 2017
\$800,000 Special Emergency Notes, Series 2017**

NON-CALLABLE/BOOK-ENTRY ONLY

Dated: Date of Delivery

Due: December 7, 2018

Coupon: 2.500%

Yield: 1.620%

CUSIP No. 685312KJ8

The \$9,433,000 aggregate principal amount of General Improvement Bonds, Series 2017 (Qualified Pursuant to the provisions of the Municipal Qualified Bond Act Constituting P.L. 1976, c.38, as Amended) (the "Bonds") are general obligations of the City of Orange Township, in the County of Essex, New Jersey (the "City"), for which the full faith and credit of the City are pledged. The City is authorized and required by law to levy *ad valorem* taxes on all taxable property within the City without limitation as to rate or amount for the payment of the principal thereof and the interest thereon.

The \$6,264,000 aggregate principal amount of General Obligation Notes, Series 2017, dated the date of delivery, consisting of \$1,720,000 Refunding Notes, Series 2017, \$3,744,000 School Promissory Notes, Series 2017, and \$800,000 Special Emergency Notes, Series 2017 (collectively, the Notes), are also general obligations of the City, payable, as applicable, in the first instance from the proceeds of the sale of the bonds in anticipation of the issuance of which the Notes are issued, but if not so paid or if not paid from other sources, are payable ultimately from *ad valorem* taxes levied upon all the taxable property within the City for the payment of the Notes and the interest thereon without limitation as to rate or amount.

The Bonds and the Notes will be issued in fully registered book-entry only form and, when issued, will be registered in the name of and held by Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC, an automated depository for securities and clearing house for securities transactions, will act as securities depository for the Bonds and the Notes. Individual purchases of the Bonds and Notes will be made in book-entry only form in the principal amount of \$1,000 or any integral multiple thereof, with a minimum purchase of \$5,000 required. While DTC is acting as securities depository for the Bonds and the Notes, the principal of and interest on the Bonds and the Notes will be payable by wire transfer to DTC or its nominee, which is obligated to remit such principal and interest payments to DTC Participants. DTC Participants and Indirect Participants will be responsible for remitting such principal and interest payments to the Beneficial Owners of the Bonds or the Notes. See "BOOK-ENTRY ONLY SYSTEM" herein.

Interest on the Bonds will be payable semiannually on the first (1st) day of June and December (each an "Interest Payment Date") in each year until maturity, commencing June 1, 2018. The principal of and the interest on the Bonds will be paid to the Securities Depository by a duly designated paying agent. Interest on the Bonds will be credited to the Participants of DTC (as defined herein) as listed on the records of DTC as of each May 15 and November 15 (the "Record Dates" for the payment of principal and interest on the Bonds) preceding an Interest Payment Date.

The Notes will bear interest at the rate set forth above, commencing their date of delivery. Interest on the Notes will be payable at maturity as set forth above. Principal of and interest on the Notes will be payable by the City or a duly designated paying agent at the date of maturity.

The Bonds and Notes are not subject to redemption prior to maturity.

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

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by BUILD AMERICA MUTUAL ASSURANCE COMPANY. See "BOND INSURANCE – Bonds" herein.



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

The Bonds and Notes are offered when, as and if issued and delivered to the Underwriters (as defined herein), subject to prior sale, withdrawal or modification of the offer without notice and to approval of legality by the law firm of Wilentz, Goldman & Spitzer, P.A., Woodbridge, New Jersey, and certain other conditions described herein. Certain legal matters will be passed upon for the City by its Counsel, Eric Pennington, Esq., Orange, New Jersey. Powell Capital Markets, Inc., Roseland, New Jersey serves as Financial Advisor to the City. The Bonds and Notes are expected to be available for delivery in definitive form to the Securities Depository in New York, New York on or about December 8, 2017.

HutchinsonShockeyErley&Co

(Underwriter for the Bonds)

TD Securities (USA) LLC

(Underwriter for the Notes)

**CITY OF ORANGE TOWNSHIP,
In the County of Essex, New Jersey**

**\$9,433,000 GENERAL IMPROVEMENT BONDS, SERIES 2017
(QUALIFIED PURSUANT TO THE PROVISIONS OF THE MUNICIPAL QUALIFIED BOND ACT CONSTITUTING
P.L. 1976, c.38, AS AMENDED)**

**(NONCALLABLE)/(BOOK-ENTRY ONLY)
(NOT BANK QUALIFIED)**

**MATURITIES, AMOUNTS,
INTEREST RATES, YIELDS AND CUSIP NUMBERS**

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP Number¹</u>
2018	\$943,000	1.500%	1.650%	685312JY7
2019	945,000	1.500%	2.000%	685312JZ4
2020	940,000	2.250%	2.150%	685312KA7
2021	940,000	2.500%	2.250%	685312KB5
2022	945,000	4.000%	2.400%	685312KC3
2023	945,000	4.000%	2.500%	658312KD1
2024	945,000	4.000%	2.650%	685312KE9
2025	945,000	4.000%	2.750%	685312KF6
2026	945,000	4.000%	2.850%	685312KG4
2027	<u>940,000</u>	3.000%	3.000%	685312KH2
	<u>\$9,433,000</u>			

¹. "CUSIP" is a registered trademark of the American Bankers Association. CUSIP numbers are provided by Standard & Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. The CUSIP Numbers listed above are being provided solely for the convenience of Bondholders only at the time of issuance of the Bonds and the City does not make any representations with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specified maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

**CITY OF ORANGE TOWNSHIP
IN THE COUNTY OF ESSEX
NEW JERSEY**

MAYOR

Dwayne D. Warren

COUNCIL MEMBERS

Kerry J. Coley, President
Tency A. Eason
Jamie Summers-Johnson
Harold Johnson, Jr.
Christopher Jackson
Adrienne Wooten
Donna K. Williams

BUSINESS ADMINISTRATOR

Christopher Hartwyk

CLERK

Joyce Lanier

DIRECTOR OF FINANCE

Adrian O. Mapp

CHIEF FINANCIAL OFFICER

Joy Lascari

CITY ATTORNEY

Eric Pennington, Esq.
Orange, New Jersey

AUDITOR

PKF O'Connor Davies, LLP
Livingston, New Jersey

FINANCIAL ADVISOR

Powell Capital Markets, Inc.
Roseland, New Jersey

BOND COUNSEL

Wilentz, Goldman & Spitzer, P.A.
Woodbridge, New Jersey

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

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

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

The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale hereunder shall under any circumstances create any implication that there has been no change in the affairs of the City since the date hereof or any earlier date as of which any information contained herein is given. This Official Statement is submitted in connection with the sale of the Bonds and Notes referred to herein and may not be used, in whole or in part, for any other purpose.

IN CONNECTION WITH THE OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AND NOTES OFFERED HEREBY AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME WITHOUT PRIOR NOTICE.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds and Notes in any jurisdiction in which it is unlawful for any person to make such an offer, solicitation or sale. No dealer, broker, salesperson or other person has been authorized to give any information or to

make any representations other than as contained in this Official Statement. If given or made, such other information or representations must not be relied upon as having been authorized by the City or the Underwriters.

THE ORDER AND 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. THE OFFERING OF THE BONDS AND NOTES ARE MADE ONLY BY MEANS OF THIS ENTIRE OFFICIAL STATEMENT.

Wilentz, Goldman & Spitzer, P.A. has not participated in the preparation of the financial or statistical information contained in this Official Statement nor have they verified the accuracy or completeness thereof, and, accordingly, they express no opinion with respect thereto.

PRIOR TO SUBMISSION OF ANY BIDS ON THE BONDS AND NOTES, THE UNDERWRITERS AGREE THAT THEY HAVE REVIEWED THE INFORMATION IN THIS OFFICIAL STATEMENT IN ACCORDANCE WITH, AND AS PART OF, THEIR RESPONSIBILITIES TO INVESTORS UNDER THE FEDERAL SECURITIES LAWS AS THEY APPLY TO THE FACTS AND CIRCUMSTANCES OF THIS TRANSACTION, BUT THE UNDERWRITERS DO NOT GUARANTEE THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION.

Build America Mutual Assurance Company ("BAM") makes no representations regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "BOND INSURANCE – Bonds" and "Appendix G – Form of Specimen Municipal Bond Insurance Policy".

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**OFFICIAL STATEMENT
Relating to**

**\$9,433,000 GENERAL IMPROVEMENT BONDS, SERIES 2017
(QUALIFIED PURSUANT TO THE PROVISIONS OF THE MUNICIPAL QUALIFIED
BOND ACT CONSTITUTING P.L. 1976, c.38, AS AMENDED)**

**\$6,264,000 GENERAL OBLIGATION NOTES, SERIES 2017
CONSISTING OF**

**\$1,720,000 REFUNDING NOTES, SERIES 2017C
\$3,744,000 SCHOOL PROMISSORY NOTES, SERIES 2017D
\$800,000 SPECIAL EMERGENCY NOTES, SERIES 2017E**

(NONCALLABLE) (BOOK-ENTRY ONLY)

INTRODUCTION

This Official Statement, which includes the cover page, the inside front cover page and the appendices attached hereto, has been prepared by the City of Orange Township (the "City"), in the County of Essex (the "County"), New Jersey (the "State") in connection with the sale and issuance by the City of \$9,433,000 aggregate principal amount of General Improvement Bonds, Series 2017 (Qualified Pursuant to the provisions of the Municipal Qualified Bond Act Constituting P.L. 1976, c.38, as Amended) (the "Bonds") and \$6,264,000 aggregate principal amount of General Obligations Notes, Series 2017, which consists of \$1,720,000 Refunding Notes, Series 2017C (the "Series 2017C Notes"), \$3,744,000 School Promissory Notes, Series 2017D (the "Series 2017D Notes", and \$800,000 Special Emergency Notes, Series 2017E (the "Series 2017E Notes" and together with the Series 2017C Notes and the Series 2017D Notes, the "Notes"). This Official Statement has been executed by and on behalf of the City by its Chief Financial Officer and may be distributed in connection with the marketing and sale of the Bonds and Notes described herein.

THE BONDS

General Description

The Bonds will be issued in the form of one certificate for the aggregate principal amount of Bonds maturing in each year and when issued will be registered in the name of CEDE & CO., as nominee of The Depository Trust Company, New York, New York, which will act as securities depository ("DTC" or the "Securities Depository") for the Bonds. The certificates will be on deposit with the Securities Depository. The Securities Depository will be responsible for maintaining a book-entry system for recording the interest of its Participants or the transfers of interests among its participants. The participants will be responsible for maintaining records regarding the beneficial ownership interests in the Bonds on behalf of the individual purchasers. Individual purchases may be made in the amount of \$1,000 or any integral multiple thereof, with a minimum purchase of \$5,000 required, through book entries made on the books and

records of the Securities Depository and its participants. Individual purchasers of the Bonds will not receive certificates representing their beneficial interests in the Bonds, but each book-entry Bond owner will receive a credit balance on the books of its nominees, and this credit balance will be confirmed by an initial transaction statement stating the details of the Bonds purchased.

Interest on the Bonds will be payable semiannually on the first (1st) day of June and December (each an "Interest Payment Date") in each year until maturity, commencing June 1, 2018. The principal of and the interest on the Bonds will be paid to the Securities Depository by a duly designated paying agent. Interest on the Bonds will be credited to the Participants of DTC (as defined herein) as listed on the records of DTC as of each May 15 and November 15 (the "Record Dates" for the payment of principal of and interest on the Bonds) preceding an Interest Payment Date.

Optional Redemption

The Bonds are not subject to redemption prior to maturity.

Authorization and Purpose of the Bonds

The Bonds are issued pursuant to the Local Bond Law of the State of New Jersey, N.J.S.A. 40A:2-1 et seq. (the "Local Bond Law"), the Municipal Qualified Bond Act, N.J.S.A. 40A:3-1 et seq. (the "Municipal Qualified Bond Act"), the bond ordinances of the City set forth below, and a resolution of the City duly adopted by the City Council of the City on November 8, 2017 (the "Resolution"):

<u>Ordinance Number</u>	<u>Description and Date of Final Adoption</u>	<u>Amount</u>
8-2002	Renovation to 593 Lincoln Avenue, finally adopted June 8, 2002	\$ 447,350
24-2004, as amended by 5-2005	Redevelopment of Orange Avenue, finally adopted November 3, 2004 as amended April 5, 2005	222,460
28-2005	Acquisition of Various Projects, finally adopted October 4, 2005	346,000
41-2005	Providing for Various Park Projects, finally adopted January 3, 2016	83,790
9-2014	Various Capital Acquisitions and Improvements, finally adopted July 1, 2014	<u>8,333,400</u>
	TOTAL	<u>\$9,433,000</u>

The bond ordinances authorizing the Bonds were published in full or in summary after their final adoption along with the statement that the twenty (20) day period of limitation within which a suit, action or proceeding questioning the validity of such bond ordinances could be commenced began to run from the date of the first publication of such statement. The Local Bond Law provides, that after issuance, all obligations shall be conclusively presumed to be fully authorized and issued by all laws of the State, and all persons shall be estopped from questioning their sale, execution or delivery by the City. Such estoppel period has concluded as of the date of this Official Statement.

The proceeds of the Bonds are being issued to: (i) currently refund \$7,960,700 of the City's Bond Anticipation Note, dated and issued December 13, 2016 and maturing December 12, 2017, (ii) permanently finance various capital improvements and acquisitions in the amount of \$1,472,300, and (iii) pay costs and expenses incidental to the issuance and delivery of the Bonds.

DESCRIPTION OF THE NOTES

General Description

The Notes will be issued as fully registered notes in book-entry only form, and when issued, will be registered in the name of and held by Cede & Co., as nominee of DTC. DTC will act as securities depository for the Notes. Principal of and interest on the Notes will be payable by the City or a duly designated paying agent on the date of maturity by wire transfer of immediately available funds to DTC or its nominee. Individual purchases may be made in the amount of any integral multiple of \$5,000 (with a minimum purchase of \$5,000), except that any Notes in excess of the largest principal amount equaling a multiple of \$5,000 shall be in denominations of \$1,000 or any integral multiple thereof through book entries made on the books and records of the Securities Depository and its participants. Under certain circumstances, such beneficial interests in the Notes are exchangeable for one or more fully registered Note certificates in authorized denominations. The Note certificate will be on deposit with DTC. DTC will be responsible for maintaining a book-entry system for recording the interests of its participants and transfers of the interests among its participants. The participants will be responsible for maintaining records regarding the beneficial ownership interests in the Notes on behalf of the individual purchasers. Individual purchasers of the Notes will not receive certificates representing their beneficial ownership interests in the Notes, but each book-entry owner will receive a credit balance on the books of its nominee, and this credit balance will be confirmed by an initial transaction statement stating the details of the Notes purchased.

The Notes shall be dated and shall bear interest as shown on the front cover page of this Official Statement. The Notes shall bear interest at the rate as indicated on the cover of this Official Statement, payable upon maturity. Interest on the Notes is calculated on the basis of twelve (12) thirty (30) day months in a three hundred sixty (360) day year. So long as DTC or its nominee, Cede & Co., is the registered owner of the Notes, payments of the principal of and interest on the Notes will be made by the City or a duly designated paying agent directly to DTC or its nominee, Cede & Co.,

which will in turn remit such payments to DTC Participants, which will in turn remit such payments to the beneficial owners of the Notes. See “BOOK-ENTRY ONLY SYSTEM” herein.

Optional Redemption

The Notes are not subject to redemption prior to their stated maturity.

Authorization and Purpose for the Notes

The Refunding Notes are authorized by, and are issued pursuant to, the provisions of the Local Bond Law, N.J.S.A. 40A:2-1 et seq., as amended and supplemented (the “Local Bond Law”), and by a bond ordinance duly adopted by the City Council of the City on the date set forth in the chart on the following page and published and approved as required by law. The issuance of the Refunding Notes have been approved by a resolution of the Local Finance Board within the Division of Local Government Services of the Department of Community Affairs of the State of New Jersey (the “Local Finance Board”).

The Refunding Notes will be issued to refund, on a current basis, prior refunding notes of the City in the aggregate principal amount of \$2,150,000 issued on June 28, 2017 and maturing on December 11, 2017 (the “Prior Refunding Notes”), which Prior Refunding Notes were originally issued to fund an emergency appropriation for the water utility system (the remaining portion of such Prior Refunding Notes is being paid by a \$430,000 budgetary appropriation of the City).

The School Promissory Notes are authorized by, and are issued pursuant to, the provisions of the Local Bond Law, Title 18A, Education, of the New Jersey Statutes, N.J.S.A. 18A:24-1 et seq. (the “School Bond Law”), and by various bond ordinances duly adopted by the City Council of the City on the dates set forth in the chart on the following page and published and approved as required by law.

The School Promissory Notes will be issued to (i) refund, on a current basis, prior notes of the City in the aggregate principal amount of \$2,550,000, issued on June 28, 2017 and maturing on December 11, 2017 (the “Prior School Notes”), which Prior School Notes were originally issued to temporarily finance the costs of improvements to various school buildings and grounds on behalf of the Orange Board of Education Public School District and (ii) temporarily finance improvements to buildings and lots owned by the Orange Board of Education Public School District in the amount of \$1,194,000.

The Special Emergency Notes are authorized by, and are issued pursuant to, the provisions of the Local Budget Law, N.J.S.A. 40A: 4-1 et seq., as amended and supplemented (the “Local Budget Law”), by an ordinance duly adopted by the City Council of the City on the date set forth in the chart on the following page and published and approved as required by law, and by a resolution duly adopted by the City Council of the City on September 20, 2016, and approved as required by law.

The Special Emergency Notes will be issued to refund, on a current basis, prior special emergency notes of the City in the aggregate principal amount of \$1,000,000, issued on December 13, 2016 and maturing on December 12, 2017 (the "Prior Special Emergency Notes"), which Prior Special Emergency Notes were originally issued to provide for the payment of accumulated sick/vacation and terminal pay for retired employees of the City (the remaining portion of such Prior Special Emergency Notes is being paid by a \$200,000 budgetary appropriation of the City).

The Notes and the improvements or purposes for which the Notes are to be issued have been authorized by bond ordinances duly adopted by the City, which bond ordinances are described on the following table by ordinance number, description and date of final adoption:

Refunding Notes

Ordinance Number	Description and Date of Final Adoption	Amount
10-2017	Providing for the funding of an emergency appropriation for the Water Utility System, finally adopted 4/25/17	\$1,720,000.00
TOTAL		<u>\$1,720,000.00</u>

School Promissory Notes

Ordinance Number	Description and Date of Final Adoption	Amount
33-2017	Providing for improvements to various school buildings and grounds on behalf of the Orange Board of Education Public School District, finally adopted 5/16/17	\$2,550,000.00
52-2017	Providing for improvements to buildings and lots owned by the Orange Board of Education Public School District, finally adopted 9/19/17	\$1,194,000.00
TOTAL		<u>\$3,744,000.00</u>

Special Emergency Notes

Ordinance Number	Description and Date of Final Adoption	Amount
49-2016	Providing for the authorization of a special emergency appropriation for the payment of accumulated sick/vacation and terminal pay for retired employees of the City, finally adopted 9/6/16	\$800,000.00
TOTAL		<u>\$800,000.00</u>

The bond ordinances authorizing the Notes were published in full or in summary after their final adoption along with the statement that the twenty (20) day period of limitation within which a suit, action or proceeding questioning the validity of such bond ordinances could be commenced began to run from the date of the first publication of such statement. The Local Bond Law provides, that after issuance, all obligations shall be conclusively presumed to be fully authorized and issued by all laws of the State, and all persons shall be estopped from questioning their sale, execution or delivery by the City. Such estoppel period has concluded as of the date of this Official Statement.

SECURITY AND SOURCE OF PAYMENT

The Bonds and Notes are valid and legally binding general obligations of the City, and the City has pledged its full faith and credit for the payment of the principal of and the interest on the Bonds and Notes. The City is required by law to levy *ad valorem* taxes upon all the taxable property within the City for the payment of the principal of and the interest on the Bonds and Notes without limitation as to rate or amount.

The City is required by law to include the total amount of principal of and interest on all of its general obligation indebtedness, such as the Bonds and Notes, for the current year in each annual budget unless provision has been made for payment of such general obligation indebtedness from other sources. The enforceability of rights or remedies with respect to the Bonds and Notes may be limited by bankruptcy, insolvency or other similar laws affecting creditors' rights or remedies heretofore or hereafter enacted. See "RISK TO HOLDERS OF BONDS AND NOTES" and "MUNICIPAL BANKRUPTCY" herein.

The Bonds and Notes are not a debt or obligation, legal, moral or otherwise of the State or any county, municipality or political subdivision thereof, other than the City.

Municipal Qualified Bond Act

The Bonds are further secured as "Qualified Bonds" under the Municipal Qualified Bond Act, P.L. 1976, c. 38, as amended and supplemented (the "Municipal Qualified Bond Act"). Pursuant to the Municipal Qualified Bond Act, a portion of State

aid (the "Municipal Qualified Revenues") allocated to the City in amounts sufficient to pay debt service on its Qualified Bonds is to be withheld by the State Treasurer and forwarded to the Paying Agent for such Qualified Bonds on or before the principal and interest payment dates for such Qualified Bonds for deposit into accounts established for the purpose of paying debt service on such Qualified Bonds.

The Municipal Qualified Bond Act provides that the Municipal Qualified Revenues so withheld and paid or to be paid and held by the Paying Agent are deemed to be held in trust and are exempt from being levied upon, taken, sequestered, or applied toward paying the debts of the City other than the payment of debt service on such Qualified Bonds of the City issued for municipal purposes, water utility purposes, sewer utility purposes, or parking utility purposes, all of which are entitled to the benefits of the Municipal Qualified Bond Act.

Notwithstanding any other provision of law to the contrary, a statutory lien and trust is automatically and without further act or filing created and impressed upon the Municipal Qualified Revenues, and not otherwise dedicated to specific municipal programs, so payable to the City that are withheld or are required to be withheld by the State Treasurer under the Municipal Qualified Bond Act, which statutory lien and trust shall be paramount and superior to all other liens and interests of any kind in favor of the holders of qualified bonds, for the sole purpose of paying debt service on the qualified bonds issued pursuant to the Municipal Qualified Bond Act. The lien created under the Municipal Qualified Bond Act is for the benefit of bondholders is perfected without delivery, recording, or notice.

The Municipal Qualified Bond Act does not relieve the City of the obligation to include in its annual budget amounts necessary to pay, in each year, the principal of and interest on any such Qualified Bonds. Such budgeted amounts must be used to pay debt service on any such Qualified Bonds of the City in any year in which sufficient Municipal Qualified Revenues are not appropriated by the State. The State has covenanted in the Municipal Qualified Bond Act with the holders of Qualified Bonds that it will not repeal, revoke, rescind, modify, or amend the provisions of such act providing for the withholding of Municipal Qualified Revenues and payment of such revenues to the Paying Agent for such bonds so as to create any lien or charge on or pledge, assignment, diversion, withholding payment or other use of or deduction from such revenues which is prior or superior in right to the payment of debt service on such bonds.

The Municipal Qualified Bond Act does not contain a pledge or guarantee that any amounts payable to the Paying Agent will, in fact, be made or continued. Each such annual amount is subject to appropriation by the State. Moreover, the State is not required to continue to make appropriations of such amounts, nor is the State limited or prohibited from repealing or amending any law heretofore enacted for the payment of apportionment of such amounts or in the manner, time, or amount thereof. Further, the amount payable to the Paying Agent does not constitute an additional source of revenue available to the City.

The Notes are not subject to the provisions of the Municipal Qualified Bond Act.

For Fiscal Year 2017, excluding the Transition Aid, total Municipal Qualified Revenues are anticipated to be \$8,372,797.00. Total debt service on Municipal Qualified Bonds in Fiscal Year 2017 is \$3,169,787.16. After the issuance of the Bonds, the highest annual debt service on Municipal Qualified Bonds is projected to be \$3,692,240.00 (in Fiscal Year 2018).

Note, that these figures include Municipal Utility Debt Service, which historically has been (and is expected to be) funded from revenues of the respective utilities; utility debt service for Fiscal Year 2017 is approximately \$2,083,465.00 and more than half of the currently-outstanding Bond Anticipation Notes (and therefore debt service on any permanent financing thereof) is attributable to the utilities.

BOND INSURANCE – Bonds

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company (“BAM”) will issue its Municipal Bond Insurance Policy for the Bonds (the “Policy”). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an Appendix G to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Build America Mutual Assurance Company

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure obligations of states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM. The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: www.buildamerica.com.

BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

BAM’s financial strength is rated “AA/Stable” by S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”). An explanation of the significance of the rating and current reports may be obtained from S&P at

www.standardandpoors.com. The rating of BAM should be evaluated independently. The rating reflects the S&P's current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Bonds on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the Bonds, nor does it guarantee that the rating on the Bonds will not be revised or withdrawn.

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of September 30, 2017 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$508.7 million, \$79.5 million and \$429.2 million, respectively.

BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

BAM's most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM's website at www.buildamerica.com, is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

BAM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "BOND INSURANCE - Bonds".

Additional Information Available from BAM

Credit Insights Videos. For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM's analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's website at buildamerica.com/creditisights/. (The preceding website address is provided for

convenience of reference only. Information available at such address is not incorporated herein by reference.)

Credit Profiles. Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector designation (e.g. general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any offering that includes bonds insured by BAM, any pre-sale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM's website at buildamerica.com/obligor/. BAM will produce a Credit Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Disclaimers. The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the issuer of or the underwriter for the Bonds, and the issuer and underwriter assume no responsibility for their content.

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Bonds, whether at the initial offering or otherwise.

The Notes are not insured.

BOOK-ENTRY ONLY SYSTEM

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

DTC will act as securities depository for the Bonds and Notes. The Bonds and Notes will be issued as fully-registered securities registered in the name of CEDE & CO. (DTC's partnership nominee) or such other name as may be requested by an authorized

representative of DTC. One fully-registered Bond certificate will be issued for each year of maturity of the Bonds, in the aggregate principal amount of each maturity, and will be deposited with DTC. One fully registered Note certificate will be issued for the Notes in the aggregate principal amount of the Notes, as set forth on the cover hereof, and will be deposited with DTC.

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

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

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

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

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

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

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

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

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

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

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

Discontinuation of Book-Entry Only System

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

ADDITIONAL PLANNED FINANCINGS

The City plans to issue Emergency Notes prior to December 31, 2017. The City does not plan to issue any other debt for the remainder of 2017.

