

New Issue

Rating: S&P: "AA"

PRELIMINARY OFFICIAL STATEMENT DATED AUGUST 7, 2019

In the opinion of McManimon, Scotland & Baumann, LLC, Bond Counsel, assuming compliance by the Township (as defined herein) with certain tax covenants described herein, under existing law, interest on the Bonds (as defined herein) is excluded from gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and interest on the Bonds is not an item of tax preference under Section 57 of the Code for purposes of computing alternative minimum tax. Based upon existing law, interest on the Bonds and any gain on the sale thereof are not included in gross income under the New Jersey Gross Income Tax Act. See "TAX MATTERS" herein.

**TOWNSHIP OF WEST ORANGE,
IN THE COUNTY OF ESSEX, NEW JERSEY
\$7,621,000 GENERAL IMPROVEMENT BONDS
(Book-Entry-Only) (Non-Callable) (Bank Qualified)**

Dated: Date of Delivery

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

The \$7,621,000 General Improvement Bonds (the "Bonds") of the Township of West Orange, in the County of Essex, New Jersey (the "Township") will be issued in the form of one certificate for the aggregate principal amount of the Bonds of each series maturing in each year and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository. See "BOOK-ENTRY-ONLY SYSTEM" herein.

Interest on the Bonds will be payable semiannually on February 1 and August 1 in each year until maturity, commencing on February 1, 2020. Principal of and interest on the Bonds will be paid to DTC by the Township or its designated paying agent. Interest on the Bonds will be credited to the participants of DTC as listed on the records of DTC as of each next preceding January 15 and July 15 (the "Record Dates" for the payment of interest on the Bonds). The Bonds shall not be subject to redemption prior to their stated maturities.

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

The Bonds are offered when, as and if issued and delivered to the Underwriter, subject to prior sale, to withdrawal or modification of the offer without notice and to the approval of legality by the law firm of McManimon, Scotland & Baumann, LLC, Roseland, New Jersey and certain other conditions described herein. Delivery is anticipated to be via DTC in New York, New York on or about August 29, 2019.

ELECTRONIC SUBMISSIONS WILL BE RECEIVED VIA PARITY UNTIL 11:00 A.M. ON AUGUST 14, 2019.
FOR MORE INFORMATION VIEW THE NOTICE OF SALE POSTED AT WWW.MUNIHUB.COM.

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

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP*</u>
2020	\$640,000			
2021	\$640,000			
2022	\$650,000			
2023	\$660,000			
2024	\$675,000			
2025	\$690,000			
2026	\$700,000			
2027	\$715,000			
2028	\$735,000			
2029	\$750,000			
2030	\$766,000			

*CUSIP is a registered trademark of American Bankers Association. CUSIP numbers are provided by Standard & Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. The CUSIP numbers listed above are being provided solely for the convenience of holders of the Bonds 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 numbers are subject to being changed after the issuance of the Bonds.

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

MAYOR

Robert D. Parisi

TOWNSHIP COUNCIL MEMBERS

Michelle Casalino
Jerry Guarino
Joseph Krakoviak
Cindy Matute-Brown
Susan McCartney

MUNICIPAL CLERK

Karen J. Carnevale

CHIEF FINANCIAL OFFICER

John Gross

INDEPENDENT AUDITOR

PKF O'Connor Davies, LLP
Livingston, New Jersey

TOWNSHIP ATTORNEY

Richard D. Trenk, Esq.
Roseland, New Jersey

MUNICIPAL ADVISOR

NW Financial Group, Inc.
Hoboken, New Jersey

BOND COUNSEL

McManimon, Scotland & Baumann, LLC
Roseland, New Jersey

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

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

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds in any jurisdiction in which it is unlawful for any person to make such an offer, solicitation or sale.

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

**\$7,621,000
GENERAL IMPROVEMENT BONDS**

**(NON-CALLABLE)
(BOOK-ENTRY-ONLY ISSUE)
(BANK QUALIFIED)**

INTRODUCTION

This Official Statement, which includes the front cover page and the appendices attached hereto, has been prepared by the Township of West Orange, in the County of Essex, New Jersey (the "Township") in connection with the sale and issuance of its \$7,621,000 General Improvement Bonds (the "Bonds"). This Official Statement has been executed by and on behalf of the Township by the Chief Financial Officer, and its distribution and use in connection with the sale of the Bonds has been authorized by the Township.

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 this issue. 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 is intended to show recent historic information and, but only to the extent specifically provided herein, certain projections into the immediate future, and is not necessarily indicative of future or continuing trends in the financial position of the Township.

DESCRIPTION OF THE BONDS

The following is a summary of certain provisions of the Bonds. Reference is made to the Bonds themselves for the complete text thereof, and the discussion herein is qualified in its entirety by such reference.

Terms and Interest Payment Dates

The Bonds shall be dated their date of delivery and shall mature on August 1 in each of the years and in the amounts set forth on the front cover page hereof. The Bonds shall bear interest from their date of delivery payable semi-annually on the first days of February and August, commencing on February 1, 2020 (each an "Interest Payment Date"), at the interest rates set forth on the front cover page hereof in each year until maturity by the Township or a duly appointed paying agent to the registered owners of the Bonds as of each January 15 and July 15 immediately preceding the respective Interest Payment Dates (the "Record Dates"). So long as The Depository Trust Company, New York, New York ("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 or a designated paying agent directly to DTC or its nominee, Cede & Co., which will in turn remit such payments to DTC Participants, which will in turn remit such payments to the beneficial owners of the Bonds. *See* "BOOK-ENTRY-ONLY SYSTEM" herein.

The Bonds will be issued in fully registered book-entry-only form, without certificates. One certificate shall be issued for the aggregate principal amount of Bonds maturing in each year, and when

issued, will be registered in the name of Cede & Co., as nominee of DTC. DTC will act as Securities depository for the Bonds. The certificates will be on deposit with DTC. DTC will be responsible for maintaining a book-entry system for recording the interests of its participants and transfers of the interests among its participants. The participants will be responsible for maintaining records regarding the beneficial ownership interests in the Bonds on behalf of the individual purchasers. Individual purchases may be made in the principal amount of an integral multiple of \$1,000, with a minimum purchase of \$5,000, through book entries made on the books and the records of DTC and its participants. Individual purchasers of the Bonds will not receive certificates representing their beneficial ownership interests in the Bonds, but each book-entry owner will receive a credit balance on the books of its nominee, and this credit balance will be confirmed by an initial transaction statement stating the details of the Bonds purchased. See "BOOK-ENTRY-ONLY SYSTEM" herein.

Redemption

The Bonds are not subject to optional redemption.

SECURITY AND SOURCE OF PAYMENT

The Bonds are valid and legally binding general obligations of the Township, and the Township has irrevocably pledged its full faith and credit for the payment of the principal of and interest on the Bonds. Unless paid from other sources, the principal of and interest on the Bonds are payable from *ad valorem* taxes levied upon all the taxable property within the Township without limitation as to rate or amount.

AUTHORIZATION AND PURPOSE

The Bonds have been authorized and are being issued pursuant to the laws of the State, including the Local Bond Law, N.J.S.A. 40A:2-1 *et seq.* (constituting Chapter 2 of Title 40A of the New Jersey Statutes, as amended) (the "Local Bond Law"). The Bonds are authorized by a resolution adopted by the Township Council on June 25, 2019 and entitled, "Resolution Determining the Form and Other Details of \$7,621,000 General Improvement Bonds of the Township of West Orange, in the County of Essex, New Jersey and Providing for their Sale" (the "Form and Sale Resolution") and a resolution adopted by the Township Council on June 25, 2019 and entitled, "Resolution Providing for the Combination of Certain Issues of General Improvement Bonds of the Township of West Orange, in the County of Essex, New Jersey into a Single Issue of Bonds Aggregating \$7,621,000 in Principal Amount" and the various bond ordinances referred to therein, each in all respects duly approved and published as required by law, as follows:

BOND ORDINANCE NUMBER	DESCRIPTION OF IMPROVEMENT AND DATE OF ADOPTION OF BOND ORDINANCE	AMOUNT TO BE ISSUED
2450-15	Various capital improvements, finally adopted May 26, 2015	\$5,998,000
2463-15	Renovations to public library, finally adopted September 29, 2015	\$123,000
2475-16, as amended by 2492-16	Various capital improvements, finally adopted February 9, 2016, as amended October 6, 2016	\$1,500,000

FUTURE FINANCING PLANS

The Township issues notes during the course of the year from time to time to refund maturing notes and to fund new authorizations. The Township presently expects to permanently finance approximately \$6.3 million of its outstanding Bond Anticipation Notes in 2020 and approximately \$9.1 million of its outstanding Bond Anticipation Notes in 2021.

On July 30, 2019 the Township issued a note to the New Jersey Infrastructure Bank (the "NJIB") in connection with its capital maintenance obligations through the Joint Meeting of Essex and Union Counties (the "Joint Meeting"). At such time as the capital maintenance project is near completion, the Township will permanently finance the note through the NJIB. Additionally, the Joint Meeting will require that the Township make a contribution to a project to be undertaken later in 2019. The Township will issue a note through the NJIB which will then be taken out with the issuance of permanent financing.

The Township is also involved in certain redevelopment programs. They intend to issue not more than \$6,300,000 bonds or notes to provide for required redevelopment infrastructure.

BOOK-ENTRY-ONLY SYSTEM¹

The following description of the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal and interest, and other payments on the Bonds to DTC Participants or Beneficial Owners defined below, confirmation and transfer of beneficial ownership interests in the Bonds and other related transactions by and between DTC, DTC Participants and Beneficial Owners, is based on certain information furnished by DTC to the Township. Accordingly, the Township does not make any representations concerning these matters.

DTC will act as securities depository for the Bonds. 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 each series of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

¹ Source: The Depository Trust Company

on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct Participants' 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 Participant or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interest in the Bonds are to be accomplished by entries made on the books of Direct Participants 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 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 Participants or 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 Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Township as soon as possible after the Record Date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the Record Date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend 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 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 in 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 Paying Agent, or the Township, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Township or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct Participants 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 Paying 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 transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

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

Discontinuance of Book-Entry-Only System

In the event that the book-entry-only system is discontinued and the Beneficial Owners become registered owners of the Bonds, the following provisions apply: (i) the Bonds may be exchanged for an equal aggregate principal amount of Bonds in other authorized denominations and of the same maturity, upon surrender thereof at the office of the Township/Paying Agent; (ii) the transfer of any Bonds may be registered on the books maintained by the Township/Paying Agent for such purposes only upon the surrender thereof to the Township/Paying Agent together with the duly executed assignment in form satisfactory to the Township/Paying Agent; and (iii) for every exchange or registration of transfer of Bonds, the Township/Paying Agent may make a charge sufficient to reimburse for any tax or other governmental charge required to be paid with respect to such exchange or registration of transfer of the Bonds. Interest on the Bonds will be payable by check or draft, mailed on each Interest Payment Date to the registered owners thereof as of the close of business on the fifteenth (15th) day, whether or not a business day, of the calendar month next preceding an Interest Payment Date.

MUNICIPAL FINANCE - FINANCIAL REGULATION OF COUNTIES AND MUNICIPALITIES

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

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

The authorized bonded indebtedness of the Township for municipal purposes is limited by statute, subject to the exceptions noted below, to an amount equal to 3-1/2% of its average equalized valuation basis. The Township has not exceeded its statutory debt limit.

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

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

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

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

The foundation of the New Jersey local finance system is the annual cash basis budget. The Township, which operates on a fiscal year (July 1 to June 30), must adopt a budget in the form required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the “Division”). Certain items of revenue and appropriation are regulated by law and the proposed budget must be certified by the director of the Division (the “Director”) prior to final adoption. The Local Budget Law requires each local unit to appropriate sufficient funds for payment of current debt service, and the Director is required to review the adequacy of such appropriations, among others, for certification.

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

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

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

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

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

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

Emergency appropriations (those made after the adoption of the budget and the determination of the tax rate) may be authorized by the governing body of the local unit. However, with minor exceptions, such appropriations must be included in full in the following year's budget. When such appropriations exceed 3% of the adopted operating budget, consent of the Director must be obtained.

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

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

A provision of law known as the New Jersey "Cap Law" (N.J.S.A. 40A:4-45.1 *et seq.*) imposes limitations on increases in municipal appropriations subject to various exceptions. The payment of debt service is an exception from this limitation. The Cap formula is somewhat complex, but basically, it permits a municipality to increase its overall appropriations by the lesser of 2.5% or the "Index Rate" if the index rate is greater than 2.5%. The "Index Rate" is the rate of annual percentage increase, rounded to the nearest one-half percent, in the Implicit Price Deflator for State and Local Government purchases of goods and services computed by the U.S. Department of Commerce. Exceptions to the limitations imposed by the Cap Law also exist for other things including capital expenditures; extraordinary expenses approved by the Local Finance Board for implementation of an interlocal services agreement; expenditures mandated as a result of certain emergencies; and certain expenditures for services mandated by law. Counties are also prohibited from increasing their tax levies by more than the lesser of 2.5% or the Index Rate subject to certain exceptions. Municipalities by ordinance approved by a majority of the full membership of the governing body may increase appropriations up to 3.5% over the prior year's appropriation, and counties by resolution approved by a majority of the full membership of the governing body may increase the tax levy up to 3.5% over the prior year's tax levy in years when the Index Rate is 2.5% or less.

Legislation constituting P.L. 2010, c. 44, approved July 13, 2010 limits tax levy increases for those local units to 2% with exceptions only for capital expenditures including debt service, increases in pension contributions and accrued liability for pension contributions in excess of 2%, certain healthcare increases, extraordinary costs directly related to a declared emergency and amounts approved by a simple majority of voters voting at a special election.

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

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

appropriation of funds, but sets forth a plan of the possible capital expenditures which the local unit may contemplate over the next six years. Expenditures for capital purposes may be made either by ordinances adopted by the governing body setting forth the items and the method of financing or from the annual operating budget if the terms were detailed.

Tax Assessment and Collection Procedure

Property valuations (assessments) are determined on true values as arrived at by a cost approach, market data approach and capitalization of net income, where appropriate. Current assessments are the results of new assessments on a like basis with established comparable properties for newly assessed or purchased properties. This method assures equitable treatment to like property owners, but it often results in a divergence of the assessment ratio to true value. Because of the changes in property resale values, annual adjustments could not keep pace with the changing values.

Upon the filing of certified adopted budgets by the local unit, the local school district and the County, the tax rate is struck by the Essex County Board of Taxation based on the certified amounts in each of the taxing districts for collection to fund the budgets. The statutory provision for the assessment of property, 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 districts.

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

Tax installments not paid on or before the due date are subject to interest penalties of 8% per annum on the first \$1,500.00 of the delinquency and 18% per annum on any amount in excess of \$1,500.00. These interest penalties are the highest permitted under New Jersey statutes. If a delinquency is in excess of \$10,000.00 and remains in arrears after December 31st, an additional penalty of 6% shall be charged. Delinquent taxes open for one year or more are annually included in a tax sale in accordance with New Jersey Statutes.

Tax Appeals

The New Jersey Statutes provide a taxpayer with remedial procedures for appealing an assessment deemed excessive. Prior to April 15 in each year, the Township must mail to each property owner a notice of the current assessment and taxes on the property. The taxpayer has a right to petition the County Board of Taxation on or before April 1 for review. The County Board of Taxation has the authority after a hearing to decrease or reject the appeal petition. These adjustments are usually concluded within the current tax year and reductions are shown as canceled or remitted taxes for that year. If the taxpayer feels his petition was unsatisfactorily reviewed by the County Board of Taxation, appeal may be made to the Tax Court of New Jersey for further hearing. Some State Tax Court appeals may take several years prior to settlement, and any losses in tax collections from prior years are charged directly to operations.

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

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

An independent examination of each local unit's accounts must be performed annually by a licensed

registered municipal accountant. The audit, conforming to the Division of Local Government Services' "Requirements of Audit", includes recommendations for improvement of the local unit's financial procedures and must be filed with the Director. A synopsis of the audit report, together with all recommendations made, must be published in a local newspaper within 30 days of its submission.

FINANCIAL STATEMENTS

The financial statements of the Township for the fiscal years ended December 31, 2018 and December 31, 2017 are presented in Appendix B to this Official Statement (the "Financial Statements"). The Financial Statements have been audited by PFK O'Connor Davies, LLP, Livingston, New Jersey, an independent auditor, as stated in its report appearing in Appendix B to this Official Statement. *See* "APPENDIX B - Financial Statements of the Township of West Orange, in the County of Essex, New Jersey". The unaudited financial statements of the Township for the fiscal year ended December 31, 2016 have been filed to the Municipal Securities Rulemaking Board's Electronic Municipal Market Access website (emma.msrb.org) on March 28, 2017.

MUNICIPAL ADVISOR

NW Financial Group, Inc., Hoboken, New Jersey (the "Municipal Advisor") has served as Municipal Advisor to the Township with respect to the issuance of the Bonds. The Municipal Advisor is not obligated to undertake, and has not undertaken, either to make an independent verification of, or to assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement and the appendices hereto. The Municipal Advisor is an independent firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

LITIGATION

To the knowledge of the Township Attorney, Richard D. Trenk, Esq. of McManimon, Scotland & Baumann, LLC, Roseland, New Jersey (the "Township Attorney"), 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. To the knowledge of the Township Attorney, no litigation is presently pending or threatened that, in the opinion of the Township Attorney, would have a material adverse impact on the financial condition of the Township if adversely decided. A certificate to such effect will be executed by the Township Attorney and delivered to the purchaser of the Bonds at the closing.

TAX MATTERS

Exclusion of Interest on the Bonds From Gross Income for Federal Tax Purposes

The Internal Revenue Code of 1986, as amended (the "Code"), imposes certain requirements that must be met on a continuing basis subsequent to the issuance of the Bonds in order to assure that interest on the Bonds will be excluded from gross income for federal income tax purposes under Section 103 of the Code. Failure of the Township to comply with such requirements may cause interest on the Bonds to lose the exclusion from gross income for federal income tax purposes, retroactive to the date of issuance of the Bonds. The Township will make certain representations in its Arbitrage and Tax Certificate, which will be executed on the date of issuance of the Bonds, as to various tax requirements. The Township has covenanted to comply with the provisions of the Code applicable to the Bonds and has covenanted not to take any action or fail to take any action that would cause interest on the Bonds to lose the exclusion from gross income under Section 103 of the Code. McManimon, Scotland & Baumann, LLC ("Bond Counsel") will rely upon

the representations made in the Arbitrage and Tax Certificate and will assume continuing compliance by the Township with the above covenants in rendering its federal income tax opinions with respect to the exclusion of interest on the Bonds from gross income for federal income tax purposes and with respect to the treatment of interest on the Bonds for the purposes of alternative minimum tax.

Assuming the Township observes its covenants with respect to compliance with the Code, Bond Counsel is of the opinion that, under existing law, interest on the Bonds is excluded from gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Code, and interest on the Bonds is not an item of tax preference under Section 57 of the Code for purposes of computing the alternative minimum tax.

The opinion of Bond Counsel is based on current legal authority and covers certain matters not directly addressed by such authority. It represents Bond Counsel's legal judgment as to exclusion of interest on the Bonds from gross income for federal income tax purposes but is not a guaranty of that conclusion. The opinion is not binding on the Internal Revenue Service ("IRS") or any court. Bond Counsel expresses no opinion about the effect of future changes in (i) the Code and the applicable regulations under the Code or (ii) the interpretation and enforcement of the Code or those regulations by the IRS.

Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the Township or the owners of the Bonds regarding the tax status of interest thereon in the event of an audit examination by the IRS. The IRS has a program to audit tax-exempt obligations to determine whether the interest thereon is includible in gross income for federal income tax purposes. If the IRS does audit the Bonds, under current IRS procedures, the IRS will treat the Township as the taxpayer and the beneficial owners of the Bonds will have only limited rights, if any, to obtain and participate in judicial review of such audit. Any action of the IRS, including, but not limited to, selection of the Bonds for audit, or the course or result of such audit, or an audit of other obligations presenting similar tax issues, may affect the market value of the Bonds.

Payments of interest on tax-exempt obligations, including the Bonds, are generally subject to IRS Form 1099-INT information reporting requirements. If a Bond owner is subject to backup withholding under those requirements, then payments of interest will also be subject to backup withholding. Those requirements do not affect the exclusion of such interest from gross income for federal income tax purposes.

Original Issue Discount

Certain maturities of the Bonds may be sold at an initial offering price less than the principal amount payable on such Bonds at maturity (the "Discount Bonds"). The difference between the initial public offering price of the Discount Bonds at which a substantial amount of each of the Discount Bonds was sold and the principal amount payable at maturity of each of the Discount Bonds constitutes the original issue discount. Bond Counsel is of the opinion that the appropriate portion of the original issue discount allocable to the original and each subsequent owner of the Discount Bonds will be treated for federal income tax purposes as interest not includable in gross income under Section 103 of the Code to the same extent as stated interest on the Discount Bonds. Under Section 1288 of the Code, the original issue discount on the Discount Bonds accrues on the basis of economic accrual. The basis of an initial purchaser of a Discount Bond acquired at the initial public offering price of the Discount Bonds will be increased by the amount of such accrued discount. Owners of the Discount Bonds should consult their own tax advisors with respect to the determination for federal income tax purposes of the original issue discount properly accruable with respect to the Discount Bonds and the tax accounting treatment of accrued interest.

