

*New Issue-Book-Entry-Only***Rating: S&P “AA+/Stable”**
(See “Rating” herein)

In the opinion of McManimon, Scotland & Baumann, LLC, Bond Counsel to the Authority (as defined herein), pursuant to Section 103(a) of the Internal Revenue Code of 1986, as amended (the “Code”) and existing statutes, regulations, administrative pronouncements and judicial decisions, and in reliance on the representations, certifications of fact, and statements of reasonable expectation made by the Authority, assuming continuing compliance by the Authority with certain ongoing covenants set forth in its Tax Certificate (as defined herein), interest on the 2017 Bonds (as defined herein) is not included in gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the alternative minimum tax imposed on individuals and corporations. Bond Counsel is also of the opinion that interest on the 2017 Bonds held by corporate taxpayers is included in “adjusted current earnings” in calculating alternative minimum taxable income for purposes of the federal alternative minimum tax imposed on corporations. Interest on and any gain from the sale of the 2017 Bonds is not includable as gross income under the New Jersey Gross Income Tax Act. See “TAX MATTERS” herein.

\$2,415,000*

THE RARITAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(Hunterdon County, New Jersey)
Sewer System Revenue Refunding Bonds, Series 2017
(Bank Qualified)

Dated: Date of Delivery

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

The \$2,415,000* Raritan Township Municipal Utilities Authority Sewer System Revenue Refunding Bonds, Series 2017 (the “2017 Bonds”) will be issued by The Raritan Township Municipal Utilities Authority (the “Authority”) as fully registered bonds and, when issued, will be registered in the name of Cede & Co. (“Cede”), as nominee for The Depository Trust Company (“DTC”), an automated depository for securities and clearing house transactions, which will act as securities depository for the 2017 Bonds. Individual purchases will be made in book-entry form (without certificates) in the principal amount of \$5,000 or any integral multiple thereof.

The principal of the 2017 Bonds is payable on May 1, in the years shown on the inside front cover of this Official Statement, and interest on the 2017 Bonds is payable semiannually on May 1 and November 1 in each year, commencing May 1, 2018 to the registered owners thereof at their respective addresses as they appear on the registration books of TD Bank, National Association, Cherry Hill, New Jersey, as trustee, registrar and paying agent, until the Authority’s obligation with respect to payment of the principal of the 2017 Bonds shall be discharged. Provided DTC or its nominee Cede is the registered owner of the 2017 Bonds, payments of the principal of and interest on the 2017 Bonds will be made directly to DTC or its nominee, which is obligated to remit such principal and interest to DTC Participants, as defined herein. DTC Participants and Indirect Participants, as defined herein, will be responsible for remitting such payments to the beneficial owners of the 2017 Bonds. See “THE 2017 BONDS –Book-Entry Only System”, herein.

The 2017 Bonds are authorized and issued pursuant to the Municipal and County Utilities Authorities Law, constituting Chapter 183 of the Laws of 1957 of the State of New Jersey, as amended and supplemented (NJ.S.A. 40:14B-1 et seq.) and a bond resolution of The Raritan Township Municipal Utilities Authority (the “Authority”) adopted June 17, 2010, as variously amended and supplemented (the “General Bond Resolution”), including by a supplemental bond resolution adopted on October 19, 2017, entitled “2017 Supplemental Bond Resolution of the Raritan Township Municipal Utilities Authority Supplementing and Amending Certain Provisions of the Authority’s General Bond Resolution duly adopted June 17, 2010, as amended and supplemented, and Providing for the Issuance of Not To Exceed \$3,000,000 Aggregate Principal Amount Of Sewer System Revenue Refunding Bonds, in one or more series, of the Raritan Township Municipal Utilities Authority” (the “Supplemental Bond Resolution” and together with the General Bond Resolution, the “Bond Resolution”) as further amended and supplemented by a Certificate of the Chairman of the Authority dated the date of this Official Statement (the “2017 Award Certificate” and together with the Bond Resolution, the “Resolution”).

The 2017 Bonds are being issued to provide funds, together with certain other available funds of the Authority, for (1) advance refund and redeem all or a portion of the Authority’s Sewer System Revenue Bonds, Series 2010, maturing on May 1 in the years 2021 through 2030, both dates inclusive (the “Refunded Bonds”); (2) fund the Debt Service Reserve Account in the amount of the Debt Service Reserve Requirement for the 2017 Bonds; and (3) pay the cost and expenses incidental to the issuance and delivery of the 2017 Bonds.

By virtue of the Resolution, the 2017 Bonds are direct and special obligations of the Authority and are secured under the provisions of the Resolution pledging the Revenues (therein defined) and all funds established by the Resolution to secure the payment of the principal of and the interest on the 2017 Bonds, as more fully described herein. The 2017 Bonds are further secured by payments required to be made by the Township of Raritan (the “Township”) under a service contract between the Authority and the Township (the “Service Contract”). See “SECURITY FOR THE 2017 BONDS” herein.

This cover page includes certain information for reference only and is not a summary of matters set forth herein. Investors should read the entire Official Statement to obtain information essential to the making of an informed investment decision.

THE AUTHORITY HAS NO TAXING POWER, AND THE 2017 BONDS ARE NOT AND SHALL NOT BE EITHER A DEBT OR LIABILITY OF THE STATE OF NEW JERSEY, THE COUNTY OF HUNTERDON, THE TOWNSHIP OF RARITAN (OTHER THAN A CONTINGENT LIABILITY OF THE TOWNSHIP UNDER THE SERVICE CONTRACT AS DESCRIBED HEREIN) OR ANY OTHER POLITICAL SUBDIVISION OF THE STATE OF NEW JERSEY, AND DO NOT AND SHALL NOT CREATE OR CONSTITUTE ANY INDEBTEDNESS, LIABILITY OR OBLIGATION OF THE STATE OF NEW JERSEY, THE COUNTY OF HUNTERDON OR THE TOWNSHIP OF RARITAN (EXCEPT AS AFORESAID), EITHER LEGAL, MORAL OR OTHERWISE.

The 2017 Bonds are offered when, as and if issued and delivered to and received by the Underwriter, subject to the approval of legality by McManimon, Scotland & Baumann, LLC., Roseland, New Jersey, Bond Counsel to the Authority. Certain legal matters will be passed upon for the Authority by C. Gregory Watts, Esq., Flemington, New Jersey, attorney for the Authority. It is anticipated that delivery of the 2017 Bonds in definitive form will be made through the facilities of DTC, New York, New York on or about December 29, 2017.

RBC Capital Markets

\$2,415,000*
THE RARITAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(Hunterdon County, New Jersey)
Sewer System Revenue Refunding Bonds, Series 2017
(Bank Qualified)

<u>Year</u>	<u>Amount*</u>	<u>Rate</u>	<u>Price/Yield</u>	<u>CUSIP†</u>
2018	\$10,000			
2019	10,000			
2020	10,000			
2021	200,000			
2022	210,000			
2023	215,000			
2024	225,000			
2025	230,000			
2026	240,000			
2027	250,000			
2028	265,000			
2029	270,000			
2030	280,000			

*Preliminary, subject to change

† Registered trademark of American Bankers Association. CUSIP numbers are provided by Standard & Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. The CUSIP number listed above is being provided solely for the convenience of Bondholders only at the time of issuance of the 2017 Bonds and the Authority 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 for a specific maturity is subject to being changed after the issuance of the 2017 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the 2017 Bonds.

