

**NEW ISSUE (BOOK-ENTRY ONLY)****RATING: S&P: "AA+"**  
**See "RATING" herein**

*In the opinion of Wilentz, Goldman & Spitzer, P.A., Woodbridge, New Jersey, Bond Counsel to the Township (as hereinafter defined) ("Bond Counsel"), under existing statutes, regulations, rulings and court decisions, and assuming continuing compliance with certain covenants described herein, interest on the Bonds (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 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 any gain on the sale thereof are not includable in gross income under the New Jersey Gross Income Tax Act. See "TAX MATTERS" herein.*

**TOWNSHIP OF UNION  
IN THE COUNTY OF UNION  
STATE OF NEW JERSEY**

**\$10,746,000  
GENERAL IMPROVEMENT BONDS, SERIES 2017  
(CALLABLE)**

**Dated: Date of Delivery****Due: January 15, as shown on the inside front cover**

The \$10,746,000 General Improvement Bonds, Series 2017 (the "Bonds"), are general obligations of the Township of Union, in the County of Union, State of New Jersey (the "Township") and the Township has pledged its full faith and credit to levy *ad valorem* taxes on all taxable property within the Township without limitation as to rate or amount for the payment of the principal thereof and the interest thereon.

The Bonds will be in fully registered book-entry only form and, when issued, will be registered in the name of 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. Individual purchases of the Bonds may be made in the principal amount of \$1,000 or any integral multiple thereof, with a minimum purchase of \$5,000, through book-entries made on the books and records of DTC and its participants.

The Bonds shall bear interest from their date of delivery, payable semi-annually on the fifteenth day of January and July of each year, commencing July 15, 2017, at such rates of interest as shown on the inside front cover hereof until maturity or prior redemption. The Bonds will be payable as to principal upon presentation and surrender thereof at the offices of the Township or a duly designated paying agent. Interest on the Bonds will be paid by check, draft or wire transfer, mailed, delivered or transmitted by the Township to the registered owner thereof as of the Record Dates (as defined herein). As long as DTC is acting as securities depository for the Bonds, principal and interest will be payable by wire transfer to DTC or its nominee, which is obligated to remit such principal and interest to DTC Participants. DTC Participants and Indirect Participants will be responsible for remitting such payments to the Beneficial Owners of the Bonds. See "THE DEPOSITORY TRUST COMPANY ("DTC") INFORMATION" herein.

The Bonds are authorized by and are issued pursuant to the Local Bond Law, N.J.S.A. 40A:2-1 *et seq.*, as amended and supplemented (the "Local Bond Law"), and are authorized by various bond ordinances of the Township duly adopted by the Township Committee of the Township on the dates set forth herein and approved and published as required by law and resolutions duly adopted by the Township Committee of the Township on November 22, 2016.

The Bonds are being issued to permanently finance the costs of various capital improvements and purposes in the Township in the amount of \$10,746,000 and pay the costs associated with the issuance and sale of the Bonds.

The Bonds are subject to optional redemption prior to their stated maturities as set forth herein. See "DESCRIPTION OF THE BONDS" under the subheading entitled "Optional Redemption". \*

The Bonds are not a debt or obligation, either legal, moral or otherwise, of the State of New Jersey, or any county, municipality or political subdivision thereof, other than the Township.

*The Bonds are offered when, as and if issued and delivered subject to the approval of the legality thereof by Wilentz, Goldman & Spitzer, P.A., Woodbridge, New Jersey, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the Township by Daniel Antonelli, Esq., Township Attorney to the Township of Union, New Jersey. It is anticipated that the Bonds will be available for delivery through DTC on or about January 24, 2017.*

**ROOSEVELT & CROSS, INC AND ASSOCIATES**

**TOWNSHIP OF UNION,  
IN THE COUNTY OF UNION, STATE OF NEW JERSEY**

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

**\$10,746,000 GENERAL IMPROVEMENT BONDS, SERIES 2017**

<u>Maturity (January 15)</u>	<u>Principal Amount*</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP Number**</u>
2018	\$ 485,000	2.000%	1.000%	908726AU6
2019	700,000	2.000	1.250	908726AV4
2020	900,000	2.000	1.500	908726AW2
2021	905,000	2.000	1.700	908726AX0
2022	970,000	2.500	1.850	908726AY8
2023	970,000	4.000	2.000	908726AZ5
2024	970,000	4.000	2.200	908726BA9
2025	970,000	4.000	2.350	908726BB7
2026*	970,000	2.750	2.650	908726BC5
2027*	970,000	3.000	2.750	908726BD3
2028*	970,000	3.000	2.850	908726BE1
2029	966,000	3.000	3.000	908726BF8

\* Priced at the stated yield to the first optional redemption date of January 15, 2025 at a redemption price of 100%.

\*\* A registered trademark of the American Bankers Association. CUSIP data herein are provided by Standard & Poor's CUSIP Service Bureau, a Standard & Poor's Financial Services LLC business. 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 Township does not make any representation with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

**TOWNSHIP OF UNION  
IN THE COUNTY OF UNION  
STATE OF NEW JERSEY**

**MAYOR**

Suzette Cavadas

**TOWNSHIP COMMITTEE**

Joseph Florio, Deputy Mayor  
Clifton People, Jr.  
Manuel Figueiredo  
Michele Delisfort

**TOWNSHIP ADMINISTRATOR**

Ronald Manzella

**ASSISTANT TOWNSHIP ADMINISTRATOR**

Tammie Kopin-Espinoza

**TOWNSHIP CLERK**

Eileen Birch

**CHIEF FINANCIAL OFFICER**

Debra Cyburt

**TOWNSHIP ATTORNEY**

Daniel Antonelli, Esq.

**AUDITOR**

Suplee, Clooney & Company  
Westfield, New Jersey

**BOND COUNSEL**

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

No dealer, broker, salesperson or other person has been authorized by the Township of Union, in the County of Union, State of New Jersey (the "Township") to give any information or to make any representations with respect to the Bonds other than those contained in this Official Statement and if given or made, such information or representation must not be relied upon as having been authorized by the Township. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds in any jurisdiction in which it is unlawful for any person to make such an offer, solicitation or sale.

The information contained herein has been provided by the Township, The Depository Trust Company, New York, New York ("DTC") and other sources deemed reliable by the Township; however, no representation or warranty is made as to its accuracy or completeness, and as to the information from sources other than the Township, such information is not to be construed as a representation or warranty by the Township.

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

References in this Official Statement to laws, rules, regulations, resolutions, ordinances, 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 may not be reproduced or used in whole or part, for any other purpose. This Official Statement should be read in its entirety.

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

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

In order to facilitate the distribution of the Bonds, the Underwriter may engage in transactions intended to stabilize the price of the Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The prices at which the Bonds are offered to the public by the Underwriter and the yields resulting there from may vary from the initial public offering prices or yields on the cover page and/or inside cover page hereof. In addition, the Underwriter may allow concessions or discounts from such initial public offering prices to dealers and others.

The Underwriter has reviewed the information in this Official Statement in accordance with and as part of their responsibilities to investors under the Federal Securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

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**OFFICIAL STATEMENT**  
**OF THE**  
**TOWNSHIP OF UNION**  
**IN THE COUNTY OF UNION**  
**STATE OF NEW JERSEY**  
**\$10,746,000 GENERAL IMPROVEMENT BONDS, SERIES 2017**  
**(CALLABLE)**

**INTRODUCTION**

The purpose of this Official Statement is to provide certain information regarding the financial and economic condition of the Township of Union, in the County of Union (the "Township"), State of New Jersey (the "State"), in connection with the offering, sale and issuance of the Township's \$10,746,000 aggregate principal amount of General Improvement Bonds, Series 2017 (the "Bonds"). This Official Statement, which includes the cover page and the appendices attached hereto, has been prepared by the Township and the Township has authorized its Chief Financial Officer to distribute this Official Statement in connection with the sale and issuance of the Bonds.

This Official Statement contains specific information relating to the Bonds, including their general description, certain matters affecting the financing, certain legal matters, historical financial information and other information pertinent to these issues. This Official Statement should be read in its entirety.

All financial and other information presented herein has been provided by the Township from its records, except for information expressly attributed to other sources. The presentation of information, including tables of receipts and disbursements, is intended to show recent historical information and, but only to the extent specifically provided herein, certain projections of the immediate future, and is not necessarily indicative of future or continuing trends in the financial position or other affairs of the Township.

**DESCRIPTION OF THE BONDS**

The Bonds are dated the date of delivery and shall mature on January 15 in each of the years and in the principal amounts set forth in the table appearing on the inside front cover hereof. The Bonds shall bear interest at the rates shown on the inside front cover page hereof from their date of delivery, which interest shall be payable semiannually on the fifteenth day of January and July (each an "Interest Payment Date"), commencing July 15, 2017, in each year until maturity or prior redemption. Interest on the Bonds is calculated on the basis of twelve (12) thirty (30) day months in a three hundred sixty (360) day year and will be paid by check, draft or wire transfer mailed, delivered or transmitted to the registered owners of the Bonds as of each respective July 1 and January 1 preceding an Interest Payment Date (the "Record Dates"), at the address shown on the registration books for the Bonds kept for that purpose by the Chief Financial Officer of the Township, or a hereafter duly designated paying agent, as Registrar and Paying Agent (the "Paying Agent").

The Bonds, when issued, will be registered in the name of and held by Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds (the "Securities Depository"). Purchases of beneficial interests in the Bonds will be made in book-entry only form, without certificates, in denominations of \$1,000 or any integral multiple thereof, with a minimum purchase of \$5,000, through book entries made on the books and records of DTC and its participants. Under certain circumstances, such beneficial interests in the Bonds are exchangeable for one or more fully registered Bond certificates of like series, maturity and tenor in authorized denominations.

So long as DTC or its nominee, Cede & Co., is the registered owner of the Bonds, payment of the principal of and interest on the Bonds will be made directly by the Township as Paying Agent, or some other

paying agent as may be designated by the Township, to Cede & Co. Disbursement of such payments to the DTC Participants (as hereinafter defined) is the responsibility of DTC and disbursement of such payments to the owners of beneficial interests in the Bonds is the responsibility of the DTC Participants (as hereinafter defined). See "THE DEPOSITORY TRUST COMPANY ("DTC") INFORMATION" herein.

### **Optional Redemption**

The Bonds of this issue maturing prior to January 15, 2026 are not subject to redemption prior to their stated maturities. The Bonds of this issue maturing on or after January 15, 2026 are redeemable at the option of the Township in whole or in part on any date on or after January 15, 2025 upon notice as required herein at one hundred percent (100%) of the principal amount being redeemed (the "Redemption Price"), plus accrued interest to the date fixed for redemption.

### **Notice of Redemption**

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

If Notice of Redemption has been given as provided herein, the Bonds or the portion thereof called for redemption shall be due and payable on the date fixed for redemption at the Redemption Price, together with accrued interest to the date fixed for redemption. Interest shall cease to accrue on the Bonds after the date fixed for redemption.

## **AUTHORIZATION FOR THE ISSUANCE OF THE BONDS**

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"), and are authorized by various bond ordinances duly adopted by the Township Committee of the Township on the dates set forth in the chart on the following page and published and approved as required by law, and by resolutions duly adopted by the Township Committee on November 22, 2016.

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 Township. Such estoppel period has concluded as of the date of this Official Statement.

## **PURPOSE OF THE BONDS**

The Bonds are being issued to permanently finance the costs of various capital improvements and purposes in the Township in the amount of \$10,746,000 and pay the costs associated with the issuance and sale of the Bonds.

The purposes for which the Bonds are to be issued have been authorized by duly adopted, approved and published bond ordinances of the Township, which bond ordinances are described on the following table by ordinance number, description and date of final adoption and the amount of Bonds to be issued for such purposes. The bond ordinances are:

<b>Ordinance Number</b>	<b>Description and Date of Final Adoption</b>	<b>Amount</b>
5073	Municipal Building Structural Improvements, finally adopted 11/25/08	\$ 42,127
5079	Acquisition and Installation of Car Mounted Video Cameras, finally adopted 12/28/08	139,700
5115, as amended by 5154	Rehabilitation of Hilton Avenue, finally adopted 08/25/09, as amended 09/14/10	103,530
5155	Various Capital Improvements, finally adopted 09/14/10	19,660
5195, as amended by 5229	Upgrades to the Fire Department Radio System, finally adopted 05/24/11, as amended 02/14/12	873,070
5177	Park Improvements, finally adopted 02/08/11	71,770
5193	Acquisition of Vehicles and Equipment, finally adopted 05/24/11	745,700
5194	Acquisition of a Fire Radio System, finally adopted 05/24/11	71,060
5199, as amended by 5254	Building Repair and Equipment Replacement, finally adopted 01/22/13	521,720
5200	2012 Road Improvements, finally adopted 06/28/11	901,200
5227	Hall Stadium and Other Park Improvements, finally adopted 01/24/12	91,720
5228	Replacement and Repair of the Retaining Wall for Lightening Brook, finally adopted 01/24/12	482,750
5240	Acquisition of Vehicles and Equipment, finally adopted 05/22/12	668,000
5241	Road Improvements, finally adopted 05/22/12	1,083,280
5247	Road Improvements, finally adopted 07/24/12	90,000
5250	Volunteer Park Field Improvements, finally adopted 09/11/12	917,240

<b>Ordinance Number</b>	<b>Description and Date of Final Adoption</b>	<b>Amount</b>
5254	Building Repair and Equipment Replacement, finally adopted 01/22/13	376,558
5289	Road Reconstruction, finally adopted 02/11/14	2,375,000
5290	Recreational Improvements, finally adopted 02/11/14	83,600
5297	Various Improvements, finally adopted 04/22/14	442,415
5309	Acquisition of Equipment, finally adopted 06/10/14	495,900
5349	Various Road Improvements, finally adopted 08/25/15	<u>150,000</u>
<b>TOTAL</b>		<b><u>\$10,746,000</u></b>

### **Security and Payment for the Bonds**

The Bonds are valid and legally binding general obligations of the Township for which the full faith and credit of the Township are irrevocably pledged for the punctual payment of the principal of and interest on the Bonds. Unless otherwise paid from other sources, the Township has the power and is obligated by law to levy *ad valorem* taxes upon all the taxable property within the Township for the payment of the principal of the Bonds and the interest thereon without limitation as to rate or amount.

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

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

### **THE DEPOSITORY TRUST COMPANY ("DTC") INFORMATION**

The Depository Trust Company ("DTC"), New York, New York, will act as Securities Depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, as set forth on the inside front cover hereof, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants'

accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

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

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

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy (the "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 are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Township or the 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, the Agent, or the Township, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal of and interest on the Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Township or the Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

**THE 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 DIRECT PARTICIPANTS OR THE INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS.**

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

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

### **Procedure for Authorization**

The Township has no constitutional limit on its power to incur indebtedness other than that it may issue obligations only for public purposes pursuant to State statutes. The authorization and issuance of Township debt, including the purpose, amount and nature thereof, the method and manner of the incurrence of such debt, the maturity and terms of repayment thereof, and other related matters are statutory. The Township is not required to submit the proposed incurrence of indebtedness to a public referendum.

The Township, by bond ordinance, may authorize and issue negotiable obligations for the financing of any capital improvement or property which it may lawfully acquire, or any purpose for which it is authorized or required by law to make an appropriation, except current expenses and payment of obligations (other than those for temporary financings). Bond ordinances must be finally approved by the recorded affirmative vote of at least two-thirds of the full membership of the Township Committee and, if applicable, approval by the Mayor prior to publication. The Local Bond Law requires publication and posting of the ordinance or a summary thereof. If the ordinance requires approval or endorsement of the State, it cannot be finally adopted until such approval has been received. The Local Bond Law provides that a bond ordinance shall take effect twenty (20) days after the first publication thereof after final adoption. At the conclusion of the twenty-day period all challenges to the validity of the obligations authorized by such bond ordinance shall be precluded except for constitutional matters. Moreover, after issuance, all obligations are conclusively presumed to be fully authorized and issued by all laws of the State and any person shall be estopped from questioning their sale, execution or delivery by the Township.

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

The Bonds are being issued pursuant to the provisions of the Local Bond Law. The Local Bond Law governs the issuance of bonds and notes to finance certain municipal capital expenditures. Among its provisions are requirements that bonds or notes must mature within the statutory period of usefulness of the projects being financed, that bonds be retired in either serial or sinking fund installments and that, unlike school debt, and with some exceptions, including self-liquidating obligations and those improvements involving certain State grants, a five percent (5%) cash down payment of the amount of bonds and notes authorized must be generally provided. Such down payment must have been raised by budgetary appropriations, from cash on hand previously contributed for the purpose or by emergency resolution adopted pursuant to the Local Budget Law, N.J.S.A. 40A:4-1 et seq., as amended and supplemented (the "Local Budget Law"). All bonds and notes issued by the Township are general "full faith and credit" obligations.

## **Short-Term Financing**

Local governmental units, including the Township, may issue bond anticipation notes to temporarily finance a capital improvement or project in anticipation of the issuance of bonds if the bond ordinance or subsequent resolution so provides. Such bond anticipation notes for capital improvements may be issued in an aggregate amount not exceeding the amount of bonds authorized in the ordinance, as may be amended and supplemented, creating such capital expenditure. A local unit's bond anticipation notes may be issued and renewed for periods not exceeding one (1) year, with the final maturity occurring and being paid no later than the first day of the fifth month following the close of the tenth fiscal year after the original issuance of the notes, provided that no notes may be renewed beyond the third anniversary date of the original notes and each anniversary date thereafter unless an amount of such notes, at least equal to the first legally payable installment of the anticipated bonds (the first year's principal payment), is paid and retired from funds other than the proceeds of obligations on or before the third anniversary date and each anniversary date thereafter.

The issuance of tax anticipation notes by a municipality is limited in amount by the provisions of the Local Budget Law and may be renewed from time to time, but in the case of a municipality such as the Township, all such notes and renewals thereof must mature not later than 120 days after the end of the fiscal year in which such notes were issued.

## **Refunding Bonds (N.J.S.A. 40A:2-51 et seq.)**

Refunding bonds may be issued by a local unit pursuant to the Local Bond Law for the purpose of paying, funding or refunding its outstanding bonds, including emergency appropriations, the actuarial liabilities of a non-State administered public employee pension system, the present value of unfunded accrued liabilities for State administered early retirement incentive benefits, amounts owing to others for taxes levied in the local unit, or any renewals or extensions thereof, and for paying the cost of issuance of refunding bonds. The Local Finance Board, in the Division of Local Government Services, New Jersey Department of Community Affairs (the "Local Finance Board") must approve the authorization of the issuance of refunding bonds and must provide a certificate or endorsement of consent to any issue of refunding bonds. If the refunding bonds are issued in accordance with N.J.A.C. 5:30-2.5, no approval is required by the Local Finance Board; however, the details of the sale, issuance and delivery of the refunding bonds will be delivered to the Local Finance Board within ten (10) days of the delivery of the refunding bonds. The Bonds are being issued in accordance with the provisions of N.J.A.C. 5:30-2.5.