**MUNICIPAL FINANCE -
FINANCIAL REGULATION OF COUNTIES AND MUNICIPALITIES**

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

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

The authorized bonded indebtedness of the City for municipal purposes is limited by statute, subject to the exceptions noted below, to an amount equal to 31/2% of its average equalized valuation basis. 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 the boundaries of City, as annually determined by the State Director of Taxation, is \$1,440,438,914.

Certain categories of debt are permitted by statute to be deducted for purposes of computing the statutory debt limit, including school bonds that do not exceed the school bond borrowing margin and certain debt that may be deemed self-liquidating. As of December 31, 2016, after taking into account the deductions referred to in the previous sentence, the statutory net debt as a percentage of average equalized valuation was 2.74%.

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

The City may sell short-term "bond anticipation notes" to temporarily finance a capital improvement or project in anticipation of the issuance of bonds if the bond ordinance or a subsequent resolution so provides. Bond anticipation notes for capital improvements may be issued in an aggregate amount not exceeding the amount specified in the ordinance creating such capital expenditure, as it may be amended and supplemented. A local unit's bond anticipation notes may be issued for periods not greater than one year. Generally, bond anticipation notes may not be outstanding for

longer than ten years. An additional period may be available following the tenth anniversary date equal to the period from the notes' maturity to the end of the tenth fiscal year in which the notes mature plus 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.

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

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

The local unit is authorized to issue Emergency Notes and Special Emergency Notes pursuant to the Local Budget Law.

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

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

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

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

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

The same general principle that revenue cannot be anticipated in a budget in excess of that realized in the preceding year applies to property taxes. The maximum

amount of delinquent taxes that may be anticipated is limited by a statutory formula, which allows the unit to anticipate collection at the same rate realized for the collection of delinquent taxes in the previous year. Also the local unit is required to make an appropriation for a "reserve for uncollected taxes" in accordance with a statutory formula to provide for a tax collection in an amount that does not exceed the percentage of taxes levied and payable in the preceding fiscal year that was received in cash by December 31 of that year. The budget also must provide for any cash deficits of the prior year.

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

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

Budget transfers provide a degree of flexibility and afford a control mechanism. Transfers between appropriation accounts may be made only during the last two months of the year. Appropriation reserves may also be transferred during the first three (3) months of the year, to the previous year's budget. Both types of transfers require a 2/3 vote of the full membership of the governing body; however, transfers cannot be made from either the down payment account or the capital improvement fund. Transfers may be made between sub-account line items within the same account at any time during the year, subject to internal review and approval. In a "CAP" budget, no transfers may be made from excluded "CAP" appropriations to within "CAPS" appropriations nor can transfers be made between excluded from "CAP" appropriations.

A provision of law known as the New Jersey "Cap Law" (N.J.S.A. 40A:4-45.1 et seq.) imposes limitations on increases in municipal appropriations subject to various exceptions. The payment of debt service is an exception from this limitation. The Cap formula is somewhat complex, but basically, it permits a municipality to increase its overall appropriations by the lesser of 2.5% or the "Index Rate" if the index rate is greater than 2.5%. The "Index Rate" is the rate of annual percentage increase, rounded to the nearest one-half percent, in the Implicit Price Deflator for State and Local Government purchases of goods and services computed by the U.S. Department of Commerce. Exceptions to the limitations imposed by the Cap Law also exist for other things including capital expenditures; extraordinary expenses approved by the Local Finance Board for implementation of an interlocal services agreement; expenditures mandated as a result of certain emergencies; and certain expenditures for services mandated by law. Counties are also prohibited from increasing their tax levies by more than the lesser of 2.5% or the Index Rate subject to certain exceptions. Municipalities by

ordinance approved by a majority of the full membership of the governing body may increase appropriations up to 3.5% over the prior year's appropriation and counties by resolution approved by a majority of the full membership of the governing body may increase the tax levy up to 3.5% over the prior years' tax levy in years when the Index Rate is 2.5% or less.

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

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

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

In accordance with the Local Budget Law, each local unit must adopt and may from time to time amend rules and regulations for capital budgets, which rules and regulations must require a statement of capital undertakings underway or projected for a period not greater than over the next ensuing six years as a general improvement program. The capital budget, when adopted, does not constitute the approval or appropriation of funds, but sets forth a plan of the possible capital expenditures which the local unit may contemplate over the 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.

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 City was last completed in 2014.

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

Tax bills are mailed annually in June by the City. 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 rates 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 liens of the City for the past 5 years are shown in Appendix A.

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 City must mail to each property owner a notice of the current assessment and taxes on the property. The taxpayer has a right to petition the County Tax Board on or before April 1 for review and by May 1 for municipalities that have undergone a revaluation. 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.

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

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

An independent examination of each local unit's accounts must be performed annually by a licensed registered municipal accountant. The audit, conforming to the Division of Local Government Services' "Requirements of Audit", includes recommendations for improvement of the local unit's financial procedures and must be filed with the report, together with all recommendations made, and must be published in a local newspaper within 30 days of its submission. The entire annual audit report for the year ended December 31, 2016 for the City is on file with the Clerk and is available for review during business hours.

TAX MATTERS

Federal Income Taxation

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements which must be met at the time of, and on a continuing basis subsequent to, the issuance of the Bonds and Notes in order for the interest on the Bonds and Notes to be and remain excluded from gross income for Federal income tax purposes under Section 103 of the Code. Noncompliance with such requirements could cause the interest on the Bonds and Notes to be included in gross income for Federal income tax purposes retroactive to the date of issuance of the Bonds and Notes. The City will represent in its tax certificates relating to the Bonds and Notes that it expects and intends to comply, and will comply, to the extent permitted by law, with such requirements.

In the opinion of Wilentz, Goldman & Spitzer, P.A., Woodbridge, New Jersey, Bond Counsel to the City ("Bond Counsel"), under existing laws, statutes, regulations, rulings and court decisions, and assuming continuing compliance by the City with the requirements of the Code and its representations made in the tax certificates described above, interest on the Bonds and Notes is not includable in gross income for Federal income tax purposes pursuant to Section 103 of the Code and is not treated as a preference item under Section 57 of the Code for purposes of calculating the Federal alternative minimum tax imposed on individuals and corporations; *provided, however*, that interest on the Bonds and Notes is included in the adjusted current earnings of a corporation for purposes of the Federal alternative minimum tax imposed on corporations.

Original Issue Premium

The Bonds maturing on December 1 in the years 2020 through 2026 (the "Premium Bonds") were purchased at a premium ("original issue premium") over the stated principal amounts of the Bonds. For federal income tax purposes, original issue premium generally must be amortized over the term of the Premium Bonds. Amortizable bond premium is accounted for as reducing the tax-exempt interest on the Premium Bonds rather than creating a deductible expense or loss. Under Section 171(a)(2) of the Code, no deduction is allowed for the amortizable bond premium (determined in accordance with Section 171(b) of the Code) on tax-exempt bonds. Under Section 1016(a)(5) of the Code, however, an adjustment must be made to the

purchaser's basis in the Premium Bonds to the extent of any amortizable bond premium that is disallowable as a deduction under Section 171(a)(2) of the Code. Holders of the Premium Bonds should consult their tax advisors for an explanation of the bond premium amortization rules.

Original Issue Discount

Bond Counsel is also of the opinion that the difference between the stated principal amount of the Bonds maturing on December 1 in the years 2018 and 2019 (the "Discount Bonds") and their respective initial public offering prices to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which prices a substantial amount of the Discount Bonds of the same maturity and interest rate were sold, constitutes original issue discount which is treated as interest and is excludable from gross income for federal income tax purposes to the same extent described above. In the case of any holder of the Discount Bonds, the amount of such original issue discount which is treated as having accrued with respect to the Discount Bonds is added to the cost basis of the holder in determining, for federal income tax purposes, gain or loss upon disposition (including sale, redemption or payment at maturity). Holders of the Discount Bonds should consult their tax advisors for an explanation of the original issue discount rules.

Additional Federal Income Tax Consequences

Prospective purchasers of the Bonds and Notes should be aware that ownership of, accrual or receipt of interest on or disposition of tax-exempt obligations, such as the Bonds and Notes, may have additional Federal income tax consequences for certain taxpayers, including, without limitation, taxpayers eligible for the earned income credit, recipients of certain Social Security and Railroad Retirement benefits, taxpayers that may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, financial institutions, property and casualty insurance companies, foreign corporations and certain S corporations. Prospective purchasers of the Bonds and Notes should also consult with their tax advisors with respect to the need to furnish certain taxpayer information in order to avoid backup withholding.

State Taxation

Bond Counsel is further of the opinion that, under existing laws of the State, interest on the Bonds and Notes and any gain realized on the sale of the Bonds and Notes is not includable in gross income under the New Jersey Gross Income Tax Act, N.J.S.A. 54A:1-1 et seq., as amended.

Prospective Tax Law Changes

Federal, state or local legislation, administrative pronouncements or court decisions may affect the tax-exempt status of interest on the Bonds and Notes, gain from the sale or other disposition of the Bonds and Notes, the market value of the Bonds and Notes or the marketability of the Bonds and Notes. The effect of any

legislation, administrative pronouncements or court decisions cannot be predicted. Prospective purchasers of the Bonds and Notes should consult their own tax advisers regarding such matters.

Other Tax Consequences

Except as described above, Bond Counsel expresses no opinion with respect to any Federal, state, local or foreign tax consequences of ownership of the Bonds and Notes. Bond Counsel renders its opinion under existing statutes, regulations, rulings and court decisions as of the date of delivery of the Bonds and Notes and assumes no obligation to update its opinion after such date to reflect any future action, fact, circumstance, change in law or interpretation, or otherwise. Bond Counsel expresses no opinion as to the effect, if any, on the tax status of the interest paid or to be paid on the Bonds and Notes as a result of any action hereafter taken or not taken in reliance upon an opinion of other counsel.

See Appendix C for the complete text of the proposed form of Bond Counsel's legal opinion with respect to the Bonds and Appendix D for the complete text of the proposed form of Bond Counsel's legal opinion with respect to the Notes.

ALL POTENTIAL PURCHASERS OF THE BONDS AND NOTES SHOULD CONSULT WITH THEIR TAX ADVISORS WITH RESPECT TO THE FEDERAL, STATE AND LOCAL TAX CONSEQUENCES (INCLUDING BUT NOT LIMITED TO THOSE LISTED ABOVE) OF THE OWNERSHIP OF THE BONDS AND NOTES.

QUALIFIED TAX-EXEMPT OBLIGATIONS

The City has NOT designated the Bonds and the Notes as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code.

COMPLIANCE WITH SECONDARY MARKET DISCLOSURE REQUIREMENTS

In accordance with the requirements of Rule 15-c2-12 (the "Rule") of the United States Securities and Exchange Commission (the "SEC"), the City (being an "obligated person" with respect to the Bonds, within the meaning of the Rule) will agree to provide certain financial and operating information to the Municipal Securities Rulemaking Board (the "MSRB") in an electronic format as prescribed by the MSRB, either directly or indirectly through a designated agent as set forth in its Continuing Disclosure Certificate (the "Bond Disclosure Certificate"), substantially in the form attached hereto as Appendix E. Such Bond Disclosure Certificate shall be delivered concurrently with the delivery of the Bonds.

The City has entered into prior undertakings to provide continuing disclosure for certain outstanding bond issues. In connection with such bond issues, the City failed to timely file its audited financial statements, operating data and/or budgets for the fiscal years ended December 31, 2012 through December 31, 2016. It also may not have

included all required tables in the filing of its operating data for the fiscal years ended December 31, 2012 and 2013. In addition, the City failed to file or timely file notices of certain events and certain “failure to file” notices. The City subsequently filed all required annual financial information and operating data. The City is committed to complying with all of its continuing disclosure obligations in the future and has engaged Digital Assurance Certification, L.L.C. to serve as its dissemination agent (the “Dissemination Agent”) to ensure future compliance.

In addition, the City has covenanted for the benefit of the holders of the Notes to provide notices of the occurrence of certain enumerated events with respect to the Notes, as set forth in Section (b)(5)(i)(C) of the Rule (the “Notices”). The Notices will be filed by the City or the Dissemination Agent with the MSRB. The specific nature of the Notices will be detailed in a certificate to be executed on behalf of the City by its Chief Financial Officer, in the form appearing in Appendix F hereto, such certificate to be delivered concurrently with the delivery of the Notes.

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 institutional, building and loan associations, investment companies, and other persons carrying on banking business, all insurance companies, and all executors, administrators, guardians, trustees, and other fiduciaries may legally invest any sinking funds, moneys or other funds belonging to them or within their control in any obligations of the City, including the Bonds and Notes, and such Bonds and Notes are authorized security for any and all public deposits.

RISK TO HOLDERS OF BONDS AND NOTES

It is understood that the rights of the holders of the Bonds and Notes, and the enforceability thereof, may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors’ rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases. The Municipal Qualified Revenues are subject to annual appropriation by the State. There is no guarantee that the State will appropriate Municipal Qualified Revenues in future years.

MUNICIPAL BANKRUPTCY

The undertakings of the City should be considered with reference to 11 U.S.C. § 101 et seq., as amended and supplemented (the “Bankruptcy Code”), and other bankruptcy laws affecting creditors’ rights and municipalities in general. The Bankruptcy Code permits the State or any political subdivision, public agency, or instrumentality that is insolvent or unable to meet its debts to commence a voluntary bankruptcy case by filing a petition with a bankruptcy court for the purpose of effecting a plan to adjust its debts; directs such a petitioner to file with the court a list of petitioner’s creditors; provides that a petition filed under this chapter shall operate as a stay of the

commencement or continuation of any judicial or other proceeding against the petitioner; grants priority to certain debts owed; and provides that the plan must be accepted in writing by or on behalf of creditors holding at least two-thirds in amount and more than one-half in number of the allowed claims of at least one (1) impaired class. The Bankruptcy Code specifically 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 Code.

The Bankruptcy Code provides that special revenue acquired by the debtor after the commencement of the case shall remain subject to any lien resulting from any security agreement entered into by such debtor before the commencement of such bankruptcy case. However, special revenues acquired by the debtor after commencement of the case shall continue to be available to pay debt service secured by those revenues. Furthermore, the Bankruptcy Code provides that a transfer of property of a debtor to or for the benefit of any holder of a bond or note, on account of such bond or note, may not be avoided pursuant to certain preferential transfer provisions set forth in such code.

Reference should also be made to N.J.S.A. 52:27-40 et seq., which provides that a local unit, including the City, has the power to file a petition in bankruptcy with any United States court or court in bankruptcy under the provisions of the Bankruptcy Code, for the purpose of effecting a plan of readjustment of its debts or for the composition of its debts; provided, however, the approval of the Local Finance Board, as successor to the Municipal Finance Commission, must be obtained.

Notwithstanding any other provision of law to the contrary, a statutory lien and trust is automatically and without further act or filing created and impressed upon the Municipal Qualified Revenues, and not otherwise dedicated to specific municipal programs, so payable to the City that are withheld or are required to be withheld by the State Treasurer under the Municipal Qualified Bond Act, which statutory lien and trust shall be paramount and superior to all other liens and interests of any kind in favor of the holders of qualified bonds, for the sole purpose of paying debt service on the qualified bonds issued pursuant to the Municipal Qualified Bond Act. The lien created under the Municipal Qualified Bond Act is for the benefit of bondholders is perfected without delivery, recording, or notice.

The City has not authorized the filing of a bankruptcy petition. This reference to the Bankruptcy Code or the State statute should not create any implication that the City expects to utilize the benefits of their provisions, or that if utilized, such action would be approved by the Local Finance Board, or that any proposed plan would include a dilution of the source of payment of and security for the Bonds and Notes, or that the Bankruptcy Code could not be amended after the date hereof.

Remedies of Holders of Bonds or Notes (N.J.S.A. 52:27-1 et seq.)

If the City defaults for over sixty (60) days in the payment of the principal of or interest on any bonds or notes outstanding, any holder of such bonds or notes may bring an action against the City in the Superior Court of New Jersey (the "Superior Court") to obtain a judgment that the City is so in default. Once a judgment is entered by the Superior Court to the effect that the City is in default, the Municipal Finance Commission (the "Commission") would become operative in the City. The Commission was created in 1931 to assist in the financial rehabilitation of municipalities which were in default in their obligations. The powers and duties of the Commission are exercised within the Local Finance Board, which constitutes the Commission.

The Commission exercises direct supervision over the finances and accounts of any municipality which has been adjudged by the Superior Court to be in default of its obligations. The Commission continues in force in such municipalities until all bonds, notes or other indebtedness of the municipality which have fallen due, and all bonds or notes which will fall due within one (1) year (except tax anticipation or revenue anticipation notes), and the interest thereon, have been paid, funded or refunded, or the payment thereof has been adequately provided for by a cash reserve, at which time the Commission's authority over such municipality ceases. The Commission is authorized to supervise tax collections and assessments, to approve the funding or refunding of bonds, notes or other indebtedness of the municipality which the Commission has found to be outstanding and unpaid, and to approve the adjustment or composition of claims of creditors and the readjustment of debts under the Bankruptcy Code.

APPROVAL OF LEGAL PROCEEDINGS

All legal matters incident to the authorization, issuance, sale, and delivery of the Bonds and Notes are subject to the approval of Wilentz, Goldman & Spitzer, P.A., Woodbridge, New Jersey, Bond Counsel to the City, whose approving legal opinions will be delivered with the Bonds and Notes substantially in the forms set forth as Appendix C and Appendix D, respectively. Certain legal matters will be passed upon for the City by its Counsel, Eric Pennington, Esq., Orange, New Jersey.

NO DEFAULT

There is no report of any default in the payment of the principal of, redemption premium, if any, and interest on the bonds, notes or other obligations of the City as of the date hereof.

LITIGATION

To the knowledge of the City Attorney, Eric Pennington, Esq., Orange, New Jersey, there is no litigation of any nature now pending or threatened, restraining or enjoining the issuance or the delivery of the Bonds and Notes, or the levy or the collection of any taxes to pay the principal of or the interest on the Bonds and Notes, or in any manner questioning the authority or the proceedings for the issuance of the Bonds and Notes or for the levy or the collection of taxes, or contesting the corporate

existence or the boundaries of the City or the title of any of the present officers. Moreover, to the knowledge of the City Attorney, no litigation is presently pending or threatened that, in the opinion of the City Attorney, would have a material adverse impact on the financial condition of the City if adversely decided. Certificates or opinions to such effect will be executed by the City's Attorney and delivered to the Underwriter of the Bonds and the Underwriter of the Notes (as defined herein) at the closing.

UNDERWRITING

The Bonds have been purchased from the City at a public sale by Hutchinson, Shockey, Erley & Co., Chicago, Illinois (the "Underwriter of the Bonds"), at a price of \$9,714,226.04. The Underwriter of the Bonds has purchased the Bonds in accordance with the Notice of Sale for the Bonds. The Bonds are being offered for sale at the yields set forth on the inside front cover of this Official Statement.

The Notes have been purchased from the City at a public sale by TD Securities, New York, New York (the "Underwriter of the Notes"), at a price of \$6,316,805.52. The Underwriter of the Notes has purchased the Notes in accordance with the Notice of Sale for the Notes. The Notes are being offered for sale at the yield set forth on the front cover of this Official Statement.

RATINGS

Standard & Poor's Rating Services, a Standard & Poor's Financial Services LLC business (the "Rating Agency"), has assigned an underlying rating of "A- (with a negative outlook)" to the Bonds. The Bonds are also secured pursuant to the provisions of the Municipal Qualified Bond Act ("MQBA"). The Rating Agency has assigned a rating of "BBB+ (negative outlook)" to all bonds covered by the MQBA, which rating is based on the long term bond rating assigned to the State. The Rating Agency has also assigned a rating of "AA (stable outlook)" to the Bonds based upon the issuance of the BAM Policy at the time of delivery of the Bonds. The City furnished the Rating Agency with certain information and materials concerning the Bonds and the City. There can be no assurance that such ratings will be maintained for any given period of time or that it may not be raised, lowered or withdrawn entirely if, in the Rating Agency's judgment, circumstances so warrant. Any downgrade change in or withdrawal of such ratings may have an adverse effect on the marketability or market price of the Bonds.

The Notes are not rated.

PREPARATION OF OFFICIAL STATEMENT

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

PKF O'Connor Davies, LLP, Certified Public Accountants has reviewed certain financial and statistical information contained in this Official Statement and has compared it to the City's audited financial statements. They have not verified the accuracy of other information or the completeness and fairness of that and other information contained herein, and accordingly, express no opinion with respect thereto. However, they take responsibility for the audited financial statements to the extent specified in the Independent Auditor's Report appearing in Appendix B.

Wilentz, Goldman & Spitzer, P.A. 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.

FINANCIAL STATEMENTS

The financial statements of the City as of and for the year ended December 31, 2016, together with the notes to the Financial Statements for the year ended December 31, 2016, are presented in Appendix B to this Official Statement. The financial statements referred to above have been audited by PKF O'Connor Davies, LLP, Livingston, New Jersey, as stated in its report appearing in Appendix B.

FINANCIAL ADVISOR

Powell Capital Markets, Inc., Roseland, New Jersey has served as Financial Advisor to the City with respect to the issuance of the Bonds and Notes ("Financial Advisor"). The Financial Advisor is not obligated to undertake, and has not undertaken, either to make an independent verification of, or to assume responsibility for the accuracy, completeness, or fairness of, the information contained in this Official Statement and the appendices hereto.

ADDITIONAL INFORMATION

Inquiries regarding this Official Statement, including information additional to that contained herein, may be directed to Joy Lascari, Chief Financial Officer, (973) 266-4106, Everett M. Johnson, Esq., Wilentz, Goldman & Spitzer, P.A., (732) 855-6149 or Julia K. Ehlers, Powell Capital Markets, Inc. (973) 740-1139.

MISCELLANEOUS

This Official Statement is not to be construed as a contract or agreement between the City and the purchasers or holders of any of the Bonds and Notes. Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as opinions and not as representations of fact. The information and expressions of opinion contained herein are subject to change without notice and neither the delivery of this Official Statement nor any sale of Bonds and Notes made hereunder shall, under any circumstances, create any implication that

there has been no change in the affairs of the City since the date hereof. The information contained in this Official Statement is not guaranteed as to accuracy or completeness.

**CITY OF ORANGE TOWNSHIP, IN THE
COUNTY OF ESSEX, NEW JERSEY**

By: /s/ Joy Lascari
Joy Lascari, Chief Financial Officer

Dated: November 30, 2017

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APPENDIX A

Certain Financial and Demographic Information Concerning the City of Orange Township

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DESCRIPTION OF THE TOWNSHIP

The City of Orange Township, originally settled in 1780 and incorporated in 1806 encompasses approximately 2.2 square miles in Essex County. The New Jersey Turnpike, Garden State Parkway, and Interstate 280 have not only opened the entire state to the Township, but also made the greater metropolitan area market only minutes away.

LOCAL GOVERNMENT

The Township is governed under the Faulkner Act (Mayor-Council) form of municipal government, with a directly elected mayor and a Township Council consisting of four ward representatives and three at-large representatives. Council members serve four-year terms of office on a staggered basis with the four ward seats and the three at-large seats coming up for election on an alternating cycle, and are elected on a non-partisan basis every two years

The Township Council meets the second Tuesday of the month for Conference Agenda and Regular Meetings; both meetings are open to the public in compliance with New Jersey's Sunshine Law. The public's role at all Township Council meetings allows for residents' opportunity to speak on proposed ordinances, resolutions, or other issues of concern.

MUNICIPAL OPERATIONS

The Township's Mayor's Office provides the leadership, support, and resources that will enable Township Departments to provide the right services in a high quality, cost efficient manner to the residents of the Township.

Financial/Tax Assessing

Real property taxes are assessed locally, based upon the assessed value of the property. The tax bill includes a levy for Municipal, County, and School purposes. Taxes are payable in four quarterly installments on August 1, November 1, February 1 and May 1. If unpaid on these dates, the amount due becomes delinquent and subject to interest at 8% per annum, or 18% on any delinquency amount in excess of \$1,500.00. The Township also imposes a 6% year end penalty for a delinquency over \$10,000.00 as of December 31. The school levy is turned over to the Board of Education as expenditures are incurred, and the balance, if any, must be transferred as of June 30, of each fiscal year. County taxes are paid quarterly on February 15, May 15, August 15 and November 15, to the County by the Township. When unpaid taxes or any municipal lien, or part thereof, on real property, remains in arrears on May first in the year following the calendar year levy when the same became in arrears, the collector in the municipality shall (subject to the provisions of the New Jersey Statutes) enforce the lien by placing the property on a tax sale. The Township institutes annual in rem tax foreclosure proceedings to enforce the tax collection or acquisition of the property. In accordance with the accounting principles prescribed by the State of new Jersey, current and delinquent taxes are realized as revenue when collected. Since delinquent taxes and liens are fully reserved, no provision has been made to estimate that portion of the taxes receivable and tax title liens that are uncollectible.

PUBLIC SAFETY

Police & Fire

The Township is served by a highly-trained and dedicated Police force and Fire Department. Both Departments go through continual training programs and exercises. These services are available 24 hours a day, 365 days a year.

Health Care Facilities

Health services for the Township and the immediately surrounding area are provided by the Saint Barnabas Medical Center, an affiliate of the RWJ Barnabas Health Care system, which maintains a 577 non- profit teaching hospital located in Livingston, New Jersey approximately five miles from the Township.

UTILITY SERVICES

The Department of Public Works coordinates with utility providers of gas, electricity, and water to ensure that all areas of the Township are receiving services, and to resolve problems that may occur due to storms and other emergencies.

TRANSPORTATION

Train Service

The Township is fortunate to have two New Jersey Transit train stations: Orange and Highland stations provide service along the Morris & Essex Lines. Service is available via the Kearny Connection to Secaucus Junction and Penn Station in Midtown Manhattan and to Hoboken Terminal. Passengers can transfer at Newark Broad Street or Summit to reach other destinations.

Bus Service

New Jersey Transit also provides bus service throughout town.

Air Service

The nearest airport is Newark International, located approximately ten miles - or approximately 15 minutes - from the Township.

Public Highways

The Garden State Parkway and Interstate 280 are both within approximately 15 minutes of the Township.