**Raritan Township Municipal Utilities Authority
Township of Raritan
Hunterdon County
New Jersey**

Authority Members

		<u>Term Expires</u>
Peter L. Kinsella	Chairperson	February 1, 2019
Dr. Lori A. Buza	Vice Chairperson	February 1, 2020
Valerie E. Robitzski	Secretary	February 1, 2022
John Kendzulak	Treasurer	February 1, 2018
Lawrence Grand	Assistant Treasurer/Secretary	February 1, 2021

Officials and Professionals

**Chief Operator/Director
Gregory LaFerla**

**Consulting Engineer
Johnson, Mirmiran, & Thompson
Trenton, New Jersey**

**Attorney
Watts Tice & Skowronek
Flemington, New Jersey**

**Auditor
Bowman & Company LLP
Voorhees, New Jersey**

**Bond Counsel
McManimon, Scotland & Baumann, LLC
Roseland, New Jersey**

The information in this Official Statement, including its appendices, must be considered in its entirety. Neither the delivery of this Official Statement nor any sale made hereunder shall at any time imply that information herein is correct as of any time subsequent to its date. Although the information contained and referred to in this Official Statement is considered to be derived from reliable sources, there is no warranty, guarantee or other representation with respect to the accuracy or completeness of such information.

No dealer, broker, salesman or other person has been authorized by the Authority to give any information or to make any representations with respect to the 2017 Bonds, other than those contained in this Official Statement. If given or made, such information or representations must not be relied upon. This Official Statement does not constitute an offer to sell or the solicitation of any offer to buy nor shall there be a sale of the 2017 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

Certain information in this Official Statement has been supplied by the Authority and by other sources deemed to be reliable. The Authority makes no warranty or guarantee as to the accuracy or completeness of such information. The Underwriter has reviewed the information in this Official Statement pursuant to its responsibilities to investors under the federal securities laws, but the Underwriter does not guarantee the accuracy or completeness of such information.

Summaries of or reference in this Official Statement to the Act, the Resolution, the Service Contract, and other statutes and documents defined herein are intended as such, are not and do not purport to be complete statements of the terms and conditions of such statutes or documents, and are qualified in their entirety by reference to the complete texts thereof. Copies of the Resolution and the Service Contract are on file with the Authority and the Trustee and are available for inspection.

The Underwriter has reviewed the information in this official statement pursuant to its responsibilities to investors under the federal securities laws, but the Underwriter does not guarantee the accuracy or completeness of such information.

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**OFFICIAL STATEMENT
OF
THE RARITAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(Hunterdon County, New Jersey)
\$2,415,000* Sewer System Revenue Refunding Bonds, Series 2017
Bank Qualified**

INTRODUCTION

This Official Statement, which includes the cover page hereof and appendices hereto, is furnished by The Raritan Township Municipal Utilities Authority (the "Authority"), a public body corporate and politic of the State of New Jersey (the "State"), to provide certain information relating to the Authority, the \$2,415,000* aggregate principal amount of its Sewer System Revenue Refunding Bonds, Series 2017 (the "2017 Bonds") to be issued by the Authority and to provide information about the Township of Raritan, Hunterdon County, New Jersey (the "Township").

The 2017 Bonds are authorized and issued pursuant to the Municipal and County Utilities Authorities Law, constituting Chapter 183 of the Laws of 1957 of the State of New Jersey, as amended and supplemented (NJ.S.A. 40:14B-1 et seq.) and a bond resolution of The Raritan Township Municipal Utilities Authority (the "Authority") adopted June 17, 2010, as variously amended and supplemented (the "General Bond Resolution"), including by a supplemental bond resolution adopted on October 19, 2017, entitled "2017 Supplemental Bond Resolution of the Raritan Township Municipal Utilities Authority Supplementing and Amending Certain Provisions of the Authority's General Bond Resolution duly adopted June 17, 2010, as amended and supplemented, and Providing for the Issuance of Not To Exceed \$3,000,000 Aggregate Principal Amount Of Sewer System Revenue Refunding Bonds, in one or more series, of the Raritan Township Municipal Utilities Authority" (the "Supplemental Bond Resolution" and together with the General Bond Resolution, the "Bond Resolution") as further amended and supplemented by a Certificate of the Chairman of the Authority dated the date of this Official Statement (the "2017 Award Certificate" and together with the Bond Resolution, the "Resolution").

The 2017 Bonds are being issued to provide funds, together with certain other available funds of the Authority, for (1) advance refund and redeem all or a portion of the Authority's Sewer System Revenue Bonds, Series 2010, maturing on May 1 in the years 2021 through 2030, both dates inclusive (the "Refunded Bonds"); (2) fund the Debt Service Reserve Account in the amount of the Debt Service Reserve Requirement for the 2017 Bonds; and (3) pay the cost and expenses incidental to the issuance and delivery of the 2017 Bonds.

By virtue of the Resolution, the 2017 Bonds constitute direct obligations of the Authority and are secured under the provisions of the Resolution pledging the Revenues (therein defined) and all funds established by the Resolution to secure the payment of the principal of and the interest on the 2017 Bonds, as more fully described herein. The 2017 Bonds are further secured by payments required to be made by the Township of Raritan (the "Township") under a service contract between the Authority and the Township (the "Service Contract"). See "SECURITY FOR THE 2017 BONDS" herein.

THE AUTHORITY HAS NO TAXING POWER, AND THE 2017 BONDS ARE NOT AND SHALL NOT BE EITHER A DEBT OR LIABILITY OF THE STATE OF NEW JERSEY, THE COUNTY OF HUNTERDON, THE TOWNSHIP OF RARITAN (OTHER THAN A CONTINGENT LIABILITY OF THE TOWNSHIP UNDER THE SERVICE CONTRACT AS DESCRIBED HEREIN) OR ANY OTHER POLITICAL SUBDIVISION OF THE STATE OF NEW JERSEY, AND DO NOT AND SHALL NOT CREATE OR CONSTITUTE ANY INDEBTEDNESS, LIABILITY OR OBLIGATION OF THE STATE OF NEW JERSEY, THE COUNTY OF HUNTERDON OR THE TOWNSHIP OF RARITAN (EXCEPT AS AFORESAID), EITHER LEGAL, MORAL OR OTHERWISE.

Copies of the Bond Resolution and the Service Contract are on file in the offices of the Authority in Flemington, New Jersey and are on file in the offices of the Township Clerk of the Township of Raritan, New Jersey, and at the principal corporate trust office of TD Bank, National Association, Cherry Hill, New Jersey (the "Trustee"), and reference is made to such documents for the provisions relating to, among other things, the terms of and the security for the Bonds, the custody and application of the proceeds of the Bonds, the rights and remedies of the holders of the Bonds, and the rights, duties and obligations of the Authority and the Trustee.

This Official Statement contains brief descriptions of the Bonds, the Resolution, the Service Contract and the Authority. A brief description of the Township and its finances is attached to this Official Statement as Appendices A and B, respectively. The description of the Township has been furnished by the Township, and the Authority has not confirmed the accuracy or completeness of information relating to the Township, and the Authority disclaims any responsibility for the accuracy or completeness thereof. Capitalized words and terms which are used herein which are not ordinarily capitalized and which are not otherwise defined herein shall have the meanings which are assigned to such words and terms in the Resolution. The summaries of and references to all documents, statutes, reports and other instruments which are referred to herein do not purport to be complete, comprehensive or definitive, and each such summary and reference is qualified in its entirety by reference to such document, statute, report or instrument.