## **Statutory Debt Limitation**

There are statutory requirements which limit the amount of debt which the Township is permitted to authorize. The authorized bonded indebtedness of a local unit is limited by the Local Bond Law and other laws to an amount equal to three and one-half percent (3.50%) of its stated average equalized valuation basis, subject to certain exceptions noted below. N.J.S.A. 40A:2-6. The stated equalized valuation basis is set by statute as the average of the aggregate equalized valuations of all taxable real property, together with improvements to such property, and the assessed valuation of certain Class II railroad property within the

boundaries of the Township for each of the last three (3) preceding years as annually certified in the valuation of all taxable real property, in the Table of Equalized Valuations by the Director of the Division of Taxation, in the New Jersey Department of the Treasury (the "Division of Taxation"). N.J.S.A. 40A:2-2. Certain categories of debt are permitted by statute to be deducted for the purposes of computing the statutory debt limit. N.J.S.A. 40A:2-43, -44. The Local Bond Law permits the issuance of certain obligations, including obligations issued for certain emergency or self-liquidating purposes, notwithstanding the statutory debt limitation described above; but, with certain exceptions, it is then necessary to obtain the approval of the Local Finance Board. See "Exceptions to Debt Limitation - Extensions of Credit" below. As shown in Appendix A, the Township has not exceeded its statutory debt limit.

### **Exceptions to Debt Limitation - Extensions of Credit (N.J.S.A. 40A:2-7)**

The debt limit of the Township may be exceeded with the approval of the Local Finance Board. If all or any part of a proposed debt authorization is to exceed its debt limit, the Township must apply to the Local Finance Board for an extension of credit. The Local Finance Board considers the request, concentrating its review on the effect of the proposed authorization on outstanding obligations and operating expenses and the anticipated ability to meet the proposed obligations. If the Local Finance Board determines that a proposed debt authorization is not unreasonable or exorbitant, that the purposes or improvements for which the obligations are issued are in the public interest and for the health, welfare and convenience or betterment of the inhabitants of the Township and that the proposed debt authorization would not materially impair the credit of the Township or substantially reduce the ability of the Township to meet its obligations or to provide essential services that are in the public interest and makes other statutory determinations, approval is granted. In addition to the aforesaid, debt in excess of the debt limit may be issued to fund certain obligations, for self-liquidating purposes and, in each fiscal year, in an amount not exceeding two-thirds of the amount budgeted in such fiscal year for the retirement of outstanding obligations (exclusive of obligations issued for utility or assessment purposes) plus two-thirds of the amount raised in the tax levy of the current fiscal year by the local unit for the payment of bonds or notes of any school district. The Township has not exceeded its debt limit.

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

The Local Fiscal Affairs Law, N.J.S.A. 40A:5-1 et seq., as amended and supplemented (the "Local Fiscal Affairs Law") regulates the non-budgetary financial activities of local governments. An annual, independent audit of the local unit's accounts for the previous year must be performed by a Registered Municipal Accountant licensed in the State of New Jersey. The audit, conforming to the Division of Local Government Services, in the New Jersey Department of Community Affairs (the "Division") "Requirements of Audit", which must be completed within six (6) months (by June 30) after the close of the Township's fiscal year (December 31), includes recommendations for improvement of the Township's financial procedures. The audit report must also be filed with the Township Clerk and be available for review during regular business hours and shall, within five (5) days thereafter, be filed with the Director of the Division (the "Director"). A synopsis of the audit report, together with all recommendations made, must be published in a local newspaper within thirty (30) days of the Township's receipt of the audit report. Accounting methods utilized in the conduct of the audit conform to practices prescribed by the Division, which practices differ in some respects from generally accepted accounting principles.

### **Annual Financial Statement (N.J.S.A. 40A:5-12 et seq.)**

An annual financial statement ("Annual Financial Statement") which sets forth the financial condition of a local unit for the fiscal year must be filed with the Division not later than January 26 (in the case of a county) and not later than February 10 (in the case of a municipality) after the close of the calendar fiscal year, or not later than August 10 of the State fiscal year for those municipalities which operate on the State fiscal year. The Annual Financial Statement is prepared either by the Chief Financial Officer or the Registered Municipal Accountant for the local unit. Such Annual Financial Statement reflects the results of operations for the year of the current and utility funds. If the statement of operations results in a cash deficit, the deficit must be included in full in the succeeding year's budget. The entire Annual Financial Statement is filed with the clerk of the local unit and is available for review during business hours.

## **Investment of Municipal Funds**

Investment of funds by municipalities is governed by N.J.S.A. 40A:5-14 et seq. Such statute requires municipalities to adopt a cash management plan pursuant to the requirements outlined by said statute. Once a municipality adopts a cash management plan it must deposit or invest its funds pursuant to such plan. N.J.S.A. 40A:5-15.1 provides for the permitted securities a municipality may invest in pursuant to its cash management plan. Some of the permitted securities are as follows: (a) direct obligations of, or obligations guaranteed by, the United States of America, (b) government money market mutual funds which invest in securities permitted under the statute, (c) bonds of certain federal government agencies having a maturity date not greater than 397 days from the date of purchase, (d) bonds or other obligations of the particular municipality or school district of which the local unit is a part or within which the school district is located, and (e) bonds or other obligations having a maturity date not greater than 397 days from the date of purchase and approved by the Division of Investment, in the New Jersey Department of the Treasury. Municipalities are required to deposit their funds in banks satisfying certain security requirements set forth in N.J.S.A. 17:9-41 et seq. Municipalities are required to deposit their funds in interest-bearing bank accounts to the extent practicable and other permitted investments.

## **DEBT INFORMATION OF THE TOWNSHIP**

The Township must report all new authorizations of debt or changes in previously authorized debt to the Division through the filing of Supplemental and Annual Debt Statements. The Supplemental Debt Statement must be submitted to the Division before final passage of any debt authorization other than a refunding debt authorization. Before the end of the first month (January 31) of each fiscal year of the Township, the Township must file an Annual Debt Statement which is dated as of the last day of the preceding fiscal year (December 31) with the Division and with the Township Clerk. This report is made under oath and states the authorized, issued and unissued debt of the Township as of the previous December 31. Through the Annual and Supplemental Debt Statements, the Division monitors all local borrowing. Even though the Township's authorizations are within its debt limits, the Division is able to enforce State regulations as to the amounts and purposes of local borrowings.

## **FINANCIAL MANAGEMENT**

### **Accounting and Reporting Practices**

The accounting policies of the Township conform to the accounting principles applicable to local governmental units which have been prescribed by the Division. A modified accrual basis of accounting is followed with minor exceptions. Revenues are recorded as received in cash except for certain amounts which may be due from other governmental units and which are accrued. Receivables for property taxes are recorded with offsetting reserves on the balance sheet of the Township's Current Fund; accordingly, such amounts are not recorded as revenue until collected. Other amounts that are due to the Township which are susceptible to accrual are also recorded as receivables with offsetting reserves and recorded as revenue only when received. Expenditures are generally recorded on the accrual basis, except that unexpended appropriations at December 31, unless canceled by the governing body, are reported as expenditures with offsetting appropriation reserves. Appropriation reserves are available, until lapsed at the close of the succeeding fiscal year, to meet specific claims, commitments or contracts incurred during the preceding fiscal year. Lapsed appropriation reserves are credited to the results of operations. As is the prevailing practice among municipalities and counties in the State, the Township does not record obligations for accumulated unused vacation and sick pay.

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

The foundation of the State local finance system is the annual cash basis budget. Every local unit, including the Township, must adopt an annual operating budget in the form required by the Division. Certain items of revenue and appropriation are regulated by law and the proposed operating budget must be certified as approved by the Director, or in the case of a local unit's examination of its own budget as

described herein, such budget cannot be finally adopted until a local examination certificate has been approved by the Chief Financial Officer and governing body of the local unit. The Local Budget Law requires each local unit to appropriate sufficient funds for payment of current debt service and the Director, or in the case of the local examination, the local unit, may review the adequacy of such appropriations. Among other restrictions, the Director or, in the case of local examination, the local unit, must examine the budget with reference to all estimates of revenue and the following appropriations: (a) payment of interest and debt redemption charges, (b) deferred charges and statutory expenditures, (c) cash deficit of the preceding year, (d) reserve for uncollected taxes, and (e) other reserves and nondisbursement items. Taxes levied are a product of total appropriations, less non-tax revenues, plus a reserve predicated on the prior year's collection experience.

The Director, in reviewing the budget, has no authority over individual operating appropriations, unless a specific amount is required by law, but the Director's budgetary review functions, focusing on anticipated revenues, serve to protect the solvency of all local units. Local budgets, by law and regulation, must be in balance on a "cash basis", i.e., the total of anticipated revenues must equal the total of appropriations. N.J.S.A. 40A:4-22. If in any year the Township's expenditures exceed its realized revenues for that year, then such excess (deficit) must be raised in the succeeding year's budget.

In accordance with the Local Budget Law and related regulations, (i) each local unit, with a population of more than 10,000 persons, must adopt and annually revise a six (6) year capital program, and (ii) each local unit, with a population of less than 10,000 persons, must adopt (with some exceptions) and annually revise a three (3) year capital program. The capital program, when adopted, does not constitute the appropriation of funds, but sets forth a plan of capital expenditures which the local unit may contemplate over the next six (6) years or the next three (3) years, as applicable. Expenditures for capital purposes may be made either by ordinances adopted by the governing body which set forth the items and the methods of financing, or from the annual operating budget. See "CAPITAL IMPROVEMENT PROGRAM" herein.

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

#### **Local Examination of Budgets (N.J.S.A. 40A:4-78(b))**

Chapter 113 of the Laws of New Jersey of 1996 (N.J.S.A. 40A:4-78(b)) authorizes the Local Finance Board to adopt rules that permit certain municipalities to assume the responsibility, normally granted to the Director, of conducting the annual budget examination required by the Local Budget Law. Since 1997 the Local Finance Board has developed regulations that allow "eligible" and "qualifying" municipalities to locally examine their budget every two (2) of three (3) years. The Township adopted its 2015 budget in accordance with the procedures described under the heading entitled, "FINANCIAL MANAGEMENT – Local Budget Law (N.J.S.A. 40A:4-1 et seq.)".

#### **State Supervision (N.J.S.A. 52:27BB-1 et seq.)**

State law authorizes State officials to supervise fiscal administration in any municipality which is in default on its obligations; which experiences severe tax collection problems for two (2) successive years; which has a deficit greater than four percent (4%) of its tax levy for two (2) successive years; which has failed to make payments due and owing to the State, county, school district or special district for two (2) consecutive years; which has an appropriation in its annual budget for the liquidation of debt which exceeds twenty-five percent (25%) of its total operating appropriations (except dedicated revenue appropriations) for the previous budget year; or which has been subject to a judicial determination of gross failure to comply with the Local Bond Law, the Local Budget Law or the Local Fiscal Affairs Law which substantially jeopardizes its fiscal integrity. State officials are authorized to continue such supervision for as long as any of the conditions exist and until the municipality operates for a fiscal year without incurring a cash deficit.

## **Limitation on Expenditures (“CAP Law”)**

N.J.S.A. 40A:4-45.3 places limits on municipal tax levies and expenditures. This law is commonly known as the “Cap Law” (the “Cap Law”). The original Cap Law was amended and such amendment became effective on July 7, 2004. The Cap Law provides that the Township shall limit any increase in its budget to 2.5% or the Cost-Of-Living Adjustment, whichever is less, of the previous year’s final appropriations, subject to certain exceptions. The Cost-Of-Living Adjustment is defined as the rate of annual percentage increase, rounded to nearest half percent, in the Implicit Price Deflator for State and Local Government Purchases of Goods and Services produced by the United States Department of Commerce for the year preceding the current year as announced by the Director. However, in each year in which the Cost-Of-Living Adjustment is equal to or less than 2.5%, the Township may, by ordinance, approved by a majority vote of the full membership of the governing body, provide that the final appropriations of the Township for such year be increased by a percentage rate that is greater than the Cost-Of-Living Adjustment, but not more than 3.5% over the previous year’s final appropriations. The Township has utilized this procedure to establish its CAP at 3.5%. See N.J.S.A. 40A:4-45.14. In addition, N.J.S.A. 40A:4-45.15b restored “CAP” banking to the Local Budget Law. Municipalities are permitted to appropriate available “CAP Bank” in either of the next two (2) succeeding years’ final appropriations. Along with the permitted increases for total general appropriations there are certain items that are allowed to increase outside the “CAP”.

Additionally, P.L. 2010, c.44, effective July 13, 2010, imposes a two percent (2%) 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 capital expenditures, including debt service, increases in pension contributions in excess of two percent (2%), certain increases in health care costs in excess of two percent (2%), and extraordinary costs incurred by a local unit directly related to a declared emergency. The governing body of a local unit may request approval, through a public question submitted to the legal voters residing in its territory, to increase the amount to be raised by taxation, and voters may approve increases above two percent (2%) not otherwise permitted under the law by an affirmative vote of fifty percent (50%).

The Division of Local Government Services has advised that counties and municipalities must comply with both budget “CAP” and the tax levy limitation. Neither the tax levy limitation nor the “CAP” law, however, limits the obligation of the Township to levy *ad valorem* taxes upon all taxable property within the boundaries of the Township to pay debt service on bonds and notes, including the Bonds.

## **Deferral of Current Expenses**

Supplemental appropriations made after the adoption of the budget and determination of the tax rate may be authorized by the governing body of a local unit, including the Township, but only to meet unforeseen circumstances, to protect or promote public health, safety, morals or welfare, or to provide temporary housing or assistance prior to the next succeeding fiscal year. However, with certain exceptions described below, such appropriations must be included in full as a deferred charge in the following year’s budget. Any emergency appropriation must be declared by resolution according to the definition provided in a provision of the Local Budget Law, N.J.S.A. 40A:4-48, -49, and approved by at least two-thirds of the full membership of the governing body, and shall be filed with the Director. If such emergency appropriations exceed three percent (3%) of the adopted operating budget, consent of the Director is required. N.J.S.A. 40A:4-49.

The exceptions are certain enumerated quasi-capital projects (“special emergencies”) such as (i) the repair and reconstruction of streets, roads or bridges damaged by snow, ice, frost, or floods, which may be amortized over three (3) years, and (ii) the repair and reconstruction of streets, roads, bridges or other public property damaged by flood or hurricane, where such expense was unforeseen at the time of budget adoption, the repair and reconstruction of private property damaged by flood or hurricane, tax map preparation, re-evaluation programs, revision and codification of ordinances, master plan preparations, drainage map preparation for flood control purposes, studies and planning associated with the construction and installation of sanitary sewers, authorized expenses of a consolidated commission, contractually

required severance liabilities resulting from the layoff or retirement of employees and the preparation of sanitary and storm system maps, all of which projects set forth in this section (ii) may be amortized over five (5) years. N.J.S.A. 40A:4-53, -54, -55, -55.1, -55.2, -55.3. Emergency appropriations for capital projects may be financed through the adoption of a bond ordinance and amortized over the useful life of the project as described above.

## **Budget Transfers**

Budget transfers provide a degree of flexibility and afford a control mechanism for local units. Pursuant to N.J.S.A. 40A:4-58, transfers between major appropriation accounts are prohibited until the last two (2) months of the municipality's fiscal year. Appropriation reserves may be transferred during the first three (3) months of the current fiscal year to the immediately preceding fiscal year's budget. N.J.S.A. 40A:4-49. Both types of transfers require a two-thirds vote of the full membership of the governing body. Although sub-accounts within an appropriation account are not subject to the same year-end transfer restriction, they are subject to internal review and approval. Generally, transfers cannot be made from the down payment account, contingent expenses, the capital improvement fund or from other sources as provided in the statute.

## **Anticipation of Real Estate Taxes**

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

In regard to current taxes, N.J.S.A. 40A:4-41(b) provides that: "[r]eceipts from the collection of taxes levied or to be levied in the municipality, or in the case of a county for general county purposes and payable in the fiscal year shall be anticipated in an amount which is not in excess of the percentage of taxes levied and payable during the next preceding fiscal year which was received in cash by the last day of the preceding fiscal year."

This provision requires that an additional amount (the "reserve for uncollected taxes") be added to the tax levy required to balance the budget so that when the percentage of the prior year's tax collection is applied to the combined total, the sum will at least equal the tax levy required to balance the budget. The reserve requirement is calculated as follows:

Total of Local, County, and School Levies	-	Anticipated Revenues	=	Cash Required from Taxes to Support Local Municipal Budget and Other Taxes
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<u>Cash Required from Taxes to Support Local Municipal Budget and Other Taxes</u>		Amount to be
Prior Year's Percentage of Current Tax Collection (or Lesser %)	=	Raised by Taxation

## **Anticipation of Miscellaneous Revenues**

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

No budget or amendment thereof shall be adopted unless the Director shall have previously certified his approval of such anticipated revenues except that categorical grants-in-aid contracts may be included for their face amount with an offsetting appropriation. The fiscal years of such grants rarely

coincide with a municipality's calendar fiscal year. Grant revenues are fully realized in the year in which they are budgeted by the establishment of accounts receivable and offsetting reserves.

## **CAPITAL IMPROVEMENT PROGRAM**

N.J.A.C. 5:30-4 provides that the Capital Budget and Capital Improvement Program of a local unit must be adopted as part of the annual budget. It does not by itself confer any authorization to raise or expend funds. Rather it is a document used for planning. Specific authorization to expend funds for such purposes must be granted, by a separate bond ordinance, by inclusion of a line item in the Capital Improvement Section of the budget, by an ordinance taking money from the Capital Improvement Fund, or other lawful means.

## **TAX ASSESSMENT AND COLLECTION**

### **Assessment and Collection of Taxes**

Property valuations (assessments) are determined on true values as arrived at by the cost approach, market data approach and capitalization of net income approach (where applicable). Current assessments are the result of maintaining new assessments on a "like" basis with established comparable properties for newly assessed or purchased properties resulting in a decline of the assessment ratio to true value to its present level. This method assures equitable treatment to like property owners.

Upon the filing of certified adopted budgets by the Township, the 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 of taxes to fund the budgets. The statutory provisions for the assessment of property, the 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 taxing district.