Original Issue Premium

Certain maturities of the Bonds may be sold at an initial offering price in excess of the amount payable at the maturity date (the "Premium Bonds"). The excess, if any, of the tax basis of the Premium Bonds to a purchaser (other than a purchaser who holds such Premium Bonds as inventory, as stock-in-trade or for sale to customers in the ordinary course of business) over the amount payable at maturity is amortizable bond premium, which is not deductible from gross income for federal income tax purposes. Amortizable bond premium, as it amortizes, will reduce the owner's tax cost of the Premium Bonds used to determine, for federal income tax purposes, the amount of gain or loss upon the sale, redemption at maturity or other disposition of the Premium Bonds. Accordingly, an owner of a Premium Bond may have taxable gain from the disposition of the Premium Bond, even though the Premium Bond is sold, or disposed of, for a price equal to the owner's original cost of acquiring the Premium Bond. Bond premium amortizes over the term of the Premium Bonds under the "constant yield method" described in regulations interpreting Section 1272 of the Code. Owners of the Premium Bonds should consult their own tax advisors with respect to the calculation of the amount of bond premium that will be treated for federal income tax purposes as having amortized for any taxable year (or portion thereof) of the owner and with respect to other federal, state and local tax consequences of owning and disposing of the Premium Bonds.

Additional Federal Income Tax Consequences of Holding the Bonds

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 certain Railroad Retirement benefits, taxpayers that may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, financial institutions, property and casualty companies, foreign corporations and certain S corporations.

Bond Counsel expresses no opinion regarding any federal tax consequences other than its opinion with regard to the exclusion of interest on the Bonds from gross income pursuant to Section 103 of the Code and interest on the Bonds not constituting an item of tax preference under Section 57 of the Code. Prospective purchasers of the Bonds should consult their tax advisors with respect to all other tax consequences (including, but not limited to, those listed above) of holding the Bonds.

Changes in Federal Tax Law Regarding the Bonds

Legislation affecting tax-exempt obligations is regularly considered by the United States Congress and may also be considered by the State. Court proceedings may also be filed, the outcome of which could modify the tax treatment of obligations such as the Bonds. There can be no assurance that legislation enacted or proposed, or actions by a court, after the date of issuance of the Bonds will not have an adverse effect on the tax status of interest on the Bonds or the market value or marketability of the Bonds. These adverse effects could result, for example, from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax) or repeal (or reduction in the benefit) of the exclusion of interest on the Bonds from gross income for federal or state income tax purposes for all or certain taxpayers.

Bank Qualification

The Bonds **will** be designated as qualified under Section 265 of the Code by the Township for an exemption from the denial of deduction for interest paid by financial institutions to purchase or to carry tax-exempt obligations.

The Code denies the interest deduction for certain indebtedness incurred by banks, thrift institutions and other financial institutions to purchase or to carry tax-exempt obligations. The denial to such institutions of one hundred percent (100%) of the deduction for interest paid on funds allocable to tax-exempt

obligations applies to those tax-exempt obligations acquired by such institutions after August 7, 1986. For certain issues, which are eligible to be designated and which are designated by the issuer as qualified under Section 265 of the Code, eighty percent (80%) of such interest may be deducted as a business expense by such institutions.

State Taxation

Bond Counsel is of the opinion that, based upon existing law, interest on the Bonds and any gain on the sale thereof are not included in gross income under the New Jersey Gross Income Tax Act.

THE OPINIONS EXPRESSED BY BOND COUNSEL WITH RESPECT TO THE BONDS ARE BASED UPON EXISTING LAWS AND REGULATIONS AS INTERPRETED BY RELEVANT JUDICIAL AND REGULATORY CHANGES AS OF THE DATE OF ISSUANCE OF THE BONDS, AND BOND COUNSEL HAS EXPRESSED NO OPINION WITH RESPECT TO ANY LEGISLATION, REGULATORY CHANGES OR LITIGATION ENACTED, ADOPTED OR DECIDED SUBSEQUENT THERETO. PROSPECTIVE PURCHASERS OF THE BONDS SHOULD CONSULT THEIR OWN TAX ADVISERS REGARDING THE POTENTIAL IMPACT OF ANY PENDING OR PROPOSED FEDERAL OR STATE TAX LEGISLATION, REGULATIONS OR LITIGATION.

MUNICIPAL BANKRUPTCY

The undertakings of the Township should be considered with reference to 11 U.S.C. 401 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 certain priority to debt owed for services or material; and provides that the plan must be accepted in writing by or on behalf of classes of creditors holding at least two-thirds in amount and more than one-half in number of the allowed claims of such 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, any such lien, other than municipal betterment assessments, shall be subject to the necessary operating expenses of such project or system. 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 Bankruptcy Code.

Reference should also be made to N.J.S.A. 52:27-40 et seq., which provides that a local unit 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 Municipal Finance Commission must be obtained. The powers of the Municipal Finance Commission have been vested in the Local Finance Board.

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.

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 to the Township, whose approving legal opinion will be delivered with the Bonds substantially in the form set forth as Appendix C. Certain legal matters will be passed on for the Township by the Township Attorney.

UNDERWRITING

The Bonds have been purchased from the Township at a public sale by _____, _____ (the "Underwriter") at a price of \$_____ (consisting of the par amount of the Bonds [plus an original issue premium of \$_____]). The Underwriter has purchased the Bonds in accordance with the Notice of Sale. The Bonds are being offered for sale at the yields or prices set forth on the inside front cover page of this Official Statement.

PREPARATION OF OFFICIAL STATEMENT

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

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

Bond Counsel has neither participated in the preparation of the financial or statistical information contained in this Official Statement, nor have they verified the accuracy, completeness or fairness thereof and, accordingly, expresses no opinion with respect thereto.

RATING

S&P Global Ratings, acting through Standard & Poor's Financial Services LLC (the "Rating Agency") has assigned a rating of "AA" to the Bonds based on the credit of the Township.

The rating reflects only the view of the Rating Agency, and an explanation of the significance of such rating may only be obtained from the Rating Agency. The Township forwarded to the Rating Agency certain information and materials concerning the Bonds and the Township. 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 the Rating Agency's judgment, circumstances so warrant. Any downward change in or withdrawal of such rating may have an adverse effect on the marketability or market price of the Bonds.

SECONDARY MARKET DISCLOSURE

The Township, pursuant to the Form and Sale Resolution, has covenanted for the benefit of the Bondholders and the beneficial owners of the Bonds to provide certain secondary market disclosure information pursuant to Rule 15c2-12 of the Securities and Exchange Commission, as amended and interpreted from time to time (the "Rule"). Specifically, for so long as the Bonds remain outstanding (unless the Bonds have been wholly defeased), the Township shall provide:

(a) On or prior to September 30 of each fiscal year, beginning September 30, 2020 for the fiscal year ending December 31, 2019, electronically to the Municipal Securities Rulemaking Board's Electronic Municipal Market Access ("EMMA") system or such other repository designated by the SEC to be an authorized repository for filing secondary market disclosure information, if any, annual financial information with respect to the Township consisting of the audited financial statements (or unaudited financial statements if audited financial statements are not then available, which audited financial statements will be delivered when and if available) of the Township and certain financial information and operating data consisting of (1) Township indebtedness and overlapping indebtedness including a schedule of outstanding debt issued by the Township; (2) the Township's most current adopted budget; (3) property valuation information; and (4) tax rate, levy and collection data. The audited financial statements will be prepared in accordance with modified cash accounting as mandated by the State of New Jersey statutory principles in effect from time to time or with generally accepted accounting principles as modified by governmental accounting standards as may be required by New Jersey law in effect from time to time;

(b) if any of the following material events occur regarding the Bonds, a timely notice not in excess of ten business days after the occurrence of the event sent to EMMA:

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
- (7) Modifications to rights of security holders, if material;
- (8) Bond calls, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution, or sale of property securing repayment of the securities, if material;
- (11) Rating changes;
- (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;
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (15) Incurrence of a Financial Obligation of the Township, if material, or agreement to covenants, events of default, remedies, priority rights or other similar terms of a Financial Obligation, any of which affect holders of the Bonds, if material;
- (16) Default, event of acceleration, termination event, modification of terms or other similar events under a Financial Obligation of the Township, if any such event reflects financial difficulties.

For the purposes of the event identified in subparagraph (12) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Township in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a

court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Township, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Township.

Notice of failure of the Township to provide required annual financial information on or before the date specified in the Form and Sale Resolution shall be sent in a timely manner to EMMA.

If all or any part of the Rule ceases to be in effect or is not in effect for any reason, then the information required to be provided under the Form and Sale Resolution, insofar as the provisions of the Rule not or no longer in effect required the provision of such information, shall not or no longer be required to be provided.

The Chief Financial Officer shall determine, in consultation with Bond Counsel, the application of the Rule or the exemption from the Rule for each issue of obligations of the Township prior to their offering. Such officer is hereby authorized to enter into additional written contracts or undertakings to implement the Rule and is further authorized to amend such contracts or undertakings or the undertakings set forth in the Form and Sale Resolution, provided such amendment is, in the opinion of nationally recognized bond counsel, in compliance with the Rule.

In the event that the Township fails to comply with the Rule requirements or the written contracts or undertakings specified in its undertaking, the Township shall not be liable for monetary damages. The sole remedy is hereby specifically limited to specific performance of the Rule requirements or the written contracts or undertakings therefor.

The Township has entered into prior undertakings to provide continuing disclosure for certain outstanding bond issues. In connection with such bond issues, the Township failed to timely file its Annual Report for the fiscal years ended December 31, 2010 through 2012. While it filed its Unaudited Financial Statements and Operating Data for the fiscal year ended December 31, 2013 timely, the Audited Financial Statements were not filed until May 11, 2015. In addition, the Township failed to timely file notices with respect to such late filings and event notices with respect to certain rating changes. The Township has retained Digital Assurance Certification, LLC as dissemination agent in connection with its continuing disclosure obligations.

ADDITIONAL INFORMATION

Inquiries regarding this Official Statement, including information additional to that contained herein, may be directed to John Gross, Chief Financial Officer of the Township, at (973) 325-4070 or to the Municipal Advisor at (201) 656-0115.

CERTIFICATE WITH RESPECT TO THE OFFICIAL STATEMENT

At the time of the original delivery of the Bonds, the Township will deliver a certificate of one of its authorized officials to the effect that he has examined this Official Statement (including the appendices) and the financial and other data concerning the Township contained herein and that, to the best of his knowledge and belief, (i) this Official Statement, both as of its date and as of the date of delivery of the Bonds, does not contain any untrue statement of a material fact necessary to make the statements herein, in the light of the circumstances under which they were made, not misleading and (ii) between the date of this Official Statement and the date of delivery of the Bonds there has been no material adverse change in the affairs (financial or otherwise), financial condition or results or operations of the Township except as set forth in or contemplated by this Official Statement.

MISCELLANEOUS

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

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

John Gross
Chief Financial Officer

APPENDIX A

**Economic and Demographic Information Relating
to the Township of West Orange, in the County of Essex, New Jersey**

GENERAL INFORMATION **ABOUT THE TOWNSHIP**

Location and Area

Located in Essex County, the Township of West Orange (the “Township”) is approximately 18 miles west of midtown New York City and six miles west of downtown Newark with a population of 48,435 as of 2018. It is largely a residential community of owner-occupied single-family dwellings and a distribution center for goods and services that support the New York metropolitan region.

The Township was incorporated in 1900 and covers a 12.154 square mile area.

Form of Government

Citizens of the Township voted to adopt the Mayor-Council Plan B of the Optional Municipal Charter Law of New Jersey, known as the Faulkner Act. Under this form of government, a Mayor and five Council members are elected at large for four-year terms. Council terms are staggered, and no party designations are permitted on the ballot.

The day-to-day operations are the responsibility of the Mayor, the Business Administrator, and the directors of the various departments. The executive power is vested in the Mayor, while the Township Council is the legislative and policy-making body.

Biographies of Municipal Officials

Mayor: Robert Parisi was elected to his first, four-year term, which began July 1, 2010, and has been Mayor since that time. Prior to his initial election as Mayor, he was elected to the West Orange Township Council in 1998, 2000, 2004, and 2008. Mayor Robert Parisi is a graduate of West Orange High School and graduated from Rutgers University with a BA in English Literature. He started his own company back in 2008, RD Parisi Associates, which is a West Orange-based consultant group for employee benefits.

Business Administrator: John K. Sayers, appointed in January 2001, graduated from Kean College of New Jersey with a B.A. in Political Science and a Juris Doctorate Degree from Seton Hall University School of Law. He was admitted to practice law at the Bar of the United States District Court for the District of New Jersey and also admitted to practice law at the Bar of the State of New Jersey, both in 1994. Mr. Sayers is a Certified Public Manager I, II, III and a former Undersheriff for the Essex County Sheriff’s Office. His duties included Operations and Budget and Administration of the 550-member Department. Mr. Sayers is a member of the State Police Pension Board and the New Jersey State Investment Council.

Chief Financial Officer: John Gross, appointed on August 30, 2011, as Chief Financial Officer, graduated with a degree in pharmacy and is a CMFO in the State of New Jersey. He is a member of the Municipal Finance Officers Association of New Jersey and the Tax Collector and Treasurer’s Association of New Jersey. John Gross has served as the Township Chief Financial Officer for the past three years. Prior to that, he was Chief Financial Officer in South Orange, where PKF O’Connor Davies, LLP also performed the audit.

FINANCIAL INSTITUTIONS

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

Bank of America, NA
Citibank
Kearny Bank
Llewellyn-Edison Savings Bank, FSB
New York Community Bank
JP Morgan Chase Bank
PNC Bank, NA
Sovereign Bank
Union Center Bank
TD Bank, NA
State of New Jersey Cash Management Fund
Valley National Bank
Wells Fargo Bank, NA

MUNICIPAL SERVICES

Protection

The Township has four (4) municipality-owned firehouses. The Fire Department consists of (77) full-time employees. Acquisition of new firefighting apparatus and conversion of older equipment toward modernization has been a Township priority program. The Department has (11) pieces of modern firefighting equipment.

The Township's Police Department is a municipal police agency dedicated to the development and utilization of the Department's human and material resources. The Department employs (96) police officers, (19) civilian employees and (40) school traffic crossing guards.

Health

A varied array of health services is available in the Township. The full range of public health programs is provided through the services of one full-time, licensed Health Officer in accordance with State regulations and includes health nursing services, environmental health services, communicable disease control, maternal and child health services and chronic illness preventative services. The presence of several major medical centers near the community assures the availability of quality health care.

Planning and Development

The Planning and Development Department is comprised of three divisions: the Planning Division, the Construction Division, and the Zoning Enforcement, Property Maintenance, and Housing Division. The Planning Division includes the Planning Board, Main Street Development Corporation, Rent Leveling Board, and Environmental Commission. The Planning and Zoning Boards are quasi-judicial boards established under the Municipal Land Use Law. The Construction Division reviews and issues applications for permits and performs inspections on construction projects. The purpose of the Zoning Enforcement, Property Maintenance, and Housing Division is to enforce the Municipal Zoning Ordinances.

Public Works

The Township has (37) full-time public works employees and (6) engineering employees, and they maintain approximately and (75) pieces of equipment. Gas, electric, and water services are provided by privately owned utility corporations. The Township operates its own sewer system which connects with the Joint Outlet Sewer System.

Garbage and rubbish collections are made twice a week under a five-year contract between the Township and a private operator.

Recreation

The Township provides a year-round recreation program involving the use of fifteen playgrounds, six of nine school buildings and various municipal buildings. Programs are offered for all ages. Specialized divisions of the Recreation Department include the Mayor's Program for Individuals with Disabilities, the Senior Citizen Program, the Teen Program, and the Summer Park Program. The Township provides a (3) pool swimming complex that operates in the summer months.

Other agencies provide additional recreational programs available to the community. The Mountain Top League and the Police Athletic League provide sports programs for youngsters. Essex County operates an indoor skating arena, two reservations with picnic facilities, a zoo, and a golf course. Five additional private golf courses are either totally or partially located within Township borders.

The Recreation Department employs (7) full-time employees and approximately (100) seasonal employees.

EDUCATIONAL SERVICES

The School District operates as an independent legal entity and is a Type II school district under the laws of the State of New Jersey, administered by a five-member board of education (the "Board") which is elected by the citizens. The members serve five-year terms.

The Board elects a President and Vice President and organizes itself into several committees to plan general policy, personnel policy, curriculum policy, budget policy, and the capital improvement policy for building and grounds. All budget policy and capital improvement policy must be approved by the Township electorate.

The school district operates the following types of educational facilities:

High Schools	-	One
Middle Schools	-	Three
Elementary Schools	-	Seven

EDUCATIONAL SERVICES (Continued)

School District Enrollment

<u>Year</u>	<u>Total District</u>
2013-2014	6,868
2014-2015	6,727
2015-2016	6,682
2017-2018	6,651
2018-2019	6,668

*Special Education Enrollment is Included in Totals

The Central Administration offices are located in a separate building owned by the Board.

ASSESSED VALUATION AND TAX RATES

				<i>Real Property</i>
<i>Year</i>	<i>Equalization Amount Added</i>	<i>Net Taxable Value Real and *Personal Property</i>	<i>Tax Rate Per \$100.00</i>	<i>Assessed Valuation Percentage of True Value</i>
2018	\$ 770,726,022	\$5,593,516,832	4.038	87.89%
2017	623,516,214	5,592,104,073	3.986	89.97
2016	444,035,043	5,599,688,525	3.890	92.65
2015	178,724,439	5,591,451,200	3.817	97.22
2014	170,169,045	5,592,205,800	3.742	97.38
2013	289,176,587	5,635,365,603	3.648	95.46

<i>Year</i>	<i>Net Taxable Value Real and *Personal Property</i>	<i>Real Property Assessed Valuation Percentage of True Value</i>	<i>Estimated Full True Value</i>
2018	\$5,593,516,832	87.89%	\$6,364,242,854
2017	5,592,104,073	89.97	6,215,620,287
2016	5,599,688,525	92.65	6,043,723,568
2015	5,591,451,200	97.22	5,751,338,408
2014	5,592,205,800	97.38	5,742,663,586
2013	5,635,365,603	95.46	5,903,379,010

*Consists of Machinery, Implements, and Equipment of Telephone, Telegraph and Messenger Systems Companies (Chapter 38, P.L. 1966).

COMPARISON OF COMPONENTS OF TAX RATE

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Tax Rate	<u>\$4.038</u>	<u>\$3.986</u>	<u>\$3.890</u>	<u>\$3.817</u>	<u>\$3.742</u>
Apportionment of Tax Rate:					
Library Tax	0.037	0.036	0.035	0.000	0.000
Municipal	0.966	0.948	0.927	0.944	0.891
Open Space	0.003	0.003	0.003	0.002	0.002
County	0.539	0.545	0.540	0.520	0.514
Open Space	0.017	0.016	0.016	0.016	0.016
Local School	<u>2.476</u>	<u>2.438</u>	<u>2.369</u>	<u>2.335</u>	<u>2.319</u>
	<u>\$4.038</u>	<u>\$3.986</u>	<u>\$3.890</u>	<u>\$3.817</u>	<u>\$3.742</u>

* Revaluation

SCHEDULE OF TAX LEVIES AND COLLECTION CURRENTLY

<u>Year</u>	<u>Tax Levy</u>	<u>Collections</u>	<u>Percentage of Collections</u>
2018	\$226,129,172.95	\$223,357,491.11	98.77%
2017	223,138,412.68	219,892,502.43	98.55
2016	218,449,817.06	215,704,861.98	98.74
2015	214,041,330.60	211,572,390.69	98.72
2014	210,119,103.25	207,172,935.47	98.48

SUPPLEMENTARY INFORMATION

SCHEDULE OF DELINQUENT TAXES AND TAX TITLE LIENS

<u>December 31, Year</u>	<u>Amount of Tax Title Liens</u>	<u>Amount of Delinquent Taxes</u>	<u>Total Delinquent</u>	<u>Percentage of Tax Levy</u>
2018	\$ 56,508.57	\$2,769,463.70	\$2,825,972.27	1.250%
2017	50,234.82	3,309,924.85	3,360,159.67	1.510
2016	39,086.54	2,568,921.50	2,608,008.04	1.190
2015	1,088,852.87	2,474,569.33	3,563,422.30	1.665
2014	895,340.57	2,267,368.68	3,162,709.25	1.505

BUILDING PERMITS

<u>Year</u>	<u>Total Number</u>	<u>Construction Value</u>
2018	2,468	\$68,469,300
2017	2,698	54,881,507
2016	2,805	66,174,550
2015*	2,512	65,097,347
2014	2,625	45,366,673
2013	2,786	54,521,308

*Revaluation

LARGEST TAXPAYERS

The following table sets forth ten of the largest taxpayers located in the Township and their assessed valuation for the year 2018:

<i>Taxpayer</i>	<i>Service or Product</i>	<i>Assessed Valuation</i>
Essex Green LLC	Shopping Center	\$76,748,400
Kessler Institute	Rehabilitation	50,139,500
West Orange Plaza	Shopping Center	50,000,000
Bow and Arrow Manor, Inc.	Catering and Dining	46,978,100
Blackburn Development Corporation	Apartment Complex	43,000,000
West Orange Office Executive Park	Real Estate	35,828,800
Atkins & Kent Ltd.	Medical Offices	24,000,000
Prism Property Services	Real Estate Developers	21,477,300
Montclair Country Club	Recreation	21,250,000
Crestmont County Club	Recreation	18,500,000

Source: Municipal Tax Assessor

LARGEST EMPLOYERS

The Township hosts a number of commercial and industrial facilities. These include:

<i>Name</i>	<i>Type Of Business</i>	<i>Estimated Number Of Employees</i>
Board of Education	Public School	1,200
Kessler Institute	Rehabilitation	404
Township of West Orange	Municipal Government	420
Daughters of Israel	Nursing Home	300
Manor Restaurant	Catering and Dining	300
Wolff & Samson, P.C.	Law Firm	200
Shop Rite	Retail	200
Greenhill Retirement Comm.	Nursing Home	198
K-Mart	Retail	170

Source: Township of West Orange

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

ECONOMIC INFORMATION

<u>Year</u>	<u>Township Population* (a)</u>	<u>Essex County Per Capita Personal Income (b)</u>	<u>Township Personal Income (c)</u>	<u>Township Unemployment Rate (d)</u>
2009	42,415	50,977	2,162,189,455	7.70%
2010	42,561	52,603	2,238,836,283	8.10
2011	46,236	51,448	2,378,749,728	7.90
2012	46,588	51,866	2,416,333,208	8.20
2013	46,726	54,345	2,539,324,470	7.30
2014	47,132	54,842	2,584,813,144	6.00
2015	47,361	55,455	2,626,404,255	5.20
2016	47,498	57,541	2,733,082,418	4.40
2017	47,645	63,554	3,028,030,330	4.10
2018	48,435	60,887	2,949,061,845	3.80

Sources:

- a Population information provided by NJ Department of Labor, Bureau of Labor.
- b Per capita personal income by municipality based upon the US Bureau of Economic Analysis.
- c Personal income has been estimated based upon the municipal population and per capita personal income presented.
- d Unemployment data provided by the NJ Department of Labor and Workforce Department.

