

PRELIMINARY OFFICIAL STATEMENT DATED NOVEMBER 20, 2020

NEW ISSUE (BOOK-ENTRY ONLY)

RATINGS: (See "RATINGS" herein)

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

\$20,131,000*
CITY OF ORANGE TOWNSHIP
IN THE COUNTY OF ESSEX
STATE OF NEW JERSEY

\$7,200,000
CITY OF ORANGE TOWNSHIP
IN THE COUNTY OF ESSEX
STATE OF NEW JERSEY

GENERAL OBLIGATION BONDS, SERIES 2020 (QUALIFIED PURSUANT TO THE PROVISIONS OF THE MUNICIPAL QUALIFIED BOND ACT, P.L. 1976, c 38, AS AMENDED)

REDEVELOPMENT AREA BOND ANTICIPATION NOTES, SERIES 2020E

NON-CALLABLE

CONSISTING OF
\$8,611,000* GENERAL IMPROVEMENT BONDS, SERIES 2020
\$11,520,000* WATER UTILITY BONDS, SERIES 2020

Dated: Date of Delivery
Due: June 15, 2021
Coupon: _____%
Yield: _____%
CUSIP: _____**

CALLABLE

DATED: Date of Delivery

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

The (i) \$20,131,000* aggregate principal amount of General Obligation Bonds, Series 2020 (Qualified Pursuant to the Provisions of the Municipal Qualified Bond Act, P.L. 1976, c. 38, as amended), consisting of \$8,611,000* aggregate principal amount of General Improvement Bonds, Series 2020 (the "General Improvement Bonds") and \$11,520,000* aggregate principal amount of Water Utility Bonds, Series 2020 (the "Water Utility Bonds" and together with the General Improvement Bonds, the "Bonds"), dated the date hereof, and (ii) \$7,200,000 aggregate principal amount of Redevelopment Area Bond Anticipation Notes, Series 2020E (the "Notes") are general obligations of the City of Orange Township, in the County of Essex, State of New Jersey (the "City") for which the full faith and credit of the City are pledged and, unless paid from other sources, the City is authorized and required by law to levy *ad valorem* taxes upon all the taxable property within the City without limitation as to rate or amount for the payment of the principal of the Bonds and Notes and the interest thereon.

The Bonds and the Notes will be issued in fully registered book-entry only form and, when issued, will be registered in the name of, and held by, Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC, an automated depository for securities and clearing house for securities transactions, will act as securities depository for the Bonds and the Notes. Individual purchases of the Bonds and Notes will be made in book-entry only form in the principal amount of \$5,000 or any integral multiple thereof, with a minimum purchase of \$5,000 required, except that any Bonds in excess of the largest principal amount equaling a multiple of \$5,000 shall be in denominations of \$1,000 or any integral multiple thereof.

The Bonds shall bear interest from the date of delivery thereof, and be payable semi-annually on the first day of June and December of each year, commencing June 1, 2021, at such rates of interest as shown on the inside front cover hereof until maturity or prior redemption. The Bonds will be payable as to principal upon presentation and surrender thereof at the offices of the City or a duly designated paying agent. Interest on the Bonds will be paid by check, draft or wire transfer mailed, delivered or transmitted by the City to the registered owner thereof as of the Record Dates (as defined herein).

The Notes will bear interest at the rate set forth above from the date of delivery thereof. Interest on the Notes will be payable at maturity as set forth above. Principal of and interest on the Notes will be payable by the City or a duly designated paying agent on the date of maturity upon presentation and surrender thereof at the offices of the City or a duly designated paying agent.

The Bonds and Notes are authorized by, and are issued pursuant to, as applicable (i) the Local Bond Law, N.J.S.A. 40A:2-1 *et seq.*, as amended and supplemented (the "Local Bond Law"), (ii) the Local Redevelopment and Housing Law, N.J.S.A. 40A:12A-1 *et seq.* (the "RAB Law"), (iii) the Municipal Qualified Bond Act, N.J.S.A. 40A:3-1 *et seq.* (the "Municipal Qualified Bond Act"), (iv) various bond ordinances duly adopted by the City Council of the City on the dates set forth herein, and (v) a resolution duly adopted by the City Council of the City on November 4, 2020.

The proceeds of the General Improvement Bonds will be used to refund, on a current basis, prior bond anticipation notes of the City issued in the aggregate principal amount of \$8,611,000 on June 18, 2020 and maturing on December 18, 2020. The proceeds of the Water Utility Bonds will be used to refund, on a current basis, (i) prior water utility bond anticipation notes of the City issued in the aggregate principal amount of \$7,500,000 on June 18, 2020 and maturing on December 18, 2020 and (ii) prior bond anticipation notes of the City issued in the aggregate principal amount of \$4,020,000 on July 24, 2020 and maturing on December 18, 2020. The Notes are being issued to refund, on a current basis, prior redevelopment area bond anticipation notes of the City in the amount of \$7,200,000 issued on June 18, 2020 and maturing on December 18, 2020.

The Bonds are subject to optional redemption prior to their stated maturities as set forth herein. See "DESCRIPTION OF THE BONDS" under the subheading entitled "Optional Redemption". The Notes are not subject to redemption prior to their stated maturity.

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

This cover page and the inside front cover page contain certain information for quick reference only. It is not a summary of the issue. Investors must read the entire Official Statement, including all appendices, to obtain information essential to making an informed investment decision related to the purchase of the Bonds and the Notes.

The Bonds and Notes are offered when, as and if issued and delivered subject to the approval of the legality thereof by Wilentz, Goldman & Spitzer, P.A., Woodbridge, New Jersey, Bond Counsel to the City, and certain other conditions. Certain legal matters will be passed upon for the City by its Corporation Counsel, Gracia R. Montilus, Orange, New Jersey. Rockfleet Financial Services, Inc., New York, New York serves as Municipal Advisor to the City in connection with the sale and issuance of the Bonds and Notes. It is anticipated that the Bonds and the Notes will be available for delivery through DTC on or about December 16, 2020.

Electronic bid submissions for the Bonds, in accordance with the Full Notice of Sale for the Bonds, must be made via the Parity Electronic Bid System of i-Deal LLC at or prior to 11:00 a.m. on December 3, 2020. For more details on how to bid electronically, view the Full Notice of Sale for the Bonds posted at www.munihub.com.

Bids for the Notes, in accordance with the Notice of Sale for the Notes, will be received by Bond Counsel, on behalf of the Chief Financial Officer of the City, at or prior to 11:15 a.m. on December 3, 2020, via electronic mail at ejohnson@wilentz.com, facsimile at (732) 726-6645 or via the Parity Electronic Bid System of i-Deal LLC. For more details on how to bid electronically, view the Notice of Sale for the Notes posted at www.munihub.com.

* Preliminary, subject to change

**A registered trademark of the American Bankers Association. CUSIP data herein are provided by Standard & Poor's CUSIP Service Bureau, a Standard & Poor's Financial Services LLC business. The CUSIP number listed above is being provided solely for the convenience of Noteholders only at the time of issuance of the Notes. The City does not make any representation with respect to such number or undertake any responsibility for its accuracy now or at any time in the future. The CUSIP number is subject to being changed after the issuance of the Notes as a result of a procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to the Notes.

This is a Preliminary Official Statement "deemed final" by the City within the meaning of and with the exception of certain information permitted to be omitted by Rule 15c2-12 of the Securities and Exchange Commission, and is otherwise subject to change in accordance with applicable law. The City will deliver a final Official Statement in compliance with Rule 15c2-12. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of these Bonds or Notes in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration, qualification or exemption under the securities law of any such jurisdiction.

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

\$20,131,000*
GENERAL OBLIGATION BONDS, SERIES 2020
(QUALIFIED PURSUANT TO THE PROVISIONS OF THE
MUNICIPAL QUALIFIED BOND ACT, P.L. 1976, c. 38, AS AMENDED)

CONSISTING OF
\$8,611,000* GENERAL IMPROVEMENT BONDS, SERIES 2020
AND
\$11,520,000* WATER UTILITY BONDS, SERIES 2020

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

Dated: Date of Delivery
Due: December 1, as shown below

| <u>Year</u> | <u>General Improvement Bonds*</u> | <u>Water Utility Bonds*</u> | <u>Combined Principal Amounts*</u> | <u>Interest Rates</u> | <u>Yields</u> | <u>Cusip Numbers**</u> |
|-------------|---|-------------------------------------|--|-----------------------|---------------|------------------------|
| 2021 | \$ 600,000 | \$ 235,000 | \$ 835,000 | | | |
| 2022 | 600,000 | 245,000 | 845,000 | | | |
| 2023 | 601,000 | 255,000 | 856,000 | | | |
| 2024 | 660,000 | 265,000 | 925,000 | | | |
| 2025 | 750,000 | 275,000 | 1,025,000 | | | |
| 2026 | 800,000 | 285,000 | 1,085,000 | | | |
| 2027 | 1,000,000 | 295,000 | 1,295,000 | | | |
| 2028 | 1,200,000 | 310,000 | 1,510,000 | | | |
| 2029 | 1,200,000 | 320,000 | 1,520,000 | | | |
| 2030 | 1,200,000 | 335,000 | 1,535,000 | | | |
| 2031 | | 345,000 | 345,000 | | | |
| 2032 | | 365,000 | 365,000 | | | |
| 2033 | | 470,000 | 470,000 | | | |
| 2034 | | 470,000 | 470,000 | | | |
| 2035 | | 470,000 | 470,000 | | | |
| 2036 | | 470,000 | 470,000 | | | |
| 2037 | | 470,000 | 470,000 | | | |
| 2038 | | 470,000 | 470,000 | | | |
| 2039 | | 470,000 | 470,000 | | | |
| 2040 | | 470,000 | 470,000 | | | |
| 2041 | | 470,000 | 470,000 | | | |
| 2042 | | 470,000 | 470,000 | | | |
| 2043 | | 470,000 | 470,000 | | | |
| 2044 | | 470,000 | 470,000 | | | |
| 2045 | | 470,000 | 470,000 | | | |
| 2046 | | 470,000 | 470,000 | | | |
| 2047 | | 470,000 | 470,000 | | | |
| 2048 | | 470,000 | 470,000 | | | |
| 2049 | | 470,000 | 470,000 | | | |
| | <u>\$8,611,000*</u> | <u>\$11,520,000*</u> | <u>\$20,131,000*</u> | | | |

* Preliminary, subject to change as described herein

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

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

MAYOR

Dwayne D. Warren

CITY COUNCIL

Kerry J. Coley, Council President
Tency A. Eason, Council Vice President
Clifford Ross
Jamie Summers-Johnson
Harold Johnson, Jr.
Weldon M. Montague, III
Adrienne Wooten

BUSINESS ADMINISTRATOR

Christopher Hartwyk

DIRECTOR OF FINANCE

Adrian O. Mapp

CHIEF FINANCIAL OFFICER

Nile S. Clements

CITY CLERK

Joyce Lanier

CORPORATION COUNSEL

Gracia R. Montilus, Esq.
Orange, New Jersey

MUNICIPAL ADVISOR

Rockfleet Financial Services, Inc.
New York, New York

CITY AUDITOR

PKF O'Connor Davies, LLP
Livingston, New Jersey

BUDGET CONSULTANT

Lerch, Vinci & Higgins, LLP
Fair Lawn, New Jersey

BOND COUNSEL

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

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

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

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

References in this Official Statement to laws, rules, regulations, resolutions, ordinances, agreements, reports and documents do not purport to be comprehensive or definitive. All references to such documents are qualified in their entirety by reference to the particular document, the full text of which may contain qualifications of, and exceptions to, statements made herein. This Official Statement should be read in its entirety.

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

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

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

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

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OFFICIAL STATEMENT
OF THE
CITY OF ORANGE TOWNSHIP
IN THE COUNTY OF ESSEX, STATE OF NEW JERSEY
RELATING TO
\$20,131,000* GENERAL OBLIGATION BONDS, SERIES 2020
(QUALIFIED PURSUANT TO THE PROVISIONS OF THE MUNICIPAL QUALIFIED BOND ACT, P.L.
1976, c. 38, AS AMENDED)
CONSISTING OF
\$8,611,000* GENERAL IMPROVEMENT BONDS, SERIES 2020
AND
\$11,520,000* WATER UTILITY BONDS, SERIES 2020
\$7,200,000 REDEVELOPMENT AREA BOND ANTICIPATION NOTES, SERIES 2020E

INTRODUCTION

The purpose of this Official Statement is to provide certain information regarding the financial and economic condition of the City of Orange Township (the "City"), in the County of Essex (the "County"), State of New Jersey (the "State"), in connection with the sale and issuance of (i) \$20,131,000* aggregate principal amount of General Obligation Bonds, Series 2020 (Qualified Pursuant to the Provisions of the Municipal Qualified Bond Act, P.L. 1976, c. 38, as amended), consisting of \$8,611,000* General Improvement Bonds, Series 2020 (the "General Improvement Bonds") and \$11,520,000* Water Utility Bonds, Series 2020 (the "Water Utility Bonds" and together with the General Improvement Bonds, the "Bonds"), and (ii) \$7,200,000 aggregate principal amount of Redevelopment Area Bond Anticipation Notes, Series 2020E (the "Notes") of the City. This Official Statement, which includes the cover page, inside front cover page and appendices attached hereto, has been authorized by the City Council of the City, executed by and on behalf of the City by its Chief Financial Officer, and is to be distributed in connection with the marketing and sale of the Bonds and the Notes.

This Official Statement contains specific information relating to the Bonds and the Notes including their general description, 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 City from its records, except for information expressly attributed to other sources. The presentation of information is intended to show recent historical information and, but only to the extent specifically provided herein, certain projections of the immediate future, and is not necessarily indicative of future or continuing trends in the financial position or other affairs of the City.

* Preliminary, subject to change

DESCRIPTION OF THE BONDS

General Description

The Bonds are dated the date of delivery thereof and shall bear interest at the rates shown on the inside front cover page hereof from such date, payable semi-annually on the first day of June and December of each year (each an "Interest Payment Date"), commencing June 1, 2021, until maturity or prior redemption. Interest on the Bonds is calculated on the basis of twelve (12) thirty (30) day months in a three hundred sixty (360) day year and will be paid by check, draft or wire transfer mailed, transmitted or delivered to the registered owners of the Bonds as of each respective May 15 and November 15 preceding each Interest Payment Date (the "Record Dates"), at the address shown on the registration books for the Bonds kept for that purpose by the City's Chief Financial Officer, as registrar and paying agent for the City, or such other duly designated paying agent.

The Bonds will mature on December 1 in each of the years and in the respective principal amounts as set forth on the inside front cover page.

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

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 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. So long as DTC or its nominee, Cede & Co., is the registered owner of the Bonds, payments of the principal of and interest on the Bonds will be made by the City or a duly designated paying agent directly to DTC or its nominee, Cede & Co., which will in turn remit such payments to DTC Participants, which will in turn remit such payments to the beneficial owners of the Bonds. See "BOOK-ENTRY ONLY SYSTEM" herein.

Optional Redemption

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

Notice of Redemption

Notice of Redemption ("Notice of Redemption") shall be given by first class mail, at least thirty (30) but not more than sixty (60) days prior to the date fixed for redemption, in a sealed envelope with postage prepaid to the owners of the Bonds at their respective addresses as they last appear on the registration books kept for that purpose by the City or a duly appointed bond registrar. So long as The Depository Trust Company (or any successor thereto) acts as Securities Depository for the Bonds, Notices of Redemption shall be sent to such Securities Depository and shall not be sent to the Beneficial Owners of the Bonds. Any failure of the Securities Depository to advise any of its Participants or any failure of any Participant to notify any beneficial owner of any Notice of Redemption shall not affect the validity of the redemption proceedings. If the City determines to redeem a portion of the Bonds prior to maturity, such Bonds shall be redeemed by the City in inverse order of maturity and within any maturity shall be selected by the City by lot. The Bonds to

be redeemed having the same maturity shall be selected by the Securities Depository in accordance with its regulations.

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

Authorization for the Issuance of the Bonds

The Bonds are authorized by, and are issued pursuant to, the provisions of (i) the Local Bond Law, N.J.S.A. 40A:2-1 *et seq.*, as amended and supplemented (the “Local Bond Law”), (ii) the Municipal Qualified Bond Act, N.J.S.A. 40A:3-1 *et seq.* (the “Municipal Qualified Bond Act”), (iii) various bond ordinances duly adopted by the City Council of the City (“City Council”) on the dates set forth in the charts below, approved by the Mayor, and published as required by law, and (iv) a resolution duly adopted by the City Council of the City on November 4, 2020.

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

Purpose of the General Improvement Bonds

The proceeds of the General Improvement Bonds will be used to refund, on a current basis, prior bond anticipation notes of the City issued in the aggregate principal amount of \$8,611,000 on June 18, 2020 and maturing on December 18, 2020. The improvements and purposes for which the General Improvement Bonds are to be issued have been authorized by a duly adopted, approved and published bond ordinance of the City, which bond ordinance is described on the following table by ordinance number, description and date of final adoption and the amount of General Improvement Bonds proceeds used for such purposes. The bond ordinance is as follows:

| Ordinance Number | Description and Date of Final Adoption | Amount of Proceeds |
|------------------|---|--------------------|
| 52-2019 | Various Capital Acquisitions and Improvements, finally adopted 11/18/19 | <u>\$8,611,000</u> |
| TOTAL | | <u>\$8,611,000</u> |

Purpose of the Water Utility Bonds

The proceeds of the Water Utility Bonds will be used to refund, on a current basis, (i) prior water utility bond anticipation notes of the City issued in the aggregate principal amount of \$7,500,000 on June 18, 2020 and maturing on December 18, 2020 and (ii) prior bond anticipation notes of the City issued in the aggregate principal amount of \$4,020,000 on July 24, 2020 and maturing on December 18, 2020. The improvements and purposes for which the Water Utility Bonds are to be issued have been authorized by

duly adopted, approved and published bond ordinances of the City, which bond ordinances are described on the following table by ordinance number, description and date of final adoption and the amount of Water Utility Bonds proceeds used for such purposes. The bond ordinances are as follows:

| Ordinance Number | Description and Date of Final Adoption | Amount of Proceeds |
|-------------------------|---|---------------------------|
| 10-1998 | Providing for improvements to the municipal water, wastewater and storm water systems in and by the City, finally adopted 8/10/1998 | \$800,000 |
| 8-2008 | Providing for construction of and improvements to City mountain wells, the Chestnut Street Treatment Facility and High Pump Station, finally adopted 6/4/2008 | 1,500,000 |
| 39-2019 | Providing for the planning and design of an asset management plan, finally adopted November 18, 2019 | 350,000 |
| 41-2019 | Providing for water collection system remediation, finally adopted November 18, 2019 | 3,050,000 |
| 43-2019 | Providing for various water utility improvements, finally adopted 11/18/19 | 5,200,000 |
| 44-2019 | Providing for water utility infrastructure, finally adopted November 18, 2019 | <u>620,000</u> |
| | TOTAL | <u>\$11,520,000</u> |

DESCRIPTION OF THE NOTES

General Description

The Notes shall be dated and shall bear interest from December 16, 2020 and shall mature on June 15, 2021. Notes shall bear interest at the rate as indicated on the cover page of this Official Statement, payable upon maturity. Interest on the Notes is calculated on the basis of twelve (12) thirty (30) day months in a three hundred sixty (360) day year.

The Notes will be issued as fully registered notes in book-entry only form, and when issued, will be registered in the name of, and held by, Cede & Co., as nominee of DTC. DTC will act as securities depository for the Notes. Principal of and interest on the Notes will be payable by the City or a duly designated paying agent on the date of maturity of the Notes by wire transfer of immediately available funds to DTC or its nominee, Cede & Co. Purchases of beneficial interests in the Notes will be made in book-entry only form, without certificates, in denominations of \$5,000 or any integral multiple thereof, with a minimum purchase of \$5,000 required, except that any Notes in excess of the largest principal amount equaling a multiple of \$5,000 shall be in denominations of \$1,000 or any integral multiple thereof through book entries made on the books and records of DTC and its participants. Under certain circumstances, such beneficial interests in the Notes are exchangeable for one or more fully registered Note certificates in authorized denominations.

The Note certificate will be on deposit with DTC. DTC will be responsible for maintaining a book-entry system for recording the interests of its participants and transfers of the interests among its participants. The participants will be responsible for maintaining records regarding the beneficial ownership interests in the Notes on behalf of the individual purchasers. Individual purchasers of the Notes will not receive certificates representing their beneficial ownership interests in the Notes, but each book-entry owner will receive a credit balance on the books of its nominee, and this credit balance will be confirmed by an

initial transaction statement stating the details of the Notes purchased. So long as DTC or its nominee, Cede & Co., is the registered owner of the Notes, payments of the principal of and interest on the Notes will be made by the City or a duly designated paying agent directly to DTC or its nominee, Cede & Co., which will in turn remit such payments to DTC Participants, which will in turn remit such payments to the beneficial owners of the Notes. See "BOOK-ENTRY ONLY SYSTEM" herein.

Optional Redemption

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

Authorization for the Issuance of the Notes

The Notes are authorized by, and are issued pursuant to, the provisions of (i) the Local Bond Law, N.J.S.A. 40A:2-1 *et seq.*, as amended and supplemented (the "Local Bond Law"), (ii) the Local Redevelopment and Housing Law, N.J.S.A. 40A:12A-1 *et seq.* (the "RAB Law"), (iii) a bond ordinance duly adopted by the City Council of the City on the date set forth herein, and (iv) a resolution duly adopted by the City Council of the City on November 4, 2020.

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

Purpose of the Notes

The Notes are being issued to refund, on a current basis, prior redevelopment area bond anticipation notes of the City in the amount of \$7,200,000 issued on June 18, 2020 and maturing on December 18, 2020. The improvements and purposes for which the Notes are to be issued have been authorized by a duly adopted, approved and published bond ordinance of the City, which bond ordinance is described on the following table by ordinance number, description and date of final adoption and the amount of Notes proceeds used for such purposes. The bond ordinance is as follows:

| Ordinance Number | Description and Date of Final Adoption | Amount |
|------------------|--|--------------------|
| 50-2019 | Providing for the acquisition of property known as Orange Memorial Hospital site, finally adopted 11/18/19 | <u>\$7,200,000</u> |
| TOTAL | | <u>\$7,200,000</u> |

SECURITY FOR THE BONDS AND NOTES

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

The Bonds are further secured as "Qualified Bonds" under the Municipal Qualified Bond Act, P.L. 1976, c. 38, as amended and supplemented (the "Municipal Qualified Bond Act"). Pursuant to the Municipal Qualified Bond Act, a portion of State aid (the "Municipal Qualified Revenues") allocated to the City in amounts sufficient to pay debt service on its Qualified Bonds is to be withheld by the State Treasurer and forwarded to the Paying Agent for such Qualified Bonds on or before the principal and interest payment

dates for such Qualified Bonds for deposit into accounts established for the purpose of paying debt service on such Qualified Bonds.

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

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

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

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

For Calendar Year 2020, total Municipal Qualified Revenues are \$8,372,797. Total debt service on Municipal Qualified Bonds in Calendar Year 2020 is \$3,321,250. After the issuance of the Bonds, the highest annual debt service on Municipal Qualified Bonds is projected to be \$5,116,450. If the City issues bonds to permanently finance all currently-outstanding Notes, maximum annual Qualified Debt Service on Qualified Bonds may increase by approximately \$250,000.

Note, that these figures include Municipal Utility Debt Service, which historically has been (and is expected to be) funded from revenues of the respective utilities; utility debt service for Calendar Year 2020 is approximately \$2,407,000.

RECENT HEALTHCARE DEVELOPMENTS

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, which was first detected in China and has since spread to other countries, including the United States, and to each state within the United States, including the State, has been declared a Public Health Emergency of International Concern by the World Health Organization. The outbreak of the disease has affected travel, commerce and financial markets globally and is widely expected to affect economic growth worldwide. The outbreak of COVID-19 across the United States has caused the federal government to declare a national state of emergency. The State has likewise declared a state of emergency. While the potential impact on the State cannot be predicted at this time, the continued spread of the outbreak could have a material adverse effect on the finances of the State, the County and the City (collectively, the "Affected Entities").

The degree of any such impact to the Affected Entities' respective operations and finances is extremely difficult to predict due to the dynamic nature of the COVID-19 outbreak, including uncertainties relating to its (i) duration, and (ii) severity, as well as with regard to what actions may be taken by governmental and other health care authorities to contain or mitigate its impact. The continued spread of the outbreak could have a material adverse effect on the Affected Entities and their respective economies.

NO DEFAULT

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

MARKET PROTECTION

In addition to the Bonds and Notes described in this Official Statement, the City plans to issue (i) \$1,990,000 General Obligation Notes, and (ii) \$6,800,000 Special Emergency Notes via private placement in December of 2020. The City does not anticipate issuing any other bonds or notes in 2020.

BOOK-ENTRY ONLY SYSTEM

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

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

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

Purchases of the Bonds or Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds or Notes on DTC's records. The ownership interest of

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

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

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

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

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

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

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City 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 or Notes, the following provisions apply: (i) the Bonds or Notes may be exchanged for an equal aggregate principal amount of Bonds or Notes in other authorized denominations and of the same maturity, upon surrender thereof at the office of the City or Paying Agent; (ii) the transfer of any Bonds or Notes may be registered on the books maintained by the City or Paying Agent for such purposes only upon the surrender thereof to the City or Paying Agent together with the duly executed assignment in form satisfactory to the City or Paying Agent; and (iii) for every exchange or registration of transfer of Bonds or Notes, the City or 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 or Notes. Interest on the Bonds or Notes will be payable by check or draft, mailed on the Interest Payment Date to the registered owners thereof.

PROVISIONS FOR THE PROTECTION OF GENERAL OBLIGATION DEBT

Procedure for Authorization

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

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

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

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

Short Term Financing

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

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

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

Refunding bonds may be issued pursuant to the Local Bond Law for the purpose of paying, funding or refunding outstanding bonds, including emergency appropriations, the actuarial liabilities of a non-State administered public employee pension system and amounts owing to others for taxes levied in the local unit, or any renewals or extensions thereof, and for paying the cost of issuance of refunding bonds. The Local Finance Board, in the Division of Local Governmental Services, New Jersey Department of Community Affairs (the "Local Finance Board") must approve the authorization of the issuance of refunding bonds.

Statutory Debt Limitation (N.J.S.A. 40A:2-6 et seq.)

There are statutory requirements which limit the amount of debt which the City is permitted to authorize. The authorized bonded indebtedness of a City is limited by the Local Bond Law and other laws to an amount equal to three and one-half percent (3 1/2%) of its stated average equalized valuation basis, subject to certain exceptions noted below. The stated equalized valuation basis is set by statute as the average of the equalized valuations of all taxable real property, together with improvements to such property, and the assessed valuation of certain Class II railroad property within the boundaries of the City for each of the last three (3) preceding years as annually certified in the valuation of all taxable real property, in the Table of Equalized Valuation by the Director of the Division of Taxation, in the New Jersey Department of the Treasury (the "Division of Taxation"). Certain categories of debt are permitted by statute to be deducted for the purposes of computing the statutory debt limit. The Local Bond Law permits the issuance of certain obligations, including obligations issued for certain emergency or self-liquidating purposes, notwithstanding the statutory debt limitation described above; but, with certain exceptions, it is then necessary to obtain the approval of the Local Finance Board. See "Exceptions to Debt Limitation-Extensions of Credit" herein.

As shown in APPENDIX A, the City has not exceeded its statutory debt limit.

Exceptions to Debt Limitation – Extensions of Credit (N.J.S.A. 40A:2-7 et seq.)

The debt limit of the City may be exceeded with the approval of the Local Finance Board. If all or any part of a proposed debt authorization is to exceed its debt limit, the City must apply to the Local Finance Board for an extension of credit. The Local Finance Board considers the request, concentrating its review on the effect of the proposed authorization on outstanding obligations and operating expenses and the anticipated ability to meet the proposed obligations. If the Local Finance Board determines that a proposed debt authorization is not unreasonable or exorbitant, that the purposes or improvements for which the obligations are issued are in the public interest and for the health, welfare and convenience or betterment of the inhabitants of the City and that the proposed debt authorization would not materially impair the credit of

the City or substantially reduce the ability of the City to meet its obligations or to provide essential services that are in the public interest and makes other statutory determinations, approval is granted. In addition to the aforesaid, debt in excess of the debt limit may be issued to fund certain obligations, for self-liquidating purposes and, in each fiscal year, in an amount not exceeding two-thirds of the amount budgeted in such fiscal year for the retirement of outstanding obligations (exclusive of obligations issued for utility or assessment purposes) plus two-thirds of the amount raised in the tax levy of the current fiscal year by the local unit for the payment of bonds or notes of any school district. The City has not exceeded its debt limit.