GROWTH, DEVELOPMENT AND PLANNING

Population Trends

1990 Federal Census	29,925
2000 Federal Census	32,868
2010 Federal Census	30,134
2016 Estimated	32,868

EDUCATION

Public Schools

The school system has eight elementary schools, one middle school, and one high school. The elementary schools located in the Township include Central, Cleveland Street, Forest Street, Heywood Avenue, Lincoln Avenue, Oakwood Avenue, Park Avenue, and Rosa Parks. The middle school is Orange Preparatory Academy and there is Orange High School.

Colleges and Universities

The following higher education institutions may be found within 30 minutes of the Township:

- Seton Hall University (South Orange)
- University of Medicine and Dentistry of New Jersey (Newark)
- Essex County College (Newark)
- Montclair State University (Montclair)
- Bloomfield College (Bloomfield)
- Caldwell College (Caldwell)
- Kean University (Elizabeth)
- Fairleigh Dickenson University (Madison)

PRINCIPAL EMPLOYERS OF THE COUNTY

Largest Employers of the County	Approximate Employment
St. Barnabas Health Care Systems	21,000
Rutgers University - Newark Campus	15,500
Verizon	15,000
New Jersey Transit	11,500
Public Service Electric & Gas	10,000
Prudential Insurance Co. of America	8,743
Montclair State University	7,525
Newark Board of Education	7,050
Gateway Group	6,250
Automatic Data Processing	5,649
City of Newark	4,000

FINANCIAL REVIEW

The schedule on the following page is a summary only and is not intended to be a complete report. For more complete information, the individual financial statements and the 2016 and 2017 Budgets of the Township should be reviewed at the Offices of the City of Orange Township, Orange, New Jersey.

Audited Financial Statements for the Years Ended 2013, 2014, 2015 and 2016

The following schedules are summaries of the Township's Current Fund financial condition for the years ending December 31, 2013, 2014, 2015 and 2016. The figures have been arranged in a form believed to be convenient for the purposes of this Official Statement.

The Township prepares its financial statements on a regulatory basis of accounting. O'Conner Davies, LLC, Livingston, New Jersey, currently serves as the Township's auditor.

CITY OF ORANGE TOWNSHIP Summary of Current Fund Balance Sheet

	Year Ended 12/31/16	Year ended 12/31/15	Year Ended 12/31/14	Year ended 12/31/13
Assets:				
Cash & Cash Equivalents	\$ 12,792,501	\$ 13,235,849	\$ 11,192,511	\$ 9,349,330
Change Funds	560	560	560	560
	<u>12,793,061</u>	<u>13,236,409</u>	<u>11,193,071</u>	<u>9,349,890</u>
 Due from State of New Jersey	 105,256	 94,423	 58,423	 40,462
	<u>12,898,317</u>	<u>13,330,832</u>	<u>11,251,494</u>	<u>9,390,352</u>
 Receivable and Other Assets with Full Reserves:				
Delinquent Property Taxes	3,436,457	3,557,381	3,425,697	3,288,734
Tax Title Liens	2,858,956	1,625,437	2,288,760	1,719,584
Property Acquired for Taxes - Assessed Value	856,500	856,500	856,500	856,500
Sales Contract Receivable	80,601	80,601	80,601	80,601
Other Liens Receivable	-	38,279	392,623	377,776
Revenue Account Receivable	83,788	83,788	82,233	133,370
Other Accounts Receivable	878,254	-	57,043	195,990
Deposits Receivable	1,465	1,465	1,465	1,465
Prepaid Including School Taxes	53,088	51,287	500	322,705
Interfunds Receivable	866,764	22,245	1,511,549	195,951
	<u>9,115,873</u>	<u>6,316,983</u>	<u>8,696,971</u>	<u>7,172,676</u>
 Deferred Charges:				
Over-expenditures	355,604	403,703	311,491	16,586
Special Emergency Appropriation	1,207,639	716,892	1,226,145	1,735,398
	<u>1,563,243</u>	<u>1,120,595</u>	<u>1,537,636</u>	<u>1,751,984</u>
 Grant Fund:				
Interfunds Receivable	-	793,084	-	-
Grants Receivable	6,655,350	5,724,988	4,381,939	8,012,336
	<u>6,655,350</u>	<u>5,724,988</u>	<u>4,381,939</u>	<u>8,012,336</u>
 Total Assets	 <u>\$ 30,232,783</u>	 <u>\$ 27,286,482</u>	 <u>\$ 25,868,040</u>	 <u>\$ 26,327,348</u>

	Year Ended 12/31/16	Year Ended 12/31/15	Year Ended 12/31/14	Year Ended 12/31/13
Liabilities, Reserves & Fund Balance				
Appropriation Reserves:				
Encumbered	\$ 1,663,109	\$ 1,885,682	\$ 1,114,303	\$ 869,268
Unencumbered	2,675,467	1,626,353	1,860,170	1,937,105
Accounts Payable	214,371	223,927	48,396	60,905
TAN Note Payable	-	-	-	1,820,000
Special Emergency Note Payable	1,000,000	806,265	811,171	1,216,300
Tax Overpayments	223,088	206,101	288,778	310,705
Various Reserves	419,475	912,743	987,741	718,115
Interfunds Payable	339,154	1,032,718	2,956,647	153,622
Prepaid Taxes	245,673	170,072	166,063	143,593
Deposits on Sale of Property	3,110	3,110	3,110	3,110
Taxes Payable	134,773	15,598	1,795,780	13,618
	6,918,220	6,882,569	10,032,159	7,246,341
Reserve for Receivables	9,115,872	6,316,984	8,696,970	7,172,676
Fund Balance	7,543,341	7,568,858	2,756,972	3,895,995
	23,577,433	20,768,411	21,486,101	18,315,012
Grant Fund:				
Interfunds Payable	1,240,058	766,689	1,197,897	159,443
Unappropriated Reserves	69,237	62,845	131,429	470,770
Reserve for Grant Expenditures	5,346,055	5,688,537	3,052,613	7,382,123
	6,655,350	6,518,071	4,381,939	8,012,336
Total Liabilities, Reserves & Fund Balance	\$ 30,232,783	\$ 27,286,482	\$ 25,868,040	\$ 26,327,348

CITY OF ORANGE TOWNSHIP

Summary of Current Fund Revenues, Expenditures and Fund Balance

	Year Ended 12/31/16	Year Ended 12/31/15	Year Ended 12/31/14	Year Ended 12/31/13
Revenues and Other Income:				
Anticipated Fund Balance	\$ 2,110,000	\$ 1,500,000	\$ 1,500,000	\$ -
Miscellaneous Anticipated Revenue	18,243,639	19,132,300	14,900,063	18,483,678
Receipts from Delinquent Taxes	2,770,250	4,648,850	3,031,523	2,905,470
Receipts from Current Taxes	58,360,235	55,883,998	54,349,269	51,847,602
Non-Budget Revenues	877,284	388,561	506,470	1,309,286
Other Credit to Income:				
Credit from School Board	-	-	322,705	-
Grant Appropriation Adjustment	46,682	-	-	-
Other Liens Receivable	66,894	354,343	16,331	15,712
Other Accounts Receivable Realized	132,402	254,676	105,723	70,765
Lapsed Balances of Appropriation Reserves	984,555	765,817	1,127,126	636,229
Interfund Returned	-	1,489,304	-	831,858
	-	-	-	-
Total Revenues:	83,591,941	84,417,849	75,859,210	76,100,600
Expenditures:				
Budget Appropriations:				
Operations Within "CAPS"	47,348,778	44,187,330	42,729,117	40,692,577
Deferred Charges & Statutory Expenditures	5,747,544	6,224,980	5,616,591	6,331,884
Operations Excluded from "CAPS"	5,285,010	6,670,531	2,923,376	5,500,797
Municipal Debt Service	1,941,811	1,849,975	2,591,546	2,549,046
Deferred Charges	943,933	509,253	509,253	405,433
Type I School District Debt Service	333,202	336,250	724,394	721,702
	61,600,278	59,778,319	55,094,277	56,201,439
Interfund Advance	846,318	-	1,315,598	-
Prepaid School Taxes	-	51,237	-	322,705
Payment of Prior Year Costs	-	50	1,094	26,603
Overexpenditures	-	-	23,728	1,331
Prior Year Senior Deduction Disallowed	-	250	16,500	-
Cancellation of Grant Receivables	315,653	46,771	929,992	-
State Court Tax Appeal Judgements	686,710	-	-	-
County Tax Appeals	-	-	393,423	775,394
County Taxes	7,604,885	7,349,491	7,266,928	7,047,258
Local District Taxes	11,809,218	11,283,547	10,768,184	10,557,043
	21,262,784	18,731,346	20,715,447	18,730,334
Total Expenditures	82,863,062	78,509,665	75,809,724	74,931,773
Excess (Deficit) of Revenues Over (Under) Expenditures	728,879	5,908,184	49,486	1,168,827
Adjustments to Income Before Fund Balance:				
Expenditures included above which by statute are				
Deferred Charges to Budget in Succeeding Year	1,355,604	403,702	311,491	535,686
Statutory Excess	2,084,483	6,311,886	360,977	1,704,513
Fund Balance, Beginning of Year	7,568,858	2,756,972	3,895,995	2,191,482
Subtotal	9,653,341	9,068,858	4,256,972	3,895,995
Utilized as Anticipated Revenue	2,110,000	1,500,000	1,500,000	-
Fund Balance, End of Year	\$ 7,543,341	\$ 7,568,858	\$ 2,756,972	\$ 3,895,995

CITY OF ORANGE TOWNSHIP
Summary of Current Fund Revenues, Expenditures and Fund Balance
Adopted Budget 2017

	<u>2017 Budget</u>
GENERAL REVENUES	
Surplus Anticipated	\$ 4,760,548
Miscellaneous Revenues	14,294,436
Receipts from Delinquent Taxes	<u>3,650,000</u>
Subtotal of General Revenues	22,704,984
Taxes for Support of Municipal Budget	<u>43,310,593</u>
TOTAL GENERAL REVENUES	<u>\$ 66,015,577</u>
 GENERAL APPROPRIATIONS	
Appropriations within "CAPS"	\$ 53,755,339
Operations Excluded from "CAPS"	4,572,829
Debt Services	1,835,791
Deferred Charges	653,820
Capital Items	335,000
Local District School Purposes	334,798
Reserve for Uncollected Taxes	<u>4,528,000</u>
TOTAL GENERAL APPROPRIATIONS	<u>\$ 66,015,577</u>

Source: City of Orange Township 2017 Budget.

Schedule of Fund Balances - Current Fund

<u>Tax Year</u>	<u>Balance at December 31,</u>	<u>Utilized in Succeeding Budgets</u>
2016	\$ 7,543,341	\$ 4,760,548
2015	7,568,858	2,110,000
2014	2,756,972	1,500,000
2013	3,895,995	1,500,000

Source: City of Orange Township Audit Reports.

TAX REVENUES OF THE TOWNSHIP

Largest Taxpayers – 2016

Property Owner	2016 Assessed Valuation	2016 Estimated Real Estate Taxes
Orange Portfolio Holdings	\$ 14,587,000	\$ 678,733
PD South Orange Towers	9,758,400	454,058
SUSA Orange L.P. & Storage USA, INC.	9,610,600	447,181
Paramount Properties	8,043,400	374,259
248 Reynolds Terrace, LLC	7,822,100	363,962
Ben Central LLC	6,871,100	319,712
Orange Senior Citizens Residence, Co.	6,593,100	306,777
Scroll Properties	6,514,100	303,101
Orange Commons Urban Renewal Group	6,428,100	299,099
400 Realty Management, LLC	5,290,700	246,176
	<u>\$ 81,518,600 *</u>	

Source: City of Orange Township Officials.

* The total of the Top 10 Taxpayer's assessed valuations of \$81,518,600 is 6.32% of the total 2016 assessed valuation of \$1,284,813,847.

Tax Collection

The Township's realty tax collection record for the previous five fiscal years is shown below:

Tax Year	Tax Levy	Collections	Percentage of Collections
2016	\$ 62,620,724	\$ 58,360,235	93.20%
2015	60,094,489	55,883,998	92.99%
2014	58,278,324	54,349,269	93.26%
2013	55,972,265	51,847,602	92.63%
2012	54,896,948	51,269,700	93.39%

Source: City of Orange Township Audit Reports.

The Township's delinquent tax collection record for the previous five fiscal years is shown below:

Year	Amount of Tax Liens	Delinquent Taxes	Total Delinquent	Percentage of Tax Levy
2016	\$ 2,858,956	\$ 3,436,457	\$ 6,295,413	10.05%
2015	1,625,437	3,557,381	5,182,818	8.62%
2014	2,288,760	3,425,697	5,714,457	9.91%
2013	1,719,584	3,288,734	5,008,318	8.93%
2012	1,652,395	2,717,803	4,370,198	7.96%

Source: City of Orange Township Audit Reports.

Foreclosed Property

<u>Fiscal Year</u>	<u>Balance December 31</u>
2016	\$ 856,500
2015	856,500
2014	856,500
2013	856,500
2012	856,500

Source: City of Orange Township Audit Reports.

Comparative Tax Rate and Net Assessed Value

<u>Fiscal Year</u>	<u>Net Valuation Taxable</u>	<u>Municipal Rate</u>	<u>County Rate</u>	<u>Local School Rate</u>	<u>Total Tax Rate</u>
2016	\$ 1,284,813,847	\$ 3.266	\$ 0.582	\$ 0.930	\$ 4.778
2015	1,288,968,593	3.197	0.569	0.887	\$ 4.653
2014	1,309,103,923	3.047	0.554	0.848	\$ 4.449
2013	1,509,210,806	2.539	0.466	0.700	3.705
2012	544,566,529	2.385	0.446	0.721	\$ 3.552

Source: City of Orange Township Audit Reports.

Breakdown of 2017 Ratables

	<u>Net Taxable Value</u>	<u>Percentage</u>
Vacant	\$ 25,654,500	1.99%
Residential	715,555,900	55.44%
Commercial	260,388,600	20.17%
Industrial	40,440,800	3.13%
Apartments	248,759,300	19.27%
Total	<u>\$ 1,290,799,100</u>	<u>100.00%</u>

Source: City of Orange Officials – 2016 Tax List District Summary.

2016 Tax Levy

	<u>Tax Levy</u>	<u>Tax Rate</u>
County Taxes	\$ 7,470,732	0.582
Local/Regional High School Taxes	11,956,522	0.930
Municipal Taxes	41,959,935	3.266
	<u>\$ 61,387,189</u>	<u>4.778</u>

Source: City of Orange Township Officials – Essex County Board of Taxation, Cert. of Tax Rate.

STATEMENT OF BONDED INDEBTEDNESS
As of December 31, 2016

GROSS DEBT:

School Debt

Issued and Outstanding	\$ 321,921
------------------------	------------

Self Liquidating Utility Debt

Serial Bonds Issued and Outstanding	19,210,000
Bond Anticipation Notes Authorized, But Not Issued	1,500,281
Infrastructure Trust Loans	5,140,602

Municipal Debt (Other)

Serial Bonds:

Issued and Outstanding	1,733,079
Bond Anticipation Notes	7,960,700
Bond Anticipation Notes Authorized, But Not Issued	3,491,546
Green Trust Loan	821,312
Infrastructure Trust Loans	282,729
Demolition Loan	240,239

Total Gross Debt	\$ 40,702,409
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DEDUCTIONS:

For School Purposes:

School Debt	321,921
Self-Liquidating Debt	-
Other	4,225

STATUTORY NET DEBT	\$ 40,376,263
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Source: City of Orange Township 2016 Annual Debt Statement.

2016 OVERLAPPING DEBT

Essex County	\$ 1,045,870,689
Overlapping Debt Percentage	<u>0.0172</u>
Township Portion of Gross Overlapping Debt	\$ 18,023,698
Average of Equalized Assessed Valuation of Real Property (2014,2015 and 2016) (State Certified Valuation)	\$ 1,440,438,914
Net Debt as a Percentage of Said Average Equalized Valuations (Total Overall Debt)	0.0339
Total Overall Debt as a Percentage of Said Average Equalized Valuations (Total Overall Debt)	0.0408
Equalized Valuation of Real Property (Year 2016)	\$ 1,459,050,847
Net Debt as a Percentage of Said Assessed Equalized Valuation (Year 2016) (Statutory Net Debt)	0.0336
The overlapping debt applicable to Essex County was computed based upon final Equalized Tax Table.	
Net Valuation for County Tax Apportionment	\$ 84,790,589,359
Township's Share of Net Valuation For County Tax Apportionment	\$ 1,461,213,094
Percentage of Township Share of County Tax Apportionment	0.0172
Outstanding Net Debt: Net Debt as of December 31, 2016 (County Debt)	<u>\$ 489,730,689</u>
Municipal Share of County Debt Based on Percentage of Equalized Valuation	\$ 8,439,626

Source: 2016 Essex County Debt Statement and City of Orange Township 2016 Annual Debt Statement and Essex County 2016 Abstract of Ratables.

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APPENDIX B

Financial Statements of the City of Orange Township

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Independent Auditors' Report

The Honorable Mayor and Members
of the Township Council
City of Orange Township
County of Essex
Orange, New Jersey

Report on the Financial Statements

We have audited the accompanying regulatory basis financial statements of the various funds of the City of Orange Township, County of Essex, New Jersey (the "Township") which comprise the balance sheets as of and for the years ended December 31, 2016 and 2015, and the related statements of revenues, expenditures and changes in fund balances for the years then ended, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"); Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

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

As described in Note 1 to the financial statements, the financial statements are prepared by the Township on a basis of financial reporting provisions of the Division (regulatory basis) which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the Division.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly in accordance with accounting principles generally accepted in the United States of America the financial position of the Township as of December 31, 2016, and 2015 or the results of its operations and changes in fund balances for the years then ended.

Basis for Qualified Opinion on Regulatory Accounting Principles

The Township converted its tax revenue and collection software during 2016. Subsequent to this conversion, the Township was unable to produce accurate records of tax revenue and tax receivables within the Current Fund at December 31, 2016; these receivables are fully reserved. In addition, the Township was unable to provide documentation supporting its tax sale premiums and third party tax redemptions within the General Trust Fund at December 31, 2016. Additionally, the Township did not maintain fixed asset records as required by N.J.A.C 5:30-5.6. We were unable to satisfy ourselves as to the carrying value of tax related receivables and general fixed assets.

Modified Opinion

In our opinion, the regulatory basis financial statements referred to above present fairly, in all material respects, except for tax related receivables and the omission of fixed assets which have no material effect on the financial statements the respective financial position of the various funds of the City of Orange Township, Essex County, New Jersey, as of December 31, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles and practices prescribed by the Division, as described in Note 1 to the financial statements.

Other Matters

Report on Supplementary Information as Required by the Division in Accordance with the Regulatory Basis

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information, identified in the table of contents as schedules A-4 through D-26,

and the comments section, is presented for purposes of additional analysis as required by the Division and is not a required part of the 2016 regulatory-basis statements of the Township.

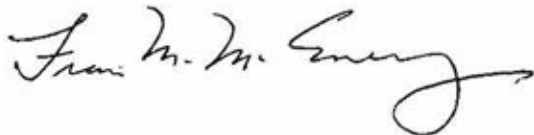
Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental section is fairly stated, in all material respects, in relation to the financial statements as whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report September 29, 2017 on our consideration of the Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.

PKF O'Connor Davies, LLP

September 29, 2017
Livingston, New Jersey



Francis M. McEnerney, CPA, RMA
Licensed Registered Municipal Accountant #539

CITY OF ORANGE TOWNSHIP
CURRENT FUND

A
Sheet # 1

COMPARATIVE BALANCE SHEETS
REGULATORY BASIS
DECEMBER 31, 2016 AND 2015

ASSETS AND DEFERRED CHARGES

	Ref.	2016	2015
<u>CURRENT FUND</u>			
Cash - Checking Accounts	A-4, A-5	\$ 12,792,500.90	\$ 13,235,848.54
Cash - Change Funds	A-7	560.00	560.00
		<u>12,793,060.90</u>	<u>13,236,408.54</u>
Due from State of New Jersey	A-9	<u>105,256.25</u>	<u>94,423.45</u>
Receivables and Other Assets with Full Reserves			
Delinquent Property Taxes	A-10	3,436,456.84	3,557,381.10
Tax Title Liens	A-11	2,858,956.39	1,625,437.18
Property Acquired for Taxes - Assessed Valuation	A-12	856,500.00	856,500.00
Acquired for Taxes	A-13	80,601.00	80,601.00
Other Liens Receivable	A-14		38,279.47
Revenue Accounts Receivable	A-15	83,788.00	83,787.70
Deposits Receivable	A-17	1,465.05	1,465.05
Interfunds Receivable	A-18	866,763.69	22,244.75
Prepaid Marriage License	A-27	1,850.00	50.00
Ground Lease	A-38	878,254.00	
Prepaid School Taxes	A-33	51,237.38	51,237.38
		<u>9,115,872.35</u>	<u>6,316,983.63</u>
Deferred Charges			
Overexpenditures/Emergency Appropriation	A-19	355,604.07	403,702.31
Special Emergency Appropriation	A-20	1,207,639.37	716,892.37
		<u>1,563,243.44</u>	<u>1,120,594.68</u>
		<u>23,577,432.94</u>	<u>20,768,410.30</u>
<u>STATE AND FEDERAL GRANT FUND</u>			
Grants Receivable	A-21	6,655,350.27	5,724,987.66
Interfund Receivables	A-36		793,083.81
		<u>6,655,350.27</u>	<u>6,518,071.47</u>
		<u>\$ 30,232,783.21</u>	<u>\$ 27,286,481.77</u>

See accompanying notes to financial statements.

CITY OF ORANGE TOWNSHIP
CURRENT FUND

A
Sheet # 2

COMPARATIVE BALANCE SHEETS
REGULATORY BASIS
DECEMBER 31, 2016 AND 2015

	<u>Ref.</u>	<u>2016</u>	<u>2015</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Appropriation Reserves			
Encumbered	A-3, A-22	\$ 1,663,109.10	\$ 1,885,681.95
Unencumbered	A-3, A-22	2,675,467.16	1,626,353.36
Accounts Payable	A-23	214,335.91	223,897.45
Due to State of New Jersey	A-27	35.00	30.00
Tax Overpayments	A-25	223,087.65	206,100.66
Special Emergency Note Payable	A-28	1,000,000.00	806,265.04
Reserve for Revaluations	A-29	44,475.09	44,475.09
Reserve for Orange Reservoir	A-26	375,000.00	450,000.00
Reserve for Salary Adjustments	A-30		418,266.90
Interfunds Payable	A-18	339,153.98	1,032,718.36
Prepaid Taxes	A-34	245,673.44	170,071.85
Deposits on Sale of Property	A-35	3,110.00	3,110.00
County Taxes Payable	A-32	134,772.49	15,597.65
		<u>6,918,219.82</u>	<u>6,882,568.31</u>
Reserve for Receivables		9,115,872.35	6,316,983.63
Fund Balance	A-1	7,543,340.77	7,568,858.36
		<u>23,577,432.94</u>	<u>20,768,410.30</u>
<u>STATE AND FEDERAL GRANT FUND</u>			
Due to Current	A-36	659,514.76	
Due to Grantors	A-24	580,543.48	766,689.26
Unappropriated Reserves	A-31	69,236.97	62,845.25
Reserve for Grant Expenditures - Encumbered	A-37	143,504.72	955,424.55
Reserve for Grant Expenditures	A-37	5,202,550.34	4,733,112.41
		<u>6,655,350.27</u>	<u>6,518,071.47</u>
		<u>\$ 30,232,783.21</u>	<u>\$ 27,286,481.77</u>

See accompanying notes to financial statements.

CITY OF ORANGE TOWNSHIP
CURRENT FUND

A-1

STATEMENTS OF OPERATIONS
AND CHANGES IN FUND BALANCE
REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	Ref.	2016	2015
REVENUE AND OTHER INCOME:			
Anticipated Fund Balance	A-2	\$ 2,110,000.00	\$ 1,500,000.00
Miscellaneous Anticipated Revenue	A-2	18,243,639.45	19,132,299.55
Receipts from Delinquent Taxes	A-2c	2,770,250.21	4,648,850.43
Receipts from Current Taxes	A-2c	58,360,234.88	55,883,998.49
Non-Budget Revenues	A-2d	877,283.62	388,561.01
Other Credit to Income:			
Grant Appropriation Adjustment	A-18	15,704.40	
Grant Appropriation Adjustment	A-3a	30,977.24	
Prepaid Licenses			197,633.45
Interfund Returned			1,489,303.89
Other Liens Receivable	A-14	66,893.86	354,342.86
Other Accounts Receivable Realized	A-16	132,402.34	57,043.14
Lapsed Balances of Appropriation Reserves	A-22	984,555.17	765,817.03
TOTAL REVENUE AND OTHER INCOME		83,591,941.17	84,417,849.85
EXPENDITURES:			
Budget Appropriations:			
Operations Within "CAPS"		47,348,778.41	44,187,329.68
Deferred Charges and Statutory Expenditures - Municipal		5,747,544.43	6,224,979.83
Operations Excluded from "CAPS"		5,285,009.63	6,670,531.11
Municipal Debt Service		1,941,810.89	1,849,974.97
Deferred Charges		943,932.55	509,253.00
Type I School District Debt Service		333,202.04	336,250.00
	A-3a	61,600,277.95	59,778,318.59
Prior Year Senior Citizens Disallowed			250.00
Interfund Advance	A-18	844,518.94	
Cancellations of Grant Receivables			46,771.13
State Court Tax Appeal Judgements	A-4	686,710.09	
Prepaid Marriage Licenses Established	A-7	1,800.00	
Prepaid School Taxes			51,237.38
Prepaid Marriage License			50.00
Previous Year Reversal of Credit	A-18	315,653.00	
County Taxes	A-32	7,604,884.85	7,349,491.24
Local District Taxes	A-33	11,809,218.00	11,283,547.00
		82,863,062.83	78,509,665.34
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES		728,878.34	5,908,184.51
ADJUSTMENTS TO INCOME BEFORE FUND BALANCE:			
Expenditures Included Above Which By Statute Are			
Deferred Charges to Budget in Succeeding Year	A-19	1,355,604.07	403,702.31
STATUTORY EXCESS		2,084,482.41	6,311,886.82
FUND BALANCE, BEGINNING OF YEAR	A	7,568,858.36	2,756,971.54
Subtotal		9,653,340.77	9,068,858.36
UTILIZED AS ANTICIPATED REVENUE	A-2	2,110,000.00	1,500,000.00
FUND BALANCE, END OF YEAR	A	\$ 7,543,340.77	\$ 7,568,858.36

See accompanying notes to financial statements.