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

Housing Characteristics - Housing Units

	<i>Township of West Orange</i>	<i>County of Essex</i>	<i>State of New Jersey</i>
Number of Units:			
Occupied	16,790	283,712	3,214,360
Vacant	822	29,242	339,202
Total	<u>17,612</u>	<u>312,954</u>	<u>3,553,562</u>

Source: New Jersey Department of Labor and Workforce Development
U.S. Census Bureau, 2010 Census Redirecting Data

	<i>Township of West Orange</i>	<i>County of Essex</i>	<i>State of New Jersey</i>
Median Value Owned – Single-Family Year Structure Built – Housing Units			
1999 to March 2000	191	2,212	48,124
1995-1998	640	6,037	139,421
1990-1994	810	6,177	158,581
1980-1989	1,117	16,345	409,978
1970-1979	1,353	26,471	462,740
1960-1969	2,376	45,001	526,732
1940-1959	6,116	104,226	898,653
	4,222	94,542	666,046

Source: 2010 Census of Housing, U.S. Bureau of the Census

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

DEBT STATEMENT AS OF DECEMBER 31, 2018

Gross Debt

School Debt:

Local School District:

Term Bonds Issued and Outstanding	\$ 27,405,000.00
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General Debt:

General Improvements:

Capital and Trust Assessment Funds	\$63,170,173.00
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General Capital Fund	<u>17,193,403.00</u>
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80,363,576.00

Total Gross Debt	107,768,576.00
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Statutory Deductions

School Debt:

Local School District

Minimum (4% of Average Equalized Valuations

\$233,250,484)

Statutory Net Debt

27,405,000.00

\$	<u>80,363,576.00</u>
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Average Equalized Valuation of Real Property for

2015-2018

\$ 6,207,862,229

Net Debt Percentage (Statutory Debt Limit - 3 1/2%)

1.295%

Remaining Statutory Borrowing Power

3 1/2% of Equalized Valuation Basis

\$ 217,275,178.00

Less: Statutory Net Debt

80,363,576.00

Remaining Borrowing Power December 31, 2018

<u>\$ 136,911,602.00</u>

Gross Debt is the total financial obligation of the Municipality and its Subdivisions. Statutory deductions determine the borrowing power and Statutory Net Debt under the laws of the State of New Jersey.

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

SUMMARY OF 2019 TOWNSHIP OF WEST ORANGE BUDGET
(Adopted)

Revenues:

Fund Balance Anticipated	\$ 1,404,009.99
Miscellaneous Revenues	20,861,578.32
Delinquent Taxes	2,778,439.40
Current Taxes	60,749,397.46
	<u>\$85,793,425.17</u>

Appropriations:

Executive and Legislative	\$2,360,083.05
Administration and Finance	18,123,727.97
Planning and Development	619,965.76
Department of Assessment	271,471.22
Fire	10,439,375.62
Police	12,870,818.78
Public Works	5,100,974.89
Health and Welfare	5,092,808.11
Recreation	945,878.40
Uniform Construction Code	744,656.84
Unclassified	2,966,304.00
Contingent	1,000.00
Deferred Charges and Statutory Expenditures	7,663,327.00
Other Operations	5,685,529.88
Shared Service Agreements	15,492.46
Public and Private Programs Offset	1,169,040.80
Capital Improvement Fund	733,585.21
NJ DOT Trust Fund Authority Act	620,000.00
Municipal Debt Service	6,844,124.27
Deferred Charges	651,693.00
Reserve for Uncollected Taxes	<u>2,873,567.91</u>
	<u>\$85,793,425.17</u>

SCHEDULE OF FUND BALANCES – CURRENT FUND

Year	Balance	Utilized in Budget
<u>Current Fund</u>	<u>December 31,</u>	<u>of Succeeding Year</u>
2018	\$ 3,492,263.83	\$1,404,009.99
2017	3,785,316.00	3,262,227.48
2016	4,415,551.00	2,898,302.00
2015	3,418,848.00	2,898,302.00
2014	3,503,500.00	3,100,000.00

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

**UNDERLYING DEBT
DECEMBER 31, 2018**

*County of Essex Gross Debt December 31, 2018	<u>\$1,039,452,998</u>
<u>County of Essex Debt Includes</u>	
Essex County Utilities Authority:	
Guaranteed Project Notes Under Deficiency Agreement	
Essex County Improvement Authority:	
Guaranteed of Bonds Pursuant to N.J.S.A. 40:37A-80	
Essex County College	
Apportionment to Township of West Orange	<u>\$72,543,424.73</u>
Basis of Debt Appointment:	
Ratio of Equalized Valuation:	
Township of West Orange – 2018	<u>\$6,364,242,854</u>
Total Essex County – 2018	<u>\$92,645,800,045</u>
Ratio of Township of West Orange	<u>6.979%</u>

*Includes both the Essex County Improvement Authority Guarantee of Bonds and Bonds issued and Bond Authorized but Not Issued – Capital Projects for County Colleges.

GROSS DEBT COMPARED WITH TRUE VALUE

	<u><i>Municipal Debt</i></u>	<u><i>Municipal Debt Including Apportioned Underlying Debt</i></u>
Gross Debt as of December 31, 2018	<u>\$107,768,576</u>	<u>\$180,312,001</u>
Aggregated Fair Value for 2018 – All Taxable Property – Assessed Valuation	\$5,593,516,832	
Amount Added for Equalization: Real Property Assessed at 87.89% of True Value	<u>770,726,022</u>	
Total – With Real Property at True Value	<u>\$6,364,242,854</u>	
Gross Debt as a Percentage of True Value	<u>1.69%</u>	<u>2.83%</u>

APPENDIX B

**Excerpts from Financial Statements of the
Township of West Orange, in the County of Essex, New Jersey
For the Years Ended December 31, 2018 and December 31, 2017**

Independent Auditors' Report

**The Honorable and Members of
the Town Council
Township of West Orange
County of Essex
West Orange, New Jersey**

Report on the Financial Statements

We have audited the accompanying regulatory-basis financial statements of the various funds and the governmental fixed assets of the Township of West Orange, County of Essex, New Jersey (the "Township") which comprise the balance sheets as of and for the years ended December 31, 2018 and 2017, and the related statements of operations and changes in the fund balance for the years then ended, the statements of changes in fund balance, the statements of revenues and statements of expenditures for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Township as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division") as described in Note 1. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 entity's preparation and presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

PKF O'CONNOR DAVIES, LLP
20 Commerce Drive, Suite 301, Cranford, NJ 07016 | Tel: 908.272.6200 | Fax: 908.272.2416 | www.pkfod.com

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

As described in Note 1, the financial statements are prepared by the Township on the basis of the financial reporting provisions of the Division to demonstrate compliance with Division's regulatory basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. 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 in the first paragraph do not present fairly in accordance with accounting principles generally accepted in the United States of America, the financial positions of the Township of West Orange, County of Essex, New Jersey, as of December 31, 2018 and 2017, the changes in financial position, and where applicable, its cash flows for the years then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the regulatory basis financial statements referred to above present fairly, in all material respects, the respective financial position of the various funds and the governmental fixed assets of the Township of West Orange, Essex County, New Jersey, as of December 31, 2018 and 2017, and the respective results of its operations and changes in fund balance for the year then ended and statements of change in fund balance, the statements of revenue and statements of expenditure of the various funds for the year ended December 31, 2018 and the related notes to the financial statements in accordance with the financial reporting provisions of the Division, as described in Note 1 to the financial statements.

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

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Township's basic financial statements. The information included in Part II – Supplementary Data (collectively, the "Supplementary Information"), is listed in the table of contents, is presented for purposes of additional analysis as required by the Division and is not a required part of the regulatory – basis financial statements of the Township. Such information has been subjected to auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements, or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Honorable and Members of
the Town Council
Township of West Orange
Page 3

Report on Supplementary Information as Required by the Uniform Guidance

Our audit was conducted for the purpose of forming opinions on the regulatory-basis financial statements that collectively comprise the Township's basic financial statements. The accompanying schedule of expenditures of federal awards and financial data schedules related to Section 8 Program, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*; and related notes to the schedule of expenditures of federal awards are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards, financial data schedules related to Section 8 Program and related notes are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements, or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards, the financial data related to Section 8 Program and related notes are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 1, 2019 on our consideration of the Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.

PKF O'Connor Davies, LLP

August 1, 2019
Cranford, New Jersey

David J. Gannon

David J. Gannon, CPA
Licensed Registered Municipal Accountant, No. 520

TOWNSHIP OF WEST ORANGE
CURRENT AND GRANT FUND

A
Sheet # 1

COMPARATIVE BALANCE SHEETS
REGULATORY BASIS
DECEMBER 31, 2018 AND 2017

<u>ASSETS</u>	<u>Ref.</u>	<u>2018</u>	<u>2017</u>
CURRENT FUND:			
Cash	A-4	\$ 12,294,547.75	\$ 27,593,762.66
Change Funds	A-6	650.00	650.00
Due from State of New Jersey - Ch. 20, P.L. 1971	A-16	<u>796.57</u>	<u>-</u>
Receivables and Other Assets with Full Reserves:			
Delinquent Property Taxes	A-7	2,769,463.70	3,309,924.85
Tax Title Liens Receivable	A-8	56,508.57	50,234.82
Property Acquired for Taxes - Assessed Valuation	A-9	1,652,465.00	1,652,465.00
Prepaid School Taxes	A-19	0.50	-
Revenue Accounts Receivable	A-11	37,062.34	43,673.82
Sewer User Charges Receivable	A-12	<u>387,497.34</u>	<u>362,308.37</u>
		<u>4,902,997.45</u>	<u>5,418,606.86</u>
		<u>17,198,991.77</u>	<u>33,013,019.52</u>
Deferred Charges:			
Special Emergency Authorizations (40A:4-55)	A-27	<u>1,768,359.00</u>	<u>2,658,384.00</u>
		<u>18,967,350.77</u>	<u>35,671,403.52</u>
GRANT FUND:			
Grants Receivable	A-23	2,210,130.42	998,277.11
Due from Current Fund	A-24	<u>227,418.88</u>	<u>729,557.52</u>
		<u>2,437,549.30</u>	<u>1,727,834.63</u>
		<u>\$ 21,404,900.07</u>	<u>\$ 37,399,238.15</u>

See Accompanying Notes to Financial Statements

TOWNSHIP OF WEST ORANGE
CURRENT AND GRANT FUND

A
Sheet # 2

COMPARATIVE BALANCE SHEETS
REGULATORY BASIS
DECEMBER 31, 2018 AND 2017

<u>LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>Ref.</u>	<u>2018</u>	<u>2017</u>
CURRENT FUND:			
Liabilities:			
Appropriation Reserves	A-3, A-15	\$ 504,247.67	\$ 546,691.98
Reserve for Encumbrances	A-3, A-15	1,870,252.26	716,753.83
Due to State of New Jersey - Ch. 20, P.L. 1971	A-16	-	1,451.37
Accounts Payable	A-17	-	8,658.80
County Taxes Payable	A-20	44,180.21	21,437.02
Fees Due to State of New Jersey	A-21	3,072.00	12,416.00
Prepaid Taxes	A-22	1,700,337.06	16,401,153.52
Special Emergency Notes Payable	A-14	1,768,359.00	2,660,052.00
Tax Appeals Payable	A-10	138,232.64	162,772.69
Tax Title Lienholders Payable	A-10A	257,437.54	247,832.62
Tax Title Lien Premiums Payable	A-10B	3,795,353.14	4,682,653.14
Interfunds Payable	A-13	432,068.16	729,557.52
Prepaid Health Licenses	A-14C	11,510.00	2,780.00
Sewer Rent Overpayments	A-17A	27,485.33	16,153.69
Reserve for Tax Appeals	A-18	19,554.48	256,466.47
		<u>10,572,089.49</u>	<u>26,466,830.65</u>
 Reserve for Receivables and Other Assets	 A	 <u>4,902,997.45</u>	 <u>5,419,256.86</u>
 Fund Balance	 A-1	 <u>3,492,263.83</u>	 <u>3,785,316.01</u>
		<u>18,967,350.77</u>	<u>35,671,403.52</u>
GRANT FUND:			
Reserve for appropriated grants	A-25	2,364,274.01	1,584,414.28
Reserve for unappropriated grants	A-26	73,275.29	143,420.35
		<u>2,437,549.30</u>	<u>1,727,834.63</u>
		<u>\$ 21,404,900.07</u>	<u>\$ 37,399,238.15</u>

TOWNSHIP OF WEST ORANGE
CURRENT FUND

A-1

STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE
REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>Ref.</u>	<u>2018</u>	<u>2017</u>
REVENUE AND OTHER INCOME:			
Fund Balance Utilized	A-2	\$ 3,262,227.48	\$ 3,022,376.78
Miscellaneous Anticipated Revenue	A-2	20,440,702.93	19,399,713.12
Receipts from Delinquent Taxes	A-2	3,234,828.04	2,593,966.13
Receipts from Current Taxes	A-2, A-7	223,357,490.11	219,892,502.43
Non-Budget Revenues	A-2	1,486,580.23	1,005,856.50
Other Credit to Income:			
Other Revenue	A-1	649.50	-
Cancellation of Note Payable	A-14	1,668.00	-
Appropriation Reserves Lapsed	A-15	714,049.04	1,145,852.47
Cancellation of Reserves for Federal and State grants	A-25	18,472.00	-
TOTAL REVENUE AND OTHER INCOME		<u>252,516,667.33</u>	<u>247,060,267.43</u>
EXPENDITURES:			
Budgeted and Emergency Appropriations	A-3	79,460,198.83	77,860,923.84
Unfunded Assessments	A-13	204,649.28	-
Cancellation of Grant Receivable	A-1	872.00	-
Open Space Trust	A-14A	145,602.62	145,575.16
Special Improvement District Assessment	A-14B	97,767.05	96,893.38
Local District School Tax	A-19	138,493,957.00	136,344,646.00
County Taxes	A-20	31,126,600.61	31,420,087.14
PILOT Payment - Due County	A-20	17,844.64	-
TOTAL EXPENDITURES		<u>249,547,492.03</u>	<u>245,868,125.52</u>
EXCESS OF REVENUE OVER EXPENDITURES		2,969,175.30	1,192,141.91
ADJUSTMENTS TO INCOME BEFORE FUND BALANCE:			
EXPENDITURES INCLUDED ABOVE WHICH ARE BY STATUTE			
DEFERRED CHARGES TO BUDGET OF SUCCEEDING YEAR		-	1,200,000.00
STATUTORY EXCESS TO FUND BALANCE		2,969,175.30	2,392,141.91
FUND BALANCE, BEGINNING OF YEAR	A	<u>3,785,316.01</u>	<u>4,415,550.88</u>
		6,754,491.31	6,807,692.79
UTILIZED AS ANTICIPATED REVENUE	A-2	<u>3,262,227.48</u>	<u>3,022,376.78</u>
FUND BALANCE, END OF YEAR	A	<u>\$ 3,492,263.83</u>	<u>\$ 3,785,316.01</u>

TOWNSHIP OF WEST ORANGE
CURRENT FUND

A-2
Sheet # 1

STATEMENT OF REVENUES
REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2018

	<u>Ref.</u>	<u>Anticipated Budget</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
FUND BALANCE ANTICIPATED	A-1	\$ 3,262,227.48	\$ 3,262,227.48	\$ -
MISCELLANEOUS REVENUES:				
Licenses:				
Alcoholic Beverages	A-11	\$ 69,209.22	\$ 121,223.12	\$ 52,013.90
Other	A-11	50,573.00	62,154.00	11,581.00
Fees and Permits	A-11	283,739.94	275,518.88	(8,221.06)
Fines and Costs - Municipal Court	A-11	581,817.44	527,492.62	(54,324.82)
Interest and Costs on Taxes	A-11	787,097.48	847,580.86	60,483.38
Parking Meters	A-11	13,027.29	5,348.43	(7,678.86)
Interest on Investments	A-11	43,747.92	70,037.47	26,289.55
Payments in Lieu of Taxes:				
West Orange Senior Citizen Housing	A-11	117,900.00	117,900.00	-
Jewish Federation Plaza	A-11	100,762.82	116,145.43	15,382.61
Eagle Rock Senior Citizen Housing	A-11	60,407.00	60,407.00	-
Woodland Valley	A-11	27,463.50	27,857.25	393.75
St. Barnabas	A-11	289,233.00	292,640.25	3,407.25
Sewer User Charges	A-12	7,225,389.92	7,040,459.51	(184,930.41)
Energy Receipts Tax	A-11	4,691,252.00	4,691,252.00	-
Watershed Moratorium Offset Aid	A-11	5,217.00	5,217.00	-
Uniform Construction Code Fees	A-11	724,360.00	724,360.00	-
Interlocal Service Agreements	A-11	10,474.00	10,474.00	-
Uniform Fire Safety Act	A-11	66,542.49	84,550.92	18,008.43
General Capital Fund Surplus	A-11	257,946.03	257,946.03	-
Supplemental Sewer Fees	A-11	33,482.86	37,730.00	4,247.14
Cable TV Franchise Fees	A-11	670,746.50	677,782.01	7,035.51
Ground Leases	A-11	136,030.15	153,235.50	17,205.35
Hotel Tax	A-11	493,797.83	515,311.11	21,513.28
Open Space Trust Fund-Debt Service	A-11	12,922.60	12,922.60	-
Medical Transport Billing Service	A-11	1,395,358.94	1,243,241.96	(152,116.98)
Reserve to Pay Debt Service	A-11	90,598.63	90,598.63	-
Assessment Trust Fund Balance	A-11	331,613.70	331,613.70	-
Trust Fund Balance	A-11	105,210.26	105,210.26	-
Swimming Pool Fund Balance	A-11	50,000.00	50,000.00	-
Extra Duty Fees	A-11	183,597.68	148,340.89	(35,256.79)
		<u>18,909,519.20</u>	<u>18,704,551.43</u>	<u>(204,967.77)</u>

TOWNSHIP OF WEST ORANGE
CURRENT FUND

A-2
Sheet # 2

STATEMENT OF REVENUES
REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2018

	<u>Ref.</u>	<u>Anticipated Budget</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
State Grants:				
Clean Communities Program	A-13	\$ 76,506.14	\$ 76,506.14	\$ -
Click It or Ticket	A-13	5,500.00	5,500.00	-
Municipal Alliance for Alcoholism and Drug Abuse	A-13	59,202.00	59,202.00	-
U Drive, U Text, U Pay	A-13	5,500.00	5,500.00	-
Community Stewardship Incentive Grant- Reserve	A-13	30,000.00	30,000.00	-
COPS grant	A-13	500,000.00	500,000.00	-
Essex County DOA Senior Citizens	A-13	16,127.00	16,127.00	-
Essex County Delinquency Prevention Grant	A-13	25,463.00	25,463.00	-
Body Armor Replacement Fund	A-13	8,293.48	8,293.48	-
Bullet Proof Vest Fund	A-13	10,967.67	10,967.67	-
N.J. Transportation Trust Fund Authority Act	A-13	820,000.00	820,000.00	-
Recycling Tonnage Grant	A-13	52,524.21	52,524.21	-
Drunk Driving Enforcement Fund	A-13	10,890.00	10,890.00	-
NJ Healthy Communities	A-13	20,000.00	20,000.00	-
NJ Prevention Network	A-13	1,500.00	1,500.00	-
NJ ROID Grant	A-13	17,053.00	17,053.00	-
Essex County Arts Council grant	A-13	2,000.00	2,000.00	-
Green Acres Grant	A-13	45,525.00	45,525.00	-
EMMA Fire Grant	A-13	2,000.00	2,000.00	-
Drive Sober Labor Day	A-13	5,500.00	5,500.00	-
Distracted Driver Grant	A-13	6,600.00	6,600.00	-
NJ Dept. of Law and Public Safety - Pedestrian Safety Grant	A-13	15,000.00	15,000.00	-
		<u>1,736,151.50</u>	<u>1,736,151.50</u>	<u>-</u>
 TOTAL MISCELLANEOUS ANTICIPATED REVENUES	 A-1	 <u>20,645,670.70</u>	 <u>20,440,702.93</u>	 <u>(204,967.77)</u>
RECEIPTS FROM DELINQUENT TAXES	A-1,A-2	<u>3,227,097.35</u>	<u>3,234,828.04</u>	<u>7,730.69</u>
 AMOUNT TO BE RAISED BY TAXES FOR SUPPORT OF MUNICIPAL BUDGET	 A-2	 <u>56,100,488.47</u>	 <u>56,813,562.83</u>	 <u>713,074.36</u>
BUDGET TOTALS	A-3	<u>83,235,484.00</u>	<u>83,751,321.28</u>	<u>515,837.28</u>
 NON-BUDGET REVENUES				
Miscellaneous Revenues Not Anticipated	A-1, A-11		<u>\$ 1,486,580.23</u>	
			<u>\$ 85,237,901.51</u>	