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

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

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

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

Investment of Municipal Funds

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

FINANCIAL MANAGEMENT

Accounting and Reporting Practices

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

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

The foundation of the State local finance system is the annual cash basis budget. Every local unit, including the City, must adopt an annual operating budget in the form required by the Division. Certain items of revenue and appropriation are regulated by law and the proposed operating budget cannot be finally adopted until it has been certified by the Director, or in the case of a local unit's examination of its own budget as described herein, such budget cannot be finally adopted until a local examination certificate has been approved by the Chief Financial Officer and governing body of the local unit. The Local Budget Law requires each local unit to appropriate sufficient funds for payment of current debt service and the Director, or in the case of the local examination, the local unit may review the adequacy of such appropriations. Among other restrictions, the Director or, in the case of local examination, the local unit may examine the budget with reference to all estimates of revenue and the following appropriations: (a) payment of interest and debt redemption charges, (b) deferred charges and statutory expenditures, (c) cash deficit of the preceding year, (d) reserve for uncollected taxes, and (e) other reserves and non-disbursement items. Taxes levied are a product of total appropriations, less non-tax revenues, plus a reserve predicated on the prior year's collection experience.

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

In accordance with the Local Budget Law and related regulations, (i) each local unit, with a population of 10,000 persons, must adopt and annually revise a six (6) year capital program, and (ii) each local unit, with a population under 10,000 persons, must adopt (with some exceptions) and annually revise a three (3) year capital program. See "CAPITAL IMPROVEMENT PROGRAM" herein.

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

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

Chapter 113 of the Laws of New Jersey of 1996 (N.J.S.A. 40A:4-78(b)) authorizes the Local Finance Board to adopt rules that permit certain municipalities to assume the responsibility, normally granted to the Director, of conducting the annual budget examination required by the Local Budget Law. Since 1997 the Local Finance Board has developed regulations that allow “eligible” and “qualifying” municipalities to locally examine their budget every two (2) of three (3) years. Under the regulations prescribed by the Local Finance Board, the City was not eligible for local examination of its budget in 2020. The City adopted its 2020 budget in accordance with the procedures described under the heading entitled, “FINANCIAL MANAGEMENT – Local Budget Law (N.J.S.A. 40A: 4-1 et seq.)”.

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

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

Limitations on Expenditures (“Cap Law”) (N.J.S.A. 40A:4-45.1, et seq.)

N.J.S.A. 40A:4-45.3 places limits on municipal tax levies and expenditures. This law is commonly known as the “Cap Law” (the “Cap Law”). The Cap Law provides that the City shall limit any increase in its budget to 2.5% or the Cost-Of-Living Adjustment, whichever is less, of the previous year’s final appropriations, subject to certain exceptions. The Cost-Of-Living Adjustment is defined as the rate of annual percentage increase, rounded to nearest half percent, in the Implicit Price Deflator for State and Local Government Purchases of Goods and Services produced by the United States Department of Commerce for the year preceding the current year as announced by the Director. However, in each year in which the Cost-Of-Living Adjustment is equal to or less than 2.5%, the City may, by ordinance, approved by a majority vote of the full membership of the governing body, provide that the final appropriations of the City for such year be increased by a percentage rate that is greater than the Cost-Of-Living Adjustment, but not more than 3.5% over the previous year’s final appropriations. See N.J.S.A. 40A:4-45.14. In addition, N.J.S.A. 40A:4-45.15a restored “CAP” banking to the Local Budget Law. Municipalities are permitted to appropriate available “Cap Bank” in either of the next two (2) succeeding years’ final appropriations. Along with the permitted increases for total general appropriations there are certain items that are allowed to increase outside the “CAP”. In connection with the approval of its 2020 Budget, the City was granted a Cap Waiver in the amount of \$4,700,000 from the Director of the Division of Local Government Services and the Local Finance Board. Specifically, the Cap Waiver was used to pay for the hiring of additional officers and firemen to provide safety to, and protect the welfare of, residents of the City.

Additionally, new legislation constituting P.L. 2010, c.44, effective July 13, 2010, imposes a 2% cap on the tax levy of a municipality, county, fire district or solid waste collection district, with certain exceptions and subject to a number of adjustments. The exclusions from the limit include increases required to be raised for capital expenditures, including debt service, increases in pension contributions in excess of 2%, certain increases in health care costs in excess of 2%, and extraordinary costs incurred by a local unit directly related to a declared emergency. The governing body of a local unit may request approval, through a public question submitted to the legal voters residing in its territory, to increase the amount to be raised by taxation, and voters may approve increases above 2% not otherwise permitted under the law by an affirmative vote of 50%.

The Division of Local Government Services has advised that counties and municipalities must comply with both budget “CAP” and the tax levy limitation. Neither the tax levy limitation nor the Cap Law,

however, limits the obligation of the City to levy *ad valorem* taxes upon all taxable property within the boundaries of the City to pay debt service on bonds and notes, including the Bonds and Notes.

Deferral of Current Expenses

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

The exceptions are certain enumerated quasi-capital projects ("special emergencies") such as (i) the repair and reconstruction of streets, roads or bridges damaged by snow, ice, frost, or floods, which may be amortized over three (3) years, and (ii) the repair and reconstruction of streets, roads, bridges or other public property damaged by flood or hurricane, where such expense was unforeseen at the time of budget adoption, the repair and reconstruction of private property damaged by flood or hurricane, tax map preparation, re-evaluation programs, revision and codification of ordinances, master plan preparations, drainage map preparation for flood control purposes, studies and planning associated with the construction and installation of sanitary sewers, authorized expenses of a consolidated commission, contractually required severance liabilities resulting from the layoff or retirement of employees and the preparation of sanitary and storm system maps, all of which projects set forth in this section (ii) may be amortized over five (5) years. N.J.S.A. 40A:4-53, -54, -55, -55.1. Emergency appropriations for capital projects may be financed through the adoption of a bond ordinance and amortized over the useful life of the project as described above.

Budget Transfers

Budget transfers provide a degree of flexibility and afford a control mechanism. Pursuant to N.J.S.A. 40A:4-58, transfers between major appropriation accounts are prohibited until the last two (2) months of the municipality's fiscal year. Appropriation reserves may be transferred during the first three (3) months of the current fiscal year to the previous fiscal year's budget. N.J.S.A. 40A:4-59. Both types of transfers require a two-thirds vote of the full membership of the governing body. Although sub-accounts within an appropriation are not subject to the same year-end transfer restriction, they are subject to internal review and approval. Generally, transfers cannot be made from the down payment account, the capital improvement fund, contingent expenses or from other sources as provided in the statute.

Anticipation of Real Estate Taxes

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

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

This provision requires that an additional amount (the "reserve for uncollected taxes") be added to the tax levy required to balance the budget so that when the percentage of the prior year's tax

collection is applied to the combined total, the sum will at least equal the tax levy required to balance the budget. The reserve requirement is calculated as follows:

$$\begin{array}{rcl} \text{Total of Local, County,} & & \\ \text{and School Levies} & - \text{ Anticipated Revenues} & = \text{ Cash Required from Taxes to Support} \\ & & \text{Local Municipal Budget and Other Taxes} \\ \\ \text{Cash Required from Taxes to Support Local Municipal Budget and Other Taxes} & = & \text{Amount to be} \\ \text{Prior Year's Percentage of Current Tax Collection (or Lesser \%)} & & \text{Raised by} \\ & & \text{Taxation} \end{array}$$

Anticipation of Miscellaneous Revenues

N.J.S.A 40A:4-26 provides that, "[n]o miscellaneous revenues from any source shall be included as an anticipated revenue in the budget in an amount in excess of the amount actually realized in cash from the same source during the next preceding fiscal year, unless the director shall determine upon application by the governing body that the facts clearly warrant the expectation that such excess amount will actually be realized in cash during the fiscal year and shall certify such determination, in writing, to the local unit."

No budget or amendment thereof shall be adopted unless the Director shall have previously certified his approval of such anticipated revenues except that categorical grants-in-aid contracts may be included for their face amount with an offsetting appropriation. The fiscal years of such grants rarely coincide with a municipality's calendar fiscal year. Grant revenues are fully realized in the year in which they are budgeted by the establishment of accounts receivable and offsetting reserves.

Debt Statements

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

CAPITAL IMPROVEMENT PROGRAM

In accordance with the Local Budget Law, the City 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 (6) years as a general improvement program. The Capital Budget and Capital Improvement Program must be adopted as part of the annual budget pursuant to N.J.A.C. 5:30-4. The Capital Budget does not by itself confer any authorization to raise or expend funds, rather it is a document used for planning. Specific authorization to expend funds for such purposes must be granted, by a separate bond ordinance, by inclusion of a line item in the Capital Improvement Section of the budget, by an ordinance taking money from the Capital Improvement Fund, or other lawful means.

TAX ASSESSMENT AND COLLECTION

Assessment and Collection of Taxes

Property valuations (assessments) are determined on true values as arrived at by the cost approach, market data approach and capitalization of net income (where applicable). Current assessments are the result of maintaining new assessments on a "like" basis with established

comparable properties for newly assessed or purchased properties resulting in a decline of the assessment ratio to true value to its present level. This method assures equitable treatment to like property owners.

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

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

Tax installments not paid on or before the due date are subject to interest penalties of eight percent (8%) on the first \$1,500 of the delinquency and, then eighteen percent (18%) per annum on any amount in excess of \$1,500. A penalty of up to six percent (6%) of the delinquency in excess of \$10,000 may be imposed on a taxpayer who fails to pay that delinquency prior to the end of the tax year in which the taxes become delinquent. Delinquent taxes open for one year or more are annually included in a tax sale in accordance with State Statutes. Tax title liens are periodically assigned to the City Attorney (as defined herein) for in rem foreclosures in order to acquire title to these properties.

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

Tax Appeals

New Jersey Statutes provide a taxpayer with remedial procedures for appealing an assessed valuation that the taxpayer deems excessive. The taxpayer has a right to file a petition on or before the 1st day of April of the current tax year for its review or the 1st day of May for municipalities that have conducted revaluations. The County Board of Taxation and the Tax Court of New Jersey have the authority after a hearing to increase, decrease or reject the appeal petition. Adjustments by the County Board of Taxation are usually concluded within the current tax year and reductions are shown as cancelled or remitted taxes for that year. If the taxpayer believes the decision of the County Board of Taxation to be incorrect, appeal of the decision may be made to the Tax Court of New Jersey. State tax court appeals tend to take several years to conclude by settlement or trial and any losses in tax collection from prior years, after an unsuccessful trial or by settlement, are charged directly to operations.

TAX MATTERS

Federal Income Tax Treatment

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

purposes retroactive to the date of issuance of the Bonds and/or Notes. The City will represent in a tax certificate that it expects, intends, and will comply, to the extent permitted by law, with such requirements.

In the opinion of Wilentz, Goldman & Spitzer, P.A., Woodbridge, New Jersey, Bond Counsel to the City ("Bond Counsel"), under existing statutes, regulations, rulings and court decisions, and assuming continuing compliance by the City with the requirements of the Code and the representations and covenants to be made in the tax certificate described above, interest on the Bonds and/or Notes is not includable in gross income of the holders thereof for Federal income tax purposes pursuant to Section 103 of the Code and is not treated as a preference item under Section 57 of the Code.

The Bonds and Notes do not constitute "qualified tax-exempt obligations" as defined in and for the purpose of Section 265(b)(3) of the Code.

[Original Issue Premium

The Bonds maturing on December 1 in the years ____ through ____, inclusive (the "Premium Bonds") were purchased at a premium ("original issue premium") over the stated principal amounts of the Bonds. For federal income tax purposes, original issue premium generally must be amortized over the term of the Premium Bonds. Amortizable bond premium is accounted for as reducing the tax-exempt interest on the Premium Bonds rather than creating a deductible expense or loss. Under Section 171(a)(2) of the Code, no deduction is allowed for the amortizable bond premium (determined in accordance with Section 171(b) of the Code) on tax-exempt bonds. Under Section 1016(a)(5) of the Code, however, an adjustment must be made to the purchaser's basis in the Premium Bonds to the extent of any amortizable bond premium that is disallowable as a deduction under Section 171(a)(2) of the Code. Holders of the Premium Bonds should consult their tax advisors for an explanation of the bond premium amortization rules.]

[Original Issue Discount

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

Additional Federal Income Tax Consequences Relating to Bonds and Notes

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

State Taxation

Bond Counsel is also of the opinion that interest on the Bonds and Notes, and any gain on the sale thereof, is not includable in gross income under the existing New Jersey Gross Income Tax Act, 1976 N.J.

Laws c. 47, as amended. Except as provided above, no opinion is expressed with respect to other State and local tax consequences of owning the Bonds or Notes.

Prospective Tax Law Changes

Federal, state or local legislation, administrative pronouncements or court decisions may affect, as applicable, the federal and State tax-exempt status of interest on the Bonds and Notes, gain from the sale or other disposition of the Bonds and Notes, the market value of the Bonds and Notes or the marketability of the Bonds and Notes. The effect of any legislation, administrative pronouncements or court decisions cannot be predicted. Prospective purchasers of the Bonds and Notes should consult their own tax advisors regarding such matters.

Other Tax Consequences

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

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

Prospective purchasers of the Bonds and Notes should consult their tax advisors with respect to all tax consequences (including but not limited to those listed above) of holding the Bonds and Notes.

LEGALITY FOR INVESTMENT

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

RISK TO HOLDERS OF BONDS AND NOTES

It is understood that the rights of the holders of the Bonds and Notes, and the enforceability thereof, may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

Municipal Bankruptcy

THE CITY HAS NOT AUTHORIZED THE FILING OF A BANKRUPTCY PETITION. THIS REFERENCE TO THE BANKRUPTCY CODE OR THE STATE STATUTE SHOULD NOT CREATE ANY IMPLICATION THAT THE CITY EXPECTS TO UTILIZE THE BENEFITS OF ITS PROVISIONS, OR THAT IF UTILIZED, SUCH ACTION WOULD BE APPROVED BY THE LOCAL FINANCE BOARD, OR THAT ANY PROPOSED PLAN WOULD INCLUDE A DILUTION OF THE SOURCE OF PAYMENT OF AND SECURITY FOR THE BONDS AND NOTES, OR THAT THE BANKRUPTCY CODE COULD NOT BE AMENDED AFTER THE DATE HEREOF.

The undertakings of the City should be considered with reference to 11 U.S.C. §101 et seq., as amended and supplemented (the "Bankruptcy Code"), and other bankruptcy laws affecting creditors' rights and municipalities in general. The Bankruptcy Code permits the State or any political subdivision, public agency, or instrumentality that is insolvent or unable to meet its debts to commence a voluntary bankruptcy case by filing a petition with a bankruptcy court for the purpose of effecting a plan to adjust its debts; directs such a petitioner to file with the court a list of petitioner's creditors; provides that a petition filed under this chapter shall operate as a stay of the commencement or continuation of any judicial or other proceeding against the petitioner; grants priority to certain debts owed, and provides that the plan must be accepted in writing by or on behalf of creditors holding at least two-thirds in amount and more than one half in number of the allowed claims of at least one (1) impaired class. The Bankruptcy Code specifically does not limit or impair the power of a state to control by legislation or otherwise, the procedures that a municipality must follow in order to take advantage of the provisions of the Bankruptcy Code.

The Bankruptcy Code provides that special revenue acquired by the debtor after the commencement of the case shall remain subject to any lien resulting from any security agreement entered into by such debtor before the commencement of such bankruptcy case. However, special revenues acquired by the debtor after commencement of the case shall continue to be available to pay debt service secured by those revenues. Furthermore, the Bankruptcy Code provided 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 be avoided pursuant to certain preferential transfer provisions set forth in such act.

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

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

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

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

CERTIFICATES OF THE CITY

Upon the delivery of the Bonds and Notes, the original purchasers thereof shall receive certificates, in form satisfactory to Bond Counsel and signed by officials of the City, stating to the best knowledge of said officials, that this Official Statement as of its date did not contain any untrue statement of a material fact, or omit to state a material fact necessary to make the statements herein, in light of the circumstances under which they were made, not misleading; and stating, to the best knowledge of said officials, that there has been no material adverse change in the condition, financial or otherwise, of the City from that set forth in or contemplated by this Official Statement. In addition, the respective original purchasers of the Bonds and Notes shall also receive certificates in form satisfactory to Bond Counsel evidencing the proper execution

and delivery of the Bonds and Notes and receipt of payment therefor, and certificates dated as of the date of the delivery of the Bonds and Notes, and signed by the officers who signed the Bonds and Notes, stating that no litigation is then pending or, to the knowledge of such officers, threatened to restrain or enjoin the issuance or delivery of the Bonds or Notes or the levy or collection of taxes to pay the Bonds or Notes, as applicable, or the interest thereon, or questioning the validity of the statutes or the proceedings under which the Bonds or Notes, as applicable, are issued, and that neither the corporate existence or boundaries of the City, nor the title of any of the said officers to the respective offices, is being contested.

APPROVAL OF LEGAL PROCEEDINGS

All legal matters incident to the authorization, the issuance, the sale, the execution, and the delivery of the Bonds and Notes are subject to the approval of Bond Counsel, whose approving legal opinions will be delivered with the Bonds and Notes substantially in the forms set forth as APPENDIX C and APPENDIX D, respectively, hereto. Certain legal matters with respect to the Bonds and Notes will be passed on for the City by its Corporation Counsel, Gracia R. Montilus, Esq., Orange, New Jersey (the "City Attorney").

ADDITIONAL INFORMATION

Inquiries regarding this Official Statement, including information additional to that contained herein, may be directed to the City of Orange Township, Nile S. Clements, Chief Financial Officer, 29 North Day Street, Orange, New Jersey 07050, (973) 266-4021 and Everett M. Johnson, Esq., Wilentz, Goldman & Spitzer, P.A., 90 Woodbridge Center Drive, Woodbridge, New Jersey 07095, (732) 855-6149

LITIGATION

There is no litigation of any nature now pending or threatened, restraining or enjoining the issuance or the delivery of the Bonds or Notes offered for sale or the levy and collection of any taxes to pay the principal of or the interest on said Bonds or Notes, or in any manner questioning the authority of the proceedings for the issuance of the Bonds or Notes or for the levy or collection of taxes to pay the principal of and interest on the Bonds or Notes, or any action contesting the corporate existence or boundaries of the City or the title of any of its present officers. Further, to the knowledge of the City Attorney, there is no litigation presently pending or threatened against the City that, in the opinion of the City Attorney, would have a material adverse impact on the financial condition of the City if adversely decided. The respective original purchasers of the Bonds and Notes will receive a certificate of the City Attorney to such effect upon the closing of the Bonds and Notes.

COMPLIANCE WITH SECONDARY MARKET DISCLOSURE REQUIREMENTS FOR THE BONDS

The City has covenanted for the benefit of the holders of the Bonds and the beneficial owners of the Bonds to annually provide certain financial information and operating data of the City and to comply with the provisions of Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended and supplemented, and as detailed in a Continuing Disclosure Certificate (the "Disclosure Certificate") to be executed on behalf of the City by its Chief Financial Officer, in the form appearing in APPENDIX E attached hereto. Such Disclosure Certificate shall be delivered concurrently with the delivery of the Bonds. Annual financial information, including operating data, and notices of events specified in the Rule, if material, shall be filed with the Municipal Securities Rulemaking Board (the "MSRB").

The City has entered into prior undertakings to provide continuing disclosure for certain outstanding bond issues. In connection with such bond issues, the City failed to timely file certain of its audited financial statements, operating data and/or budgets for, as applicable, the fiscal years ended December 31, 2015 through December 31, 2018. The City has also failed to timely file certain material event notices related to (i) ratings changes for the State of New Jersey, which provides its enhanced bond rating on the City's long term debt, and (ii) financial obligations undertaken by the City via the issuance of privately sold notes. The City subsequently filed all required annual financial information, operating data, and material event notices with the MSRB and is now current with its obligations under the Rule. The City is committed to complying with all of its continuing disclosure obligations in the future and has engaged Digital Assurance Certification, L.L.C. to serve as its dissemination agent (the "Dissemination Agent") to ensure future compliance.

COMPLIANCE WITH SECONDARY MARKET DISCLOSURE REQUIREMENTS FOR THE NOTES

The City has covenanted for the benefit of the holders of the Notes to provide notices of the occurrence of certain enumerated events with respect to the Notes, as set forth in section (b)(5)(i)(C) of the Rule (the "Notices"). The Notices will be filed by the City or a duly appointed dissemination agent with the MSRB. The specific nature of the Notices will be detailed in a certificate to be executed on behalf of the City by its Chief Financial Officer, in the form appearing in APPENDIX F hereto, such certificate to be delivered concurrently with the delivery of the Notes.

MUNICIPAL ADVISOR

Rockfleet Financial Services, Inc., New York, New York, has served as municipal advisor to the City with respect to the issuance of the Bonds and Notes (the "Municipal Advisor"). 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 the Official Statement and the appendices hereto.

PREPARATION OF OFFICIAL STATEMENT

Bond Counsel has participated in the preparation and review of this Official Statement but has not participated in the collection of financial, statistical or demographic information contained in this Official Statement nor has Bond Counsel not verified the accuracy, completeness, or fairness thereof and, accordingly, expresses no opinion or other assurance with respect thereto but takes responsibility for the opinions to the extent specified and appearing in APPENDIX C and APPENDIX D hereto.

PKF O'Connor Davies, LLP, Livingston, New Jersey, the Auditor to the City, has participated in the preparation of the information contained in this Official Statement but has not verified the accuracy, completeness, or fairness thereof and, accordingly, expresses no opinion or other assurance with respect thereto, but takes responsibility for the financial statements to the extent specified in the Independent Auditors' Report appearing in APPENDIX B hereto and information under the caption entitled "FINANCIAL STATEMENTS" and expresses no opinion or assurance other than that which is specifically set forth therein with respect thereto.

The Municipal Advisor has participated in the preparation of APPENDIX A to this Official Statement and in the collection of financial, statistical or demographic information contained in this Official Statement but has not verified the accuracy, completeness or fairness thereof, and, accordingly, expresses no opinion or other assurance with respect thereto, but has reviewed the section under the caption entitled "MUNICIPAL ADVISOR" and expresses no opinion or assurance other than that which is specifically set forth therein with respect thereto.

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

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

RATINGS

S&P Global Ratings, acting through Standard & Poor's Financial Services LLC ("Standard & Poor's"), has assigned an underlying rating of "BBB+" to the Bonds and an enhanced rating of "BBB" to the Bonds recognizing their qualification pursuant to the Municipal Qualified Bond Act. Standard & Poor's has assigned a rating of "SP-2" to the Notes.

An explanation of the significance of the ratings on the Bonds and Notes may be obtained from Standard & Poor's at 55 Water Street, New York, New York 10041. Such ratings reflect only the views of Standard & Poor's, and there is no assurance that the ratings will continue for any period of time or that they will not be revised or withdrawn entirely, if in the judgment of Standard & Poor's, circumstances so warrant. Any revision or withdrawal of the ratings may have an adverse effect on the market price of the Bonds and Notes. Except as set forth in APPENDIX E and APPENDIX F, the City has not agreed to take any action with respect to any proposed rating changes or to bring the rating changes, if any, to the attention of the owners of the Bonds and Notes.

UNDERWRITING

The Bonds have been purchased from the City at a public sale by _____ (the "Bond Underwriter") at a price of \$ _____. The purchase price of the Bonds reflects the par amount of Bonds, less an Underwriter's discount of \$ _____, plus a net original issue premium of \$ _____.

The Notes have been purchased from the City at a public sale by _____ (the "Note Underwriter") at a price of \$ _____. The purchase price of the Notes reflects the par amount of Notes, less an Underwriter's discount of \$ _____, plus an original issue premium of \$ _____.

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

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

FINANCIAL STATEMENTS

The audited financial statements of the City for the years ended December 31, 2019 and 2018 (the "Audit") are presented in APPENDIX B to this Official Statement. The financial statements referred to above have been audited by PKF O'Connor Davis, LLP, Livingston, New Jersey, independent auditors, as stated in the Independent Auditor's Report appearing in APPENDIX B.

MISCELLANEOUS

All quotations from summaries and explanations of the provisions of the laws of the State herein do not purport to be complete and are qualified in their entirety by reference to the official compilation thereof.

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

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

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

**NILE S. CLEMENTS,
Chief Financial Officer**

DATED: December ____, 2020

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APPENDIX A

**CERTAIN FINANCIAL AND DEMOGRAPHIC INFORMATION
CONCERNING THE CITY OF ORANGE TOWNSHIP**

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DESCRIPTION OF THE TOWNSHIP

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

LOCAL GOVERNMENT

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

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

MUNICIPAL OPERATIONS

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

Financial/Tax Assessing

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

PUBLIC SAFETY

Police & Fire

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

Health Care Facilities

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

UTILITY SERVICES

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

TRANSPORTATION

Train Service

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

Bus Service

New Jersey Transit also provides bus service throughout City.

Air Service

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

Public Highways

The Garden State Parkway and Interstate 280 are both within approximately 5 minutes of the City.

GROWTH, DEVELOPMENT AND PLANNING

Population Trends

| | |
|--------------------------|--------|
| 1990 Federal Census | 29,925 |
| 2000 Federal Census | 32,868 |
| 2010 Federal Census | 30,134 |
| 2019 Federal Census Est. | 30,864 |

Redevelopment Projects within the City

The City has aggressively sought to increase new development and redevelopment by adopting a new master plan, updating existing zoning ensuring greater uniformity and consistency in land use areas throughout the City, while maintaining and strengthening existing neighborhoods, using more appropriate land uses in desired areas. The chart below outlines the City's main redevelopment projects:

| <u>Project</u> | <u>Potential Project Investment</u> |
|------------------------------------|-------------------------------------|
| Orange Memorial Hospital Site | \$180,000,000- \$200,000,000 |
| Recreation Center | \$75,000,000-\$95,000,000 |
| Lincoln Avenue Project | \$35,000,000 |
| 2 Crane Street Projects | \$100,000,000 |
| Berwyn & Oakwood | \$100,000,000 |
| Orange Valley Hardware | \$45,000,000 |
| Rock Phase 1 | \$25,000,000 |
| Rock Phase 2 | \$80,000,000 |
| North Day Street | \$55,000,000 |
| PNC Bank | \$8,000,000 |
| WAWA | \$17,000,000 |
| Total Potential Project Investment | \$720,000,000 - \$760,000,000 |

EDUCATION

Public Schools

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

Colleges and Universities

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

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

PRINCIPAL EMPLOYERS OF THE COUNTY

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

FINANCIAL REVIEW

The schedules are a summary only and is not intended to be a complete report. For more complete information, the individual financial statements and the 2020 and 2019 Budgets of the City should be reviewed at the Offices of the City of Orange Township, Orange, New Jersey.

Audited Financial Statements for the Years Ended 2019, 2018, 2017 and 2016

The following schedules are summaries of the City's Current Fund financial condition for the years ending December 31, 2019, 2018, 2017 and 2016. The figures have been arranged in a form believed to be convenient for the purposes of this Official Statement.