CITY OF ORANGE TOWNSHIP
CURRENT FUND

A-2

STATEMENT OF REVENUE
REGULATORY BASIS
AS OF DECEMBER 31, 2016

	<u>Ref.</u>	<u>Budget</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
Fund Balance	A-1	\$ 2,110,000.00	\$ 2,110,000.00	\$
Miscellaneous Revenues	A-1, A-2a	17,368,661.95	18,243,639.45	874,977.50
Receipts from Delinquent Taxes	A-1, A-2c	<u>3,000,000.00</u>	<u>2,770,250.21</u>	<u>(229,749.79)</u>
Sub - Total General Revenue		<u>22,478,661.95</u>	<u>23,123,889.66</u>	<u>645,227.71</u>
Amount to be Raised by Taxation:				
Local, Library and Additional School	A-2c	<u>42,107,238.99</u>	<u>43,275,463.42</u>	<u>1,168,224.43</u>
		<u>42,107,238.99</u>	<u>43,275,463.42</u>	<u>1,168,224.43</u>
Total General Revenue		64,585,900.94	66,399,353.08	1,813,452.14
Non-Budget Revenues	A-2d	<u> </u>	<u>877,283.62</u>	<u>877,283.62</u>
		<u>\$ 64,585,900.94</u>	<u>\$ 67,276,636.70</u>	<u>\$ 2,690,735.76</u>

See accompanying notes to financial statements.

CITY OF ORANGE TOWNSHIP
CURRENT FUND

STATEMENT OF REVENUES
REGULATORY BASIS
AS OF DECEMBER 31, 2016

A-2a

	Ref.	Budget	Chapter 159	Realized	Excess or (Deficit)
MISCELLANEOUS REVENUES:					
Licenses:					
Alcoholic Beverages	A-15	\$ 61,500.00	\$	\$ 57,965.00	\$ (3,535.00)
Other	A-2b	68,000.00		45,886.00	(22,114.00)
Fees and Permits:					
Uniform Construction Code Fees	A-15	630,000.00		693,722.00	63,722.00
Other	A-2b	394,500.00		486,986.08	92,486.08
Fines and Costs - Municipal Court	A-15	991,500.00		1,035,616.72	44,116.72
Interest and Costs on Taxes	A-6	750,000.00		592,872.38	(157,127.62)
Parking Meters	A-15	89,700.00		229,005.62	139,305.62
Rent Leveling Fees	A-15	47,000.00		50,000.00	3,000.00
Interest on Investments	A-15	-		1,814.73	1,814.73
Building Aid Allowance for School - State Aid	A-15	185,899.00		184,214.00	(1,685.00)
Payments in Lieu of Taxes:					
Transport of New Jersey	A-15	105,521.00		107,019.00	1,498.00
Our Lady of Mt. Carmel Senior Citizens	A-15	129,978.00		137,066.50	7,088.50
Millennium Homes - RPM	A-15	25,126.00		26,236.00	1,110.00
South Essex Urban Renewal	A-15	76,550.00		80,860.25	4,310.25
Oakwood Towers	A-15	335,517.00		256,807.00	(78,710.00)
Salem Towers - High Street Associates	A-15	163,403.00		144,842.50	(18,560.50)
Orange Park Apartments Associates, Ltd.	A-15	159,111.00		162,261.00	3,150.00
The Berkeley	A-15	31,862.00		29,422.00	(2,440.00)
Lincoln Court	A-15	107,173.46		96,338.14	(10,835.32)
Project Live, Inc.	A-15	7,148.81		5,719.05	(1,429.76)
New Community Corporation	A-15	50,794.00		49,960.50	(833.50)
307 Washington Street	A-15	82,611.92		83,818.06	1,206.14
Central Village II	A-15	54,913.00		54,097.00	(816.00)
Grand Central Senior Housing	A-15	38,496.00		38,496.00	
Washington Dodd	A-15	466,633.74		493,405.63	26,771.89
Walter G Phase I and II	A-15	53,990.61		112,333.02	58,342.41
L&M Development Partners	A-15	58,700.00		221,114.46	162,414.46
Franchise Fee from Cable TV Gross Revenue	A-15	96,000.00		122,296.50	26,296.50
Energy Receipts Tax	A-15	5,940,735.00		6,463,515.90	522,780.90
Consolidated Municipal Property Tax Relief	A-15	2,432,062.00		2,432,062.00	
Reserve for Orange Reservoir	A-26	75,000.00		75,000.00	
ILS Millburn Code Official	A-15	36,400.00		50,050.00	13,650.00
FEMA Reimbursements Prior Years	A-18	186,145.78		186,145.78	
State and Federal Revenue Offsets with Appropriations:					
Body Armor Replacement (Chap 159)	A-21	-	8,359.46	8,359.46	
CDBG Alden Street Park Improv (Chap 159)	A-3a	417,495.00		417,495.00	
CDBG Circle of Excellence	A-3a	75,000.00		75,000.00	
CDBG Circle of Excellence - South Ward	A-3a	50,000.00		50,000.00	
CDBG Circle of Excellence - YMCA	A-3a	45,000.00		45,000.00	
CDBG Saturday Literacy	A-3a	75,000.00		75,000.00	
CDBG - Health & Wellness	A-3a	50,000.00		50,000.00	
CDBG Health & Wellness YMCA	A-3a	25,000.00		25,000.00	
CDBG Sub Grant Helping Hands & Ears	A-3a	25,000.00		25,000.00	
CDBG Sub Grant Main Street Counseling	A-3a	15,000.00		15,000.00	
CDBG Sub Grant Manna from Heaven	A-3a	45,000.00		45,000.00	
USDOJ Bullet Proof Vests	A-3a	34,052.37		34,052.37	
USDOJ Cops Hired	A-21		1,408,050.00	1,408,050.00	
FEMA - Hazard Litigation	A-21	196,190.00		196,190.00	
Essex County Municipal Alliance - 2016	A-21	42,500.00	42,500.00	85,000.00	
NJDOT Drive Sober or Get Pulled Over	A-21	5,000.00		5,000.00	
NJDOT Various Streets -2016	A-21	301,444.00		301,444.00	
State NJ Clean Communities	A-21	56,115.06		56,115.06	
State of New Jersey Recycling Tonnage Grant	A-21	10,922.66		10,922.66	
Green Acres - Multi Parks	A-21	245,000.00		245,000.00	
Summer Food Program	A-21	264,062.08		264,062.08	
	A-2	<u>\$ 15,909,752.49</u>	<u>\$ 1,458,909.46</u>	<u>\$ 18,243,639.45</u>	<u>\$ 874,977.50</u>

CITY OF ORANGE TOWNSHIP
CURRENT FUND

A-2b

STATEMENT OF REVENUE
REGULATORY BASIS
AS OF DECEMBER 31, 2016

	<u>Ref.</u>	
<u>Other Licenses</u>		
City Clerk	\$ 1,405.00	
Inspection and Licensing	31,105.00	
Marriage Licenses, Milk Licences	3,573.00	
Health Department	<u>9,803.00</u>	
	A-2a, A-15	<u>\$ 45,886.00</u>
<u>Other Fees and Permits</u>		
City Clerk	\$ 3,810.26	
Health Department	74,931.00	
Electronic Death Transcripts	63,150.00	
Tax Assessor	433.50	
Board of Adjustment	7,275.00	
Planning Board	4,125.00	
Police Department	12,547.50	
Code Enforcement	188,530.00	
Planning and Development	122,076.57	
Engineering	<u>10,107.25</u>	
	A-2a, A-15	<u>\$ 486,986.08</u>

CITY OF ORANGE TOWNSHIP
CURRENT FUND

A-2c

STATEMENT OF REVENUE
ANALYSIS OF REALIZED TAX REVENUE
REGULATORY BASIS
AS OF DECEMBER 31, 2016

	<u>Ref.</u>		
Receipts from Delinquent Taxes			
Delinquent Tax Collections:			
2016 Collections	A-10	\$ 2,637,529.02	
Tax Title Lien Collections	A-11	132,721.19	
	A-1, A-2		\$ 2,770,250.21
Allocation of Current Tax Collections			
Revenue from Collections:			
2016 Collections	A-10	58,117,163.03	
2015 Collections	A-10	170,071.85	
Due from State of New Jersey	A-10	73,000.00	
	A-1		58,360,234.88
Less: Allocated to:			
Essex County	A-10	7,604,884.85	
Local School District	A-10	11,809,218.00	
			<u>19,414,102.85</u>
			38,946,132.03
Plus: Appropriation Reserve for Uncollected Taxes	A-3		<u>4,329,331.39</u>
Amount of Municipal Support	A-2		<u>\$ 43,275,463.42</u>

See accompanying notes to financial statements.

CITY OF ORANGE TOWNSHIP
CURRENT FUND

A-2d

STATEMENT OF REVENUE
ANALYSIS OF NON-BUDGET REVENUE
REGULATORY BASIS
AS OF DECEMBER 31, 2016

Ref.

Miscellaneous Revenue Not Anticipated

Administrative Fee for Cars	\$ 31,347.50
Tax MRNA	18,790.90
NSF Check Fees	270.00
Prior Year Appropriation Refund	819,502.68
Tax Sale Abatement Application Fee	1,750.00
Administrative Fee - Senior and Veterans Deductions	1,243.34
Other	<u>4,379.20</u>

A-1,A-6	<u>\$ 877,283.62</u>
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CITY OF ORANGE TOWNSHIP
CURRENT FUND
STATEMENT OF EXPENDITURES
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016

A-3
Sheet # 1

	Budget	Budget After Modification	Expended			Canceled	Over Expenditure
			Paid or Charged	Encumbered	Reserved		
OPERATIONS - WITHIN "CAPS":							
DEPARTMENT OF ADMINISTRATION							
Mayor's Office							
Salaries and Wages	\$ 157,200.00	\$ 190,300.00	\$ 190,296.35	\$ 1,185.00	\$ 3.65	\$	\$
Other Expenses	7,050.00	7,050.00	5,395.57		469.43		
Office of the Business Administrator							
Salaries and Wages	157,900.00	178,700.00	178,630.40		69.60		
Other Expenses	3,050.00	3,050.00	2,754.72	147.00	148.28		
Office of Administrative Services							
Salaries and Wages	104,900.00	103,400.00	103,322.27		77.73		
Other Expenses	343,000.00	293,000.00	236,193.36	37,540.62	19,266.02		
Grant Writer							
Salaries and Wages	50,000.00	51,250.00	51,218.79		31.21		
Other Expenses	38,000.00	75,000.00	37,484.00	12,498.00	25,008.00		
Human Resources							
Salaries and Wages	83,500.00	112,500.00	112,458.69		41.31		
Other Expenses	1,550.00	1,550.00			1,550.00		
Office of Public Defender							
Salaries and Wages	55,100.00	56,000.00	54,383.54		1,616.46		
Other Expenses	800.00	800.00			800.00		
Insurance:							
Unemployment Compensation	400,000.00						
General Liability	435,000.00	425,000.00	386,936.86	34,076.16	3,986.98		
Workers Compensation	540,000.00	550,000.00	532,855.91	16,844.09	300.00		
Employee Group Health	10,262,106.00	9,640,206.00	8,534,454.80	128,355.91	977,395.29		
Municipal Insurance Fund	130,000.00	130,000.00	130,000.00				
Waived Health Benefits	67,500.00	67,500.00	56,851.39		10,648.61		
Municipal Alcohol Beverage Control Board							
Salaries and Wages	5,000.00	5,000.00	5,000.00				
Other Expenses	13,040.00	13,040.00	11,271.27	1,283.64	485.09		
	<u>12,854,696.00</u>	<u>11,903,346.00</u>	<u>10,629,517.92</u>	<u>231,930.42</u>	<u>1,041,897.66</u>		
DEPARTMENT OF LAW							
Office of the City Attorney							
Salaries and Wages	378,200.00	400,000.00	399,934.35		65.65		
Other Expenses	309,825.00	380,825.00	288,824.30	91,078.43	922.27		
	<u>688,025.00</u>	<u>780,825.00</u>	<u>688,758.65</u>	<u>91,078.43</u>	<u>987.92</u>		
CITY CLERK AND MUNICIPAL COUNCIL							
City Council							
Salaries and Wages	120,000.00	120,086.00	119,502.74		583.26		
Other Expenses	152,000.00	152,000.00	98,273.13	34,762.82	18,964.05		
City Clerk							
Salaries and Wages	241,400.00	250,000.00	249,240.02		759.98		
Other Expenses	64,203.00	64,203.00	29,285.22	27,094.45	7,823.33		
City Clerk Election							
Salaries and Wages	20,000.00	9,650.00	7,033.47		2,616.53		
Other Expenses	40,000.00	43,000.00	42,904.16		95.84		
	<u>637,603.00</u>	<u>638,939.00</u>	<u>546,238.74</u>	<u>61,857.27</u>	<u>30,842.99</u>		

CITY OF ORANGE TOWNSHIP
CURRENT FUND

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

A-3
Sheet # 2

	Budget	Budget After Modification	Paid or Charged	Expended Encumbered	Reserved	Canceled	Over Expenditure
OPERATIONS - WITHIN "CAPS" (Continued):							
DEPARTMENT OF PLANNING AND DEVELOPMENT							
Inspection and Licensing							
Salaries and Wages	\$ 398,800.00	372,194.01	\$ 367,517.25	\$	\$ 4,676.76	\$	\$
Other Expenses	18,355.00	18,355.00	2,756.36	1,275.00	14,323.64		
Planning Division							
Salaries and Wages	284,600.00	308,100.00	307,206.75		893.25		
Other Expenses	102,112.00	102,112.00	93,363.26	1,096.74	7,652.00		
Zoning Board							
Salaries and Wages	5,000.00	5,000.00	5,000.00				
Other Expenses	7,275.00	7,275.00	3,119.36	3,960.34	195.30		
Planning Board							
Salaries and Wages	5,000.00	5,000.06	5,000.06				
Other Expenses	11,000.00	11,000.00	9,722.66	465.00	812.34		
Historical Preservation Board							
Salaries and Wages	2,500.00	2,500.00	2,423.04		76.96		
Other Expenses	3,000.00	2,000.00	68.40		1,931.60		
Rent Leveling Board							
Salaries and Wages	15,000.00	15,400.00	14,810.47		589.53		
Other Expenses	1,980.00	1,980.00	1,722.25		257.75		
	<u>854,622.00</u>	<u>850,916.07</u>	<u>812,709.86</u>	<u>6,797.08</u>	<u>31,409.13</u>		
DEPARTMENT OF FINANCE							
Department of Finance							
Salaries and Wages	497,100.00	495,500.00	495,330.41		169.59		
Other Expenses	145,079.00	168,079.00	160,324.15	7,493.04	261.81		
Audit/Acting Services	120,000.00	120,000.00	103,500.00		16,500.00		
Office of Tax Collector							
Salaries and Wages	219,700.00	221,700.00	221,392.04		307.96		
Other Expenses	30,880.00	25,880.00	21,196.33	439.92	4,243.75		
Tax Assessor							
Salaries and Wages	147,800.00	149,300.00	149,157.12		142.88		
Other Expenses	86,450.00	55,200.00	28,426.71	22,797.00	3,976.29		
	<u>1,247,009.00</u>	<u>1,235,659.00</u>	<u>1,179,326.76</u>	<u>30,729.96</u>	<u>25,602.28</u>		
DEPARTMENT OF COMMUNITY SERVICES							
Administration Division							
Salaries and Wages	241,800.00	254,350.00	254,347.38		2.62		
Other Expenses	10,058.00	10,058.00	7,696.95	1,824.65	536.40		
Health Division							
Salaries and Wages	267,900.00	264,800.00	262,634.81		2,165.19		
Other Expenses	37,545.00	34,995.00	9,891.22	9,982.42	15,121.36		
	<u>557,303.00</u>	<u>564,203.00</u>	<u>534,570.36</u>	<u>11,807.07</u>	<u>17,825.57</u>		

CITY OF ORANGE TOWNSHIP
CURRENT FUND

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

A-3
Sheet # 3

	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Expended</u> <u>Encumbered</u>	<u>Reserved</u>	<u>Canceled</u>	<u>Over Expenditure</u>
OPERATIONS - WITHIN "CAPS" (Continued):							
DEPARTMENT OF COMMUNITY SERVICES (Continued)							
Animal Control							
Salaries and Wages	\$ 55,700.00	\$ 56,700.00	\$ 56,671.47	\$	28.53	\$	\$
Other Expenses	74,990.00	74,990.00	60,623.10	13,341.33	1,025.57		
Older Adults Services							
Salaries and Wages	78,900.00	71,900.00	71,900.00				
Other Expenses	183,050.00	183,050.00	157,625.64	19,435.58	5,988.78		
Cultural Affairs							
Salaries and Wages	53,700.00	77,400.00	77,374.44		25.56		
Other Expenses	15,250.00	16,050.00	15,869.59	100.00	80.41		
Recreation							
Salaries and Wages	713,500.00	693,500.00	685,434.39	(927.10)	8,992.71		
Other Expenses	73,430.00	73,430.00	50,659.02	16,618.87	6,152.11		
	<u>1,248,520.00</u>	<u>1,247,020.00</u>	<u>1,176,157.65</u>	<u>48,568.68</u>	<u>22,293.67</u>		
DEPARTMENT OF POLICE							
Administration Division							
Salaries and Wages (Emergency)	12,048,589.00	13,778,286.41	13,290,717.21		487,569.20		
Other Expenses	373,540.00	373,540.00	234,270.39	133,413.81	5,855.80		
School Guards							
Salaries and Wages	473,000.00	408,000.00	399,959.96		8,040.04		
	<u>12,895,129.00</u>	<u>14,559,826.41</u>	<u>13,924,947.56</u>	<u>133,413.81</u>	<u>501,465.04</u>		
DEPARTMENT OF FIRE							
Administration Division							
Salaries and Wages	6,349,050.00	6,589,050.00	6,509,272.17		79,777.83		
Other Expenses	460,046.00	385,046.00	232,572.60	94,464.66	58,008.74		
	<u>6,809,096.00</u>	<u>6,974,096.00</u>	<u>6,741,844.77</u>	<u>94,464.66</u>	<u>137,786.57</u>		

CITY OF ORANGE TOWNSHIP
CURRENT FUND

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

A-3
Sheet # 4

	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Expended</u>		<u>Canceled</u>	<u>Over Expenditure</u>
				<u>Encumbered</u>	<u>Reserved</u>		
OPERATIONS - WITHIN "CAPS" (Continued):							
DEPARTMENT OF PUBLIC WORKS							
Street Maintenance							
Salaries and Wages	\$ 979,700.00	\$ 924,700.00	\$ 924,102.21	\$	\$ 597.79	\$	\$
Other Expenses	193,400.00	193,400.00	79,951.43	59,892.68	53,555.89		
Maintenance of Parks							
Salaries and Wages	180,000.00	189,500.00	188,376.34		1,123.66		
Other Expenses	112,000.00	112,000.00	98,552.21	2,080.00	11,367.79		
Director's Office							
Salaries and Wages	315,500.00	339,900.00	337,363.51		2,536.49		
Other Expenses	101,756.00	113,756.00	59,613.68	50,311.49	3,830.83		
Equipment and Vehicle Management							
Salaries and Wages	27,000.00	23,500.00	23,457.21		42.79		
Other Expenses	947,900.00	945,400.00	702,065.66	199,986.59	43,347.75		
Building and Grounds							
Salaries and Wages	155,700.00	172,700.00	170,196.57		2,503.43		
Other Expenses	492,800.00	720,869.93	492,925.43	160,414.66	67,529.84		
Snow Removal							
Salaries and Wages	60,000.00	60,000.00	34,307.65		25,692.35		
Other Expenses	110,000.00	110,000.00	71,259.79	27,211.21	11,529.00		
	<u>3,675,756.00</u>	<u>3,905,725.93</u>	<u>3,182,171.69</u>	<u>499,896.63</u>	<u>223,657.61</u>		
MUNICIPAL COURT							
Salaries and Wages	844,900.00	803,900.00	800,441.97		3,458.03		
Other Expenses	79,707.00	79,707.00	50,725.79	11,954.83	17,026.38		
	<u>924,607.00</u>	<u>883,607.00</u>	<u>851,167.76</u>	<u>11,954.83</u>	<u>20,484.41</u>		
UNIFORM CONSTRUCTION CODE - APPROPRIATIONS							
OF Planning and Economic Development/Uniform							
Construction Code:							
Inspections and Licensing							
Salaries and Wages	57,500.00	57,500.00	57,500.00				
	<u>57,500.00</u>	<u>57,500.00</u>	<u>57,500.00</u>				

CITY OF ORANGE TOWNSHIP
CURRENT FUND

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

A-3
Sheet # 5

	Budget	Budget After Modification	Paid or Charged	Expended Encumbered	Reserved	Canceled	Over Expenditure
OPERATIONS - WITHIN "CAPS" (Continued):							
UNCLASSIFIED							
Utilities							
Telephone	\$ 310,000.00	\$ 310,000.00	\$ 264,588.38	\$ 31,242.03	\$ 14,169.59	\$	\$
Street Lighting	600,000.00	600,000.00	489,598.08	76,021.27	34,380.65		
Gas and Electric	425,000.00	425,000.00	286,203.96	138,796.04			
Refuse Removal	2,237,115.00	2,362,115.00	2,149,679.99	126,409.35	86,025.66		
Extended School Day Program	50,000.00	40,000.00	37,466.99		2,533.01		
Contingent	10,000.00	10,000.00			10,000.00		
	<u>3,632,115.00</u>	<u>3,747,115.00</u>	<u>3,227,537.40</u>	<u>372,468.69</u>	<u>147,108.91</u>		
TOTAL UNCLASSIFIED							
	<u>46,081,981.00</u>	<u>47,348,778.41</u>	<u>43,552,449.12</u>	<u>1,594,967.53</u>	<u>2,201,361.76</u>		
TOTAL OPERATIONS WITHIN "CAP"							
Detail							
Salaries and Wages	25,851,139.00	27,817,266.48	27,182,915.05		635,278.53		
Other Expenses	20,230,842.00	19,531,511.93	16,369,534.07	1,594,967.53	1,566,083.23		
	<u>46,081,981.00</u>	<u>47,348,778.41</u>	<u>43,552,449.12</u>	<u>1,594,967.53</u>	<u>2,201,361.76</u>		
DEFERRED CHARGES							
Unemployment Insurance - Prior Year							
Overexpenditure of Budget Appropriations							
Prior Years Bills	9,595.37	9,595.37	1,888.20	1,111.57		6,595.60	
	<u>9,595.37</u>	<u>9,595.37</u>	<u>1,888.20</u>	<u>1,111.57</u>		<u>6,595.60</u>	
STATUTORY EXPENDITURES							
Public Employee Retirement System	704,397.00	704,397.00	704,397.00				
Social Security System (O.A.S.I.)	950,000.00	973,202.59	978,806.66				(5,604.07)
Consolidated Police and Fire	30,000.00	30,000.00	18,519.02		11,480.98		
Police and Fire Retirement System	3,921,141.00	3,921,141.00	3,921,141.00				
DCRP	10,200.00	10,200.00	3,386.36		6,813.64		
Judgments	100,000.00	100,000.00			100,000.00		
	<u>5,715,738.00</u>	<u>5,738,940.59</u>	<u>5,626,250.04</u>		<u>118,294.62</u>		<u>(5,604.07)</u>
TOTAL GENERAL APPROPRIATIONS FOR							
MUNICIPAL PURPOSES WITHIN "CAPS"	<u>51,807,314.37</u>	<u>53,097,314.37</u>	<u>49,180,587.36</u>	<u>1,596,079.10</u>	<u>2,319,656.38</u>	<u>6,595.60</u>	<u>(5,604.07)</u>

CITY OF ORANGE TOWNSHIP
CURRENT FUND

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

A-3
Sheet # 6

	Budget	Budget After Modification	Expended			Canceled	Over Expenditure
			Paid or Charged	Encumbered	Reserved		
OPERATIONS - EXCLUDED FROM "CAPS"							
OTHER OPERATIONS							
Municipal Library	\$ 703,000.00	\$ 763,000.00	\$ 703,000.00		\$ 60,000.00	\$	\$
Library Portion of Health Benefits	195,000.00	195,000.00	102,666.72		92,333.28		
Employee Group Health	63,294.00	63,294.00			63,294.00		
Capital Improvement Fund	200,000.00	200,000.00	200,000.00				
Capital Improvement Projects	200,000.00	200,000.00	74,386.50	67,030.00	58,583.50		
Capital Improvements/Demolition	135,000.00	135,000.00	56,900.00		78,100.00		
Interlocal Service Agreement - Millburn	36,400.00	36,400.00	32,900.00		3,500.00		
	<u>1,532,694.00</u>	<u>1,592,694.00</u>	<u>1,169,853.22</u>	<u>67,030.00</u>	<u>355,810.78</u>	<u>-</u>	<u>-</u>
STATE AND FEDERAL PROGRAMS OFFSET BY REVENUES							
Body Armor Replacement (Chap 159)		8,359.46	8,359.46				
CDBG Alden Street Park Improv (Chap 159)	417,495.00	417,495.00	417,495.00				
CDBG Circle of Excellence	75,000.00	75,000.00	75,000.00				
CDBG Circle of Excellence - South Ward	50,000.00	50,000.00	50,000.00				
CDBG Circle of Excellence - YMCA	45,000.00	45,000.00	45,000.00				
CDBG Saturday Literacy	75,000.00	75,000.00	75,000.00				
CDBG - Health & Wellness	50,000.00	50,000.00	50,000.00				
CDBG Health & Wellness YMCA	25,000.00	25,000.00	25,000.00				
CDBG Sub Grant Helping Hands & Ears	25,000.00	25,000.00	25,000.00				
CDBG Sub Grant Main Street Counseling	15,000.00	15,000.00	15,000.00				
CDBG Sub Grant Manna from Heaven	45,000.00	45,000.00	45,000.00				
USDOJ Bullet Proof Vests	34,052.37	34,052.37	34,052.37				
USDOJ Cops Hired		1,408,050.00	1,408,050.00				
FEMA - Hazard Litigation	196,190.00	196,190.00	196,190.00				
Essex County Municipal Alliance - 2016	42,500.00	85,000.00	85,000.00				
Essex County Municipal Alliance - 2016 - Match ??	10,625.00	10,625.00	10,625.00				
NJDOT Drive Sober or Get Pulled Over	5,000.00	5,000.00	5,000.00				
NJDOT Various Streets -2016	301,444.00	301,444.00	301,444.00				
State NJ Clean Communities	56,115.06	56,115.06	56,115.06				
State of New Jersey Recycling Tonnage Grant	10,922.66	10,922.66	10,922.66				
Green Acres - Multi Parks	245,000.00	245,000.00	245,000.00				
Green Acres - Multi Parks - Match	245,000.00	245,000.00	245,000.00				
Summer Food Program	264,062.08	264,062.08	264,062.08				
USDOE Sub-Grantee of Montclair SU		-	-				
	<u>2,233,406.17</u>	<u>3,692,315.63</u>	<u>3,692,315.63</u>				
Total Operations	<u>3,766,100.17</u>	<u>5,285,009.63</u>	<u>4,862,168.85</u>	<u>67,030.00</u>	<u>355,810.78</u>		