For calendar year municipalities, tax bills are sent in June of the current fiscal year. Taxes are payable in four quarterly installments on February 1, May 1, August 1 and November 1. The August and November tax bills are determined as the full tax levied for municipal, county and school purposes for the current municipal fiscal year, less the amount charged as the February and May installments for municipal, county and school purposes in the current fiscal year. The amounts due for the February and May installments are determined by the municipal governing body as either one-quarter or one-half of the full tax levied for municipal, county or school purposes for the preceding fiscal year.

Fiscal year municipalities follow the same general rationale for the billing of property taxes, however billing is processed semi-annually. The provisions of P.L. 1994, C. 72 changed the procedures for State fiscal year billing originally established in P.L. 1991, C. 75. Chapter 72 moves the billing calculation back on a calendar year basis, which permits tax levies to be proved more readily than before.

The formulae used to calculate tax bills under P.L. 1994, C. 72 are as follows:

The third and fourth installments, for municipal purposes, would equal one-half of an estimated annual tax levy, plus the balance of the full tax levied during the current tax year for school, county and special district purposes. The balance of the full tax for non-municipal purposes is calculated by subtracting amounts due on a preliminary basis from the full tax requirement for the tax year. The first and second installments, for municipal purposes, will be calculated on a percentage of the previous year's billing necessary to bill the amount required to collect the full tax levy, plus the non-municipal portion, which represents the amount payable to each taxing district for the period of January 1 through June 30.

Tax installments not paid on or before the due date are subject to interest penalties of eight percent (8%) on the first \$1,500 of the delinquency and then eighteen percent (18%) per annum on any

amount in excess of \$1,500. A penalty of up to six percent (6%) of the delinquency in excess of \$10,000 may be imposed on a taxpayer who fails to pay that delinquency prior to the end of the tax year in which the taxes become delinquent. Delinquent taxes open for one year or more are annually included in a tax sale in accordance with State Statutes. Tax title liens are periodically assigned to the Township Counsel (as hereinafter defined) for in rem foreclosures in order to acquire title to these properties.

The provisions of chapter 99 of the Laws of New Jersey of 1997 allow a municipality to sell its total property tax levy to the highest bidder either by public sale with sealed bids or by public auction. The purchaser shall pay the total property tax levy bid amount in quarterly installments or in one annual installment. Property taxes will continue to be collected by the municipal tax collector and the purchaser will receive as a credit against his payment obligation the amount of taxes paid to the tax collector. The purchaser is required to secure his payment obligation to the municipality by an irrevocable letter of credit or surety bond. The purchaser is entitled to receive, upon collection by the tax collector, all delinquent taxes and other municipal charges owing, due and payable collected by the tax collector. The statute sets forth bidding procedures and minimum bidding terms and requires the review and approval of the sale by the Division.

### **Tax Appeals**

New Jersey Statutes provide a taxpayer with remedial procedures for appealing an assessed valuation that the taxpayer deems excessive. The taxpayer has a right to petition the county Board of Taxation on or before the first day of April of the current tax year for review or the first day of May for municipalities that have undertaken a revaluation or reassessment in the current year. The county Board of Taxation and the Tax Court of New Jersey have the authority after a hearing to increase, decrease or reject the appeal petition. Adjustments by the county Board of Taxation are usually concluded within the current tax year and reductions are shown as cancelled or remitted taxes for that year. If the taxpayer believes the decision of the county Board of Taxation to be incorrect, appeal of the decision may be made to the Tax Court of New Jersey. State tax court appeals tend to take several years to conclude by settlement or trial and any losses in tax collection from prior years, after an unsuccessful trial or by settlement, are charged directly to operations.

## **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 in order for the interest on the Bonds 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 to be included in gross income for Federal income tax purposes retroactive to the date of issuance of the Bonds. The Township 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 the opinion of Wilentz, Goldman & Spitzer, P.A., Woodbridge, New Jersey, Bond Counsel to the Township ("Bond Counsel"), under existing statutes, regulations, rulings and court decisions, and assuming continuing compliance by the Township with the requirements of the Code described above, interest on the Bonds 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 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 January 15 in the years 2018 through 2028, inclusive, (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.

### **Additional Federal Income Tax Consequences**

Prospective purchasers of the Bonds should be aware that ownership of, accrual or receipt of interest on or disposition of tax-exempt obligations, such as the Bonds, may have additional Federal income tax consequences for certain taxpayers, including, without limitation, taxpayers eligible for the earned income credit, recipients of certain Social Security and 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 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 any gain realized on the sale of the Bonds are 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, gain from the sale or other disposition of the Bonds, the market value of the Bonds or the marketability of the Bonds. The effect of any legislation, administrative pronouncements or court decisions cannot be predicted. Prospective purchasers of the Bonds 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. Bond Counsel renders its opinion under existing statutes, regulations, rulings and court decisions as of the date of delivery of the Bonds 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 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.

**ALL POTENTIAL PURCHASERS OF THE BONDS 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.**

## QUALIFIED TAX-EXEMPT OBLIGATIONS

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

## 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 Township, including the Bonds, and such Bonds are authorized security for any and all public deposits.

## RISK TO HOLDERS OF BONDS

It is understood that the rights of the holders of the Bonds, 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.

### **Municipal Bankruptcy**

The undertakings of the Township 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 Township, 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.

**The Township 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 Township 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, 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 Township 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 Township in the Superior Court of New Jersey (the "Superior Court") to obtain a judgment that the Township is so in default. Once a judgment is entered by the Superior Court to the effect that the Township is in default, the Municipal Finance Commission (the "Commission") would become operative in the Township. 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 Division, 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, the issuance, the sale and the delivery of the Bonds are subject to the approval of Bond Counsel, whose approving legal opinion with respect to the Bonds will be delivered with the Bonds substantially in the form set forth as Appendix C hereto. Certain legal matters with respect to the Bonds will be passed upon for the Township by its Township Attorney, Daniel Antonelli, Esq., Union, New Jersey ("Township Counsel"). The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or the future performance of parties to the transaction, nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

**CERTIFICATES OF THE TOWNSHIP**

Upon the delivery of the Bonds, the Underwriter shall receive certificates, in form satisfactory to Bond Counsel and signed by officials of the Township, stating to the best knowledge of said officials, that this Official Statement as of its date did 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; and stating, to the best knowledge of said officials, that there has been no material adverse change in the condition, financial or otherwise, of the Township from that set forth in or contemplated by this Official Statement. In addition, the Underwriter shall also receive certificates in form satisfactory to Bond Counsel evidencing the proper execution and delivery of the Bonds and receipt of payment therefor, and certificates dated as of the date of the delivery of the Bonds, and signed by the officers who signed the Bonds, stating that no litigation is then pending or, to the knowledge of such officers, threatened to restrain or enjoin the issuance or delivery of the Bonds, or the levy or collection of taxes to pay the Bonds or the interest thereon, or questioning the validity of the statutes or the proceedings under which the Bonds are issued, and that neither the corporate existence or boundaries of the Township, nor the title of any of the said officers to the respective offices, is being contested.

## **ADDITIONAL INFORMATION**

Inquiries regarding this Official Statement, including information additional to that contained herein, may be directed to the Township of Union, 1976 Morris Avenue, Union, New Jersey 07083, Debra Cyburt, Chief Financial Officer, (908) 851-8503, dcyburt1@uniontownship.com, or to the Township's Bond Counsel, Wilentz, Goldman & Spitzer, P.A., 90 Woodbridge Center Drive, Woodbridge, New Jersey 07095, Lisa A. Gorab, Esq., (732) 855-6459, lgorab@wilentz.com.

## **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 Township as of the date hereof.

## **LITIGATION**

To the knowledge of Township Counsel, after due inquiry, there is no litigation of any nature now pending or threatened, restraining or enjoining the issuance or the delivery of the Bonds, or the levy or the collection of any taxes to pay the principal of or the interest on the Bonds, or in any manner questioning the authority or the proceedings for the issuance of the Bonds or for the levy or the collection of taxes, or contesting the corporate existence or the boundaries of the Township or the title of any of the present officers. Further, to the knowledge of the Township Counsel, no litigation is presently pending or threatened that, in the opinion of the Township Counsel, would have a material adverse impact on the financial condition of the Township if adversely decided. Upon the delivery of the Bonds, the Township shall furnish an opinion of its Township Counsel for the Bonds, dated the date of delivery of the Bonds, attesting to the status of litigation in the Township.

## **COMPLIANCE WITH SECONDARY MARKET DISCLOSURE REQUIREMENTS FOR THE BONDS**

In accordance with the requirements of Rule 15-c2-12 (the "Rule") of the United States Securities and Exchange Commission (the "SEC") the Township (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 D. Such Bond Disclosure Certificate shall be delivered concurrently with the delivery of the Bonds.

The Township has entered into prior undertakings to provide continuing disclosure for certain outstanding Township bond issues and Union County Improvement Authority bond issues (undertaken on behalf of the Township). In connection with such bond issues, the Township failed to timely file its audited financial statements and operating data for the fiscal years ended December 31, 2011 through 2015. In addition, the Township failed to timely file notices with respect to such late filings and event notices with respect to certain insured and underlying Township rating changes. The Township has hired NW Financial Group, LLC, Hoboken, New Jersey to act as its continuing disclosure agent.

## **PREPARATION OF OFFICIAL STATEMENT**

Bond Counsel has participated in the preparation and review of this Official Statement, but has not participated in the collection of statistical information contained in Appendix A or Appendix B and throughout this Official Statement, nor has it verified the accuracy, completeness, or fairness thereof, and, accordingly, expresses no opinion or other assurance with respect thereto.

Township Counsel has not participated in the preparation of the information contained in this Official Statement, nor has he verified the accuracy, completeness, or fairness thereof, and, accordingly, expresses no opinion or other assurance with respect thereto, but has reviewed the section under the caption entitled "LITIGATION" and expresses no opinion or assurance other than that which is specifically set forth therein with respect thereto.

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

## **RATING**

Standard & Poor's Rating Services, a Standard & Poor's Financial Services LLC business (the "Rating Agency"), has assigned a rating of "AA+" to the Bonds. The rating reflects only the views of such Rating Agency and an explanation of the significance of such rating may only be obtained from the Rating Agency. There can be no assurance that the rating will be maintained for any given period of time or that the rating may not be raised, lowered or withdrawn entirely, if in Rating Agency's judgment, circumstances so warrant. Any downward change in, or withdrawal of such rating, may have an adverse effect on the marketability or market price of the Bonds.

## **UNDERWRITING**

The Bonds have been purchased from the Township at a public sale by Roosevelt & Cross, Inc and Associates, New York, New York (the "Underwriter"). The purchase price of the Bonds reflects the par amount of the Bonds in the amount of \$10,746,000, plus a net original issue premium in the amount of \$439,450.45, and less an Underwriter's discount in the amount of \$117,070.45.

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

## **FINANCIAL STATEMENTS**

The financial statements of the Township as of and for the years ended December 31, 2015 and 2014, together with the Notes to the Financial Statements for the years ended December 31, 2015 and 2014, are presented in Appendix B to this Official Statement. The financial statements referred to above have been audited by Suplee, Clooney & Company, Westfield, New Jersey, as stated in its report appearing in Appendix B.

## **MISCELLANEOUS**

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

## **TOWNSHIP OF UNION**

/s/ Debra Cyburt

**DEBRA CYBURT,**  
**Chief Financial Officer**

DATED: January 10, 2017

**APPENDIX A**  
**CERTAIN FINANCIAL AND DEMOGRAPHIC INFORMATION**  
**CONCERNING THE TOWNSHIP OF UNION**

## **APPENDIX A**

### **Certain Economic and Demographic Information about the Township of Union, in the County of Union, New Jersey**

## INFORMATION REGARDING THE TOWNSHIP

The following material presents certain economic and demographic information of the Township of Union (the "Township"). Additional information is included in Appendix B and such information is derived from certain certified audits and financial documents and should be used in conjunction with the audit from which they are derived. Unless otherwise stated, all information is from the Township.

The financial statements have been prepared in conformity with accounting practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. These practices differ in certain respects, which in some instances may be material, from generally accepted accounting principles applicable to local government units. The Synopsis of Audit for years ending December 31, 2015 and December 31, 2014 are provided in Appendix B.

### Location and Area

The Township of Union (the "Township"), incorporated in 1808, is located fifteen miles from New York City in eastern Union County. The Township, which is approximately nine square miles in area, lies adjacent to Elizabeth, Maplewood, Millburn, Irvington, Hillside, Springfield, Kenilworth and Roselle Park. While the Township is predominantly a residential community of owner-occupied single dwellings, it also has several garden apartment complexes, modern shopping centers and substantial industrial areas.

The Garden State Parkway and Routes Nos. 22, 24, 78 and 82 run through the Township; the New Jersey Turnpike passes within three miles of the Township. These roadways connect the Township with the metropolitan area of New York and provide access to other commercial centers on the East Coast. The Newark International Airport lies within five miles of the Township as does the marine terminal of Port Elizabeth. Both of these easily accessible facilities provide the Township with direct access to the world's market places.

### Form of Government

The form of government found in the Township is that of a Township Committee composed of five members elected for three year terms. Each member is elected at large by the people of the Township. A full-time Municipal Administrator handles day-to-day operations.

## EDUCATIONAL SERVICES

The School District, a Type II District, is an independent legal entity under the laws of New Jersey and is coterminous with the Township. The School District is administered by a nine (9) member Board with members elected for staggered three (3) year terms as per State statute. The Board appoints a Superintendent and Board Secretary.

The School District provides a full range of educational services appropriate to grades K through 12, including regular as well as special education, and consists of seven (7) elementary schools, two (2) junior high schools and one (1) senior high school. Current student enrollment is 7,414.

Kean University, located in the Township, is a liberal arts, four year state university which offers programs in Management Science, Public Administration and Teaching Science.

Every board of education is required by State statute to provide an annual audit of the district's accounts and financial transactions. The audit must be performed by a licensed public school accountant within four months of the end of the school fiscal year. This audit, in conformity with statutory requirements, must be filed with the State Commissioner of Education. Additionally, the audit must be summarized and discussed at a regular public meeting of the local board of education within 40 days of its completion.

### FINANCIAL INSTITUTIONS

The financial needs of the Township are served by the following financial institutions:

Wells Fargo  
 Connect One Bank  
 Union County Savings Bank  
 Valley National Bank  
 Investors Savings Bank  
 Sovereign Bank  
 Hudson County Savings Bank  
 Chase Manhattan Bank  
 Bank of America  
 Independence Bank  
 New York Community Bank  
 Commerce Bank  
 Unity Bank  
 Synergy Bank

### UNEMPLOYMENT RATES

According to the State of New Jersey, Department of Labor and Industry, the estimated unemployment rates for 2015 were as follows:

Township of Union	4.1%
County of Union	4.5%
State of New Jersey	4.3%

### VALUE OF BUILDING PERMITS ISSUED

<u>YEAR</u>	<u>AMOUNT</u>
2015	\$53,955,717.00
2014	38,005,044.00
2013	50,897,418.00
2012	66,346,994.00
2011	66,308,542.00

Source: Township Construction Code Official

POPULATION

2010	56,642
2000	54,405
1990	50,124
1980	50,154
1970	53,077

Source: United States Bureau of the Census

LARGER TAXPAYERS OF THE TOWNSHIP

<u>TAXPAYER</u>	<u>TYPE OF BUSINESS</u>	2015 <u>ASSESSED VALUATION</u>
Union Mill Run, LLC	Apartment Complex	\$10,450,000.00
McMinn - L. Robbins, Trustee	Shopping Center	8,966,000.00
Union 22 Plaza	Shopping Center	8,902,400.00
Union VF, LLC	Shopping Center	8,500,000.00
Merck Corporation	Pharmaceutical Complex	6,708,100.00
VNO 2445 Springfield Ave.	Retail Center	6,300,000.00
Bed, Bath & Beyond	Office & Warehouse	5,127,700.00
Liberty Hall Joint Venture	Office Building	3,855,600.00
Island Southeast Union	Shopping Center	3,538,900.00
Target Corporation	Retail Center	3,372,700.00

Source: 2015 Township Assessor's Field Book

## FINANCIAL INFORMATION

### DEBT STATEMENTS

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

### DEBT INCURRING CAPACITY AS OF DECEMBER 31, 2015

#### Municipal:

1. Equalized Valuations (Last Three Years Average)	\$6,037,194,327
2. 3-1/2% Borrowing Margin	211,301,801
3. Net Debt Issued and Outstanding and Authorized But Not Issued	43,235,315
4. Excess School Borrowing	-0-
5. Total Charges to Borrowing Margin	43,235,315
6. Remaining Municipal Borrowing (Line 2 Minus Line 5) Capacity	168,066,486

TOWNSHIP OF UNION

STATEMENT OF INDEBTEDNESS  
AS OF DECEMBER 31, 2015

Gross Debt:

Local School District Debt:

Serial Bonds Issued and Outstanding	\$	26,617,000	
Authorized But Not Issued		<u>165</u>	
			\$ 26,617,165

Sewer Utility Debt:

Authorized But Not Issued	\$	<u>3,061,189</u>	
			3,061,189

Municipal Debt:

Issued and Outstanding:

Serial Bonds	\$	26,255,000	
Bond Anticipation Notes		11,044,405	
Green Trust Loan		341,588	
NJ Infrastructure Trust Loan		846,770	
Authorized But Not Issued		<u>4,871,060</u>	
			<u>43,358,822</u>

<u>Total Gross Debt</u>	\$	73,037,176
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Less:

Statutory Deductions:

Local School District Debt	\$	26,617,165	
Sewer Utility		3,061,189	
Municipal		<u>846,770</u>	
			<u>29,801,861</u>

Statutory Net Debt	\$	<u>43,235,315</u>
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Average Equalized Valuation of Real Property (Years 2015, 2014, 2013)	\$	6,037,194,327
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Statutory Net Debt Percentage	0.71%
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TOWNSHIP OF UNION

STATISTICS ON DEBT

Gross Debt (Municipal and School)	\$73,037,176.23
Overlapping Debt - County of Union	<u>63,784,811.87</u>
Gross Debt	\$136,821,988.10
Statutory Debt	43,235,315.09
Net Debt and Overlapping Debt	107,020,126.96
Gross Debt Per Capita - Based on 2010 Population	2,416
Net Debt and Overlapping Debt Per Capita - Based on 2010 Population	1,889
Gross Debt As a Percentage of Net Valuation Taxable for 2015	13.23%
Net Debt Statutory Percentage	0.710%
Average Equalized Valuations	\$6,037,194,327.00

OVERLAPPING DEBT  
AS OF DECEMBER 31, 2015

The overlapping debt of the Township was as follows:

	<u>GROSS DEBT</u>	<u>TOWNSHIP SHARE</u>	<u>AMOUNT</u>
County of Union	\$672,126,573.93	9.49%	<u>\$63,784,811.87</u>