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

CITY OF ORANGE TOWNSHIP Summary of Current Fund Balance Sheet

| | <u>Year Ended</u> <u>12/31/2019</u> | <u>Year Ended</u> <u>12/31/2018</u> | <u>Year Ended</u> <u>12/31/2017</u> | <u>Year ended</u> <u>12/31/2016</u> |
|--|--|--|--|--|
| Assets: | | | | |
| Cash & Cash Equivalents | \$ 18,358,924 | \$ 10,629,221 | \$ 13,303,893 | \$ 12,792,501 |
| Change Funds | 560 | 560 | 560 | 560 |
| | <u>18,359,484</u> | <u>10,629,781</u> | <u>13,304,453</u> | <u>12,793,061</u> |
| Due from State of New Jersey | 120,786 | 116,737 | 104,276 | 105,256 |
| | <u>18,480,270</u> | <u>10,746,518</u> | <u>13,408,729</u> | <u>12,898,317</u> |
| Receivable and Other Assets with Full Reserves: | | | | |
| Delinquent Property Taxes | 955,078 | 3,342,669 | 3,688,782 | 3,436,457 |
| Tax Title Liens | 3,872,527 | 3,405,108 | 2,794,820 | 2,858,956 |
| Property Acquired for Taxes - Assessed Valuation | 856,500 | 856,500 | 856,500 | 856,500 |
| Sales Contract Receivable | 80,601 | 80,601 | 80,601 | 80,601 |
| Revenue Account Receivable | 97,088 | 174,685 | 113,448 | 83,788 |
| Other Accounts Receivable | 50,170 | 51,055 | | 878,254 |
| Deposits Receivable | 1,465 | 1,465 | 1,465 | 1,465 |
| Prepaid Including School Taxes | - | - | - | 53,088 |
| Interfunds Receivable | 788 | 667,660 | 535,654 | 866,764 |
| Prepaid Marriage License | 2,422 | 2,247 | 2,175 | - |
| Ground Lease | 923,079 | 913,939 | 904,891 | - |
| Loans Receivable | 900,977 | 895,789 | 882,775 | - |
| | <u>7,740,695</u> | <u>10,391,719</u> | <u>9,861,110</u> | <u>9,115,873</u> |
| Deferred Charges: | | | | |
| Over-expenditures | 1,810,000 | 1,086,368 | 1,829,794 | 355,604 |
| Special Emergency Appropriation | 400,000 | 600,000 | 903,820 | 1,207,639 |
| | <u>2,210,000</u> | <u>1,686,368</u> | <u>2,733,614</u> | <u>1,563,243</u> |
| | 28,430,965 | 22,824,604 | 26,003,454 | 23,577,433 |
| Grant Fund: | | | | |
| Grants Receivable | 8,083,039 | 7,924,320 | 7,223,155 | 6,655,350 |
| Due From Current | 58 | | | |
| | <u>8,083,097</u> | <u>7,924,320</u> | <u>7,223,155</u> | <u>6,655,350</u> |
| Total Assets | <u>\$ 36,514,062</u> | <u>\$ 30,748,924</u> | <u>\$ 33,226,608</u> | <u>\$ 30,232,783</u> |

CITY OF ORANGE TOWNSHIP
Summary of Current Fund Balance Sheet (continued)

| | <u>Year Ended</u> <u>12/31/2019</u> | <u>Year Ended</u> <u>12/31/2018</u> | <u>Year Ended</u> <u>12/31/2017</u> | <u>Year ended</u> <u>12/31/2016</u> |
|--|--|--|--|--|
| Liabilities, Reserves & Fund Balance | | | | |
| Appropriation Reserves: | | | | |
| Encumbered | \$ 2,978,146 | \$ 2,851,159 | \$ 2,716,869 | \$ 1,663,109 |
| Unencumbered | 1,873,226 | 1,547,267 | 1,263,394 | 2,675,467 |
| Accounts Payable | 78,961 | - | 427,500 | 214,371 |
| Special Emergency Note Payable | 1,910,000 | 1,100,000 | 2,620,000 | 1,000,000 |
| Tax Overpayments | 504,614 | 715,096 | 200,875 | 223,088 |
| Various Reserves | - | - | - | 419,475 |
| Schedule of Refundable Deposits | 579,343 | 302,245 | 456,122 | - |
| Reserve for Revaluations | 44,475 | 44,475 | 44,475 | - |
| Reserve for Orange Reservoir | 150,000 | 225,000 | 300,000 | - |
| Reserve for Salary Adjustments | 93,923 | 93,923 | 396,709 | - |
| Interfunds Payable | 6,248,738 | 106,941 | 1,518,279 | 339,154 |
| Prepaid Taxes | 826,176 | 267,245 | 835,770 | 245,673 |
| Deposits on Sale of Property | 5,410 | 5,410 | 3,110 | 3,110 |
| Taxes Payable | - | - | - | 134,773 |
| County Taxes Payable | 56,857 | 37,781 | 23,298 | - |
| School Taxes Payable | 95,080 | 95,000 | 95,000 | - |
| | <u>15,444,949</u> | <u>7,391,543</u> | <u>10,901,401</u> | <u>6,918,220</u> |
| Reserve for Receivables | 7,740,695 | 10,391,719 | 9,861,110 | 9,115,872 |
| Fund Balance | <u>5,245,321</u> | <u>5,041,343</u> | <u>5,240,942</u> | <u>7,543,341</u> |
| | 28,430,965 | 22,824,604 | 26,003,454 | 23,577,433 |
| Grant Fund: | | | | |
| Interfunds Payable | 1,804,000 | - | - | 1,240,058 |
| Due to Current | - | 629,605 | 535,654 | - |
| Due to Grantors | 580,543 | 580,543 | 580,543 | - |
| Unappropriated Reserves | 60,225 | 71,696 | 79,547 | 69,237 |
| Reserve for Grant Expenditures- Encumbered | 492,108 | 1,442,692 | 448,377 | - |
| Reserve for Grant Expenditures | 5,146,221 | 5,199,784 | 5,579,034 | 5,346,055 |
| | <u>8,083,097</u> | <u>7,924,320</u> | <u>7,223,155</u> | <u>6,655,350</u> |
| Total Liabilities, Reserves & Fund Balance | <u>\$ 36,514,062</u> | <u>\$ 30,748,924</u> | <u>\$ 33,226,608</u> | <u>\$ 30,232,783</u> |

CITY OF ORANGE TOWNSHIP

Summary of Current Fund Revenues, Expenditures and Fund Balance

| | Year Ended 12/31/2019 | Year Ended 12/31/2018 | Year Ended 12/31/2017 | Year Ended 12/31/2016 |
|---|--------------------------|--------------------------|--------------------------|--------------------------|
| Revenues and Other Income: | | | | |
| Anticipated Fund Balance | \$ 4,330,000 | \$ 4,750,000 | \$ 4,760,548 | \$ 2,110,000 |
| Miscellaneous Anticipated Revenue | 16,657,864 | 17,204,541 | 15,749,551 | 18,243,639 |
| Receipts from Delinquent Taxes | 3,732,473 | 3,834,832 | 4,020,245 | 2,770,250 |
| Receipts from Current Taxes | 68,166,558 | 64,071,160 | 58,934,042 | 58,360,235 |
| Non-Budget Revenues | 1,456,586 | 556,868 | 324,969 | 877,284 |
| Other Credit to Income: | | | | |
| Cancellation of Accounts Payable | - | 401,794 | - | - |
| Grant Appropriation Adjustment | - | - | - | - |
| Other Liens Receivable | - | - | - | 46,682 |
| Other Accounts Receivable Realized | - | 600 | 104,977 | 66,894 |
| Liquidation of Prepaid School Tax Receivable | - | - | 51,237 | 132,402 |
| Cancellation of Salary Reserve | - | 1,600,000 | - | - |
| Lapsed Balances of Appropriation Reserves | 2,088,021 | 1,323,956 | 990,399 | 984,555 |
| Interfund Returned | 666,871 | - | 331,110 | - |
| Total Revenues: | 97,098,372 | 93,743,749 | 85,267,078 | 83,591,941 |
| Expenditures: | | | | |
| Budget Appropriations: | | | | |
| Operations Within "CAPS" | 53,512,479 | 50,283,025 | 49,433,631 | 47,348,778 |
| Deferred Charges & Statutory Expenditures | 7,389,951 | 6,263,835 | 5,929,793 | 5,747,544 |
| Operations Excluded from "CAPS" | 9,498,980 | 8,757,782 | 6,058,111 | 5,285,010 |
| Municipal Debt Service | 1,878,613 | 1,883,491 | 1,627,520 | 1,941,811 |
| Deferred Charges | 1,200,000 | 1,946,885 | 653,820 | 943,933 |
| Type I School District Debt Service | - | - | 334,798 | 333,202 |
| | 73,480,023 | 69,135,018 | 64,037,673 | 61,600,278 |
| Interfund Advance | - | 132,006 | - | 846,318 |
| Municipal Open Space | 393,841 | - | - | - |
| Refund of Prior Year Revenue | 367,870 | 445,400 | - | - |
| Prepaid School Taxes | - | - | - | - |
| Payment of Prior Year Costs | - | - | - | - |
| Prior Year Senior Deduction Disallowed | - | - | 6,500 | - |
| Grant Cancellation | 43,998 | 30,977 | - | - |
| Cancellation of Grant Receivables | - | - | 104,149 | 315,653 |
| State Court Tax Appeal Judgements | 203,359 | 353,375 | 792,130 | 686,710 |
| County Taxes | 7,491,405 | 7,901,632 | 7,652,869 | 7,604,885 |
| Local District Taxes | 12,393,899 | 12,281,308 | 12,045,402 | 11,809,218 |
| | 20,894,371 | 21,144,698 | 20,601,049 | 21,262,784 |
| Total Expenditures | 94,374,394 | 90,279,716 | 84,638,722 | 82,863,062 |
| Excess (Deficit) of Revenues Over (Under) | | | | |
| Expenditures | 2,723,978 | 3,464,033 | 628,356 | 728,879 |
| Adjustments to Income Before Fund Balance: | | | | |
| Expenditures included above which by statute are | | | | |
| Deferred Charges to Budget in Succeeding Year | 1,810,000 | 1,086,368 | 1,829,794 | 1,355,604 |
| Statutory Excess | 4,533,978 | 4,550,401 | 2,458,150 | 2,084,483 |
| Fund Balance, Beginning of Year | 5,041,343 | 5,240,942 | 7,543,341 | 7,568,858 |
| Subtotal | 9,575,321 | 9,791,343 | 10,001,490 | 9,653,341 |
| Utilized as Anticipated Revenue | 4,330,000 | 4,750,000 | 4,760,548 | 2,110,000 |
| Fund Balance, End of Year | \$ 5,245,321 | \$ 5,041,343 | \$ 5,240,942 | \$ 7,543,341 |

CITY OF ORANGE TOWNSHIP
Summary of Current Fund Adopted Budget

| | 2020 Adopted Budget | 2019 Adopted Budget |
|---------------------------------------|---------------------------|---------------------------|
| <u>GENERAL REVENUES</u> | | |
| Surplus Anticipated | \$ 4,700,000 | \$ 4,330,000 |
| Miscellaneous Revenues | 16,442,639 | 18,084,436 |
| Receipts from Delinquent Taxes | 2,500,000 | 3,410,000 |
| Subtotal of General Revenues | 23,642,639 | 25,824,436 |
| Taxes for Support of Municipal Budget | 52,139,566 | 49,036,578 |
| TOTAL GENERAL REVENUES | \$ 75,782,205 | \$ 74,861,014 |
| <u>GENERAL APPROPRIATIONS</u> | | |
| Appropriations within "CAPS" | \$ 58,644,918 | \$ 51,512,479 |
| Statutory Expenditures | 7,683,663 | 7,439,951 |
| Operations Excluded from "CAPS" | 2,951,685 | 8,315,128 |
| Debt Services | 2,241,939 | 1,893,456 |
| Deferred Charges | 2,010,000 | 1,200,000 |
| Capital Items | - | 2,000,000 |
| Reserve for Uncollected Taxes | 2,250,000 | 2,500,000 |
| TOTAL GENERAL APPROPRIATIONS | \$ 75,782,205 | \$ 74,861,014 |

Source: City of Orange Township 2020 and 2019 Adopted Budgets.

Schedule of Fund Balances - Current Fund

| Tax Year | Balance at December 31 | Utilized in Succeeding Budgets |
|----------|---------------------------|-----------------------------------|
| 2019 | \$ 5,245,321 | \$ 4,700,000 |
| 2018 | 5,041,343 | 4,330,000 |
| 2017 | 5,240,942 | 4,750,000 |
| 2016 | 7,543,341 | 4,760,548 |
| 2015 | 7,568,858 | 2,110,000 |

Source: City of Orange Township Audit Reports.

TAX REVENUES OF THE TOWNSHIP

Largest Taxpayers – 2020

| Property Owner | 2020 Assessed Valuation |
|---------------------------------------|------------------------------------|
| Orange Portfolio Holdings | \$13,733,100 |
| DSXLE TIC, LLC | 10,024,400 |
| SUSA Orange, L.P. | 9,310,600 |
| Arec 29, LLC | 9,130,600 |
| Paramount Properties | 7,721,100 |
| 248 Reynolds Group, LLC | 7,556,100 |
| Epic One Properties, LLC | 7,415,900 |
| High Properties, LLC | 6,874,100 |
| 400 Realty Management, LLC | 6,727,500 |
| Orange Senior Citizens Residence, Co. | 6,593,100 |

Source: City of Orange Township Officials.

* The total of the Top 10 Taxpayer’s assessed valuations of \$85,086,500 is 6.6% of the total 2020 assessed valuation of \$1,290,822,711.

Tax Collection

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

| Percentage of Tax Year | Tax Levy | Collections | Collections |
|-----------------------------------|-----------------|--------------------|--------------------|
| 2019 | \$ 69,812,978 | \$ 68,166,558 | 97.64% |
| 2018 | 67,917,462 | 64,071,160 | 94.34% |
| 2017 | 63,174,965 | 58,934,042 | 93.29% |
| 2016 | 62,620,724 | 58,360,235 | 93.20% |
| 2015 | 60,094,489 | 55,883,998 | 92.99% |

Source: City of Orange Township Audit Reports.

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

| Year | Amount of Tax Liens | Delinquent Taxes | Total Delinquent | Percentage of Tax Levy |
|-------------|--------------------------------|-----------------------------|-----------------------------|-----------------------------------|
| 2019 | \$ 3,872,527 | \$ 955,078 | \$ 4,827,605 | 6.92% |
| 2018 | 3,405,108 | 3,342,669 | 6,747,777 | 9.94% |
| 2017 | 2,794,820 | 3,688,782 | 6,483,602 | 10.26% |
| 2016 | 2,858,956 | 3,436,457 | 6,295,413 | 10.05% |
| 2015 | 1,625,437 | 3,557,381 | 5,182,818 | 8.62% |

Source: City of Orange Township Audit Reports.

Foreclosed Property

| Fiscal Year | Balance |
|--------------------|--------------------|
| | December 31 |
| 2019 | \$ 856,500 |
| 2018 | 856,500 |
| 2017 | 856,500 |
| 2016 | 856,500 |
| 2015 | 856,500 |

Source: City of Orange Township Audit Reports.

Comparative Tax Rate and Net Assessed Value

| Fiscal Year | Net Valuation Taxable | Municipal Rate | County Rate | Local School Rate | Total Tax Rate |
|--------------------|------------------------------|-----------------------|--------------------|--------------------------|-----------------------|
| 2020 | \$1,290,822,711 | \$4.069 | \$0.534 | \$1.004 | \$5.607 |
| 2019 | \$1,303,052,000 | \$3.793 | \$0.571 | \$0.951 | \$5.315 |
| 2018 | \$1,291,041,900 | \$3.669 | \$0.061 | \$0.095 | \$5.230 |
| 2017 | \$1,293,376,312 | \$3.337 | \$0.590 | \$0.943 | \$4.870 |
| 2016 | \$1,284,813,847 | \$3.266 | 0.5820 | \$0.930 | \$4.778 |

Source: County of Essex

Breakdown of 2020 Ratables

| | Net Taxable Value | Percentage |
|--------------|--------------------------|-------------------|
| Vacant | \$24,731,100 | 1.92% |
| Residential | 718,105,211 | 55.63% |
| Commercial | 257,569,100 | 19.95% |
| Industrial | 40,686,700 | 3.15% |
| Apartments | 249,730,600 | 19.35% |
| Total | \$1,290,822,711 | 100.00% |

Source: City of Orange Officials – 2020 Tax List District Summary.

2020 Tax Levy

| | Tax Levy | Tax Rate |
|-----------------------|---------------------|-----------------|
| County Taxes | \$6,888,631 | \$0.534 |
| Local School District | 12,961,396 | 1.004 |
| Municipal Taxes | 52,520,284 | 4.069 |
| | \$72,370,311 | \$5.607 |

2019 Tax Levy

| | Tax Levy | Tax Rate |
|-----------------------|---------------------|-----------------|
| County Taxes | \$7,437,549 | \$0.571 |
| Local School District | 12,393,899 | 0.951 |
| Municipal Taxes | 49,427,494 | 3.793 |
| | \$69,258,942 | \$5.315 |

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

STATEMENT OF BONDED INDEBTEDNESS
As of December 31, 2019

GROSS DEBT:

Self Liquidating Utility Debt

| | | |
|--|----|------------|
| Serial Bonds Issued and Outstanding | \$ | 15,270,000 |
| Bond Anticipation Notes | | 7,500,000 |
| Bond Anticipation Notes Authorized, But Not Issued | | 13,589,527 |
| Infrastructure Trust Loans | | 3,770,619 |

Municipal Debt (Other)

| | | |
|--|--|------------|
| Serial Bonds: | | |
| Issued and Outstanding | | 7,545,000 |
| Bond Anticipation Notes | | 11,622,000 |
| Bond Anticipation Notes Authorized, But Not Issued | | 19,134,837 |
| Green Trust Loan | | 642,750 |
| Infrastructure Trust Loans | | 2,726,163 |
| Demolition Loan | | 162,500 |

| | | | |
|-------------------------|--|-------|-------------------|
| Total Gross Debt | | <hr/> | 81,963,396 |
|-------------------------|--|-------|-------------------|

DEDUCTIONS :

| | | |
|-----------------------|--|------------|
| Self-Liquidating Debt | | 40,130,146 |
| Other | | 504,225 |

| | | | |
|---------------------------|--|-------|----------------------|
| STATUTORY NET DEBT | | <hr/> | \$ 41,329,025 |
|---------------------------|--|-------|----------------------|

Source: City of Orange Township 2019 Audited Financial Statements.

2019 OVERLAPPING DEBT

2019 OVERLAPPING DEBT

| | |
|---|------------------|
| Essex County | \$984,961,377 |
| Overlapping Debt Percentage | 0.0155 |
| Township Portion of Gross Overlapping Debt | \$15,306,300 |
| | |
| Average of Equalized Assessed Valuation of Real Property (2018, 2017 and 2016) (State Certified Valuation) | \$91,904,784,413 |
| Net Debt as a Percentage of Said Average Equalized Valuations (Total Overall Debt) | 0.00576 |
| Total Overall Debt as a Percentage of Said Average Equalized Valuations (Total Overall Debt) | 0.01072 |
| Equalized Valuation of Real Property (Year 2019) | \$91,558,107,120 |
| Net Debt as a Percentage of Said Assessed Equalized Valuation (Year 2019) (Statutory Net Debt) | 0.00578 |
| | |
| The overlapping debt applicable to Essex County was computed based upon 2019 adjusted final Equalized Tax Net Valuation for County Tax | |
| Apportionment | \$91,558,107,120 |
| Township's Share of Net Valuation For County Tax Apportionment | \$1,423,555,274 |
| Percentage of Township Share of County Tax Apportionment | 0.0155 |
| | |
| Outstanding Net Debt: | |
| Net Debt as of December 31, 2019 (County Debt) | \$529,141,378 |
| Municipal Share of County Debt Based on Percentage of Equalized Valuation | \$8,227,147 |

Source: 2019 Essex County Debt Statement and City of Orange Township 2019 Annual Debt Statement and Essex County 2019 Abstract of Ratables.

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APPENDIX B

**AUDITED FINANCIAL STATEMENTS OF THE CITY OF ORANGE TOWNSHIP
FOR THE YEARS ENDING DECEMBER 31, 2019 AND 2018**

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CITY OF ORANGE TOWNSHIP
FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT
DECEMBER 31, 2019 AND 2018

CITY OF ORANGE TOWNSHIP

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Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying regulatory basis financial statements of the various funds and the governmental fixed assets of the City of Orange Township, County of Essex, New Jersey (the "City") which comprise the balance sheets as of and for the years ended December 31, 2019 and 2018, and the related statements of operations and changes in fund balances for the years then ended, the statements of changes in fund balances, statement of revenues, and statement of expenditures for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"), 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.

Auditors' 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 audit requirements as prescribed by the Division. Those standards and requirements prescribed by the Division require that we plan and perform the audit to obtain reasonable assurance about whether the regulatory basis financial statements are free of material misstatement.

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

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

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

As described in Note 1, the financial statements are prepared by the City on the basis of the financial reporting provisions of the Division to demonstrate compliance with the Division's regulatory basis of accounting, which is a 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

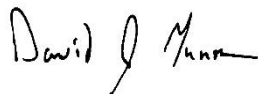
In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statements referred to above do not present fairly in accordance with accounting principles generally accepted in the United States of America the financial positions of the City of Orange Township, County of Essex, New Jersey as of December 31, 2019 and 2018 and 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 financial position of the various funds and governmental fixed assets of the City of Orange Township, Essex County, New Jersey, as of December 31, 2019 and 2018 and results of its operations and changes in fund balance for the years then ended, and statements of changes in fund balances, the statements of revenues and statement of expenditures of the various funds for the year ended December 31, 2019 in accordance with the financial reporting provisions of the Division, as described in Note 1 to the financial statements.

PKF O'Connor Davies, LLP

October 23, 2020
Cranford, New Jersey



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

CITY OF ORANGE TOWNSHIP
CURRENT FUND

A
Sheet # 1

COMPARATIVE BALANCE SHEETS
REGULATORY BASIS
DECEMBER 31, 2019 AND 2018

ASSETS AND DEFERRED CHARGES

| | <u>Ref.</u> | <u>2019</u> | <u>2018</u> |
|--|-------------|-----------------------------|-----------------------------|
| <u>CURRENT FUND</u> | | | |
| Cash - Checking Accounts | A-4, A-5 | \$ 18,358,923.99 | \$ 10,629,221.05 |
| Cash - Change Funds | A-7 | 560.00 | 560.00 |
| | | <u>18,359,483.99</u> | <u>10,629,781.05</u> |
| | | | |
| Due from State of New Jersey | A-9 | <u>120,786.33</u> | <u>116,736.74</u> |
| | | | |
| Receivables and Other Assets with Full Reserves | | | |
| Delinquent Property Taxes | A-10 | 955,078.22 | 3,342,669.04 |
| Tax Title Liens | A-11 | 3,872,526.57 | 3,405,107.54 |
| Property Acquired for Taxes - Assessed Valuation | A-12 | 856,500.00 | 856,500.00 |
| Sales Contracts Receivable | A-13 | 80,601.00 | 80,601.00 |
| Revenue Accounts Receivable | A-15 | 97,087.97 | 174,685.28 |
| Other Accounts Receivable | A-16 | 50,169.85 | 51,055.28 |
| Deposits Receivable | A-17 | 1,465.05 | 1,465.05 |
| Interfunds Receivable | A-18 | 788.73 | 667,660.05 |
| Prepaid Marriage License | A-27 | 2,422.00 | 2,247.00 |
| Ground Lease | A-38 | 923,078.82 | 913,939.43 |
| Loans Receivable | A-14 | 900,976.87 | 895,789.12 |
| | | <u>7,740,695.08</u> | <u>10,391,718.79</u> |
| | | | |
| Deferred Charges | | | |
| Overexpenditures/Emergency Appropriation | A-19 | 1,810,000.00 | 1,086,367.67 |
| Special Emergency Appropriation | A-20 | 400,000.00 | 600,000.00 |
| | | <u>2,210,000.00</u> | <u>1,686,367.67</u> |
| | | <u>28,430,965.40</u> | <u>22,824,604.25</u> |
| | | | |
| <u>STATE AND FEDERAL GRANT FUND</u> | | | |
| Grants Receivable | A-21 | 8,083,039.20 | 7,924,320.10 |
| Due from Current Fund | A-36 | 57.42 | |
| | | <u>8,083,096.62</u> | <u>7,924,320.10</u> |
| | | <u>\$ 36,514,062.02</u> | <u>\$ 30,748,924.35</u> |

See accompanying notes to financial statements.

CITY OF ORANGE TOWNSHIP
CURRENT FUND

A
Sheet # 2

COMPARATIVE BALANCE SHEETS
REGULATORY BASIS
DECEMBER 31, 2019 AND 2018

| | <u>Ref.</u> | <u>2019</u> | <u>2018</u> |
|---|-------------|-------------------------|-------------------------|
| <u>LIABILITIES, RESERVES AND FUND BALANCE</u> | | | |
| Appropriation Reserves | | | |
| Encumbered | A-3, A-22 | \$ 2,978,145.84 | \$ 2,851,159.00 |
| Unencumbered | A-3, A-22 | 1,873,225.95 | 1,547,267.22 |
| Accounts Payable | A-23 | 78,961.15 | |
| Tax Overpayments | A-25 | 504,614.06 | 715,095.63 |
| Special Emergency Note Payable | A-28 | 1,910,000.00 | 1,100,000.00 |
| Schedule of Refundable Deposits | A-39 | 579,343.40 | 302,245.22 |
| Reserve for Revaluations | A-29 | 44,475.09 | 44,475.09 |
| Reserve for Orange Reservoir | A-26 | 150,000.00 | 225,000.00 |
| Reserve for Salary Adjustments | A-30 | 93,923.18 | 93,923.18 |
| Interfunds Payable | A-18 | 6,248,737.73 | 106,941.40 |
| Prepaid Taxes | A-34 | 826,176.43 | 267,245.29 |
| Deposits on Sale of Property | A-35 | 5,410.00 | 5,410.00 |
| County Taxes Payable | A-32 | 56,856.70 | 37,780.86 |
| School Taxes Payable | A-33 | 95,079.83 | 94,999.83 |
| | | <u>15,444,949.36</u> | <u>7,391,542.72</u> |
| Reserve for Receivables | | 7,740,695.08 | 10,391,718.79 |
| Fund Balance | A-1 | 5,245,320.96 | 5,041,342.74 |
| | | <u>28,430,965.40</u> | <u>22,824,604.25</u> |
| <u>STATE AND FEDERAL GRANT FUND</u> | | | |
| Due to Current | A-36 | | 629,605.38 |
| Due to General Capital | A-36 | 1,804,000.00 | |
| Due to Grantors | A-24 | 580,543.48 | 580,543.48 |
| Unappropriated Reserves | A-31 | 60,224.60 | 71,695.60 |
| Reserve for Grant Expenditures - Encumbered | A-37 | 492,107.94 | 1,442,692.04 |
| Reserve for Grant Expenditures | A-37 | 5,146,220.60 | 5,199,783.60 |
| | | <u>8,083,096.62</u> | <u>7,924,320.10</u> |
| | | <u>\$ 36,514,062.02</u> | <u>\$ 30,748,924.35</u> |

See accompanying notes to financial statements.

CITY OF ORANGE TOWNSHIP
CURRENT FUND

A-1

STATEMENTS OF OPERATIONS
AND CHANGES IN FUND BALANCE
REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

| | <u>Ref.</u> | <u>2019</u> | <u>2018</u> |
|---|-------------|------------------------|------------------------|
| <u>REVENUE AND OTHER INCOME:</u> | | | |
| Anticipated Fund Balance | A-2 | \$ 4,330,000.00 | \$ 4,750,000.00 |
| Miscellaneous Anticipated Revenue | A-2 | 16,657,863.59 | 17,204,540.86 |
| Receipts from Delinquent Taxes | A-2c | 3,732,473.27 | 3,834,831.51 |
| Receipts from Current Taxes | A-2c | 68,166,557.53 | 64,071,160.05 |
| Non-Budget Revenues | A-2d | 1,456,586.41 | 556,867.51 |
| Other Credit to Income: | | | |
| Cancellation of Accounts Payable | | | 401,793.51 |
| Interfund Returned | A-18 | 666,871.32 | |
| Other Accounts Receivable Realized | | | 600.00 |
| Cancellation of Salary Reserve | | | 1,600,000.00 |
| Lapsed Balances of Appropriation Reserves | A-22 | 2,088,020.43 | 1,323,955.53 |
| | | <u>97,098,372.55</u> | <u>93,743,748.97</u> |
| <u>TOTAL REVENUE AND OTHER INCOME</u> | | | |
| <u>EXPENDITURES:</u> | | | |
| Budget Appropriations: | | | |
| Operations Within "CAPS" | | 53,512,279.16 | 50,283,024.80 |
| Deferred Charges and Statutory Expenditures - Municipal | | 7,389,951.26 | 6,263,835.00 |
| Operations Excluded from "CAPS" | | 9,498,979.44 | 8,757,782.26 |
| Municipal Debt Service | | 1,878,613.37 | 1,883,491.04 |
| Deferred Charges | | 1,200,000.00 | 1,946,885.00 |
| | A-3a | <u>73,479,823.23</u> | <u>69,135,018.10</u> |
| State Court Tax Appeal Judgements | A-25 | 203,358.81 | 353,375.35 |
| Net Adjustment to Grants | | 44,197.76 | 30,977.24 |
| Interfund Advances | | | 132,006.27 |
| Refund of Prior Year Revenue | A-4 | 367,869.61 | 445,399.61 |
| County Taxes | A-32 | 7,491,405.36 | 7,901,631.51 |
| Municipal Open Space | A-18 | 393,840.56 | |
| Local District Taxes | A-33 | 12,393,899.00 | 12,281,308.00 |
| | | <u>94,374,394.33</u> | <u>90,279,716.08</u> |
| <u>EXCESS OF REVENUES OVER EXPENDITURES</u> | | 2,723,978.22 | 3,464,032.89 |
| <u>ADJUSTMENTS TO INCOME BEFORE FUND BALANCE:</u> | | | |
| Expenditures Included Above Which By Statute Are | | | |
| Deferred Charges to Budget in Succeeding Year | A-19 | 1,810,000.00 | 1,086,367.67 |
| <u>STATUTORY EXCESS</u> | | 4,533,978.22 | 4,550,400.56 |
| <u>FUND BALANCE, BEGINNING OF YEAR</u> | A | <u>5,041,342.74</u> | <u>5,240,942.18</u> |
| Subtotal | | 9,575,320.96 | 9,791,342.74 |
| <u>UTILIZED AS ANTICIPATED REVENUE</u> | A-2 | <u>4,330,000.00</u> | <u>4,750,000.00</u> |
| <u>FUND BALANCE, END OF YEAR</u> | A | <u>\$ 5,245,320.96</u> | <u>\$ 5,041,342.74</u> |

See accompanying notes to financial statements.