PLAN OF REFUNDING

A portion of the proceeds of the 2017 Bonds and certain other available monies of the Authority will be held in cash or used to provide funds to purchase direct obligations of, or obligations the principal of and interest on which are guaranteed by, the United States of America (the "Defeasance Securities"). The Defeasance Securities will be deposited in an Escrow Fund (the "Escrow Fund") under an Escrow Deposit Agreement with TD Bank, National Association, Cherry Hill, New Jersey (the "Escrow Agent"), and will mature and pay interest in the amounts and at the times necessary to pay the principal or redemption price of and interest on the Refunded Bonds maturing on May 1 in the years 2021 through 2030, inclusive through and including May 1, 2020 (the "Redemption Date"), at which time the remaining Refunded Bonds shall be redeemed at a redemption price of 100% of the outstanding principal amount thereof plus interest accrued to the Redemption Date. Upon the deposit of such Defeasance Securities and cash in the Escrow Fund, the Refunded Bonds shall be defeased and shall no longer be deemed to be outstanding under the Bond Resolution.

SOURCES AND USES OF FUNDS

Sources

Par Amount of 2017 Bonds	\$ _____
Transferred Proceeds	
Original Issue Premium	
Total Sources	\$ _____

Uses

Deposit to Debt Service Reserve Fund	\$ _____
Deposit to Escrow Fund	
Costs of Issuance (1)	
Total Uses	\$ _____

(1) Includes underwriting, printing, rating, accounting, legal and other expenses of issuance.

THE 2017 BONDS

Description

The 2017 Bonds will be dated their date of delivery, and will be issued in the aggregate principal amount, mature on the dates, bear interest at the rates and be initially offered at the prices or yields all as set forth on the inside cover page of this Official Statement. Interest on the 2017 Bonds is payable semi-annually on May 1 and November 1 (each an “Interest Payment Date”) of each year, commencing on May 1, 2018. Principal or redemption price of the 2017 Bonds is payable on presentation and surrender of the 2017 Bonds at maturity or on redemption at the principal corporate trust office of the Trustee.

Purchases of the 2017 Bonds will be made by the purchase of beneficial interests therein, in the denominations of \$5,000 each or any integral multiple thereof, through book entries made on the books and records of The Depository Trust Company, New York, New York (“DTC”) and its participants under the arrangements described herein in “The 2017 Bonds - Book Entry Only System.”

Optional Redemption

The 2017 Bonds maturing prior to May 1, 20__ are not subject to redemption prior to their stated maturities. The 2017 Bonds maturing on May 1, 20__ are redeemable at the option of the Authority in whole on any date on or after May 1, 20__ upon notice as required in the Resolution at the respective prices expressed as a percentage of the principal amount set forth below (the “Redemption Price”), plus in each case accrued interest to the date fixed for redemption:

Redemption Period (both dates inclusive)	Redemption Price
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Mandatory Sinking Fund Redemption

The 2017 Bonds maturing on May 1, ____ are subject to mandatory redemption prior to maturity by application of moneys required to be deposited for that purpose in the Sinking Fund Account which has been established under the Resolution, on May 1 in each year set forth below at a redemption price equal to 100% of the principal amount thereof, plus interest accrued thereon to the date fixed for redemption, in the respective principal amounts set forth in the table below;

<u>Year</u>	<u>Amount</u>
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* Term Bond Maturity

Redemption Notices

Notice of any redemption described above, stating the redemption date, identifying the 2017 Bonds to be redeemed and further stating that from and after the redemption date interest on each Bond called for redemption shall cease to accrue, shall be given by the Trustee by mailing a copy of such notice of redemption not less than thirty (30) days before the date of redemption to the registered owners of each Bond to be redeemed in whole or in part, at the address shown on the registration books. Failure to give any such notice or any defect therein shall not affect the validity of any proceeding for the redemption of any other 2017 Bonds. Any notice of redemption mailed in accordance with the aforementioned requirements shall be conclusively presumed to have been duly given, whether or not an owner receives such notice. If notice has been given and if the Authority deposits funds with the Paying Agent sufficient to pay the redemption price and accrued interest to the redemption date for the 2017 Bonds selected for redemption, such redemption price and accrued interest to the redemption date shall be held by the Paying Agent and made available therefor on the redemption date. The 2017 Bonds so called for redemption shall cease to bear interest after the specified redemption date, and thereafter the rights of the owners of such 2017 Bonds shall be restricted to the funds so deposited with the Paying Agent.

As long as DTC is the registered owner of the 2017 Bonds, notices of redemption shall be sent only to DTC, and as mentioned below, any failure by DTC to advise any direct or indirect DTC Participant as hereinafter defined, or of any DTC Participant to notify a Beneficial Owner, of any such notice shall not affect the validity of the redemption proceedings in respect of a Bond called for redemption via such notice.

Book-Entry Only System

The information contained in this section concerning DTC and the DTC Book-Entry Only System has been obtained from sources that the Authority believes to be reliable. However, the Authority takes no responsibility for the accuracy thereof. The Beneficial Owners should confirm the information with DTC or the Direct Participants, as the case may be.

(1) Source: The Depository Trust Company

DTC will act as securities depository for the 2017 Bonds. The 2017 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each maturity of the 2017 Bonds, in the aggregate principal amount of such maturity of the 2017 Bonds, 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 (the "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 only 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 (the "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.

Purchases of the 2017 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2017 Bonds on DTC's records. The ownership interest of each actual purchaser of each 2017 Bond (the "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 2017 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 2017 Bonds, except in the event that use of the book-entry only system for the 2017 Bonds is discontinued.

To facilitate subsequent transfers, all the 2017 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the 2017 Bonds with DTC and their registration in the name of Cede & Co., or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2017 Bonds; DTC's records reflect only the identity of the Direct Participants to

whose accounts such 2017 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

Redemption notices shall be sent to DTC. If less than all of the 2017 Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2017 Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority or the Trustee 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 2017 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, redemption premium, if any, and interest payments on the 2017 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee, 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, the Authority or the Trustee, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, redemption premium, if any, or interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, 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 2017 Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, the 2017 Bond certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, 2017 Bond certificates will be printed and delivered.

So long as Cede & Co. is the registered owner of the 2017 Bonds, as nominee of DTC, references herein to the Bondholders or Registered Owners of the 2017 Bonds (excluding all references thereto under the heading "TAX MATTERS" herein) means Cede & Co., not the Beneficial Owners of the 2017 Bonds.

THE INFORMATION IN THIS SECTION CONCERNING DTC AND DTC'S BOOK-ENTRY ONLY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT THE AUTHORITY BELIEVES TO BE RELIABLE, BUT THE AUTHORITY TAKES NO RESPONSIBILITY FOR THE ACCURACY THEREOF.

THE AUTHORITY, THE TRUSTEE AND THE UNDERWRITER CANNOT AND DO NOT GIVE ANY ASSURANCES THAT DTC WILL DISTRIBUTE TO ITS PARTICIPANTS OR THAT DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL DISTRIBUTE TO BENEFICIAL OWNERS OF THE 2017 BONDS (1) PAYMENTS OF THE PRINCIPAL OF, REDEMPTION PREMIUM, IF ANY, OR INTEREST ON THE 2017 BONDS, OR (2) CONFIRMATION OF OWNERSHIP INTERESTS IN THE 2017 BONDS, OR (3) REDEMPTION OR OTHER NOTICES, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT. THE CURRENT "RULES" APPLICABLE TO DTC ARE ON FILE WITH THE SEC AND THE CURRENT "PROCEDURES" OF DTC TO BE FOLLOWED IN DEALING WITH ITS PARTICIPANTS ARE ON FILE WITH DTC.