CITY OF ORANGE TOWNSHIP
CURRENT FUND

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

A-3
Sheet # 7

	<u>Budget</u>	<u>Budget After Modification</u>	<u>Expended</u>			<u>Canceled</u>	<u>Over Expenditure</u>
			<u>Paid or Charged</u>	<u>Encumbered</u>	<u>Reserved</u>		
DEFERRED CHARGES							
Special Emergency Authorization - 5 years - Pension	\$ 509,253.00	\$ 509,253.00	\$ 509,253.00	\$	\$	\$	\$
Overexpenditure of Appropriations	3,702.31	3,702.31	3,702.31				
Overexpenditure of Grant Appropriation	30,977.24	30,977.24	30,977.24				
Special Emergency Authorization - 5 years - Revaluation	400,000.00	400,000.00	400,000.00				
	<u>943,932.55</u>	<u>943,932.55</u>	<u>943,932.55</u>				
DEBT SERVICE							
Payment of Bond Principal	1,496,995.00	1,496,995.00	1,496,995.00				
Payment of Bond Anticipated Notes	35,200.00	35,200.00	35,200.00				
Interest on Bonds	118,479.00	118,479.00	118,478.96			0.04	
Interest on Notes	134,864.00	134,864.00	134,500.40			363.60	
Green Trust Loan Program							
Loan Payment for Principal and Interest	60,029.00	60,029.00	60,028.88			0.12	
New Jersey Environmental Infrastructure Loan	101,543.00	101,543.00	96,607.65			4,935.35	
Demolition Loan- Department of Community Affairs							
	<u>1,947,110.00</u>	<u>1,947,110.00</u>	<u>1,941,810.89</u>			<u>5,299.11</u>	
FOR LOCAL DISTRICT SCHOOL PURPOSES							
Type I District School Debt Service:							
Payment of Bond Principal	308,005.00	308,005.00	308,005.00				
Interest on Bonds	25,198.00	25,198.00	25,197.04			0.96	
Green Acres Loan							
	<u>333,203.00</u>	<u>333,203.00</u>	<u>333,202.04</u>			<u>0.96</u>	
Total General Appropriations excluded from "CAPS"	<u>6,990,345.72</u>	<u>8,509,255.18</u>	<u>8,081,114.33</u>	<u>67,030.00</u>	<u>355,810.78</u>	<u>5,300.07</u>	
Sub Total	58,797,660.09	61,606,569.55	57,261,701.69	1,663,109.10	2,675,467.16	11,895.67	(5,604.07)
Reserve for Uncollectible Taxes	<u>4,329,331.39</u>	<u>4,329,331.39</u>	<u>4,329,331.39</u>				
Total Appropriations	<u>\$ 63,126,991.48</u>	<u>\$ 65,935,900.94</u>	<u>\$ 61,591,033.08</u>	<u>\$ 1,663,109.10</u>	<u>\$ 2,675,467.16</u>	<u>\$ 11,895.67</u>	<u>\$ (5,604.07)</u>
Ref.	A-2		A-3a	A	A	A-3a	A-19

CITY OF ORANGE TOWNSHIP
CURRENT FUND

A-3a

STATEMENT OF EXPENDITURES
REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2016

	<u>Ref.</u>	<u>Modified Budget</u>	<u>Paid or Charged</u>
Adopted Budget	A-2	\$ 63,126,991.48	\$
Emergency Authorization	A-19/A-20	1,350,000.00	
Chapter 159 - Grants	A-2a	1,458,909.46	
Cash Disbursed	A-4		52,625,453.51
Deferred Charges - Overexpenditures	A-19		403,702.31
Deferred Charges - Special Emergency	A-20		509,253.00
Overexpenditures of Grant Appropriations	A-1		30,977.24
Reserve for Grant Expenditures	A-37		2,614,195.63
Interfund Federal & State Grant	A-18		255,625.00
Interfund CDBG	A-2		822,495.00
Overexpenditures	A-19	5,604.07	
Reserve for Uncollected Taxes	A-3	(4,329,331.39)	4,329,331.39
Cancelled	A-3	(11,895.67)	
	A-1, A-3	<u>\$ 61,600,277.95</u>	<u>\$ 61,591,033.08</u>

CITY OF ORANGE TOWNSHIP
TRUST FUND

COMPARATIVE BALANCE SHEETS
REGULATORY BASIS
DECEMBER 31, 2016 AND 2015

B

	Ref.	2016	2015
ASSETS			
ANIMAL CONTROL FUND:			
Cash	B-1	\$ 14,066.78	\$ 11,030.98
GENERAL TRUST FUND:			
Cash	B-1	4,951,433.32	4,630,056.59
Other Accounts Receivable	B-5	5,790.87	25,777.93
Interfunds Receivable	B-6	38,326.26	129,370.95
		<u>4,995,550.45</u>	<u>4,785,205.47</u>
MUNICIPAL INSURANCE TRUST FUND			
Cash	B-1	152,893.47	286,133.45
		<u>152,893.47</u>	<u>286,133.45</u>
GRANT TRUST FUND			
Cash	B-1	88,543.44	176,133.16
Interfunds Receivable	B-12	184.72	
Essex County Community Development Block Grants Receivable	B-4	1,247,682.27	400,585.36
		<u>1,336,410.43</u>	<u>576,718.52</u>
TOTAL ASSETS		<u>\$ 6,498,921.13</u>	<u>\$ 5,659,088.42</u>
LIABILITIES, RESERVES AND FUND BALANCE			
ANIMAL CONTROL FUND:			
Reserve for Expenditures	B-14	\$ 14,054.18	\$ 10,816.18
Due to State of New Jersey	B-7	12.60	214.80
		<u>14,066.78</u>	<u>11,030.98</u>
GENERAL TRUST FUND:			
Reserve for:			
Interfund Payables	B-6	83,082.80	
Other Expenditures	B-8	747,574.89	615,980.68
Other Deposits	B-9	1,739,246.78	1,884,159.79
New Jersey Unemployment Insurance	B-10	185,954.44	480,066.86
Salary Account	B-18	319,305.31	245,763.71
Premium on Tax Sale	B-11	1,329,434.43	1,559,234.43
Encumbrances Payable	B-5,B-9	590,951.80	
		<u>4,995,550.45</u>	<u>4,785,205.47</u>
MUNICIPAL INSURANCE TRUST FUND			
Reserve for Municipal Insurance Trust			
Fund Expenditures	B-15	152,893.47	286,133.45
GRANT TRUST FUND			
Encumbrances	B-16	73,052.93	
Reserve for:			
Interfunds Payable	B-12		22,244.75
Rehabilitation Grant Refunds	B-13	1,659.05	1,659.05
Essex County Community Development Block			
Grants Receivable	B-16	1,151,024.56	442,140.83
Other Grant Fund Expenditures	B-17	110,673.89	110,673.89
		<u>1,336,410.43</u>	<u>576,718.52</u>
TOTAL LIABILITIES AND RESERVES		<u>\$ 6,498,921.13</u>	<u>\$ 5,659,088.42</u>

CITY OF ORANGE TOWNSHIP
GENERAL CAPITAL FUND

C

COMPARATIVE BALANCE SHEETS
REGULATORY BASIS
DECEMBER 31, 2016 AND 2015

ASSETS	Ref.	2016	2015
Cash	C-2	\$ 1,608,250.23	\$ 502,171.80
Grants Receivable	C-4	669,581.24	669,581.24
Loans Receivable	C-5	94,585.89	9,824.89
Interfund Receivable	C-14		173,769.14
Deferred Charges to Future Taxation:			
Funded	C-6	3,484,041.30	5,109,958.09
Unfunded	C-7	11,452,246.00	11,487,446.00
		<u>\$ 17,308,704.66</u>	<u>\$ 17,952,751.16</u>
LIABILITIES AND FUND BALANCE			
General Refunding Bonds	C-18	\$ 1,733,079.00	\$ 3,230,074.00
School Refunding Bonds	C-17	321,921.00	629,926.00
Bond Anticipation Notes	C-19	7,960,700.00	6,140,480.00
Green Acres Trust Loan Payable:			
General	C-16	821,311.91	880,191.25
N.J. Environmental Infrastructure Trust			
Loan Payable	C-15	282,729.39	369,766.84
Demolition Loan Payable	C-21	325,000.00	
Interfunds Payable	C-14	124,166.13	76,855.00
Improvement Authorizations:			
Funded	C-8	839,890.09	720,319.47
Unfunded	C-8	3,693,721.92	4,314,832.67
Encumbrances Payable	C-12	428,375.67	1,084,992.38
Capital Improvement Fund	C-9	555,129.61	354,679.61
Reserves for:			
Debt Service	C-10	4,225.00	4,225.00
Grants Receivable	C-11	17,750.00	17,750.00
Loan Proceeds	C-13	61,176.74	61,176.74
Fund Balance	C-1	139,528.20	67,482.20
		<u>\$ 17,308,704.66</u>	<u>\$ 17,952,751.16</u>
Bonds and Notes Authorized But Not Issued	C-20	<u>\$ 3,526,746.00</u>	<u>\$ 5,346,966.00</u>

See accompanying notes to financial statements.

CITY OF ORANGE TOWNSHIP
GENERAL CAPITAL FUND

C-1

STATEMENT OF FUND BALANCE
REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2016

Ref.

Beginning Balance, December 31, 2015	C	\$ 67,482.20
Increased by:		
Premium on Sale of Notes	C-2	<u>72,046.00</u>
Ending Balance, December 31, 2016	C	<u>\$ 139,528.20</u>

See accompanying notes to financial statements.

CITY OF ORANGE TOWNSHIP
WATER AND SEWER UTILITY

COMPARATIVE BALANCE SHEETS
REGULATORY BASIS
DECEMBER 31, 2016 AND 2015

D
Sheet # 1

<u>Assets</u>	<u>Ref.</u>	<u>2016</u>	<u>2015</u>
Operating Fund:			
Cash - Checking	D-5	\$ 716,114.02	\$ 2,275,347.07
Petty Cash	D-8	150.00	150.00
		<u>716,264.02</u>	<u>2,275,497.07</u>
Receivables with Full Reserves:			
Consumer Accounts Receivable	D-11	1,855,561.20	1,920,120.83
Water Liens	D-12	82,455.91	82,455.91
		<u>1,938,017.11</u>	<u>2,002,576.74</u>
Interfund Receivable	D-10	<u>315,653.00</u>	<u>13,349.46</u>
		<u>315,653.00</u>	<u>13,349.46</u>
Deferred Charges:			
Special Emergency Appropriation	D-4	2,150,000.00	
Operating Deficit	D-1	388,570.79	
		<u>2,538,570.79</u>	
Total Operating Fund		<u>5,508,504.92</u>	<u>4,291,423.27</u>
Capital Fund:			
Cash - Checking	D-5,D-9	1,623,018.73	1,714,798.49
Loans Receivable	D-13	129,947.81	129,947.81
Fixed Capital	D-14	44,739,593.68	8,633,725.74
Fixed Capital Authorized and Uncompleted	D-15	3,182,715.66	39,288,583.60
Total Capital Fund		<u>49,675,275.88</u>	<u>49,767,055.64</u>
Total Assets		<u>\$ 55,183,780.80</u>	<u>\$ 54,058,478.91</u>

See accompanying notes to financial statements.

CITY OF ORANGE TOWNSHIP
WATER AND SEWER UTILITY

COMPARATIVE BALANCE SHEETS
REGULATORY BASIS
DECEMBER 31, 2016 AND 2015

D
Sheet # 2

<u>Liabilities, Reserves and Fund Balance</u>	<u>Ref.</u>	<u>2016</u>	<u>2015</u>
Operating Fund:			
Appropriation Reserves:			
Encumbered	D-4,D-16	\$ 2,247,747.31	\$ 190,620.53
Unencumbered	D-4,D-16	449,263.25	80,589.88
Due to United Water Company	D-17	214,980.47	176,233.44
Accrued Interest on Bonds	D-18	136,178.83	148,682.17
Reserve for Future Improvements	D-26	13,349.46	13,349.46
Water and Sewer Overpayments	D-19	162,887.69	98,300.25
Interfunds Payable	D-21	15,010.00	
		<u>3,239,417.01</u>	<u>707,775.73</u>
Reserve for Receivables		1,938,017.11	2,002,576.74
Fund Balance	D-1	331,070.80	1,581,070.80
		<u>5,508,504.92</u>	<u>4,291,423.27</u>
Capital Fund:			
Serial Bonds Payable	D-25	19,210,000.00	20,380,000.00
N.J. Environmental Trust Fund	D-24	5,140,602.03	5,497,560.35
Improvement Authorizations:			
Funded	D-20	3,172,715.56	3,264,495.32
Unfunded	D-20	44,022.42	44,022.42
Reserve for Amortization	D-22	13,326,426.31	11,799,467.99
Deferred Reserve for Amortization	D-23	8,745,000.00	8,745,000.00
Fund Balance	D-2	36,509.56	36,509.56
		<u>49,675,275.88</u>	<u>49,767,055.64</u>
Total Liabilities, Reserves and Fund Balances		<u>\$ 55,183,780.80</u>	<u>\$ 54,058,478.91</u>
Bonds and Notes Authorized but Not Issued	D-10a	<u>\$ 1,500,281.00</u>	<u>\$ 1,500,281.00</u>

See accompanying notes to financial statements.

CITY OF ORANGE TOWNSHIP
WATER AND SEWER UTILITY

D-1

STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE
REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2016 AND 2015

	<u>Ref.</u>	<u>2016</u>	<u>2015</u>
Revenue and Other Income:			
Surplus Anticipated	D-3	\$ 1,250,000.00	\$
Water and Sewer Rents	D-3, D-11	8,208,347.31	8,918,809.84
Non-budget Revenue	D-3	102,353.12	36,984.85
Other Credits to Income:			
Unexpended Balance of Appropriation			
Reserves	D-16	51,327.39	118,061.12
		<u>9,612,027.82</u>	<u>9,073,855.81</u>
Expenditures:			
Budget Appropriations			
Operations	D-4	9,620,336.00	5,696,505.00
Debt Service	D-4	2,530,262.61	2,564,154.37
		<u>12,150,598.61</u>	<u>8,260,659.37</u>
(Deficit) Excess in Revenues		(2,538,570.78)	813,196.44
Adjustments To Income Before Surplus			
Emergency Appropriation	D, D-4	2,150,000.00	
Operating Deficit	D	388,570.79	
		<u>2,538,570.79</u>	
Excess in Revenue			813,196.44
Fund Balance, Beginning of Year	D	<u>1,581,070.80</u>	<u>767,874.36</u>
		1,581,070.80	1,581,070.80
Fund Balance Utilized	D-1	<u>(1,250,000.00)</u>	
Fund Balance, End of Year	D	<u>\$ 331,070.80</u>	<u>\$ 1,581,070.80</u>

See accompanying notes to financial statements.

CITY OF ORANGE TOWNSHIP
WATER AND SEWER UTILITY

D-2

STATEMENT OF FUND BALANCE - UTILITY CAPITAL FUND
REGULATORY BASIS
DECEMBER 31, 2016 AND 2015

Ref.

Balance, December 31, 2016 and 2015

D

\$ 36,509.56

See accompanying notes to financial statements.

CITY OF ORANGE TOWNSHIP
WATER AND SEWER UTILITY

D-3

STATEMENT OF REVENUE
ANALYSIS OF REVENUE
REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2016

	<u>Ref.</u>	<u>2016 Budget</u>	<u>Realized</u>	<u>Excess (Deficit)</u>
Surplus Anticipated	D-1	\$ 1,250,000.00	\$ 1,250,000.00	\$
Rents	D-1	<u>8,800,000.00</u>	<u>6,958,347.31</u>	<u>(1,841,652.69)</u>
	D-4	<u>\$ 10,050,000.00</u>	<u>\$ 8,208,347.31</u>	<u>\$ (1,841,652.69)</u>
 <u>Non-budget Revenue</u>				
Tapping Fee			\$ 101,732.85	
Interest on Investments			<u>620.27</u>	
	D-1, D-7		<u>\$ 102,353.12</u>	

CITY OF ORANGE TOWNSHIP
WATER AND SEWER UTILITY

D-4

STATEMENT OF EXPENDITURES
REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2016

	Ref.	Appropriation Budget	Balance After Transfer	Paid or Charged	Reserved		Unexpended Balance Canceled
					Encumbered	Unencumbered	
Operating:							
Salaries and Wages		\$ 268,600.00	\$ 268,600.00	\$ 238,313.08	\$	\$ 30,286.92	\$
Special Emergency Appropriation	D		2,150,000.00	146,802.00	2,003,198.00		
Other Expenses		7,201,736.00	7,201,736.00	6,538,210.36	244,549.31	418,976.33	
Total Operating	D-1	7,470,336.00	9,620,336.00	6,923,325.44	2,247,747.31	449,263.25	
Debt Service:							
Payment of Bond Principal		1,170,000.00	1,170,000.00	1,170,000.00			
Interest on Bonds		898,293.00	898,293.00	892,112.09			6,180.91
NJEIT Loan Debt Service		511,371.00	511,371.00	468,150.52			43,220.48
Total Debt Service	D-1	2,579,664.00	2,579,664.00	2,530,262.62			49,401.39
		<u>\$ 10,050,000.00</u>	<u>\$ 12,200,000.00</u>	<u>\$ 9,453,588.06</u>	<u>\$ 2,247,747.31</u>	<u>\$ 449,263.25</u>	<u>\$ 49,401.39</u>
	Ref.	D-3	D-1	Below	D	D	D-1
Adopted Budget	D-3		\$ 10,050,000.00				
Special Emergency Appropriation	D		2,150,000.00				
			<u>\$ 12,200,000.00</u>				
Cash Disbursements	D-5			\$ 8,082,565.44			
Interfund - General Trust	D-21			10,760.00			
Accrued Interest	D-18			1,360,262.62			
				<u>\$ 9,453,588.06</u>			

See accompanying notes to financial statements.

CITY OF ORANGE TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016 AND 2015

1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The City of Orange Township (the "Township") was organized as a Mayor-Council Plan D municipality in accordance with the provisions of N.J.S.A. 40:69A-61 et seq. and amended by N.J.S.A. 40:69A-208.1. The Township is governed by an elected Mayor and Council. The Council shall consist of seven members which are elected three at large and four from wards by voters of the municipality.

Each member of the Council carries a legislative vote.

GASB Statement No. 14 as amended by GASB No. 61 establishes certain standards for defining and reporting on the financial reporting entity. In accordance with these standards, the reporting entity should include the primary government and those component units which are fiscally accountable to the primary government.

Basic Financial Statements

The financial statements of the Township 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.A. 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.

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

The accounting policies of the Township conform to the accounting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division") which is a Special Purpose Framework of accounting other than generally accepted accounting principles. Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. Under this method of accounting, the Township accounts for its financial transactions through the separate funds, which differ from the fund structure required by GAAP.

Basis of Accounting

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

The Township has the following funds and account groups:

- Current Fund – This fund is used to account for resources and expenditures for governmental operations of a general nature, including Federal and State grants which 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 General Trust Fund, Animal Control Trust Fund, Grant Trust Fund and Municipal Insurance Trust Fund.

CITY OF ORANGE TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016 AND 2015

1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- General Capital Fund – This fund is used to account for the receipt and disbursement of funds used for acquisition or improvement of general capital facilities, other than those acquired in the Current Fund, as well as the long-term debt accounts.
- Water and Sewer Utility Fund – This fund is used to account for the revenues and expenditures for the operation of the Township's Water and Sewer Utility activities and the assets and liabilities relative to such activities. Acquisition or improvement of capital facilities for the Water and Sewer Utility, as well as the related long-term debt accounts, is accounted for in the capital section of the fund.
- Capital Fixed Assets – These accounts reflect estimated valuations of land, buildings and certain movable fixed assets of the Township.

Accounting Principles

The accounting principles and practices prescribed for municipalities by the Division differ in certain respects from GAAP applicable to local government units. The more significant differences are as follows:

Miscellaneous Revenues – Miscellaneous revenues are recognized on a cash basis. Receivables for the miscellaneous items that are subject to accrual are recorded with offsetting reserves on the balance sheet of the Township's Current Fund. GAAP requires such revenues to be recognized in the accounting period when they become subject to accrual.

Grant Revenues – Federal and State grants, entitlements or shared revenues received for purposes normally financed through the Current Fund are recognized when anticipated in the Township budget. GAAP requires such revenues to be recognized in the accounting period when they are earned and the expenditures to be recognized when the liability is incurred.

Property Tax Revenues – Real property taxes are assessed locally, based upon the assessed value of the property. The tax bill includes a levy for Municipal, County, and School purposes. Taxes are payable in four quarterly installments on February 1, May 1, August 1 and November 1. If unpaid on these dates, the amount due becomes delinquent and subject to interest at 8% per annum, or 18% on any delinquency amount in excess of \$1,500.00. The Township also imposes a 6% year end penalty for a delinquency over \$10,000.00 as of December 31. The School levy is turned over to the Board of Education as expenditures are incurred, and the balance, if any, must be transferred as of June 30, of each fiscal year. County taxes are paid quarterly on February 15, May 15, August 15 and November 15, to the County by the Township. When unpaid taxes or any municipal lien, or part thereof, on real property, remains in arrears on May 1 in the year following the calendar year levy when the same became in arrears, the collector of the municipality shall, subject to the provisions of the New Jersey Statutes, enforce the lien by placing the property on a tax sale. The Township institutes annual in rem tax foreclosure proceedings to enforce the tax collection or acquisition of the property. In accordance with the accounting principles prescribed by the Division, current and delinquent taxes are realized as revenue when collected. Since delinquent taxes and liens are fully reserved, no provision has been made to estimate that portion of the taxes receivable and tax title liens that are uncollectible. GAAP requires property tax revenues to be recognized in the accounting period when they become subject to accrual, reduced by an allowance for doubtful accounts.

Budget and Budgetary Accounting – An annual budget is required to be adopted and integrated into the accounting system to provide budgetary control over revenues and expenditures. Budget amounts presented in the accompanying financial statements represent amounts adopted by the Township and approved by the Division per N.J.S.A. 40A:4 et seq. The Township is not required to adopt budgets for the following funds:

- General Capital Funds
- Trust Funds

CITY OF ORANGE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2016 AND 2015

1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The governing body shall introduce and approve the annual budget no later than February 10 of the year. The budget shall be adopted not later than April 20 and prior to adoption must be certified by the Division. The Director of the Division, with the approval of the Local Finance Board, may extend the introduction and approval and adoption dates of the municipal budget. The budget is prepared by fund, function, activity and line item (salary or other expense) and includes information on the previous year.

The legal level of control for appropriations is exercised at the individual line item level for all operating budgets adopted. Emergency appropriations, those made after the adoption of the budget and determination of the tax rate, may be authorized by the Governing Body of the municipality. During the last two months of the year, the governing body may, by a 2/3 vote, amend the budget through line item transfers. Management has no authority to amend the budget without the approval of the Governing Body. Expenditures may not legally exceed budgeted appropriations at the line item level.

Expenditures – Are recorded on the “budgetary” basis of accounting. Generally, expenditures are recorded when an amount is encumbered for goods or services through the issuance of a purchase order in conjunction with an encumbrance accounting system. Outstanding encumbrances at December 31st are reported as a cash liability in the financial statements. Unexpended or uncommitted appropriations, at December 31st are reported as expenditures through the establishment of appropriation reserves, unless cancelled by the Governing Body. GAAP requires expenditures to be recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt, which should be recognized when due.

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

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

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

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

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

Fixed Assets – In Accordance with Accounting for Governmental Fixed Assets, as promulgated by the Division, which differs in certain respects from GAAP, the Township has not developed a fixed asset accounting and reporting system.

CITY OF ORANGE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2016 AND 2015

1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

General Capital Fixed Assets - General Capital Fixed Assets used in governmental operations are accounted for in the Capital Fixed Assets. Public domain (infrastructure) general 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 capital fixed asset record. Vehicles, furniture, equipment and other items are reflected at replacement values at time of inventory preparation. Additions to the established capital fixed assets are valued at cost. The Township has not maintained proper records to account for either the purchase or disposition for fixed assets.

Utilities - Capital acquisitions, including utility infrastructure costs of the Water and Sewer Utility are recorded at cost upon purchase or project completion in the Fixed Asset Account of the Utility. The Fixed Asset account is adjusted for dispositions or abandonments. 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 the Amortization Reserve Accounts. The accumulations represent costs of fixed assets purchased with budgeted funds or acquired by gift as well as grants, developers' contributions or liquidations of bonded debt and other liabilities incurred upon fixed asset acquisition.

Inventories - An annual inventory of materials and supplies for the Water and Sewer Utility is required by regulation, to be prepared by Township personnel for inclusion on the Water Sewer Utility Operating Fund's balance sheet. Annual changes in valuations, offset with a Reserve Account, are not considered as affecting results of operations. The costs of inventories of supplies for other funds are recorded as expenditures at the time individual items are purchased and are not inventoried nor included on their respective balance sheets.

Cash and Investments - Cash includes amounts in demand deposits as well as short-term investments with a maturity date within one year of the date acquired by the government. Investments are stated at cost and are limited by N.J.S.A. 40A:5-15.1 to bonds or obligations of, or guaranteed by, the Federal Government and bonds or other obligations of Federal or local its having a maturity date not more than twelve months from the date of purchase. GAAP requires that investments be reported at fair value.