CITY OF ORANGE TOWNSHIP
CURRENT FUND

A-2

STATEMENT OF REVENUE
REGULATORY BASIS
AS OF DECEMBER 31, 2019

| | <u>Ref.</u> | <u>Budget</u> | <u>Realized</u> | <u>Excess or (Deficit)</u> |
|--------------------------------------|-------------|---|-------------------------|--------------------------------|
| Fund Balance | A-1 | \$ 4,330,000.00 | \$ 4,330,000.00 | |
| Miscellaneous Revenues | A-1, A-2a | 18,455,936.21 | 16,657,863.59 | \$ (1,798,072.62) |
| Receipts from Delinquent Taxes | A-1, A-2c | <u>3,410,000.00</u> | <u>3,732,473.27</u> | <u>322,473.27</u> |
| Sub - Total General Revenue | | <u>26,195,936.21</u> | <u>24,720,336.86</u> | <u>(1,475,599.35)</u> |
| Amount to be Raised by Taxation: | | | | |
| Local, Library and Additional School | A-2c | <u>49,036,577.60</u> | <u>50,387,412.61</u> | <u>1,350,835.01</u> |
| | | <u>49,036,577.60</u> | <u>50,387,412.61</u> | <u>1,350,835.01</u> |
| Total General Revenue | | 75,232,513.81 | 75,107,749.47 | (124,764.34) |
| Non-Budget Revenues | A-2d | <u> </u> | <u>1,456,586.41</u> | <u>1,456,586.41</u> |
| | A-3 | <u>\$ 75,232,513.81</u> | <u>\$ 76,564,335.88</u> | <u>\$ 1,331,822.07</u> |

See accompanying notes to financial statements.

CITY OF ORANGE TOWNSHIP
CURRENT FUND

STATEMENT OF REVENUES
REGULATORY BASIS
AS OF DECEMBER 31, 2019

A-2a

| | <u>Ref.</u> | <u>Budget</u> | <u>Chapter 159</u> | <u>Realized</u> | <u>(Deficit) or Excess</u> |
|--|-------------|-------------------------|----------------------|-------------------------|--------------------------------|
| MISCELLANEOUS REVENUES: | | | | | |
| Licenses: | | | | | |
| Alcoholic Beverages | A-15 | \$ 54,000.00 | \$ | \$ 53,780.00 | \$ (220.00) |
| Other | A-2b | 42,000.00 | | 42,922.00 | 922.00 |
| Fees and Permits: | | | | | |
| Uniform Construction Code Fees | A-15 | 630,000.00 | | 630,000.00 | |
| Other | A-2b | 521,800.00 | | 497,012.88 | (24,787.12) |
| Fines and Costs - Municipal Court | A-15 | 1,634,000.00 | | 1,504,814.30 | (129,185.70) |
| Interest and Costs on Taxes | A-6 | 1,040,000.00 | | 1,093,570.09 | 53,570.09 |
| Parking Meters | A-15 | 297,000.00 | | 227,497.57 | (69,502.43) |
| Rent Leveling Fees | A-15 | 55,000.00 | | 40,770.00 | (14,230.00) |
| Interest on Investments | A-15 | 48,000.00 | | 220,291.09 | 172,291.09 |
| Payments in Lieu of Taxes: | | | | | |
| Transport of New Jersey | A-15 | 107,000.00 | | 107,019.00 | 19.00 |
| Our Lady of Mt. Carmel Senior Citizens | A-15 | 144,000.00 | | 162,141.38 | 18,141.38 |
| South Essex Urban Renewal | A-15 | 60,000.00 | | 99,799.30 | 39,799.30 |
| Oakwood Towers | A-15 | 229,000.00 | | 353,158.67 | 124,158.67 |
| Salem Towers - High Street Associates | A-15 | 159,000.00 | | 105,958.80 | (53,041.20) |
| South Orange ATS | A-15 | 146,000.00 | | 196,245.20 | 50,245.20 |
| Tony Galento | A-15 | 247,000.00 | | 204,500.00 | (42,500.00) |
| The Berkeley | A-15 | 26,000.00 | | 24,539.25 | (1,460.75) |
| Lincoln Court | A-15 | 135,000.00 | | 55,652.00 | (79,348.00) |
| Project Live, Inc. | A-15 | 4,000.00 | | 13,813.22 | 9,813.22 |
| New Community Corporation | A-15 | 64,000.00 | | 47,010.60 | (16,989.40) |
| 307 Washington Street | A-15 | 34,415.92 | | 120,836.20 | 86,420.28 |
| Central Village II | A-15 | 25,000.00 | | 57,759.00 | 32,759.00 |
| Grand Central Senior Housing | A-15 | 28,000.00 | | 68,265.24 | 40,265.24 |
| Living Fountain | A-15 | 31,275.00 | | 66,465.00 | 35,190.00 |
| Walter G Phase I | A-15 | 42,392.90 | | 51,244.54 | 8,851.64 |
| Walter G Phase II | A-15 | 31,000.00 | | 34,635.68 | 3,635.68 |
| Walter G Phase III | A-15 | 29,153.00 | | 36,815.64 | 7,662.64 |
| L&M Development Partners | A-15 | 146,000.00 | | 110,896.09 | (35,103.91) |
| Station Partners Condos | A-15 | 42,732.00 | | 32,901.96 | (9,830.04) |
| South Jefferson Condos | A-15 | 16,743.00 | | 60,692.70 | 43,949.70 |
| Franchise Fee from Cable TV Gross Revenue | A-15 | 163,000.00 | | 155,225.80 | (7,774.20) |
| Energy Receipts Tax | A-15 | 6,658,709.00 | | 6,627,625.00 | (31,084.00) |
| Consolidated Municipal Property Tax Relief | A-15 | 1,714,088.00 | | 1,714,088.00 | |
| Reserve for Orange Reservoir | A-26 | 75,000.00 | | 75,000.00 | |
| ILS Belleville | A-15 | 42,840.00 | | 32,130.00 | (10,710.00) |
| Tax Levy sale | A-15 | 2,000,000.00 | | | (2,000,000.00) |
| State and Federal Revenue Offsets with Appropriations: | | | | | |
| Essex County Cultural and Historic Affairs - Arts | A-18 | 1,000.00 | | 1,000.00 | |
| Recycling Tonnage | A-18 | 11,732.49 | | 11,732.49 | |
| DWI Enforcement Fund | A-18 | 1,285.99 | | 1,285.99 | |
| Soccer Grant | A-18 | | 1,000.00 | 1,000.00 | |
| CDBG - | A-18 | | 370,500.00 | 370,500.00 | |
| CDBG - High & Alden Street Restroom Facility | A-18 | 33,637.84 | | 33,637.84 | |
| Comcast Grant | A-18 | 75,000.00 | | 75,000.00 | |
| Essex County Municipal Alliance - 2019 | A-18 | 27,760.00 | | 27,760.00 | |
| Essex County Visiting Nurse - 2018 | A-18 | 14,877.00 | | 14,877.00 | |
| Essex County Visiting Nurse - 2019 | A-18 | 15,215.00 | | 15,215.00 | |
| NJDOT Various Streets -2019 | A-18 | 848,312.00 | | 848,312.00 | |
| State NJ Clean Communities | A-18 | 50,652.27 | | 50,652.27 | |
| Summer Food Program | A-18 | 281,814.80 | | 281,814.80 | |
| | A-2 | <u>\$ 18,084,436.21</u> | <u>\$ 371,500.00</u> | <u>\$ 16,657,863.59</u> | <u>\$ (1,798,072.62)</u> |

See accompanying notes to financial statements.

CITY OF ORANGE TOWNSHIP
CURRENT FUND

A-2b

STATEMENT OF REVENUE
REGULATORY BASIS
AS OF DECEMBER 31, 2019

| | <u>Ref.</u> | |
|----------------------------------|-------------|----------------------|
| <u>Other Licenses</u> | | |
| City Clerk | \$ | 2,825.00 |
| Inspection and Licensing | | 31,900.00 |
| Marriage Licenses, Milk Licences | | 747.00 |
| Health Department | | <u>7,450.00</u> |
| | A-2a, A-15 | <u>\$ 42,922.00</u> |
| <u>Other Fees and Permits</u> | | |
| City Clerk | \$ | 1,528.38 |
| Superintendent Fees | | 405.00 |
| Nonstruction Code Fees | | 300.00 |
| Health Department | | 63,888.00 |
| Electronic Dealth Transcripts | | 46,290.00 |
| Engineer Fees | | 23,260.00 |
| BOA Fees | | 6,250.00 |
| Tax Assessor | | 1,111.38 |
| Planning Board | | 11,350.00 |
| Police Department | | 11,595.50 |
| Code Enforcement | | 236,963.00 |
| Planning and Development | | 92,181.62 |
| Historic Preservation | | <u>1,890.00</u> |
| | A-2a, A-15 | <u>\$ 497,012.88</u> |

See accompanying notes to financial statements.

CITY OF ORANGE TOWNSHIP
CURRENT FUND

A-2c

STATEMENT OF REVENUE
ANALYSIS OF REALIZED TAX REVENUE
REGULATORY BASIS
AS OF DECEMBER 31, 2019

| | <u>Ref.</u> | | |
|---|-------------|----------------------|-------------------------|
| Receipts from Delinquent Taxes | | | |
| Delinquent Tax Collections: | | | |
| Prior Years | A-10 | \$ 3,487,250.93 | |
| Tax Title Lien Collections | A-11 | 245,222.34 | |
| | A-1, A-2 | <u>3,732,473.27</u> | <u>\$ 3,732,473.27</u> |
| | | | |
| Allocation of Current Tax Collections | | | |
| Revenue from Collections: | | | |
| 2019 Collections and Overpayments Applied | A-10 | \$ 67,846,302.65 | |
| 2018 Collections | A-10 | 267,245.29 | |
| Due from State of New Jersey | A-10 | <u>53,009.59</u> | |
| | A-1 | | \$ 68,166,557.53 |
| | | | |
| Less: Allocated to: | | | |
| Essex County | A-10 | 7,491,405.36 | |
| Municipal Open Space | A-1 | 393,840.56 | |
| Local School District | A-10 | <u>12,393,899.00</u> | |
| | | | <u>20,279,144.92</u> |
| | | | 47,887,412.61 |
| | | | |
| Plus: Appropriation Reserve for Uncollected Taxes | A-3 | | <u>2,500,000.00</u> |
| | | | |
| Amount of Municipal Support | A-2 | | <u>\$ 50,387,412.61</u> |

CITY OF ORANGE TOWNSHIP
CURRENT FUND

A-2d

STATEMENT OF REVENUE
ANALYSIS OF NON-BUDGET REVENUE
REGULATORY BASIS
AS OF DECEMBER 31, 2019

| | Ref. | |
|---------------------------------------|----------|------------------------|
| Miscellaneous Revenue Not Anticipated | | |
| Prior Year Checks Canceled | | \$ 21,162.44 |
| LEA Fees | | 44,859.12 |
| Insurance Refunds | | 750,000.00 |
| Administrative Fees for Cars | | 24,750.00 |
| FEMA - Reimbursement | | 84,906.83 |
| Miscellaneous | | 62,985.87 |
| New PILOTS | | <u>457,003.66</u> |
| | A-6 | 1,445,667.92 |
| Other Miscellaneous Items - Net | | 10,920.43 |
| Less: Interfund adjustment | A-18 | (1.94) |
| | A-1, A-2 | <u>\$ 1,456,586.41</u> |

See accompanying notes to financial statements.

CITY OF ORANGE TOWNSHIP
CURRENT FUND

A-3
Sheet # 1

STATEMENT OF EXPENDITURES
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2019

| | Budget | Budget After Modification | Expended | | | Canceled |
|--|----------------------|------------------------------|----------------------|-------------------|-------------------|----------|
| | | | Paid or Charged | Encumbered | Reserved | |
| OPERATIONS - WITHIN "CAPS": | | | | | | |
| DEPARTMENT OF ADMINISTRATION | | | | | | |
| Mayor's Office | | | | | | |
| Salaries and Wages | \$ 248,428.31 | \$ 250,928.31 | \$ 249,815.01 | \$ | \$ 1,113.30 | |
| Other Expenses | 12,400.00 | 12,400.00 | 6,570.85 | | 5,829.15 | |
| Office of the Business Administrator | | | | | | |
| Salaries and Wages | 229,024.62 | 237,024.62 | 235,937.50 | | 1,087.12 | |
| Other Expenses | 780.00 | 780.00 | 771.76 | | 8.24 | |
| Office of Administrative Services | | | | | | |
| Salaries and Wages | 782,739.94 | 779,738.94 | 773,356.25 | | 6,382.69 | |
| Other Expenses | 848,370.00 | 965,370.00 | 708,933.28 | 206,917.14 | 49,519.58 | |
| Grant Writer | | | | | | |
| Other Expenses | 50,000.00 | 50,000.00 | 49,992.00 | 8.00 | | |
| Office of Public Defender | | | | | | |
| Salaries and Wages | 64,506.27 | 64,506.27 | 63,397.10 | | 1,109.17 | |
| Other Expenses | 800.00 | 800.00 | | | 800.00 | |
| Insurance: | | | | | | |
| Other Insurance Premiums | 750,000.00 | 700,000.00 | 653,937.53 | 10,993.01 | 35,069.46 | |
| Workers Compensation | 575,000.00 | 850,000.00 | 814,693.08 | 3,329.58 | 31,977.34 | |
| Emergency - Health Benefits | | 300,000.00 | 300,000.00 | | | |
| Employee Group Health | 11,100,000.00 | 11,355,000.00 | 10,620,587.36 | 491,885.96 | 242,526.68 | |
| Municipal Insurance Fund | 60,000.00 | 60,000.00 | 1,802.50 | | 58,197.50 | |
| Municipal Alcohol Beverage Control Board | | | | | | |
| Other Expenses | 15,340.00 | 15,340.00 | 3,675.56 | 5,116.52 | 6,547.92 | |
| | <u>14,737,389.14</u> | <u>15,641,888.14</u> | <u>14,483,469.78</u> | <u>718,250.21</u> | <u>440,168.15</u> | <u>-</u> |
| DEPARTMENT OF LAW | | | | | | |
| Office of the City Attorney | | | | | | |
| Salaries and Wages | 486,285.34 | 486,285.34 | 484,856.05 | | 1,429.29 | |
| Emergency - Legal matters - Ian Betz | | 1,510,000.00 | 1,500,000.00 | | 10,000.00 | |
| Other Expenses | 486,160.00 | 486,160.00 | 387,903.31 | 74,640.21 | 23,616.48 | |
| | <u>972,445.34</u> | <u>2,482,445.34</u> | <u>2,372,759.36</u> | <u>74,640.21</u> | <u>35,045.77</u> | <u>-</u> |
| CITY CLERK AND MUNICIPAL COUNCIL | | | | | | |
| City Council | | | | | | |
| Salaries and Wages | 210,000.00 | 210,001.00 | 210,000.70 | | 0.30 | |
| Other Expenses | 165,050.00 | 165,050.00 | 94,236.74 | 54,550.90 | 16,262.36 | |
| City Clerk | | | | | | |
| Salaries and Wages | 343,255.77 | 360,255.77 | 357,305.91 | | 2,949.86 | |
| Other Expenses | 101,200.00 | 101,200.00 | 41,525.54 | 55,818.95 | 3,855.51 | |
| City Clerk Election | | | | | | |
| Salaries and Wages | 10,000.00 | 6,000.00 | 2,199.39 | | 3,800.61 | |
| Other Expenses | 35,000.00 | 35,000.00 | 11,306.48 | 10,003.00 | 13,690.52 | |
| | <u>864,505.77</u> | <u>877,506.77</u> | <u>716,574.76</u> | <u>120,372.85</u> | <u>40,559.16</u> | <u>-</u> |

CITY OF ORANGE TOWNSHIP
CURRENT FUND

STATEMENT OF EXPENDITURES
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2019

A-3
Sheet # 2

| | <u>Budget</u> | <u>Budget After Modification</u> | <u>Expended</u> | | | <u>Canceled</u> |
|---|---------------------|--------------------------------------|----------------------------|-------------------|------------------|-----------------|
| | | | <u>Paid or Charged</u> | <u>Encumbered</u> | <u>Reserved</u> | |
| OPERATIONS - WITHIN "CAPS" (Continued): | | | | | | |
| DEPARTMENT OF PLANNING AND DEVELOPMENT | | | | | | |
| Inspection and Licensing | | | | | | |
| Salaries and Wages | \$ 264,250.32 | \$ 264,250.32 | \$ 247,629.96 | | \$ 16,620.36 | |
| Other Expenses | 31,780.00 | 31,780.00 | 25,877.95 | \$ 1,248.23 | 4,653.82 | |
| Planning Division | | | | | | |
| Salaries and Wages | 420,277.72 | 437,277.72 | 436,682.76 | | 594.96 | |
| Other Expenses | 235,290.00 | 235,290.00 | 183,716.03 | 18,207.75 | 33,366.22 | |
| Zoning Board | | | | | | |
| Salaries and Wages | 5,000.00 | | | | | |
| Other Expenses | 5,510.00 | 5,510.00 | 2,983.40 | 2,500.00 | 26.60 | |
| Planning Board | | | | | | |
| Other Expenses | 17,755.00 | 17,755.00 | 10,388.30 | 1,881.53 | 5,485.17 | |
| Historical Preservation Board | | | | | | |
| Salaries and Wages | 5,000.00 | | | | | |
| Other Expenses | 8,310.00 | 8,310.00 | 3,473.66 | 1,184.34 | 3,652.00 | |
| Rent Leveling Board | | | | | | |
| Other Expenses | 200.00 | 200.00 | | | 200.00 | |
| | <u>993,373.04</u> | <u>1,000,373.04</u> | <u>910,752.06</u> | <u>25,021.85</u> | <u>64,599.13</u> | <u>-</u> |
| DEPARTMENT OF FINANCE | | | | | | |
| Department of Finance | | | | | | |
| Salaries and Wages | 557,015.21 | 532,015.21 | 526,876.92 | | 5,138.29 | |
| Other Expenses | 215,400.00 | 235,400.00 | 181,466.68 | 36,162.29 | 17,771.03 | |
| Audit/Acting Services | 150,000.00 | 150,000.00 | 108,324.50 | 16,675.50 | 25,000.00 | |
| Office of Tax Collector | | | | | | |
| Salaries and Wages | 297,113.66 | 292,613.66 | 291,737.39 | | 876.27 | |
| Other Expenses | 45,400.00 | 65,400.00 | 29,122.04 | 5,434.16 | 30,843.80 | |
| Tax Assessor | | | | | | |
| Salaries and Wages | 226,827.62 | 219,827.62 | 219,013.10 | | 814.52 | |
| Other Expenses | 56,300.00 | 36,300.00 | 6,183.45 | 15,426.00 | 14,690.55 | |
| | <u>1,548,056.49</u> | <u>1,531,556.49</u> | <u>1,362,724.08</u> | <u>73,697.95</u> | <u>95,134.46</u> | <u>-</u> |
| DEPARTMENT OF COMMUNITY SERVICES | | | | | | |
| Administration Division | | | | | | |
| Salaries and Wages | 1,234,552.36 | 1,203,552.36 | 1,160,471.54 | | 43,080.82 | |
| Other Expenses | 9,620.00 | 9,620.00 | 6,217.00 | 2,723.00 | 680.00 | |
| Health Division | | | | | | |
| Other Expenses | 20,506.00 | 20,506.00 | 7,426.03 | 4,100.00 | 8,979.97 | |
| | <u>1,264,678.36</u> | <u>1,233,678.36</u> | <u>1,174,114.57</u> | <u>6,823.00</u> | <u>52,740.79</u> | <u>-</u> |

CITY OF ORANGE TOWNSHIP
CURRENT FUND

STATEMENT OF EXPENDITURES
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2019

A-3
Sheet # 3

| | <u>Budget</u> | <u>Budget After Modification</u> | <u>Expended</u> | | | <u>Canceled</u> |
|--|----------------------|--------------------------------------|----------------------------|-------------------|-------------------|-----------------|
| | | | <u>Paid or Charged</u> | <u>Encumbered</u> | <u>Reserved</u> | |
| OPERATIONS - WITHIN "CAPS" (Continued): | | | | | | |
| DEPARTMENT OF COMMUNITY SERVICES (Continued) | | | | | | |
| Animal Control | | | | | | |
| Other Expenses | \$ 74,939.00 | \$ 74,939.00 | \$ 54,057.16 | \$ 19,252.32 | \$ 1,629.52 | |
| After School | | | | | | |
| Salaries and Wages | 14,055.74 | 17,055.74 | 16,364.19 | | 691.55 | |
| Other Expenses | 29,000.00 | 29,000.00 | 25,852.00 | 3,148.00 | | |
| Older Adults Services | | | | | | |
| Other Expenses | 21,275.00 | 21,275.00 | 16,709.30 | 3,702.49 | 863.21 | |
| Cultural Affairs | | | | | | |
| Other Expenses | 40,450.00 | 40,450.00 | 31,928.99 | 7,634.47 | 886.54 | |
| Recreation | | | | | | |
| Salaries and Wages | 194,317.00 | 222,317.00 | 220,399.58 | | 1,917.42 | |
| Other Expenses | 158,034.00 | 158,034.00 | 133,558.92 | 21,352.74 | 3,122.34 | |
| | <u>532,070.74</u> | <u>563,070.74</u> | <u>498,870.14</u> | <u>55,090.02</u> | <u>9,110.58</u> | <u>-</u> |
| DEPARTMENT OF POLICE | | | | | | |
| Administration Division | | | | | | |
| Salaries and Wages | 12,447,911.00 | 12,877,911.00 | 12,785,509.30 | | 92,401.70 | |
| Other Expenses | 382,210.00 | 382,210.00 | 145,309.06 | 230,477.29 | 6,423.65 | |
| Fleet Management | 250,000.00 | | | | | |
| School Guards | | | | | | |
| Salaries and Wages | 424,528.78 | 424,528.78 | 393,150.22 | | 31,378.56 | |
| Other Expenses | 50,000.00 | | | | | |
| | <u>13,554,649.78</u> | <u>13,684,649.78</u> | <u>13,323,968.58</u> | <u>230,477.29</u> | <u>130,203.91</u> | <u>-</u> |
| DEPARTMENT OF FIRE | | | | | | |
| Administration Division | | | | | | |
| Salaries and Wages | 6,594,300.00 | 6,229,300.00 | 6,152,471.99 | | 76,828.01 | |
| Other Expenses | 702,658.00 | 702,658.00 | 461,504.23 | 218,669.10 | 22,484.67 | |
| | <u>7,296,958.00</u> | <u>6,931,958.00</u> | <u>6,613,976.22</u> | <u>218,669.10</u> | <u>99,312.68</u> | <u>-</u> |

CITY OF ORANGE TOWNSHIP
CURRENT FUND

STATEMENT OF EXPENDITURES
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2019

A-3
Sheet # 4

| | <u>Budget</u> | <u>Budget After Modification</u> | <u>Expended</u> | | | <u>Canceled</u> |
|--|---------------------|--------------------------------------|----------------------------|-------------------|-------------------|-----------------|
| | | | <u>Paid or Charged</u> | <u>Encumbered</u> | <u>Reserved</u> | |
| OPERATIONS - WITHIN "CAPS" (Continued): | | | | | | |
| DEPARTMENT OF PUBLIC WORKS | | | | | | |
| Street Maintenance | | | | | | |
| Salaries and Wages | \$ 1,212,985.74 | \$ 1,419,985.74 | \$ 1,416,671.45 | | \$ 3,314.29 | |
| Other Expenses | 354,520.00 | 317,520.00 | 161,573.89 | \$ 99,348.45 | 56,597.66 | |
| Maintenance of Parks | | | | | | |
| Salaries and Wages | 133,136.95 | 133,136.95 | 102,822.31 | | 30,314.64 | |
| Other Expenses | 162,000.00 | 137,000.00 | 69,213.15 | 42,385.00 | 25,401.85 | |
| Director's Office | | | | | | |
| Salaries and Wages | 374,212.34 | 406,212.34 | 406,212.34 | | | |
| Other Expenses | 111,348.00 | 111,348.00 | 80,808.45 | 21,181.95 | 9,357.60 | |
| Equipment and Vehicle Management | | | | | | |
| Other Expenses | 900,000.00 | 850,000.00 | 580,938.24 | 210,804.89 | 58,256.87 | |
| Building and Grounds | | | | | | |
| Salaries and Wages | 225,627.27 | 225,627.27 | 219,398.53 | | 6,228.74 | |
| Other Expenses | 367,896.00 | 367,896.00 | 167,433.81 | 152,596.93 | 47,865.26 | |
| Snow Removal | | | | | | |
| Salaries and Wages | 50,000.00 | 50,000.00 | 29,502.76 | | 20,497.24 | |
| Other Expenses | 82,400.00 | 82,400.00 | 24,923.16 | 30,576.84 | 26,900.00 | |
| | <u>3,974,126.30</u> | <u>4,101,126.30</u> | <u>3,259,498.09</u> | <u>556,894.06</u> | <u>284,734.15</u> | <u>-</u> |
| MUNICIPAL COURT | | | | | | |
| Salaries and Wages | 959,969.17 | 959,969.17 | 935,208.08 | | 24,761.09 | |
| Other Expenses | 123,455.00 | 108,455.00 | 53,544.92 | 19,776.14 | 35,133.94 | |
| | <u>1,083,424.17</u> | <u>1,068,424.17</u> | <u>988,753.00</u> | <u>19,776.14</u> | <u>59,895.03</u> | <u>-</u> |
| UNIFORM CONSTRUCTION CODE - APPROPRIATIONS | | | | | | |
| OF Planning and Economic Development/Uniform | | | | | | |
| Construction Code: | | | | | | |
| Inspections and Licensing | | | | | | |
| Salaries and Wages | 245,639.53 | 245,639.53 | 241,653.93 | | 3,985.60 | |
| | <u>245,639.53</u> | <u>245,639.53</u> | <u>241,653.93</u> | | <u>3,985.60</u> | |

CITY OF ORANGE TOWNSHIP
CURRENT FUND

STATEMENT OF EXPENDITURES
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2019