**TOWNSHIP OF WEST ORANGE
CURRENT FUND**

A-2
Sheet # 3

**STATEMENT OF REVENUE
REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2018**

	<u>Ref.</u>	
ANALYSIS OF REALIZED REVENUES:		
Allocation of Current Tax Collection:		
Revenue from Collections	A-1, A-7	<u>\$ 223,357,490.11</u>
Allocated to - Municipal Open Space Tax	A-1, A-7	145,602.62
Allocated to - Special Improvement District	A-1, A-7	97,767.05
Allocated to - School Taxes	A-1, A-7	138,493,957.00
Allocated to - County Taxes	A-1, A-7	31,126,600.61
Total Allocated to Other Agencies		<u>169,863,927.28</u>
Balance for Support of Municipal Budget Appropriations		53,493,562.83
Add Appropriation Reserve for Uncollected Taxes	A-3	<u>3,320,000.00</u>
Amount for Support of Municipal Budget Appropriations	A-2	<u><u>\$ 56,813,562.83</u></u>
Delinquent Tax Collections		
Cash Received		
Taxes	A-7	\$ 3,227,369.98
Tax Title Lien Redemption	A-8	7,458.06
Total Delinquent Tax Collections	A-1	<u><u>\$ 3,234,828.04</u></u>

TOWNSHIP OF WEST ORANGE
CURRENT FUND

A-3
Sheet # 1

STATEMENT OF EXPENDITURES
REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2018

	<u>Budget</u>	<u>Budget After Modification</u>	<u>Expended</u>			<u>Unexpended Balance Canceled</u>
			<u>Paid or Charged</u>	<u>Encumbered</u>	<u>Reserved</u>	
GENERAL APPROPRIATIONS						
(A) Operations - within "CAPS"						
EXECUTIVE AND LEGISLATIVE DEPARTMENT						
Office of the Mayor and Agencies						
Office of the Mayor						
Salaries and Wages	\$ 103,126.00	\$ 103,126.00	\$ 103,125.88		\$ 0.12	
Other Expenses	21,446.00	2,263.04	2,245.54	\$ 17.50		
Governing Body						
Town Council						
Salaries and Wages	62,435.00	62,435.10	62,435.10			
Other Expenses	32,400.00	18,818.99	16,692.94	2,126.05		
Litigation Expenses						
Other Expenses	275,000.00	286,079.09	242,713.44	43,365.65		
Office of the Township Clerk						
Township Clerk						
Salaries and Wages	200,780.00	190,288.12	190,288.12			
Other Expenses	21,250.00	21,250.00	20,003.29		1,246.71	
Office of the Township Attorney						
Township Attorney						
Salaries and Wages	53,000.00	53,000.48	53,000.48			
Other Expenses	92,940.00	72,875.00	72,875.00			
Statutory Agencies						
Planning Board						
Other Expenses	50,400.00	7,384.49	6,828.67	555.82		
Board of Adjustment						
Other Expenses	4,530.00	4,530.00	303.69	175.00	4,051.31	
Support for Commissions						
Other Expenses	56,429.00	56,429.00	45,299.28	6,815.13	4,314.59	
Waste Management						
Other Expenses	417,180.93	364,523.36	292,273.36	72,250.00		
Municipal Court						
Salaries and Wages	349,068.00	355,581.09	355,581.09			
Other Expenses	31,300.00	17,262.83	16,834.93	427.90		
Public Defender (P.L. 1997, C.256)						
Other Expenses	24,200.00	24,200.00	18,915.00		5,285.00	
TOTAL EXECUTIVE AND LEGISLATIVE DEPT.	1,795,484.93	1,640,046.59	1,499,415.81	125,733.05	14,897.73	
DEPT. OF ADMINISTRATION AND FINANCE						
Office of the Business Administrator						
Director						
Salaries and Wages	269,004.00	269,119.70	269,119.70			
Other Expenses	173,200.00	173,200.00	102,593.13	15,728.57	54,878.30	
Administration of Township Owned Property						
Other Expenses	3,500.00	3,500.00			3,500.00	
Division of Administration						
Central Purchasing						
Salaries and Wages	169,677.00	169,677.00	169,676.78		0.22	
Other Expenses	38,400.00	38,400.00	32,367.13	5,101.26	931.61	
Central Printing and Supplies						
Other Expenses	6,700.00	6,700.00	6,137.66	38.00	524.34	
Central Telephone						
Other Expenses	256,000.00	256,000.00	198,372.29	31,812.86	25,814.85	
Central Insurance						
Employee Group Health (Emergency)	13,649,731.89	13,391,229.98	12,796,083.73	595,146.25		
Unemployment Compensation Insurance	80,000.00	80,000.00	80,000.00			
General Liability	857,873.00	857,873.00	857,873.00			
Workers Compensation	500,000.00	500,000.00	500,000.00			
Central Mailing Service						
Other Expenses	73,750.00	73,750.00	47,990.59	17,474.20	8,285.21	

TOWNSHIP OF WEST ORANGE
CURRENT FUND

A-3
Sheet # 2

STATEMENT OF EXPENDITURES
REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2018

	Budget	Budget After Modification	Expended			Unexpended Balance Canceled
			Paid or Charged	Encumbered	Reserved	
Township Physician						
Other Expenses	\$ 9,365.00	\$ 9,365.00	\$ 1,592.00	\$ 212.00	\$ 7,561.00	
Division of Treasury						
Collector's Office						
Salaries and Wages	231,795.00	231,795.00	229,084.67		2,710.33	
Other Expenses	20,900.00	22,039.32	21,348.94	690.38		
Township Treasurer						
Other Expenses	9,900.00	9,900.00	1,550.00	190.00	8,160.00	
Division of Accounts and Control						
Comptroller's Office						
Salaries and Wages	580,267.00	581,229.99	581,229.99			
Other Expenses	189,285.00	189,285.00	186,428.66	645.93	2,210.41	
TOTAL DEPARTMENT OF ADMINISTRATION AND FINANCE	<u>17,119,347.89</u>	<u>16,863,063.99</u>	<u>16,081,448.27</u>	<u>667,039.45</u>	<u>114,576.27</u>	
DEPARTMENT OF PLANNING AND DEVELOPMENT						
Director						
Planning Department						
Salaries and Wages	114,980.00	114,980.00	111,976.66		3,003.34	
Other Expenses	32,045.00	32,045.00	26,019.23	5,337.92	687.85	
Housing Code Enforcement						
Salaries and Wages	263,972.00	266,464.92	266,464.92			
Other Expenses	5,725.00	5,725.00	1,036.90		4,688.10	
TOTAL DEPARTMENT OF PLANNING AND DEVELOPMENT	<u>416,722.00</u>	<u>419,214.92</u>	<u>405,497.71</u>	<u>5,337.92</u>	<u>8,379.29</u>	
DEPARTMENT OF ASSESSMENT						
Assessor's Office						
Salaries and Wages	264,855.00	264,855.24	264,855.24			
Other Expenses	10,600.00	10,600.00	291.39	7,500.00	2,808.61	
TOTAL DEPARTMENT OF ASSESSMENT	<u>275,455.00</u>	<u>275,455.24</u>	<u>265,146.63</u>	<u>7,500.00</u>	<u>2,808.61</u>	
DEPARTMENT OF POLICE						
Division of Police						
Salaries and Wages	12,540,188.00	12,354,297.87	12,354,297.87			
Other Expenses	484,845.31	484,845.31	409,282.28	17,158.03	58,405.00	
TOTAL DEPARTMENT OF POLICE	<u>13,025,033.31</u>	<u>12,839,143.18</u>	<u>12,763,580.15</u>	<u>17,158.03</u>	<u>58,405.00</u>	
DEPARTMENT OF FIRE						
Division of Fire						
Salaries and Wages	9,924,889.00	10,103,892.32	10,103,892.32			
Other Expenses	132,800.00	132,800.00	79,980.36	52,162.78	656.86	
Uniform Fire Safety Act (C. 383, P.L. 1983)						
Salaries and Wages	28,250.00	28,250.00	28,250.00			
Other Expenses	38,530.00	38,530.00	26,738.96	8,269.51	3,521.53	
Emergency Management Service						
Salaries and Wages	5,445.00	5,445.00	5,445.00			
Other Expenses	10,800.00	10,800.00	6,891.10	1,932.75	1,976.15	
TOTAL DEPARTMENT OF FIRE	<u>10,140,714.00</u>	<u>10,319,717.32</u>	<u>10,251,197.74</u>	<u>62,365.04</u>	<u>6,154.54</u>	
DEPARTMENT OF PUBLIC WORKS						
Division of Engineering						
Office of the Township Engineer						
Salaries and Wages	512,720.00	523,639.61	523,639.61			
Other Expenses	12,500.00	12,500.00	3,705.10	3,235.79	5,559.11	
Division of Building and Property						
Public Building Operations and Maintenance						
Other Expenses	395,100.00	411,845.29	335,606.67	76,238.62		
Shade Tree Care and Pruning						
Other Expenses	70,250.00	94,953.37	81,408.55	13,544.82		
Parking Facilities, Maintenance and Repairs						
Other Expenses	2,970.00	2,970.00	565.00		2,405.00	
Division of Public Works						
Salaries and Wages	2,505,631.00	2,642,751.90	2,642,751.90			
Division of Street Services						
Street Service, Cleaning and Drainage						
Salt, Chloride and Plowing	800,000.00	1,180,998.66	1,089,552.31	91,446.35		
Other Expenses	48,600.00	18,321.43	14,539.19	3,782.24		
Street Repairs						
Other Expenses	70,350.00	38,748.85	15,226.83	23,522.02		

TOWNSHIP OF WEST ORANGE
CURRENT FUND

A-3
Sheet # 3

STATEMENT OF EXPENDITURES
REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2018

	Budget	Budget After Modification	Expended			Unexpended Balance Canceled
			Paid or Charged	Encumbered	Reserved	
Street Services and Traffic						
Other Expenses	\$ 13,100.00	\$ 13,100.00	\$ 7,235.74	\$ 3,487.00	\$ 2,377.26	
Division of Sewers and Sanitation						
Sanitation and General Township Service Force						
Other Expenses	6,100.00	6,100.00	4,299.68	400.00	1,400.32	
Central Automotive						
Other Expenses	498,500.00	384,330.27	289,066.63	95,263.64		
Sewage and Pumping Stations						
Other Expenses	65,800.00	65,800.00	45,067.60	12,076.56	8,655.84	
TOTAL DEPARTMENT OF PUBLIC WORKS	5,001,621.00	5,396,059.38	5,052,664.81	322,997.04	20,397.53	
DEPARTMENT OF HEALTH AND WELFARE						
Division of Health						
General Health Services						
Salaries and Wages	618,996.00	618,996.00	618,258.54		737.46	
Other Expenses	26,397.00	26,397.00	18,661.13	409.17	7,326.70	
Senior Citizen's Transportation Program						
Salaries and Wages	203,954.00	203,954.00	197,246.71		6,707.29	
Other Expenses	950.00	950.00	553.58	188.02	208.40	
Aid to Health Care Facilities (N.J.S.A. 44:5-2 as Amended)						
Other Expenses	1,500.00	1,500.00			1,500.00	
Division of Welfare						
Administration of Public Assistance						
Salaries and Wages	140,213.00	140,213.00	139,022.33		1,190.67	
Other Expenses	5,050.00	5,050.00	825.00		4,225.00	
Animal Control						
Salaries and Wages	122,408.00	122,408.00	120,200.10		2,207.90	
Other Expenses	3,175.00	3,175.00	2,845.32	200.00	129.68	
Podiatry Clinic						
Other Expenses	9,500.00	9,500.00	4,633.91	840.40	4,025.69	
Senior Citizen Health Center						
Salaries and Wages	187,393.00	187,393.00	176,783.92		10,609.08	
Other Expenses	4,775.00	4,775.00	3,302.75	250.38	1,221.87	
Child Health Clinic						
Other Expenses	4,150.00	4,150.00	400.00		3,750.00	
Retired Citizens Program						
Other Expenses	20,850.00	20,850.00	12,876.94	4,803.68	3,169.38	
Garbage and Trash Removal Contract						
Other Expenses	3,041,365.00	3,278,985.72	2,973,875.15	305,110.57	0.00	
TOTAL DEPARTMENT OF HEALTH AND WELFARE	4,390,676.00	4,628,296.72	4,269,485.38	311,802.22	47,009.12	
DEPARTMENT OF RECREATION						
Community Services, Recreational and Civic Contracts						
Other Expenses	76,250.00	76,250.00	73,888.00		2,362.00	
Parks and Playgrounds						
Salaries and Wages	652,832.00	621,876.12	621,876.12			
Other Expenses	151,740.00	122,742.79	103,893.95	18,848.84		
Celebration of Public Events, Anniversary or Holiday						
Other Expenses	55,600.00	55,600.00	49,609.90	1,028.84	4,961.26	
TOTAL DEPARTMENT OF RECREATION	936,422.00	876,468.91	849,267.97	19,877.68	7,323.26	
Uniform Construction Code-						
Appropriations Offset by Dedicated						
Revenues (N.J.A.C. 5:23-4.17)						
State Uniform Construction Code						
Construction Official						
Salaries and Wages	632,274.00	612,897.72	612,897.72			
Other Expenses	99,700.00	47,631.66	20,587.45	27,044.21		
TOTAL UNIFORM CONSTRUCTION CODE	731,974.00	660,529.38	633,485.17	27,044.21		
UNCLASSIFIED						
Utilities						
Electricity	545,000.00	545,000.00	390,253.73	103,013.44	51,732.83	
Street Lighting	650,000.00	617,740.34	556,472.90	61,267.44	(0.00)	
Gasoline	413,460.00	317,306.57	267,147.82	43,008.75	7,150.00	
Water	46,000.00	46,000.00	38,205.49	3,653.79	4,140.72	
Fire Hydrant Service	650,000.00	650,000.00	585,346.41	55,404.16	9,249.43	
Challenge Grant Bus Shuttle	278,148.00	278,148.00	270,004.89		8,143.11	
Compensated Absence Liability (Emergency)	5,000.00	66,965.20	66,965.20			
Membership-NJ League of Municipalities	3,696.00	3,696.00	3,290.00		406.00	
Medical Transport Billing Service	375,000.00	345,143.28	186,780.93	31,763.31	126,599.04	
TOTAL UNCLASSIFIED	2,966,304.00	2,869,999.39	2,364,467.37	298,110.89	207,421.13	
Total Operations (Item 8(A)) within "CAPS"	56,799,754.13	56,787,995.02	54,435,657.01	1,864,965.53	487,372.48	
B. Contingent	1,000.00	1,000.00			1,000.00	
Total Operations Including Contingent within "CAPS"	56,800,754.13	56,788,995.02	54,435,657.01	1,864,965.53	488,372.48	

TOWNSHIP OF WEST ORANGE
CURRENT FUND

A-3
Sheet # 4

STATEMENT OF EXPENDITURES
REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2018

			Expended			Unexpended
	Budget	Budget After Modification	Paid or Charged	Encumbered	Reserved	Balance Canceled
Detail:						
Salaries & Wages	\$ 30,743,152.00	\$ 30,895,532.38	\$ 30,868,365.97		\$ 27,166.41	
Other Expenses (Including Contingent)	26,057,602.13	25,893,462.64	23,567,291.04	\$ 1,864,965.53	461,206.07	
(E) Deferred Charges and Statutory Expenditures - Municipal within "CAPS"	11,060.42	11,060.42	7,620.80		3,439.62	
(2) STATUTORY EXPENDITURES:						
Public Employees' Retirement System	1,124,080.83	1,124,080.83	1,113,313.26		10,767.57	
Social Security System (O.A.S.I.)	1,027,979.00	1,033,738.11	1,033,738.11			
Police and Firemen's Retirement System	4,926,415.94	4,926,415.94	4,926,415.94			
Defined Contribution Retirement Program	10,000.00	16,000.00	16,000.00			
Total Deferred Charges and Statutory	7,099,536.19	7,111,295.30	7,097,088.11		14,207.19	
(H-1) Total General Appropriations for Municipal Purposes within "CAPS"	63,900,290.32	63,900,290.32	61,532,745.12	1,864,965.53	502,579.67	
(A) Operations - Excluded from "CAPS"						
Chapter 10, P.L. 1977-Joint Outlet Sewer Maintenance	3,082,608.00	3,106,644.73	3,101,358.00	5,286.73		
Maintenance of Free Public Library (Ch. 541-82, P.L. 1985)	2,075,157.00	2,075,157.00	2,075,157.00			
Tax Appeal Refunds	350,000.00	325,963.27				\$ 325,963.27
Total Other Operations - Excluded from "CAPS"	5,507,765.00	5,507,765.00	5,176,515.00	5,286.73		325,963.27
Shared Service Agreements						
Borough of Essex Fells Health Services-Interlocal Contract						
Salaries and Wages	10,473.93	10,473.93	10,473.93			
Essex County CJSIS	5,018.53	5,018.53				5,018.53
Total Shared Service Agreements	15,492.46	15,492.46	10,473.93			5,018.53
Public and Private Programs Offset by Revenues						
U Drive, U Text, U Pay	5,500.00	5,500.00	5,500.00			
Partners for Health	20,000.00	20,000.00	20,000.00			
Clean Communities	76,506.14	76,506.14	76,506.14			
Recycling Tonnage	52,524.21	52,524.21	52,524.21			
Essex County DOA Senior Citizens Grant	16,127.00	16,127.00	16,127.00			
Essex County DOA Senior Citizens Grant - Local match	164.00	164.00	164.00			
Municipal Alliance	59,202.00	59,202.00	59,202.00			
Municipal Alliance - Local match	14,950.00	14,950.00	14,950.00			
Essex County Delinquency Prevention Grant Exspan	6,900.00	6,900.00	6,900.00			
Essex County Delinquency Prevention Grant	18,563.00	18,563.00	18,563.00			
Drunk Driving Enforcement Fund	10,890.00	10,890.00	10,890.00			
NJPN Grant	1,500.00	1,500.00	1,500.00			
Click It or Ticket	5,500.00	5,500.00	5,500.00			
COPS Hiring Grant	500,000.00	500,000.00	500,000.00			
Community Stewardship	30,000.00	30,000.00	30,000.00			
NJ ROID Grant Match	3,846.67	3,846.67	3,846.67			
NJ ROID Grant	17,053.00	17,053.00	17,053.00			
NJ Dept. of Law and Public Safety Pedestrian Safety Enforcement	15,000.00	15,000.00	15,000.00			
County of Essex- Arts Council	2,000.00	2,000.00	2,000.00			
Body Armor Replacement Fund	8,293.48	8,293.48	8,293.48			
Bullet Proof Vest Partnership	10,967.67	10,967.67	10,967.67			
Community Stewardship Match	15,000.00	15,000.00	15,000.00			
EMMA Fire Grant	2,000.00	2,000.00	2,000.00			
Green Acres	45,525.00	45,525.00	45,525.00			
Drive SOBER Labor Day	5,500.00	5,500.00	5,500.00			
Distracted Driving Grant	6,600.00	6,600.00	6,600.00			
Total Public and Private Programs Offset by Revenue	950,112.17	950,112.17	950,112.17			
Total Operations - Excluded from "CAPS"	6,473,369.63	6,473,369.63	6,137,101.10	5,286.73		330,981.80
Detail:						
Salaries & Wages	10,473.93	10,473.93	10,473.93			
Other Expenses	6,462,895.70	6,462,895.70	6,126,627.17			
Capital Improvement Fund	491,153.33	491,153.33	491,153.33			
Total Capital Improvements - Excluded from "CAPS"	491,153.33	491,153.33	491,153.33			
New Jersey DOT Trust Fund Authority Act						
NJDOT-Misc Street	820,000.00	820,000.00	820,000.00			
Total New Jersey DOT Trust Fund Authority Act	820,000.00	820,000.00	820,000.00			

TOWNSHIP OF WEST ORANGE
CURRENT FUND

A-3
Sheet # 5

STATEMENT OF EXPENDITURES
REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2018