Tax Appeal and Other Contingent Losses - Losses arising from tax appeals and other contingent losses are recognized at the time a decision is rendered by an administrative or judicial body and not when it is probable that a loss has been incurred and the amount of such loss can be reasonably estimated.

Use of Estimates - The preparation of financial statements in accordance with accounting principles and practices prescribed by the Division requires management of the Township to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

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 presents the financial statements listed in the table of contents which are required by the Division and which differ from the financial statements required by GAAP. In addition, the Division requires the financial statements listed in the table of contents to be referenced to the supplementary schedules. This practice differs from GAAP.

Recent Pronouncements

The GASB issued Statement 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions in June 2015. This Statement replaces the requirements of Statement 45 and the primary objective of this Statement is to improve accounting and reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local government employers about financial support for OPEB that is provided by other entities. The requirements of this Statement are effective for financial statements for reporting periods beginning after June 15, 2017. Management has not yet determined the impact of the Statement on the financial statements.

CITY OF ORANGE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2016 AND 2015

1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The GASB issued Statement 77, Tax Abatement Disclosures in August 2015. This Statement is intended to improve financial reporting by requiring disclosure of tax abatement information about a reporting government's own tax abatement agreements and those that are entered into by other governments and that reduce the reporting government's tax revenues. The requirements of this Statement are effective for financial statements for reporting periods beginning after December 15, 2015. The Township has implemented this standard in the current year.

2. CASH, CASH EQUIVALENTS AND INVESTMENTS

Deposits:

New Jersey Statutes permit the deposit of public funds in institutions located in New Jersey which are insured by the Federal Deposit Insurance Corporation (FDIC), the Savings Association Insurance Fund (SAIF), or by 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 (the "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, municipalities are allowed to deposit funds in Government Money Market Mutual Funds purchased through state registered brokers/dealers and banks.

New Jersey Statutes require public depositories to maintain collateral for deposits of public funds that exceed insurance limits as follows:

The Market Value of the collateral must equal five percent of the average daily balance of public funds; or

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

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

The Township's deposits are insured through either the Federal Deposit Insurance Corporation ("FDIC") or New Jersey's Governmental Unit Deposit Protection Act ("GUDPA"). The Township is required to deposit their funds in a depository which is protecting such funds pursuant to GUDPA. GUDPA requires all banks doing business in the State of New Jersey to maintain additional collateral in the amount of 5% of the average public deposits and to deposit these amounts with the Federal Reserve Bank for all deposits not covered by the FDIC.

Custodial Credit Risk – the custodial credit risk for deposits is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. Although the Township does not have a formal deposit policy for custodial credit risk, N.J.S.A. 17:9-41 et seq. requires that governmental units shall deposit public funds in a public depositories protected from loss under the provisions of GUDPA. Public funds owned by the municipality in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings, bail funds, or funds that may pass to the municipality relative to the happening of a future condition. As of December 31, 2016 and 2015 the Township's bank balances were exposed to custodial credit risk.

CITY OF ORANGE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2016 AND 2015

2. CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank for periods ending December 31, 2016 and 2015. At December 31, 2016 and 2015, the book value of the Township's deposits were \$22,945,978.61 and \$22,831,519, respectively. The Township's deposits, which are displayed on the various fund Balance Sheets are categorized as:

<u>Depository Account</u>	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Insured	\$ 936,134	\$ 750,000
Uninsured and Collateralized	23,025,625	22,719,725
	<u>\$ 23,961,758</u>	<u>\$ 23,469,725</u>

Investments:

New Jersey Statutes allow the Township to purchase the following types of securities:

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

3. TAXES RECEIVABLE AND TAX TITLE LIENS

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 (the "Board") by each taxing district. The tax rate is determined by the Board upon the filing of these budgets.

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

CITY OF ORANGE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2016 AND 2015

3. TAXES RECEIVABLE AND TAX TITLE LIENS (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 11th day of the eleventh month in the fiscal year when the taxes became 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 two years:

Comparative Schedule of Tax Rates:

	Year <u>2016</u>	Year <u>2015</u>	Year <u>2014</u>
Tax Rate	<u>\$ 4.778</u>	<u>\$ 4.653</u>	<u>\$ 4.449</u>
Apportionment of Tax Rate:			
Municipal	\$ 3.266	\$ 3.197	\$ 3.047
County	0.565	0.552	0.538
County Open Space	0.017	0.017	0.016
School	<u>0.930</u>	<u>0.887</u>	<u>0.848</u>

Assessed Valuations:

<u>Calendar Year</u>	<u>Amount</u>
2016	\$ 1,284,813,847.08
2015	1,288,968,593.00
2014	1,309,103,923.00

Comparison of Tax Levies and Collections:

<u>Calendar Year</u>	<u>Tax Levy</u>	<u>Collections</u>	<u>Percentage of Collections</u>
2016	\$ 62,620,723.70	\$ 58,360,234.88	93.20 %
2015	60,094,488.94	55,883,998.49	92.99
2014	58,278,323.63	54,349,268.61	93.26

CITY OF ORANGE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016 AND 2015

3. TAXES RECEIVABLE AND TAX TITLE LIENS (continued)

Delinquent Taxes and Tax Title Liens:

<u>Calendar 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>
2016	\$ 2,858,956.39	\$ 3,436,456.84	\$ 6,295,413.23	10.05 %
2015	1,625,437.18	3,557,381.10	5,182,818.28	8.62
2014	2,288,760.07	3,425,696.82	5,714,456.89	9.81

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 is as follows:

<u>Year</u>	<u>Amount</u>
2016	\$ 856,500.00
2015	856,500.00
2014	856,500.00

5. WATER/SEWER CONSUMER ACCOUNTS RECEIVABLE

The Township maintains a utility fund for the billing and collection of water and sewer rents. The Township is divided into three sections for the purposes of billings which are done on a quarterly basis.

A comparison of Water and Sewer Utility billings and collections for the past three years is as follows:

<u>Year</u>	<u>Billing</u>	<u>Collection</u>
2016	\$ 8,143,787.68	\$ 8,208,347.31
2015	8,795,489.67	8,918,663.02
2014	8,807,430.84	8,380,477.14

Collections include prior year billings.

6. FUND BALANCES APPROPRIATED

Schedule of Fund Balances Appropriated:

	<u>Year</u>	<u>Balance December 31,</u>	<u>Utilized in Budgets Succeeding Year</u>
Current Year	2016	\$ 7,543,340.77	\$ 4,760,548.00
	2015	7,568,858.36	2,110,000.00
	2014	2,756,971.54	1,500,000.00
Water/Sewer Utility Operating Fund:	2016	\$ 331,070.80	\$ -
	2015	1,581,070.80	1,250,000.00
	2014	767,874.36	-

CITY OF ORANGE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2016 AND 2015

7. HEALTH BENEFITS

P.L. 2011 Ch. 78 Section 39 established guidelines for implementing employee contributions to the cost of their health insurance coverage.

The benefit cost of coverage is the premium. For State Health Benefit Plan ("SHBP") employers, the cost of coverage is the cost of medical and prescription coverage. For non-SHBP employers, the law requires that the cost of coverage includes all health care benefits; medical, prescription, dental, vision etc.

The base salary of the employees determines the percent of premium cost that is contributed.

The contribution is phased in at 25% per year:

- a) For employees hired on June 28, 2011 and not subject to Collective Negotiations Agreement ("CNA") that is in effect, contributions are effective on date of hire.
- b) When a CNA that is in effect on June 28, 2011 expires or is in almost any way modified

Full contribution (Year 4) takes effect immediately for employees hired after June 28, 2011 who are not covered by a CNA or would be covered by a CNA that has expired.

When contributions begin, if the 1.5% of base salary calculation under Ch. 2 is greater than the standard contribution, that amount is paid until the new contribution percentage is greater.

8. PENSION PLANS

Public Employee Retirement System

The Public Employee Retirement System is a cost-sharing, multiple employer defined benefit pension plan as defined in GASB Statement No. 68. The Plan is administered by The New Jersey Division of Pensions and Benefits (Division). The more significant aspects of the PERS Plan are as follows:

Plan Membership and Contributing Employers- Substantially all full-time employees of the State of New Jersey or any county, municipality, school district or public agency are enrolled in PERS, provided the employee is not required to be a member of another state-administered retirement system or other state pension fund or other jurisdiction's pension fund. Membership and contributing employers of the defined benefit pension plans consisted of the following at June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Inactive plan members or beneficiaries currently receiving benefits	170,685	166,637
Inactive plan members entitled to but not yet receiving benefits	650	703
Active plan members	<u>254,685</u>	<u>259,161</u>
Total	<u>426,020</u>	<u>426,501</u>

Contributing Employers – 1,710

Significant Legislation – For State of New Jersey contributions to PERS, Chapter 1, P.L. 2010, effective May 21, 2010, required the State to resume making actuarially recommended contributions to the pension plan on a phased-in basis over a seven year period beginning in the fiscal year ended June 30, 2012. For State fiscal year 2016, the State was required to make a minimum contribution representing 5/7th of the actuarially determined contribution amount based on the July 1, 2014 actuarial valuation.

CITY OF ORANGE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2016 AND 2015

8. PENSION PLANS (continued)

Chapter 19, P.L. 2009, effective March 17, 2009, provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State Fiscal Year 2009. Such an employer will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of PERS, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets.

Pursuant to the provision of Chapter 78, P.L. 2011, COLA increases were suspended for all current and future retirees of PERS.

For the year ended December 31, 2016 and 2015 the Township's total payroll for all employees was \$27,873,929 and \$26,000,677, respectively. Total PERS covered payroll was \$5,591,390 and \$5,867,787, respectively. Covered payroll refers to pensionable compensation, rather than total compensation, paid by the Township to active employees covered by the Plan.

Specific Contribution Requirements and benefit provisions – The contribution policy is set by N.J.S.A 43:15 and requires contributions by active members and contributing employers. Members contribute at a uniform rate. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years beginning in July 2012. The member contribution rate was 6.92% in State fiscal year 2015 and increased to 7.06% for State fiscal year 2016, commencing July 1, 2016. The phase-in of the additional incremental member contribution rate will take place in July of each subsequent State fiscal year. Employers' contribution amounts are based on an actuarially determined rate. The annual employer contributions include funding for basic retirement allowances and noncontributory death benefits. Township contributions are due and payable on April 1st in the second fiscal period subsequent to plan year for which the contributions requirements were calculated.

Township payments to PERS for the years ending December 31, 2016 and 2015 consisted of the following:

	<u>2016</u>	<u>2015</u>
Total Regular Billing	<u>\$663,845</u>	<u>\$625,943</u>

The Township recognizes liabilities to PERS and records expenditures for same in the fiscal period that bills become due.

The vesting and benefit provisions are set by N.J.S.A. 43:15. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS.

The following represents the membership tiers for PERS:

<u>Tier</u>	<u>Definition</u>
1	Members who were enrolled prior to July 1, 2007.
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 8, 2008
3	Members who were eligible on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

CITY OF ORANGE TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016 AND 2015

8. PENSION PLANS (continued)

A service retirement benefit of 1/55th of final average salary for each year of service credit is available to tier 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tier 1 and 2 members before reaching age 60, to tier 3 and 4 members before age 62 and tier 5 members with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the retirement age of his/her respective tier. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions – The regulatory basis of accounting which is basis for the preparation of the Township's basic financial statements does not require or permit the inclusion of entity-wide, full accrual basis financial statements. Accordingly, the Township does not recognize pension liabilities for any current or prior period until the fiscal period in which such payments will become due and payable.

At June 30, 2016, the PERS reported a net pension liability of \$29,617,131,759 for its Non-State Employer Member Group. The Township's proportionate share of the net pension liability for the Non-State Employer Member Group that is attributable to the Township was \$24,539,308 or 0.0828551142% which was a decrease of 0.0029275347% from its proportion measured as of June 30, 2015. The Pension liability for June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2016.

At June 30, 2015, the PERS reported a net pension liability of \$22,447,996,119 for its Non-state Employer Member Group that is attributable to the Township was \$17,333,301 or 0.07721536%.

At December 31, 2016 the Township would have reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources, if GASB #68 was recognized:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expended and actual experience	\$ 456,357	\$ -
Changes in assumptions	5,083,234	
Net difference between projected and actual earnings on pension plan investments	935,706	
Changes in proportion and differences between Township contributions and proportionate share of contributions	1,080,203	181,594
Township contributions subsequent to the measurement date	736,073	

\$736,073 shown as deferred outflows of resources related to PERS resulting from Township contributions subsequent to the measurement. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions would be recognized in pension expenses on a GAAP basis as follows:

<u>Year ended December 31,</u>	<u>Amount</u>
2016	\$1,431,645
2017	1,696,229
2018	1,908,025
2019	1,735,102
2020	<u>602,905</u>
Total	<u>\$7,373,906</u>

CITY OF ORANGE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2016 AND 2015

8. PENSION PLANS (continued)

Actuarial Assumptions- The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Inflation	3.08%	3.04%
Salary Increases (2012-2021)	1.65-4.15% Based on age	2.15-4.40% Based on age
Thereafter	2.65-5.15% Based on age	3.15-5.40% Based on age
Investment rate of return	7.65%	7.90%

Pre-retirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale.

Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

In accordance with State statute, the long-term expected rate of return on plan investments (7.65% at June 30, 2016) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2016 and 2015 are summarized in the following table:

CITY OF ORANGE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2016 AND 2015

8. PENSION PLANS (continued)

<u>Asset Class</u>	<u>June 30, 2016</u>		<u>June 30, 2015</u>	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	0.87%	5.00%	1.04%
Mortgages	2.00%	1.67%	2.10%	1.62%
High Yield Bonds	2.00%	4.56%	2.00%	4.03%
Inflation Indexed Bonds	1.50%	3.44%	1.50%	3.25%
Broad U.S. Equities	26.00%	8.53%	27.25%	8.52%
Developed Foreign Markets	13.25%	6.83%	12.00%	6.88%
Emerging Market Equities	6.50%	9.95%	6.40%	10.00%
Private Equity	9.00%	12.40%	9.25%	12.41%
Hedge Funds/Absolute Returns	12.50%	4.68%	12.00%	4.72%
Real Estate (Property)	2.00%	6.91%	2.00%	6.83%
Commodities	0.50%	5.45%	1.00%	5.32%
U.S. Treasuries	1.50%	1.64%	1.75%	1.64%
Investment Grade Credit	8.00%	1.79%	10.00%	1.79%
Global Debt ex US	5.00%	-0.25%	3.50%	-0.40%
REIT	5.25%	5.63%	4.25%	5.12%
	<u>100.00%</u>		<u>100.00%</u>	

Discount Rate – The discount rate used to measure the total pension liability was 3.98% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65% and a municipal bond rate of 2.85% as of June 30, 2016 based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 30% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2034. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of Net Pension Liability – the following presents the net pension liability of PERS calculated using the discount rates as disclosed above as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage rate higher than the current rate:

	<u>At 1% Decrease</u>	<u>At Current Discount Rate</u>	<u>At 1% Increase</u>
PERS	\$30,070,058	\$24,539,308	\$19,973,195

CITY OF ORANGE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2016 AND 2015

8. PENSION PLANS (continued)

Plan Fiduciary Net Position – The plan fiduciary net position for PERS, including the State of New Jersey, at June 30, 2016 and 2015 were \$26,762,070,610 and \$28,553,566,906 respectively. The portion of the Plan Fiduciary Net Position was allocable to the Local (Non-Sate) Groups at June 30, 2016 and 2015 was \$19,857,566,387 and \$20,661,583,919, respectively.

Additional Information

Collective balances at June 30, 2016 are as follows:

Collective deferred outflows of resources	\$ 8,658,338,380
Collective deferred inflows of resources	870,133,595
Collective net pension liability – Local group	29,617,131,759
 Township's Proportion	 0.0828551142%

Collective pension expense for the Local Group for the measurement period ended June 30, 2016 and 2015 was \$2,830,763,540 and \$1,481,308,816, respectively. The average of the expected remaining service lives of all plan members if 5.57, 5.72 and 6.44 years for 2016, 2015 and 2014, respectively.

Police and Firemen's Retirement System

The Police and Firemen's Retirement System is a cost-sharing, multiple employer defined benefit pension plan as defined in GASB Statement No. 68. The Plan is administered by The New Jersey Division of Pensions and Benefits (Division). The more significant aspects of the PFRS Plan are as follows:

Plan Membership and Contributing Employers- Substantially all full-time county and municipal police and firemen and state firemen or officer employees with police powers appointed after June 30, 1944 are enrolled in PFRS Membership and contributing employers of the defined benefit pension plans consisted of the following at June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Inactive plan members or beneficiaries currently receiving benefits	40,789	44,252
Inactive plan members entitled to but not yet receiving benefits	47	51
Active plan members	<u>45,625</u>	<u>40,359</u>
 Total	 <u>84,461</u>	 <u>84,662</u>

Contributing Employers – 585

In addition to the State, who the sole payer of regular employer contributions to the fund, PFP's contributions employers include Boards of Education who elect to participate in the Early Retirement Incentive Program (ERIP) and are legally responsible to continue to pay toward their liability. The current number of ERIP contributions employers is 26.

Significant Legislation – For State of New Jersey contributions to PFRS, Chapter 1, P.L. 2010, effective May 21, 2010, required the State to resume making actuarially recommended contributions to the pension plan on a phased-in basis over a seven year period beginning in the fiscal year ended June 30, 2012. For State fiscal year 2015, the State was required to make a minimum contribution representing 5/7th of the actuarially determined contribution amount based on the July 1, 2014 actuarial valuation.

Pursuant to the provision of Chapter 78, P.L. 2011, COLA increases were suspended for all current and future retirees of PFRS.

CITY OF ORANGE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2016 AND 2015

8. PENSION PLANS (continued)

For the years ended December 31, 2016 and 2015 the Township's total payroll for all employees was \$27,873,929 and \$26,000,677. Total PFRS covered payroll was \$14,355,630 and \$14,156,611. Due to payroll system limitations, covered payroll refers to pensionable compensation, rather than total compensation, paid by the Township to active employees covered by the Plan.

Specific Contribution Requirements and benefit provisions – The contribution policy is set by N.J.S.A. 43:16A and requires contributions by active members and contributing employers. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contributions rate increased from 8.5% of annual compensation to 10.0% in October 2011. Employer contribution amounts are based on an actuarially determined rate. The annual employer contributions include funding for basic retirement allowances and noncontributory death benefits. Township contributions are due and payable on April 1st in the second fiscal period subsequent to plan year for which the contributions requirements were calculated. Township payments to PFRS made in the years ending December 31, 2016 and 2015 consisted of the following:

	<u>2016</u>	<u>2015</u>
Total PFRS Payment - Regular	<u>\$3,678,122</u>	<u>\$3,422,854</u>

The Township recognizes liabilities to PFRS and records expenditures for same in the fiscal period that bills become due.

The vesting and benefit provisions are set by N.J.S.A. 43:16A. PFRS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for disability benefits, which vest after 4 years of service.

The following represents the membership tiers for PFRS:

<u>Tier</u>	<u>Definition</u>
1	Members who were enrolled prior to May 22, 2010
2	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
3	Members who were eligible on or after June 28, 2011

Service retirement benefits are available at age 55 and are generally determined to be 2% of final compensation for each year of creditable service, as defined, up to 30 years plus 1% for each year of service in excess of 30 years. Members may seek special retirement after achieving 25 years of creditable service, in which benefits would equal 65% (tiers 1 and 2 members) and 60% (tier 3 members) of final compensation plus 1% for each year of creditable service over 25 years but not to exceed 30 years. Members may elect deferred retirement benefits after achieving ten years of service, in which case benefits would begin at age 55 equal to 2% of final compensation for each year of service.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions – The regulatory basis of accounting which is basis for the preparation of the Township's basic financial statements does not require or permit the inclusion of entity-wide, full accrual basis financial statements. Accordingly, the Township does not recognize pension liabilities for any current or prior period until the fiscal period in which such payments will become due and payable.

At June 30, 2016, the PFRS reported a net pension liability of \$20,706,699,056 for its Non-State, Non-Special Funding Situation Employer Member Group. The Township's proportionate share of the net pension liability for the Non-State Non-Special Funding Situation Employer Member Group was \$85,028,766, or 0.4451171733%. At June 30, 2015, the PFRS reported a net pension liability of \$16,656,514,197 for its Non-State, Non-Special Funding Situation Employer Member Group. The Township's proportionate share of the net pension liability for the Non-State Non-Special Funding Situation Employer Member Group was \$75,370,152, or 0.04524965468%.

CITY OF ORANGE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2016 AND 2015

8. PENSION PLANS (continued)

At December 31, 2016 the Township would have reported deferred outflows of resources and deferred inflows of resources related to PFRS from the following sources, if GASB #68 was recognized:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expended and actual experience	\$	\$ 557,376
Changes in assumptions	11,777,183	
Net difference between projected and actual earnings on pension plan investments	5,957,794	
Changes in proportion and differences between Township contributions and proportionate share of contributions	1,847,438	848,868
Township contributions subsequent to the measurement date	3,629,221	

\$3,629,221 shown as deferred outflows of resources related to PFRS resulting from Township contributions subsequent to the measurement. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to PFRS would have been recognized in pension expense on GAAP basis as follows:

Year ended December 31,	Amount
2016	\$ 4,641,020
2017	4,641,020
2018	4,641,020
2019	3,365,472
2020	887,639
Total	<u>\$18,176,171</u>

Actuarial Assumptions- The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	June 30, 2016	June 30, 2015
Inflation	3.08%	3.04%
Salary Increases (2012-2026)	2.10-8.98% based on age	2.60-9.48% based on age
Thereafter	3.10-9.98% based on age	3.60-10.48% based on age
Investment rate of return	7.65%	7.90%

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

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2013.

CITY OF ORANGE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016 AND 2015

8. PENSION PLANS (continued)

In accordance with State statute, the long-term expected rate of return on plan investments (7.65% at June 30, 2016) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2016 and 2015 are summarized in the following table:

<u>Asset Class</u>	<u>June 30, 2016</u>		<u>June 30, 2015</u>	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	0.87%	5.00%	1.04%
Mortgages	2.00%	1.67%	2.10%	1.62%
High Yield Bonds	2.00%	4.56%	2.00%	4.03%
Inflation Indexed Bonds	1.50%	3.44%	1.50%	3.25%
Broad U.S. Equities	26.00%	8.53%	27.25%	8.52%
Developed Foreign Markets	13.25%	6.83%	12.00%	6.88%
Emerging Market Equities	6.50%	9.95%	6.40%	10.00%
Private Equity	9.00%	12.40%	9.25%	12.41%
Hedge Funds/Absolute Returns	12.50%	4.68%	12.00%	4.72%
Real Estate (Property)	2.00%	6.91%	2.00%	6.83%
Commodities	0.50%	5.45%	1.00%	5.32%
U.S. Treasuries	1.50%	1.64%	1.75%	1.64%
Investment Grade Credit	8.00%	1.79%	10.00%	1.79%
Global Debt ex US	5.00%	-0.25%	3.50%	-0.40%
REIT	5.25%	5.63%	4.25%	5.12%
	<u>100.00%</u>		<u>100.00%</u>	

Discount Rate – The discount rate used to measure the total pension liability was 5.55% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65% and a municipal bond rate of 2.85% as of June 30, 2016 based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 30% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2050. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2050, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

CITY OF ORANGE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2016 AND 2015

8. PENSION PLANS (continued)

Sensitivity of Net Pension Liability – the following presents the net pension liability of PFRS calculated using the discount rates as disclosed above as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage rate higher than the current rate:

	<u>At 1% Decrease</u>	<u>At Current Discount Rate</u>	<u>At 1% Increase</u>
PFRS	<u>\$109,638,359</u>	<u>\$85,028,766</u>	<u>\$64,961,123</u>

Plan Fiduciary Net Position – The plan fiduciary net position for PFRS at June 30, 2016 and 2015 was \$23,984,726,664 and \$25,106,858,921, respectively.

Additional Information

Collective balances at June 30, 2016 are as follows:

Collective deferred outflows of resources	\$ 4,547,316,543
Collective deferred inflows of resources	688,197,590
Collective net pension liability – Local group	20,706,699,056
 Township's Proportion	 0.0410634096%

Collective pension expense for the Local Group for the measurement period ended June 30, 2016 and 2015 was \$2,255,296,958 and \$1,645,612,699, respectively. The average of the expected remaining service lives of all plan members is 5.58, 5.53 and 6.17 years for 2016, 2015 and 2014, respectively.

Special Funding Situation- Under N.J.S.A 43:16A-15, local participating employers are responsible for their own contributions based on actuarially determined amounts, except where legislation was passed which legally obligated the State if certain circumstances occurred. The amounts contributed on behalf of the local participating employers under this legislation is considered to be a special funding situation and state is treated as a non-employer entity. The non-employer contributing entities' total proportionate share of the collective net pension liability that is associated with the Township as of June 30, 2016 and 2015 for police and fire is 0.4451171733% and 0.4524965468%, respectively. The non-employer contributing entities' contribution for the year ended June 30, 2016 and 2015 was \$273,596 and \$344,069, respectively. The state's proportionate share of net pension liability attributable to the Township as of June 30, 2016 and 2015 was \$7,140,307 and \$6,609,709, respectively.

Defined Contribution Retirement Plan

DCRP was established July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007. Prudential is acting on behalf of the NJ Division of Pensions and Benefits as the record keeper and investment funds manager. Chapter 1, P.L. 2010 increased the minimum annual salary required for eligibility in the DCRP. An employee must earn an annual salary of at least \$5,000 to be eligible or to continue participation.

The Defined Contribution Retirement Plan (DCRP) is a multiple employer defined contribution plan as defined in GASB Statement No. 68. The Plan is administered by The New Jersey Division of Pensions and Benefits (Division). The more significant aspects of the DCRP are as follows:

CITY OF ORANGE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2016 AND 2015

8. PENSION PLANS (continued)

Plan Membership and Contributing Employers- Enrollment in the DCRP is required for state or local officials, elected or appointed on or after July 1, 2007; employees enrolled in PFRS or PERS on or after July 1, 2007, who earn salary in excess of established "maximum compensation" limits; employees otherwise eligible to enroll in PFRS or PERS on or after November 2, 2008, who do not earn the minimum annual salary for tier 3 enrollment but who earn salary of at least \$5,000 annually; and employees otherwise eligible to enroll in PFRS or PERS after May 21, 2010, who do not work the minimum number of hours per week required for tier 4 or tier 5 enrollment, but who earn salary of at least \$5,000 annually. At June 30, 2016 and 2015, the membership in the DCRP, based on the information within the Division's database, was 36,808 and 28,270.