A-3
Sheet # 5

| | <u>Budget</u> | <u>Budget After Modification</u> | <u>Expended</u> | | | <u>Canceled</u> |
|--|----------------------|--------------------------------------|----------------------------|---------------------|---------------------|------------------|
| | | | <u>Paid or Charged</u> | <u>Encumbered</u> | <u>Reserved</u> | |
| OPERATIONS - WITHIN "CAPS" (Continued): | | | | | | |
| UNCLASSIFIED | | | | | | |
| Utilities | | | | | | |
| Telephone | \$ 330,000.00 | \$ 340,000.00 | \$ 281,325.54 | \$ 20,867.57 | \$ 37,806.89 | |
| Street Lighting | 600,000.00 | 430,000.00 | 285,508.91 | 144,160.59 | 330.50 | |
| Gas and Electric | 395,000.00 | 395,000.00 | 233,924.32 | 161,075.68 | | |
| Refuse Removal | 2,910,162.50 | 2,785,162.50 | 2,133,910.22 | 546,132.68 | 105,119.60 | |
| Salary Adjustment Account | 200,000.00 | - | | | | |
| Contingent | 10,000.00 | 10,000.00 | | | 10,000.00 | |
| TOTAL UNCLASSIFIED | <u>4,445,162.50</u> | <u>3,960,162.50</u> | <u>2,934,668.99</u> | <u>872,236.52</u> | <u>153,256.99</u> | |
| TOTAL OPERATIONS WITHIN "CAP" | <u>51,512,479.16</u> | <u>53,322,479.16</u> | <u>48,881,783.56</u> | <u>2,971,949.20</u> | <u>1,468,746.40</u> | <u>-</u> |
| Detail | | | | | | |
| Salaries and Wages | 28,460,960.66 | 28,555,960.66 | 28,178,644.26 | | 377,316.40 | |
| Other Expenses | 23,051,518.50 | 22,956,518.50 | 18,903,139.30 | 2,971,949.20 | 1,081,430.00 | |
| | <u>51,512,479.16</u> | <u>51,512,479.16</u> | <u>47,081,783.56</u> | <u>2,971,949.20</u> | <u>1,458,746.40</u> | <u>-</u> |
| DEFERRED CHARGES | | | | | | |
| Overexpenditure of Budget Appropriations | 86,367.67 | 86,367.67 | 86,367.67 | | | |
| Prior Years Bills | 50,000.00 | 50,000.00 | | | | \$ 50,000.00 |
| | <u>136,367.67</u> | <u>136,367.67</u> | <u>86,367.67</u> | | | <u>50,000.00</u> |
| STATUTORY EXPENDITURES | | | | | | |
| Public Employee Retirement System | 897,805.00 | 897,805.00 | 897,805.00 | | | |
| Social Security System (O.A.S.I.) | 1,252,026.00 | 1,252,026.00 | 1,156,929.64 | | 95,096.36 | |
| Consolidated Police and Fire | 25,000.00 | 25,000.00 | | | 25,000.00 | |
| Police and Fire Retirement System | 5,058,752.59 | 5,058,752.59 | 5,058,752.59 | | | |
| DCRP | 20,000.00 | 20,000.00 | 18,752.13 | | 1,247.87 | |
| Unemployment Insurance | 50,000.00 | 50,000.00 | | | 50,000.00 | |
| TOTAL GENERAL APPROPRIATIONS FOR | <u>7,303,583.59</u> | <u>7,303,583.59</u> | <u>7,132,239.36</u> | | <u>171,344.23</u> | <u>-</u> |
| MUNICIPAL PURPOSES WITHIN "CAPS" | <u>58,952,430.42</u> | <u>60,762,430.42</u> | <u>56,100,390.59</u> | <u>2,971,949.20</u> | <u>1,640,090.63</u> | <u>50,000.00</u> |

CITY OF ORANGE TOWNSHIP
CURRENT FUND

A-3
Sheet # 6

STATEMENT OF EXPENDITURES
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2019

| | <u>Budget</u> | <u>Budget After Modification</u> | <u>Paid or Charged</u> | <u>Expended</u> | | <u>Canceled</u> |
|--|---------------------|----------------------------------|------------------------|-------------------|-------------------|-----------------|
| | | | | <u>Encumbered</u> | <u>Reserved</u> | |
| OPERATIONS - EXCLUDED FROM "CAPS" | | | | | | |
| Orange Public Library | \$ 1,096,000.00 | \$ 1,096,000.00 | \$ 885,146.74 | \$ 4,044.59 | \$ 206,808.67 | |
| Library Portion of Health Benefits | 185,000.00 | 185,000.00 | 185,000.00 | | | |
| Police CAP Waiver | 2,680,000.00 | 2,680,000.00 | 2,680,000.00 | | | |
| Fire CAP Waiver | 1,650,000.00 | 1,650,000.00 | 1,650,000.00 | | | |
| Temporary Emergency - Fire Dept. Retro | 1,300,000.00 | 1,300,000.00 | 1,300,000.00 | | | |
| Interlocal Service Agreement - Belleville | 42,840.00 | 42,840.00 | 16,513.35 | | 26,326.65 | |
| | <u>6,953,840.00</u> | <u>6,953,840.00</u> | <u>6,716,660.09</u> | <u>4,044.59</u> | <u>233,135.32</u> | <u>-</u> |
| STATE AND FEDERAL PROGRAMS OFFSET BY REVENUES | | | | | | |
| CDBG High & Alden Street Park Restroom Facility | 33,637.84 | 33,637.84 | 33,637.84 | | | |
| CDBG Expansion of Colgate Skate Park - 159 | | 370,500.00 | 370,500.00 | | | |
| Essex County Division of Cultural and Historic Affairs | | | | | | |
| 2018 Local Art Grant | 1,000.00 | 1,000.00 | 1,000.00 | | | |
| Essex County Municipal Alliance | 27,760.00 | 27,760.00 | 27,760.00 | | | |
| Essex County Visiting Nurse 2018 | 14,877.00 | 14,877.00 | 14,877.00 | | | |
| Essex County Visiting Nurse 2019 | 15,215.00 | 15,215.00 | 15,215.00 | | | |
| NJDOT Various Streets -2019 | 848,312.00 | 848,312.00 | 848,312.00 | | | |
| State NJ Clean Communities | 50,652.27 | 50,652.27 | 50,652.27 | | | |
| State NJ Recycling Tonnage 2019 | 11,732.49 | 11,732.49 | 11,732.49 | | | |
| Soccor Grant | | 1,000.00 | 1,000.00 | | | |
| Comcast Grant | 75,000.00 | 75,000.00 | 75,000.00 | | | |
| DWI Enforcement Fund | 1,285.99 | 1,285.99 | 1,285.99 | | | |
| Summer Food Program | 281,814.80 | 281,814.80 | 281,814.80 | | | |
| | <u>1,361,287.39</u> | <u>1,732,787.39</u> | <u>1,732,787.39</u> | | - | |
| Total Operations | <u>8,315,127.39</u> | <u>8,686,627.39</u> | <u>8,449,447.48</u> | <u>4,044.59</u> | <u>233,135.32</u> | |

CITY OF ORANGE TOWNSHIP
CURRENT FUND

A-3
Sheet # 7

STATEMENT OF EXPENDITURES
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2019

| | <u>Budget</u> | <u>Budget After Modification</u> | <u>Expended</u> | | | <u>Canceled</u> |
|---|-------------------------|----------------------------------|-------------------------|------------------------|------------------------|------------------------|
| | | | <u>Paid or Charged</u> | <u>Encumbered</u> | <u>Reserved</u> | |
| CAPITAL IMPROVEMENT FUND | \$ 2,000,000.00 | \$ 2,000,000.00 | \$ 1,000,000.00 | | | \$ 1,000,000.00 |
| DEFERRED CHARGES | | | | | | |
| Emergency Authorization | 1,000,000.00 | 1,000,000.00 | 1,000,000.00 | | | |
| Special Emergency Authorization - 5 years | <u>200,000.00</u> | <u>200,000.00</u> | <u>200,000.00</u> | | | |
| | <u>1,200,000.00</u> | <u>1,200,000.00</u> | <u>1,200,000.00</u> | | - | <u>1,000,000.00</u> |
| DEBT SERVICE | | | | | | |
| Payment of Bond Principal | 1,300,000.00 | 1,300,000.00 | 1,300,000.00 | | | |
| Interest on Bonds | 290,026.00 | 290,026.00 | 290,026.00 | | | |
| Interest on Notes | 101,856.00 | 101,856.00 | 95,765.55 | | | 6,090.45 |
| Loan Payment for Principal and Interest | 60,129.00 | 60,129.00 | 60,028.87 | | | 100.13 |
| New Jersey Environmental Infrastructure Loan | 101,145.00 | 101,145.00 | 98,992.95 | \$ 2,152.05 | | - |
| Demolition Loan- Department of Community Affairs | <u>40,300.00</u> | <u>40,300.00</u> | <u>33,800.00</u> | | | <u>6,500.00</u> |
| | <u>1,893,456.00</u> | <u>1,893,456.00</u> | <u>1,878,613.37</u> | <u>2,152.05</u> | - | <u>12,690.58</u> |
| Total General Appropriations excluded from "CAPS" | <u>13,408,583.39</u> | <u>13,780,083.39</u> | <u>12,528,060.85</u> | <u>6,196.64</u> | <u>233,135.32</u> | <u>1,012,690.58</u> |
| Sub Total | 72,361,013.81 | 74,542,513.81 | 68,628,451.44 | 2,978,145.84 | 1,873,225.95 | 1,062,690.58 |
| Reserve for Uncollectible Taxes | <u>2,500,000.00</u> | <u>2,500,000.00</u> | <u>2,500,000.00</u> | | - | |
| Total Appropriations | <u>\$ 74,861,013.81</u> | <u>\$ 77,042,513.81</u> | <u>\$ 71,128,451.44</u> | <u>\$ 2,978,145.84</u> | <u>\$ 1,873,225.95</u> | <u>\$ 1,062,690.58</u> |
| | A-2 | | A-3a | A | A | A-3a |

CITY OF ORANGE TOWNSHIP
CURRENT FUND

A-3a

STATEMENT OF EXPENDITURES
REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2019

| | <u>Ref.</u> | <u>Modified Budget</u> | <u>Paid or Charged</u> |
|--------------------------------------|-------------|----------------------------|----------------------------|
| Adopted Budget | A-2 | \$ 74,861,013.81 | \$ |
| Emergency Authorization | A-19 | 3,375,000.00 | |
| Less: Transferred to General Capital | A-19 | (1,565,000.00) | |
| Chapter 159 - Grants | A-2a | 371,500.00 | |
| Cash Disbursed | A-4 | | 65,480,961.28 |
| Deferred Charges - Overexpenditures | A-19 | | 1,086,367.67 |
| Deferred Charges - Special Emergency | A-20 | | 200,000.00 |
| Reserve for Grant Expenditures | A-18, A-37 | | 1,732,787.39 |
| Reserve for Uncollected Taxes | A-3 | (2,500,000.00) | 2,500,000.00 |
| Transfer to General Capital Fund | A-18 | | 128,335.10 |
| Canceled | A-3 | (1,062,690.58) | |
| | A-1 | <u>\$ 73,479,823.23</u> | <u>\$ 71,128,451.44</u> |

See accompanying notes to financial statements.

CITY OF ORANGE TOWNSHIP
TRUST FUND

COMPARATIVE BALANCE SHEETS
REGULATORY BASIS
DECEMBER 31, 2019 AND 2018

B

| <u>ASSETS</u> | <u>Ref.</u> | <u>2019</u> | <u>2018</u> |
|--|-------------|------------------------|------------------------|
| ANIMAL CONTROL FUND: | | | |
| Cash | B-1 | \$ 19,897.58 | \$ 18,083.58 |
| GENERAL TRUST FUND: | | | |
| Cash | B-1 | \$ 1,360,236.69 | \$ 4,545,522.14 |
| Other Accounts Receivable | B-5 | 4,434.37 | 4,434.37 |
| Accounts Receivable - Police Outside Services | B-8 | 219,478.61 | |
| Interfunds Receivable | B-6 | 5,911,942.85 | 406,884.88 |
| | | <u>\$ 7,496,092.52</u> | <u>\$ 4,956,841.39</u> |
| MUNICIPAL INSURANCE TRUST FUND: | | | |
| Cash | B-1 | \$ 181,076.10 | \$ 214,578.79 |
| MUNICIPAL OPEN SPACE TRUST FUND: | | | |
| Due from Current Fund | B-20 | \$ 393,840.56 | \$ |
| GRANT TRUST FUND | | | |
| Cash | B-1 | \$ 541,993.10 | \$ 154,938.20 |
| Interfunds Receivable | B-12 | 370.24 | |
| Essex County Community Development Block Grants Receivable | B-4 | 986,098.66 | 1,235,917.97 |
| | | <u>\$ 1,528,462.00</u> | <u>\$ 1,390,856.17</u> |
| TOTAL ASSETS | | <u>\$ 9,619,368.76</u> | <u>\$ 6,580,359.93</u> |
| <u>LIABILITIES, RESERVES AND FUND BALANCE</u> | | | |
| ANIMAL CONTROL FUND: | | | |
| Reserve for Expenditures | B-14 | \$ 19,895.18 | \$ 18,067.98 |
| Due to State of New Jersey | B-7 | 2.40 | 15.60 |
| | | <u>\$ 19,897.58</u> | <u>\$ 18,083.58</u> |
| GENERAL TRUST FUND: | | | |
| Reserve for: | | | |
| Interfund Payables | B-6 | \$ 31,518.56 | \$ 40,370.43 |
| Other Expenditures | B-8 | 934,037.57 | 988,194.19 |
| Other Deposits | B-9 | 1,260,382.51 | 757,516.32 |
| New Jersey Unemployment Insurance | B-10 | 31,796.51 | 31,796.51 |
| Salary Account | B-18 | 343,749.71 | 1,078,406.19 |
| Premium on Tax Sale | B-11 | 4,597,412.46 | 1,203,112.46 |
| Encumbrances Payable | B-19 | 297,195.20 | 857,445.29 |
| | | <u>\$ 7,496,092.52</u> | <u>\$ 4,956,841.39</u> |
| MUNICIPAL INSURANCE TRUST FUND: | | | |
| Interfund Payable | B-12 | \$ 241.98 | \$ 26.87 |
| Reserve for Municipal Insurance Trust Fund Expenditures | B-15 | 180,834.12 | 214,551.92 |
| | | <u>\$ 181,076.10</u> | <u>\$ 214,578.79</u> |
| MUNICIPAL OPEN SPACE TRUST FUND: | | | |
| Reserve for Municipal Open Space | B-20 | \$ 393,840.56 | \$ |
| GRANT TRUST FUND: | | | |
| Encumbrances | B-16 | | \$ 8,831.18 |
| Due to Trust Other | B-12 | \$ 400,000.00 | 300,000.00 |
| Due to Current Fund | B-12 | 546.75 | 18.60 |
| Reserve for: | | | |
| Rehabilitation Grant Refunds | B-13 | 1,659.05 | 1,659.05 |
| Essex County Community Development Block Grants Appropriated | B-16 | 1,015,582.31 | 969,673.45 |
| Other Grant Fund Expenditures | B-17 | 110,673.89 | 110,673.89 |
| | | <u>\$ 1,528,462.00</u> | <u>\$ 1,390,856.17</u> |
| TOTAL LIABILITIES AND RESERVES | | <u>\$ 9,619,368.76</u> | <u>\$ 6,580,359.93</u> |

See accompanying notes to financial statements.

CITY OF ORANGE TOWNSHIP
GENERAL CAPITAL FUND

C

COMPARATIVE BALANCE SHEETS
REGULATORY BASIS
DECEMBER 31, 2019 AND 2018

| ASSETS | <u>Ref.</u> | <u>2019</u> | <u>2018</u> |
|---|-------------|-------------------------|-------------------------|
| Cash | C-2 | \$ 7,419,821.09 | \$ 2,508,825.69 |
| Grants Receivable | C-4 | 669,581.24 | 669,581.24 |
| Loans Receivable | C-5 | 7,305,112.81 | 10,031,275.89 |
| Interfund Receivable | C-14 | 3,094,449.02 | |
| Deferred Charges to Future Taxation: | | | |
| Funded | C-6 | 11,076,413.43 | 9,837,842.33 |
| Unfunded | C-7 | 30,756,836.92 | 4,307,000.00 |
| | | <u>\$ 60,322,214.51</u> | <u>\$ 27,354,525.15</u> |
| | | | |
| LIABILITIES AND FUND BALANCE | | | |
| | | | |
| General Refunding Bonds | C-17 | \$ 7,545,000.00 | \$ 8,845,000.00 |
| Bond Anticipation Notes | C-20 | 11,622,000.00 | |
| Green Acres Trust Loan Payable: | | | |
| General | C-16 | 642,750.35 | 702,213.09 |
| N.J. Environmental Infrastructure Trust | | | |
| Loan Payable | C-15 | | 95,629.24 |
| Demolition Loan Payable | C-19 | 162,500.00 | 195,000.00 |
| NJIB Interim Financing Payable | C-21 | 2,726,163.08 | - |
| Interfunds Payable | C-14 | 1,793,340.76 | 1,753,499.26 |
| Improvement Authorizations: | | | |
| Funded | C-8 | 1,612,109.27 | 1,398,908.94 |
| Unfunded | C-8 | 18,923,404.77 | 13,533,597.24 |
| Encumbrances Payable | C-12 | 6,232,545.51 | 43,671.77 |
| Capital Improvement Fund | C-9 | 1,088,779.61 | 608,779.61 |
| Reserves for: | | | |
| Debt Service | C-10 | 504,225.00 | 4,225.00 |
| Grants Receivable | C-11 | 17,750.00 | 17,750.00 |
| Loan Proceeds | C-13 | 61,176.74 | 61,176.74 |
| Grants Receivable | C-7 | 7,273,836.92 | |
| Fund Balance | C-1 | 116,632.50 | 95,074.26 |
| | | <u>\$ 60,322,214.51</u> | <u>\$ 27,354,525.15</u> |
| | | | |
| Bonds and Notes Authorized But Not Issued | C-18 | <u>\$ 19,134,836.92</u> | <u>\$ 14,307,000.00</u> |

See accompanying notes to financial statements.

CITY OF ORANGE TOWNSHIP
GENERAL CAPITAL FUND

C-1

STATEMENT OF FUND BALANCE
REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2019

| | <u>Ref.</u> | |
|--------------------------------------|-------------|----------------------|
| Beginning Balance, December 31, 2018 | C | \$ 95,074.26 |
| Increased by: | | |
| Premium on Sale of Bonds and Notes | C-2 | <u>21,558.24</u> |
| Ending Balance, December 31, 2019 | C | <u>\$ 116,632.50</u> |

See accompanying notes to financial statements.

CITY OF ORANGE TOWNSHIP
WATER AND SEWER UTILITY

COMPARATIVE BALANCE SHEETS
REGULATORY BASIS
DECEMBER 31, 2019 AND 2018

D
Sheet # 1

| <u>Assets</u> | <u>Ref.</u> | <u>2019</u> | <u>2018</u> |
|--|-------------|-------------------------|-------------------------|
| Operating Fund: | | | |
| Cash - Checking | D-5 | \$ 3,851,243.96 | \$ 2,573,146.97 |
| Petty Cash | D-8 | 150.00 | 150.00 |
| | | <u>3,851,393.96</u> | <u>2,573,296.97</u> |
| Receivables with Full Reserves: | | | |
| Consumer Accounts Receivable | D-11 | 1,727,870.48 | 2,161,115.31 |
| Water Liens | D-12 | 84,281.33 | 84,281.33 |
| | | <u>1,812,151.81</u> | <u>2,245,396.64</u> |
| Interfund Receivable | | | |
| | D-10 | 1,070,281.29 | 836,204.11 |
| | | <u>1,070,281.29</u> | <u>836,204.11</u> |
| Deferred Charges: | | | |
| Emergency Appropriation | D-27 | 569,297.08 | 1,102,754.86 |
| | | <u>569,297.08</u> | <u>1,102,754.86</u> |
| Total Operating Fund | | <u>7,303,124.14</u> | <u>6,757,652.58</u> |
| Capital Fund: | | | |
| Cash - Checking | D-5, D-9 | 2,372,678.16 | 770,356.47 |
| Loans Receivable | D-13 | 129,947.81 | 129,947.81 |
| Interfund Receivable | D-17 | 398,410.86 | 919,712.86 |
| Fixed Capital | D-14 | 44,749,593.68 | 44,749,593.68 |
| Fixed Capital Authorized and Uncompleted | D-15 | 22,058,958.86 | 3,288,958.86 |
| Total Capital Fund | | <u>69,709,589.37</u> | <u>49,858,569.68</u> |
| Total Assets | | <u>\$ 77,012,713.51</u> | <u>\$ 56,616,222.26</u> |

See accompanying notes to financial statements.

CITY OF ORANGE TOWNSHIP
WATER AND SEWER UTILITY

COMPARATIVE BALANCE SHEETS
REGULATORY BASIS
DECEMBER 31, 2019 AND 2018

D
Sheet # 2

| <u>Liabilities, Reserves and Fund Balance</u> | <u>Ref.</u> | <u>2019</u> | <u>2018</u> |
|---|-------------|-------------------------|-------------------------|
| Operating Fund: | | | |
| Appropriation Reserves: | | | |
| Encumbered | D-4, D-16 | \$ 1,255,855.15 | \$ 682,695.17 |
| Unencumbered | D-4, D-16 | 52,232.44 | 871,225.91 |
| Accounts Payable | D-21 | 12,777.17 | 166,084.30 |
| Interfunds Payable | D-10 | 591,755.19 | |
| Accrued Interest on Bonds | D-18 | 118,741.87 | 136,622.70 |
| Reserve for Future Improvements | D-26 | 13,349.46 | 13,349.46 |
| Water and Sewer Overpayments | D-19 | 154,617.63 | 157,276.02 |
| Special Emergency Notes | D-28 | 570,000.00 | 1,290,000.00 |
| | | <hr/> | <hr/> |
| | | 2,769,328.91 | 3,317,253.56 |
| Reserve for Receivables | | 1,812,151.81 | 2,245,396.64 |
| Fund Balance | D-1 | 2,721,643.42 | 1,195,002.38 |
| | | <hr/> | <hr/> |
| | | 7,303,124.14 | 6,757,652.58 |
| | | | |
| Capital Fund: | | | |
| Serial Bonds Payable | D-25 | 15,270,000.00 | 16,660,000.00 |
| Bond Anticipation Notes | D-31 | 7,500,000.00 | 2,300,000.00 |
| N.J. Environmental Trust Fund | D-24 | 3,770,618.82 | 4,142,830.78 |
| Improvement Authorizations: | | | |
| Funded | D-20 | 275,130.58 | 394,843.44 |
| Unfunded | D-20 | 15,593,501.76 | 825,568.42 |
| Encumbrances | D-30 | 51,249.87 | 70,907.16 |
| Reserve for Amortization | D-22 | 18,766,122.38 | 17,003,910.42 |
| Deferred Reserve for Amortization | D-23 | 7,912,284.34 | 7,912,284.34 |
| Fund Balance | D-2 | 570,681.62 | 548,225.12 |
| | | <hr/> | <hr/> |
| | | 69,709,589.37 | 49,858,569.68 |
| | | | |
| Total Liabilities, Reserves and Fund Balances | | <u>\$ 77,012,713.51</u> | <u>\$ 56,616,222.26</u> |
| | | | |
| Bonds and Notes Authorized but Not Issued | D-29 | <u>\$ 13,589,527.00</u> | <u>\$ 19,527.00</u> |

See accompanying notes to financial statements.

CITY OF ORANGE TOWNSHIP
WATER AND SEWER UTILITY

D-1

STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE
REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2019 AND 2018

| | <u>Ref.</u> | <u>2019</u> | <u>2018</u> |
|--|-------------|------------------------|------------------------|
| Revenue and Other Income: | | | |
| Surplus Anticipated | D-3 | \$ 483,439.00 | \$ 1,000,000.00 |
| Water and Sewer Rents | D-3, D-11 | 11,321,110.59 | 10,578,923.87 |
| Non-budget Revenue | D-7 | 106,272.16 | 8,912.87 |
| Other Credits to Income: | | | |
| Accounts Payable Canceled | D-21 | 153,307.13 | |
| Unexpended Balance of Appropriation Reserves | D-16 | 897,699.29 | 242,953.59 |
| | | <u>12,961,828.17</u> | <u>11,830,790.33</u> |
| Expenditures: | | | |
| Budget Appropriations | | | |
| Operations | D-4 | 7,745,840.00 | 7,204,587.49 |
| Debt Service | D-4 | 2,672,450.35 | 2,650,351.85 |
| Deferred Charges | D-4 | 533,457.78 | 930,000.00 |
| | | <u>10,951,748.13</u> | <u>10,784,939.34</u> |
| Statutory Excess in Revenue to Fund Balance | | 2,010,080.04 | 1,045,850.99 |
| Adjustments To Income Before Surplus | | | |
| Emergency Appropriation | | | 102,801.74 |
| Overexpenditure of Appropriation | | | 656.04 |
| | | | <u>103,457.78</u> |
| Excess in Revenue | | 2,010,080.04 | 1,149,308.77 |
| Fund Balance, Beginning of Year | D | <u>1,195,002.38</u> | <u>1,045,693.61</u> |
| | | 3,205,082.42 | 2,195,002.380 |
| Fund Balance Utilized | | <u>483,439.00</u> | <u>1,000,000.00</u> |
| Fund Balance, End of Year | D | <u>\$ 2,721,643.42</u> | <u>\$ 1,195,002.38</u> |

See accompanying notes to financial statements.

CITY OF ORANGE TOWNSHIP
WATER AND SEWER UTILITY

D-2

STATEMENT OF FUND BALANCE - UTILITY CAPITAL FUND
REGULATORY BASIS
DECEMBER 31, 2019 AND 2018

| | <u>Ref.</u> | |
|----------------------------|-------------|----------------------|
| Balance, December 31, 2018 | D | \$ 548,225.12 |
| Increased by: | | |
| Premium on Note Sale | D-5 | <u>22,456.50</u> |
| Balance, December 31, 2019 | D | <u>\$ 570,681.62</u> |

See accompanying notes to financial statements.

CITY OF ORANGE TOWNSHIP
WATER AND SEWER UTILITY

STATEMENT OF REVENUE
REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2019

| | Ref. | 2019 Budget | Realized | Excess |
|--------------|-----------|-------------------------|-------------------------|----------------------|
| Fund Balance | D-1 | \$ 483,439.00 | \$ 483,439.00 | |
| Rents | D-1, D-11 | <u>10,507,603.00</u> | <u>11,321,110.59</u> | <u>\$ 813,507.59</u> |
| | D-4 | <u>\$ 10,991,042.00</u> | <u>\$ 11,804,549.59</u> | <u>\$ 813,507.59</u> |

CITY OF ORANGE TOWNSHIP
WATER AND SEWER UTILITY

STATEMENT OF EXPENDITURES
REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2019

| | <u>Ref.</u> | <u>Appropriation Budget</u> | <u>Balance After Transfer</u> | <u>Paid or Charged</u> | <u>Reserved</u> | | <u>Unexpended Balance Canceled</u> |
|-----------------------------------|-------------|---------------------------------|---------------------------------------|----------------------------|------------------------|---------------------|--|
| | | | | | <u>Encumbered</u> | <u>Unencumbered</u> | |
| Operating: | | | | | | | |
| Salaries and Wages | | \$ 165,939.00 | \$ 193,939.00 | \$ 191,042.11 | | \$ 2,896.89 | |
| Other Expenses | | 7,565,401.00 | 7,537,401.00 | 6,233,630.30 | \$ 1,255,855.15 | 47,915.55 | |
| Debt Service Administration | | <u>14,500.00</u> | <u>14,500.00</u> | <u>13,080.00</u> | | <u>1,420.00</u> | |
| Total Operating | D-1 | <u>7,745,840.00</u> | <u>7,745,840.00</u> | <u>6,437,752.41</u> | <u>1,255,855.15</u> | <u>52,232.44</u> | |
| Debt Service: | | | | | | | |
| Payment of Bond Principal | | 1,390,000.00 | 1,390,000.00 | 1,390,000.00 | | | |
| Interest on Bonds | | 720,900.00 | 720,900.00 | 720,900.00 | | | |
| Interest on Notes | | 83,468.00 | 83,468.00 | 83,467.50 | | | \$ 0.50 |
| NJEIT Loan Debt Service | | <u>517,375.00</u> | <u>517,375.00</u> | <u>478,082.85</u> | | | <u>39,292.15</u> |
| Total Debt Service | D-1 | <u>2,711,743.00</u> | <u>2,711,743.00</u> | <u>2,672,450.35</u> | | | <u>39,292.65</u> |
| Deferred Charges: | | | | | | | |
| Emergency Authorization (5 Year) | | 430,000.00 | 430,000.00 | 430,000.00 | | | |
| Emergency Authorization | | 102,802.00 | 102,802.00 | 102,801.74 | | | 0.26 |
| Overexpenditure of Appropriations | | <u>657.00</u> | <u>657.00</u> | <u>656.04</u> | | | <u>0.96</u> |
| | | <u>\$ 10,991,042.00</u> | <u>\$ 10,991,042.00</u> | <u>\$ 9,643,660.54</u> | <u>\$ 1,255,855.15</u> | <u>\$ 52,232.44</u> | <u>\$ 39,293.87</u> |
| | <u>Ref.</u> | <u>D-3</u> | | <u>Below</u> | <u>D</u> | <u>D</u> | <u>D-1</u> |
| Cash Disbursements | D-5 | | | \$ 8,389,302.76 | | | |
| Deferred Charges | D-27 | | | 533,457.78 | | | |
| Accrued Interest | D-18 | | | <u>720,900.00</u> | | | |
| | | | | <u>\$ 9,643,660.54</u> | | | |

See accompanying notes to financial statements.