	Budget	Budget After Modification	Paid or Charged	Expended Encumbered	Reserved	Unexpended Balance Canceled
(D) Municipal Debt Service - Excluded from "CAPS"						
Payment of Bond Principal	\$ 3,885,000.00	\$ 3,885,000.00	\$ 3,885,000.00			
Payment of Bond Anticipation Notes and Capital Notes	1,563,567.00	1,563,567.00	1,561,568.00			\$ 1,999.00
Interest on Bonds	1,088,711.25	1,088,711.25	1,086,838.20			1,873.05
Interest on Notes	438,523.85	438,523.85	419,206.43			19,317.42
NJ Environmental Infrastructure Trust and Fund Loans						
Principal	302,030.36	302,030.36	262,061.72			39,968.64
Interest	61,145.26	61,145.26				61,145.26
Total Municipal Debt Service - Excluded from "CAPS"	<u>7,338,977.72</u>	<u>7,338,977.72</u>	<u>7,214,674.35</u>			<u>124,303.37</u>
(E) Deferred Charges - Municipal - Excluded from "CAPS"						
Deferred Charges to Future Taxation-Unfunded						
2013 Severance Liability	240,000.00	240,000.00	240,000.00			
2014 Severance Liability	131,693.00	131,693.00	130,025.00		\$ 1,668.00	
2015 Severance Liability	160,000.00	160,000.00	160,000.00			
2016 Severance Liability	120,000.00	120,000.00	120,000.00			
2017 Severance Liability	240,000.00	240,000.00	240,000.00			
Total Deferred Charges - Municipal - Excluded from "CAPS"	<u>891,693.00</u>	<u>891,693.00</u>	<u>890,025.00</u>		<u>1,668.00</u>	
(H-2) Total General Appropriations for Municipal Purposes Excluded from "CAPS"	<u>16,015,193.68</u>	<u>16,015,193.68</u>	<u>15,552,953.78</u>	<u>\$ 5,286.73</u>	<u>1,668.00</u>	<u>455,285.17</u>
(O) Total General Appropriations - Excluded from "CAPS"	<u>\$ 16,015,193.68</u>	<u>\$ 16,015,193.68</u>	<u>\$ 15,552,953.78</u>		<u>\$ 1,668.00</u>	<u>\$ 455,285.17</u>
(L) Subtotal General Appropriations	<u>79,915,484.00</u>	<u>79,915,484.00</u>	<u>77,085,698.90</u>	<u>\$ 1,870,252.26</u>	<u>504,247.67</u>	<u>455,285.17</u>
(M) Reserve for Uncollected Taxes	<u>3,320,000.00</u>	<u>3,320,000.00</u>	<u>3,320,000.00</u>			
Total General Appropriations	<u>\$ 83,235,484.00</u>	<u>\$ 83,235,484.00</u>	<u>\$ 80,405,698.90</u>	<u>\$ 1,870,252.26</u>	<u>\$ 504,247.67</u>	<u>\$ 455,285.17</u>
Ref.	A-2	A-2	Below	A	A	Below
Ref.						
Budget	Above	\$ 83,235,484.00				
Reserve for Uncollected Taxes	A-2	(3,320,000.00)	\$ 3,320,000.00			
Cash Disbursed	A-4		74,425,561.73			
Deferred Charges	A-27		890,025.00			
Match	A-25		33,960.67			
Reserve for Grants	A-25		1,736,151.50			
Canceled	Above	<u>(455,285.17)</u>				
	A-1	<u>\$ 79,460,198.83</u>	<u>\$ 80,405,698.90</u>			

**TOWNSHIP OF WEST ORANGE
TRUST FUND**

B
Sheet # 1

**COMPARATIVE BALANCE SHEETS
REGULATORY BASIS
DECEMBER 31, 2018 AND 2017**

<u>ASSETS</u>	<u>Ref.</u>	<u>2018</u>	<u>2017</u>
ANIMAL CONTROL FUND:			
Cash	B-3	<u>\$ 55,535.17</u>	<u>\$ 64,144.22</u>
GENERAL TRUST FUND:			
Cash	B-3	<u>\$ 5,688,976.05</u>	<u>\$ 5,556,853.97</u>
INSURANCE TRUST FUND:			
Cash	B-4	<u>\$ 271,336.08</u>	<u>\$ 122,700.01</u>
FEDERAL GRANT TRUST FUND:			
Cash	B-5		\$ 12,063.63
Grant Receivable	B-6	<u>\$ 1,203,050.84</u>	<u>580,000.00</u>
		<u>\$ 1,203,050.84</u>	<u>\$ 592,063.63</u>
OPEN SPACE TRUST FUND:			
Cash	B-2	<u>\$ 920,475.53</u>	<u>\$ 828,939.68</u>
ASSESSMENT TRUST FUND:			
Cash	B-3	\$ 373,720.23	\$ 331,613.75
Assessments Receivable	B-7	2,785,570.26	3,159,594.71
Interfund Receivable	B-17	295,274.11	90,624.83
Assessments to be Raised by Taxation	B-18	630,155.63	720,780.46
		<u>\$ 4,084,720.23</u>	<u>\$ 4,302,613.75</u>

**TOWNSHIP OF WEST ORANGE
TRUST FUND**

B
Sheet # 2

**COMPARARTIVE BALANCE SHEETS
REGULATORY BASIS
DECEMBER 31, 2018 AND 2017**

<u>LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>Ref.</u>	<u>2018</u>	<u>2017</u>
ANIMAL CONTROL FUND:			
Prepaid License Fees	B-9	\$ 2,211.00	\$ 2,205.00
Due to State of New Jersey	B-8	15.00	
Reserve For Animal Control Fund Expenditures	B-12	53,309.17	61,939.22
		<u>\$ 55,535.17</u>	<u>\$ 64,144.22</u>
GENERAL TRUST FUND:			
Special Deposits	B-10	\$ 5,688,976.05	\$ 5,451,643.71
Fund Balance	B-1A		105,210.26
		<u>\$ 5,688,976.05</u>	<u>\$ 5,556,853.97</u>
INSURANCE TRUST FUND:			
Reserve for Insurance Claims	B-13	\$ 271,336.08	\$ 122,700.01
		<u>\$ 271,336.08</u>	<u>\$ 122,700.01</u>
FEDERAL GRANT TRUST FUND:			
Reserve for Grant Expenditures:			
Community Development Block Grant	B-14	\$ 813,400.00	\$ 580,000.00
Due to Capital	B-11	389,650.84	
Section 8 Housing	B-15		12,063.63
		<u>\$ 1,203,050.84</u>	<u>\$ 592,063.63</u>
OPEN SPACE TRUST FUND:			
Reserve for Open Space Expenditures	B-16	\$ 920,475.53	\$ 828,939.68
ASSESSMENT TRUST FUND:			
Serial Bonds Payable	B-19	\$ 3,711,000.00	\$ 3,971,000.00
Fund Balance	B-1	373,720.23	331,613.75
		<u>\$ 4,084,720.23</u>	<u>\$ 4,302,613.75</u>

**TOWNSHIP OF WEST ORANGE
TRUST FUNDS**

**STATEMENT OF FUND BALANCE
ASSESSMENT TRUST
REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2018**

	<u>Ref.</u>	B-1
Balance, December 31, 2017	B	\$ 331,613.75
Increased by:		
Due from Current Fund	B-17	204,345.01
Serial Bonds Payable	B-19	<u>260,000.00</u>
		795,958.76
Decreased by:		
Adjustment to Unfunded Assessment Bonds	B-18	90,624.83
Anticipated Revenue in Current Fund	B-3	<u>331,613.70</u>
		422,238.53
Balance, December 31, 2018	B	<u><u>\$ 373,720.23</u></u>

**STATEMENT OF FUND BALANCE
GENERAL TRUST FUND
REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2018**

	<u>Ref.</u>	B-1A
Balance, December 31, 2017	B	\$ 105,210.26
Decreased by:		
Anticipated Revenue in Current Fund	B-3	<u>105,210.26</u>
Balance, December 31, 2018	B	<u><u>\$ -</u></u>

**TOWNSHIP OF WEST ORANGE
GENERAL CAPITAL FUND**

C

**COMPARATIVE BALANCE SHEETS
REGULATORY BASIS
DECEMBER 31, 2018 AND 2017**

<u>ASSETS</u>	<u>Ref.</u>	<u>2018</u>	<u>2017</u>
Cash	C-2	\$ 5,116,076.88	\$ 1,417,548.81
Notes Receivable	C-16	240,000.00	1,200,000.00
NJEPA Trust and Fund Loan Receivable	C-14	284,270.00	284,270.00
State Grants Receivable	C-13	1,125,200.55	1,450,068.97
Interfunds Receivable	C-17	389,650.84	
		<u>2,039,121.39</u>	<u>2,934,338.97</u>
Deferred Charges to Future Taxation:			
Funded	C-6	33,637,986.97	37,550,674.93
Unfunded	C-7	43,014,588.86	34,349,678.00
		<u>76,652,575.83</u>	<u>71,900,352.93</u>
		<u>\$ 83,807,774.10</u>	<u>\$ 76,252,240.71</u>
<u>LIABILITIES AND FUND BALANCE</u>			
Serial Bonds	C-8	\$ 31,080,000.00	\$ 34,705,000.00
NJEPA Trust and Fund Loan-ORD#1823-02	C-4	223,163.72	275,482.87
NJEPA Trust and Fund Loan-ORD#2017-05	C-4	771,701.65	892,553.54
NJEPA Trust and Fund Loan-ORD#2050-05	C-4	351,867.78	389,475.80
NJEPA Trust and Fund Loan-ORD#2214-09	C-4	325,635.14	354,692.88
NJEPA Trust and Fund Loan-ORD#2425-14	C-4	885,618.68	933,469.84
Bond Anticipation Notes	C-9	25,821,186.00	18,275,253.00
Improvement Authorizations:			
Funded	C-10	2,226,200.41	2,406,589.65
Unfunded	C-10	20,496,847.48	16,185,608.41
Capital Improvement Fund	C-11	155,455.15	130,546.96
Reserve to Pay Debt service	C-5	112,404.02	970.83
Reserve for Grants Receivable	C-15	1,027,489.65	1,352,358.07
Interfund Payable	C-17	90,624.83	90,624.83
Fund Balance	C-1	239,579.59	259,614.03
		<u>\$ 83,807,774.10</u>	<u>\$ 76,252,240.71</u>
Bonds and Notes Authorized but Not Issued	C-12	\$ 17,193,402.86	\$ 16,074,425.00

**TOWNSHIP OF WEST ORANGE
GENERAL CAPITAL FUND**

C-1

**STATEMENT OF FUND BALANCE
REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2018**

	<u>Ref.</u>	
Balance, December 31, 2017	C	\$ 259,614.03
Increased by:		
Premium on Sale of Bond Anticipation Notes	C-2	<u>237,911.59</u>
		497,525.62
Decreased by:		
Payment to Current Fund as Anticipated Revenue	C-2	<u>257,946.03</u>
Balance, December 31, 2018	C	<u><u>\$ 239,579.59</u></u>

**TOWNSHIP OF WEST ORANGE
SWIMMING POOL UTILITY FUND**

D

**BALANCE SHEETS
REGULATORY BASIS
DECEMBER 31, 2018 AND 2017**

<u>ASSETS</u>	<u>Ref.</u>	<u>2018</u>	<u>2017</u>
OPERATING FUND:			
Cash	D-4	<u>\$ 34,836.59</u>	<u>\$ 94,883.93</u>
CAPITAL FUND:			
Fixed Capital	D-5	<u>523,433.15</u>	<u>523,433.15</u>
		<u>\$ 558,269.74</u>	<u>\$ 618,317.08</u>
<u>LIABILITIES AND FUND BALANCES</u>			
OPERATING FUND:			
Appropriation reserves:			
Encumbered	D-3, D-7	\$ 11.88	\$ 1,465.00
Unencumbered	D-3, D-7	700.77	2,549.74
Fund Balance	D-1	<u>34,123.94</u>	<u>90,869.19</u>
		<u>\$ 34,836.59</u>	<u>\$ 94,883.93</u>
CAPITAL FUND:			
Reserve for Amortization	D-6	<u>523,433.15</u>	<u>523,433.15</u>
		<u>\$ 558,269.74</u>	<u>\$ 618,317.08</u>

**TOWNSHIP OF WEST ORANGE
SWIMMING POOL UTILITY FUND**

D-1

**STATEMENT OF OPERATIONS
AND CHANGES IN FUND BALANCE
REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

	<u>Ref.</u>	<u>2018</u>	<u>2017</u>
REVENUE AND OTHER INCOME:			
Fund Balance Utilized	D-2	\$ 15,438.00	\$ 16,055.00
Membership Fees	D-2	227,530.00	222,741.00
Miscellaneous Revenue Anticipated	D-2	60,987.01	61,098.00
Other Credits to Income:			
Appropriation Reserves Lapsed	D-7	<u>4,014.74</u>	<u>34,723.11</u>
TOTAL REVENUE AND OTHER INCOME		<u>307,969.75</u>	<u>334,617.11</u>
EXPENDITURES:			
Budgeted Appropriations:			
Salaries and Wages	D-3	183,362.59	173,706.34
Other Expenses	D-3	104,627.41	94,423.71
Statutory Expenditures	D-3	<u>11,287.00</u>	<u>-</u>
TOTAL EXPENDITURES	D-3	<u>299,277.00</u>	<u>268,130.05</u>
EXCESS OF REVENUE OVER EXPENDITURES		8,692.75	66,487.06
FUND BALANCE, BEGINNING OF YEAR	D	<u>90,869.19</u>	<u>40,437.13</u>
		99,561.94	106,924.19
UTILIZED AS ANTICIPATED REVENUE IN CURRENT FUND	D-4	50,000.00	-
UTILIZED AS ANTICIPATED REVENUE IN POOL UTILITY	D-2	<u>15,438.00</u>	<u>16,055.00</u>
FUND BALANCE, END OF YEAR	D	<u>\$ 34,123.94</u>	<u>\$ 90,869.19</u>

**TOWNSHIP OF WEST ORANGE
SWIMMING POOL UTILITY FUND**

D-2

**STATEMENT OF REVENUES
YEAR ENDED DECEMBER 31, 2018**

	<u>Ref.</u>	<u>Anticipated Budget</u>	<u>Realized</u>	<u>Excess (Deficit)</u>
Fund Balance Anticipated	D-1	\$ 15,438.00	\$ 15,438.00	
Membership Fees	D-1, D-4	222,741.00	227,530.00	\$ 4,789.00
Miscellaneous	D-1, D-4	61,098.00	60,987.01	(110.99)
	D-3	<u>\$ 299,277.00</u>	<u>\$ 303,955.01</u>	<u>\$ 4,678.01</u>

**TOWNSHIP OF WEST ORANGE
SWIMMING POOL UTILITY FUND**

D-3

**STATEMENT OF EXPENDITURES
YEAR ENDED DECEMBER 31, 2018**

	<u>Budget</u>	<u>Budget After Modification</u>	<u>Expended</u>		
			<u>Paid or Charged</u>	<u>Encumbered</u>	<u>Reserved</u>
OPERATING:					
Salaries and Wages	\$ 169,665.00	\$ 183,362.59	\$ 183,362.59		
Other Expenses	118,325.00	104,627.41	103,915.76	\$ 11.88	\$ 699.77
STATUTORY EXPENDITURES:					
Social Security	11,286.00	11,286.00	11,286.00		
Unemployment Insurance	1.00	1.00			1.00
	<u>\$ 299,277.00</u>	<u>\$ 299,277.00</u>	<u>\$ 298,564.35</u>	<u>\$ 11.88</u>	<u>\$ 700.77</u>
<u>Ref.</u>	D-1, D-2	D-1, D-2	D-4	D	D

TOWNSHIP OF WEST ORANGE
PUBLIC ASSISTANCE FUND

E

COMPARATIVE BALANCE SHEETS
REGULATORY BASIS
DECEMBER 31, 2018 AND 2017

<u>ASSETS</u>	<u>Ref.</u>	<u>2018</u>	<u>2017</u>
Cash:			
Trust Fund Account #1	E-5	\$ 836.28	\$ 836.28
Trust Fund Account #2	E-5	<u>60,725.00</u>	<u>65,057.00</u>
		<u>\$ 61,561.28</u>	<u>\$ 65,893.28</u>
 <u>LIABILITIES AND RESERVES</u>			
Fund Balance:			
Trust Fund Account #1	E-1	\$ 836.28	\$ 836.28
Trust Fund Account #2	E-2	<u>60,725.00</u>	<u>65,057.00</u>
		<u>\$ 61,561.28</u>	<u>\$ 65,893.28</u>

**TOWNSHIP OF WEST ORANGE
PUBLIC ASSISTANCE FUND**

E-1

**STATEMENTS OF OPERATIONS
AND CHANGES IN FUND BALANCE - TRUST I
REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

	<u>Ref.</u>	<u>2018</u>	<u>2017</u>
REVENUE AND OTHER INCOME:			
Misc. Revenues		\$ -	\$ 7,292.97
TOTAL REVENUE AND OTHER INCOME		-	7,292.97
EXPENDITURES:			
Due to Current Fund		-	8,010.28
TOTAL EXPENDITURES		-	8,010.28
(DEFICIT) OF REVENUE OVER EXPENDITURES		-	(717.31)
FUND BALANCE, BEGINNING OF YEAR	E	836.28	1,553.59
FUND BALANCE, END OF YEAR	E	\$ 836.28	\$ 836.28

**TOWNSHIP OF WEST ORANGE
PUBLIC ASSISTANCE FUND**

E-2

**STATEMENTS OF OPERATIONS
AND CHANGES IN FUND BALANCE - TRUST II
REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

	<u>Ref.</u>	<u>2018</u>	<u>2017</u>
REVENUE AND OTHER INCOME:			
State Aid	E-3	\$ 95,400.00	\$ 188,600.00
Supplemental Security Income Reimbursements	E-3	7,840.00	39,276.00
		<hr/>	<hr/>
TOTAL REVENUE AND OTHER INCOME	E-3	<u>103,240.00</u>	<u>227,876.00</u>
EXPENDITURES:			
Public Assistance	E-4	107,572.00	162,819.00
		<hr/>	<hr/>
TOTAL EXPENDITURES		<u>107,572.00</u>	<u>162,819.00</u>
(DEFICIT) EXCESS OF REVENUE OVER EXPENDITURES		(4,332.00)	65,057.00
FUND BALANCE, BEGINNING OF YEAR	E	<u>65,057.00</u>	<u>-</u>
FUND BALANCE, END OF YEAR	E	<u>\$ 60,725.00</u>	<u>\$ 65,057.00</u>

**TOWNSHIP OF WEST ORANGE
GENERAL FIXED ASSETS GROUP
BALANCE SHEETS
REGULATORY BASIS
DECEMBER 2018 AND 2017**

F

ASSETS

	December 31,	
	2018	2017
Movable Fixed Assets		
Office Equipment	\$ 3,231,866.70	\$ 3,056,956.71
Vehicles	15,039,967.10	14,571,225.99
Other Equipment	5,970,347.03	5,904,527.20
	<u>24,242,180.83</u>	<u>23,532,709.90</u>
Building	17,290,328.00	17,290,328.00
Land	12,325,854.00	11,925,932.00
	<u>29,616,182.00</u>	<u>29,216,260.00</u>
	<u>\$ 53,858,362.83</u>	<u>\$ 52,748,969.90</u>
FUND BALANCE		
Investments in General Fixed Assets	<u>\$ 53,858,362.83</u>	<u>\$ 52,748,969.90</u>

NOTES TO FINANCIAL STATEMENTS

TOWNSHIP OF WEST ORANGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Township of West Orange, Essex County, New Jersey (the "Township") was incorporated in 1863 and operates under an elected Mayor/Council form of government. The Town's major operations include public safety, road repair and maintenance, sanitation, fire protection, recreation and parks, health services, and general administrative services.

The Governmental Accounting Standards Board and subsequent Codification (collectively, "GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. GASB statement No. 14 as amended by GASB Statement No. 61 establishes certain standards for defining and reporting on the financial reporting entity. In accordance with these standards, the reporting entity should include the primary government and those component units which are fiscally accountable to the primary government. The municipalities in the State of New Jersey do not prepare financial statements in accordance with accounting principles generally accepted in the United States of America ("US GAAP") and thus do not comply with all of the GASB pronouncements.

The financial statements of the Township have been prepared on a basis of accounting in conformity with accounting principles and practices prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"), which is a regulatory basis of accounting other than US GAAP. Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. Under this method of accounting, the Township accounts for its financial transactions through separate funds, which differ from the fund structure required by US GAAP.

GASB requires the financial reporting entity to include both the primary government and component units. Component units are legally separate organizations for which the Township is financially accountable. The Township is financially accountable for an organization if the Township appoints a voting majority of the organization's governing board and (1) the Township is able to significantly influence the programs or services performed or provided by the organization; or (2) the Township is legally entitled to or can otherwise access the organization's resources; the Township is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Township is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Township in that the Township approves the budget, the issuance of debt or the levying of taxes. The Township is not includable in any other reporting entity as a component unit.

The financial statements contained herein include only those boards, bodies, officers or commissions as required by N.J.S.A. 40A:5-5. Accordingly, the financial statements of the Township do not include the Library or the Board of Education.

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

TOWNSHIP OF WEST ORANGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

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

Measurements Focus, Basis of Accounting and Basis of Presentation

The Township has the following funds and account groups:

Current Fund – This fund is used to account for the revenues and expenditures for governmental operations of a general nature and the assets and liabilities related to such activities, including Federal and State grants not accounted for in another fund.

Trust Funds – Trust funds are used to account for assets held by the government in a trustee capacity. Funds held by the Township as an agent for individuals, private organizations, or other governments are recorded in Trust Funds. These funds include dedicated fees/proceeds collected, developer deposits, payroll related deposits and funds deposited with the Township as collateral.

Animal Control Fund – This fund is used to account for fees collected from dog and cat licenses and expenditures which are regulated by N.J.S.A. 4:19-15.11.

General Capital Fund – This fund is used to account for the receipt and disbursement of funds used and related financial transactions related to the acquisition or improvement of general capital facilities and other capital assets, other than those acquired in the Current Fund.

Swimming Pool Utility Fund – This fund is used to account for the revenues and expenditures for operation of the Township's swimming pool and the assets and liabilities related to such activities. Acquisition or improvement of capital facilities and other capital assets for the swimming pool utility is accounted for in the capital section of the fund.

Public Assistance Fund – This fund is used to account for the receipts and disbursements of funds that provide assistance to certain residents of the Township pursuant to Title 44 of New Jersey Statutes.

General Fixed Assets Account Group – This account group is used to account for all general fixed assets of the Township, other than those accounted for in the Swimming Pool Utility Fund. The Township's infrastructure is not reported in the account group.