GROSS AND STATUTORY NET DEBT  
AS OF DECEMBER 31  
(EXCLUSIVE OF OVERLAPPING DEBT)

<u>YEAR</u>	<u>GROSS DEBT</u>		<u>NET DEBT</u>	
	<u>AMOUNT</u>	<u>PERCENTAGES*</u>	<u>AMOUNT</u>	<u>PERCENTAGES*</u>
2015	\$73,037,176.23	1.21%	\$43,235,315.09	0.72%
2014	72,133,966.42	1.17%	41,482,823.79	0.67%
2013	72,501,702.26	1.13%	40,445,849.94	0.63%
2012	75,044,729.97	1.11%	40,268,113.90	0.60%
2011	67,402,535.25	0.95%	38,303,903.39	0.54%

\*of Average Equalized Valuations

TOWNSHIP OF UNION

SCHEDULE OF ANNUAL DEBT SERVICE FOR PRINCIPAL AND INTEREST  
FOR BONDED DEBT OUTSTANDING AS OF DECEMBER 31, 2015

<u>CALENDAR YEAR</u>	<u>GENERAL</u>		<u>TOTAL</u>
	<u>PRINCIPAL</u>	<u>INTEREST</u>	
2016	\$2,365,000.00	\$826,268.50	\$3,191,268.50
2017	2,460,000.00	755,862.25	3,215,862.25
2018	2,540,000.00	678,384.25	3,218,384.25
2019	2,585,000.00	594,405.25	3,179,405.25
2020	2,645,000.00	505,068.25	3,150,068.25
2021	2,170,000.00	429,338.25	2,599,338.25
2022	2,100,000.00	362,925.00	2,462,925.00
2023	2,100,000.00	297,575.00	2,397,575.00
2024	2,100,000.00	230,637.50	2,330,637.50
2025	2,100,000.00	162,112.50	2,262,112.50
2026	2,100,000.00	92,900.00	2,192,900.00
2027	990,000.00	34,650.00	1,024,650.00
	<u>\$26,255,000.00</u>	<u>\$4,970,126.75</u>	<u>\$31,225,126.75</u>

LOCAL SCHOOL DISTRICT

<u>YEAR ENDING JUNE 30</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2016	\$1,950,000.00	\$1,042,025.00	\$2,992,025.00
2017	2,060,000.00	969,600.00	3,029,600.00
2018	2,135,000.00	886,600.00	3,021,600.00
2019	2,215,000.00	799,300.00	3,014,300.00
2020	2,235,000.00	708,550.00	2,943,550.00
2021	2,270,000.00	616,850.00	2,886,850.00
2022	2,305,000.00	523,400.00	2,828,400.00
2023	2,345,000.00	434,825.00	2,779,825.00
2024	1,875,000.00	350,178.13	2,225,178.13
2025	1,385,000.00	298,162.51	1,683,162.51
2026	1,560,000.00	244,762.51	1,804,762.51
2027	1,555,000.00	192,093.76	1,747,093.76
2028	1,545,000.00	137,296.87	1,682,296.87
2029	1,520,000.00	80,212.50	1,600,212.50
3030	400,000.00	43,887.50	443,887.50
3031	400,000.00	29,387.50	429,387.50
3032	397,000.00	14,887.50	411,887.50
	<u>\$ 28,152,000.00</u>	<u>\$ 7,372,018.78</u>	<u>\$ 35,524,018.78</u>

TOWNSHIP OF UNION

SCHEDULE OF ANNUAL DEBT SERVICE FOR PRINCIPAL AND INTEREST  
FOR GREEN ACRES LOANS AS OF DECEMBER 31, 2015

CALENDAR YEAR	GREEN ACRES LOAN		TOTAL
	<u>PRINCIPAL</u>	<u>INTEREST</u>	
2016	\$112,786.62	\$6,270.61	\$119,057.23
2017	26,648.15	4,443.44	31,091.59
2018	27,183.78	3,907.82	31,091.60
2019	27,730.18	3,361.42	31,091.60
2020	28,287.55	2,804.05	31,091.60
2021	28,856.13	2,235.46	31,091.59
2022	29,436.13	1,655.45	31,091.58
2023	30,027.80	1,063.79	31,091.59
2024	30,631.36	460.23	31,091.59
	<u>\$341,587.70</u>	<u>\$26,202.27</u>	<u>\$367,789.97</u>

NEW JERSEY INFRASTRUCTURE LOAN PROGRAM

CALENDAR YEAR	PRINCIPAL	INTEREST	TOTAL
2016	\$77,485.41	\$10,706.26	\$88,191.67
2017	75,613.31	9,706.26	85,319.57
2018	74,115.62	8,906.26	83,021.88
2019	72,617.93	8,106.26	80,724.19
2020	71,120.25	7,306.26	78,426.51
2021	69,622.56	6,506.26	76,128.82
2022	82,438.61	5,681.26	88,119.87
2023	80,508.00	4,650.00	85,158.00
2024	78,518.89	3,587.50	82,106.39
2025	76,178.75	2,337.50	78,516.25
2026	88,550.38	1,275.00	89,825.38
	<u>\$846,769.71</u>	<u>\$68,768.82</u>	<u>\$915,538.53</u>

## TOWNSHIP LEASE PURCHASE TRANSACTIONS

### Union County Improvement Authority

The Township has entered into the following agreements with the Union County Improvement Authority to lease purchase various capital items as follows:

<u>Purpose</u>	<u>Date</u>	<u>Amount</u>
Capital Equipment and Infrastructure	4/15/2003	\$1,069,143.00
Capital Equipment	12/1/2004	939,832.61
Capital Equipment	10/13/2006	1,080,000.00

The projects to be funded include the purchase of vehicles and equipment and the improvement of certain facilities.

In accordance with the terms of the lease agreements, the Township will be obligated to make the following rental payments.

	Capital Equipment <u>2006</u>	Capital Equipment and Infrastructure <u>2003</u>	<u>Total</u>
2016	\$76,647.30	\$451,462.50	\$528,109.80
2017	74,174.80	450,712.50	524,887.30
2018	71,702.30	449,175.00	520,877.30
2019	69,229.80	451,850.00	521,079.80
2020	66,757.30	453,475.00	520,232.30
2021	64,284.80	449,050.00	513,334.80
2022		448,837.50	448,837.50
2023		452,575.00	452,575.00
	<hr/>	<hr/>	<hr/>
	<u>\$422,796.30</u>	<u>\$3,607,137.50</u>	<u>\$4,029,933.80</u>

TOWNSHIP OF UNION

ASSESSED VALUATIONS - LAND AND IMPROVEMENTS BY CLASS

<u>YEAR</u>	<u>VACANT LAND</u>	<u>RESIDENTIAL</u>	<u>COMMERCIAL</u>	<u>INDUSTRIAL</u>	<u>APARTMENT</u>	<u>TOTAL</u>
2015	\$ 8,549,400	\$ 742,161,900	\$ 190,863,500	\$ 70,630,300	\$ 20,603,500	\$ 1,032,808,600
2014	6,348,400	741,128,900	185,346,700	69,774,800	20,572,300	1,023,171,100
2013	5,725,100	739,570,500	187,297,800	70,256,500	20,572,300	1,023,422,200
2012	5,127,600	741,447,600	183,215,700	82,123,700	20,746,500	1,032,661,100
2011	4,925,900	741,672,200	186,972,400	93,708,500	20,751,500	1,048,030,500

Source: County of Union Board of Taxation Property Value Classification

ASSESSED VALUATIONS - NET VALUATIONS TAXABLE

<u>YEAR</u>	<u>REAL ESTATE LAND AND IMPROVEMENTS</u>	<u>BUSINESS PERSONAL PROPERTY</u>	<u>NET VALUATION TAXABLE</u>	<u>RATIO TO TRUE VALUE</u>	<u>AGGREGATE TRUE VALUE</u>
2015	\$ 1,032,808,600	\$ 1,454,499	\$ 1,034,263,099	17.21%	\$ 6,001,212,086
2014	1,023,171,100	1,437,411	1,024,608,511	16.99%	6,022,195,998
2013	1,023,422,200	1,592,044	1,025,014,244	16.81%	6,088,174,896
2012	1,032,661,100	1,755,137	1,034,416,237	16.19%	6,378,388,511
2011	1,048,030,500	1,604,756	1,049,635,256	15.38%	6,814,242,523

Source: State of New Jersey, Department of Treasury, Division of Taxation, Certification of the Table of Equalized Valuations.

TOWNSHIP OF UNION

MUNICIPAL PROPERTY TAX LEVIES AND COLLECTIONS

<u>YEAR</u>			<u>COLLECTION DURING</u> <u>YEAR OF LEVY</u>	
			<u>AMOUNT</u>	<u>PERCENTAGE</u>
2015	\$	189,934,701	\$ 186,957,240	98.43%
2014		184,209,213	181,113,437	98.31%
2013		180,798,250	177,531,604	98.19%
2012		177,350,622	173,427,428	97.78%
2011		174,111,329	170,770,334	98.08%

TOWNSHIP OF UNION

TAX REQUIREMENTS -  
MUNICIPAL AND OVERLAPPING GOVERNMENTS

<u>YEAR</u>	<u>TOTAL TAX</u> <u>REQUIREMENTS</u>		<u>LOCAL</u> <u>PURPOSES</u>	<u>LOCAL</u> <u>SCHOOL</u>	<u>COUNTY</u>	<u>SPECIAL</u> <u>IMPROVEMENT</u> <u>DISTRICT</u>
2015	\$	189,934,701	\$ 69,831,389	\$ 87,085,760	\$ 32,863,551	\$ 154,000
2014		180,798,250	67,226,163	84,490,626	32,348,424	144,000
2013		180,798,250	65,937,760	82,919,685	31,796,805	144,000
2012		177,350,622	65,039,800	81,094,875	31,071,947	144,000
2011		174,111,329	64,208,226	79,359,903	30,399,201	144,000

TOWNSHIP OF UNION

DELINQUENT TAXES AND TAX TITLE LIENS

DECEMBER 31

<u>YEAR</u>		<u>AMOUNT OF TAX TITLE LIENS</u>	<u>AMOUNT OF DELINQUENT TAXES</u>		<u>TOTAL DELINQUENT</u>	<u>PERCENTAGE OF LEVY</u>
2015	\$	76,164	2,726,674	\$	2,802,838	1.48%
2014		71,745	2,969,321		3,041,067	1.65%
2013		67,425	3,085,611		3,153,036	1.74%
2012		63,184	3,616,477		3,679,661	2.07%
2011		15,804	3,044,248		3,060,051	1.76%

ASSESSED VALUATIONS OF PROPERTY OWNED  
BY THE TOWNSHIP - ACQUIRED BY TAXES

<u>YEAR</u>		<u>AMOUNT</u>
2015	\$	129,414
2014		129,414
2013		129,414
2012		129,414
2011		129,414

TOWNSHIP OF UNION

COMPONENTS OF REAL ESTATE TAX RATE  
(PER \$100. OF ASSESSMENT)

<u>YEAR</u>	<u>TOTAL</u>	<u>MUNICIPAL</u>	<u>LOCAL SCHOOL</u>	<u>COUNTY</u>
2015	\$ 18.335	\$ 6.741	\$ 8.420	\$ 3.174
2014	17.924	6.528	8.247	3.149
2013	17.600	6.413	8.090	3.097
2012	17.098	6.261	7.840	2.997
2011	16.558	6.104	7.561	2.893

COMPARATIVE SCHEDULE OF FUND BALANCES

	<u>YEAR</u>	<u>FUND BALANCE DECEMBER 31</u>	<u>UTILIZED IN BUDGET OF SUCCEEDING YEAR</u>
Current Fund	2015	\$ 6,956,325	\$ 5,000,000
	2014	7,440,173	4,500,000
	2013	8,577,326	5,000,000
	2012	8,750,194	5,000,000
	2011	9,865,620	5,500,000

TOWNSHIP OF UNION

2016 MUNICIPAL BUDGET

CURRENT FUND

Anticipated Revenues:

Fund Balance	\$ 5,000,000
State and Federal Aid	6,260,893
Other	8,400,614
Receipts From Delinquent Taxes	2,696,000
Amount to be Raised by Taxation for Municipal Purposes	<u>71,102,939</u>

<u>Total Anticipated Revenues</u>	<u>\$ 93,460,446</u>
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Appropriations:

Within "Caps":

Operations	\$ 71,541,121
Pensions, Social Security, Unemployment Contributions	9,990,909

Excluded From "CAPS":

Operations	2,506,591
Capital Improvements	275,000
Municipal Debt Service	4,351,825
Total Deferred Charges	600,000
Reserve for Uncollected Taxes	<u>4,195,000</u>

<u>Total Appropriations</u>	<u>\$ 93,460,446</u>
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**APPENDIX B**  
**FINANCIAL STATEMENTS OF**  
**THE TOWNSHIP OF UNION**

APPENDIX B

FINANCIAL STATEMENTS OF THE  
TOWNSHIP OF UNION



# SUPLEE, CLOONEY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

308 East Broad Street, Westfield, New Jersey 07090-2122

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## **INDEPENDENT AUDITOR'S REPORT**

The Honorable Mayor and Members  
of the Township Committee  
Township of Union  
County of Union  
Union, New Jersey 07083

### ***Report on the Financial Statements***

We have audited the accompanying balance sheets - regulatory basis of the various individual funds and account group of the Township of Union, as of December 31, 2015 and 2014, the related statements of operations and changes in fund balance - regulatory basis for the years then ended, and the related statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the various individual funds for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Township's regulatory 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 regulatory basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. 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 misstatements, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these regulatory financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

## SUPLEE, CLOONEY & COMPANY

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the regulatory financial statements. The procedures selected depend on the auditor's 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 Township of Union'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 of Union'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 regulatory 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 of the regulatory financial statements, the regulatory financial statements are prepared by the Township of Union on the basis of the financial reporting provisions prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of New Jersey.

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 "Basis for Adverse Opinion on U.S Generally Accepted Accounting Principles" 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 various individual funds and account group of the Township of Union as of December 31, 2015 and 2014, or the results of its operations and changes in fund balance for the years then ended of the revenues or expenditures for the year ended December 31, 2015.

### ***Opinion on Regulatory Basis of Accounting***

In our opinion, the regulatory financial statements referred to above present fairly, in all material respects, the regulatory basis balances sheets of the various individual funds and account group as of December 31, 2015 and 2014, the regulatory basis statement of operations and changes in fund balance for the years then ended and the regulatory basis statement of revenues and expenditures and changes in fund balance for the year ended December 31, 2015 in accordance with the basis of financial reporting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

## SUPLEE, CLOONEY & COMPANY

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 7, 2016 on our consideration of the Township of Union'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 of Union's internal control over financial reporting and compliance.

SUPLEE, CLOONEY & COMPANY  
Certified Public Accountants

/s/ Warren M. Korecky  
Warren M. Korecky, C.P.A., R.M.A

September 7, 2016

"A"

TOWNSHIP OF UNION

CURRENT FUND

BALANCE SHEETS - REGULATORY BASIS

	BALANCE DECEMBER <u>31, 2015</u>	BALANCE DECEMBER <u>31, 2014</u>
<u>ASSETS</u>		
Cash	\$ 12,771,481.51	\$ 13,385,566.12
Change Fund	525.00	525.00
Grants Receivable	<u>175,152.82</u>	<u>266,929.49</u>
	\$ <u>12,947,159.33</u>	\$ <u>13,653,020.61</u>
Receivables and Acquired Property with Full Reserves:		
Delinquent Property Taxes Receivable	\$ 2,726,673.81	\$ 2,955,787.22
Tax Title Liens Receivable	76,163.89	71,745.15
Property Acquired for Taxes - Assessed Valuation	129,413.94	129,413.94
Revenue Accounts Receivable	239,793.49	175,715.12
Other Liens	16,600.00	16,600.00
Interfunds Receivable	5,276.04	30,927.97
Prepaid School Tax	<u>1,047,613.50</u>	<u>830,993.50</u>
	\$ <u>4,241,534.67</u>	\$ <u>4,211,182.90</u>
Deferred Charges:		
Emergency Authorization 40A: 4-46	\$ 200,000.00	\$
Special Emergency Authorization 40A:4-55	<u>2,000,000.00</u>	
	\$ <u>2,200,000.00</u>	
	\$ <u>19,388,694.00</u>	\$ <u>17,864,203.51</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Liabilities:		
Due State of New Jersey - Senior Citizens Deductions	\$ 572.52	\$ 400.44
Interfunds Payable	88,048.24	1,281.96
Appropriation Reserves	3,554,221.56	3,082,770.64
Prepaid Taxes	1,799,104.50	780,307.44
Encumbrances Payable	870,508.50	1,082,125.18
Accounts Payable	3,630.00	
Tax Overpayments	25,052.39	132,334.16
Added County Tax Payable	25,805.37	72,725.28
Reserve For:		
Redemption of Outside Liens	3,026.08	50,916.26
Grants - Unappropriated	29,282.94	108,627.34
Grants - Appropriated	711,669.84	624,368.76
Deposits on Sale of Property	1,000.00	1,000.00
Retirement	<u>1,078,912.68</u>	<u>275,989.79</u>
	\$ 8,190,834.62	\$ 6,212,847.25
Reserve for Receivables and Other Assets	4,241,534.67	4,211,182.90
Fund Balance	<u>6,956,324.71</u>	<u>7,440,173.36</u>
	\$ <u>19,388,694.00</u>	\$ <u>17,864,203.51</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

TOWNSHIP OF UNION

CURRENT FUND

STATEMENTS OF OPERATIONS AND  
CHANGE IN FUND BALANCE - REGULATORY BASIS

	YEAR ENDED DECEMBER 31, 2015	YEAR ENDED DECEMBER 31, 2014
<u>REVENUE AND OTHER INCOME REALIZED</u>		
Fund Balance Utilized	\$ 4,500,000.00	\$ 5,000,000.00
Miscellaneous Revenue Anticipated	14,979,059.38	15,690,879.83
Receipts From Delinquent Taxes	2,953,374.40	3,063,565.48
Receipts From Current Taxes	186,957,240.17	181,113,379.55
Non-Budget Revenue	952,515.95	1,054,929.17
Other Credits to Income:		
Unexpended Balance of Appropriation Reserves	1,637,566.16	1,158,119.87
Tax Overpayments Cancelled		90,793.78
Interfunds Returned	25,651.93	
Grant Reserve Cancelled - Net		159.59
	<hr/>	<hr/>
<u>TOTAL REVENUE AND OTHER INCOME</u>	\$ 212,005,407.99	\$ 207,171,827.27
<u>EXPENDITURES</u>		
Budget and Emergency Appropriations:		
Operations Within "CAPS"	\$ 73,212,381.34	\$ 69,973,967.12
Deferred Charges and Statutory Expenditures-Municipal	9,403,397.10	9,041,322.00
Other Operations Excluded from "CAPS"	2,007,875.80	2,251,686.64
State and Federal Programs Off-Set by Revenues	714,795.41	705,590.79
Capital Improvements	250,000.00	200,000.00
Municipal Debt Service	4,201,434.97	3,769,448.66
Special District Taxes	154,000.00	144,000.00
County Tax	32,837,726.95	32,275,680.03
County Share of Added Taxes	25,824.14	72,744.05
Local District School Tax	85,788,193.00	83,705,155.50
Reserve for Prepaid School Tax	1,047,613.50	830,993.50
Senior Citizen and Veterans - State Audit		24,250.00
Interfunds Advanced		4,021.77
Grant Receivable Cancelled - Net	4,528.96	
Refund of Prior Year Revenue	541,485.47	310,120.28
	<hr/>	<hr/>
<u>TOTAL EXPENDITURES</u>	\$ 210,189,256.64	\$ 203,308,980.34
Excess in Revenue	\$ 1,816,151.35	\$ 3,862,846.93
Adjustment to Income Before Fund Balance:		
Expenditures Included Above Which Are by Statute Deferred		
Charges to budget of succeeding year	2,200,000.00	
	<hr/>	<hr/>
Statutory Excess to Fund Balance	4,016,151.35	3,862,846.93
<u>Fund Balance</u>		
Balance, January 1	7,440,173.36	8,577,326.43
	<hr/>	<hr/>
	11,456,324.71	12,440,173.36
Decreased by:		
Utilization as Anticipated Revenue	4,500,000.00	5,000,000.00
	<hr/>	<hr/>
Fund Balance, December 31	\$ 6,956,324.71	\$ 7,440,173.36

The accompanying Notes to Financial Statements are an integral part of this statement.