CITY OF ORANGE TOWNSHIP
GENERAL FIXED ASSETS ACCOUNT GROUP

COMPARATIVE BALANCE SHEETS
REGULATORY BASIS
DECEMBER 31, 2019 AND 2018

E

| | <u>2019</u> | <u>2018</u> |
|----------------------------|-------------------------|-------------------------|
| Land | \$ 15,040,400.00 | \$ 15,040,400.00 |
| Land Improvements | 14,176,800.00 | 14,176,800.00 |
| Machinery and Equipment | <u>12,283,782.00</u> | <u>11,149,368.00</u> |
| | <u>\$ 41,500,982.00</u> | <u>\$ 40,366,568.00</u> |
| | | |
| Investment in Fixed Assets | <u>\$ 41,500,982.00</u> | <u>\$ 40,366,568.00</u> |

See accompanying notes to financial statements.

CITY OF ORANGE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2019 AND 2018

1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

Each member of the Council carries a legislative vote.

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

Basic Financial Statements

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

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

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

Basis of Accounting

The City 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 City functions or activities. An account group, on the other hand, is designed to provide accountability for certain assets and liabilities that are not recorded in those funds.

The City has the following funds and account groups:

- Current Fund – This fund is used to account for resources and expenditures for governmental operations of a general nature, including Federal and State grants which are reflected in a segregated section of the Current Fund.
- Trust Funds – The records of receipts, disbursements and custodianship of monies in accordance with the purpose for which each account was created are maintained in Trust Funds. These include the General Trust Fund, Animal Control Trust Fund, Grant Trust Fund and Municipal Insurance Trust Fund.

CITY OF ORANGE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019 AND 2018

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

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

Accounting Principles

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

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

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

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

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

- General and Utility Capital Funds
- Trust Funds

CITY OF ORANGE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019 AND 2018

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

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

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

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

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

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

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.

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

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

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

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

CITY OF ORANGE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019 AND 2018

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

General Capital Fixed Assets - General Capital Fixed Assets used in governmental operations are accounted for in the Capital Fixed Assets. Public domain (infrastructure) general capital fixed assets consisting of certain improvements other than buildings, such as roads, bridges, curbs and gutters, streets and sidewalks and drainage systems are not capitalized. Acquisitions of land, buildings, machinery, equipment and other capital assets are recorded on a perpetual capital fixed asset record. Vehicles, furniture, equipment and other items are reflected at replacement values at time of inventory preparation. Additions to the established capital fixed assets are valued at cost.

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 Water and Sewer Utility funds are 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 Funds represents charges to operations for the costs of acquisitions of property, equipment and improvements. The Utility Capital Funds do 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.

Long-term debt – The City's Long-term debt is stated at face value. The debt is not traded and it is not practicable to determine its fair value without incurring excessive cost. Additional information pertinent to the Town's long-term debt is provided in Note 9 to the financial statements.

Net Pension Liability and Pension Related Deferred Outflows of Resources and Deferred Inflows of Resources and Pension Expense – the requirements of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* - an amendment of GASB Statement No. 68 require governmental entities to record their distributive shares of net pension liability, deferred outflows of resources, deferred inflows of resources and total pension related expense. Accounting principles applicable to municipalities, which have been prescribed by the Division, do not require the recording of these liabilities, deferrals and expenses, but do require the disclosure of these amounts. Since the City does not follow generally accepted accounting principles, the GASBs did not result in a change in the City's assets, liabilities and contribution requirements. Refer to Note 7 for these disclosures.

Other Post-Employment Benefits Other Than Pensions – The requirements of GASB Statement No.75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)* that is provided by other entities require governmental entities to record in their financial statements a share of the other governments net OPEB liability, deferred outflows of resources, deferred inflows of resources and total OPEB expense. Accounting principles applicable to municipalities, which have been prescribed by the Division, do not require the recording of these liabilities, deferrals and expenses, but do require the disclosure of the amounts. Since the City does not follow generally accepted accounting principles, the GASB did not result in a change in the City's assets, liabilities and contribution requirements. However, it did result in additional note disclosures as required by the GASB. See Note 8 for these disclosures.

CITY OF ORANGE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019 AND 2018

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

Utilities – Capital acquisitions, including utility infrastructure costs of the Water and Sewer Utility are recorded at cost upon purchase or project completion in the Fixed Asset Account of the Utility. The Fixed Asset account is adjusted for dispositions or abandonments. Utility improvements that may have been constructed by developers are not recorded as additions to Fixed Capital. Fixed Capital of the Utilities are offset by accumulations in the Amortization Reserve Accounts. The accumulations represent costs of fixed assets purchased with budgeted funds or acquired by gift as well as grants, developers' contributions or liquidations of bonded debt and other liabilities incurred upon fixed asset acquisition.

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

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

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

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

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 Town'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.

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

CITY OF ORANGE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019 AND 2018

2. CASH, CASH EQUIVALENTS AND INVESTMENTS

Deposits:

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

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

In addition, by regulation of the Division, municipalities are allowed to deposit funds in Government Money Market Mutual Funds purchased through state registered brokers/dealers and banks.

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

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

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

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

The City's deposits are insured through either the Federal Deposit Insurance Corporation ("FDIC") or New Jersey's Governmental Unit Deposit Protection Act ("GUDPA"). The City 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 City's deposits may not be returned to it. Although the City 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, 2019 and 2018 the City's bank balances were exposed to custodial credit risk.

CITY OF ORANGE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019 AND 2018

2. CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank for periods ending December 31, 2019 and 2018. At December 31, 2019 and 2018, the book value of the City's deposits were \$34,153,876.11 and \$21,414,600.89 respectively. \$1,556,075.48 and \$55,786.23 held in agency and payroll accounts for the years ended December 31, 2019 and 2018 are not covered by GUDPA. The City's deposits, which are displayed on the various fund Balance Sheets as "cash" are categorized as:

| <u>Depository Account</u> | <u>December 31, 2019</u> | <u>December 31, 2018</u> |
|--|------------------------------|------------------------------|
| Insured - FDIC | \$ 666,721.33 | \$ 750,000.00 |
| Insured and Collateralized BY GUDPA | 30,679,390.20 | 22,252,852.12 |
| Uninsured and Uncollateralized | 1,556,075.48 | 55,786.23 |
| | <u>\$ 32,902,187.01</u> | <u>\$ 23,058,638.35</u> |

Custodial Credit Risk – Deposits:

Custodial Credit Risk for deposits is the risk that in the event of bank failure, the City's deposits may not be returned to it. Although the City does not have a formal deposit policy for custodial risk, N.J.S.A. 17:9-41 et seq. requires that governmental units shall deposit public funds in a public depository 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 withholding, bail funds or funds that may pass to the municipality relative to the happening of a future conditions. As of December 31, 2019 and 2018, the City's bank balances were exposed to custodial credit risk.

Investments:

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

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

CITY OF ORANGE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019 AND 2018

3. TAXES RECEIVABLE AND TAX TITLE LIENS

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

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

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

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

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

Comparative Schedule of Tax Rates:

| | Year <u>2019</u> | Year <u>2018</u> | Year <u>2017</u> |
|------------------------------|---------------------|---------------------|---------------------|
| Tax Rate | \$ 5.315 | \$ 5.230 | \$ 4.870 |
| Apportionate of Tax Rate: | | | |
| Municipal | \$ 3.793 | \$ 3.669 | \$ 3.337 |
| County | 0.553 | 0.591 | 0.573 |
| County Open Space | 0.018 | 0.019 | 0.017 |
| School | <u>0.951</u> | <u>0.951</u> | <u>0.943</u> |

Assessed Valuations:

| Calendar Year | Amount |
|------------------|---------------------|
| 2019 | \$ 1,303,052,000.00 |
| 2018 | 1,291,041,900.00 |
| 2017 | 1,293,376,312.00 |

CITY OF ORANGE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019 AND 2018

3. TAXES RECEIVABLE AND TAX TITLE LIENS (continued)

Comparison of Tax Levies and Collections:

| <u>Calendar Year</u> | <u>Tax Levy</u> | <u>Collections</u> | <u>Percentage of Collections</u> |
|--------------------------|------------------|--------------------|--------------------------------------|
| 2019 | \$ 69,812,978.44 | \$ 68,166,557.53 | 97.64% |
| 2018 | 67,917,462.14 | 64,071,160.05 | 94.34% |
| 2017 | 63,174,965.42 | 58,934,041.92 | 93.29% |

Delinquent Taxes and Tax Title Liens:

| <u>Calendar Year</u> | <u>Amount of Tax Title Liens</u> | <u>Amount of Delinquent Taxes</u> | <u>Total Delinquent</u> | <u>Percentage of Tax Levy</u> |
|--------------------------|--------------------------------------|---------------------------------------|-----------------------------|-----------------------------------|
| 2019 | \$ 3,872,526.57 | \$ 955,078.22 | \$ 4,827,604.79 | 6.92% |
| 2018 | 3,405,107.54 | 3,342,669.04 | 6,747,776.58 | 9.94% |
| 2017 | 2,794,819.70 | 3,688,781.93 | 6,483,601.63 | 10.26% |

4. PROPERTY ACQUIRED BY TAX TITLE LIEN LIQUIDATION

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

| <u>Calendar Year</u> | <u>Amount</u> |
|--------------------------|---------------|
| 2019 | \$ 856,500.00 |
| 2018 | 856,500.00 |
| 2017 | 856,500.00 |

5. WATER/SEWER CONSUMER ACCOUNTS RECEIVABLE

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

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

| <u>Calendar Year</u> | <u>Billing</u> | <u>Collection</u> |
|--------------------------|------------------|-------------------|
| 2019 | \$ 10,887,865.76 | \$ 11,321,110.59 |
| 2018 | 10,755,781.43 | 10,578,923.87 |
| 2017 | 9,146,655.94 | 9,017,959.39 |

Collections include prior year billings.

CITY OF ORANGE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019 AND 2018

6. FUND BALANCES APPROPRIATED

Schedule of Fund Balances Appropriated:

| | <u>Year</u> | <u>Balance</u> <u>December 31,</u> | <u>Utilized in Budgets</u> <u>Succeeding Year</u> |
|---------------------|-------------|---------------------------------------|--|
| Current Year | 2019 | \$ 5,245,320.96 | \$ 4,700,000.00 |
| | 2018 | 5,041,342.74 | 4,330,000.00 |
| | 2017 | 5,240,942.29 | 4,750,000.00 |
| Water/Sewer Utility | | | |
| Operating Fund: | 2019 | \$ 2,721,643.42 | \$ 500,000.00 |
| | 2018 | 1,195,002.38 | 483,439.00 |
| | 2017 | 1,045,693.61 | 1,000,000.00 |

7. PENSION PLANS

Public Employee Retirement System

Description of Plans

The State of New Jersey, Division of Pension and Benefits (the Division) was created and exists pursuant to N.J.S.A. 52:18A to oversee and administer the pension trust and other postemployment benefit plans sponsored by the State of New Jersey (the State). According to the State of New Jersey Administrative Code, all obligations of the Systems will be assumed by the State of New Jersey should the plans terminate. Each defined benefit pension plan's designated purpose is to provide retirement, death and disability benefits to its members. The authority to amend the provision of plan rests with new legislation passed by the State of New Jersey. Pension reforms enacted pursuant to Chapter 78, P.L. 2011 included provisions creating special Pension Plan Design Committees for the Public Employees Retirement System (PERS), once a Target Funded Ratio (TFR) is met, that will have the discretionary authority to modify certain plan design features, including member contribution rate; formula for calculation of final compensation or final salary; fraction used to calculate a retirement allowance; age at which a member may be eligible and the benefits for service or early retirement; and benefits provided for disability retirement. The committee will also have the authority to reactivate the cost of living adjustment (COLA) on pensions.

However, modifications can only be made to the extent that the resulting impact does not cause the funded ratio to drop below the TFR in any one year of a 30-year projection period. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for each of the plans. This report may be accessed via the Division of Pensions and Benefits website, at www.state.nj.us/treasury/pensions, or may be obtained by writing the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625.

CITY OF ORANGE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019 AND 2018

7. PENSION PLANS - Public Employee Retirement System

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

Plan Membership and Contributing Employers- Substantially all full-time employees of the State of New Jersey or any county, municipality, school district or public agency are enrolled in PERS, provided the employee is not required to be a member of another state-administered retirement system or other state pension fund or other jurisdiction's pension fund. Membership and contributing employers of the defined benefit pension plans consisted of the following at June 30, 2019 and 2018:

| | <u>2019</u> | <u>2018</u> |
|---|-----------------------|-----------------------|
| Inactive plan members or beneficiaries currently receiving benefits | 178,748 | 174,904 |
| Inactive plan members entitled to but not yet receiving benefits | 609 | 589 |
| Active plan members | <u>252,598</u> | <u>254,780</u> |
| Total | <u><u>431,955</u></u> | <u><u>430,273</u></u> |

Contributing Employers – 1,697

Significant Legislation – For State of New Jersey contributions to PERS, Chapter 1, P.L. 2010, effective May 21, 2010, required the State to resume making actuarially recommended contributions to the pension plan on a phased-in basis over a seven year period beginning in the fiscal year ended June 30, 2012. For State fiscal year 2018, the State was required to make a minimum contribution representing 7/7th of the actuarially determined contribution amount based on the July 1, 2014 actuarial valuation.

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

For the year ended December 31, 2019 and 2018, the City's total payroll for all employees was \$27,645,248 and \$27,245,037, respectively. Total PERS covered payroll was \$6,800,921 and \$6,419,187, respectively. Covered payroll refers to pensionable compensation, rather than total compensation, paid by the City to active employees covered by the Plan.

Specific Contribution Requirements and benefit provisions – The contribution policy is set by N.J.S.A 43:15 and requires contributions by active members and contributing employers. Members contribute at a uniform rate. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years beginning in July 2012 until a 7.5% member contribution rate is reached in July 2018. The phase-in of the additional incremental member contribution rate will take place in July of each subsequent State fiscal year.

Employers' contribution amounts are based on an actuarially determined rate. The annual employer contributions include funding for basic retirement allowances and noncontributory death benefits. City contributions are due and payable on April 1st in the second fiscal period subsequent to plan year for which the contributions requirements were calculated.

City payments to PERS for the years ending December 31, 2019 and 2018 consisted of the following:

| | <u>2019</u> | <u>2018</u> |
|-----------------------|-------------------|-------------------|
| Total Regular Billing | <u>\$ 826,323</u> | <u>\$ 743,759</u> |

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

CITY OF ORANGE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019 AND 2018

7. PENSION PLANS (continued)

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

The following represents the membership tiers for PERS:

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

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 City’s basic financial statements does not require or permit the inclusion of entity-wide, full accrual basis financial statements. Accordingly, the City 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, 2019, the PERS reported a net pension liability of \$18,143,832,135 for its Non-State Employer Member Group. The City’s proportionate share of the net pension liability for the Non-State Employer Member Group that is attributable to the City was \$15,306,882 or 0.0849510005% which was a decrease of 0.0005661095% from its proportion measured as of June 30, 2018. The Pension liability for June 30, 2019 measurement date was determined by an actuarial valuation as of July 1, 2018, which was rolled forward to June 30, 2019.

At June 30, 2018, the PERS reported a net pension liability of \$19,689,501,539 for its Non-state Employer Member Group that is attributable to the City was \$16,837,894 or 0.0855171100%.

CITY OF ORANGE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019 AND 2018

7. PENSION PLANS (continued)

At December 31, 2019, the City would have reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources, if GASB #68 was recognized:

| | 2019 | |
|--|--------------------------------------|-------------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expended and actual experience | \$ 274,738 | \$ 67,619 |
| Changes in assumptions | 1,528,448 | 5,312,970 |
| Net difference between projected and actual earnings on pension plan investments | | 241,625 |
| Changes in proportion and differences between City contributions and proportionate share of contributions | 661,844 | 126,848 |
| City contributions subsequent to the measurement date | 826,323 | |
| | <u>\$ 3,291,353</u> | <u>\$ 5,749,062</u> |
| | 2018 | |
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expended and actual experience | \$ 321,101 | \$ 86,822 |
| Changes in assumptions | 2,774,606 | 5,383,863 |
| Net difference between projected and actual earnings on pension plan investments | | 157,940 |
| Changes in proportion and differences between City contributions and proportionate share of contributions | 1,012,484 | 76,017 |
| City contributions subsequent to the measurement date | 850,619 | |
| | <u>\$ 4,958,810</u> | <u>\$ 5,704,642</u> |

CITY OF ORANGE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019 AND 2018

7. PENSION PLANS (continued)

\$826,323 shown as deferred outflows of resources related to PERS resulting from City contributions subsequent to the measurement. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions would be recognized in pension expenses on a GAAP basis as follows:

| Year ended December 31, | Amount |
|----------------------------|-----------------------|
| 2020 | \$ (205,376) |
| 2021 | (1,253,268) |
| 2022 | (1,269,047) |
| 2023 | (701,302) |
| 2024 | 144,961 |
| Total | <u>\$ (3,284,032)</u> |

Actuarial Assumptions- The total pension liability in the June 30, 2019 and June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | 2019 | 2018 |
|---------------------------------|---------------------------|---------------------------|
| Inflation - Prices | 2.75% | 2.25% |
| Inflation - Wages | 3.25% | 2.25% |
| Salary Increases (through 2026) | | 1.65 - 4.15% Based on age |
| Thereafter | | 2.65 - 5.15% Based on age |
| Through all future years | 3.25% - 15.25% | |
| | Based on years of service | |
| Investment rate of return | 7.00% | 7.00% |

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2019.

The actuarial assumptions used in the July 1, 2018 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, 2019) 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)

CITY OF ORANGE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019 AND 2018

7. PENSION PLANS (continued)

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, 2019 and 2018 are summarized in the following table:

| <u>Asset Class</u> | <u>2019</u> | | <u>2018</u> | |
|----------------------------------|--------------------------|---|--------------------------|---|
| | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
| Cash | 5.00% | 2.00% | 5.50% | 1.00% |
| U.S. Treasuries | 5.00% | 2.68% | 3.00% | 1.87% |
| Global diversified credit | | | 5.00% | 7.10% |
| Credit orientated hedge funds | | | 1.00% | 6.60% |
| Debt related private equity | | | 2.00% | 10.63% |
| Debt related real estate | | | 1.00% | 6.61% |
| Real Estate (Property) | 7.50% | 8.33% | 2.50% | 11.83% |
| Equity related real estate | | | 6.25% | 9.23% |
| U.S. Equities | 28.00% | 8.26% | 30.00% | 8.19% |
| Non - US developed market equity | 12.50% | 9.00% | 11.50% | 9.00% |
| Emerging Market Equities | 6.50% | 11.37% | 6.50% | 11.64% |
| Buyouts/venture capital | | | 8.25% | 13.08% |
| Absolute return/risk mitigation | 3.00% | 4.67% | 5.00% | 5.51% |
| Investment Grade Credit | 10.00% | 4.25% | 10.00% | 3.78% |
| Public high yield | 2.00% | 5.37% | 2.50% | 6.82% |
| Private Credit | 6.00% | 7.92% | | |
| Private Equity | 12.00% | 10.85% | | |
| Real Assets | 2.50% | 9.31% | | |
| | <u>100.00%</u> | | <u>100.00%</u> | |

Discount Rate – The discount rate used to measure the total pension liability as of June 30, 2018 was 5.66% and as of June 30, 2019 was 6.28%. 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 3.50% as of June 30, 2019 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 70% 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 2057. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2057 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

CITY OF ORANGE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019 AND 2018

7. PENSION PLANS (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:

| 2019 | At 1% | At Current | At 1% |
|------|---------------|---------------|---------------|
| | Decrease | Discount Rate | Increase |
| | (5.28%) | (6.28%) | (7.28%) |
| PERS | \$ 19,599,333 | \$ 15,306,882 | \$ 12,075,365 |

| 2018 | At 1% | At Current | At 1% |
|------|---------------|---------------|---------------|
| | Decrease | Discount Rate | Increase |
| | (4.66%) | (5.66%) | (6.66%) |
| PERS | \$ 21,171,712 | \$ 16,837,894 | \$ 13,202,098 |

Plan Fiduciary Net Position – The plan fiduciary net position for PERS, including the State of New Jersey, at June 30, 2019 and 2018 were \$29,847,977,666 and \$29,472,374,536 respectively. The portion of the Plan Fiduciary Net Position was allocable to the Local (Non-State) Groups at June 30, 2019 and 2018 was \$23,347,631,751 and \$22,742,071,972, respectively.

Additional Information

Collective balances at June 30, 2019 are as follows:

| | |
|--|------------------|
| Collective deferred outflows of resources | \$ 3,149,522,616 |
| Collective deferred inflows of resources | 7,645,087,574 |
| Collective net pension liability - Local group | 18,143,832,135 |
| Township's Proportion | 0.0849510005% |

Collective pension expense for the Local Group for the measurement period ended June 30, 2019 and 2018 was \$974,471,686 and \$1,099,708,157, respectively. The average of the expected remaining service lives of all plan members if 5.21 5.63 5.48, 5.57, 5.72 and 6.44 years for 2019, 2018, 2017, 2016, 2015 and 2014, respectively.

State Contribution Payable Dates

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. As such, contributions are assumed to be made on a quarterly basis with the first contribution 15 months after the associated valuation date.

Local employer's contributions are expected to be paid on April 1st, 21 months after the associated valuation date.

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, 2019 and June 30, 2018 are \$1,038,892,124 and \$1,073,054,740, respectively.

CITY OF ORANGE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019 AND 2018

7. PENSION PLANS (continued)

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, 2019 and 2018:

| | <u>2019</u> | <u>2018</u> |
|---|----------------------|----------------------|
| Inactive plan members or beneficiaries currently receiving benefits | 44,567 | 43,755 |
| Inactive plan members entitled to but not yet receiving benefits | 42 | 39 |
| Active plan members | <u>42,295</u> | <u>41,517</u> |
| Total | <u><u>86,904</u></u> | <u><u>85,311</u></u> |

Contributing Employers – 584

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

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

For the year ended June 30, 2019, 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 70% contribution rate is its actual total State contribution rate paid in fiscal year ending June 30, 2019 with respect to the actuarially determined contribution for the fiscal year ending June 30, 2019 for all State administered retirement systems.

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 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 years ended December 31, 2019 and 2018, the City's total payroll for all employees was \$27,245,037 and \$27,245,037. Total PFRS covered payroll was \$17,495,312 and \$16,458,317. Due to payroll system limitations, covered payroll refers to pensionable compensation, rather than total compensation, paid by the City to active employees covered by the Plan.

CITY OF ORANGE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019 AND 2018

7. PENSION PLANS (continued)

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. City contributions are due and payable on April 1st in the second fiscal period subsequent to plan year for which the contributions requirements were calculated. City payments to PFRS made in the years ending December 31, 2019 and 2018 consisted of the following:

| | <u>2019</u> | <u>2018</u> |
|------------------------------|---------------------|---------------------|
| Total PFRS Payment - Regular | <u>\$ 4,969,657</u> | <u>\$ 3,842,817</u> |

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

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

The following represents the membership tiers for PFRS:

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

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

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions – The regulatory basis of accounting which is basis for the preparation of the City’s basic financial statements does not require or permit the inclusion of entity-wide, full accrual basis financial statements. Accordingly, the City 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, 2019, the PFRS reported a net pension liability of \$14,170,193,618 for its Non-State, Non-Special Funding Situation Employer Member Group. The City’s proportionate share of the net pension liability for the Non-State Non-Special Funding Situation Employer Member Group was \$60,209,013 or 0.4919913740%, which was an increase of 0.0053665105 % from its proportion measured as of June 30, 2018. At June 30, 2018, the PFRS reported a net pension liability of \$17,167,260,198 for its Non-State, Non-Special Funding Situation Employer Member Group. The City’s proportionate share of the net pension liability for the Non-State Non-Special Funding Situation Employer Member Group was \$65,848,366 or 0.4866248635%.

CITY OF ORANGE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019 AND 2018

7. PENSION PLANS (continued)

At December 31, 2019, the City would have reported deferred outflows of resources and deferred inflows of resources related to PFRS from the following sources, if GASB #68 was recognized:

| | 2019 | |
|--|--------------------------------------|-------------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | \$ 508,241 | \$ 381,194 |
| Changes in assumptions | 2,063,089 | 19,459,001 |
| Net difference between projected and actual earnings on pension plan investments | | 815,813 |
| Changes in proportion and differences between City contributions and proportionate share of contributions | 6,238,705 | 1,063,355 |
| City contributions subsequent to the measurement date | 4,969,657 | |
| | <u>13,779,692</u> | <u>21,719,363</u> |
| | 2018 | |
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | \$ 669,921 | \$ 272,496 |
| Changes in assumptions | 5,652,196 | 16,875,800 |
| Net difference between projected and actual earnings on pension plan investments | | 360,250 |
| Changes in proportion and differences between City contributions and proportionate share of contributions | 7,538,183 | |
| City contributions subsequent to the measurement date | 4,757,475 | |
| | <u>18,617,775</u> | <u>17,508,546</u> |

CITY OF ORANGE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019 AND 2018

7. PENSION PLANS (continued)

\$4,969,657 shown as deferred outflows of resources related to PFRS resulting from City contributions subsequent to the measurement. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to PFRS would have been recognized in pension expense on GAAP basis as follows:

| Year ended December 31, | Amount |
|----------------------------|------------------------|
| 2020 | \$ (2,357,274) |
| 2021 | (5,587,578) |
| 2022 | (3,586,039) |
| 2023 | (1,599,833) |
| 2024 | 221,396 |
| Total | <u>\$ (12,909,328)</u> |

Actuarial Assumptions- The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | 2019 | 2018 |
|---------------------------------|---------------------------|---------------------------|
| Inflation- Prices | 2.75% | 2.25% |
| Inflation - Wages | 3.25% | 2.25% |
| Salary Increases (through 2026) | | 2.10 - 8.98% Based on age |
| Thereafter | | 3.10 - 9.98% Based on age |
| Through all Future Years | 3.25% - 15.25% | |
| | Based on Years of Service | |
| Investment rate of return | | 7.00% |

Pre-retirement mortality rates were based on the Pub-2010 Safety Employee mortality table with a 105.6% adjustment for males and 102.5% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 Safety Retiree Below-Median Income Weighted mortality table with a 96.7% adjustment for males and 96.0% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. For beneficiaries (contingent annuitants), the Pub-2010 General Retiree Below-Median Income Weighted mortality table was used, unadjusted, and with future improvement from the base year of 2010 on a generational basis. Disability rates were based on the Pub-2010 Safety Disabled Retiree mortality table with a 152.0% adjustment for males and 109.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2019.

The actuarial assumptions used in the July 1, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2013 to June 30, 2018.

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2019) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class

CITY OF ORANGE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019 AND 2018

7. PENSION PLANS (continued)

included in the pension plans' target asset allocation as of June 30, 2019 and 2018 are summarized in the following table:

| <u>Asset Class</u> | <u>2019</u> | | <u>2018</u> | |
|----------------------------------|--------------------------|---|--------------------------|---|
| | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
| Cash | 5.00% | 2.00% | 5.50% | 1.00% |
| U.S. Treasuries | 5.00% | 2.68% | 3.00% | 1.87% |
| Global diversified credit | | | 5.00% | 7.10% |
| Credit orientated hedge funds | | | 1.00% | 6.60% |
| Debt related private equity | | | 2.00% | 10.63% |
| Debt related real estate | | | 1.00% | 6.61% |
| Private Real Estate | 7.50% | 8.33% | 2.50% | 11.83% |
| Equity related real estate | | | 6.25% | 9.23% |
| U.S. Equities | 28.00% | 8.26% | 30.00% | 8.19% |
| Non - US developed market equity | 12.50% | 9.00% | 11.50% | 9.00% |
| Emerging Market Equities | 6.50% | 11.37% | 6.50% | 11.64% |
| Buyouts/venture capital | | | 8.25% | 13.08% |
| Absolute return/risk mitigation | 3.00% | 4.67% | 5.00% | 5.51% |
| Investment Grade Credit | 10.00% | 4.25% | 10.00% | 3.78% |
| Public high yield | 2.00% | 5.37% | 2.50% | 6.82% |
| Real Assets | 2.50% | 9.31% | | |
| Private Credit | 6.00% | 7.92% | | |
| Private Equity | 12.00% | 10.85% | | |
| | <u>100.00%</u> | | <u>100.00%</u> | |

Discount Rate – The discount rate used to measure the total pension liability was as of June 30, 2018 was 6.51% and as of June 30, 2019 was 6.85%. 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 3.50% as of June 30, 2018 and 3.87% as of June 30, 2019 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 70% 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, 2076. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through June 30, 2076, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

CITY OF ORANGE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019 AND 2018

7. PENSION PLANS (continued)

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

| 2019 | At 1% Decrease | At Current Discount Rate | At 1% Increase |
|------|-------------------|-----------------------------|-------------------|
| PFRS | \$ 81,380,645 | \$ 60,209,013 | \$ 42,686,437 |
| 2018 | At 1% Decrease | At Current Discount Rate | At 1% Increase |
| PFRS | \$ 88,129,866 | \$ 65,848,369 | \$ 47,470,187 |

Plan Fiduciary Net Position – The plan fiduciary net position for PFRS at June 30, 2019 and 2018 was \$27,792,420,945 and \$27,098,556,100, respectively.