Basis of Accounting

The Township follows the regulatory basis of accounting. Under this method of accounting, revenues, except for Federal and State Aid, are recognized when received and expenditures are recorded when incurred. The accounting principles and practices prescribed or permitted for municipalities by the Division ("regulatory basis of accounting") differ in certain respects from US GAAP applicable to local government units.

TOWNSHIP OF WEST ORANGE

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

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

The more significant differences are as follows:

Property Tax Revenues – Real property taxes are assessed locally, based upon the assessed value of the property. The tax bill includes a levy for Municipal, County, and School purposes. The bills are mailed annually in June for that calendar year's levy. Taxes are payable in four quarterly installments on February 1, May 1, August 1, and November 1. The amounts of the first and second installments are determined as one-quarter of the total tax levied against the property for the preceding year. The installment due the third and fourth quarters is determined by taking the current year levy less the amount previously charged for the first and second installments, with the remainder being divided equally. If unpaid on these dates, the amount due becomes delinquent and subject to interest at 8% per annum, or 18% on any delinquency amount in excess of \$1,500. The School levy is turned over to the Board of Education as expenditures are incurred, and the balance, if any, must be transferred as of June 30 of each fiscal year. County taxes are paid quarterly on February 15, May 15, August 15 and November 15, to the County by the Township. When unpaid taxes or any municipal lien, or part thereof, on real property, remains in arrears on April 1 in the year following the calendar year levy when the same became in arrears, the collector in the municipality shall, subject to the provisions of the New Jersey Statutes, enforce the lien by placing the property on a standard tax sale. The Township also has the option when unpaid taxes or any municipal lien, or part thereof, on real property remains in arrears on the 11th day of the 11th month in the fiscal year when the taxes or lien became in arrears, the collector in the municipality shall, subject to the provisions of the New Jersey Statutes, enforce the lien by placing property on an accelerated tax sale, provided that the sale is conducted and completed no earlier than in the last month of the fiscal year. The Township may institute annual in rem tax foreclosure proceedings to enforce the tax collection or acquisition of title to the property. In accordance with the accounting principles prescribed by the State of New Jersey, current and delinquent taxes are realized as revenue when collected. Since delinquent taxes and liens are fully reserved, no provision has been made to estimate that portion of the tax receivable and tax title liens that are uncollectible. US GAAP requires property tax revenues to be recognized in the accounting period when they become susceptible to accrual (i.e., when they are both levied and available), reduced by an allowance for doubtful accounts.

Miscellaneous Revenues - Miscellaneous revenues are recognized on a cash basis. Receivables for miscellaneous items that are susceptible to accrual are recorded with offsetting reserves on the balance sheet of the Township's Current Fund. US GAAP requires such revenues to be recognized in the accounting period when they become susceptible to accrual (i.e., when they are both measurable and available).

Sewer Rents - Sewer charges are levied quarterly based upon a consumption or usage charge. Revenues from these sources are recognized on a cash basis. Receivables that are susceptible to accrual are recorded with offsetting reserves on the balance sheet of the Township's Current Fund. US GAAP requires such revenues to be recognized in the accounting period when they become susceptible to accrual (i.e. when they are both levied and available).

Grant and Similar Award Revenues - Federal and State grants, entitlements or shared revenues received, for purposes normally financed through the Current Fund, are recognized when anticipated in the Township's budget. US GAAP requires such revenues to be recognized as soon as all eligibility requirements imposed by the grantor or provider have been met.

TOWNSHIP OF WEST ORANGE

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

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

Budgets and Budgetary Accounting - An annual budget is required to be adopted and integrated into the accounting system to provide budgetary control over revenues and expenditures. Budget amounts presented in the accompanying financial statements represent amounts adopted by the Township and approved by the Division per N.J.S.A. 40A:4 et seq.

The Township is not required to adopt budgets for the following funds:

Trust Funds
General Capital Fund

Swimming Pool Utility Capital Fund
Public Assistance Fund

The governing body is required to introduce and approve the annual budget no later than the last day in February of the fiscal year. The budget is required to be adopted no later than April 20, and prior to adoption, must be certified by the Division. The Director of the Division, with the approval of the Local Finance Board, may extend the introduction and approval and adoption dates of the municipal budget. The budget is prepared by fund, function, activity and line item (salary or other expense) and includes information on the previous year. The legal level of control for appropriations is exercised at the individual line item level for all operating budgets adopted. The governing body of the municipality may authorize emergency appropriations and the inclusion of certain special items of revenue to the budget after its adoption and determination of the tax rate. During the last two months of the fiscal year, the governing body may, by a 2/3 vote, amend the budget through line item transfers. Management has no authority to amend the budget without the approval of the governing body. Expenditures may not legally exceed budgeted appropriations at the line item level. In addition, the governing body approved several budget transfers during 2018.

Expenditures - Expenditures are recorded on the "budgetary" basis of accounting. Generally, expenditures are recorded when an amount is encumbered for goods or services through the issuance of a purchase order in conjunction with an encumbrance accounting system. Outstanding encumbrances at December 31 are reported as a cash liability in the financial statements. Unexpended or uncommitted appropriations at December 31 are reported as expenditures through the establishment of appropriation reserves, unless cancelled by the governing body. US GAAP requires expenditures to be recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt, as well as expenditures related to compensated absences and claims and judgments, which are recognized when due.

Encumbrances - Contractual orders outstanding at December 31 are reported as expenditures and liabilities through the establishment of an encumbrance payable. Encumbrances do not constitute expenditures or liabilities under US GAAP.

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

Operating Deficits - Deficits resulting from expenditures and other debits which exceed cash revenues, other realized revenues and credits to income in such fiscal year, are recorded as deferred charges on the balance sheet of the respective operating fund at year end and are required to be funded in the succeeding year's budget. US GAAP does not permit the deferral of operating deficits at year end.

TOWNSHIP OF WEST ORANGE

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

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

Compensated Absences - Expenditures relating to obligations for unused vested accumulated vacation and sick leave are not recorded until paid; however, municipalities may establish and budget reserve funds subject to N.J.S.A. 40A:4-39 for the future payment of compensated absences. US GAAP requires that the amount that would normally be liquidated with expendable available financial resources be recorded as an expenditure in the operating funds and the remaining obligations are recorded as a long-term obligation in the government-wide financial statements.

Property Acquired for Taxes - Property acquired for taxes is recorded in the Current Fund at the assessed valuation when such property was acquired and is fully reserved. US GAAP requires such property to be recorded as a capital asset in the government-wide financial statements at fair value on the date of acquisition.

Interfund Receivables - 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. US GAAP does not require the establishment of an offsetting reserve for interfunds and, therefore, does not recognize income in the year liquidated.

Inventories - The cost of inventories of supplies for all funds are recorded as expenditures at the time individual items are purchased. The costs of inventories are not included on the various balance sheets. US GAAP requires inventories to be recorded as assets in proprietary-type funds.

Cash and Investments - Cash includes amounts in demand deposits, as well as short-term investments with a maturity date within three months of the date acquired by the government. Investments are reported at cost and are limited by N.J.S.A. 40A:5-15.1 et seq. US GAAP requires that all investments be reported at fair value.

Tax Appeals and Other Contingent Losses - Losses arising from tax appeals and other contingent losses are recognized at the time a decision is rendered by an administrative or judicial body; however, municipalities may establish reserves transferred from tax collections or by budget appropriation for future payments of tax appeal losses. US GAAP requires such amounts to be recorded when it is probable that a loss has been incurred and the amount of such loss can be reasonably estimated.

General Fixed Assets - In accordance with N.J.A.C. 5:30-5.6, Accounting for Governmental Fixed Assets, the Township has developed a fixed assets accounting and reporting system. Fixed assets are defined by the Township as assets with an initial, individual cost of \$2,000 and an estimated useful life in excess of two years.

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

Fixed Assets purchased after December 31, 1999 are stated at cost. Donated fixed assets are recorded at estimated fair market value at the date of donation.

Fixed Assets purchased prior to December 31, 1999 are stated as follows:

Land and Buildings	Assessed Value
Machinery and Equipment	Replacement Costs

TOWNSHIP OF WEST ORANGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

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

No depreciation has been provided for in the financial statements.

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

Accounting for Utility Fund "fixed capital" remains unchanged under N.J.A.C. 5:30-5.6.

Property and equipment purchased by the Swimming Pool Utility fund is recorded in the capital account at cost and are adjusted for disposition and abandonment. The amounts shown do not purport to represent replacement cost or current value. Contributions in aid of construction are not capitalized. The balance in the Reserve for Amortization and Deferred Reserve for Amortization accounts in the Utility Capital Fund represents charges to operations for the costs of acquisitions of property, equipment and improvements. The Utility Capital Fund does not record depreciation on fixed assets.

US GAAP requires that capital assets be recorded in proprietary-type funds, as well as the government-wide financial statement at historical or estimated historical cost if actual historical cost is not available. In addition, US GAAP requires depreciation on capital assets to be recorded in proprietary-type funds as well as in the government-wide financial statements.

Length of Service Awards program (LOSAP) - Financial reporting standards established by the DLGS exclude the financial information relating to a LOSAP program from the scope of the statutory audit. Accordingly, financial information relating to the Township's LOSAP program, a deferred income program created pursuant to Section 457 of the Internal Revenue Code for the benefit of the members of the volunteer fire company and volunteer first aid and rescue squad, is not reported as part of the Township's basic financial statements. As the LOSAP Plan's assets remain the property of the Township until withdrawn by participants, GAAP requires that the Plan's financial information be included in the Township's basic financial statements. See Note 11 regarding the availability of LOSAP Plan financial information.

Recent Pronouncements

The GASB issued Statement 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions in June 2015. This Statement replaces the requirements of Statement 45 and the primary objective of this Statement is to improve accounting and reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local government employers about financial support for OPEB that is provided by other entities. The requirements of this Statement are effective for financial statements for reporting periods beginning after June 15, 2017. Management has implemented this standard in the 2018 financial statements.

Use of Estimates - The preparation of financial statements requires management of the Township to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of accrued revenues and expenditures during the reporting period. Accordingly, actual results could differ from those estimates.

Comparative Data - Comparative data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the Township's financial position and operations. However, comparative data have not been presented in all statements because their inclusion would make certain statements unduly complex and difficult to understand.

TOWNSHIP OF WEST ORANGE

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

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

Basic Financial Statements

GASB also requires the financial statements of a governmental unit to be presented in the basic financial statements in accordance with US GAAP. The Township presents the financial statements listed in the table of contents, which are required by the Division, to be referenced to the supplementary schedules. This practice differs from reporting requirements under US GAAP.

2. DEPOSITS AND INVESTMENTS

The Township considers petty cash, change funds, cash in banks, certificates of deposit and deposits with the New Jersey Cash Management Fund as cash and cash equivalents.

Deposits

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

Custodial Credit Risk – the custodial credit risk for deposits is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. Although the Township does not have a formal deposit policy for custodial credit risk, N.J.S.A. 17:9-41 et seq. requires that governmental units shall deposit public funds in a public depositories protected from loss under the provisions of GUDPA. Public funds owned by the municipality in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings, bail funds, or funds that may pass to the municipality relative to the happening of a future condition. As of December 31, 2018 and 2017 the Township's bank balances were exposed to custodial credit risk.

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank for periods ending December 31, 2018 and 2017. At December 31, 2018 and 2017, the book value of the Township's deposits was \$24,817,066 and \$36,239,124, respectively. The Township's deposits, which are displayed on the various fund Balance Sheets as "Cash", are categorized as:

	December 31, 2018	December 31, 2017
<u>Depository Account</u>		
Insured	\$ 600,000	\$ 600,000
Uninsured and Collateralized	\$ 26,054,702	\$ 32,447,291
	<u>\$ 26,654,702</u>	<u>\$ 33,047,291</u>

TOWNSHIP OF WEST ORANGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

2. DEPOSITS AND INVESTMENTS (continued)

Investments

The Township is permitted to invest public funds in accordance with the types of securities authorized by N.J.S.A. 40A:515.1. Investments include bonds or other obligations of the United States or obligations guaranteed by the United States of America, Government Money Market Mutual Funds, bonds or other obligations of the Township or bonds or other obligations of the School Districts which are a part of the Township or School Districts located within the Township, Local Government investment pools, and agreements for the repurchase of fully collateralized securities, if transacted in accordance with N.J.S.A. 40A:5-15.1 (8a-8e).

As of December 31, 2018 and 2017, the Township had no investments.

Interest earned in the General Capital Fund, Animal Control Fund and certain Other Trust Funds are assigned to the Current Fund in accordance with the regulatory basis of accounting. Interest earned in the Utility Capital Fund is assigned to the Utility Operating Fund in accordance with the regulatory basis of accounting.

3. MUNICIPAL DEBT

The Local Bond Law governs the issuance of bonds and notes used to finance capital expenditures. General obligation bonds have been issued for both General Capital and Utility Funds. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the Township are general obligation bonds, backed by the full faith and credit of the Township. Bond anticipation notes, which are issued to temporarily finance capital projects, must be paid off within ten years and four months or retired by the issuance of bonds.

The Township's debt as of December 31, is summarized as follows:

	<u>2018</u>	<u>2017</u>
<u>Issued</u>		
General Capital and Trust Assessment Funds		
Bonds, Notes and Loans	\$ 63,170,173	\$ 59,796,928
Net Debt Issued	63,170,173	59,796,928
 <u>Authorized but Not Issued</u>		
General Capital Fund		
Bonds, Notes and Loans	17,193,403	16,074,425
 Net Bonds and Notes Issued and Authorized but Not Issued	 \$ 80,363,576	 \$ 75,871,353

The statement of debt condition that follows is extracted from the Township's Annual Debt Statement and indicates a statutory net debt of 1.287% at December 31, 2018.

TOWNSHIP OF WEST ORANGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

3. MUNICIPAL DEBT (continued)

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
General Debt	\$ 80,363,576	\$ -	\$ 80,363,576
School Debt	27,405,000	27,405,000	-
Total	<u>\$ 107,768,576</u>	<u>\$ 27,405,000</u>	<u>\$ 80,363,576</u>

The Township's remaining borrowing power under N.J.S.A. 40A:2-6, as amended, at December 31, 2018 as follows:

3 1/2% of Equalized Valuation Basis (Municipal)	\$ 217,275,178
Net Debt	80,363,576
Remaining Statutory Borrowing Power	<u>\$ 136,911,602</u>

General Obligation Bonds

The Township's principal and interest for general obligation bonds issued and outstanding as of December 31, 2018 is as follows:

	<u>General</u>	
<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 4,000,000	\$ 854,802
2020	4,120,000	758,948
2021	4,175,000	612,696
2022	4,075,000	514,733
2023	3,160,000	419,226
2024-2028	14,445,000	1,019,515
2029-2031	816,000	36,306
	<u>\$ 34,791,000</u>	<u>\$ 4,216,226</u>

TOWNSHIP OF WEST ORANGE

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

3. MUNICIPAL DEBT (continued)

The Township levies ad valorem taxes to pay debt service on general obligation bonds. General obligation bonds outstanding at December 31, 2018 and 2017 are as follows:

	2018	2017
\$1,770,000, 2003 General Obligation Refunding Bonds, due in annual installments of \$55,000 to \$245,000 through April 2023, interest at 5.63% to 5.70%	\$780,000	\$950,000
\$8,735,000, 2008 General Improvement Bonds, due in an annual installment of \$900,000 through August 2018, interest at 3.75%	-	900,000
\$11,505,000, 2011 General Improvement Bonds and 2011 Tax Appeal Refunding Bonds, due in annual installments of \$800,000 to \$850,000 through May 2026, interest at 3.00% to 4.00%	6,650,000	7,450,000
\$13,770,000, 2016 General Improvement Bonds and 2016 Open Space Bonds, due in annual Installments of \$1,090,000 to \$1,235,000 through February 2028, interest at 2.00% to 4.00%	11,670,000	12,750,000
\$3,805,000, 2016 General Obligation Refunding Bonds, due in annual Installments of \$905,000 to \$970,000 through August 2022, interest at 4.00%	3,805,000	3,805,000
\$8,850,000, 2017 General Improvement Bond, due in annual Installments of \$745,000 to \$910,000 through February 2028, interest at 2.00% to 2.75%	8,175,000	8,850,000
\$3,621,000, 2016 Special Assessment Bond, due in annual Installments of \$220,000 to \$276,000 through February 2031, interest at 2.00% to 4.00%	3,201,000	3,421,000
\$550,000, 2017 Special Assessment Bond, due in annual Installments of \$45,000 to \$55,000 through February 2028, interest at 2.00% to 2.75%	510,000	550,000
	<u>\$34,791,000</u>	<u>\$38,676,000</u>

TOWNSHIP OF WEST ORANGE

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

3. MUNICIPAL DEBT (continued)

New Jersey Environmental Trust and Fund Loans

On November 7, 2002, the Township of West Orange entered into a program, New Jersey Environmental Trust 2002A, for Capital Acquisitions of the Joint Meeting of Essex and Union Counties, of which it is a member. The Trust Loan of \$385,000.00 is being amortized over 20 years at 4.00-5.25% per annum, payable semiannually. The Fund Loan of \$338,473.72 is being amortized over 20 years, and is an interest free loan. This agreement represents a general obligation of the Township, which the Township has pledged its full faith and credit for the payment of the principal of and interest on the agreement.

On October 25, 2005, the Township entered into a program, New Jersey Environmental Trust 2005, for Storm Drainage Improvements. The Trust Loan Series 2005A of \$1,145,000.00 is being amortized over 20 years at 4.00-5.00% per annum, payable semiannually. The Fund Loan of \$1,064,001.37 is being amortized over 20 years, interest free. This agreement represents a general obligation of the Township, which the Township has pledged its full faith and credit for the payment of the principal and interest.

On October 24, 2006, the Township entered into a program, New Jersey Environmental Trust, 2006 for Capital Acquisitions of the Joint Meeting of Essex and Union Counties, of which it is a member. The Trust Loan of \$210,000.00 is being amortized over twenty (20) years at 4.00-5.00% per annum, payable semi-annually. The Fund Loan of \$567,187.84 is being amortized over twenty (20) years, interest free. This agreement represents a general obligation of the Township, which the Township has pledged its full faith and credit for the payment of the principal and interest.

On October 25, 2010, the Township entered into a program, New Jersey Environmental Trust, 2010 for Capital Improvements of the Joint Meeting of Essex and Union Counties, of which it is a member. The Trust Loan of \$270,000.00 is being amortized over twenty (20) years at 3.00-5.00% per annum, payable semi-annually. The Fund Loan of \$276,469.00 is being amortized over twenty (20) years, interest free. This agreement represents a general obligation of the Township, which the Township has pledged its full faith and credit for the payment of the principal and interest. It is noted that the Trust Loan was reduced by \$552,937.00 due to funding through the American Resource Recovery Act.

On October 24, 2015, the Township entered into a program, New Jersey Environmental Trust, 2015 for Capital Acquisitions of the Joint Meeting of Essex and Union Counties, of which it is a member. The Trust Loan of \$300,000.00 is being amortized over twenty (20) years at 4.00-5.00% per annum, payable semi-annually. The Fund Loan of \$681,321 is being amortized over twenty (20) years, interest free. This agreement represents a general obligation of the Township, which the Township has pledged its full faith and credit for the payment of the principal and interest.