"B"

TOWNSHIP OF UNION

TRUST FUND

BALANCE SHEETS - REGULATORY BASIS

	BALANCE DECEMBER 31, 2015	BALANCE DECEMBER 31, 2014
<u>ASSETS</u>		
Animal Control Fund:		
Cash	\$ 66,053.55	\$ 96,618.46
	\$ 66,053.55	\$ 96,618.46
Other Funds:		
Cash	\$ 3,110,765.58	\$ 4,241,654.85
Community Development Block Grants Receivable	426,718.99	354,970.24
Due Current Fund		764.53
Due General Capital Fund	3,851,000.00	3,012,000.00
	\$ 7,388,484.57	\$ 7,609,389.62
	\$ 7,454,538.12	\$ 7,706,008.08
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Animal Control Fund:		
Due Current Fund	\$ 3,049.75	\$ 30,379.06
Reserve for Animal Control Expenditures	63,002.80	66,221.80
Due State Department of Health	1.00	17.60
	\$ 66,053.55	\$ 96,618.46
Other Funds:		
Due Current Fund	\$ 1,677.38	\$
Reserves For:		
Premium on Tax Sale	2,134,300.00	2,840,400.00
Special Law Enforcement Trust	24,694.27	28,830.81
Community Development Block Grant Loan Repayment	109,229.37	220,151.43
Due to HUD - Refunds	2,075.10	2,075.10
Community Development Block Grants - Escrow	49,787.64	88,133.64
Various Deposits	4,399,411.70	3,843,443.01
State Unemployment Insurance	113,672.24	123,411.26
Community Development Block Grants	437,397.55	372,139.96
Section 8 Housing	101,790.98	83,715.41
Fund Balance	14,448.34	7,089.00
	\$ 7,388,484.57	\$ 7,609,389.62
	\$ 7,454,538.12	\$ 7,706,008.08

The accompanying Notes to Financial Statements are an integral part of this statement.

TOWNSHIP OF UNION

TRUST FUND

STATEMENT OF FUND BALANCE - REGULATORY BASIS

Balance, December 31, 2014	\$	7,089.00
Increased by:		
Cancelled Trust Deposits		14,448.34
	\$	<u>21,537.34</u>
Decreased by:		
Cash Disbursements		<u>7,089.00</u>
Balance, December 31, 2015	\$	<u><u>14,448.34</u></u>

The accompanying Notes to Financial Statements are an integral part of this statement.

"C"

TOWNSHIP OF UNION

GENERAL CAPITAL FUND

BALANCE SHEETS - REGULATORY BASIS

	BALANCE DECEMBER <u>31, 2015</u>	BALANCE DECEMBER <u>31, 2014</u>
<u>ASSETS</u>		
Cash	\$ 287,317.40	\$ 177,267.37
Deferred Charges to Future Taxation:		
Funded	27,443,357.41	29,978,279.22
Unfunded	15,791,957.68	11,504,544.57
Cancelled Grants Receivable	136,974.08	
Grants Receivable	496,808.00	189,750.00
Due Current Fund	991.82	517.43
Due Sewer Utility Capital Fund	1,174,063.02	1,174,063.02
Community Development Block Grants Receivable		9,500.00
	<u>\$ 45,331,469.41</u>	<u>\$ 43,033,921.61</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Serial Bonds Payable	\$ 26,255,000.00	\$ 28,600,000.00
Bond Anticipation Notes	11,044,405.00	7,784,000.00
Green Trust Loan Payable	341,587.70	452,151.99
N.J. Environmental Infrastructure Trust Loan Payable	846,769.71	926,127.23
Contracts Payable	1,578,961.23	1,143,805.27
Due Trust Other Fund	3,851,000.00	3,012,000.00
Due Sewer Utility Operating Fund	8,938.74	8,938.74
Capital Improvement Fund	52,390.00	26,665.00
Improvement Authorizations:		
Funded	79,624.75	27,035.73
Unfunded	813,939.57	616,540.74
Reserve for:		
Pay Debt Service	10,000.00	10,000.00
Firing Range		325,000.00
Grants Receivable	346,000.00	
Fund Balance	<u>102,852.71</u>	<u>101,656.91</u>
	<u>\$ 45,331,469.41</u>	<u>\$ 43,033,921.61</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

TOWNSHIP OF UNION

GENERAL CAPITAL FUND

STATEMENT OF CAPITAL FUND BALANCE - REGULATORY BASIS

Balance, December 31, 2014		\$	101,656.91
Increased by:			
Authorizations Cancelled	\$	<u>1,195.80</u>	<u>1,195.80</u>
Balance, December 31, 2015		\$	<u><u>102,852.71</u></u>

The accompanying Notes to Financial Statements are an integral part of this statement.

"D"

TOWNSHIP OF UNION

SEWER UTILITY FUND

BALANCE SHEETS - REGULATORY BASIS

		BALANCE DECEMBER 31, 2015	BALANCE DECEMBER 31, 2014
<u>ASSETS</u>			
<u>OPERATING FUND:</u>			
Cash	\$	1,115,562.48	\$ 1,430,354.65
Change Fund		200.00	200.00
Due Current Fund		87,056.42	
Due General Capital Fund		8,938.74	8,938.74
	\$	<u>1,211,757.64</u>	\$ <u>1,439,493.39</u>
Receivables with Full Reserves:			
Consumer Accounts Receivable	\$	562,642.40	\$ 544,487.14
Sewer Lien Receivable		100.00	100.00
	\$	<u>562,742.40</u>	\$ <u>544,587.14</u>
<u>TOTAL OPERATING FUND</u>	\$	<u>1,774,500.04</u>	\$ <u>1,984,080.53</u>
<u>CAPITAL FUND:</u>			
Fixed Capital	\$	2,963,284.30	\$ 1,940,363.55
Fixed Capital Authorized and Uncompleted		1,790,000.00	2,936,000.00
Grant Receivable			171,000.00
Due Sewer Utility Operating Fund		90.00	90.00
	\$	<u>4,753,374.30</u>	\$ <u>5,047,453.55</u>
	\$	<u>6,527,874.34</u>	\$ <u>7,031,534.08</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
<u>OPERATING FUND:</u>			
Liabilities:			
Appropriation Reserves	\$	370,630.49	\$ 493,047.21
Sewer Use Overpayments		11,988.95	27,853.00
Encumbrances Payable		282,579.24	112,409.50
Due Sewer Utility Capital Fund		90.00	90.00
	\$	<u>665,288.68</u>	\$ <u>633,399.71</u>
Reserve for Receivables		562,742.40	544,587.14
Fund Balance		546,468.96	806,093.68
<u>TOTAL OPERATING FUND</u>	\$	<u>1,774,500.04</u>	\$ <u>1,984,080.53</u>
<u>CAPITAL FUND:</u>			
Due General Capital Fund	\$	1,174,063.02	\$ 1,174,063.02
Capital Improvement Fund		90.00	90.00
Contracts Payable		456.03	37,815.87
Improvement Authorizations - Funded			85,719.41
Improvement Authorizations - Unfunded		406,677.00	1,790,000.00
Reserve for:			
Amortization		1,650,154.49	1,616,991.00
Deferred Amortization		170,273.70	171,000.00
Inflow/Infiltration Mitigation Plan		500.00	171,500.00
Infrastructure Trust Loan Payable		1,350,159.51	
Fund Balance		1,000.55	274.25
<u>TOTAL CAPITAL FUND</u>	\$	<u>4,753,374.30</u>	\$ <u>5,047,453.55</u>
	\$	<u>6,527,874.34</u>	\$ <u>7,031,534.08</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

TOWNSHIP OF UNION

SEWER UTILITY FUND

STATEMENTS OF OPERATIONS  
AND CHANGE IN OPERATING FUND BALANCE - REGULATORY BASIS

	YEAR ENDED DECEMBER <u>31, 2015</u>	YEAR ENDED DECEMBER <u>31, 2014</u>
<u>REVENUE AND OTHER INCOME REALIZED</u>		
Fund Balance	\$ 640,000.00	\$ 640,000.00
Sewer Use Charges and Additional	6,119,514.51	5,211,876.92
Joint Meeting Refund	323,987.72	293,136.98
Miscellaneous	71,983.56	78,220.85
Other Credits to Income:		
Canceled of Encumbrances Payable	6,922.50	524,024.00
Sewer Overpayments Cancelled	17,359.26	
Unexpended Balance of Appropriation Reserves	391,768.73	331,621.56
<u>TOTAL INCOME</u>	\$ <u>7,571,536.28</u>	\$ <u>7,078,880.31</u>
<u>EXPENDITURES</u>		
Operating	\$ 5,381,161.00	\$ 4,898,111.00
Capital Improvements	475,000.00	375,000.00
Deferred Charges and Statutory Expenditures	85,000.00	85,000.00
Surplus (General Budget)	1,250,000.00	1,250,000.00
<u>TOTAL EXPENDITURES</u>	\$ <u>7,191,161.00</u>	\$ <u>6,608,111.00</u>
Excess in Revenue	380,375.28	470,769.31
Balance, January 1	\$ <u>806,093.68</u>	\$ <u>975,324.37</u>
	1,186,468.96	1,446,093.68
Decreased by:		
Utilization as Anticipated Revenue	<u>640,000.00</u>	<u>640,000.00</u>
Fund Balance, December 31	\$ <u><u>546,468.96</u></u>	\$ <u><u>806,093.68</u></u>

The accompanying Notes to Financial Statements are an integral part of this statement.

TOWNSHIP OF UNION

SEWER UTILITY FUND

STATEMENTS OF CAPITAL SURPLUS - REGULATORY BASIS

Balance, December 31, 2014	\$	274.25
Increased by:		
Improvement Authorization Cancelled		<u>726.30</u>
Balance, December 31, 2015	\$	<u><u>1,000.55</u></u>

The accompanying Notes to Financial Statements are an integral part of this statement.

"E"

TOWNSHIP OF UNION

GENERAL FIXED ASSET ACCOUNT GROUP

BALANCE SHEET - REGULATORY BASIS

	BALANCE DECEMBER <u>31, 2015</u>	BALANCE DECEMBER <u>31, 2014</u>
<u>FIXED ASSETS</u>		
Land	\$ 26,880,600.00	\$ 26,880,600.00
Buildings	4,514,400.00	4,514,400.00
Machinery and Equipment	<u>25,632,182.14</u>	<u>29,606,930.57</u>
<u>TOTAL FIXED ASSETS</u>	\$ <u><u>57,027,182.14</u></u>	\$ <u><u>61,001,930.57</u></u>
<u>RESERVE</u>		
Investments in General Fixed Assets	\$ <u><u>57,027,182.14</u></u>	\$ <u><u>61,001,930.57</u></u>

The accompanying Notes to Financial Statements are an integral part of this statement.

TOWNSHIP OF UNION  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Township of Union is an instrumentality of the State of New Jersey established to function as a municipality. The Township Committee consists of elected officials and is responsible for the fiscal control of the Township.

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

B. Description of Funds

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. GASB codification establishes the presentation of basic financial statements into three fund types, the governmental, proprietary and fiduciary funds, as well as government-wide financial reporting that must be used by general purpose governmental units when reporting financial position and results of operations in accordance with U.S. Generally Accepted Accounting Principles (GAAP).

The accounting policies of the Township of Union conform to the accounting principles applicable to municipalities which have been prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. Under this method of accounting, the financial transactions and accounts of the Township of Union are organized on the basis of funds and an account group which is different from the fund structure required by GAAP. A fund or account group is an accounting entity with a separate set of self-balancing accounts established to record the financial position and results of operation of a specific governmental activity. As required by the Division of Local Government Services, the Township accounts for its financial transactions through the following individual funds and account group:

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Description of Funds (Continued)

Current Fund – resources and expenditures for governmental operations of a general nature, including federal and state grant funds.

Trust Fund – receipts, custodianship and disbursements of funds in accordance with the purpose of which each reserve was created.

General Capital Fund – receipt and disbursement of funds for the acquisition of general capital facilities, other than those acquired in the Current Fund.

Sewer Operating and Capital Funds – account for the operations and acquisition of capital facilities of the municipally-owned sewer utility.

Public Assistance Fund – receipt and disbursement of funds that provide assistance to certain residents of the Township pursuant to Title 44 of New Jersey statutes.

General Fixed Assets Account Group – utilized to account for property, land, buildings and equipment that have been acquired by other governmental funds.

C. Basis of Accounting

The accounting principles and practices prescribed for municipalities by the State of New Jersey differ in certain respects from generally accepted accounting principles applicable to local governmental units. The more significant accounting policies and differences in the State of New Jersey are as follows:

A modified accrual basis of accounting is followed with minor exceptions.

Revenues - are recorded when received in cash except for certain amounts which are due from other governmental units. Federal and state grants are realized as revenue when anticipated in the Township's budget. Receivables for property taxes are recorded with offsetting reserves on the balance sheet of the Township's Current Fund; accordingly, such amounts are not recorded as revenue until collected. Other amounts that are due the Township which are susceptible to accrual are also recorded as receivables with offsetting reserves and recorded as revenue when received. GAAP requires revenues to be recognized in the accounting period when they become susceptible to accrual, reduced by an allowance for doubtful accounts.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

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 the Encumbrance Accounting System.

Outstanding encumbrances at December 31 are reported as a cash liability in the financial statements and constitute part of the Township's statutory Appropriation Reserve balance. Appropriation reserves covering unexpended appropriation balances are automatically created at December 31st of each year and recorded as liabilities except for amounts which may be canceled by the governing body. Appropriation reserves are available, until lapsed at the close of the succeeding year, to meet specific claims, commitments, or contracts incurred during the preceding fiscal year. Lapsed appropriation reserves are recorded as income. Appropriations for principal payments on outstanding general capital and utility bonds and notes are provided on the cash basis; interest on general capital indebtedness is on the cash basis, whereas interest on utility indebtedness is on the accrual basis.

Encumbrances - Contractual orders at December 31 are reported as expenditures through the establishment of encumbrances payable. Under GAAP, encumbrances outstanding at year end are reported as reservations of fund balance because they do not constitute expenditures or liabilities.

Foreclosed Property - is recorded in the Current Fund at the assessed valuation when such property was acquired and is fully reserved. GAAP requires such property to be recorded in the General Fixed Assets Account Group at its market value.

Sale of Municipal Assets - The proceeds from the sale of municipal assets can be held in a reserve until anticipated as a revenue in a future budget. GAAP requires such proceeds to be recorded as a revenue in the year of sale.

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

Inventories of Supplies - The cost of inventories of supplies for all funds is recorded as expenditures at the time individual items are purchased. The cost of inventories is not included on the various balance sheets. GAAP requires the cost of inventories to be reported as a current asset and equally offset by a fund balance reserve.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

General Fixed Assets – New Jersey Administrative Code (N.J.A.C. 5:30-5.6), Accounting for Governmental Fixed Assets, which differs in certain respects from generally accepted accounting principles, requires the inclusion of a statement of general fixed assets of the Township as part of its basic financial statements. General fixed assets are defined as nonexpendable personal property having a physical existence, a useful life of more than five years and an acquisition cost of \$5,000.00 or more per unit.

Public domain ("infrastructure") general 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. No depreciation has been provided on general fixed assets or reported in the financial statements.

The Township has developed a fixed assets accounting and reporting system based on an inspection and valuation prepared by an independent appraisal firm. Fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Land is stated at the assessed value contained in the Township's most recent property revaluation. Buildings are stated at the most recent insurance replacement value. General Fixed Assets that have been acquired and are utilized in a governmental fund operation are accounted for in the General Fixed Assets Account Group rather than in a governmental fund.

Expenditures for construction in progress are recorded in the Capital Funds until such time as the construction is completed and put into operation.

Fixed assets acquired through grants in aid or contributed capital have not been accounted for separately.

The Township developed a fixed assets accounting and reporting system based on an inspection and valuation prepared by an independent appraisal firm.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

Fixed Capital - Sewer Utility - Accounting for utility fund "fixed capital" remains unchanged under the requirements of N.J.A.C. 5:30-5.6.

Property and equipment purchased by the Sewer Utility Fund are recorded in the capital account at cost and are adjusted for disposition and abandonment. The amounts shown do not purport to represent reproduction costs or current value. The fixed capital reported is as taken from the municipal records and does not necessarily reflect the true condition of such fixed capital. Contributions in aid of construction are not capitalized. The balance in the Reserve for Amortization account in the utility capital fund represent charges to operations for the cost of acquisitions of property, equipment and improvements. The utility does not record depreciation on fixed assets.

Accounting and Financial Reporting for Pensions - In June 2012, the Governmental Accounting Standards Board (GASB) approved Statement No. 68 Accounting and financial reporting for pensions administered by state and local government employers. This Statement improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local government employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirement of Statement No. 27, *Accounting for Pension by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement. This statement is effective for periods beginning after June 15, 2014.