Additional Information

Collective balances at June 30, 2019 are as follows:

| | |
|--|------------------|
| Collective deferred outflows of resources | \$ 1,198,936,924 |
| Collective deferred inflows of resources | 4,874,748,912 |
| Collective net pension liability - Local group | 14,170,193,618 |
| City's Proportion | 0.4919913700% |

Collective pension expense for the Local Group for the measurement period ended June 30, 2019 and 2018 was \$1,325,963,796 and \$1,270,762,352 respectively. The average of the expected remaining service lives of all plan members is 5.92, 5.73, 5.59, 5.58, 5.53 and 6.72 years for 2019, 2018, 2017, 2016, 2015 and 2014, respectively.

State Contribution Payable Dates

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. As such, contributions are assumed to be made on a quarterly basis. Local employer's contributions are expected to be paid on April 1st, 21 months after the associated valuation date.

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, 2019 and June 30, 2018 are \$1,105,874,849 and \$1,089,730,202, respectively.

Special Funding Situation - Under N.J.S.A 43:16A-15, local participating employers are responsible for their own contributions based on actuarially determined amounts, except where legislation was passed which legally obligated the State if certain circumstances occurred. The amounts contributed on behalf of the local participating employers under this legislation is considered to be a special funding situation and state is treated

CITY OF ORANGE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019 AND 2018

7. PENSION PLANS (continued)

as a non-employer entity. The non-employer contributing entities' total proportionate share of the collective net pension liability that is associated with the City as of June 30, 2019 and 2018 for police and fire is 0.4919913740% and 0.4866248635%, respectively. The non-employer contributing entities' contribution for the year ended June 30, 2019 and 2018 was \$640,583, and \$529,785, respectively. The state's proportionate share of net pension liability attributable to the City as of June 30, 2019 and 2018 was \$9,507,117 and \$8,944,412, 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. At June 30, 2019 and 2018, the membership in the DCRP, based on the information within the Division's database, was 59,270 and 57,893, 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. For the year ended December 31, 2019 and 2018, the City had thirteen employees enrolled in the DCRP.

8. POST RETIREMENT BENEFITS OTHER THAN PENSIONS

City's OPEB Plan

General information about the OPEB Plan

The City provides a single employer post-employment health benefits plan for 344 of its employees and 243 retirees through a single employer defined benefit healthcare plan. The City 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.

CITY OF ORANGE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019 AND 2018

8. POST RETIREMENT BENEFITS OTHER THAN PENSIONS (continued)

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 City administers the Plan through the Horizon Blue Cross Blue Shield of New Jersey and has the authority to establish and amend the benefits provisions offered. The Plan is not a separate entity or trust and does not issue standalone financial statements.

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

Total OPEB Liability

The City's total OPEB liability of \$215,844,294 and \$176,857,867, respectfully was measured as of December 31, 2019 and 2018, and was determined by an actuarial valuation as of that date. There were 243 retiree and surviving spouses and 344 active employees as part of the plan.

Actuarial assumptions and other imputes - The total OPEB liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified.

| | |
|--|---|
| Inflation | 2.50% |
| Salary increases | 2.50% |
| Discount rate | 2.74% |
| Healthcare cost trend rate | Range from 5.7% to 9.5% |
| Retirees' share of benefit-related costs | Subject to the requirements of Chapter 78 |

The discount rate was based on the Bond Buyer 20-Bond Go Index.

Mortality rates were based on the RP-2000 Combined Healthy Male Mortality rates set forward three years.

The actuarial assumptions used in the December 31, 2019 valuation were based in the results of an actuarial experience study for the period January 1, 2019 - December 31, 2019.

CITY OF ORANGE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019 AND 2018

8. POST RETIREMENT BENEFITS OTHER THAN PENSIONS (continued)

Changes in the Total OPEB Liability

| | <u>Total OPEB Liability</u> |
|--|-----------------------------|
| Balance at 12/31/2018 | \$ 176,857,867 |
| Changes for the year: | - |
| Interest cost | 7,280,901 |
| Service cost | 2,455,925 |
| Difference between expected and actual experience | 30,736,858 |
| Changes in assumptions | <u>1,974,441</u> |
| Changes in assumptions or other inputs: | 42,448,125 |
| Benefit payments | (3,461,698) |
| Net changes | <u>38,986,427</u> |
| Balance at 12/31/19 | <u>\$ 215,844,294</u> |
| | |
| Balance at 12/31/2017 | \$ 172,433,158 |
| Changes for the year: | - |
| Interest cost | 7,065,960 |
| Service cost | 2,455,925 |
| Changes in assumptions or other inputs: | 9,521,885 |
| Benefit payments | (5,097,176) |
| Net changes | <u>4,424,709</u> |
| Balance at 12/31/18 | <u>\$ 176,857,867</u> |

Sensitivity of the total OPEB liability to changes in the discount rate - The following presents the total OPEB liability of the City, as well as what the City'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:

| | <u>December 31, 2019</u> | | |
|----------------------|--------------------------|----------------|----------------|
| | 1% Increase | Discount Rates | 1% Decrease |
| | (1.74%) | (2.74%) | (3.74%) |
| Total OPEB Liability | \$ 235,586,932 | \$ 215,844,294 | \$ 199,521,053 |
| | | | |
| | <u>December 31, 2018</u> | | |
| | 1% Increase | Discount Rates | 1% Decrease |
| | (5.10%) | (4.10%) | (3.10%) |
| Total OPEB Liability | \$ 160,711,343 | \$ 176,857,867 | \$ 196,403,052 |

CITY OF ORANGE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019 AND 2018

8. POST RETIREMENT BENEFITS OTHER THAN PENSIONS (continued)

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates - The following presents the total OPEB liability of the City, as well as what the City'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:

| | December 31, 2019 | | |
|----------------------|-------------------|-----------------------------|----------------|
| | 1% Increase | Healthcare Cost Trend Rates | 1% Decrease |
| Total OPEB Liability | \$ 196,907,582 | \$ 215,844,294 | \$ 238,761,745 |

| | December 31, 2018 | | |
|----------------------|-------------------|-----------------------------|----------------|
| | 1% Increase | Healthcare Cost Trend Rates | 1% Decrease |
| Total OPEB Liability | \$ 194,083,564 | \$ 176,844,867 | \$ 162,582,371 |

OPEB Expense

For the year ended December 31, 2019, the City recognized pay as you go OPEB expense of \$4,227,528.

State of New Jersey's OPEB Plan

Nonspecial Funding Situation - The State of New Jersey's Total OPEB Liability for nonspecial funding situation was \$8,020,352,361 and \$9,452,773,649 at June 30, 2019 and 2018, 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:

| | June 30, 2018 | June 30, 2019 |
|---|-------------------|-------------------|
| Total OPEB Liability | \$ 15,981,103,227 | \$ 13,819,244,582 |
| Plan Fiduciary Net Position | 314,485,086 | 273,173,482 |
| Net OPEB Liability | \$ 15,666,618,141 | \$ 13,546,071,100 |
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability | 1.97% | 1.98% |

Actuarial Assumptions and Other Inputs - The total OPEB liability as of June 30, 2019 was determined by an actuarial valuation as of June 30, 2018, which was rolled forward to June 30, 2019. The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. These actuarial valuation used the following actuarial assumptions, applied to all periods (2018 and 2019) in the measurement:

CITY OF ORANGE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019 AND 2018

8. POST RETIREMENT BENEFITS OTHER THAN PENSIONS (continued)

| | 6/30/2018 | 6/30/2019 |
|---|-----------------|-----------------|
| Inflation | 2.50% | 2.50% |
| Salary Increases*: | | |
| Public Employees' Retirement System (PERS) | | |
| Through 2026 | 1.65% - 8.98% | 2.00% to 6.00% |
| Thereafter | 2.65% - 9.98% | 3.00% to 7.00% |
| Police and Firemen's Retirement System (PFRS) | | |
| Rate for all future years | 3.25% to 15.25% | 3.25% to 15.25% |
| Mortality: | | |
| PERS Pub-2010 general classification headcount weighted mortality with fully generational mortality improvement projections from the central year using Scale MP-2019 | | |
| PFRS Pub-2010 general classification headcount weighted mortality with fully generational mortality improvement projections from the central year using Scale MP-2019 | | |

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

Actuarial assumptions used in the July 1, 2018 valuation were based on the results of the PFRS and PERS experience studies prepared for July 1, 2013 to June 30, 2018 and July 1, 2014 to June 30, 2018, respectively. 100% of active members are considered to participate in the Plan upon retirement.

Healthcare Trend Assumptions - For pre-Medicare medical benefits, the trend rate is initially 5.7% and decreases to a 4.5% long-term trend rate after eight years. For self-insured post-65 medical benefits, the actual fully insured Medicare Advantage trend rates for fiscal year 2020 are reflected. The assumed post-65 medical trend is 4.5% for all future years. For prescription drug benefits, the initial trend rate is 7.5% decreasing to a 4.5% long-term trend rate after eight years.

Discount Rate - The discount rate for June 30, 2019 and 2018 was 3.50% and 3.87%, 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, 2019 and 2018, 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 - 2019 | \$ 15,662,704,137 | \$ 13,546,071,100 | \$ 11,826,026,995 |
| Total Net OPEB Liability - 2018 | 18,381,085,096 | 15,666,618,141 | 13,498,373,388 |

CITY OF ORANGE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019 AND 2018

8. POST RETIREMENT BENEFITS OTHER THAN PENSIONS (continued)

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, 2019 and 2018, 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 - 2019 | \$ 11,431,214,644 | \$ 13,546,071 | \$ 16,243,926,531 |
| 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 \$5,525,718,739 and \$6,213,844,492,135 at June 30, 2019 and 2018, 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, these 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.

The amounts of the State's Non-employer OPEB Liability that are attributable to employees and retirees of the City of Orange Township was \$34,104,791 and \$39,361,349 at June 30, 2019 and 2018, respectively. These allocated liabilities represent 0.617201% and 0.607149% of the State's Total Non-employer OPEB Liability for June 30, 2019 and 2018, respectively. The OPEB expense attributed to the City was \$452,068 and \$1,191,514 at June 30, 2019 and 2018, respectively.

9. MUNICIPAL DEBT

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

CITY OF ORANGE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019 AND 2018

9. MUNICIPAL DEBT (continued)

Summary of Municipal Debt (Excluding Current and Operating Debt and Type 1 School Debt)

| | <u>Calendar Year 2019</u> | <u>Calendar Year 2018</u> | <u>Calendar Year 2017</u> |
|----------------------------------|-------------------------------|-------------------------------|-------------------------------|
| <u>Bonds and Notes Issued</u> | | | |
| General Capital: | | | |
| Bonds and Notes | \$ 19,167,000.00 | \$ 8,845,000.00 | \$ 13,892,000.00 |
| Loans | 3,531,413.43 | 992,842.33 | 1,175,982.40 |
| Water and Sewer Utility: | | | |
| Bonds and Notes | 22,770,000.00 | 18,960,000.00 | 17,970,000.00 |
| Loans | <u>3,770,618.82</u> | <u>4,142,830.78</u> | <u>4,521,592.01</u> |
| Total Issued | <u>\$ 49,239,032.25</u> | <u>\$ 32,940,673.11</u> | <u>\$ 37,559,574.41</u> |
| <u>Authorized but Not Issued</u> | | | |
| General: | | | |
| Bonds and Notes | \$ 19,134,836.92 | \$ 14,307,000.00 | \$ 2,019,246.00 |
| Water and Sewer Utility: | | | |
| Bonds and Notes | <u>13,589,527.00</u> | <u>19,527.00</u> | <u>1,500,281.00</u> |
| | <u>32,724,363.92</u> | <u>14,326,527.00</u> | <u>3,519,527.00</u> |
| Total Debt | <u>\$ 81,963,396.17</u> | <u>\$ 47,267,200.11</u> | <u>\$ 41,079,101.41</u> |

Summary of Statutory Debt Condition – Annual Debt Statement

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of 2.764 % at December 31, 2019.

| | <u>Gross Debt</u> | <u>Deductions</u> | <u>Net Debt</u> |
|------------------------------|-------------------------|-------------------------|-------------------------|
| Water and Sewer Utility Debt | \$ 40,130,146.00 | \$ 40,130,146.00 | \$ |
| Other Bonds and Notes | <u>41,833,250.00</u> | <u>504,225.00</u> | <u>41,329,025.00</u> |
| Total | <u>\$ 81,963,396.00</u> | <u>\$ 40,634,371.00</u> | <u>\$ 41,329,025.00</u> |

CITY OF ORANGE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019 AND 2018

9. MUNICIPAL DEBT (continued)

Net Debt, \$41,329,025 divided by Equalized Valuation Basis per N.J.S.A. 40:A2-2 as amended, \$1,495,114,621 equals 2.764%.

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

| | |
|---|-------------------------|
| 3 1/2% of Equalized Valuation Basis (Municipal) | \$ 52,327,012.00 |
| Net Debt | 41,329,025.00 |
| Remaining Statutory Borrowing Power | <u>\$ 10,997,987.00</u> |

School Debt Deductions

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

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

| | |
|--|------------------------|
| Surplus and Cash receipts from Fees, Rents or Other Charges for Year and Fund Balance Anticipated | \$ 11,804,549.59 |
| Deductions: | |
| Operating and Maintenance Cost | \$ 7,745,840.00 |
| Debt Service per Water/Sewer Utility | <u>2,672,450.35</u> |
| | <u>10,418,290.35</u> |
| Excess | <u>\$ 1,386,259.24</u> |

The foregoing debt information is not in agreement with the Annual Debt Statement as filed by the Chief Financial Officer and as such, a revised Annual Debt Statement should be filed with the Division.

As of December 31, 2019, the City’s long-term debt is as follows:

| <u>General Obligation Bonds</u> | <u>2019</u> | <u>2018</u> |
|---|-------------------------|-------------------------|
| \$9,433,000, 2017 General Improvement Bonds (QBA), in annual installments of \$940,000 to \$945,000 through December 2027, interest from 2.25% to 4.00% | <u>\$ 7,545,000.00</u> | <u>\$ 8,490,000.00</u> |
| | <u>\$ 7,545,000.00</u> | <u>\$ 8,490,000.00</u> |
| <u>Water Utility Bonds</u> | | |
| \$30,000,000.00: 2003 Bonds due in annual installments of \$975,000.00 to \$2,360,000.00 through June 2028, interest at 4.00% to 5.00% * | <u>\$ 15,270,000.00</u> | <u>\$ 16,660,000.00</u> |
| * Qualified Bond Act (P.L. 1976, c.38) | <u>\$ 15,270,000.00</u> | <u>\$ 16,660,000.00</u> |

CITY OF ORANGE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019 AND 2018

9. MUNICIPAL DEBT (continued)

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

| | <u>2019</u> | <u>2018</u> |
|--|----------------------|----------------------|
| <u>Military Commons</u> | | |
| \$91,579.10 loan, due in semi-annual installments of \$5,108.89 to \$5,263.68 through October 2021, interest at 2% | \$ 19,979.64 | \$ 30,046.16 |
| <u>Ropes Playground</u> | | |
| \$90,000.00 loan, due in semi-annual installments of \$2,903.23 through December 2028, no interest | 52,258.01 | 58,064.47 |
| <u>Multi-Parks Project</u> | | |
| \$250,000.00 loan, due in semi-annual installments of \$6,410.26 through February 2028, no interest | 108,974.08 | 121,794.60 |
| \$600,000.00 loan, due in semi-annual installments of \$15,384.62 through May 2033, no interest | <u>461,538.62</u> | <u>492,307.86</u> |
| | <u>\$ 642,750.35</u> | <u>\$ 702,213.09</u> |

N.J Environmental Infrastructure Trust Loan Payable

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

| | <u>Balance</u> <u>December 31, 2019</u> | <u>Balance</u> <u>December 31, 2018</u> |
|--|--|--|
| <u>General Debt</u> | | |
| Trust Fund | | \$ 56,966.96 |
| Fund Share | <u>-</u> | <u>38,662.28</u> |
| | <u>\$ -</u> | <u>\$ 95,629.24</u> |
| <u>Water and Sewer Utility Debt</u> | | |
| Trust Fund | \$ 2,036,000.00 | \$ 2,214,000.00 |
| Fund Share | <u>1,734,618.82</u> | <u>1,928,830.78</u> |
| | <u>\$ 3,770,618.82</u> | <u>\$ 4,142,830.78</u> |

CITY OF ORANGE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019 AND 2018

9. MUNICIPAL DEBT (continued)

Bond Anticipated Notes

| | Balance <u>December 31, 2019</u> | Balance <u>December 31, 2018</u> |
|--|-------------------------------------|-------------------------------------|
| General Capital Fund, Bond Anticipation Notes | \$ 11,622,000.00 | \$ - |
| Water and Sewer Capital Fund: Improvement of Water/Sewer System | \$ 7,500,000.00 | \$ 2,300,000.00 |

Bonds and Notes Anticipated but Not Issued

| | Balance <u>December 31, 2019</u> | Balance <u>December 31, 2018</u> |
|--|-------------------------------------|-------------------------------------|
| General Capital Fund: General Improvements | \$ 19,134,836.92 | \$ 14,307,000.00 |
| Water and Sewer Capital Fund: Improvement of Water/Sewer System | \$ 13,589,527.00 | \$ 19,527.00 |

Demolition Bond Loan 2012

The City entered into a loan agreement for \$325,000 in 2014. This ten year loan is being amortized at \$32,500.00 per year at 4.0% interest. The outstanding balance at December 31, 2019 and 2018 are \$162,500 and \$195,000.00, respectively.

CITY OF ORANGE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019 AND 2018

9. MUNICIPAL DEBT (continued)

| Fiscal Year | Total General Debt | General Debt | | | | | |
|-------------|------------------------|------------------------|------------------------|----------------------|------------------|----------------------|--------------------|
| | | General | | Green Trust Loan | | Demolition Loan | |
| | | Principal | Interest | Principal | Interest | Principal | Interest |
| 2020 | \$ 1,295,729.98 | \$ 940,000.00 | \$ 261,850.00 | \$ 59,665.10 | \$ 414.88 | \$ 32,500.00 | \$ 1,300.00 |
| 2021 | 1,274,580.98 | 940,000.00 | 240,700.00 | 59,871.47 | 209.51 | 32,500.00 | 1,300.00 |
| 2022 | 1,245,396.22 | 945,000.00 | 217,200.00 | 49,396.22 | | 32,500.00 | 1,300.00 |
| 2023 | 1,207,596.22 | 945,000.00 | 179,400.00 | 49,396.22 | | 32,500.00 | 1,300.00 |
| 2024 | 1,135,996.22 | 945,000.00 | 141,600.00 | 49,396.22 | | 32,500.00 | 1,300.00 |
| 2025-2029 | 3,249,943.52 | 2,830,000.00 | 198,000.00 | 221,943.52 | | | |
| 2030-2034 | 153,081.60 | | | 153,081.60 | | | |
| | <u>\$ 9,562,324.74</u> | <u>\$ 7,545,000.00</u> | <u>\$ 1,238,750.00</u> | <u>\$ 642,750.35</u> | <u>\$ 624.39</u> | <u>\$ 162,500.00</u> | <u>\$ 6,500.00</u> |

** The Multi-Parks Project Loan from Green Acres is interest free.

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

| Fiscal Year | Total Water and Sewer Utility | Bonds | | New Jersey Environmental Infrastructure Trust Loan | |
|-------------|-------------------------------|-------------------------|------------------------|--|----------------------|
| | | Principal | Interest | Principal | Interest |
| 2020 | \$ 2,598,399.23 | \$ 1,470,000.00 | \$ 649,400.00 | \$ 381,069.23 | \$ 97,930.00 |
| 2021 | 2,610,532.99 | 1,560,000.00 | 573,650.00 | 388,302.99 | 88,580.00 |
| 2022 | 2,622,311.21 | 1,655,000.00 | 493,275.00 | 395,206.21 | 78,830.00 |
| 2023 | 2,636,613.77 | 1,750,000.00 | 408,150.00 | 409,783.77 | 68,680.00 |
| 2024 | 1,417,400.00 | 1,100,000.00 | 317,400.00 | 415,860.66 | 61,750.00 |
| 2025-2029 | <u>10,058,545.96</u> | <u>7,735,000.00</u> | <u>414,000.00</u> | <u>1,780,395.96</u> | <u>129,150.00</u> |
| | <u>\$ 21,943,803.16</u> | <u>\$ 15,270,000.00</u> | <u>\$ 2,855,875.00</u> | <u>\$ 3,770,618.82</u> | <u>\$ 524,920.00</u> |

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

CITY OF ORANGE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019 AND 2018

10. INTERFUND RECEIVABLES AND PAYABLES

As of December 31, 2019, interfund receivables and payables that resulted from various interfund transactions were as follows:

| | <u>Due From</u> | <u>Due To</u> |
|----------------------------|-------------------------|-------------------------|
| Current Fund: | | |
| Grant Fund | \$ - | \$ 57.42 |
| General Trust | - | 3,766,564.99 |
| Grant Trust Fund - CDBG | | 370.24 |
| Grant Trust Fund - Housing | 546.75 | |
| Water/Sewer Operating | | 774,976.33 |
| Water/Sewer Capital | | 22,456.50 |
| General Capital | | 1,290,449.02 |
| Municipal Insurance Fund | 241.98 | |
| Open Space | | 393,840.56 |
| Payroll Fund | | 22.67 |
| Grant: | | |
| Current Fund | 57.42 | - |
| General Capital | | 1,804,000.00 |
| Trust Fund: | | |
| Current Fund | 3,766,564.99 | - |
| General Capital | 1,443,600.00 | |
| Open Space | 393,840.56 | |
| CDBG | 400,000.00 | |
| Water Utility Operating | 301,755.19 | - |
| Payroll Fund | 22.67 | 31,518.56 |
| Municipal Insurance Fund | | 241.98 |
| Grant Trust Fund: | | |
| Current Fund | 370.24 | 546.75 |
| Trust Other | | 400,000.00 |
| General Capital Fund | | |
| Current Fund | 1,290,449.02 | |
| Grant Fund | 1,804,000.00 | |
| General Trust | | 1,443,600.00 |
| Water/Sewer Operating | | 263,786.40 |
| Water/Sewer Capital | | 85,954.36 |
| Water/Sewer Operating: | | |
| Current Fund | 774,976.33 | |
| General Trust | | 301,755.19 |
| General Capital | 263,786.40 | |
| Payroll Fund | 31,518.56 | |
| Water/Sewer Capital | | 290,000.00 |
| Water/Sewer Capital | | |
| Water/Sewer Operating | 290,000.00 | |
| Current Fund | 22,456.50 | |
| General Capital | 85,954.36 | |
| | <u>\$ 10,870,140.97</u> | <u>\$ 10,870,140.97</u> |

CITY OF ORANGE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019 AND 2018

11. DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2019 and 2018, the following deferred charges are shown on the balance sheets of the Current and Utility Funds.

| | Balance December 31, 2019 | Amount Raised in 2020 Budget |
|--|---------------------------------|------------------------------------|
| | <hr/> | <hr/> |
| <u>2019 Current Fund</u> | | |
| Emergency Authorization | \$ 1,810,000.00 | \$ 1,810,000.00 |
| Special Emergency Authorization | <u>400,000.00</u> | <u>200,000.00</u> |
| | <u>\$ 2,210,000.00</u> | <u>\$ 2,010,000.00</u> |
| | | |
| | Balance December 31, 2018 | Amount Raised in 2019 Budget |
| | <hr/> | <hr/> |
| <u>2018 Current Fund:</u> | | |
| Overexpenditure of Budget Appropriations | \$ 86,367.67 | \$ 86,367.67 |
| Emergency Authorization | 1,000,000.00 | 1,000,000.00 |
| Special Emergency Appropriations | <u>600,000.00</u> | <u>200,000.00</u> |
| | <u>\$ 1,686,367.67</u> | <u>\$ 1,286,367.67</u> |
| | | |
| | Balance December 31, 2019 | Amount Raised in 2020 Budget |
| | <hr/> | <hr/> |
| <u>2019 Water and Sewer Utility Fund:</u> | | |
| Special Emergency Appropriations | \$ <u>569,297.08</u> | \$ <u>430,000.00</u> |
| | <u>\$ 569,297.08</u> | <u>\$ 430,000.00</u> |
| | | |
| | Balance December 31, 2018 | Amount Raised in 2019 Budget |
| | <hr/> | <hr/> |
| <u>2018 Water and Sewer Utility Fund:</u> | | |
| Special Emergency Appropriations | \$ 999,297.08 | \$ 430,000.00 |
| Emergency Appropriations | <u>103,457.78</u> | <u>103,457.78</u> |
| | <u>\$ 1,102,754.86</u> | <u>\$ 533,457.78</u> |

CITY OF ORANGE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019 AND 2018

12. RISK MANAGEMENT

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

Claims for workers' compensation are funded on a cash basis through budget appropriations. There is no reserve established at December 31, 2019 and 2018 for possible catastrophic claims.

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

General Liability:

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

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

There has been no provisions included in the financial statements for claims incurred but not reported as of December 31, 2019 and 2018.

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

| | Balance, December 31, 2018 | Increase | Decrease | Balance, December 31, 2019 |
|-------------------|----------------------------------|---------------------|---------------------|----------------------------------|
| General Liability | <u>\$ 214,551.92</u> | <u>\$ 25,105.64</u> | <u>\$ 58,608.23</u> | <u>\$ 181,049.33</u> |
| | Balance, December 31, 2017 | Increase | Decrease | Balance, December 31, 2018 |
| General Liability | <u>\$ 154,676.92</u> | <u>\$ 60,218.52</u> | <u>\$ 343.52</u> | <u>\$ 214,551.92</u> |

CITY OF ORANGE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019 AND 2018

13. TAX ABATEMENTS

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

| Entity Name | Pilot Billing | Taxes If Billed In Full |
|--|------------------|----------------------------|
| Transport of N.J. | \$ 107,019 | \$ 13,989 |
| Our Lady of Mt. Carmel Senior Citizens | 162,141 | 536,650 |
| South Essex Urban Renewal | 99,799 | 610,747 |
| Oakwood Towers | 353,159 | 1,023,945 |
| Salem Towers | 105,949 | 751,145 |
| Orange Park Apartments | 196,245 | 623,699 |
| The Berkely | 24,539 | 183,372 |
| Lincoln Court | 55,652 | 331,194 |
| Project Live Inc. | 13,813 | 12,464 |
| New Community Corporation | 47,011 | 468,916 |
| 307 Washington Street | 120,836 | 414,708 |
| Central Orange Village II | 68,265 | 426,922 |
| Grand Central Senior Housing | 57,759 | 68,488 |
| Walter G Alexander Phase I | 51,255 | 164,675 |
| Walter G Alexander Phase II | 34,636 | 173,901 |
| Walter G Alexander Phase III | 36,816 | 178,781 |
| Tony Galento Plaza | 204,500 | 1,387,741 |
| Living Fountain | 66,465 | 149,883 |
| Condos on 475 S. Jefferson | 60,693 | 490,420 |
| Condos on 52 Lincoln | 32,902 | 323,471 |
| L&M Development Partners | 110,896 | 373,485 |
| Total | \$ 2,010,350 | \$ 8,708,596 |

14. CONTINGENT LIABILITIES

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

Vacation

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

CITY OF ORANGE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019 AND 2018

14. CONTINGENT LIABILITIES (continued)

Sick Time

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

Compensatory Time

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

Personal Days

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

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

It is estimated that the sum following is due and payable to employees and officials of the City as of December 31, 2019 is \$9,429,763.72 upon their retirements or other separations. These amounts were not verified by audit.