TOWNSHIP OF WEST ORANGE

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

3. MUNICIPAL DEBT (continued)

The Township's principal and interest for New Jersey Environmental Trust and Fund Loans outstanding as of December 31, 2018 is as follows:

<u>Year</u>	<u>General</u>	
	<u>Principal</u>	<u>Interest</u>
2019	\$ 284,019	\$ 48,445
2020	299,465	43,213
2021	316,469	37,767
2022	311,780	31,215
2023	256,502	25,120
2024-2028	708,587	62,734
2029-2033	318,314	17,600
2034-2035	62,851	1,000
	<u>\$ 2,557,987</u>	<u>\$ 267,094</u>

Changes in Long-Term Municipal Debt

The Township's long-term capital debt activity for 2018 and 2017 is as follows:

	<u>Balance December 31, 2017</u>	<u>Increases</u>	<u>Reductions</u>	<u>Balance December 31, 2018</u>	<u>Due Within One Year</u>
General Capital Fund*					
Bonds Payable	\$ 38,676,000	\$ -	\$ 3,885,000	\$ 34,791,000	\$ 4,000,000
NJEPA Trust and Fund Loan Payable	2,845,675		287,688	2,557,987	284,019
	<u>\$ 41,521,675</u>	<u>\$ -</u>	<u>\$ 4,172,688</u>	<u>\$ 37,348,987</u>	<u>\$ 4,284,019</u>
	<u>Balance December 31, 2016</u>	<u>Increases</u>	<u>Reductions</u>	<u>Balance December 31, 2017</u>	<u>Due Within One Year</u>
General Capital Fund					
Bonds Payable	\$ 33,416,000	\$ 9,400,000	\$ 4,140,000	\$ 38,676,000	\$ 3,885,000
NJEPA Trust and Fund Loan Payable	3,642,618		796,943	2,845,675	287,688
	<u>\$ 37,058,618</u>	<u>\$ 9,400,000</u>	<u>\$ 4,936,943</u>	<u>\$ 41,521,675</u>	<u>\$ 4,172,688</u>

* Includes Trust Assessment Fund

TOWNSHIP OF WEST ORANGE

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

3. MUNICIPAL DEBT (continued)

Short-Term Debt

The Township's short-term capital debt activity for 2018 and 2017 is as follows:

	Balance, December 31, 2017	Additions	Reductions	Balance, December 31, 2018
Bond Anticipation Notes	\$ 18,275,253	\$ 24,321,186	\$ 16,775,253	\$ 25,821,186
Emergency Note	2,660,052		891,693	1,768,359
Total	<u>\$ 20,935,305</u>	<u>\$ 24,321,186</u>	<u>\$ 17,666,946</u>	<u>\$ 27,589,545</u>
	Balance, December 31, 2016	Additions	Reductions	Balance, December 31, 2017
Bond Anticipation Notes	\$ 19,384,340	\$ 18,275,253	\$ 19,384,340	\$ 18,275,253
Emergency Note	2,110,077	2,660,052	2,110,077	2,660,052
Total	<u>\$ 21,494,417</u>	<u>\$ 20,935,305</u>	<u>\$ 21,494,417</u>	<u>\$ 20,935,305</u>

4. FIXED ASSETS

General Fixed Assets

The following is a summary of changes in the General Fixed Assets account group as of December 31, 2018 and 2017:

	Balance December 31, 2017	Additions	Reductions	Balance December 31, 2018
Land and Land Improvements	\$ 11,925,932	\$ 399,922		\$ 12,325,854
Buildings and Building Improvements	17,290,328			17,290,328
Machinery and Equipment	23,532,710	709,471		24,242,181
	<u>\$ 52,748,970</u>	<u>\$ 1,109,393</u>	<u>\$ -</u>	<u>\$ 53,858,363</u>
	Balance December 31, 2016	Additions	Reductions	Balance December 31, 2017
Land and Land Improvements	\$ 12,019,932		\$ 94,000	\$ 11,925,932
Buildings and Building Improvements	17,471,253		180,925	17,290,328
Machinery and Equipment	21,866,753	\$ 1,665,957		23,532,710
	<u>\$ 51,357,938</u>	<u>\$ 1,665,957</u>	<u>\$ 274,925</u>	<u>\$ 52,748,970</u>

TOWNSHIP OF WEST ORANGE

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

4. FIXED ASSETS (continued)

Utility Fund Fixed Assets

The following is a summary of changes in the Utility Fund fixed assets as of December 31, 2018 and 2017:

	Balance December 31, 2017	Additions	Reductions	Balance December 31, 2018
Swimming Pool Utility Fund				
Fixed Capital				
Land and Land Improvements	\$ 64,600			\$ 64,600
Buildings and Building Improvements	453,088			453,088
Machinery and Equipment	5,745			5,745
	<u>\$ 523,433</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 523,433</u>
	Balance December 31, 2016	Additions	Reductions	Balance December 31, 2017
Swimming Pool Utility Fund				
Fixed Capital				
Land and Land Improvements	\$ 64,600			\$ 64,600
Buildings and Building Improvements	453,088			453,088
Machinery and Equipment	5,745			5,745
	<u>\$ 523,433</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 523,433</u>

5. DUE TO/FROM OTHER FUNDS

As of December 31, 2018 and 2017, interfund receivables and payables that resulted from various interfund transactions are as follows:

	2018		2017	
	Due From Other Funds	Due To Other Funds	Due From Other Funds	Due To Other Funds
Current Fund:				
Regular	\$ -	\$ 432,068	\$ -	\$ 729,558
Grant	227,419		729,558	
Trust Fund - Section 8		389,651		
General Capital Fund	389,651	90,625		90,625
Assessment Trust Fund	295,274		90,625	
Total	<u>\$ 912,344</u>	<u>\$ 912,344</u>	<u>\$ 820,183</u>	<u>\$ 820,183</u>

The above balances are the result of expenditures being paid by one fund on behalf of another. The Township expects all interfund balances to be liquidated within one year.

TOWNSHIP OF WEST ORANGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

6. FUND BALANCES APPROPRIATED

Under the regulatory basis of accounting, fund balances in the Current Fund and Utility Operating Fund are comprised of cash surplus (fund balance) and non-cash surplus (fund balance). All or part of cash surplus as of December 31 may be anticipated in the subsequent year's budget. The non-cash surplus portion of fund balance may be utilized in the subsequent year's budget with the prior written consent of the Director of the Division of Local Government Services, if certain guidelines are met as to its availability. Fund balances at December 31, which were appropriated and included as anticipated revenue in their own respective fund's budget for the succeeding year, were as follows:

	2018		2017	
	Fund Balance December 31,	Utilized in Subsequent Year's Budget	Fund Balance December 31,	Utilized in Subsequent Year's Budget
Current Fund				
Cash Surplus	\$ 3,492,264	\$ 1,404,010	\$ 3,785,316	\$ 3,262,227
Swimming Pool Utility Operating Fund				
Cash Surplus	\$ 34,124	\$ 21,523	\$ 90,869	\$ 15,438

The above fund balance amounts utilized represents the surplus anticipated in the 2018 and 2017 municipal budgets.

7. COMPENSATED ABSENCES

Under the existing policies and labor agreements of the Township, employees are allowed to accumulate, with certain restrictions, unused vacation benefits, sick leave and compensation time in lieu of overtime over the life of their working careers and to redeem such unused leave time in cash upon death, retirement or by extended absence immediately preceding retirement.

It is estimated that the current cost of such unpaid compensation and salary related payments would approximate \$8,392,553.42 and \$11,528,051.29 at December 31, 2018 and 2017 respectively. This estimate by management is unaudited.

As of December 31, 2017, the Township had reserved \$181,500.80 to fund compensated absences in accordance with N.J.S.A. 40A:4-39 and did not have a reserve as of December 31, 2018.

8. EMPLOYEE RETIREMENT SYSTEMS

Public Employee Retirement System

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

Plan Membership and Contributing Employers- Substantially all full-time employees of the State of New Jersey or any county, municipality, school district or public agency are enrolled in PERS, provided the employee is not required to be a member of another state-administered retirement

TOWNSHIP OF WEST ORANGE

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

8. EMPLOYEE RETIREMENT SYSTEMS (continued)

system or other state pension fund or other jurisdiction's pension fund. Membership and contributing employers of the defined benefit pension plans consisted of the following at June 30, 2018 and 2017:

	2018	2017
Inactive plan members or beneficiaries currently receiving benefits	174,904	170,124
Inactive plan members entitled to but not yet receiving benefits	589	650
Active plan members	254,780	254,685
Total	430,273	425,459

Contributing Employers – 1,703

Significant Legislation – For State of New Jersey contributions to PERS, Chapter 1, P.L. 2010, effective May 21, 2010, required the State to resume making actuarially recommended contributions to the pension plan on a phased-in basis over a seven-year period beginning in the fiscal year ended June 30, 2012.

The local employers' contribution amounts are based on an actuarially determined rate, which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers were credited with full payment and any such amounts were not to be included in their unfunded liability. The actuaries determined the unfunded liability of the System, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability is being paid by the employer in level annual payments over a period of 15 years, which began with the payments due in the fiscal year ended June 30, 2012 and are adjusted by the rate of return on the actuarial value of assets.

Each member contributes a percentage of compensation. Effective October 1, 2011, Chapter 78, P.L. 2011, Chapter 78, P.L. 2011 set the member contribution rate at 6.5% and caused it to increase by 1/7th of 1% each July thereafter. On July 1, 2018, the full rate implemented by this law was achieved, and therefore the full 7.5% will be the required 2018 contribution.

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

For the year ended December 31, 2018 and 2017 the Township's total payroll for all employees was \$31,062,202 and \$31,623,739. Total PERS covered payroll was \$8,062,816 and \$8,010,986. Due to payroll system limitations, covered payroll refers to pensionable compensation, rather than total compensation, paid by the Town to active employees covered by the Plan.

Specific Contribution Requirements and benefit provisions – The contribution policy is set by N.J.S.A 43:15 and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contributions are based on an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year, 2018, the State's pension contribution was less than the actuarial determined amount. Employers' contribution amounts are based on an actuarially determined rate. The annual employer contributions include funding for basic retirement allowances and noncontributory death benefits. Township contributions are due and payable on April 1st in the second fiscal period subsequent to plan year for which the contributions requirements were calculated.

TOWNSHIP OF WEST ORANGE

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

8. EMPLOYEE RETIREMENT SYSTEMS (continued)

It is assumed that the Local employers will contribute 100% of their actuarially determined contribution and 100% of their Non-Contributory Group Insurance Premium Fund (NCGIPF) contribution while the State will contribute 50% of its actuarially determined contribution and 100% of its NCGIPF contribution. The 50% contribution rate is the actual total State contribution rate paid in fiscal year ending June 30, 2018 with respect to the actuarially determined contribution for the fiscal year ending June 30, 2018 for all State administered retirement systems.

In accordance with Chapter 98, P.L. 2017, PERS receives 21.02% of the proceeds of the Lottery Enterprise for a period of 30 years. Revenues received from lottery proceeds are assumed to be contributed to the System on a monthly basis.

	2018	2017
Total Regular Billing	\$ 1,098,779	\$ 1,014,943

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

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

The following represents the membership tiers for PERS:

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

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

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

TOWNSHIP OF WEST ORANGE

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

8. EMPLOYEE RETIREMENT SYSTEMS (continued)

At June 30, 2018, the PERS reported a net pension liability of \$19,689,501,539 for its Non-State Employer Member Group. The Township's proportionate share of the net pension liability for the Non-State Employer Member Group that is attributable to the Township was \$22,540,737 or 0.1144809916%, which was an decrease of 0.0041272839% from its proportion measured as of June 30, 2018.

At June 30, 2017, the PERS reported a net pension liability of \$23,278,401,588 for its Non-State Employer Member Group. The Township's proportionate share of the net pension liability for the Non-State Employer Member Group that is attributable to the Township was \$27,610,111 or 0.1186082755%.

At December 31, 2018 the Township deferred outflows of resources and deferred inflows of resources related to PERS from the following sources, if GASB #68 was recognized:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expended and actual experience	\$ 429,855	\$ 116,227
Changes of assumptions	3,714,340	7,207,329
Net difference between projected and actual investment earnings on pension plan investments	-	211,433
Changes in proportion	745,300	1,029,938
Township contributions subsequent to the measurement date	1,138,716	
	<u>\$ 6,028,211</u>	<u>\$ 8,564,927</u>

\$1,138,716 is reflected above as deferred outflows of resources related to PERS resulting from Township contributions subsequent to the measurement date. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to PERS should have been recognized in pension expense on the GAAP basis as follows:

Year ended December 31,	Amount
2019	\$ 71,586
2020	(306,709)
2021	(1,363,351)
2022	(1,546,836)
2023	(530,122)
Total	<u>\$ (3,675,432)</u>

TOWNSHIP OF WEST ORANGE

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

8. EMPLOYEE RETIREMENT SYSTEMS (continued)

Actuarial Assumptions- The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	June 30, 2018	June 30, 2017
Inflation	2.25%	2.25%
Salary Increases (2026)	1.65% - 4.15% based on age	1.65 - 4.15% Based on age
Thereafter	2.65% - 5.15% based on age	2.65 - 5.15% Based on age
Investment rate of return	7.00%	7.00%

Pre-retirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the Conduent modified 2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from 2012 to 2013 using Projection Scale AA and using a generational approach based on the Conduent 2014 projection scale thereafter. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2018) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2018 and 2017 are summarized in the following table:

TOWNSHIP OF WEST ORANGE

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

8. EMPLOYEE RETIREMENT SYSTEMS (continued)

<u>Asset Class</u>	<u>June 30, 2018</u>		<u>June 30, 2017</u>	
	<u>Target</u>	<u>Long-Term</u> <u>Expected Real</u>	<u>Target</u>	<u>Long-Term</u> <u>Expected Real</u>
	<u>Allocation</u>	<u>Rate of Return</u>	<u>Allocation</u>	<u>Rate of Return</u>
Cash equivalents	5.50%	1.00%	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%	3.00%	1.87%
Global diversified credit	5.00%	7.10%	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.60%	1.00%	6.60%
Debt related private equity	2.00%	10.63%	2.00%	10.63%
Debt related real estate	1.00%	6.61%	1.00%	6.61%
Private real asset	2.50%	11.83%	2.50%	11.83%
Equity related real estate	6.25%	9.23%	6.25%	9.23%
U.S. equity	30.00%	8.19%	30.00%	8.19%
Non-U.S. developed markets equity	11.50%	9.00%	11.50%	9.00%
Emerging markets equity	6.50%	11.64%	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%	8.25%	13.08%
Absolute return/risk mitigation	5.00%	5.51%	5.00%	5.51%
Investment grade credit	10.00%	3.78%	10.00%	3.78%
Public high yield	2.50%	6.82%	2.50%	6.82%
	<u>100.00%</u>		<u>100.00%</u>	

Discount Rate – The discount rate used to measure the total pension liability was 5.66% as of June 30, 2018 and 5.00% as of June 30, 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.87% as of June 30, 2018 based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year.

The State employer contributed 50% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2046. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through June 30, 2046 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

TOWNSHIP OF WEST ORANGE

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

8. EMPLOYEE RETIREMENT SYSTEMS (continued)

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

	At 1% Decrease	At Current Discount Rate	At 1% Increase
PERS	\$ 28,342,380	\$ 22,540,737	\$ 17,673,530

Plan Fiduciary Net Position – The plan fiduciary net position for PERS including the State of New Jersey at June 30, 2018 and 2017 were \$29,472,374,536 and \$28,464,239,518, respectively. The portion of the Plan Fiduciary Net Position that was allocable to the Local (Non-State) Group at June 30, 2018 and 2017 was \$22,742,071,972 and \$21,573,965,463, respectively.

Additional information

Collective Local Group balances at June 30, 2018 are as follows:

Collective balances at June 30, 2018 are as follows:

Collective deferred outflows of resources	4,684,852,302
Collective deferred inflows of resources	7,646,736,226
Collective net pension liability - Local group	19,689,501,539

Township's Proportion 0.1144809916%

Collective Local Group pension expense for the Local Group for the measurement period ended June 30, 2018 and 2017 was \$1,099,708,157 and \$1,694,305,613, respectively. The average of the expected remaining service lives of all plan members is 5.63, 5.48, 5.57, 5.72 and 6.44 years for 2018, 2017, 2016, 2015 and 2014, respectively.

State Contribution Payable Dates

Prior to July 1, 2017 valuation, it is assumed the State will make pension contributions the June 30th following the valuation date. Effective with the July 1, 2017 valuation Chapter 83 P.L. 2016 requires the State to make pension contributions on a quarterly basis at least 25% by September 30, at least 50% by December 31, at least 75% by March 31, and at least 100% by June 30.

TOWNSHIP OF WEST ORANGE

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

8. EMPLOYEE RETIREMENT SYSTEMS (continued)

Receivable Contributions

The Fiduciary Net Position (FNP), includes Local employers' contributions receivable as reported in the financial statements provided by the Division of Pensions and Benefits. In determining the discount rate, the FNP at the beginning of each year does not reflect receivable contributions as those amounts are not available at the beginning of the year to pay benefits. The receivable contributions for the years ended June 30, 2018 and June 30, 2017 are \$1,017,878,064 and \$1,073,054,740, respectively.

Police and Firemen's Retirement System

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

Plan Membership and Contributing Employers- Substantially all full-time county and municipal police and firemen and state firemen or officer employees with police powers appointed after June 30, 1944 are enrolled in PFRS Membership and contributing employers of the defined benefit pension plans consisted of the following at June 30, 2018 and 2017:

	2018	2017
Inactive plan members or beneficiaries currently receiving benefits	43,755	43,011
Inactive plan members entitled to but not yet receiving benefits	39	47
Active plan members	41,517	40,789
Total	85,311	83,847

Contributing Employers – 585

Significant Legislation – For State of New Jersey contributions to PFRS, Chapter 1, P.L. 2010, effective May 21, 2010, required the State to resume making actuarially recommended contributions to the pension plan on a phased-in basis over a seven-year period beginning in the fiscal year ended June 30, 2012.

For the year ended June 30, 2018, it is assumed that the Local employers will contribute 100% of their actuarially determined contribution and 100% of their Non-Contributory Group Insurance Premium Fund (NCGIPF) contribution while the State will contribute 50% of its actuarially determined contribution and 100% of its NCGIPF contribution. The 50% contribution rate is the actual total State contribution rate paid in fiscal year ending June 30, 2018 with respect to the actuarially determined contribution for the fiscal year ending June 30, 2018 for all State administered retirement systems.

TOWNSHIP OF WEST ORANGE

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

8. EMPLOYEE RETIREMENT SYSTEMS (continued)

In accordance with Chapter 98, P.L. 2017, PERS receives 1.2% of the proceeds of the Lottery Enterprise for a period of 30 years. Revenues received from lottery proceeds are assumed to be contributed to the System on a monthly basis.

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

For the year ended December 2018 and 2017 the Township's total payroll for all employees was \$31,062,202 and \$31,623,739, respectively. Total PFRS covered payroll was \$18,734,009 and \$18,379,475, respectively. Covered payroll refers to pensionable compensation, rather than total compensation, paid by the Township to active employees covered by the Plan.

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

Township payments to PFRS for the years ending December 31, 2018 and 2017 consisted of the following:

	<u>2018</u>	<u>2017</u>
Total Regular Billing	\$ 4,899,919	\$ 4,376,544

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

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

The following represents the membership tiers for PFRS:

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

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

TOWNSHIP OF WEST ORANGE

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

8. EMPLOYEE RETIREMENT SYSTEMS (continued)

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

At June 30, 2018, the PFRS reported a net pension liability of \$15,369,699,278 for its Non-State, Non-Special Funding Situation Employer Member Group. The Township's proportionate share of the net pension liability for the Non-State Non-Special Funding Situation Employer Member Group was \$75,812,221, or 0.5602585733% which was an increase of 0.0066069567% from its proportion measured as of June 30, 2018. Then pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018.

At June 30, 2017, the PFRS reported a net pension liability of \$17,167,260 for its Non-State, Non-Special Funding Situation Employer Member Group. The Township's proportionate share of the net pension liability for the Non-State Non-Special Funding Situation Employer Member Group was \$85,473,106, or 0.5536516166%. The pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017.

At December 31, 2018 the Township would have reported deferred outflows of resources and deferred inflows of resources related to PFRS from the following sources, if GASB #68 was recognized:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expensed and actual experience	\$ 771,290	\$ 313,729
Changes of assumptions	-	19,429,364
Net difference between projected and actual investment earnings		
on pension plan investments	6,507,459	414,762
Changes in proportion	3,768,535	407,197
Township contributions subsequent to the measurement date	5,477,353	
	<u>\$ 16,524,637</u>	<u>\$ 20,565,052</u>

TOWNSHIP OF WEST ORANGE

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

8. EMPLOYEE RETIREMENT SYSTEMS (continued)

\$5,477,353 is reflected above as deferred outflows of resources related to pensions resulting from Township contributions subsequent to the measurement date. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions would be recognized in pension expense on the GAAP basis as follows:

Year ended December 31,	Amount
2019	\$ 33,816
2020	(676,344)
2021	(3,656,778)
2022	(3,846,322)
2023	(1,372,140)
Total	<u>\$ (9,517,768)</u>

Actuarial Assumptions- The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	June 30, 2018	June 30, 2017
Inflation	2.25%	2.25%
Salary Increases (2026)	2.10% - 8.98% based on age	2.10 - 8.98% Based on age
Thereafter	3.10% - 9.98% based on age	3.10 - 9.98% Based on age
Investment rate of return	7.00%	7.00%

Pre-retirement mortality rates were based on the RP-2000 Combined Healthy Mortality tables projected on a generational basis from the base year of 2000 to 2013 using Projection Scale BB and the Conduent modified 2014 projection scale thereafter. For preretirement accidental mortality, a custom table with representative rates was used and there is no mortality improvement assumed. Post-retirement mortality rates for male service retirements are based on the RP-2000 Combined Healthy Mortality tables projected on a generational basis using Projection Scale AA from the base year of 2012 to 2013 and the Conduent modified 2014 projection scale thereafter. Post-retirement mortality rates for female service retirements and beneficiaries were based on the RP-2000 Combined Healthy Mortality tables projected on a generational basis from the base year of 2000 to 2013 using Projection Scale BB and the Conduent modified 2014 projection scale thereafter. Disability mortality rates were based on a custom table with representative rates and no mortality improvement assumed.

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2013.

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2018) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

TOWNSHIP OF WEST ORANGE

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

8. EMPLOYEE RETIREMENT SYSTEMS (continued)

These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2018 and 2017 are summarized in the following table:

<u>Asset Class</u>	<u>June 30, 2018</u>		<u>June 30, 2017</u>	
	Target	Long-Term Expected Real	Target	Long-Term Expected Real
	<u>Allocation</u>	<u>Rate of Return</u>	<u>Allocation</u>	<u>Rate of Return</u>
Cash equivalents	5.50%	1.00%	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%	3.00%	1.87%
Global diversified credit	5.00%	7.10%	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.60%	1.00%	6.60%
Debt related private equity	2.00%	10.63%	2.00%	10.63%
Debt related real estate	1.00%	6.61%	1.00%	6.61%
Private real asset	2.50%	11.83%	2.50%	11.83%
Equity related real estate	6.25%	9.23%	6.25%	9.23%
U.S. equity	30.00%	8.19%	30.00%	8.19%
Non-U.S. developed markets equity	11.50%	9.00%	11.50%	9.00%
Emerging markets equity	6.50%	11.64%	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%	8.25%	13.08%
Absolute return/risk mitigation	5.00%	5.51%	5.00%	5.51%
Investment grade credit	10.00%	3.78%	10.00%	3.78%
Public high yield	2.50%	6.82%	2.50%	6.82%
	<u>100.00%</u>		<u>100.00%</u>	

Discount Rate – The discount rate used to measure the total pension liability was 6.51% as of June 30, 2018 and 6.14% as of June 30, 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.87% as of June 30, 2018 based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 50% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through June 30, 2062. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through June 30, 2062, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

TOWNSHIP OF WEST ORANGE

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

8. EMPLOYEE RETIREMENT SYSTEMS (continued)

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

	At 1% Decrease	At Current Discount Rate	At 1% Increase
PFRS	\$ 99,888,845	\$ 75,812,221	\$ 56,030,537

Plan Fiduciary Net Position – The plan fiduciary net position for PFRS at June 30, 2018 and 2017 was \$27,098,556,100 and \$25,847,718,399, respectively.