In November of 2013, GASB approved Statement 71, Pension Transition for Contributions made Subsequent to the Measurement Date-an amendment to GASB No. 68. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, Accounting and Financial Reporting for Pensions. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

Accounting and Financial Reporting for Pensions (Continued) - Statement 68 requires a state or local government employer (or non-employer contributing entity in a special funding situation) to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. If a state or local government employer or non-employer contributing entity makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, Statement 68 requires that the government recognize its contribution as a deferred outflow of resources.

In addition, Statement 68 requires recognition of deferred outflows of resources and deferred inflows of resources for changes in the net pension liability of a state or local government employer or non-employer contributing entity that arise from other types of events.

At transition to Statement 68, if it is not practical for an employer or non-employer contributing entity to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, paragraph 137 of Statement 68 required that beginning balances for deferred outflows of resources and deferred inflows of resources not be reported. Consequently, if it is not practical to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, contributions made after the measurement date of the beginning net pension liability could not have been reported as deferred outflows of resources at transition. This could have resulted in a significant understatement of an employer or non-employer contributing entity's beginning net position and expense in the initial period of implementation.

This Statement amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

Under GAAP, municipalities are required to recognize the pension liability in Statements of Revenues, Expenses, Changes in Net Assets (balance sheets) and Notes to the Financial Statements in accordance with GASB 68. The liability required to be displayed by GASB 68 is displayed as a separate line item in the Unrestricted Net Assets area of the balance sheet.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

Accounting and Financial Reporting for Pensions (Continued) - New Jersey's municipalities and counties do not follow GAAP accounting principles and, as such, do not follow GASB requirements with respect to recording the net pension liability as a liability on their balance sheets. However, N.J.A.C. 5:30 6.1(c)(2) requires municipalities to disclose GASB 68 information in the Notes to the Financial Statements. The disclosure must meet the requirements of GASB 68.

D. Basic Financial Statements

The GASB codification also defines the financial statements of a governmental unit to be presented in the general purpose financial statements to be in accordance with GAAP. The Township presents the financial statements listed in the table of contents of the "Requirements of Audit and Accounting Revision of 1987" as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey and which differ from the financial statements required by GAAP.

NOTE 2: CASH AND CASH EQUIVALENTS

The Township considers petty cash, change funds, cash in banks and certificates of deposit as cash and cash equivalents.

A. Deposits

New Jersey statutes permit the deposit of public funds in institutions which are located in New Jersey and which meet the requirements of the Governmental Unit Deposit Protection Act (GUDPA) or the State of New Jersey Cash Management Fund. GUDPA requires a bank that accepts public funds to be a public depository. A public depository is defined as a state bank, a national bank, or a savings bank, which is located in the State of New Jersey, the deposits of which are insured by the Federal Deposit Insurance Corporation. The statutes also require public depositories to maintain collateral for deposits of public funds that exceed certain insurance limits. All collateral must be deposited with the Federal Reserve Bank or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.00.

The Township of Union had the following cash and cash equivalents at December 31, 2015:

<u>Fund</u>	<u>Cash in Bank</u>	<u>Deposit in Transit</u>	<u>Outstanding Checks</u>	<u>Change Funds</u>	<u>Total</u>
Checking Accounts	\$18,707,441.25	\$233,903.50	\$1,579,391.48		\$17,361,953.27
Change Funds				\$725.00	725.00
	<u>\$18,707,441.25</u>	<u>\$233,903.50</u>	<u>\$1,579,391.48</u>	<u>\$725.00</u>	<u>\$17,362,678.27</u>

NOTE 2: CASH AND CASH EQUIVALENTS (CONTINUED)

A. Deposits (Continued)

Custodial Credit Risk - Deposits - Custodial credit risk is the risk that in the event of a bank failure, the deposits may not be returned. The Township does not have a specific deposit policy for custodial credit risk other than those policies that adhere to the requirements of statute. As of December 31, 2015, based upon the coverage provided by FDIC and NJGUDPA, no amount of the bank balance was exposed to custodial credit risk. Of the cash on balance in the bank of \$18,707,441.25, \$500,000.00 was covered by Federal Depository Insurance and \$18,207,441.25 was covered under the provisions of NJGUDPA.

B. Investments

The investments which may be purchased by the Township are strictly limited by the express authority of the New Jersey Local Fiscal Affairs Law, N.J.S.A. 40A:5-15.1. Permitted investments include any of the following type of securities:

1. Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
2. Government money market mutual funds which are purchased from an investment company or investment trust which is registered with the Securities and Exchange Commission under the "Investment Company Act of 1940," 15 U.S.C. 80a-1 et seq., and operated in accordance with 17 C.F.R. § 270.2a-7 and which portfolio is limited to U.S. Government securities that meet the definition of an eligible security pursuant to 17 C.F.R. § 270.2a-7 and repurchase agreements that are collateralized by such U.S. Government securities in which direct investment may be made pursuant to paragraphs (1) and (3) of N.J.S.A. 5-15.1. These funds are also required to be rated by a nationally recognized statistical rating organization.
3. Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
4. Bonds or other obligations of the Local Unit or bonds or other obligations of school districts of which the Local Unit is a part or within which the school district is located.
5. Bonds or other obligations, having a maturity date not more than 397 days from date of purchase, approved by the Division of Investment of the Department of Treasury for investment by Local Units;

NOTE 2: CASH AND CASH EQUIVALENTS (CONTINUED)

B. Investments (Continued)

6. Local government investment pools that are fully invested in U.S. Government securities that meet the definition of eligible security pursuant to 17 C.F.R. § 270a-7 and repurchase agreements that are collateralized by such U.S. Government securities in which direct investment may be made pursuant to paragraphs (1) and (3) of N.J.S.A. 5-15.1. This type of investment is also required to be rated in the highest category by a nationally recognized statistical rating organization.
7. Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C. 52:18A-90.4); or
8. Agreements for the repurchase of fully collateralized securities if:
  - a. the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this subsection;
  - b. the custody of collateral is transferred to a third party;
  - c. the maturity of the agreement is not more than 30 days;
  - d. the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c.236 (C. 17:19-41); and
  - e. a master repurchase agreement providing for the custody and security of collateral is executed.

The Township of Union had no investments outstanding at December 31, 2015.

Based upon the limitations set forth by New Jersey Statutes 40A:5-15.1 and existing investment practices, the Township generally is not exposed to credit risk, custodial credit risk, concentration of credit risk and interest rate risk for its investments, nor is it exposed to foreign currency risk for its deposits and investments.

NOTE 3: MUNICIPAL DEBT

The Local Bond Law, Chapter 40A:2, governs the issuance of bonds to finance general municipal capital expenditures. All bonds are retired in annual installments within the statutory period of usefulness. All bonds issued by the Township are general obligation bonds, backed by the full faith and credit of the Township. Bond Anticipation Notes, which are issued to temporarily finance capital projects, shall mature and be paid off within ten years or financed by the issuance of bonds.

Long-Term Debt

SUMMARY OF MUNICIPAL DEBT (EXCLUDING CURRENT OPERATING DEBT AND TYPE II SCHOOL DEBT)

	<u>YEAR 2015</u>	<u>YEAR 2014</u>	<u>YEAR 2013</u>
Issued:			
General:			
Bonds, Notes and Loans	\$38,487,762.41	\$37,762,279.22	\$39,022,066.02
Sewer Utility:			
Loans	<u>1,350,159.51</u>		
Net Debt Issued	39,837,921.92	37,762,279.22	39,022,066.02
Less: Cash on Hands to Pay Notes	<u>123,507.31</u>	<u>123,507.31</u>	<u>34,500.00</u>
	<u>\$39,714,414.61</u>	<u>\$37,638,771.91</u>	<u>\$38,987,566.02</u>
<u>Authorized but not Issued</u>			
General:			
Bonds and Notes	\$4,871,059.99	\$3,844,051.88	\$1,458,283.92
Sewer Utility:			
Bonds and Notes	<u>1,711,029.32</u>	<u>1,304,352.32</u>	<u>1,304,352.32</u>
Total Authorized but not Issued	<u>\$6,582,089.31</u>	<u>\$5,148,404.20</u>	<u>\$2,762,636.24</u>
Net Bonds and Notes Issued and and Authorized but not issued	<u>\$46,296,503.92</u>	<u>\$42,787,176.11</u>	<u>\$41,750,202.26</u>

NOTE 3: MUNICIPAL DEBT (CONTINUED)

Long Term Debt (Continued)

SUMMARY OF STATUTORY DEBT CONDITION ANNUAL DEBT STATEMENT

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of 0.716%.

	<u>GROSS DEBT</u>	<u>DEDUCTIONS</u>	<u>NET DEBT</u>
Local School District Debt	\$ 26,617,165.00	\$ 26,617,165.00	\$ -0-
Sewer Utility Debt	3,061,188.83	3,061,188.83	-0-
General Debt	<u>43,358,822.40</u>	<u>123,507.31</u>	<u>43,235,315.09</u>
	<u>\$ 73,037,176.23</u>	<u>\$ 29,801,861.14</u>	<u>\$ 43,235,315.09</u>

NET DEBT \$43,235,315.09 DIVIDED BY EQUALIZED VALUATION BASIS PER N.J.S. 40A:2-2, AS AMENDED, \$6,037,194,326.67 EQUALS 0.716%.

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

Equalized Valuation Basis* - December 31, 2015	\$6,037,194,326.67
3-1/2 of Equalized Valuation Basis	211,301,801.43
Net Debt	<u>43,235,315.09</u>
Remaining Borrowing Power	<u>\$168,066,486.34</u>

\*Equalized Valuation Basis is the average of the equalized valuation of real estate, including improvements, and the assessed valuation of Class II Rail Road Property of the Township of Union for the last three (3) preceding years.

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

Surplus Anticipated and Total Cash Receipts from Fees, Rents, or Other Charges for the Year	\$6,831,498.07
Deductions:	
Operating and Maintenance Cost	<u>\$5,466,161.00</u>
Total Deductions	<u>5,466,161.00</u>
Excess in Revenue	<u>\$1,365,337.07</u>

NOTE 3: MUNICIPAL DEBT (CONTINUED)

Long Term Debt (Continued)

SCHEDULE OF ANNUAL DEBT SERVICE FOR PRINCIPAL AND INTEREST  
FOR BONDED DEBT ISSUED AND OUTSTANDING AS OF DECEMBER 31, 2015

CALENDAR YEAR	GENERAL		TOTAL
	PRINCIPAL	INTEREST	
2016	\$2,365,000.00	\$826,268.50	\$3,191,268.50
2017	2,460,000.00	755,862.25	3,215,862.25
2018	2,540,000.00	678,384.25	3,218,384.25
2019	2,585,000.00	594,405.25	3,179,405.25
2020	2,645,000.00	505,068.25	3,150,068.25
2021	2,170,000.00	429,338.25	2,599,338.25
2022	2,100,000.00	362,925.00	2,462,925.00
2023	2,100,000.00	297,575.00	2,397,575.00
2024	2,100,000.00	230,637.50	2,330,637.50
2025	2,100,000.00	162,112.50	2,262,112.50
2026	2,100,000.00	92,900.00	2,192,900.00
2027	990,000.00	34,650.00	1,024,650.00
	<u>\$26,255,000.00</u>	<u>\$4,970,126.75</u>	<u>\$31,225,126.75</u>

NOTE 3: MUNICIPAL DEBT (CONTINUED)

Long Term Debt (Continued)

The General Improvement, Early Retirement and Refunding Bonds are comprised of the following issues:

<u>ISSUE</u>	<u>OUTSTANDING BALANCE DECEMBER 2015</u>
\$700,000.00 in Pension Refunding Bonds dated April 1, 2003, due in remaining installments ranging between \$60,000.00 and \$105,000.00 beginning April 1, 2015 and ending April 1, 2021 with interest ranging between 5.29% and 5.93%	\$485,000.00
\$9,880,000.00 in General Obligation Bonds dated June 15, 2009, due in remaining installments ranging between \$600,000.00 and \$650,000.00 beginning February 1, 2015 and ending February 1, 2026 with interest ranging between 3.750% and 4.00%	6,895,000.00
\$11,565,000.00 in General Obligation Bonds dated October 15, 2010, due in remaining installments ranging between \$600,000.00 and \$990,000.00 beginning October 15, 2015 and ending October 15, 2027 with interest ranging between 3.00% and 3.50%	9,565,000.00
\$5,750,000.00 in General Obligation Bonds dated July 15, 2015, due in remaining installments ranging between \$325,000.00 and \$550,000.00 beginning July 15, 2015 and ending July 15, 2026 with interest ranging between 2.00% and 2.50%	5,475,000.00
\$3,855,000.00 in General Obligation Refunding Bonds dated October 21, 2014, due in remaining installments ranging between \$760,000.00 and \$780,000.00 beginning October 21, 2015 and ending October 21, 2020 with interest ranging between 2.00% and 4.00%	<u>3,835,000.00</u>
	<u>\$26,255,000.00</u>

NOTE 3: MUNICIPAL DEBT (CONTINUED)

Long Term Debt (Continued)

BONDS AND NOTES AUTHORIZED BUT NOT ISSUED

At December 31, 2015, the Township has authorized but not issued bonds and notes as follows:

General Capital Fund	<u>\$ 4,871,059.99</u>
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Sewer Utility Operating Fund	<u>\$ 1,582,696.60</u>
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In addition, the Township has entered into two Green Trust Loan Agreements with the State of New Jersey for the Voorhees Park acquisition project. Loan Number 2019-93-100 dated September 9, 1997 is for \$1,384,784.25 with annual Principal and Interest Payment totaling \$87,965.66 beginning 09/16/07 and ending 09/16/16. Loan Number 2019-95-129 dated March 16, 2006 is for \$500,000.00, with annual principal and interest payments totaling \$31,019.59 beginning 03/16/08 and ending 03/16/24. Both loans are at an interest rate of 2.00%.

Following are the maturities and debt schedule for the outstanding principal and interest on the loans:

CALENDAR YEAR	GREEN ACRES LOANS		
	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2016	\$112,786.62	\$6,270.61	\$119,057.23
2017	26,648.15	4,443.44	31,091.59
2018	27,183.78	3,907.82	31,091.60
2019	27,730.18	3,361.42	31,091.60
2020	28,287.55	2,804.05	31,091.60
2021	28,856.13	2,235.46	31,091.59
2022	29,436.13	1,655.45	31,091.58
2023	30,027.80	1,063.79	31,091.59
2024	30,631.36	460.23	31,091.59
	<u>\$341,587.70</u>	<u>\$26,202.27</u>	<u>\$367,789.97</u>

NOTE 3: MUNICIPAL DEBT (CONTINUED)

Long Term Debt (Continued)

The Township has also entered into a New Jersey Environmental Infrastructure Trust Fund Loan Agreement with the State of New Jersey for Sewer Infrastructure improvements through the Joint Meeting of Essex and Union Counties. The loan, reflected in the General Capital Fund, totaled \$1,443,800.00, was dated November 9, 2006 and bears the following maturities for the outstanding principal and interest on the loan:

CALENDAR YEAR	<u>N. J. ENVIRONMENTAL INFRASTRUCTURE TRUST FUND LOAN</u>		
	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2016	\$77,485.41	\$10,706.26	\$88,191.67
2017	75,613.31	9,706.26	85,319.57
2018	74,115.62	8,906.26	83,021.88
2019	72,617.93	8,106.26	80,724.19
2020	71,120.25	7,306.26	78,426.51
2021	69,622.56	6,506.26	76,128.82
2022	82,438.61	5,681.26	88,119.87
2023	80,508.00	4,650.00	85,158.00
2024	78,518.89	3,587.50	82,106.39
2025	76,178.75	2,337.50	78,516.25
2026	88,550.38	1,275.00	89,825.38
	<u>\$846,769.71</u>	<u>\$68,768.82</u>	<u>\$915,538.53</u>

NOTE 3: MUNICIPAL DEBT (CONTINUED)

Short Term Debt

BOND ANTICIPATION NOTES

Outstanding Bond Anticipation Notes are summarized as follows:

<u>Number</u>	<u>Original Issue</u>	<u>Issue</u>	<u>Maturity</u>	<u>Rate</u>	<u>Amount</u>
5073	06/05/12	05/29/15	05/27/16	0.49%	\$42,630.00
5079	06/05/12	05/29/15	05/27/16	0.49%	147,690.00
5115;5154	06/05/12	05/29/15	05/27/16	0.49%	97,430.00
5168;5195;5229	06/05/12	05/29/15	05/27/16	0.49%	267,690.00
5168;5195;5229	06/04/13	05/29/15	05/27/16	0.49%	680,000.00
5177	06/05/12	05/29/15	05/27/16	0.49%	72,410.00
5193	06/05/12	05/29/15	05/27/16	0.49%	797,850.00
5194	06/05/12	05/29/15	05/27/16	0.49%	77,530.00
5199;5242	06/04/13	05/29/15	05/27/16	0.49%	558,620.00
5200	06/05/12	05/29/15	05/27/16	0.49%	925,640.00
5227	06/04/13	05/29/15	05/27/16	0.49%	95,000.00
5204;5228	06/04/13	05/29/15	05/27/16	0.49%	500,000.00
5240	06/04/13	05/29/15	05/27/16	0.49%	700,000.00
5241	06/04/13	05/29/15	05/27/16	0.49%	1,140,000.00
5247	06/04/13	05/29/15	05/27/16	0.49%	95,000.00
5250	06/04/13	05/29/15	05/27/16	0.49%	950,000.00
5255	08/09/13	05/29/15	05/27/16	0.49%	500,000.00
5289	05/29/15	05/29/15	05/27/16	0.49%	2,375,000.00
5290	05/29/15	05/29/15	05/27/16	0.49%	83,600.00
5297	05/29/15	05/29/15	05/27/16	0.49%	442,415.00
5309	05/29/15	05/29/15	05/27/16	0.49%	495,900.00
					<u>\$11,044,405.00</u>

NOTE 4: SCHOOL TAXES

Local district taxes have been raised and liabilities deferred by statute, resulting in the school taxes payable set forth in the Current Fund liabilities as follows:

	<u>Local District School Tax</u>	
	<u>Balance</u> <u>December 31,</u> <u>2015</u>	<u>Balance</u> <u>December 31,</u> <u>2014</u>
Balance of Tax	\$42,495,266.50	\$41,414,319.50
Deferred	43,542,880.00	42,245,313.00
Tax Prepaid	<u>(\$1,047,613.50)</u>	<u>(\$830,993.50)</u>

NOTE 5: FUND BALANCES APPROPRIATED

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

Current Fund	\$ 5,000,000.00
Sewer Utility Operating Fund	\$ 564,000.00

NOTE 6: PROPERTY TAXES

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied based on the final adoption of the current year municipal budget, and are payable in four installments on February 1, May 1, August 1 and November 1. The Township bills and collects its own property taxes and also the taxes for the County and the Local School District. The collections and remittance of county and school taxes are accounted for in the Current Fund. Township property tax revenues are recognized when collected in cash and any receivables are recorded with offsetting reserves on the balance sheet of the Township's Current Fund.