Contribution Requirement and Benefit Provisions - State and local government employers contribute 3% of the employee's base salary. Active members contribute 5.5% of base salary.

9. POST RETIREMENT BENEFITS OTHER THAN PENSIONS

The Township contributes to the State Health Benefits Program ("SHBP"), a cost-sharing, multiple-employer defined benefit post-employment health care plan administered by the Division of Pensions. The SHBP was established in 1961 under N.J.S.A. 52:14-17.25 et seq., to provide health benefits to State employees, retirees, and their dependents. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. The SHBP provides medical, prescription drugs, mental health/substance abuse, and Medicare Part B reimbursement to retirees and their covered dependents.

The SHBP was extended to employees, retirees, and dependents of participating local public employees in 1964. Local employers are required to adopt a resolution to participate in the SHBP and in November 2005, the Township authorized participation the SHBP's post-retirement benefits program through resolution number 148B, effective January 1, 2006. In 1989, the Township agreed to provide medical insurance coverage for all police officers who retire from the Township of Orange Police Department with 25 or more years of credited police service, or who are authorized a disability retirement. This medical coverage benefit shall be administered by the Township at no cost to the retiree. Participation is mandatory for all officers and 2.10% of their annual base compensation is deducted for two years. Contributions to pay for the health premiums of participating retirees are billed to the Township on a monthly basis.

Effective June 1, 1993, all other employees were offered a "window" to participate for 60 days. Participation was voluntary and 2.10% of their annual base compensation was deducted for two years. Employees hired after December 31, 2005, are not eligible for retiree's medical coverage. In 2007, another "window" was offered from May through August for any employee employed in 1993, and still active, to buy in at 2.10% for two years.

The State Health Benefits Commission is the executive body established by Statute to be responsible for the operation of the SHBP. The Division of Pension and Benefits issues a publicly available financial report that includes financial statements and required supplementary information of the SHBP. That report may be obtained by writing to: State of New Jersey Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-09295 or by visiting their website at www.state.nj.us/treasury/pensions/qasb-43-sept2008.pdf.

Funding Policy: Participating employers are contractually required to contribute based on the amount of premiums attributable to their retirees. Post-retirement medical benefits under the plan have been funded on a "pay-as-you-go" basis since 1994. Prior to 1994, medical benefits were funded on an actuarial basis.

Contributions to pay for the health insurance premiums of participating retirees in the SHBP are billed to the Township on a monthly basis. The Township assumes cost through taxation.

CITY OF ORANGE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2016 AND 2015

10. 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 and Type 1 School Debt)

	<u>Calendar Year 2016</u>	<u>Calendar Year 2015</u>	<u>Calendar Year 2014</u>
<u>Bonds and Notes Issued</u>			
General Capital:			
Bonds and Notes	\$ 9,693,779.00	\$ 9,370,544.00	\$ 8,325,985.00
Loans	1,429,041.30	1,249,957.89	1,342,942.13
Water and Sewer Utility:			
Bonds	19,210,000.00	20,380,000.00	21,615,000.00
Loans	5,140,602.03	5,497,560.35	5,851,321.59
Total Issued	<u>35,473,422.33</u>	<u>36,498,062.24</u>	<u>37,135,248.72</u>
<u>Authorized but Not Issued</u>			
General:			
Bonds and Notes	3,526,746.00	5,346,966.00	7,877,646.00
Water and Sewer Utility:			
Bonds and Notes	<u>1,500,281.00</u>	<u>1,500,281.00</u>	<u>1,500,281.00</u>
	<u>5,027,027.00</u>	<u>6,847,247.00</u>	<u>9,377,927.00</u>
Total Debt	<u>\$ 40,500,449.33</u>	<u>\$ 43,345,309.24</u>	<u>\$ 46,513,175.72</u>

Summary of Statutory Debt Condition – Annual Debt Statement

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of 2.869 % at December 31, 2016.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School District	\$ 321,921.00	\$ 321,921.00	\$
Water and Sewer Utility Debt	25,850,883.03		25,850,883.03
Other Bonds and Notes	<u>14,649,566.30</u>	<u>4,225.00</u>	<u>14,645,341.30</u>
	<u>\$ 40,822,370.33</u>	<u>\$ 326,146.00</u>	<u>\$ 40,496,224.33</u>

Net Debt, \$40,496,224.33 divided by Equalized Valuation Basis per N.J.S.A. 40:A2-2 as amended, \$1,440,438,913.67 equals 2.811%. A revised annual debt statement will be filed.

CITY OF ORANGE TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016 AND 2015

10. MUNICIPAL DEBT (continued)

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

3 1/2% of Equalized Valuation Basis (Municipal)	\$ 50,415,361.98
Net Debt	<u>40,496,224.33</u>
Remaining Borrowing Capacity	<u>\$ 9,919,137.65</u>

School Debt Deductions

School debt is deductible up to the extent of 4.0% of the Average Equalized Assessed Valuations of real property for the Local School District and entirely for the Regional High School.

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

Surplus and Cash Receipts from Fees, Rents or Other Charges for Year and Fund Balance Anticipated	\$ 9,612,027.82
Deductions:	
Operating and Maintenance Cost	\$ 9,620,336.00
Debt Service per Water/Sewer Utility	<u>2,530,262.61</u>
	<u>12,150,598.61</u>
(Deficit)	<u>\$ (2,538,570.79)</u>

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

As of December 31, 2016, the Township's long-term debt is as follows:

General Obligation Bonds

	2016	2015
\$4,865,000.00: 2003 Pension Refunding Bonds, due in a final installment of \$535,000.00 in May 2016, interest at 4.52% *		\$ 535,000.00
\$3,655,000.00: 2007 Refunding Bonds, in annual installments of \$355,000.00 to \$365,000.00 through August 2019, interest at 3.90%	\$ 1,080,000.00	1,415,000.00
\$9,103,035.00: 2008 Refunding Bonds Series A, due in one final installment of \$653,079.00 on December 2017, interest at 4.00%.	<u>653,079.00</u>	<u>1,280,074.00</u>
	<u>\$ 1,733,079.00</u>	<u>\$ 3,230,074.00</u>

Water Utility Bonds

\$30,000,000.00: 2003 Bonds due in annual installments of \$975,000.00 to \$2,360,000.00 through June 2027, interest at 4.00% to 5.00% *	\$ 19,210,000.00	\$ 20,380,000.00
* Qualified Bond Act (P.L. 1976, c.38)	<u>\$ 19,210,000.00</u>	<u>\$ 20,380,000.00</u>

CITY OF ORANGE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2016 AND 2015

10. MUNICIPAL DEBT (continued)

The Township has entered into loan agreements with the State of New Jersey, Department of Environmental Protection, detailed as follows:

<u>Military Commons</u>	<u>2016</u>	<u>2015</u>
\$91,579.00 loan, due in semi-annual installments of \$4,812.80 to \$5,263.68 through October 2021, interest at 2%	\$ 50,352.54	\$ 59,835.66
<u>Ropes Playground</u>		
\$90,000 Loan, due in semi-annual installments of \$2,903.23 through December 2028, no interest	69,677.39	75,483.85
<u>Multi-Parks Project</u>		
\$250,000.00 loan, due in semi-annual installments of \$6,410.26 through February 2028, no interest	147,435.64	160,256.16
\$600,000.00 Loan, due in semi-annual installments of \$15,384.62 through May 2033, no interest	553,846.34	584,615.58
	<u>\$ 821,311.91</u>	<u>\$ 880,191.25</u>

N.J Environmental Infrastructure Trust Loan Payable

Loan agreements were entered into by the City of Orange Township with the New Jersey Department of Environmental Protection for the purpose of improvements to the water and sewer, waste water and storm water systems detailed as follows:

	<u>Balance Dec. 31, 2016</u>	<u>Balance Dec. 31, 2015</u>
<u>General Debt</u>		
Trust Fund	\$ 170,000.00	\$ 220,000.00
Fund Share	112,729.39	149,766.84
	<u>\$ 282,729.39</u>	<u>\$ 369,766.84</u>
<u>Water and Sewer Utility Debt</u>		
Trust Fund	\$ 2,825,000.00	\$ 2,990,000.00
Fund Share	2,315,602.00	2,507,560.35
	<u>\$ 5,140,602.00</u>	<u>\$ 5,497,560.35</u>

CITY OF ORANGE TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016 AND 2015

10. MUNICIPAL DEBT (continued)

Bond Anticipated Notes

	Balance Dec. 31, 2016	Balance Dec. 31, 2015
General Capital Fund, Interest Rate 2%		
General Improvement	\$ 7,960,700.00	\$ 6,140,480.00

Bond and Notes Anticipated but Not Issued

	Balance Dec. 31, 2016	Balance Dec. 31, 2015
General Capital Fund:		
General Improvements	\$ 3,526,746.00	\$ 5,346,966.00
Water and Sewer Capital Fund:		
General Improvements	\$ 1,500,281.00	\$ 1,500,281.00

Demolition Bond Loan 2012

The Township entered into a loan agreement for \$325,000 in 2014. This ten year loan is being amortized at \$32,500 per year at 4.0% interest.

School Debt

The Board of Education of the Township (the "BOE") is a Type I school district and the members of the BOE are appointed by the Mayor. A Board of School Estimate approves the school district tax levy after the final budget is determined by the BOE. The members of the Board of School Estimate include the Mayor, two members of the local school board and two members of the governing body. School debt, authorized by the Board of School Estimate, is obligation of the Township and school debt service is raised as part of the school tax levy. School debt is reported on the balance sheet of the General Capital Fund and is detailed as follows:

Type I School Bonds

	2016	2015
\$1,306,965.00, 2009 Refunding Bonds, Series A, due in one final installment of \$96,921.00 on December 1, 2017, interest at 4.00%	\$ 96,921.00	\$ 189,926.00
\$3,015,000.00, 2009 Refunding Bonds, Series B, due in one final installment of \$225,000.00 on December 1, 2017, interest at 4.00%.	225,000.00	440,000.00
	<u>\$ 321,921.00</u>	<u>\$ 629,926.00</u>

CITY OF ORANGE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2016 AND 2015

10. MUNICIPAL DEBT (continued)

Fiscal Year	Total General Debt	General Debt									
		General		Green Trust Loan **		New Jersey Environmental Infrastructure Trust Loan		School Serial Bonds		Demolition Loan	
		Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 1,696,059.70	\$ 1,018,079.00	\$ 68,243.08	\$ 59,069.95	\$ 958.92	\$ 93,455.91	\$ 10,955.00	\$ 321,921.00	\$ 12,876.84	\$ 97,500.00	\$ 13,000.00
2018	591,679.71	360,000.00	27,885.00	59,264.39	764.48	91,498.34	8,067.50			32,500.00	11,700.00
2019	573,536.51	355,000.00	12,845.00	59,462.74	566.13	97,775.14	4,987.50			32,500.00	10,400.00
2020	101,628.87			59,665.09	363.78					32,500.00	9,100.00
2021	100,328.87			59,871.47	157.40					32,500.00	7,800.00
2022-26	360,061.10			246,981.10						97,500.00	15,600.00
2027-31	184,689.25			184,689.25							
2032-34	92,307.92			92,307.92							
	<u>\$ 3,700,311.93</u>	<u>\$ 1,733,079.00</u>	<u>\$ 108,973.08</u>	<u>\$ 821,311.91</u>	<u>\$ 2,810.71</u>	<u>\$ 282,729.39</u>	<u>\$ 24,010.00</u>	<u>\$ 321,921.00</u>	<u>\$ 12,876.84</u>	<u>\$ 325,000.00</u>	<u>\$ 67,600.00</u>

** The Multi-Parks Project Loan from Green Acres is Interest Free.

Schedule of Annual Debt Service for Principal and Interest for Water and Sewer Utility Debt

Fiscal Year	Total Water and Sewer Utility	Bonds		New Jersey Environmental Infrastructure Trust Loan	
		Principal	Interest	Principal	Interest
2017	\$ 2,539,625.02	\$ 1,240,000.00	\$ 785,452.50	\$ 368,010.02	\$ 146,162.50
2018	2,547,073.73	1,310,000.00	720,900.00	378,761.23	137,412.50
2019	2,556,774.46	1,390,000.00	649,400.00	389,211.96	128,162.50
2020	2,560,644.23	1,470,000.00	573,650.00	399,069.23	117,925.00
2021	2,568,027.99	1,560,000.00	493,275.00	408,302.99	106,450.00
2022-26	13,894,073.66	9,880,000.00	1,449,875.00	2,217,623.66	346,575.00
2027-28	3,431,822.94	2,360,000.00	47,200.00	979,622.94	45,000.00
	<u>\$ 30,098,042.03</u>	<u>\$ 19,210,000.00</u>	<u>\$ 4,719,752.50</u>	<u>\$ 5,140,602.03</u>	<u>\$ 1,027,687.50</u>

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

CITY OF ORANGE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016 AND 2015

11. INTERFUND RECEIVABLES AND PAYABLES

As of December 31, 2016, interfund receivables and payables that resulted from various interfund transactions were as follows:

	<u>Due From</u>	<u>Due To</u>
Current:		
Grant Fund	\$ 659,514.76	\$
General Trust	83,082.80	
Grant Trust Fund		184.72
General Capital	124,166.13	
Water Operating		315,653.00
Payroll Fund		23,316.26
Grant:		
Current Fund		659,514.76
Trust:		
Current Fund		83,082.80
Water Operating	15,010.00	
Payroll Fund	23,316.26	
Grant Trust Fund:		
Current Fund	184.72	
General Capital:		
Current Fund		124,166.13
Utility:		
Current Fund	315,653.00	
Water Operating		15,010.00
	<u>\$ 1,220,927.67</u>	<u>\$ 1,220,927.67</u>

CITY OF ORANGE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016 AND 2015

12. DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2016 and 2015, the following deferred charges are shown on the balance sheets of the Current and Utility Funds.

	Balance December 31, 2016	Amount Raised in 2017 Budget
<u>2016 Current Fund:</u>		
Overexpenditure of Budget Appropriations	\$ 5,604.07	\$ 5,604.07
Special Emergency Authorization	1,000,000.00	200,000.00
Emergency Authorization	350,000.00	350,000.00
Special Emergency - Revaluation	207,639.37	103,820.00
	<u>\$ 1,563,243.44</u>	<u>\$ 659,424.07</u>
	Balance December 31, 2015	Amount Raised in 2016 Budget
<u>2015 Current Fund:</u>		
Overexpenditure of Budget Appropriations	\$ 3,702.31	\$
Special Emergency Appropriations	400,000.00	400,000.00
Special Emergency – Revaluation	311,460.00	103,820.00
Special Emergency - Accrued Sick & Vacation	405,432.37	405,432.37
	<u>\$ 1,120,594.68</u>	<u>\$ 909,252.37</u>
	Balance December 31, 2016	Amount Raised in 2017 Budget
<u>2016 Water and Sewer Utility Fund:</u>		
Emergency Appropriation	\$ 2,150,000.00	\$
Operating Deficit	388,570.79	388,570.79
	<u>\$ 2,538,570.79</u>	<u>\$ 388,570.79</u>

There were no deferred charges for the Water and Sewer Utility Operating Fund in 2015.

CITY OF ORANGE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2016 AND 2015

13. RISK MANAGEMENT

The Township is self-insured with respect to workers' compensation and general liability. A description of these funds is detailed as follows:

Claims for workers' compensation are funded on a cash basis through budget appropriations. There is no reserve established at December 31, 2016 and 2015 for possible catastrophic claims.

Processing and payment of workers' compensation claims are administered by Inservco Insurance Services.

General Liability:

A Municipal Insurance Fund Commission was established by Ordinance #14-87 adopted on February 17, 1987. The fund is to be used for the following purposes:

1. To self-insure against loss or damage caused to any property, motor vehicles, equipment or apparatus owned by the Township or owned by or under the control of any Township department, board, agency, or commission, where no insurance coverage is in effect.
2. To self-insure against liability resulting from the use or operation of motor vehicles, equipment or apparatus owned by or controlled by the Township or any Township department, board, agency, or commission, where no insurance coverage is in effect.
3. To self-insure against liability for the Township's negligence or that of its officers, employees and servants, whether full or part-time, who are acting within the scope of their authority - but not including an independent contractor - within the limitations of the New Jersey Tort Claims Act, where no insurance coverage is in effect (N.J.S.A. 59:1-1 et seq.).

There has been no provisions included in the financial statements for claims incurred but not reported as of December 31, 2016 and 2015.

A summary of activity for these funds is detailed as follows:

	Balance December 31, 2015	Increase	Decrease	Balance December 31, 2016
General Liability	<u>\$ 286,133.45</u>	<u>\$ 287,355.79</u>	<u>\$ 420,595.77</u>	<u>\$ 152,893.47</u>
	Balance December 31, 2014	Increase	Decrease	Balance December 31, 2015
General Liability	<u>\$ 272,325.32</u>	<u>\$ 103,448.05</u>	<u>\$ 89,639.92</u>	<u>\$ 286,133.45</u>

CITY OF ORANGE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2016 AND 2015

14. TAX ABATEMENTS

Government Accounting Statement No. 77, Tax Abatement Disclosures became effective for financial statements for periods beginning after December 15, 2015. This statement establishes financial reporting standards for tax abatement agreements entered into by state and local governments. The disclosures required by this Statement encompass tax abatements resulting from both (a) agreements that are entered by the reporting government and (b) agreements that are entered into by other governments that reduce the reporting governments' tax revenues. The following are the existing tax abatement agreements for the City of Orange Township:

Entity Name	Pilot Billing	Taxes if Billed in Full
Transport of N.J.	\$ 107,019	\$
Our Lady of Mt. Carmel Senior Citizens	137,067	482,430
Millenium Homes	26,236	318,482
South Essex Urban Renewal	80,860	549,040
Oakwood Towers	256,807	939,508
Salem Towers	144,843	675,256
Orange Park Apartments	162,261	512,904
The Berkely	29,422	164,846
Lincoln Court	96,338	297,732
Project Live Inc.	5,719	11,204
New Community Corporation	49,961	421,539
307 Washington Street	83,818	372,808
Central Orange Village II	54,097	296,437
Grand Central Senior Housing	38,496	383,788
Washington Todd	493,406	898,503
L&M Development Partners	221,114	335,750
	<u>\$ 1,987,463</u>	<u>\$ 6,660,226</u>

15. CONTINGENT LIABILITIES

The Township permits its employees to accumulate unused vacation, sick and other days, which may be taken as compensatory time off or paid at a later date. The Township's policy is summarized as follows:

Vacation

All accumulated vacation days up to 2 years and all unused vacation days normally granted the employee for the calendar year shall be paid.

Sick Time

Employees receive payment for an accumulated sick time up to 120 days and 20% of accumulated time thereafter.

Compensatory Time

Any time owed to the employee, including accrued overtime, shall be paid.

CITY OF ORANGE TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016 AND 2015

15. CONTINGENT LIABILITIES (continued)

Personal Days

Unused personal days are granted on a pro-rated basis in the year of retirement.

Township employees who resign or are terminated are entitled to the same vacation days benefits as a retired employee.

It is estimated that the sum following is due and payable to employees and officials of the Township as of December 31, 2016 and December 31, 2015 upon their retirements or other separations. These amounts were not verified by audit.

2016	\$9,429,763.72
2015	\$6,659,448.20

Benefits paid in any future years will be charged to that year's budget.

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

Tax Appeals

As of December 31, 2016, there were tax appeals pending before the New Jersey Tax Court. Amounts of tax claims being contested were undeterminable. In 2016 the Township paid \$686,710 in state tax court judgements. There was no reserve or appropriation line item to charge these amounts against.

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 (RS. 54:3~ 27.2).

Federal and State Awards

The Township participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate granting agency. If expenditures are disallowed due to noncompliance with grant program regulations, the Township may be required to reimburse the granting agency.

Litigation

The Township is involved in several claims and lawsuits incidental to its operations. In the opinion of the administration and legal counsel, the ultimate resolution of these matters will not have a material adverse effect on the financial position of the Township.

16. GROUND LEASE

The Township entered into a ground lease with Station Partners Urban Renewal L.P. on May 27, 2014 for the Tony Galento Plaza Transit Village Development. The lease is for sixty five years and the fixed net rent is for a period of thirty years. Total fixed net rent is to be \$878,254; interest for any amount of fixed net rent that is outstanding during the term of the lease shall accrue at a rate of 1% per annum compounded annually. Fixed rent will be paid in annual installments in an amount equal to Distributed Cash Flow (50% of Net Profit) shared on an equal basis with other government funding sources due on or before July 1 of each year of the term until such time as the Fixed Net rent, along with interest is paid in full.

CITY OF ORANGE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016 AND 2015

17. SUBSEQUENT EVENTS

In February 2017 the Federal Bureau of Investigation (Bureau) seized certain financial records of the Township. At the issuance date of this audit report, no other information has been made available by the Bureau to the Township.

On June 29, 2017, the Township issued two notes for a combined total of \$4,700,000. One note for \$2,150,000 was authorized to finance significant costs associated with the repairs and maintenance of the Township's water operations. The other note in the amount of \$2,550,000 was authorized by the Township on behalf of the Orange Board of Education to finance construction projects.

APPENDIX C

Form of Approving Legal Opinion for the Bonds

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90 Woodbridge Center Drive
Suite 900 Box 10
Woodbridge, NJ 07095-0958
732.636.8000

December __, 2017

Mayor and City Council of the
City of Orange Township
Orange, New Jersey

Ladies and Gentlemen:

We have served as Bond Counsel in connection with the authorization, sale, issuance and delivery of \$9,433,000 aggregate principal amount of General Improvement Bonds, Series 2017 (the "Bonds") (Qualified Pursuant to the Provisions of the Municipal Qualified Bond Act, P.L. 1976, c. 38, as amended) of the City of Orange Township, in the County of Essex (the "City"), a municipal corporation of the State of New Jersey (the "State").

The Bonds are authorized by, and are issued pursuant to the provisions of, the Local Bond Law, N.J.S.A. 40A:2-1 et seq., as amended and supplemented (the "Local Bond Law"), various bond ordinances duly adopted by the City Council and approved and published as required by law, and by a resolution duly adopted by the City Council of the City on November 20, 2017. The Bonds are also entitled to the benefits of the Municipal Qualified Bond Act, P.L. 1976, c. 38, as amended (the "MQBA").

The Bonds are being issued to (i) currently refund \$7,960,700 of the City's Bond Anticipation Notes dated and issued on December 13, 2016 and maturing December 12, 2017, (ii) permanently finance various general capital improvements and acquisitions in the amount of \$1,472,300, and (iii) pay costs and expenses incidental to the issuance and delivery of the Bonds.

The Bonds are issued in fully registered form, without coupons, initially registered in the name of and held by Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), an automated depository for securities and clearing house for securities transactions. One certificate shall be issued for the aggregate principal amount of the Bonds maturing in each year. Purchases of the Bonds will be made in book-entry only form, without certificates, in principal denominations of \$1,000 each or any integral multiple thereof, with a minimum purchase of \$5,000 required. So long as DTC or its nominee is the registered owner of the Bonds, payments of the principal of and interest on the Bonds

will be made by a duly designated paying agent directly to Cede & Co., as nominee for DTC. Disbursal of such payments to the DTC participants is the responsibility of DTC and disbursal of such payments to the beneficial owners of the Bonds is the responsibility of the DTC participants.

The Bonds are dated and shall bear interest from their date of delivery, which interest shall be payable semiannually on the first (1st) day of June and December (each an "Interest Payment Date"), commencing June 1, 2018, in each year until maturity. The Bonds shall mature on December 1 in each of the years, in the principal amounts and at the interest rates as follows:

<u>Maturity</u> <u>(December 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Maturity</u> <u>(December 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>
2018	\$ 943,000	1.500%	2023	\$ 945,000	4.000%
2019	945,000	1.500	2024	945,000	4.000
2020	940,000	2.250	2025	945,000	4.000
2021	940,000	2.500	2026	945,000	4.000
2022	945,000	4.000	2027	940,000	3.000

The Bonds are not subject to redemption prior to maturity.

We have examined such matters of law, certified copies of the proceedings, including all authorization proceedings for the Bonds, and other documents and proofs relative to the authorization, sale, issuance and delivery of the Bonds as we have deemed necessary or appropriate for the purposes of the opinion rendered below. In such examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity to the original documents of all documents submitted to us as copies. As to any facts material to our opinion we have, when relevant facts were not independently established, relied upon the aforesaid instruments, certificates and documents.

We are of the opinion that (i) such proceedings and proofs show lawful authority for the authorization, sale, issuance and delivery of the Bonds pursuant to New Jersey Statutes, including the Local Bond Law and the MQBA, (ii) the Bonds have been duly authorized, executed and delivered and constitute valid and legally binding general obligations of the City enforceable in accordance with their terms, and (iii) the City has pledged its full faith and credit for the payment of the principal of and interest on the Bonds and, unless paid from other sources, all the taxable property within the City is subject to the levy of *ad valorem* taxes, without limitation as to rate or amount, for the payment of principal of and interest on the Bonds. The Bonds are also entitled to the benefits of the MQBA.

The Internal Revenue Code of 1986, as amended (the "Code"), sets forth certain requirements which must be met at the time of, and on a continuing basis subsequent to, the issuance and delivery of the Bonds in order for the interest thereon to be and remain

excludable from gross income for Federal income tax purposes. Noncompliance with such requirements could cause interest on the Bonds to be included in gross income for Federal income tax purposes retroactive to the date of the issuance of the Bonds. The City will represent in its tax certificate relating to the Bonds that it expects and intends to comply, and will comply, to the extent permitted by law, with such requirements.

In our opinion, assuming continuing compliance by the City with the aforementioned covenant in its tax certificate, under existing laws, statutes, regulations, rulings and court decisions, interest on the Bonds is not includable for Federal income tax purposes in the gross income of the owners of the Bonds pursuant to Section 103 of the Code. The Bonds are not "specified private activity bonds" within the meaning of Section 57 of the Code and, therefore, the interest on the Bonds will not be treated as a preference item for purposes of computing the Federal alternative minimum tax imposed by Section 55 of the Code. However, the interest on the Bonds owned by corporations will be included in such corporations' "adjusted current earnings" (as defined in Section 56(g) of the Code) in calculating such corporations' alternative minimum taxable income for purposes of determining the Federal alternative minimum tax.