NONE OF THE AUTHORITY, THE TRUSTEE OR THE UNDERWRITER WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, BENEFICIAL OWNERS OR OTHER NOMINEES OF SUCH BENEFICIAL OWNERS FOR: (A) SENDING TRANSACTION STATEMENTS; (B) MAINTAINING, SUPERVISING OR REVIEWING THE ACCURACY OF, ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT OR OTHER NOMINEES OF SUCH BENEFICIAL OWNERS; (C) PAYMENT OR THE TIMELINESS OF PAYMENT BY DTC TO ANY DTC PARTICIPANT, OR BY ANY DTC PARTICIPANT OR OTHER NOMINEES OF BENEFICIAL OWNERS TO ANY BENEFICIAL OWNER, OF ANY AMOUNT DUE IN RESPECT OF THE PRINCIPAL OF OR REDEMPTION PRICE OR INTEREST ON THE 2017 BONDS; (D) DELIVERY OR TIMELY DELIVERY BY DTC TO ANY DTC PARTICIPANT, OR BY ANY DTC PARTICIPANT OR OTHER NOMINEES OF BENEFICIAL OWNERS TO ANY BENEFICIAL OWNERS, OF ANY NOTICE (INCLUDING NOTICE OF REDEMPTION) OR OTHER COMMUNICATION WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE INDENTURE TO BE GIVEN TO HOLDERS OR OWNERS OF THE 2017 BONDS; (E) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE 2017 BONDS; OR (F) ANY ACTION TAKEN BY DTC OR ITS NOMINEE AS THE REGISTERED OWNER OF THE 2017 BONDS.

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 2017 Bonds, the following provisions apply: (i) the 2017 Bonds may be exchanged for an equal aggregate principal amount of 2017 Bonds in other authorized denominations and of the same maturity, upon surrender thereof at the principal office of the Paying Agent; (ii) the transfer of any 2017 Bonds may be registered on the books maintained by the Paying Agent for such purposes only upon the surrender thereof to the Paying Agent together with the duly executed assignment in form satisfactory to the Paying Agent; and (iii) for every

exchange or registration of transfer of 2017 Bonds, the 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 2017 Bonds. Interest on the 2017 Bonds will be payable by check or draft, mailed on each Interest Payment Date to the registered owners thereof as of the close of business on the first (1st) day, whether or not a business day, of the calendar month containing an Interest Payment Date.

SECURITY FOR THE 2017 BONDS

General

The 2017 Bonds are direct and special obligations of the Authority and the full faith and general credit of the Authority are pledged to the full and timely payment of the principal of and interest on the 2017 Bonds.

Revenues Pledge and other Bond Resolution and Act Provisions

As security for its payment obligations on the 2017 Bonds, the Resolution creates a senior lien on and grants a security interest in the Revenues of the System, defined to include generally the charges imposed by the Authority for its services, investment earnings and specified other receipts, including any Annual Charges paid by the Township pursuant to the Service Contract. Moneys held in certain of the funds established by the Resolution are also subject to this lien and security interest.

The Resolution contains a rate covenant requiring the Authority to maintain rates and charges at levels, and to collect sums owed, sufficient to meet its operating and maintenance expenses, to maintain Resolution funds at required levels and to provide in each year net revenues equal to at least 100% of the debt service on all bonds (including the 2017 Bonds and any Additional 2017 Bonds which may be issued).

As additional security for the payment of the principal of and interest on the 2017 Bonds, when due, the Authority has established a Bond Reserve Fund for the 2017 Bonds and provided for the creation of certain reserve accounts therein. The Bond Reserve Fund for the 2017 Bonds is to be funded upon the issuance of the 2017 Bonds in an amount equal to the Bond Reserve Requirement (as defined in the Resolution) for the 2017 Bonds. If at any time there shall not be sufficient amounts on deposit in the Bond Service Fund or the Sinking Fund to pay the principal or any Sinking Fund Installment of, and interest on, the 2017 System Bonds, when due, the Trustee is required to withdraw an amount which is sufficient to make up such deficiency from the Bond Reserve Fund. See APPENDIX D – “FORM OF BOND RESOLUTION AND TOWNSHIP OF RARITAN SERVICE CONTRACT”.

Under the Act, unpaid sewer charges automatically become a lien on the real estate receiving the service, superior in right to the interests of the owner, any tenant and any mortgage lien, and on parity with municipal tax liens (NJSA 40:14B-42). The tax collector of the Township has the statutory obligation to enforce all such liens in the manner required for municipal liens, including by tax sale of the property, if necessary (NJSA 40:14B-45), and the Authority has the power to effect an in rem foreclosure on any such property in the equivalent of a mortgage foreclosure action (NJSA 40:14B-46).

Service Contract

Under terms of a Service Contract between the Township of Raritan and the Authority, the Township has obligated itself to pay to the Authority each year Annual Charges sufficient to cover the System's combined deficit, if any, or anticipated combined deficit, for operation, debt service and required reserves. In the opinion of Bond Counsel, the Service Contract, including the obligation of the Township to pay Annual Charges, constitutes a valid and bonding obligation of the Township, enforceable in accordance with its terms except insofar as the enforcement is limited by any applicable bankruptcy moratorium or similar laws relating to the enforcement of creditors right or general principles of equity (the Creditor's Rights Limitations"), and the Township's obligation under the Service Contract to provide funds for payment of the Annual Charges to the Authority necessary to meet the Authority's obligation to pay debt service on the 2017 Bonds is payable, if not otherwise available, from the levy of *ad valorem* taxes on all taxable real property in the Township without limitation as to rate or amount. See Form of Service Contract in Appendix D herein.

Service Agreements

The Authority has entered into service agreements with the Borough of Flemington to process 1.35 MGD of dry weather flow and to operate Flemington storm water treatment facility and with the Township of Readington to treat up to 0.55 MGD. In return, Flemington and Readington have agreed to pay a percentage of the treatment costs as well as a share of the operating and maintenance costs.

Property Tax Act

The Legislature of the State of New Jersey has previously enacted P.L. 2007, c. 62 (the "Property Tax Act") effective April 3, 2007, which imposed a 4% cap on a municipality's tax levy over the prior year's tax levy. A number of exclusions existed to the Property Tax Act's 4% cap, one of which was the payment of "all debt service". Although there is no specific reference within the enumerated exclusions to payments made by a municipality pursuant to a service agreement with an authority used to pay debt service on authority obligations secured by such service agreement, the Director (the "Director") of the Division of Local Government Services had previously notified the Authority by letter, pursuant to the powers granted to the Director under the Property Tax Act, stating that amounts, if any, required to be paid by the Township to the Authority pursuant to the Service Contract and necessary for the Authority to meet its debt service obligations in a timely fashion would be treated as an automatic exclusion from the 4% cap under the Property Tax Act.

The Property Tax Act has now been amended by the provisions of P.L. 2010, c. 44 effective June 13, 2010 (the "Amendment") and applicable to the next budget year following enactment, or 2011. The amendment reduces the tax levy cap to 2% from 4%, limits exclusions only to capital expenditures, including debt service, certain increases in pension contributions and accrued liability for pension contributions in excess of 2%, certain healthcare cost increases in excess of 2% and extraordinary costs directly related to a declared emergency. Waivers from the Division of Local Government Services or the Local Finance Board are no longer available under the Amendment.

In the opinion of Bond Counsel, the portion of the Annual Charges payable by the Township to the Authority for payment of debt service on the 2017 Bonds is within the exclusion for “capital expenditures, including debt service”, and such portion of the Annual Charges is payable from the levy of ad valorem taxes upon the taxable real property of the Township without limitation as to rate or amount. The Service Contract creates a valid and binding obligation to pay the Annual Charges subject to Creditor’s Rights Limitations, but any portion of the Annual Charges related to operating expenses rather than capital expenditures would be subject to the 2% tax levy cap.