Additional information

Collective Local Group balances at June 30, 2018 are as follows:

Collective deferred outflows of resources	\$ 1,988,215,695
Collective deferred inflows of resources	4,286,994,294
Collective net pension liability	15,369,699,278
Township's Proportion	0.5602585733%

Collective pension expense for the Local Group for the measurement period ended June 30, 2018 and 2017 is \$1,270,762,352, and \$1,624,455,951, respectively. The average of the expected remaining service lives of all plan members is 5.73, 5.59, 5.58, 5.53 and 6.17 years for 2018, 2017, 2016, 2015 and 2014, respectively.

State Contribution Payable Dates

Effective with the July 1, 2017 valuation Chapter 83 P.L. 2016 requires the State to make pension contributions on a quarterly basis at least 25% by September 30, at least 50% by December 31, at least 75% by March 31, and at least 100% by June 30.

Receivable Contributions

The Fiduciary Net Position (FNP), includes Local employers' contributions receivable as reported in the financial statements provided by the Division of Pensions and Benefits. In determining the discount rate, the FNP at the beginning of each year does not reflect receivable contributions as those amounts are not available at the beginning of the year to pay benefits. The receivable contributions for the years ended June 30, 2018 and June 30, 2017 are \$1,017,878,064 and \$1,073,054,740, respectively.

Local contributions expected to be paid the April 1st, following the valuation are discounted by the interest rate used at the valuation date.

TOWNSHIP OF WEST ORANGE

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

8. EMPLOYEE RETIREMENT SYSTEMS (continued)

Special Funding Situation

Under N.J.S.A 43:16A-15, local participating employers are responsible for their own contributions based on actuarially determined amounts, except where legislation was passed which legally obligated the State if certain circumstances occurred. The amounts contributed on behalf of the local participating employers under this legislation is considered to be a special funding situation and state is treated as a non-employer entity. The non-employer contributing entities' total proportionate share of the collective net pension liability that is associated with the Township as of June 30, 2018 and 2017 for police and fire is 0.5602585733% and 0.5536516166%, respectively. The non-employer contributing entities' contribution for the year ended June 30, 2018 and 2017 was \$609,881 and \$478,726, respectively. The state's proportionate share of net pension liability attributable to the Township as of June 30, 2018 and 2017 was \$10,297,837 and \$9,573,708, respectively.

Defined Contribution Retirement Plan

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

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

Plan Membership and Contributing Employers- Enrollment in the DCRP is required for state or local officials, elected or appointed on or after July 1, 2007; employees enrolled in PFRS or PERS on or after July 1, 2007, who earn salary in excess of established "maximum compensation" limits; employees otherwise eligible to enroll in PFRS or PERS on or after November 2, 2008, who do not earn the minimum annual salary for tier 3 enrollment but who earn salary of at least \$5,000 annually; and employees otherwise eligible to enroll in PFRS or PERS after May 21, 2010, who do not work the minimum number of hours per week required for tier 4 or tier 5 enrollment, but who earn salary of at least \$5,000 annually. The maximum wage limit for 2018 is \$128,400 and is subject to annual adjustment. Members who earn in excess of the annual maximum wage will be enrolled in the DCRP in addition to the PERS. The minimum salary will be increased to \$8,000 for the period ended June 30, 2019. At June 30, 2018 and 2017, the membership in the DCRP, based on the information within the Division's database, was 57,893 and 56,044, respectively.

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

Eligible members are provided with a defined contribution retirement plan intended to qualify for favorable Federal income tax treatment under IRC Section 401(a), a noncontributory group life insurance plan and a noncontributory group disability benefit plan. A participant's interest in that portion of his or her defined contribution retirement plan account attributable to employee contributions shall immediately become and shall at all times remain fully vested and non-forfeitable.

A participant's interest in that portion of his or her defined contribution retirement plan account attributable to employer contributions shall be vested and non-forfeitable on the date the participant commences the second year of employment or upon his or her attainment of age 65, while employed by an employer, whichever occurs first.

TOWNSHIP OF WEST ORANGE

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

8. EMPLOYEE RETIREMENT SYSTEMS (continued)

Employer and Employee Pension Contributions

The contribution policy is set by laws of the State of New Jersey and contributions are required by active members and participating employers. Plan members and employer contributions may be amended by State of New Jersey legislation, with the amount of contributions by the State of New Jersey contingent upon the annual Appropriations Act. As defined, the various retirement systems require employee contributions based on 7.20% for PERS, 10% for PFRS and 5.5% for DCRP of employees' base wages.

9. DEFERRED COMPENSATION PLAN

The Township offers its employees a deferred compensation plan (the "DC Plan") created in accordance with Internal Revenue Code Section 457. The DC Plan is administered by the Variable Annuity Life Insurance Company ("VALIC"). The DC Plan, available to all Township employees, permits them to defer a portion of their salary until future years. The Township adopted necessary changes to the DC Plan as required by the Economic Growth and Tax Reform Act of 2001 by resolution #9834-02.

As a result of legislative changes, all amounts of compensation deferred, all property and rights purchased, and all income, property, or rights are (until paid or made available to the employee or other beneficiary) held in trust for the exclusive benefit of the participants and their beneficiaries, whereas, prior to these legislative changes, these amounts were solely the property rights of the Township subject only to the claims of the Township's general creditors. As a result, the deferred compensation investments are no longer reported in the Township financial statements.

A separate report on the DC Plan is filed with the Division of Local Government Services and a copy with the Township Clerk's office.

10. HEALTH BENEFITS

The State of New Jersey adopted P.L. 2011 Chapter 78 which requires all municipalities to increase the share of health benefit coverage paid by public employees and retirees who receive employer paid health benefits. The law changes the health care contributions standards set in Chapter 2 of 2010, by increasing the amounts contributed. The contribution rates are increased over a four-year period and are based on an employee's contractual salary. The law became effective for non-union contract agreements on July 1, 2011, which was then extended to October 1 and for all union contracts after they expire. In the Township, all union contracts expired December 31, 2011. The new contribution rates began on January 1, 2012.

11. LENGTH OF SERVICE AWARD PROGRAM (LOSAP)

The Township has authorized a Length of Service Award Program (LOSAP) pursuant to section 457(e) of the Internal Revenue Code and P.L. 1997, C. 388 as amended by P.L. 2001, C. 272 of the Statutes of New Jersey. The Program provides for fixed annual contributions to a deferred income account for volunteer firefighters and first aid and rescue squad members who meet specified service criteria. The Township sponsors the Program, which is administered by a private contractor. The LOSAP Program is subject to an annual review in accordance with AICPA standards for attestation engagements. LOSAP review reports are available in the office of the Township Clerk during scheduled working hours.

TOWNSHIP OF WEST ORANGE

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

12. DEFERRED CHARGES TO BE RAISED IN SUCCEEDING YEARS BUDGETS

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2018 and 2017, the following deferred charges existed:

	2018	2017
Severance liabilities	<u>\$ 1,768,359</u>	<u>\$ 2,658,384</u>

13. TAX APPEALS

There are several tax appeals pending before the State Tax Court of New Jersey requesting a reduction of assessments for the year 2018 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 reserve or by the issuance of refunding bonds per N.J.S. 40A:2-51. The Township made a provision from tax revenues, in the amount of \$350,000 for these appeals in the event that the tax reductions are granted as of December 31, 2017. The Township did not make this provision during the year ended December 31, 2018. In accordance with the National Council on Governmental Accounting Statement 4, Accounting and Financial Reporting Principles for Claims and Judgments and Compensated Absences, the Township charges to current fund operations or a reduction of current tax collections, all state board judgments rendered during the year which will be paid from expendable available resources. The Township's share of the County taxes paid on any successful tax appeal would result in appropriate reductions applied against the County tax levy of the following year.

14. COMMITMENTS AND CONTINGENCIES

The Township receives financial assistance from the State of New Jersey and U.S. Government in the form of grants. Entitlement to the funds is generally conditional upon compliance with terms and conditions of the grant agreements and applicable regulations, including the expenditure of the funds for eligible purposes.

Substantially all grants, entitlements and cost reimbursements are subject to financial and compliance audits by the grantors. As a result of these audits, costs previously reimbursed could be disallowed and require repayment to the grantor agency. As of December 31, 2018, the Township estimates that no material liabilities will result from such audits.

The Township is involved in certain legal proceedings, the resolution and impact on the financial statements of which, individually or in the aggregate, in the opinion of management as advised by legal counsel, would not be significant to the accompanying financial statements.

15. FEDERAL ARBITRAGE REGULATIONS

The Township is subject to Section 148 of the Internal Revenue Code as it pertains to the arbitrage rebate on tax-exempt obligations, both long and short-term debt. Under the 1986 Tax Reform Act, the Internal Revenue Service ("IRS") required that all excess earnings from investment proceeds be rebated to the IRS. Arbitrage, for purposes of these regulations, is defined as the difference between the yield on the investment and the yield on the obligations issued. If there are excess earnings, this amount may be required to be rebated to the IRS. At December 31, 2018, the Township had no estimated arbitrage earnings due to the IRS.

TOWNSHIP OF WEST ORANGE

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

16. GASB 77 TAX ABATEMENTS

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

Entity Name	Commencement Date	Termination Date	Pilot Billing	Taxes If Billed In Full	Abated Taxes
PILOT - St. Barnabas	December 18, 1999	Open	\$ 292,640	\$ 459,403	\$ 166,763
PILOT - Woodland Valley	June 9, 1992	Open	27,857	309,658	281,801
PILOT - Eagle Rock	August 17, 1978	Open	116,145	923,947	807,801
PILOT - Jewish Federation	September 26, 1978	Open	60,407	438,664	378,257
PILOT - WO Senior Housing	September 5, 1972	Open	117,900	1,093,062	975,162
Total			<u>\$ 614,950</u>	<u>\$ 3,224,735</u>	<u>\$ 2,609,785</u>

17. POST-RETIREMENT BENEFITS

Township's OPEB Plan

General Information about the OPEB Plan

The Township provides a single employer post-employment health benefits plan for its employees and retirees through a single employer defined benefit healthcare plan. The Township followed the accounting provisions of GASB Statement No. 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This statement established guidelines for reporting costs associated with "other postemployment benefits" (OPEB). OPEB costs are calculated based on plan benefits (other than pensions), that the retired employees and their spouses have accrued as a result of their respective years of employment service.

Plan description and benefits provided – The Township's post-employment healthcare benefit plan provides health benefits to all retired township employees who have at least 25 years of service with the Township at the time of retirement and their dependents. The Plan is a comprehensive health benefits plan which pays for hospital services, doctor expenses and other medical related necessities which include prescription drugs, and mental health/substance abuse services, subject to provisions and limitations. The Plan is not a separate entity or trust and does not issue stand-alone financial statements.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB No. 75.

Total OPEB Liability

The Township's total OPEB liability of \$97,984,467 was measured as of December 31, 2018, and was determined by an actuarial valuation as of that date. There were 341 retirees and surviving spouses and 307 active employees as part of the plan.

TOWNSHIP OF WEST ORANGE

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

17. POST-RETIREMENT BENEFITS (continued)

Actuarial assumptions and other imputes – The total OPEB liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified.

Discount rate	4.50%
Healthcare cost trend rate	Range from 5.0% to 6.0%
Retirees' share of benefit-related costs	Subject to the requirements of Chapter 78

Mortality rates were based on the RP 2000 Combined Healthy Male Mortality Rates Set Forward Three Years.

Turnover rates were based on NJ State Pensions Ultimate Withdrawal Rates – prior to benefits eligibility.

Medical Cost Aging Factor rates were based on NJ SHBP Medical Morbidity Rates.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at 12/31/2017	\$ 91,717,923
Annual Required Contribution (Annual OPEB Cost)	
Normal cost	635,839
30 year amortization of UAAL at Discount Rate (4.5%)	5,630,705
Net changes	6,266,544
Balance at 12/31/2018	\$ 97,984,467

Sensitivity of the total OPEB liability to changes in the discount rate – The following presents the total OPEB liability of the Township, as well as what the Township's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current discount rate:

	June 30, 2018		
	1% Decrease (5.50%)	At Discount Rate (4.50%)	1% Increase (3.50%)
Total OPEB Liability	\$ 96,958,452	\$ 97,984,467	\$ 99,010,482

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates – The following presents the total OPEB liability of the Township, as well as what the Township's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	June 30, 2018		
	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Total OPEB Liability	\$ 99,025,747	\$ 97,984,467	\$ 96,943,187

TOWNSHIP OF WEST ORANGE

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

17. POST-RETIREMENT BENEFITS (continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2018, the Township recognized OPEB expense of \$6,266,544.

State of New Jersey's OPEB Plan

Nonspecial Funding Situation – The State of New Jersey's Total OPEB Liability for nonspecial funding situation was \$9,452,773,649 and \$11,720,375,604 at June 30, 2018 and 2017, respectively.

Components of Net OPEB Liability – The components of the collective net OPEB liability for Local Government Retired Employees Plan, including the State of New Jersey, is as follows:

	<u>June 30, 2017</u>	<u>June 30, 2018</u>
Total OPEB Liability	\$ 20,629,044,656	\$ 15,981,103,227
Plan Fiduciary Net Position	<u>213,255,917</u>	<u>314,485,086</u>
Net OPEB Liability	<u>\$ 20,415,788,739</u>	<u>\$ 15,666,618,141</u>
Plan fiduciary net position as a percentage of the total OPEB liability	1.03%	1.97%

Actuarial Assumptions and Other Inputs – The total OPEB liability as of June 30, 2018 was determined by an actuarial valuation as of June 30, 2017, which was rolled forward to June 30, 2018. The total OPEB liability as of June 30, 2017 was determined by an actuarial valuation as of June 30, 2016, which was rolled forward to June 30, 2017. The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. These actuarial valuations used the following actuarial assumptions, applied to all periods (2017 and 2018) in the measurement:

Inflation	2.50%
Salary Increases*:	
Through 2026	1.65% - 8.98%
Thereafter	2.65% - 9.98%

*Salary increases are based on the defined benefit plan that the member is enrolled in and his or her age.

Preretirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Employee male/Female mortality table with fully generational mortality improvement projections from the central year using the MP-2017 scale. Postretirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Annuitant Male/Female mortality table with fully generational improvement projections from the central year using MP-2017 scale.

Certain actuarial assumptions used in the July 1, 2016 and July 1, 2017 valuations were based on the results of the pension plans' experience studies for which the members are eligible for coverage under this Plan – the Police and Firemen Retirement System (PFRS) and the Public Employees' Retirement System (PERS). The PFRS and PERS experience studies were prepared for the periods July 1, 2010 to June 30, 2013 and July 1, 2011 to June 30, 2014, respectively.

100% of active members are considered to participate in the Plan upon retirement.

TOWNSHIP OF WEST ORANGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

17. POST-RETIREMENT BENEFITS (continued)

Healthcare Trend 2018 Assumptions – For pre-Medicare preferred provider organization (PPO) and health maintenance organization (HMO) medical benefits, the trend rate is initially 5.8% and decreases to a 5.0% long-term trend rate after eight years. For self-insured post-65 PPO and HMO medical benefits, the trend rate is 4.5%. For prescription drugs benefits, the initial trend rate is 8.00% decreasing to a 5.0% trend rate after seven years. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

Discount Rate – The discount rate for June 30, 2018 and 2017 was 3.87% and 3.58%, respectively. This represents the municipal bond return rate as chosen by the State. The source is 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. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

Sensitivity of the State's Net OPEB Liability to Changes in the Discount Rate – The following presents the collective net OPEB liability of the participating employers as of June 30, 2018 and 2017, calculated using the discount rate as disclosed above as well as what the collective net OPEB 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:

	1% Decrease	At Discount Rate	1% Increase
Total Net OPEB Liability - 2017	\$ 24,081,031,440	\$ 20,415,788,739	\$ 17,507,480,418
Total Net OPEB Liability - 2018	18,381,085,096	15,666,618,141	13,498,373,388

Sensitivity of the State's Net OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the net OPEB liability as of June 30, 2018 and 2017, respectively, calculated using the healthcare trend rate as disclosed above as well as what the net OPEB liability would be if it was calculated using a healthcare trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Total Net OPEB Liability - 2017	\$ 16,966,116,709	\$ 20,415,788,739	\$ 24,907,661,428
Total Net OPEB Liability - 2018	13,068,471,450	15,666,618,141	19,029,006,023

Special Funding Situation – The State of New Jersey's Total OPEB Liability for special funding situation was \$6,213,844,492 and \$8,695,413,315 at June 30, 2018 and 2017, respectively.

Under Chapter 330, P.L. 1997, the State shall pay the premium or periodic charges for the qualified local police and firefighter retirees and dependents equal to 80 percent of the premium or periodic charge for the category of coverage elected by the qualified retiree under the State managed care plan or a health maintenance organization participating in the program providing the lowest premium or periodic charge. The State also provides funding for retiree health benefits to survivors of local police officers and firefighters who die in the line of duty under Chapter 271, P.L. 1989.

Therefore, those employers are considered to be in a special funding situation as defined by GASB Statement No. 75 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute under this legislation directly to the plan, there is no net OPEB liability, deferred outflows of resources or deferred inflows of resources to report in the financial statements of the local participating employers related to this legislation.

TOWNSHIP OF WEST ORANGE

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

17. POST-RETIREMENT BENEFITS (continued)

The amounts of the State's Non-employer OPEB Liability that are attributable to employees and retirees of the Township of West Orange was \$39,798,680 and \$55,293,263 at June 30, 2018 and 2017, respectively. These allocated liabilities represent 0.640484% and 0.635890% of the State's total Nonemployer OPEB Liability for June 30, 2018 and 2017, respectively. The OPEB Expense attributed to the Township was \$1,204,752 and \$3,957,123 at June 30, 2018 and 2017, respectively.

18. SUBSEQUENT EVENTS

The Township has evaluated subsequent events occurring after December 31, 2018 through August 1, 2019, which is the date the financial statements were available to be issued and identified the following financial transactions:

Rock Spring Golf Course

On March 19, 2019, the Township Council approved a \$12 million Bond Ordinance which would permit the Township to purchase the Rock Spring Club. In April 2019, the Township purchased the Rock Spring Club for \$11.2 million from the Montclair Country Club, which consists of 138 acres including an 18-hole golf course and related amenities including a clubhouse, all of the machinery, equipment and other components necessary to continue running a golf course. The Township desires to run the golf operations for at least two years and has entered into a contract with Kemper Sports of Northbrook, Illinois to manage the club as it is converted into a public daily fee golf facility. The course opened on May 19, 2019.

Bond Issuance

On June 25, 2019, the Township Council adopted a resolution providing for the authorization of \$7,621,000 in General Improvement Bonds. The bonds will be issued to fund various capital improvements and renovations to the Township of West Orange Library. This resolution provides for the combination of certain issues into a single issue of bonds.

APPENDIX C

Form of Approving Legal Opinion

_____, 2019

Township Council of the
Township of West Orange, in the
County of Essex, New Jersey

Dear Township Council Members:

We have acted as bond counsel to the Township of West Orange, in the County of Essex, New Jersey (the "Township") in connection with the issuance by the Township of \$7,621,000 General Improvement Bonds dated the date hereof (the "Bonds"). In order to render the opinions herein, we have examined laws, documents and records of proceedings, or copies thereof, certified or otherwise identified to us, as we have deemed necessary.

The Bonds are issued pursuant to the Local Bond Law of the State of New Jersey, a resolution of the Township adopted June 25, 2019 pursuant to N.J.S.A. 40A:2-26(f), in all respects duly approved, and the various bond ordinances referred to therein, each in all respects duly approved and published as required by law.

In our opinion, except insofar as the enforcement thereof may be limited by any applicable bankruptcy, moratorium or similar laws or application by a court of competent jurisdiction of legal or equitable principles relating to the enforcement of creditors' rights, the Bonds are valid and legally binding general obligations of the Township, and the Township has the power and is obligated to levy *ad valorem* taxes upon all the taxable real property within the Township for the payment of the Bonds and the interest thereon without limitation as to rate or amount.

On the date hereof, the Township has covenanted in its Arbitrage and Tax Certificate (the "Certificate") to comply with certain continuing requirements that must be satisfied subsequent to the issuance of the Bonds in order to preserve the tax-exempt status of the Bonds pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Pursuant to Section 103 of the Code, failure to comply with these requirements could cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. In the event that the Township continuously complies with its covenants and in reliance on representations, certifications of fact and statements of reasonable expectations made by the Township in the Certificate, it is our opinion that, under existing law, interest on the

Bonds is excluded from gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Code. Interest on the Bonds is not an item of tax preference under Section 57 of the Code for purposes of computing alternative minimum tax. We express no opinion regarding other federal tax consequences arising with respect to the Bonds. Further, in our opinion, based upon existing law, interest on the Bonds and any gain on the sale thereof are not included in gross income under the New Jersey Gross Income Tax Act. These opinions are based on existing statutes, regulations, administrative pronouncements and judicial decisions.

This opinion is issued as of the date hereof. We assume no obligation to update, revise or supplement this opinion to reflect any facts or circumstances that may come to our attention or any changes in law or interpretations thereof that may occur after the date of this opinion or for any reason whatsoever.

Very truly yours,