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

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

Tax Appeals

As of December 31, 2019, there were tax appeals pending before the New Jersey Tax Court. Amounts of tax claims being contested were undeterminable. Judgments favorable to the taxpayers generally extend to two years following the year judged and would also subject the City to a liability for statutory interest based upon the amount of taxes refunded from the date of payment to the date of refund (RS. 54:3~ 27.2).

Federal and State Awards

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

Litigation

In house counsel addressed 84 separate litigations with the City; 67 are pending, 16 have been settled and 1 was dismissed. Of the preceding 84 actions, 49 pertained to workmen's compensation claims. \$1,091,534 of claims have been settled; there are outstanding claims estimated to be \$3,700,146 still unsettled. Of these amounts Workmen's Compensation settlements were \$213,768 and \$3,262,445 remain to be settled. Workmen's Compensation claims are covered by the Joint Insurance Fund.

Investigation

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

CITY OF ORANGE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019 AND 2018

15. GROUND LEASE

The City entered into a ground lease with Station Partners Urban Renewal L.P. on May 27, 2014 for the Tony Galento Plaza Transit Village Development. The lease is for sixty-five years and the fixed net rent is for a period of thirty years. Total fixed net rent is to be \$878,254; interest for any amount of fixed net rent that is outstanding during the term of the lease shall accrue at a rate of 1% per annum compounded annually. Fixed rent will be paid in annual installments in an amount equal to Distributed Cash Flow (50% of Net Profit) shared on an equal basis with other government funding sources due on or before July 1 of each year of the term until such time as the Fixed Net rent, along with interest is paid in full. The balance of the lease receivable as December 31, 2019 and 2018 was \$923,079 and \$913,989, respectively.

16. LOANS RECEIVABLE

The City has made loans to developers for two urban renewal projects as follows:

Station Partners Urban Renewal (Tony Galento Transit Village) for \$536,977 due on October 22, 2044 at 1% interest.

307 Washington Urban Renewal for \$364,000.00 due on 8/31/2053 at 0% interest.

17. FIXED ASSETS

General Fixed Assets

The following is a summary of changes in the General Fixed Assets account group as of December 31, 2019 and 2018:

| | Balance, December 31, 2018 | Additions | Reductions | Balance, December 31, 2019 |
|-------------------------|----------------------------------|---------------------|-------------------|----------------------------------|
| Land | \$ 15,040,400 | \$ - | \$ - | \$ 15,040,400 |
| Land Improvements | 14,176,800 | | | 14,176,800 |
| Machinery and Equipment | 11,149,368 | 1,134,414 | - | 12,283,782 |
| | <u>\$ 40,366,568</u> | <u>\$ 1,134,414</u> | <u>\$ -</u> | <u>\$ 41,500,982</u> |
| | Balance, December 31, 2017 | Additions | Reductions | Balance, December 31, 2018 |
| Land | \$ 15,040,400 | \$ - | \$ - | \$ 15,040,400 |
| Land Improvements | 14,176,800 | | | 14,176,800 |
| Machinery and Equipment | 11,721,106 | 191,545 | 763,285 | 11,149,368 |
| | <u>\$ 40,938,306</u> | <u>\$ 191,545</u> | <u>\$ 763,285</u> | <u>\$ 40,366,568</u> |

CITY OF ORANGE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019 AND 2018

18. SUBSEQUENT EVENTS

The City has evaluated subsequent events occurring after December 31, 2019 through October 23, 2020 which is the date the financial statements were available to be issued. Based on this evaluation, management has determined that the following events require disclosure:

Subsequent to year end, the COVID-19 (Corona Virus) pandemic has resulted in substantial economic volatility on a global scale. As a result, the City's economically sensitive revenues (i.e. property taxes, water/sewer utility collections, interest earnings, fees, state and federal aid) might be negatively impacted. Collection rates on real property taxes might be slowed as unemployment rates are expected to spike. Meanwhile, the City's expenditures for public safety and health service functions and pension benefits (due to stock market declines) would all be expected to increase sharply. Given the uncertainty around the extent and timing of the potential future spread or mitigation of the coronavirus and around the imposition or relaxation of protective measures, management cannot reasonably estimate the actual impact on the City's financial position at this time.

APPENDIX C

FORM OF APPROVING LEGAL OPINION FOR THE BONDS

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

December ____, 2020

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

Ladies and Gentlemen:

We have served as Bond Counsel in connection with the authorization, sale, issuance and delivery of the \$20,131,000* aggregate principal amount of General Obligation Bonds, Series 2020 (Qualified Pursuant to the Provisions of the Municipal Qualified Bond Act, P.L. 1976, c. 38, as amended), consisting of \$8,611,000* aggregate principal amount of General Improvement Bonds, Series 2020 (the "General Improvement Bonds") and \$11,520,000* aggregate principal amount of Water Utility Bonds, Series 2020 (the "Water Utility Bonds", and together with the General Improvement Bonds, the "Bonds"), of the City of Orange Township, in the County of Essex (the "City"), a municipal corporation of the State of New Jersey (the "State").

The Bonds are authorized by and are issued pursuant to: (i) the provisions of the Local Bond Law, N.J.S.A. 40A:2-1 et seq., as amended and supplemented (the "Local Bond Law"), (ii) the provisions of the Municipal Qualified Bond Act, N.J.S.A. 40A:3-1 et seq., as amended and supplemented (the "Municipal Qualified Bond Act"), (iii) various bond ordinances duly adopted by the City Council, approved by the Mayor, and published as required by law, and (iv) a resolution duly adopted by the City Council of the City on November 4, 2020 (the "Resolution") (collectively, the "Authorization Proceedings").

The General Improvement Bonds will be used to refund, on a current basis, prior bond anticipation notes of the City issued in the aggregate principal amount of \$8,611,000 on June 18, 2020 and maturing on December 18, 2020.

* Preliminary, subject to change

The Water Utility Bonds will be used to refund, on a current basis, (i) prior water utility bond anticipation notes of the City issued in the aggregate principal amount of \$7,500,000 on June 18, 2020 and maturing on December 18, 2020, and (ii) prior bond anticipation notes of the City issued in the aggregate principal amount of \$4,020,000 on July 24, 2020 and maturing on December 18, 2020.

The Bonds are issued in fully registered, book-entry only form, without coupons, initially registered in the name of, and held by, Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), an automated depository for securities and clearing house for securities transactions. One certificate shall be issued for the aggregate principal amount of Bonds of each series maturing in each year. Individual purchases may be made in the principal amount of \$5,000 each or any integral multiple thereof, with a minimum purchase of \$5,000 required, except that any Bonds in excess of the largest principal amount equaling a multiple of \$5,000 shall be in denominations of \$1,000 or any integral multiple thereof. So long as DTC or its nominee is the registered owner of the Bonds, payments of the principal of and interest on the Bonds will be made by the City as Paying Agent (or a paying agent duly appointed by the City) directly to Cede & Co., as nominee for DTC. Disbursal of such payments to DTC participants is the responsibility of DTC and disbursal of such payments to the beneficial owners of the Bonds is the responsibility of DTC participants.

The Bonds are dated and shall bear interest from their date of delivery, which interest shall be payable semi-annually on the first day of June and December (each an "Interest Payment Date") in each year until maturity or prior redemption, commencing June 1, 2021. The Bonds shall mature on December 1 in each of the years and in the principal amounts and at the interest rates as follows:

| <u>Year</u> | <u>General Improvement Bonds*</u> | <u>Water Utility Bonds*</u> | <u>Combined Principal Amounts*</u> | <u>Interest Rates</u> |
|-------------|---|-------------------------------------|--|---------------------------|
| 2021 | \$ 600,000 | \$235,000 | \$ 835,000 | % |
| 2022 | 600,000 | 245,000 | 845,000 | |
| 2023 | 601,000 | 255,000 | 856,000 | |
| 2024 | 660,000 | 265,000 | 925,000 | |
| 2025 | 750,000 | 275,000 | 1,025,000 | |
| 2026 | 800,000 | 285,000 | 1,085,000 | |
| 2027 | 1,000,000 | 295,000 | 1,295,000 | |
| 2028 | 1,200,000 | 310,000 | 1,510,000 | |
| 2029 | 1,200,000 | 320,000 | 1,520,000 | |
| 2030 | 1,200,000 | 335,000 | 1,535,000 | |
| 2031 | | 345,000 | 345,000 | |
| 2032 | | 365,000 | 365,000 | |
| 2033 | | 470,000 | 470,000 | |
| 2034 | | 470,000 | 470,000 | |

| <u>Year</u> | <u>General Improvement Bonds*</u> | <u>Water Utility Bonds*</u> | <u>Combined Principal Amounts*</u> | <u>Interest Rates</u> |
|-------------|---|-------------------------------------|--|---------------------------|
| 2035 | | 470,000 | 470,000 | |
| 2036 | | 470,000 | 470,000 | |
| 2037 | | 470,000 | 470,000 | |
| 2038 | | 470,000 | 470,000 | |
| 2039 | | 470,000 | 470,000 | |
| 2040 | | 470,000 | 470,000 | |
| 2041 | | 470,000 | 470,000 | |
| 2042 | | 470,000 | 470,000 | |
| 2043 | | 470,000 | 470,000 | |
| 2044 | | 470,000 | 470,000 | |
| 2045 | | 470,000 | 470,000 | |
| 2046 | | 470,000 | 470,000 | |
| 2047 | | 470,000 | 470,000 | |
| 2048 | | 470,000 | 470,000 | |
| 2049 | | 470,000 | 470,000 | |
| Total: | <u>\$8,611,000*</u> | <u>\$11,520,000*</u> | <u>\$20,131,000*</u> | |

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

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

We are of the opinion that (i) such proceedings and proofs show lawful authority for the authorization, issuance and sale of the Bonds pursuant to the Authorization Proceedings, (ii) the Bonds have been duly authorized, executed and delivered and constitute valid and legally binding general obligations of the City enforceable in accordance with their terms, and (iii) the City has pledged its full faith and credit for the payment of the principal of and interest on the Bonds and, unless paid from other sources,

* Preliminary, subject to change

all the taxable property within the City is subject to the levy of *ad valorem* taxes, without limitation as to rate or amount, for the payment of principal of and interest on the Bonds.

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements which must be met at the time of, and on a continuing basis subsequent to, the issuance and delivery of the Bonds in order for interest thereon to be and remain excludable from gross income for Federal income tax purposes under Section 103 of the Code. Noncompliance with such requirements could cause the interest on the Bonds to be included in gross income for Federal income tax purposes retroactive to the date of the issuance of the Bonds. The City has covenanted in a tax certificate relating to the Bonds to maintain the exclusion of the interest on the Bonds from gross income for Federal income tax purposes pursuant to Section 103(a) of the Code.

In our opinion, under existing statutes, regulations, rulings and court decisions, and assuming continuing compliance by the City with the requirements of the Code and the aforementioned covenants and representations stated in the above referenced tax certificate, interest on the Bonds is not includable for Federal income tax purposes in the gross income of the owners of the Bonds pursuant to Section 103 of the Code. The Bonds are not "specified private activity bonds" within the meaning of Section 57 of the Code and, therefore, the interest on the Bonds will not be treated as a preference item for purposes of computing the Federal alternative minimum tax.

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

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

accrued with respect to the Discount Bonds is added to the cost basis of the holder in determining, for Federal income tax purposes, gain or loss upon disposition (including sale, redemption or payment at maturity). Holders of the Discount Bonds should consult their tax advisors for an explanation of the original issue discount rules.]

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

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

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

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

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

Very truly yours,

WILENTZ, GOLDMAN & SPITZER, P.A.

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APPENDIX D

FORM OF APPROVING LEGAL OPINION FOR THE NOTES

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

December ____, 2020

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

Ladies and Gentlemen:

We have examined certified copies of the proceedings of the City Council of the City of Orange Township, in the County of Essex, a municipal corporation of the State of New Jersey (the "City") and other proofs submitted to us relative to the authorization, issuance and sale of the \$7,200,000 aggregate principal amount of Redevelopment Area Bond Anticipation Notes, Series 2020E (the "Notes") of the City. The Notes are dated December 16, 2020, mature June 15, 2021, and bear interest at the rate of _____ hundredths per centum (_____%) per annum.

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

The Notes are authorized by, and are issued pursuant to, as applicable, the provisions of (i) the Local Bond Law, N.J.S.A. 40A:2-1 et seq., as amended and supplemented (the “Local Bond Law”), (ii) the Local Redevelopment and Housing Law, N.J.S.A. 40A:12A-1 et seq. (the “RAB Law”), (iii) a bond ordinance duly adopted by the City Council of the City, duly approved by the Mayor (the “Bond Ordinance”), and published as required by law, and (iv) a resolution duly adopted by the City Council of the City on November 4, 2020 (the “Resolution”) (collectively, the “Authorization Proceedings”).

The Notes are being issued to refund, on a current basis, prior redevelopment area bond anticipation notes of the City in the amount of \$7,200,000 issued on June 18, 2020 and maturing on December 18, 2020.

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

The Internal Revenue Code of 1986, as amended (the “Code”), establishes certain requirements which must be met at the time of, and on a continuing basis subsequent to, the issuance and delivery of the Notes in order for interest thereon to be and remain excludable from gross income for Federal income tax purposes under Section 103 of the Code. Noncompliance with such requirements could cause the interest on the Notes to be included in gross income for Federal income tax purposes retroactive to the date of the issuance of the Notes. The City has covenanted in a tax certificate relating to the Notes to maintain the exclusion of the interest on the Notes from gross income for Federal income tax purposes pursuant to Section 103(a) of the Code.

In our opinion, under existing statutes, regulations, rulings and court decisions, and assuming continuing compliance by the City with the requirements of the Code and the aforementioned covenants and representations stated in the above referenced tax certificate, interest on the Notes is not includable for Federal income tax purposes in the gross income of the owners of the Notes pursuant to Section 103 of the Code. The Notes are not “specified private activity bonds” within the meaning of Section 57 of the Code and, therefore, the interest on the Notes will not be treated as a preference item for purposes of computing the Federal alternative minimum tax.

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

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

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

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

We have examined the form of the executed Note and, in our opinion, the form of the Note is regular and proper.

Very truly yours,

WILENTZ, GOLDMAN & SPITZER, P.A.

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APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE FOR THE BONDS

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CONTINUING DISCLOSURE CERTIFICATE FOR THE BONDS

This Continuing Disclosure Certificate dated December __, 2020 (the "Disclosure Certificate") is executed and delivered by the City of Orange Township, in the County of Essex, State of New Jersey (the "City" or the "Issuer") in connection with the issuance of its \$20,131,000* aggregate principal amount of General Obligation Bonds, Series 2020 (Qualified Pursuant to the Provisions of the Municipal Qualified Bond Act, P.L. 1976, c. 38, as amended) consisting of \$8,611,000* aggregate principal amount of General Improvement Bonds, Series 2020 (the "General Improvement Bonds") and \$11,520,000* aggregate principal amount of Water Utility Bonds, Series 2020 (the "Water Utility Bonds" and together with the General Improvement Bonds, the "Bonds"), all such Bonds being dated their date of delivery. The Bonds are being issued pursuant to, among other things, various bond ordinances duly adopted by the City Council, approved by the Mayor, and published as required by law, and a resolution entitled, "RESOLUTION (A) PROVIDING FOR THE COMBINATION OF CERTAIN BOND ORDINANCES AND DETERMINING THE FORM AND OTHER DETAILS OF THE OFFERING OF NOT TO EXCEED \$20,131,000 GENERAL OBLIGATION BONDS, SERIES 2020 (QUALIFIED PURSUANT TO THE PROVISIONS OF THE MUNICIPAL QUALIFIED BOND ACT, P.L. 1976, c. 38, AS AMENDED) CONSISTING OF NOT TO EXCEED \$8,611,000 GENERAL IMPROVEMENT BONDS, SERIES 2020, AND NOT TO EXCEED \$11,520,000 WATER UTILITY BONDS, SERIES 2020, OF THE CITY OF ORANGE TOWNSHIP, IN THE COUNTY OF ESSEX, STATE OF NEW JERSEY (THE "CITY") AND PROVIDING FOR THEIR SALE, AND (B) AUTHORIZING THE SALE AND ISSUANCE OF \$7,200,000 REDEVELOPMENT AREA REDEVELOPMENT AREA BOND ANTICIPATION NOTES OF THE CITY" (the "Resolution"), being duly adopted by the City Council of the City on November 4, 2020. The City covenants and agrees as follows:

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

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

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

* Preliminary, subject to change

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

“Business Day” shall mean any day other than a Saturday, Sunday or a day on which the City or the Dissemination Agent is authorized by law or contract to remain closed.

“Continuing Disclosure Information” shall mean, collectively, (i) each Annual Report, (ii) any notice required to be filed by the City with the MSRB through EMMA (both as defined below) pursuant to Section 3 of this Disclosure Certificate, and (iii) any notice of a Listed Event required to be filed by the City with the MSRB through EMMA pursuant to Section 5 of this Disclosure Certificate.

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

“Dissemination Agent” shall mean, initially, Digital Assurance Certification, LLC or any Dissemination Agent subsequently designated in writing by the City which has filed with the City a written acceptance of such designation.

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

“Financial Obligation” shall mean a: (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of (a) or (b) listed hereinabove. The term *“Financial Obligation”* shall not include municipal securities as to which a final official statement has been provided to the MSRB (as defined below) consistent with the Rule (as defined below).

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

“MSRB” shall mean the Municipal Securities Rulemaking Board.

“National Repository” shall mean the MSRB, through the internet facilities of EMMA, or any other public or private repository or entity that shall hereafter be

designated by the SEC (as defined below) as a repository for purposes of the Rule (as defined below).

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

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

“*State*” shall mean the State of New Jersey.

“*Underwriter(s)*” shall mean any of the original underwriter(s) of the Bonds required to comply with the Rule in connection with the purchase of the Bonds.

SECTION 3. Provision of Annual Reports. (a) The City shall not later than two hundred seventy (270) days, if no Dissemination Agent is appointed, or two hundred sixty (260) days, if a Dissemination Agent is appointed, after the end of its fiscal year (currently December 31), for each fiscal year until termination of the City’s reporting obligations under this Disclosure Certificate pursuant to the provisions of Section 6 of this Disclosure Certificate, provide to the Dissemination Agent the Annual Report prepared for the preceding fiscal year of the City (commencing for the fiscal year ending December 31, 2020). Each Annual Report provided to the Dissemination Agent by the City shall comply with the requirements of Section 4 of this Disclosure Certificate but may be submitted as a single document or as separate documents comprising a package and may cross-reference other information submitted to the National Repository. Any and all items that must be included in the Annual Report may be incorporated by reference from other information that is available to the public on EMMA, or that has been filed with the SEC.

(b) The Dissemination Agent, promptly (within ten (10) Business Days) after receiving the Annual Report from the City, shall submit each Annual Report received by it to the National Repository and thereafter shall file a written report with the City certifying that the Annual Report has been provided pursuant to this Disclosure Certificate to the National Repository and stating the date it was provided to the National Repository.

(c) If the City fails to provide the Annual Report to the Dissemination Agent by the date required in subsection (a) of this Section 3, the Dissemination Agent shall send a notice to the City advising of such failure. Whether or not such notice is given or received, if the City thereafter fails to submit the Annual Report to the Dissemination Agent within ten (10) Business Days after the Annual Report was due pursuant to the provisions of subsection (a) of this Section 3, the Dissemination Agent shall promptly send a notice (with a copy of said notice to the City) to the National Repository in substantially the form attached as Exhibit A hereto.

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

(1) The audited financial statements of the City as of December 31 of each year (or unaudited financial statements if audited financial statements are not then available, which audited financial statements will be delivered when and if available).

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

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

(3) The general financial information and operating data of the City consistent with the information set forth in Appendix A to the Official Statement dated December ____, 2020, prepared in connection with the sale of the Bonds (the "Official Statement") consisting of (1) City indebtedness; (2) property valuation information; and (3) tax rate, levy and collection data.

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

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

1. Principal and interest payment delinquencies;
2. Nonpayment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of

Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;

7. Modifications to rights of Bondholders, if material;
8. Bond calls, if material, and tender offers;
9. Defeasances of the Bonds;
10. Release, substitution or sale of property securing repayment of the Bonds, if material;
11. Rating changes relating to the Bonds;
12. Bankruptcy, insolvency, receivership or similar event of the City;
13. The consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
14. Appointment of a successor or additional trustee for the Bonds or the change of name of a trustee for the Bonds, if material;
15. Incurrence of a financial obligation, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation, any of which affect Bondholders, if material; and
16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation, any of which reflect financial difficulties.

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

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

(c) If the City determines that the occurrence of a Listed Event would be material to the Beneficial Owners of the Bonds, the City shall promptly notify the Dissemination Agent in writing (if the City is not the Dissemination Agent) and the City shall instruct the Dissemination Agent to report such Listed Event and the Dissemination Agent shall report the occurrence of such Listed Event pursuant to subsection (e) hereof.

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

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

SECTION 6. Termination of Reporting Obligation. The City's obligations under this Disclosure Certificate shall terminate upon the defeasance, prior redemption or payment in full of all of the Bonds or when the City is no longer an "Obligated Person" (as defined in the Rule). The City shall file a notice of the termination of its reporting obligations pursuant to the provisions hereof with the Dissemination Agent (if the Dissemination Agent is not the City), which notice shall be filed by the City or the Dissemination Agent, as applicable, with the MSRB, through the EMMA system, in accordance with the provisions of Section 5(e) of this Disclosure Certificate.

SECTION 7. Dissemination Agent; Compensation. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be Digital Assurance Certification, LLC. The City shall compensate the Dissemination Agent (which shall be appointed) for the performance of its obligations hereunder in accordance with an agreed upon fee structure.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate and any provision of this Disclosure Certificate may be waived, if such amendment or waiver (supported by an opinion of counsel expert in Federal securities laws acceptable to the City to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein

to violate the Rule if such amendment or waiver had been effective on the date hereof) is (a) made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the obligated person, or type of business conducted; (b) the undertaking, as amended or waived, would have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and (c) the amendment or waiver does not materially impair the interests of holders, as determined either by parties unaffiliated with the City or "Obligated Person," or by approving vote of the Beneficial Owners of the Bonds, as applicable pursuant to the terms of the Resolution at the time of the amendment. The City shall give notice of such amendment or waiver to this Disclosure Certificate to the Dissemination Agent, which notice shall be filed in accordance with the provisions of Section 5 of this Disclosure Certificate. Notwithstanding the above, the addition of or change in the Dissemination Agent shall not be construed to be an amendment under the provisions hereof.

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

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

SECTION 10. Default. In the event of a failure of the City to comply with any provision of this Disclosure Certificate, the Holders of at least 25% aggregate principal amount of Outstanding Bonds or any Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the City to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an

Event of Default on the Bonds and the sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of the Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and, to the extent permitted by law, the City agrees to indemnify and hold the Dissemination Agent (if the Dissemination Agent is not the City) and its respective officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct. To the extent permitted by law, the City further releases the Dissemination Agent from any liability for the disclosure of any information required by the Rule and this Disclosure Certificate. The obligations of the City under this Section 11 shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent, the Underwriters, and the Beneficial Owners of the Bonds, including Bondholders, and shall create no rights in any other person or entity.

SECTION 13. Notices. All notices and submissions required hereunder shall be given to the following, or their successors, by facsimile transmission (with written confirmation of receipt), followed by hard copy sent by certified or registered mail, personal delivery or recognized overnight delivery:

(a) If to the City:

Mr. Nile S. Clements
Chief Financial Officer
City of Orange Township
29 North Day Street
Orange, New Jersey 07050
Email: nclements@orangenj.gov

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

Digital Assurance Certification, LLC
315 East Robinson Street, Suite 300
Orlando, Florida 32801

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

SECTION 14. Counterparts. This Disclosure Certificate may be executed in any number of counterparts which shall be executed by authorized signatories of the City and the Dissemination Agent, as applicable, and all of which together shall be regarded for all purposes as one original and shall constitute and be but one and the same.

SECTION 15. Severability. If any one or more of the covenants or agreements in this Disclosure Certificate to be performed on the part of the City and the Dissemination Agent should be contrary to law, then such covenant or covenants, agreement or agreements, shall be deemed severable from the remaining covenants and agreements and shall in no way affect the validity of the other provisions of this Disclosure Certificate.

SECTION 16. Governing Law. This Disclosure Certificate shall be construed in accordance with and governed by the Laws of the United States of America and the State of New Jersey as applicable.

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

**By: _____
NILE S. CLEMENTS,
Chief Financial Officer**

Acknowledged and Accepted by:

**DIGITAL ASSURANCE CERTIFICATION, LLC
as Dissemination Agent**

Authorized Signatory

EXHIBIT A

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

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

Name of Issue: \$20,131,000* General Obligation Bonds, Series 2020
(Qualified Pursuant to the Provisions of the
Municipal Qualified Bond Act, P.L. 1976, c. 38, as amended)
Consisting of \$8,611,000* General Improvement Bonds,
Series 2020 and \$11,520,000* Water Utility Bonds, Series 2020
Dated: December 16, 2020
(CUSIP Number: 685312____)

Date of Issuance: December 16, 2020

NOTICE IS HEREBY GIVEN that the above designated City has not provided an Annual Report with respect to the above-named Bonds as required by the Resolution and a Continuing Disclosure Certificate for the Bonds dated December 16, 2020, which was executed by the City and acknowledged and accepted by the Dissemination Agent (the "Certificate"). Capitalized terms used herein and not otherwise defined shall have the meaning ascribed to such terms in the Certificate.

DATED: _____

DISSEMINATION AGENT
(on behalf of the City)

cc: The City

* Preliminary, subject to change

APPENDIX F

FORM OF CONTINUING DISCLOSURE CERTIFICATE FOR THE NOTES

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CONTINUING DISCLOSURE CERTIFICATE FOR THE NOTES

I, NILE S. CLEMENTS, Chief Financial Officer of the City of Orange Township, in the County of Essex (the "City"), a municipal corporation organized and existing under the laws of the State of New Jersey, DO HEREBY CERTIFY in connection with the authorization, issuance and sale of the City's \$7,200,000 aggregate principal amount of Redevelopment Area Bond Anticipation Notes, Series 2020E (the "Notes"), dated December 16, 2020 and maturing June 15, 2021, that pursuant to the requirements of Rule 15c2-12 promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended and supplemented (the "Rule"), specifically subsections (d)(3) and (b)(5)(i)(C) thereof, the City will provide notice of certain material events (the "Notice") to the Municipal Securities Rulemaking Board (the "MSRB") via its Electronic Municipal Market Access system ("EMMA") as a Portable Document File (PDF file) to www.emma.msrb.org, of any of the following events with respect to the Notes herein described, as applicable, if material: (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 or other material events effecting the tax-exempt status of the security; (7) modifications to rights of security holders, if material; (8) bond calls, if material, and lender 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 City; (13) consummation of a merger, consolidation, or acquisition, or sale of all or substantially all of the assets of the City other than in the ordinary course of business, entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such action, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or change of name of a trustee, if material; (15) incurrence of a Financial Obligation, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation, any of which affect Noteholders, if material; or (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation, any of which reflect financial difficulties.

"Financial Obligation" shall mean a: (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of (a) or (b) listed hereinabove. The term *"Financial Obligation"* shall not include municipal securities as to which a final official statement has been provided to the MSRB, through the EMMA system, consistent with the Rule.

Whenever the City obtains actual knowledge of the occurrence of any of the aforementioned events and when the occurrence of such events constitute material information to the holders of the Notes, the City shall file a Notice of each such occurrence

with the MSRB via EMMA on a timely basis but no later than ten (10) business days after the receipt of actual knowledge of such material events.

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

In the event the City fails to comply with any provision of this Certificate, the Holders of at least 25% aggregate principal amount of Outstanding Notes or any Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the City to comply with its obligations under this Certificate. Notwithstanding the above, the remedy for a breach of the provisions of this Certificate or the City's failure to perform hereunder shall be limited to bringing an action to compel specific performance.

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

IN WITNESS WHEREOF, I have hereunto set my hand on behalf of the City this _____ day of December, 2020.

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

**NILE S. CLEMENTS,
Chief Financial Officer**