Limitation on Liability

The Authority has no taxing power, and the 2017 Bonds are not and shall not be either a debt or liability of the State of New Jersey, the County of Hunterdon, the Township of Raritan (other than a contingent liability of the Township as described herein) or any other political subdivision of the State of New Jersey, and do not and shall not create or constitute any indebtedness, liability or obligation of the State of New Jersey, the County of Hunterdon or the Township (except as aforesaid), either legal, moral or otherwise.

THE AUTHORITY AND MAIN TREATMENT PLANT

The Authority is a public body politic and corporate constituting a political subdivision of the State of New Jersey created by the Township Committee of the Township of Raritan (the “Township”) on August 10, 1964 pursuant to the Act. The Authority was founded in 1964 under Raritan Township Ordinance 64-3. The Authority was created for the purpose of providing an adequate supply of water, for public and private uses, and to relieve pollution or threatened pollution of the waters bordering on, or entering the Township and for improving conditions affecting public health. At the present time the Authority is only engaged in wastewater control and has no plans to provide water service to the Township or any other entity. The Main Treatment Plant and Main Interceptor were in operation by 1969. Additional Interceptors were completed by 1971. The initial capacity of the Main Treatment Plant was 1.6 MGD. In 1978, the plant was expanded (Phase I expansion) to 2.2 MGD. In 1983, the Phase II expansion increased capacity to 2.7 MGD. The 1989 Phase III expansion brought the plant to its current design capacity of 3.8 MGD. The plant services Flemington Borough and portions of Raritan and Readington Township.

The Authority is governed by a board of five members, all of whom are appointed by the Township of Raritan for a period of five years each. The terms of office for each of the members are staggered so that the term of at least one member expires each year and, in accordance with the Act, a successor is appointed by the Township each year.

THE SYSTEM

Main Treatment Plant

The Main Treatment Plant operates under a New Jersey Pollution Discharge Elimination System (NJPDES) permit for discharge to surface water. The current permit number is NJ 0022047. The current permit was issued May 22, 2008 and facially expired on June 30, 2013;

although the permit does remain in effect. The Authority has a hearing request pending in the Office of Administrative Law (OAL) with respect to certain conditions of this permit. On May 13, 2016, the New Jersey Department of Environmental Protection (NJDEP) issued a renewal permit for a thirty day public comment period. On October 11, 2017, NJDEP reopened the public comment period for an additional thirty days. That comment period has now closed. The Authority has maintained an excellent record of compliance and recordkeeping for the Main Treatment Plant. This was reinforced by NJDEP Bureau of Point Source Permitting staff in July 2007 during a visit to the Main Treatment Plant. The facility is also subject to annual compliance inspections by NJDEP staff and has received favorable reports. The Main Treatment Plant is located at 365 Old York Road in Raritan Township (Block 74, Lot 8). The Authority administrative offices and laboratory are located there as well.

The Main Treatment Plant is a conventional activated sludge wastewater treatment facility. In addition, the facility contains a septage/gray water receiving area and two (2) belt filter presses to dewater sludge for hauling and incineration offsite. The plant is manned with a minimum two operators 24 hours per day, 7 days per week. The plant discharges treated effluent to the South Branch of the Raritan River.

Flemington Wet Weather Facility

In addition to the Main Treatment Plant, the Authority operates the Flemington Wet Weather Facility (Block 27, Lot 3). The Flemington Wet Weather Facility (FWWF) was constructed in 1989 on the site of the former Flemington Sewage Treatment Plant. During wet weather, by Contract, only 1.35 MGD of flow is sent to the Authority. Flows above this amount are diverted to the Flemington Wet Weather Facility for detention and if enough flow warrants, treated and discharged to the Bushkill Creek. The Flemington Wet Weather Facility operates under NJPDES permit NJ0028436. The current permit was issued on March 24, 2010 and facially expired on April 30, 2015; although the permit does remain in effect. The Authority has a hearing request filed on April 26, 2010 pending in the OAL with respect to certain conditions of this permit. The Authority also requested and has obtained a stay of certain of the requirements in this permit. The Authority has maintained an excellent record of compliance and recordkeeping for this facility as well. This was also reinforced by NJDEP Bureau of Point Source Permitting staff in July 2007 during a visit to the Flemington Wet Weather Facility. The facility is also subject to annual compliance inspections by NJDEP staff and has received favorable reports.

Pump Stations & Collection System

Within Raritan Township, 11 pumping stations utilizing approximately 5 miles of sewage force mains and 62 miles of gravity sewers, convey sewage to the Main Treatment Plant. The Authority currently serves portions of Raritan and Readington Township and all of Flemington Borough. The Flemington Borough Collection System is owned and maintained by Flemington Borough. Readington Township owns and maintains their collection system which feeds the Authority.

The first sanitary collection sewers in Raritan were also built in 1969 and came into operation around 1971. Most of the sewers were constructed of Asbestos Cement Pipe (ACP or commonly referred to by trade name as "Transite" Pipe) and some Cast Iron (CIP). Most of the sewers built during the 1980's and through the present are made of either Polyvinyl Chloride (PVC) or Ductile Iron (DIP).

The Service Area

The Service Area of the Authority covers 51.3 square miles and is located in the east-central portion of Hunterdon County approximately 55 miles west of New York City, 45 miles north of Philadelphia and 25 miles north of the State Capital at Trenton. The Service Area lies between two major watershed areas, the South Branch of the Raritan River and the Neshanic River with the natural drainage within the Service Area being to the former. The Authority's treatment plant is located on the South Branch of the Raritan River, which river flows to Raritan Bay, which empties into the Atlantic Ocean.

The Service Area is representative of the County as a whole, with over 50% of the land area being devoted to agriculture. Within the Service Area the Borough of Flemington is the exception to the generally open area, being the county seat of Hunterdon County and a regional center for government services, financial, and mercantile establishments. Several large industrial corporations have built plants along the major highways in the Service Area, particularly in the Township. Tourism is a factor in the Service Area because of the many Early American homes, villages, museums and arts and crafts exhibits. The Service Area is smaller in size and population than the total area and population of the three municipalities serviced by the Authority. In Raritan Township, approximately 12,500 people are served by the Authority. For Flemington Borough, approximately 4,132 people are served and in Readington Township, approximately 2,088 people are served.

Charges and Rates

The Authority bills Raritan Township customers that are connected to the Authority lines an annual service charge of \$624.00 per unit of services. Industrial and commercial customers pay for the number of units assigned to them, based on the rate ordinance. Readington Township and Flemington Borough pay their share of the annual treatment costs based on a customer agreement between the Authority and each municipality. By regulation of the Authority, dwellings located within 200 feet of the System are required to connect to the System. Connection to the system is also determined by regulation, under NJAC 7:15 Water Quality Management Planning.

FUTURE BORROWINGS

The Authority anticipates borrowing approximately \$3,000,000 through the New Jersey Environmental Infrastructure Trust Program (the "NJEIT") within the next two years for the refurbishing of clarifiers at the Main Treatment Plant.

PLEDGE OF THE STATE OF NEW JERSEY NOT TO LIMIT POWERS OF AUTHORITY OR RIGHTS OF BONDHOLDERS

The Act sets forth the pledge and agreement that the State will not limit or alter the rights vested by the Act in the Authority to fulfill the terms of any agreements made with holders of obligations of the Authority or in any way impair the rights and remedies of such holders until such obligations, together with the interest thereon, with interest on any unpaid installments of interest and all costs and expenses in connection with any action or proceedings by or on behalf of such holders are fully met and discharged.