We are also of the opinion that, under existing laws of the State of New Jersey, interest on the Bonds and any gain on the sale thereof are not includable in gross income under the New Jersey Gross Income Tax Act, 1976 N.J. Laws c. 47, as amended and supplemented.

The Bonds maturing on December 1 in the years 2020 through 2026, inclusive (the "Premium Bonds"), have been sold to the public at a premium. Section 171 of the Code provides rules under which a bond premium may be amortized and a deduction allowed for the amount of the amortizable bond premium for a taxable year. Under Section 171(a)(2) of the Code, however, no deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excludable from gross income. Under Section 1016(a)(5) of the Code, the purchaser's basis in a Premium Bond will be reduced by the amount of the amortizable bond premium disallowable as a deduction under Section 171(2) of the Code. Proceeds received from the sale, exchange, redemption or payment of a Premium Bond in excess of the owner's adjusted basis (as reduced pursuant to Section 1016(a)(5) of the Code) will be treated as a gain from the sale or exchange of such Premium Bond and not as interest.

Bond Counsel is also of the opinion that the difference between the stated principal amount of the Bonds maturing on December 1 in the years 2018 and 2019 (the "Discount Bonds") and their respective initial public offering prices to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which prices a substantial amount of the Discount Bonds of the same maturity and interest rate were sold, constitutes original issue discount which is treated as interest and is excludable from gross income for federal income tax purposes to the same extent described above. In the case of any holder of the Discount Bonds, the amount of such original issue discount which is treated as having accrued with respect to

the Discount Bonds is added to the cost basis of the holder in determining, for federal income tax purposes, gain or loss upon disposition (including sale, redemption or payment at maturity).

Except as stated in the preceding paragraphs, we express no opinion as to any Federal, state or local tax consequences of the ownership or disposition of the Bonds. Furthermore, we express no opinion as to any Federal, state or local tax law consequences with respect to the Bonds, or the interest thereon, if any action is taken with respect to the Bonds or the proceeds thereof upon the advice or approval of other bond counsel.

This opinion is qualified to the extent that the enforceability of the rights or remedies with respect to the Bonds may be limited by bankruptcy, insolvency, debt adjustment, moratorium, reorganization or other similar laws affecting creditors' rights or remedies heretofore or hereafter enacted to the extent constitutionally applicable and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

We have examined one of the Bonds as executed by the City, and, in our opinion, the form of the Bonds and their execution are regular and proper.

Very truly yours,

WILENTZ, GOLDMAN & SPITZER, P.A.

APPENDIX D

Form of Approving Legal Opinion of the Notes

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90 Woodbridge Center Drive
Suite 900 Box 10
Woodbridge, NJ 07095-0958
732.636.8000

December_, 2017

Mayor and City Council
of the City of Orange Township
Orange, New Jersey

Ladies and Gentlemen:

We have examined certified copies of the proceedings of the City Council of the City of Orange Township, in the County of Essex, State of New Jersey (the "City"), and other proofs submitted to us relative to the issuance, sale, and delivery of \$6,264,000 General Obligation Notes, Series 2017 consisting of \$1,720,000 Refunding Notes, Series 2017C (the "Refunding Notes"), \$3,744,000 School Promissory Notes, Series 2017D (the "School Promissory Notes"), and \$800,000 Special Emergency Notes, Series 2017E (the "Special Emergency Notes" and together with the Refunding Notes and the School Promissory Notes, the "Notes").

The Notes are dated December 8, 2017, mature on December 7, 2018 and bear interest at the rate of two and fifty hundredths per centum (2.50%) per annum.

The Notes are issued in fully registered form without coupons, initially registered in the name of, and held by, Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), an automated depository for securities and clearing house for securities transactions. Individual purchases of the Notes may be made in the denominations of \$1,000 or any integral multiple thereof, with a minimum purchase of \$5,000 required, through book entries made on the books and records of DTC and its participants. The Notes are not subject to redemption prior to their stated maturity. So long as DTC or its nominee is the registered owner of the Notes, payments of principal of and interest on the Notes will be made by the City or a duly designated paying agent directly to Cede & Co., as nominee for DTC.

The Refunding Notes are authorized by, and are issued pursuant to, the provisions of the Local Bond Law, N.J.S.A. 40A:2-1 et seq., as amended and supplemented (the "Local Bond Law"), and a bond ordinance duly adopted by the City Council of the City and published and approved as required by law. The adoption of the applicable bond ordinance and the issuance of the Refunding Notes have been approved by a resolution of the Local Finance Board within the Division of Local Government Services of the Department of Community Affairs of the State of New Jersey.

The Refunding Notes will be issued to refund, on a current basis, prior refunding notes of the City in the aggregate principal amount of \$2,150,000, issued on June 28, 2017 and maturing on December 11, 2017 (the "Prior Refunding Notes"), which Prior Refunding Notes were

originally issued to fund an emergency appropriation for the water utility system (the remaining portion of such Prior Refunding Notes is being paid by a \$430,000 budgetary appropriation of the City). The emergency appropriation was an extraordinary expense and was not foreseen at the time the City adopted its 2016 temporary or final budget and was required to meet the pressing need for public expenditures to protect and promote the public health, safety, morals and welfare of the citizens of the City.

The School Promissory Notes are authorized by, and are issued pursuant to, the provisions of the Local Bond Law, Title 18A, Education, of the New Jersey Statutes, N.J.S.A. 18A:24-1 et seq. (the "School Bond Law"), and by various bond ordinances duly adopted by the City Council of the City and published and approved as required by law.

The School Promissory Notes will be issued to (i) refund, on a current basis, prior notes of the City in the aggregate principal amount of \$2,550,000, issued on June 28, 2017 and maturing on December 11, 2017 (the "Prior School Promissory Notes"), which Prior School Promissory Notes were originally issued to temporarily finance the costs of improvements to various school buildings and grounds on behalf of the Orange Board of Education Public School District and (ii) temporarily finance improvements to buildings and lots owned by the Orange Board of Education Public School District in the amount of \$1,194,000.

The Special Emergency Notes are authorized by, and are issued pursuant to, the provisions of the Local Budget Law, N.J.S.A. 40A: 4-1 et seq., as amended and supplemented (the "Local Budget Law"), by an ordinance duly adopted by the City Council of the City and published and approved as required by law, and by a resolution duly adopted by the City Council of the City on September 20, 2016, and approved as required by law.

The Special Emergency Notes will be issued to refund, on a current basis, prior special emergency notes of the City in the aggregate principal amount of \$1,000,000, issued on December 13, 2016 and maturing on December 12, 2017 (the "Prior Special Emergency Notes"), which Prior Special Emergency Notes were originally issued to provide for the payment of accumulated sick/vacation and terminal pay for retired employees of the City (the remaining portion of such Prior Special Emergency Notes is being paid by a \$200,000 budgetary appropriation by the City). The special emergency appropriation was an extraordinary expense and was not foreseen at the time the City adopted its 2016 temporary or final budget and was required to meet the pressing need for public expenditures to protect and promote the public health, safety, morals and welfare of the citizens of the City.

We are of the opinion that: (i) such proceedings and proofs show lawful authority for the issuance and sale of the Notes pursuant to, as applicable, the Local Bond Law, the School Bond Law, and the Local Budget Law, (ii) the Notes are valid and legally binding general obligations of the City, and (iii) the City has pledged its full faith and credit for the payment of the principal of and interest on the Notes, and, unless paid from other sources, all the taxable property within the City is subject to the levy of *ad valorem* taxes, without limitation as to rate or amount, for the payment of principal of and interest on the Notes.

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements which must be met at the time of, and on a continuing basis subsequent to, the issuance and delivery of the Notes in order for interest thereon to be and remain excludable from gross income for Federal income tax purposes under Section 103 of the Code. Noncompliance with such

requirements could cause the 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 City has represented and covenanted in its tax certificate relating to the Notes to maintain the exclusion of the interest on the Notes from gross income for Federal income tax purposes pursuant to Section 103(a) of the Code.

In our opinion, assuming continuing compliance by the City with the Code and the aforementioned representations and covenants in its tax certificate, under existing statutes, regulations, rulings and court decisions, interest on the Notes is not includable for Federal income tax purposes in the gross income of the owners of the Notes pursuant to Section 103 of the Code. The Notes are not "specified private activity bonds" within the meaning of Section 57 of the Code and, therefore, the interest on the Notes will not be treated as a preference item for purposes of computing the Federal alternative minimum tax imposed by Section 55 of the Code. However, the interest on the Notes owned by corporations will be included in such corporations' "adjusted current earnings" (as defined in Section 56(g) of the Code) in calculating such corporations' alternative minimum taxable income for purposes of determining the Federal alternative minimum tax.

We are also of the opinion that, under existing laws of the State of New Jersey, interest on the Notes and any gain on the sale thereof, is not includable in gross income of the owners of the Notes under the New Jersey Gross Income Tax Act, 1976 N.J. Laws c. 47, as amended and supplemented.

Except as stated in the preceding paragraphs, we express no opinion as to any Federal, state or local tax consequences of the ownership or disposition of the Notes. Furthermore, we express 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 bond counsel.

This opinion is qualified to the extent that the enforceability of the rights or remedies with respect to the Notes may be limited by bankruptcy, insolvency, debt adjustment, moratorium, reorganization or other similar laws affecting creditors' rights or remedies heretofore or hereafter enacted to the extent constitutionally applicable and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

This opinion is rendered on the basis of federal law and the laws of the State of New Jersey as enacted and construed on the date hereof.

We have examined the forms of the unexecuted Refunding Notes, School Promissory Notes and Special Emergency Notes and, in our opinion, their forms are regular and proper.

Very truly yours,

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APPENDIX E

Form of Continuing Disclosure Certificate for the Bonds

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CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate dated December 8, 2017 (the "Disclosure Certificate") is executed and delivered by the City of Orange Township, in the County of Essex, State of New Jersey (the "City" or the "Issuer") in connection with the issuance of its \$9,433,000 aggregate principal amount of General Improvement Bonds, Series 2017 (Qualified Pursuant to the Provisions of the Municipal Qualified Bond Act, P.L. 1976, c. 38, as amended) (the "Bonds"), all such Bonds being dated their date of delivery. The Bonds are being issued pursuant to various bond ordinances duly adopted by the City Council of the City, approved by the Mayor, and published as required by law, and, a resolution combining general improvement bond ordinances for purposes of sale of the General Improvement Bonds and combining school bond ordinances for purposes of sale of the School Bonds, and, entitled, "RESOLUTION PROVIDING FOR THE COMBINATION OF CERTAIN BOND ORDINANCES AND DETERMINING THE FORM AND OTHER DETAILS OF THE OFFERING OF \$9,433,000 GENERAL IMPROVEMENT BONDS, SERIES 2017 OF THE CITY OF ORANGE TOWNSHIP, IN THE COUNTY OF ESSEX, STATE OF NEW JERSEY AND PROVIDING FOR THEIR SALE" (the "Bond Resolution"), being duly adopted by the City Council of the City on November 20, 2017. The City covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City for the benefit of the Bondholders and Beneficial Owners of the Bonds to assist the Underwriter in complying with the Rule (as defined below). The City acknowledges it is an "Obligated Person" under the Rule (as defined below).

SECTION 2. Definitions. In addition to the definitions set forth in the Bond 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 City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

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

"Continuing Disclosure Information" shall mean, collectively, (i) each Annual Report, (ii) any notice required to be electronically filed by the City with the MSRB at EMMA pursuant to Section 3 of this Disclosure Agreement, and (iii) any notice of a Listed Event required to be filed by the City with EMMA pursuant to Section 5 of this Disclosure Agreement.

“Disclosure Representative” shall mean the Chief Financial Officer of the City or her designee, or such other person as the City shall designate in writing from time to time for the purposes of this Disclosure Certificate.

“Dissemination Agent” shall mean, Digital Assurance Certification, L.L.C., Orlando, Florida, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the City which has filed with the City a written acceptance of such designation.

“EMMA” shall mean the Electronic Municipal Market Access system, a website created by the MSRB and approved by the SEC to provide a central location where investors can obtain municipal bond information including disclosure documents. The City or Dissemination Agent shall submit disclosure documents to EMMA as a PDF file to www.emma.msrb.org.

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

“MSRB” shall mean the Municipal Securities Rulemaking Board.

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

“SEC” shall mean the United States Securities and Exchange Commission.

“State” shall mean the State of New Jersey.

“Underwriter” shall mean the original underwriter of the Bonds required to comply with the Rule in connection with the purchase of the Bonds.

SECTION 3. Provision of Annual Reports. (a) The City shall provide or cause to be provided to the Dissemination Agent not later than 260 days after the close of each year, (commencing December 31, 2017), an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. Each Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report; and provided, further, that if the audited financial statements of the City are not available by such date, the City shall include unaudited financial statements with its Annual Report and when such audited financial statements become available to the City, the same shall be submitted to the Dissemination Agent no later than thirty (30) days after the receipt of the same by the City.

(b) Not later than 270 days after the close of each year (commencing December 31, 2017), the Dissemination Agent shall file with EMMA a copy of the Annual Report received by the Dissemination Agent pursuant to subsection (a) hereof.

(c) If the City does not provide or is unable to provide an Annual Report by the applicable date required in subsection (a) above, such that the Dissemination Agent cannot file the Annual Report with EMMA in accordance with subsection (b) above, the Dissemination Agent shall, in a timely manner, send a notice of such event to EMMA in substantially the form attached hereto as Exhibit A, with copies to the City (if the Dissemination Agent is not the City).

(d) Each year the Dissemination Agent shall file a report with the City (if the Dissemination Agent is not the City), certifying that the Annual Report has been provided to EMMA pursuant to this Disclosure Certificate, and stating the date it was provided.

(e) If the fiscal year of the City changes, the City shall give written notice of such change to the Dissemination Agent and the Dissemination Agent shall, within five (5) business days after the receipt thereof from the City, forward a notice of such change to EMMA in the manner provided in Section 5(e) hereof.

SECTION 4. Content of Annual Reports. (a) The City's Annual Report shall contain or incorporate by reference the following:

1. The audited financial statements of the City (as of December 31).

The audited financial statements are to be prepared in accordance with generally accepted auditing standards and audit requirements prescribed by the Division of Local Government Services, New Jersey Department of Community Affairs (the "Division") that demonstrate compliance with the modified accrual basis, with certain exceptions, which is a comprehensive basis of accounting other than generally accepted accounting principles (GAAP) and the budget laws of the State;

2. The most current annual debt statement of the City (as of December 31);
- and

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues with respect to which the City is an "Obligated Person" (as defined by the Rule), which have been filed with EMMA. If the document incorporated by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The City shall clearly identify each such other document so incorporated by reference.

SECTION 5. Reporting of Significant Events.

(a) This Section 5 shall govern the giving of notices of the occurrence of any of the following events with respect to the Bonds, as applicable:

1. Principal and interest payment delinquencies;
2. Nonpayment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
7. Modifications to rights of Bondholders, if material;
8. Bond calls, if material, and tender offers;
9. Defeasances of the Bonds;
10. Release, substitution or sale of property securing repayment of the Bonds, if material;
11. Rating changes relating to the Bonds;
12. Bankruptcy, insolvency, receivership or similar event of the City;
13. The consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an

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

14. Appointment of a successor or additional trustee for the Bonds or the change of name of a trustee for the Bonds, if material.

The City shall, in a timely manner not in excess of ten (10) business days after the occurrence of any Listed Event, file a notice of the occurrence of such Listed Event with the MSRB, through the EMMA system, in accordance with the provisions of Section 5 of this Disclosure Certificate. In determining the materiality of any of the Listed Events specified in subsection (a) of this Section 5 that require a materiality determination, the City may, but shall not be required to, rely conclusively on an opinion of counsel.

(b) Whenever the City has or obtains knowledge of the occurrence of any of the Listed Events that require a materiality determination, the City shall, as soon as possible, determine if such event would constitute information material, if applicable, to the Beneficial Owners of the Bonds.

(c) If the City (i) has or obtains knowledge of the occurrence of any of the Listed Events not requiring a materiality determination, or (ii) determines that the occurrence of a Listed Event requiring a materiality determination would be material to the Beneficial Owners of the Bonds, the City shall promptly notify the Dissemination Agent in writing (if the City is not the Dissemination Agent) and the City shall instruct the Dissemination Agent to report such Listed Event and the Dissemination Agent shall report the occurrence of such Listed Event pursuant to subsection (e) hereof.

(d) If the City determines that the occurrence of a Listed Event requiring a materiality determination would not be material to the Beneficial Owners of the Bonds, the City shall promptly notify the Dissemination Agent in writing (if the Dissemination Agent is not the City) and the Dissemination Agent (if the Dissemination Agent is not the City) shall be instructed by the City not to report the occurrence.

(e) If the Dissemination Agent has been instructed in writing by the City to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the MSRB, through the EMMA system, in a timely manner not in excess of ten (10) business days after the occurrence thereof, with a copy to the City (if the Dissemination Agent is not the City). Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) hereof need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to the Bondholders of the affected Bonds pursuant to the Bond Resolution.

SECTION 6. Termination of Reporting Obligation. The City's obligations under this Disclosure Certificate shall terminate upon the defeasance, prior redemption or payment in full of all of the Bonds or when the City is no longer an "Obligated Person" (as

defined in the Rule). The City shall file a notice of the termination of its reporting obligations pursuant to the provisions hereof with the Dissemination Agent, which notice shall be filed with EMMA in accordance with the provisions of Section 5(e) hereof.

SECTION 7. Compliance with the Rule. The City has entered into prior undertakings to provide continuing disclosure for certain outstanding bond issues. In connection with such bond issues, the City failed to timely file its audited financial statements, operating data and/or budgets for the fiscal years ended December 31, 2012 through December 31, 2016. It also may not have included all required tables in the filing of its operating data for the fiscal years ended December 31, 2012 and 2013. In addition, the City failed to file or timely file notices of certain events and certain “failure to file” notices. The City subsequently filed all required annual financial information and operating data. The City is committed to complying with all of its continuing disclosure obligations in the future and has engaged Digital Assurance Certification, L.L.C. to serve as its dissemination agent (the “Dissemination Agent”) to ensure future compliance.

SECTION 8. Dissemination Agent; Compensation. The City 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 initial Dissemination Agent shall be DAC. The City shall compensate the Dissemination Agent (which shall be appointed) for the performance of its obligations hereunder in accordance with an agreed upon fee structure.

SECTION 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate and any provision of this Disclosure Certificate may be waived, if such amendment or waiver (supported by an opinion of counsel who is an expert in Federal securities laws acceptable to the City to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof) is (a) 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 the obligated person, or type of business conducted; (b) the undertaking, as amended or waived, would have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and (c) the amendment or waiver does not materially impair the interests of holders, as determined either by parties unaffiliated with the City, such determination being supported by an opinion of counsel expert in Federal securities laws, or by the approving vote of a majority of Beneficial Owners of the Bonds at the time of the amendment. The City shall give notice of such amendment or waiver to this Disclosure Certificate to the Dissemination Agent, which notice shall be filed in accordance with the provisions of Section 5 hereof. Notwithstanding the above, the addition of or change in the Dissemination Agent shall not be construed to be an amendment under the provisions hereof.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the City 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 City. 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 a Listed Event under Section 5 hereof, 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 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the City 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 Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Disclosure Certificate, the City shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 11. Default. In the event of a failure of the City to comply with any provision of this Disclosure Certificate, the Holders of at least 25% aggregate principal amount of Outstanding Bonds or any Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the City to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default on the Bonds and the sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 12. Duties, Immunities and Liabilities of the Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and, to the extent permitted by law, the City agrees to indemnify and hold the Dissemination Agent (if the Dissemination Agent is not the City) and its respective officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. To the extent permitted by law, the City further releases the Dissemination Agent from any liability for the disclosure of any information required by the Rule and this Disclosure Certificate. The obligations of the City under this

Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent, the Underwriter, and the Beneficial Owners of the Bonds, including Bondholders, and shall create no rights in any other person or entity.

SECTION 14. Notices. All notices and submissions required hereunder shall be given to the following, or their successors, by facsimile or electronic transmission (with written confirmation of receipt), followed by hard copy sent by certified or registered mail, personal delivery or recognized overnight delivery:

(a) If to the City

Joy Lascari
Chief Financial Officer
City of Orange Township
29 North Day Street
Orange, New Jersey 07050

(b) Copies of all notices to the Dissemination Agent from time to time with respect to the Bonds:

Digital Assurance Certification, L.L.C.
315 East Robinson Street, Suite 300
Orlando, Florida 32801
Attention: Customer Assistance

Each party shall give notice from time to time to the other parties, in the manner specified herein, of any change of the responsible party or address of anyone listed herein.

Each party shall give notice from time to time to the other parties, in the manner specified herein, of any change of the identity or address of anyone listed herein.

SECTION 15. Counterparts. This Disclosure Certificate may be executed in any number of counterparts which shall be executed by authorized signatories of the City and the Dissemination Agent, as applicable, and all of which together shall be regarded for all purposes as one original and shall constitute and be but one and the same.

SECTION 16. Severability. If any one or more of the covenants or agreements in this Disclosure Certificate to be performed on the part of the City and the Dissemination Agent should be contrary to law, then such covenant or covenants, agreement or agreements, shall be deemed severable from the remaining covenants and agreements and shall in no way affect the validity of the other provisions of this Disclosure Certificate.

SECTION 17. Governing Law. This Disclosure Certificate shall be construed in accordance with and governed by the Laws of the United States of America and the State, as applicable.

**CITY OF ORANGE TOWNSHIP,
IN COUNTY OF ESSEX, NEW JERSEY**

By:_____
JOY LASCARI,
Chief Financial Officer

DIGITAL ASSURANCE CERTIFICATION, L.L.C.,
as Dissemination Agent

By:_____
LISA OLSEN,
Senior Executive Director

EXHIBIT A

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

Name of Issuer: City of Orange Township, in the County of Essex, State of New Jersey

Name of Bond Issue: \$9,433,000 General Improvement Bonds, Series 2017
Dated: December 8, 2017
(CUSIP Number 685312KH2)

Date of Issuance: December 8, 2017

NOTICE IS HEREBY GIVEN that the above designated City has not provided an Annual Report with respect to the above-named Bonds as required by the Bond Resolution and a Continuing Disclosure Certificate dated December 8, 2017 executed by the City.

DATED: _____

DISSEMINATION AGENT
(on behalf of the City)

cc: City of Orange Township

APPENDIX F

Form of Continuing Disclosure Certificate for the Notes

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CONTINUING DISCLOSURE CERTIFICATE

I, JOY LASCARI, Chief Financial Officer of the City of Orange Township, in the County of Essex (the "City"), a municipal corporation of the State of New Jersey, DO HEREBY CERTIFY, in connection with the issuance by the City of \$6,264,000 aggregate principal amount of General Obligation Notes, Series 2017 consisting of \$1,720,000 aggregate principal amount of Refunding Notes, Series 2017 (the "Refunding Notes"), \$3,744,000 aggregate principal amount of School Promissory Notes, Series 2017 (the "School Promissory Notes"), and \$800,000 aggregate principal amount of Special Emergency Notes, Series 2017 (the "Special Emergency Notes" and together with the Refunding Notes and the School Promissory Notes, the "Notes"), that pursuant to the requirements of Rule 15c2-12 promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended and supplemented (the "Rule"), specifically subsections (d)(3) and (b)(5)(i)(C) thereof, the City will provide notice of certain events (the "Notice") to the Municipal Securities Rulemaking Board (the "MSRB") via its Electronic Municipal Market Access system ("EMMA") as a PDF file to www.emma.msrb.org, of any of the following events with respect to the Notes herein described, as applicable: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Notes, or other material events affecting the tax status of the Notes; (7) modifications to rights of Note holders, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution or sale of property securing repayment of the Notes, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the City; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; or (14) appointment of a successor or additional trustee for the Notes or the change of name of a trustee for the Notes, if material ((1) through (14) shall, collectively, be referred to as the "Listed Events").

If the City (i) has or obtains knowledge of the occurrence of any of the Listed Events not requiring a materiality determination, or (ii) determines that the occurrence of a Listed Event requiring a materiality determination would be material to the Beneficial Owners of the Notes, the City shall file a Notice of each such occurrence with the MSRB via EMMA on a timely basis not in excess of ten (10) business days after the occurrence of any of the aforementioned events.

The City's obligations under this Certificate shall terminate upon the payment in full of the Notes.

In the event the City fails to comply with any provision of this Certificate, any Noteholder may take such action as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the City to comply with its obligations under this Certificate. Notwithstanding the above, the remedy for a breach of the provisions of this Certificate or the City's failure to perform hereunder shall be limited to bringing an action to compel specific performance.

This Certificate shall inure solely to the benefit of the City, the original underwriters of the Notes, and the holders from time to time of the Notes, and shall create no further rights in any other person or entity hereunder.

IN WITNESS WHEREOF, I have hereunto set my hand on behalf of the City this 8th day of December, 2017.

**CITY OF ORANGE TOWNSHIP,
IN THE COUNTY OF ESSEX,
STATE OF NEW JERSEY**

**JOY LASCARI,
Chief Financial Officer**

APPENDIX G

Form of Specimen Municipal Insurance Policy

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MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

BONDS: \$ _____ in aggregate principal
amount of [NAME OF TRANSACTION]
[and maturing on]

Effective Date: _____

Risk Premium: \$ _____

Member Surplus Contribution: \$ _____

Total Insurance Payment: \$ _____

BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") for the Bonds named above (as set forth in the documentation providing for the issuance and securing of the Bonds), for the benefit of the Owners or, at the election of BAM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of such principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in BAM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent (as defined herein) are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BAM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration) and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

BAM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee, the Paying Agent, the Member and the Issuer specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee, the Paying Agent, the Member or the Issuer (a) copies of all notices required to be delivered to BAM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to BAM and shall not be deemed received until received by both and (b) all payments required to be made by BAM under this Policy may be made directly by BAM or by the Insurer's Fiscal Agent on behalf of BAM. The Insurer's Fiscal Agent is the agent of BAM only, and the Insurer's Fiscal Agent shall in no event be liable to the Trustee, Paying Agent or any Owner for any act of the Insurer's Fiscal Agent or any failure of BAM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, BAM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

1 World Financial Center, 27th floor
200 Liberty Street
New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

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