Taxes Collected in Advance - Taxes collected in advance and recorded as cash liabilities in the financial statements are as follows:

	BALANCE DECEMBER 31, <u>2015</u>	BALANCE DECEMBER 31, <u>2014</u>
Prepaid Taxes	<u>\$1,799,104.50</u>	<u>\$780,307.44</u>

NOTE 7: PENSION PLANS

Plan Descriptions

Substantially all eligible employees participate in the Public Employees' Retirement System (PERS), the Police, Firemen's Retirement System (PFRS), the Consolidated Police and Firemen's Pension Fund or the Defined Contribution Retirement System (DCRP), which have been established by state statute and are administered by the New Jersey Division of Pensions and Benefits. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees Retirement System, Police and Fireman's Retirement System and Consolidated Police and Firemen's Pension Fund.

These reports may be obtained by writing to the Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey, 08625 or are available online at [www.nj.gov/treasury/pensions/annrpts.shtml](http://www.nj.gov/treasury/pensions/annrpts.shtml).

NOTE 6: PENSION PLANS (CONTINUED)

Public Employees' Retirement System (PERS)

The Public Employees' Retirement System (PERS) was established as of January 1, 1955, under the provisions of N.J.S.A. 43:15A, to provide retirement, death, disability and medical benefits to certain qualified members. The PERS is a cost-sharing multiple employer plan. Membership is mandatory for substantially, all full-time employees of the State of New Jersey or any county, municipality, school district or public agency, provided the employee is not required to be a member of another state-administered retirement system or other state pension fund or local jurisdiction's pension fund.

Police and Fireman's Retirement System (PFRS)

The Police and Fireman's Retirement System (PFRS) was established as of July 1, 1944, under the provisions of N.J.S.A. 43:16A to provide retirement, death, and disability benefits to its members. The PFRS is a cost-sharing multiple-employer plan. Membership is mandatory for substantially, all full-time county and municipal police or firemen or officer employees with police powers appointed after June 30, 1944.

Consolidated Police and Firemen's Pension Fund

The Consolidated Police and Firemen's Retirement System (CPFRS) is a closed system with no active members and was established in January 1952 to provide coverage to municipal police and firemen who were appointed prior to July 1, 1944.

Defined Contribution Retirement Program (DCRP)

The Defined Contribution Retirement Program (DCRP) was established July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, and was expanded under the provisions of Chapter 89, P.L. 2009. The DCRP provides eligible employees and their beneficiaries with a tax-sheltered, defined contribution retirement benefit, along with life insurance coverage and disability coverage.

NOTE 6: PENSION PLANS (CONTINUED)

Vesting and Benefit Provisions

The vesting and benefit provisions for PERS are set by N.J.S.A. 43:15A and 43:36. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service. Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after achieving ten years of service credit. In which case, benefits would begin the first day of the month after the member attains normal retirement age.

The vesting and benefit provisions for PFRS are set by N.J.S.A. 43:16A and 43:36. All benefits vest after ten years of service, except for disability benefits, which vest after four years of service. Retirement benefits for age and service are available at age 55. Members may seek special retirement after achieving 25 years of creditable service or they may elect deferred retirement after achieving ten years of service.

Newly elected or appointed officials that have an existing DCRP account, or are a member of another State-administered retirement system are immediately invested in the DCRP. For newly elected or appointed officials that do not qualify for immediate vesting in the DCRP, employee and employer contributions are held during the initial year of membership. Upon commencing the second year of DCRP membership, the member is fully invested. However, if a member is not eligible to continue in the DCRP for a second year of membership, the member may apply for a refund of the employee contributions from the DCRP, while the employer contributions will revert back to the employer. Employees are required to contribute 5.5% of their base salary and employers contribute 3.0%.

Funding Policy

The contribution policy is set by New Jersey State Statutes and contributions are required by active members and contributing employers. Plan members and employer contributions may be amended by State of New Jersey legislation. During 2015, PERS provides for employee contributions of 7.06% of employees' annual compensation. Employers are required to contribute at an actuarially determined rate. The actuarially determined contribution includes funding for cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums.

The contribution policy for PFRS is set by N.J.S.A. 43:16A and requires contributions by active members and contributing employers. Plan member and employer contributions *may* be amended by State of New Jersey legislation. Employers are required to contribute at an actuarially determined rate. The annual employer contribution includes funding for basic retirement allowances, cost-of-living adjustments and noncontributory death benefits. During 2015, members contributed at a uniform rate of 10.00% of base salary.

NOTE 6: PENSION PLANS (CONTINUED)

Certain portions of the cost are contributed by the employees. The Township's share of pension costs, which is based upon the annual billings received from the State, amounted to \$7,826,994.20 for 2015, \$7,465,058.26 for 2014 and \$7,719,753.95 for 2014.

All contributions were equal to the required contributions for each of the three years, respectively.

Certain Township employees are also covered by the Federal Insurance Contribution Act.

Information as to the comparison of the actuarially computed value of vested benefit with the system's assets is not available from the State Retirement System and, therefore, is not presented.

Pension Contribution Deferral

The State of New Jersey has enacted Public Law 2012, C.19, which authorizes the State Department of Treasury, Division of Pensions and Benefits to provide non-state contributing employers the option of paying an amount that represents a fifty percent (50%) reduction of the normal and accrued liability payment of the required contributions to the Police and Fire Retirement System (PFRS) and the Public Employees Retirement System (PERS) which would have been due April 1, 2011. If the deferral is elected, the amount deferred must be repaid, with interest, over a period of fifteen years, beginning in April, 2012; however, the contributing employer is permitted to pay off the obligation at any time by contacting the Division of Pension and Benefits for a payoff amount. The Township of Union has elected to defer a portion of its pension contributions as follows:

<u>Retirement System</u>	<u>Original Amount Deferred</u>	<u>Balance December 31, 2014</u>	<u>2015 Payments</u>	<u>Balance December 31, 2015</u>
PFRS	\$ 2,289,438.00	\$ 1,952,343.00	\$ 138,004.00	\$ 1,814,339.00
PERS	<u>354,213.00</u>	<u>301,566.00</u>	<u>21,697.00</u>	<u>279,869.00</u>
Total	\$ <u>2,643,651.00</u>	\$ <u>2,253,909.00</u>	\$ <u>159,701.00</u>	\$ <u>2,094,208.00</u>

NOTE 7: PENSION PLANS

Accounting and Financial Reporting for Pensions – GASB #68

The Governmental Accounting Standards Board (GASB) has issued Statement No. 68 “Accounting and Financial Reporting for Public Employees Pensions” and is effective for fiscal years beginning after June 15, 2014. This statement requires the State of New Jersey to calculate and allocate, for note disclosure purposes only, the unfunded net pension liability of Public Employees Retirement System (PERS) and the Police and Firemen’s Retirement System (PFRS) of the participating municipality as of December 31, 2015. The statement does not alter the amounts of funds that must be budgeted for pension payments under existing state law.

Under accounting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, any unfunded net pension liability of the municipality, allocated by the State of New Jersey, is not required to be reported in the financial statements as presented and any pension contributions required to be paid are raised in that year’s budget and no liability is accrued at December 31, 2015. As of the date of this report, the State of New Jersey has not allocated any unfunded net pension liability to the municipality and the amount to disclose in the notes to the financial statements is not presently known, but is probably material.

Public Employees Retirement System (PERS)

At June 30, 2015, the State reported a net pension liability of \$39,243,818.00 for the Township of Union’s proportionate share of the total net pension liability. The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014, which was rolled forward to June 30, 2015. The Township’s proportion of the net pension liability was based on a projection of the Township’s long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2015, the Township’s proportion was 0.1748210306 percent, which was an increase of 0.0048690034 percent from its proportion measured as of June 30, 2014.

NOTE 7: PENSION PLANS (CONTINUED)

Accounting and Financial Reporting for Pensions - GASB 68 (Continued)

Public Employees Retirement System (PERS) (Continued)

For the year ended June 30, 2015, the State recognized an actuarially determined pension expense of \$2,835,562.00 for the Township of Union's proportionate share of the total pension expense. The pension expense recognized in the Township's financial statement based on the April 1, 2015 billing was \$1,401,060.00.

At June 30, 2015, the State reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Inflow of Resources</u>	<u>Deferred Outflow of Resources</u>
Differences between expected and actual experience		\$936,220.00
Changes of assumptions		4,214,473.00
Net difference between projected and actual earnings on pension plan investments	\$630,965.00	
Changes in proportion and differences between Township contributions and proportionate share of contributions	<u>                    </u>	<u>875,519.00</u>
	<u>\$630,965.00</u>	<u>\$6,026,212.00</u>

Other local amounts reported by the State as the Township's proportionate share of deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in the State's actuarially calculated pension expense as follows:

Year Ended <u>June 30</u>	<u>Amount</u>
2016	\$1,007,799.00
2017	\$1,007,799.00
2018	\$1,007,799.00
2019	\$1,481,869.00
2020	\$889,981.00

NOTE 7: PENSION PLANS (CONTINUED)

Accounting and Financial Reporting for Pensions - GASB 68 (Continued)

Public Employees Retirement System (PERS) (Continued)

Additional Information

Collective balances at June 30, 2015 and 2014 are as follows:

	<u>6/30/2015</u>	<u>6/30/2014</u>
Collective deferred outflows of resources	\$5,086,138,484	\$1,032,618,058
Collective deferred inflows of resources	478,031,236	\$1,726,631,532
Collective net pension liability - local	22,447,996,119	18,722,735,003
Township's proportion	0.1748210306%	0.1699520272%

Actuarial Assumptions

The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014, which rolled forward to June 30, 2015. The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of July 1, 2013. These actuarial valuations used the following assumptions:

	<u>June 30, 2014</u>	<u>June 30, 2015</u>
Inflation	3.01 Percent	3.04 Percent
Salary Increases (based on age)		
2012-2021	2.15-4.40 Percent	2.15-4.40 Percent
Thereafter	3.15-5.40 Percent	3.15-5.40 Percent
Investment Rate of Return	7.90 Percent	7.90 percent

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirement and beneficiaries of former members with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA. The RP-2000 Disabled Mortality Tables (setback 3 years for males and setback 1 year for females) are used to value disabled retirees

NOTE 7: PENSION PLANS (CONTINUED)

Accounting and Financial Reporting for Pensions - GASB 68 (Continued)

Public Employees Retirement System (PERS) (Continued)

Actuarial Assumptions (Continued)

The actuarial assumptions used were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011. 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.

Long-Term Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2014 and June 30, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>June 30, 2015</u>		<u>June 30, 2014</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%	1.04%	6.00%	0.80%
Core Bond			1.00%	2.49%
Intermediate Term Bonds			11.20%	2.26%
Mortgages	2.10%	1.62%	2.50%	2.17%
High Yield Bonds	2.00%	4.03%	5.50%	4.82%
Inflation Indexed Bonds	1.50%	3.25%	2.50%	3.51%
Broad U.S. Equities	27.25%	8.52%	25.90%	8.22%
Developed Foreign Markets	12.00%	6.88%	12.70%	8.12%
Emerging Market Equities	6.40%	10.00%	6.50%	9.91%
Private Equity	9.25%	12.41%	8.25%	13.02%
Hedge Funds/Absolute Returns	12.00%	4.72%	12.25%	4.92%
Real Estate (Property)	2.00%	6.83%	3.20%	5.80%
Commodities	1.00%	5.32%	2.50%	5.35%
U.S. Treasuries	1.75%	1.64%		
Investment Grade Credit	10.00%	1.79%		
Global Debt ex US	3.50%	(0.40)%		
REIT	4.25%	5.12%		
	<u>100.00%</u>		<u>100.00%</u>	

NOTE 7: PENSION PLANS (CONTINUED)

Accounting and Financial Reporting for Pensions - GASB 68 (Continued)

Public Employees Retirement System (PERS) (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 4.90% and 5.39% as of June 30, 2015 and 2014, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9%, and a municipal bond rate of 4.30% and 4.29% as of June 30, 2015 and 2014, respectively, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years of contributions made in relation to the last five years of recommended contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the collective net pension liability to changes in the discount rate.

The following presents the collective net pension liability of the participating employers as of June 30, 2015 respectively, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Decrease <u>3.90%</u>	Discount Rate <u>4.90%</u>	Increase <u>5.90%</u>
Township's proportionate share of the pension liability	\$48,775,264.00	\$39,243,818.00	\$31,252,723.00

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Financial Report for the State of New Jersey Public Employees Retirement System (PERS).

NOTE 7: PENSION PLANS (CONTINUED)

Accounting and Financial Reporting for Pensions - GASB 68 (Continued)

Police and Firemen's Retirement System (PFRS)

At June 30, 2015, the State reported a net pension liability of \$131,369,751.00 for the Township of Union's proportionate share of the total PFRS net pension liability. The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014, which was rolled forward to June 30, 2015. The Township's proportion of the net pension liability was based on a projection of the Township's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2015, the Township's proportion was 0.7886989412 percent, which was an increase of 0.0170708084 percent from its proportion measured as of June 30, 2014.

For the year ended June 30, 2015, the State recognized an actuarially determined pension expense of \$11,599,600.00. The pension expense recognized in the Township's financial statement based on the April 1, 2015 billing was \$5,926,937.00.

At June 30, 2015, the State reported deferred outflows of resources and deferred inflows of resources related to PFRS from the following sources:

	<u>Deferred Inflow of Resources</u>	<u>Deferred Outflow of Resources</u>
Differences between expected and actual experience	\$1,133,106.00	
Changes of assumptions		\$24,254,119.00
Net difference between projected and actual earnings on pension plan investments	2,286,375.00	
Changes in proportion and differences between the Township's contributions and proportionate share of contributions	<u>630,642.00</u>	<u>1,872,505.00</u>
	<u>\$4,050,123.00</u>	<u>\$26,126,624.00</u>

NOTE 7: PENSION PLANS (CONTINUED)

Accounting and Financial Reporting for Pensions - GASB 68 (Continued)

Police and Firemen's Retirement System (PFRS) (Continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended <u>June 30</u>	<u>Amount</u>
2016	\$4,217,104.00
2017	\$4,217,104.00
2018	\$4,217,104.00
2019	\$6,693,359.00
2020	\$2,731,830.00

Additional Information

Collective balances at June 30, 2015 and 2014 are as follows:

	<u>6/30/2015</u>	<u>6/30/2014</u>
Collective deferred outflows of resources	\$3,527,123,787	\$456,706,121
Collective deferred inflows of resources	466,113,435	\$1,283,652,103
Collective net pension liability - local	16,656,514,197	12,579,072,492
Township's proportion	0.7886989412%	0.7716281328%

NOTE 7: PENSION PLANS (CONTINUED)

Accounting and Financial Reporting for Pensions - GASB 68 (Continued)

Police and Firemen's Retirement System (PFRS) (Continued)

Actuarial Assumptions

The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014, which rolled forward to June 30, 2015. The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of July 1, 2013. This actuarial valuation used the following assumptions:

Inflation	3.04 Percent	3.01 Percent
Salary Increases (based on age)		
2012-2021	2.60-9.48 Percent	3.95-8.62 Percent
Thereafter	3.60-10.48 Percent	4.95-9.62 Percent
Investment Rate of Return	7.90 Percent	7.90 Percent

Mortality rates used for the July 1, 2014 valuation were based on the RP-2000 Combined Healthy Mortality Tables projected one year using Projection Scale AA and one year using Projection Scale BB for male service retirements with adjustments for mortality improvements from the base year based on Projection Scale BB. Mortality rates were based on the RP-2000 Combined Healthy Mortality Tables projected fourteen years using Projection Scale BB for female service retirements and beneficiaries with adjustments for mortality improvements from the base year of 2014 based on Projection Scale BB.

Mortality rates used for the July 1, 2013 valuation were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback one year for females) with adjustments for mortality improvements from the base year of 2011 based on Projection Scale AA.

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

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2007 to June 30, 2010.

NOTE 7: PENSION PLANS (CONTINUED)

Accounting and Financial Reporting for Pensions - GASB 68 (Continued)

Police and Firemen's Retirement System (PFRS) (Continued)

Actuarial Assumptions (Continued)

In accordance with State statute, the long-term expected rate of return on plan investments (7.90% at June 30, 2015) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PFRS's target asset allocation as of June 30, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>June 30,2015</u>		<u>June 30,2014</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%	1.04%	6.00%	0.80%
Core Bonds			1.00%	2.49%
Intermediate-Term Bonds			11.20%	2.26%
Mortgages	2.10%	1.62%	2.50%	2.17%
High Yield Bonds	2.00%	4.03%	5.50%	4.82%
Inflation-Indexed Bonds	1.50%	3.25%	2.50%	3.51%
Broad US Equities	27.25%	8.52%	25.90%	8.22%
Developed Foreign Equities	12.00%	6.88%	12.70%	8.12%
Emerging Market Equities	6.40%	10.00%	6.50%	9.91%
Private Equity	9.25%	12.41%	8.25%	13.02%
Hedge Funds Absolute Return	12.00%	4.72%	12.25%	4.92%
Real Estate (Property)	2.00%	6.83%	3.20%	5.80%
Commodities	1.00%	5.32%	2.50%	5.35%
Global Debt ex US	3.50%	(0.40)%		
REIT	4.25%	5.12%		
US Treasuries	1.75%	1.64%		
Investment Grade Credit	10.00%	1.79%		
	<u>100.00%</u>		<u>100.00%</u>	

NOTE 7: PENSION PLANS (CONTINUED)

Accounting and Financial Reporting for Pensions - GASB 68 (Continued)

Police and Firemen's Retirement System (PFRS) (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 5.79% and 6.32% as of June 30, 2015 and 2014, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.90%, and a municipal bond rate of 3.80% and 4.29% as of June 30, 2015 and 2014, respectively, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years of contributions made in relation to the last five years of recommended contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2045. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2045, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the collective net pension liability to changes in the discount rate.

The following presents the collective net pension liability of the participating employers as of June 30, 2015 respectively, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1- percentage point higher than the current rate:

	June 30, 2015		
	1% Decrease <u>4.79%</u>	At Current Discount Rate <u>5.79%</u>	1% Increase <u>6.79%</u>
Township's proportionate share of the PFRS pension liability	\$173,187,039.00	\$131,369,751.00	\$97,271,489.00

Pension plan fiduciary net position.

Detailed information about the pension plan's fiduciary net position is available in the separately issued Financial Report for the State of New Jersey Police and Firemen's Retirement System (PFRS).