LEGALITY FOR INVESTMENT

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

TAX MATTERS

Section 103(a) of the Internal Revenue Code of 1986, as amended (the “Code”) provides that interest on the 2017 Bonds is not included in gross income for federal income tax purposes if various requirements set forth in the Code are met. The Authority has covenanted in its Arbitrate and Tax Certificate (the “Tax Certificate”), delivered in connection with the issuance of the 2017 Bonds, to comply with these continuing requirements and has made certain representations, certifications of fact, and statements of reasonable expectation in connection with the issuance of the 2017 Bonds to assure this exclusion. Pursuant to Section 103(a) of the Code, failure to comply with these requirements could cause interest on the 2017 Bonds to be includable in gross income for federal income tax purposes retroactive to the date of issuance of the 2017 Bonds.

In the opinion of Bond Counsel, pursuant to Section 103(a) of Code, interest on the 2017 Bonds is not included in gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the alternative minimum tax imposed on individuals and corporations. Bond Counsel is also of the opinion that interest on the 2017 Bonds held by corporate taxpayers is included in “adjusted current earnings” in calculating alternative minimum taxable income for purposes of the federal alternative minimum tax imposed on corporations. Bond Counsel’s opinions described herein are given in reliance on the representations, certifications of fact, and statements of reasonable expectation made by the Authority in its Tax Certificate, assume continuing compliance by the Authority with certain covenants set forth in its Tax Certificate, and are based on existing statutes, regulations, administrative pronouncements and judicial decisions.

Certain Federal Tax Consequences Relating to the 2017 Bonds

Although, pursuant to Section 103(a) of the Code, interest on the 2017 Bonds is excluded from gross income for federal income tax purposes, the accrual or receipt of interest on the 2017 Bonds may otherwise affect the federal income tax liability of the recipient. The nature and extent of these other tax consequences will depend upon the recipient’s particular tax status or other items of income or deduction. Bond Counsel expresses no opinion regarding any such consequences. Purchasers of the 2017 Bonds, particularly purchasers that are corporations (including S corporations and foreign corporations operating branches in the United States), property or casualty insurance companies, banks, thrifts or other financial institutions and certain recipients of Social Security benefits, are advised to consult their own tax advisors as to the tax consequences of purchasing or holding the 2017 Bonds.

Bank Qualification

The 2017 Bonds will be designated as qualified under Section 265 of the Code by the Authority for an exemption from the denial of deduction for interest paid by financial institutions to purchase or to carry tax-exempt obligations.

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

New Jersey Gross Income

In the opinion of Bond Counsel, the interest on the 2017 Bonds and any gain realized on the sale of the 2017 Bonds is not includable as gross income under the New Jersey Gross Income Tax Act.

Future Events

Future federal, state or local legislation, administrative pronouncements or court decisions may affect, perhaps significantly, the tax-exempt status of interest on the 2017 Bonds, in whole or in part, on a federal and/or state level, the market value of the 2017 Bonds or the marketability of the 2017 Bonds, may cause the recognition of gain from the sale or other disposition of the 2017 Bonds, or otherwise may prevent the owners of the 2017 Bonds from realizing the full current benefit of the exclusion from gross income of the interest thereon. For example, the recent federal tax reform proposals in the United States House of Representatives and the United States Senate would reduce corporate tax rates, modify individual tax rates, eliminate many deductions, modify or repeal the alternative minimum tax, eliminate advance refundings and, in the case of the current version of the House proposal, eliminate private activity bonds, among other things. These proposals, if passed and signed by the President of the United States, may increase, reduce or otherwise change the financial benefits currently provided to certain owners of state and local government bonds, including the 2017 Bonds. Additionally, investors in the 2017 Bonds should be aware that future legislative actions (including federal income tax reform) may retroactively affect such investors' federal, state or local tax liability. In all such events, the market value of the 2017 Bonds may be impacted and the ability of holders to sell their 2017 Bonds in the secondary market may be reduced.

PROSPECTIVE PURCHASERS OF THE 2017 BONDS SHOULD CONSULT THEIR OWN TAX ADVISORS REGARDING THE POTENTIAL IMPACT OF ANY PENDING OR PROPOSED FEDERAL OR STATE TAX LEGISLATION, REGULATIONS OR LITIGATION, AS TO WHICH BOND COUNSEL WILL NOT EXPRESS AN OPINION.

LEGAL PROCEEDINGS

The Authority

There is no litigation of any nature pending or threatened against the Authority at the date of this Official Statement to restrain or enjoin the issuance, sale, execution or delivery of the 2017 Bonds, or in any way contesting or affecting the validity of said 2017 Bonds, or any proceedings of the Authority taken with respect to the issuance or sale thereof, or the pledge or application of any monies or the security provided for the payment of the 2017 Bonds, or the existence or powers of the Authority.

The Township

In the opinion of the Township Attorney, there are no pending legal proceedings to which the Township is a party, the ultimate disposition of which would have a material adverse effect on the Township's ability to perform its obligations, if necessary, under the Service Contract.

APPROVAL OF LEGALITY

All legal matters incident to the authorization, issuance, sale and delivery of the 2017 Bonds are subject to the approval of McManimon, Scotland & Baumann, LLC Bond Counsel to the Authority. Certain legal matters will be passed upon for the Authority by its attorney, C. Gregory Watts, Esquire, Flemington, New Jersey.

UNDERWRITING

RBC Capital Markets, LLC (the "Underwriter") has agreed to purchase the 2017 Bonds from the Authority, subject to the terms of a Purchase Contract between the Authority and the Underwriter, at a purchase price of \$_____ representing the \$_____ par amount of the 2017 Bonds, less an underwriting discount in the amount of \$_____, and [plus a net original issue premium][less a net original issue discount] in the amount of \$_____; plus accrued interest to the date of delivery thereof. The Purchase Contract provides that the Underwriter will purchase all the 2017 Bonds, if any are purchased, and that the obligation to make such purchase is subject to certain terms and conditions set forth therein. The initial offering price set forth on the cover page hereof may be changed from time to time by the Underwriter without prior notice, and the Underwriter may offer and sell the 2017 Bonds to certain dealers, dealer—banks and banks acting as agents at prices lower than such initial offering price.

The Underwriter and its respective affiliates are full-service financial institutions engaged in various activities that may include securities trading, commercial and investment banking, municipal advisory, brokerage, and asset management. In the ordinary course of business, the Underwriter and its respective affiliates may actively trade debt and, if applicable, equity securities (or related derivative securities) and provide financial instruments (which may include bank loans, credit support or interest rate swaps). The Underwriter and its respective affiliates may engage in transactions for their own accounts involving the securities and instruments made the subject of this securities offering or other offering of the Issuer. The Underwriter and its

respective affiliates may make a market in credit default swaps with respect to municipal securities in the future. The Underwriter and its respective affiliates may also communicate independent investment recommendations, market color or trading ideas and publish independent research views in respect of this securities offering or other offerings of the Issuer.

The Underwriter may also receive a fee for conducting a competitive bidding process regarding the investment of certain proceeds of the 2017 Bonds.

RATING

Standard & Poor's Corporation ("S&P") has assigned the rating set forth on the cover of this Official Statement.

The Authority furnished S&P's with certain information and materials concerning the 2017 Bonds and the Authority. Generally, S&P bases its rating on such information and materials and also on such investigations, studies and assumptions that it may undertake independently. There is no assurance that such rating will continue for any given period of time or that the rating may not be suspended, lowered or withdrawn entirely by S&P if, in the judgment of S&P, circumstances so warrant. Any such downward change in or withdrawal of the rating may have an adverse effect on the secondary market price of the 2017 Bonds.

Any explanation of the significance of the rating may be obtained only from S&P.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

The accuracy of the arithmetic computations supporting the conclusions that (i) the principal amounts of, and interest earned on, the Government Obligations to be acquired with a portion of the proceeds of the 2017 Bonds, together with available moneys of the Authority are sufficient to pay the principal of and the accrued interest on the Refunded Bonds on May 1, 2020, the date fixed for redemption and (ii) the yield on the 2017 Bonds and Government Obligations deposited for the payment of the Refunded Bonds is supported by the mathematical calculations independently verified by Bowman & Company LLP, Certified Public Accountants and Consultants, Voorhees, New Jersey.

TRUSTEE, REGISTRAR AND PAYING AGENT

The Authority has appointed TD Bank, National Association, Cherry Hill, New Jersey, as Trustee, Registrar and Paying Agent for the 2017 Bonds.

EXPERTS

The financial statements of the Authority, included as Appendix A to this Official Statement, have been prepared by Bowman & Company LLP, Independent Certified Public Accountants, Voorhees, New Jersey. The financial statements of the Township, included as Appendix C to this Official Statement, have been prepared by NISIVOCCIA LLP, Mt.

Arlington, New Jersey. Said financial statements have been included in reliance upon the reports of said firm and such reports have been given upon the authority of said firm as professionals in accounting and auditing.

SECONDARY MARKET DISCLOSURE

In connection with the provisions of Rule 15c2-12, as amended, supplemented and officially interpreted from time to time, or any successor provision thereto, promulgated by the Securities and Exchange Commission ("SEC") pursuant to the Securities Exchange Act of 1934, as amended ("Rule 15c2-12"), on the date of delivery of the Series 2017 Bonds, the Authority and the Trustee will enter into Continuing Disclosure Agreement (the "Continuing Disclosure Agreement") for the benefit of the beneficial holders of the Series 2017 Bonds, pursuant to which the Authority will agree to provide certain annual operating and financial information and notices of the occurrence of certain enumerated events relating to the Series 2017 Bonds to the Municipal Securities Rulemaking Board's Electronic Municipal Market Access system ("EMMA"). The specific nature of the annual operating and financial information and the information to be contained in the notices of material events is detailed in APPENDIX F – "Forms of Continuing Disclosure Agreement and Continuing Disclosure Certificate" hereto.

In connection with Rule 15c2-12 and its obligations pursuant to the Service Agreement the Township has agreed to execute a Continuing Disclosure Certificate for the benefit of the beneficial holders of the Series 2017 Bonds, pursuant to which the Township will agree to provide the audited financial statements of the Township, the financial information and operating data contained in Appendix C hereto and notices of the occurrence of certain enumerated events to EMMA as set forth in APPENDIX E – "Forms of Continuing Disclosure Agreement and Continuing Disclosure Certificate" hereto.

The Authority has been in compliance with the Rule for the previous 5 years. The Township has failed to timely file parts of its annual financing information for the fiscal years 2012, 2013, 2014 and 2016. Additionally, not all filings were correctly linked to the Authority's outstanding transaction. All filings for the previous five years have been filed and correctly linked as of the date of this POS.

MISCELLANEOUS

The foregoing statements and descriptions of provisions of the laws of the State of New Jersey, the Resolution, the Service Contract and the 2017 Bonds and all references to other material not purported to be quoted in full are only brief, generalized descriptions thereof, do not purport to be complete, and are in all respects subject to and qualified in their entirety by express reference to the provisions of the complete documents in their final forms, copies of which will be furnished by the Authority on request.

Statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Authority and the purchasers or holders of any of the 2017 Bonds.

THE RARITAN TOWNSHIP MUNICIPAL
UTILITIES AUTHORITY

By: _____
Chairman

Dated: _____, 2017

APPENDIX A

AUDITED FINANCIAL STATEMENTS OF THE AUTHORITY

**RARITAN TOWNSHIP
MUNICIPAL UTILITIES AUTHORITY**

REPORT OF AUDIT

**WITH
SUPPLEMENTARY INFORMATION**

**FOR THE FISCAL YEARS ENDED
NOVEMBER 30, 2016 AND 2015**

RARITAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

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**RARITAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
ROSTER OF OFFICIALS
As of November 30, 2016**

Authority Commissioners

Peter L. Kinsella

Dr. Edward Dougherty

Dr. Lori Buza

John Kendzulak

John Tully

OFFICIALS

Hatch Mott MacDonald

Watts, Tice & Skowronek

Gregory LaFerla

Pamela Struening

POSITION

Chairperson

Vice Chairperson

Assistant Treasurer and
Assistant Secretary

Treasurer

Secretary

Wastewater Engineer

Attorney

Chief Operator /
Executive Director

Manager Accounting Operations /
Human Resource Administrator

**RARITAN TOWNSHIP
MUNICIPAL UTILITIES AUTHORITY**

PART I

FINANCIAL SECTION

**FOR THE FISCAL YEARS ENDED
NOVEMBER 30, 2016 AND 2015**

INDEPENDENT AUDITOR'S REPORT

The Chairman and Members of
Raritan Township Municipal Utilities Authority
Flemington, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Raritan Township Municipal Utilities Authority, in the County of Hunterdon, State of New Jersey, a component unit of the Township of Raritan (Authority), as of and for the fiscal years ended November 30, 2016 and 2015 and the related notes to the financial statements, which collectively comprise the Authority'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 accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 in compliance with audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and 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 entity'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 opinion.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Raritan Township Municipal Utilities Authority, in the County of Hunterdon, State of New Jersey as of November 30, 2016 and 2015, and the changes in its financial position and its cash flows thereof for the fiscal years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedules of funding progress and employer contributions for the OPEB plan, schedule of the Authority's proportionate share of the net pension liability and schedule of Authority contributions as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying supplementary schedules as listed in the table of contents and the Schedule of Expenditures of State Financial Assistance are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards, as required by the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) is also presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying supplementary schedules as listed in the table of contents, the Schedule of Expenditures of Federal Awards and Schedule of Expenditures of State Financial Assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information, as listed in the table of contents, and the Schedule of Expenditures of Federal Awards and Schedule of Expenditures of State Financial Assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated May 4, 2017 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Authority's internal control over financial reporting and compliance.

Respectfully submitted,

Bowman & Company LLP

BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants

Voorhees, New Jersey
May 4, 2017

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

INDEPENDENT AUDITOR'S REPORT

The Chairman and Members of
Raritan Township Municipal Utilities Authority
Flemington, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and in compliance with audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the business-type activities of the Raritan Township Municipal Utilities Authority, in the County of Hunterdon, State of New Jersey, a component unit of the Township of Raritan (Authority), as of and for the fiscal year ended November 30, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated May 4, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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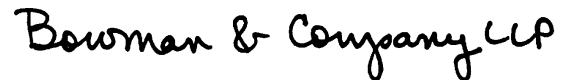
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and the audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards and the audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants

Voorhees, New Jersey
May 4, 2017

**RARITAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED
NOVEMBER 30, 2016 AND 2015
(UNAUDITED)**

The Raritan Township Municipal Utilities Authority (the Authority) is a public agency providing wastewater services to Raritan Township, the Borough of Flemington and the Township of Readington. This section of the Authority's annual financial report provides a discussion and analysis of the financial performance for the fiscal years ending November 30, 2016 and 2015. The entire annual financial report consists of five parts; Independent Auditor's Reports, the management's discussion and analysis, the basic financial statements, required supplementary information and supplemental schedules.