NOTE 8: COMPENSATED ABSENCES - UNAUDITED

Under the existing policy of the Township, employees are allowed to accumulate unused vacation and sick pay, which may be taken as time off, or paid at a later date, at an agreed upon rate. It is estimated that the current cost of such unpaid compensation would approximate \$15,183,994.34. Under accounting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the accumulated cost of such unpaid compensation is not required to be reported in the financial statements as presented and any amounts required to be paid are raised in that year's budget. The Township has accumulated \$1,078,912.68 for this purpose in the Current Fund and continues to budget funds to provide for these liabilities as they arise.

NOTE 9: LITIGATION

The Township is involved in several pending legal proceedings. The impact of these proceeds on the financial statements, either individually or in the aggregate, in the opinion of the Township's legal counsel could potentially be material should there be an unfavorable outcome for the Township. As these cases are in the early phases of discovery no liability has been accrued or recognized in the financial statements.

NOTE 10: CONTINGENT LIABILITIES

Federal and State Programs

The Township participates in several federal and state financial assistance grant programs. Entitlement to the funds is generally conditional upon compliance with terms and conditions of the grant agreement and applicable regulations, including the expenditure of funds for eligible purpose. The state and federal grants received and expended in 2015 were subject to the Federal Uniform Guidance and State of New Jersey OMB Circular 15-08, which mandates that grant revenues and expenditures be audited in conjunction with the Township's annual audit.

Findings and questioned costs, if any, relative to federal and state financial assistance programs will be discussed in detail in Part II, Schedule of Findings and Questioned Costs.

In addition, these programs are also subject to compliance and financial audits by the grantors or their representatives. As of December 31, 2015, the Township does not believe that any material liabilities will result from such audits.

NOTE 11: TAX APPEALS

There are several tax appeals filed with the State Tax Court of New Jersey requesting a reduction of assessments for the years 2015 and prior. Any reduction in assessed valuation will result in a refund of prior years taxes in the year of settlement, which may be funded from tax revenues through the establishment of a balance sheet reserve or by the issuance of refunding bonds per N.J.S. 40A:2-51.

NOTE 12: RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township participates in a self insurance program through the Garden State Municipal Joint Fund covering General Liability and Workers Compensation claims. The Fund is operated in accordance with regulations of the New Jersey Department of Insurance and the Division of Local Government Services of the Department of Community Affairs. The Township's contributions to the Fund for claim payments are based on actuarial assumptions determined by the Fund's actuary. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Township for these risks.

The Township participates in the New Jersey State Health Benefits Plan for Health Insurance and maintains commercial insurance coverage for Dental and Prescription claims. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Township. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

New Jersey Unemployment Compensation Insurance - The Township has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method". Under this plan, the Township is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The Township is billed quarterly for amounts due to the State. Below is a summary of Township contributions, employee contributions, reimbursements to the State for benefits paid, and the ending balance of the Township's expendable trust fund for the current and previous two years:

<u>Year</u>	<u>Township Contributions</u>	<u>Employee Contributions</u>	<u>Interest</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2015	\$50,000.00	\$49,942.44	\$108.07	\$109,789.53	\$113,534.16
2014	75,000.00	42,995.09	115.55	50,907.48	123,273.18
2013	50,000.00	48,101.38	33.01	70,800.81	56,070.02

NOTE 13: INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances remained on the balance sheet at December 31, 2015:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Current Fund	\$5,276.04	\$88,048.24
Animal Control Fund		3,049.75
Trust Other Fund	3,851,000.00	1,677.38
General Capital Fund	1,175,054.84	3,859,938.74
Sewer Utility Operating Fund	95,995.16	90.00
Sewer Utility Capital Fund	90.00	1,174,063.02
Payroll Account		548.91
	<u>\$5,127,416.04</u>	<u>\$5,127,416.04</u>

All balances resulted from the time lag between the dates that short-term loans were disbursed and payments between funds were received.

NOTE 14: DEFERRED COMPENSATION PLAN

The Township offers its employees deferred compensation plans created in accordance with Internal Revenue Code Section 457. The plans, available to all Township employees, permit them to defer a portion of their salaries until future years. The Township does not make any contribution to the plans. The deferred compensation is not available to employees until retirement, death, disability, termination or financial hardships.

In accordance with the requirements of the Small Business Job Protection Act of 1996 and the funding requirements of Internal Revenue Code Section 457(g), the Township's Plans were amended to require that all amounts of compensation deferred under the Plans are held for the exclusive benefits of plan participants and beneficiaries. All assets and income under the Plans is held in trust, in annuity contracts or custodial accounts.

The Plans are administered by the Lincoln National Life Insurance Company, AXA Equitable and Mass Mutual Financial Group.

The accompanying financial statements do not include the Township's Deferred Compensation Plan activities. The Township's Deferred Compensation Plan financial statements are contained in a separate review report.

NOTE 15: LEASE PURCHASE AGREEMENT

The Township has entered in to the following agreements with the Union County Improvement Authority to lease purchase various capital items as follows:

<u>Purpose</u>	<u>Date</u>	<u>Amount</u>
Train Station Redevelopment	July 1, 2003	\$9,699,429.74
Capital Equipment	December 1, 2004	\$ 939,832.61
Capital Equipment	October 13, 2006	\$1,080,000.00

The projects to be funded include the purchase of vehicles and equipment and the improvement of certain facilities.

In accordance with the terms of the lease agreements, the Township will be obligated to make the following rental payments:

<u>Year</u>	<u>Capital Equipment Lease</u>		<u>Total</u>
	<u>2006</u>	<u>2003</u>	
2016	\$76,647.30	\$451,462.50	\$528,109.80
2017	74,174.80	450,712.50	524,887.30
2018	71,702.30	449,175.00	520,877.30
2019	69,229.80	451,850.00	521,079.80
2020	66,757.30	453,475.00	520,232.30
2021	64,284.80	449,050.00	513,334.80
2022		448,837.50	448,837.50
2023		452,575.00	452,575.00
	<u>\$422,796.30</u>	<u>\$3,607,137.50</u>	<u>\$4,029,933.80</u>

NOTE 16: OTHER POST-EMPLOYMENT BENEFITS

The Township provides Post-Retirement Benefits to certain employees who have retired after twenty-five years of service, in accordance with the terms of their various labor agreements or in accordance with municipal ordinance. These benefits, which include health insurance, prescription, dental and vision coverage, are provided for life.

The Governmental Accounting Standards Board (GASB) has issued Statement No. 45, "Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pension." This statement requires the municipality to disclose in the notes to the financial statements the present value of the estimated future cost of the other post employment benefits (OPEB). OPEB obligations are non-pension benefits that the municipality has contractually or otherwise agreed to provide employees once they have retired.

Plan Description. The Township contributes to the State Health Benefits Program (SHBP) a cost-sharing, multiple-employer defined benefit post employment healthcare plan administered by the State of New Jersey Division of Pensions and Benefits. 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. The SHBP was extended to employees, retirees, and dependents of participating local public employers in 1964. Local employers must adopt a resolution to participate in the SHBP. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. SHBP provides medical, prescription drugs, mental health/substance abuse, and Medicare Part B reimbursement to retirees and their covered dependents. The State Health Benefits Commission is the executive body established by statute to be responsible for the operation of the SHBP. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for 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 08625-0295 or by visiting their website at <http://www.state.nj.us/treasury/pensions>.

Funding Policy. Contributions to pay for the health premiums of participating employees in the SHBP are billed to the Township on a monthly basis. Participating employers are contractually required to contribute based on the amount of premiums attributable to their retirees. In accordance with Chapter 62, P.L. 1994, post-retirement medical benefits have been funded on a pay-as-you-go basis since 1994. Prior to 1994, medical benefits were funded on an actuarial basis. The Township's contributions to SHBP for the years ended December 31, 2015, 2014 and 2013 were \$5,272,983.70, \$4,801,656.90 and \$4,760,266.70 respectively, which equaled the required contributions for each year.

NOTE 17: OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Under current New Jersey budget and financial reporting requirements, the municipality is not required to fund any amounts in excess of their current costs on a pay-as-you-go basis. Additionally, the municipality is not required to recognize any long-term obligations resulting from OPEB on their balance sheets; however, OPEB obligations are required to be disclosed in the notes, commencing with the 2008 fiscal year.

The Township has not obtained the calculation its OPEB obligations from New Jersey State Health Benefits Plan. The impact of this liability on the financial position or results of operations, if any, cannot be readily determined at this time.

NOTE 18: SUBSEQUENT EVENTS

The Township has evaluated material subsequent events occurring after the financial statement date through September 7, 2016 which is the date the financial statements were available to be issued. Based upon this evaluation, the Township has determined that there are no material subsequent events needed to be disclosed.

**APPENDIX C**

**FORM OF APPROVING LEGAL OPINION FOR THE BONDS**

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

January 24, 2017

Township Committee  
of the Township of Union  
Union, New Jersey

Ladies and Gentlemen:

We have served as Bond Counsel in connection with the authorization, sale, issuance and delivery of the \$10,746,000 aggregate principal amount of General Improvement Bonds, Series 2017 (the "Bonds"), of the Township of Union, in the County of Union (the "Township"), a body politic and corporate of the State of New Jersey (the "State").

The Bonds are authorized by and are issued pursuant to: (i) the provisions of the Local Bond Law, N.J.S.A. 40A:2-1 et seq., as amended and supplemented (the "Local Bond Law"); (ii) bond ordinances duly adopted by the Township Committee of the Township on the various dates set forth in the Official Statement dated January 10, 2017 and published as required by law; (iii) a resolution combining bond ordinances for the purpose of sale of the Bonds duly adopted by the Township Committee of the Township on November 22, 2016; and (iv) a resolution determining the form and other details of the Bonds duly adopted by the Township Committee of the Township on November 22, 2016.

The Bonds are being issued to permanently finance the costs of various capital improvements and purposes in the Township in the amount of \$10,746,000 and pay the costs associated with the issuance and sale of the Bonds.

The Bonds are issued in fully registered, book-entry only 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 Bonds of each series maturing in each year. Purchases of the Bonds will be made in book-entry only form, without coupons, in the principal amount of \$1,000, with a minimum purchase of \$5,000. 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

the Township as Paying Agent (or a Paying Agent duly appointed by the Township) directly to Cede & Co., as nominee for DTC. Disbursal of such payments to DTC participants is the responsibility of DTC and disbursal of such payments to the beneficial owners of the Bonds is the responsibility of DTC participants.

The Bonds are dated and shall bear interest from their date of delivery, which interest shall be payable semi-annually on the fifteenth day of January and July (each an "Interest Payment Date") in each year until maturity or prior redemption, commencing July 15, 2017. The Bonds shall mature on January 15 in each of the years and in the principal amounts as follows:

<u>Maturity</u>	<u>Principal Amounts</u>	<u>Interest Rates</u>	<u>Maturity</u>	<u>Principal Amounts</u>	<u>Interest Rates</u>
2018	\$485,000	2.000%	2024	970,000	4.000%
2019	700,000	2.000	2025	970,000	4.000
2020	900,000	2.000	2026	970,000	2.750
2021	905,000	2.000	2027	970,000	3.000
2022	970,000	2.500	2028	970,000	3.000
2023	970,000	4.000	2029	966,000	3.000

The Bonds of this issue are subject to redemption prior to their stated dates of maturity as set forth therein.

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 issuance and sale 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 issuance and sale of the Bonds pursuant to the Local Bond Law, (ii) the Bonds have been duly authorized, executed and delivered and constitute valid and legally binding obligations of the Township enforceable in accordance with their terms, and (iii) the Township 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 Township 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 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 Bonds 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 Bonds to be included in gross income for Federal income tax purposes retroactive to the date of the issuance of the Bonds. The Township has covenanted in its tax certificate relating to the Bonds to maintain the exclusion of the interest on the Bonds from gross income for Federal income tax purposes pursuant to Section 103(a) of the Code.

In our opinion, under existing law, and assuming continuing compliance by the Township with the aforementioned covenant, under existing 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 is 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 January 15 of the years 2018 through 2028, 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.

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 Township, and, in our opinion, the form of each Bond and their execution are regular and proper.

Very truly yours,

WILENTZ, GOLDMAN & SPITZER, P.A.

**APPENDIX D**

**FORM OF CONTINUING DISCLOSURE CERTIFICATE FOR THE BONDS**

## CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate dated January 24, 2017 (the "Disclosure Certificate") is executed and delivered by the Township of Union, in the County of Union, State of New Jersey (the "Township" or the "Issuer") in connection with the issuance of its \$10,746,000 aggregate principal amount of General Improvement Bonds, Series 2017 (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 Township Council of the Township approved and published as required by law, a resolution combining Township bond ordinances for purposes of sale of the Bonds and a resolution entitled, "RESOLUTION DETERMINING THE FORM AND OTHER DETAILS OF THE OFFERING OF \$10,746,000 GENERAL IMPROVEMENT BONDS, SERIES 2017 OF THE TOWNSHIP OF UNION, IN THE COUNTY OF UNION, STATE OF NEW JERSEY AND PROVIDING FOR THEIR SALE AND DETERMINING CERTAIN OTHER MATTERS WITH RESPECT THERETO" (the "Bond Resolution"), being duly adopted by the Township Committee of the Township on November 22, 2016. The Township covenants and agrees as follows:

**SECTION 1. Purpose of the Disclosure Certificate.** This Disclosure Certificate is being executed and delivered by the Township for the benefit of the Holders of the Bonds and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter(s) in complying with the Rule (as defined below). The Township 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 Township 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, as applicable (including persons holding Bonds, as applicable through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds, as applicable, for Federal income tax purposes.

*"Continuing Disclosure Information"* shall mean, collectively, (i) each Annual Report, (ii) any notice required to be filed by the Township with the EMMA (as defined herein) pursuant to Section 3 of this Disclosure Agreement, and (iii) any notice of a Listed Event required to be filed by the Authority with EMMA pursuant to Section 5 of this Disclosure Agreement.

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

*“Dissemination Agent”* shall mean, initially the Township or any Dissemination Agent subsequently designated in writing by the Township which has filed with the Township a written acceptance of such designation.

*“EMMA”* shall mean the Electronic Municipal Market Access system, a website created by the MSRB (as defined herein) and approved by the SEC (as defined herein) to provide a central location where investors can obtain municipal bond information including disclosure documents. The Township or the Dissemination Agent shall submit disclosure documents to EMMA as a Portable Document File (PDF file) to [www.emma.msrb.org](http://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(b)(5) adopted by the Securities and Exchange Commission (“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.

*“Underwriters”* shall mean any of the original underwriters 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 Township shall provide or cause to be provided to the Dissemination Agent not later than September 15 of each year, (commencing September 15, 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 Township may be submitted separately from the balance of the Annual Report; and provided, further, that if the audited financial statements of the Township are not available by such date, the Township shall include unaudited financial statements with its Annual Report and when such audited financial statements become available to the Township, the same shall be submitted to the Dissemination Agent no later than thirty (30) days after the receipt of the same by the Township.

(b) Not later than September 30 of each year (commencing September 30, 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 Township 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 send a notice of such event to EMMA in substantially the form attached hereto as Exhibit A, with copies to the Township (if the Dissemination Agent is not the Township).

(d) Each year the Dissemination Agent shall file a report with the Township (if the Dissemination Agent is not the Township), 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 Township changes, the Township 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 Township, 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 Township's Annual Report shall contain or incorporate by reference the following:

(1) The audited financial statements of the Township (as of December 31 of each year).

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, Department of Community Affairs, State of New Jersey (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 Township (as of December 31).

(3) The general financial information and operating data of the Township consistent with the information set forth in Appendix A to the Official Statement dated January 10, 2017, prepared in connection with the sale of the Bonds (the "Official Statement").

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 Township is an "Obligated Person" (as defined by the Rule), which have been filed with EMMA or the Securities and Exchange Commission. If the document incorporated by

reference is a final official statement, it must be available from the MSRB. The Township 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 Township;
13. The consummation of a merger, consolidation, or acquisition involving the Township or the sale of all or substantially all of the assets of the Township, 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 Township 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 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, the Township may, but shall not be required to, rely conclusively on an opinion of counsel.

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

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

(e) If the Dissemination Agent has been instructed in writing by the Township to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with EMMA, with a copy to the Township (if the Dissemination Agent is not the Township). Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(4) and (5) hereof need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to the Beneficial Owner of the affected Bonds pursuant to the Bond Resolution.

**SECTION 6. Termination of Reporting Obligation.** The Township'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 Township is no longer an "Obligated Person" (as defined in the Rule). The Township 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 Township is currently in compliance with all previous undertakings, if any, to provide secondary market disclosure pursuant to the Rule.

**SECTION 8. Dissemination Agent; Compensation.** The Township 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 the Township. The Township 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 Township 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 expert in Federal securities laws acceptable to the Township 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 Township or “Obligated Person,” or by approving vote of the Beneficial Owners of the Bonds, as applicable pursuant to the terms of the Bond Resolution at the time of the amendment. The Township 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 Township 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 Township. 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 Township 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 Township 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 Township 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 Township 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 Township 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 Township 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 Township agrees to indemnify and hold the Dissemination Agent (if the Dissemination Agent is not the Township) 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 gross negligence or willful misconduct. To the extent permitted by law, the Township 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 Township 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 Township, the Dissemination Agent, the Underwriters, 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 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 Township

Ms. Debra Cyburt  
Chief Financial Officer  
Township of Union  
1976 Morris Avenue  
Union, New Jersey 07083  
Email: dcyburt1@uniontownship.com

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

initially: Ms. Debra Cyburt  
Chief Financial Officer  
Township of Union  
1976 Morris Avenue  
Union, New Jersey 07083  
Email: dcyburt1@uniontownship.com

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 Township 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 Township 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 of New Jersey as applicable.

**TOWNSHIP OF UNION, IN THE  
COUNTY OF UNION, NEW JERSEY**

**By:** \_\_\_\_\_  
**DEBRA CYBURT,**  
**Chief Financial Officer**

**EXHIBIT A**

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

Name of Issuer: Township of Union,  
in the County of Union, State of New Jersey

Name of Issue: \$10,746,000 General Improvement Bonds, Series 2017  
Dated: January 24, 2017  
(CUSIP Number: 908726BF8)

Date of Issuance: January 24, 2017

NOTICE IS HEREBY GIVEN that the above designated Township has not provided an Annual Report with respect to the above-named Bonds as required by the Bond Resolution and a Continuing Disclosure Certificate for the Bonds dated January 24, 2017 executed by the Township.

DATED: \_\_\_\_\_

\_\_\_\_\_  
**DISSEMINATION AGENT**  
(on behalf of the Township)

cc: The Township