FINANCIAL HIGHLIGHTS

- **Total Assets** - Total assets as of November 30, 2016 were \$36,430,019.13. After adding deferred outflows of resources of \$2,463,828.00 and deducting liabilities of \$17,737,416.48 and deferred inflows of resources of \$845,503.80, the resulting net position is \$20,310,926.85.
- **Total Operating Revenue-** Revenues for the fiscal year ending November 30, 2016 totaling \$5,731,930.87 were up from last year's ending amount of \$5,725,963.81, mainly due to an increase in other operating revenues.
- **Total Operating Expenses** – Operating expenses for the fiscal year ending November 30, 2016 of \$6,640,882.36 were up 4.58% from last year's amount of \$6,350,004.78, mainly due to an increase in fringe benefits as a result of expenses related to net pension liability.
- **Interest Income** – For the fiscal year ended November 30, 2016, the Authority generated \$9,523.86 interest income from investments.

OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements report information about the Authority as a whole using accounting methods similar to those used by private-sector companies. The statements of net position include all of the Authority's assets, deferred outflows of resources, liabilities and deferred inflows of resources. As the Authority follows the accrual method of accounting, the current year's revenues and expenses are accounted for in the statements of revenues, expenses, & changes in net position regardless of when revenues are earned and expenses are incurred. Net position – the difference between the Authority's assets, deferred outflows of resources, liabilities and deferred inflows of resources – is a measure of the Authority's financial health or position.

The statements of revenues, expenses and changes in net position provide a breakdown of the various areas of revenues and expenses encountered during the fiscal year.

The statements of cash flows provide a breakdown of the various sources of cash flow, categorized into three areas: Cash flows from operating activities, capital and related financing activities and investing activities.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D)
(UNAUDITED)

FINANCIAL ANALYSIS OF THE AUTHORITY

The Authority's total net position was \$20,310,926.85 on November 30, 2016. Total assets, deferred outflows of resources, total liabilities, deferred inflows of resources and total net position are detailed below.

A significant portion of the Authority's net position represents its investment in capital assets (i.e. sewer lines, buildings, improvements and equipment); less the related debt outstanding used to acquire those capital assets. Although the Authority's investment in its capital assets is reported net of related debt, it is noted that the resources required to repay this debt must be provided annually from operations, since the capital assets themselves cannot be used to liquidate liabilities.

An additional portion of the Authority's net position represents resources that are subject to external restrictions on how they can be used under the Bond Resolution covenants.

The remaining portion of the Authority's net position is a deficit in unrestricted net position. The deficit is primarily a result of the Authority's net pension liability.

Statements of Net Position
As of November 30, 2016, 2015 and 2014

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Current Assets	\$ 5,159,555.04	\$ 6,552,003.94	\$ 4,216,149.75
Noncurrent Assets			
Capital Assets	29,783,261.55	29,311,425.62	29,117,816.57
Other Assets	1,487,202.54	1,571,057.51	1,006,765.58
Total Assets	36,430,019.13	37,434,487.07	34,340,731.90
Total Deferred Outflows of Resources	2,463,828.00	1,018,281.92	312,408.92
Current Liabilities	1,621,852.17	1,698,427.65	1,116,389.40
Long-Term Liabilities	16,115,564.31	14,353,786.27	10,895,310.87
Total Liabilities	17,737,416.48	16,052,213.92	12,011,700.27
Total Deferred Inflows of Resources	845,503.80	1,051,691.14	1,210,617.74
Net Position			
Net Investment in Capital Assets	24,051,354.62	24,677,514.70	24,420,336.69
Restricted	679,411.00	618,475.06	585,862.80
Unrestricted	(4,419,838.77)	(3,947,125.83)	(3,575,376.68)
Total Net Position	\$ 20,310,926.85	\$ 21,348,863.93	\$ 21,430,822.81

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D)
(UNAUDITED)

FINANCIAL ANALYSIS OF THE AUTHORITY (CONT'D)

Statements of Revenues, Expenses and Changes in Net Position
For the Fiscal Years Ended November 30, 2016, 2015 and 2014

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Utility Service Charges	\$ 5,193,752.63	\$ 5,556,984.32	\$ 5,171,969.78
Connection Fees	163,657.75	143,918.50	169,787.76
Other Operating Revenues	374,520.49	25,060.99	79,628.78
Total Operating revenues	5,731,930.87	5,725,963.81	5,421,386.32
Operating Expenses	5,621,328.78	5,335,991.81	4,885,301.58
Depreciation expense	1,019,553.58	1,014,012.97	828,054.32
Operating Loss	(908,951.49)	(624,040.97)	(291,969.58)
Net Non-Operating Expenses	(128,985.59)	(178,915.71)	(145,330.80)
Capital Contributions	0.00	720,997.80	0.00
Change in Net Position	(1,037,937.08)	(81,958.88)	(437,300.38)
Net Position - Beginning	21,348,863.93	21,430,822.81	21,868,123.19
Net Position - Ending	<u>\$ 20,310,926.85</u>	<u>\$ 21,348,863.93</u>	<u>\$ 21,430,822.81</u>

OVERALL ANALYSIS

According to a Notice of Rule Proposal, the NJ Department of Environmental Protection (Land Use Management) Division of Watershed Management is proposing changes to the Water Quality Management Planning rules, N.J.A.C. 7:15.

The Department is proposing to amend the rules in numerous ways to, among other things, include the following:

- Reassignment of wastewater management planning responsibility to the County Board of Chosen Freeholders.
- Withdrawal and re-designation of wastewater service areas where the applicable wastewater management plan (WMP) is not in compliance with the mandatory updated schedule contained in the rules (statewide there are 193 non-complying plans (including RTMUA) and 12 that are in compliance).
- A requirement that municipalities pass an ordinance designed to assure septic system maintenance.
- A requirement that updated WMPs addresses septic density in a manner that demonstrates compliance with a 2 mg/L (ppm) nitrate-planning standard.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D)
(UNAUDITED)

OVERALL ANALYSIS (CONT'D)

The first and second proposed amendments can be viewed as detrimental to RTMUA in that our involvement in the WMP process will be greatly reduced. We will no longer be able to lead the WMP process; instead, we will be relegated to the role of a source of data for the Plan. This process began in late 2008 with a required completion date of August 31, 2009 which date has been extended several times at the request of The Hunterdon County Planning Office. This matter is still in negotiation.

The effect on lost revenues and probable legal action should these rules be adopted as proposed will be significant but is unknown at this time.

There is the probability that the NJDEP will require the permit level of the main plant effluent level of phosphorous to be somewhere in the range of 0.6 mg/1, which is an improvement over the previously anticipated level of less than or equal to 0.1 mg/1. The NJDEP will be setting this level after reviewing the final results of the Raritan River TMDL (Total Maximum Daily Load) study that has been completed and is awaiting publication.

NJDEP has stated that discharge permits will be revised as soon as the TMDL is published, not at the normal expiration of the permit, and authorities will be given about 36 months, not the usual 60 months, to comply. The cost of modifications to the main plant to meet these limits will be significant but is unknown until the permit parameters and implementation timing are published.

The RTMUA is currently operating under a Capacity Assurance Program with the NJDEP that limits the amount of new sewer connections RTMUA is allowed to make. This was caused by a discharge rate that exceeded 80% of the main plant's permitted capacity of 3.8 million gallons per day for a 90-day moving average. During the past several years, significant work was done by both RTMUA and the Borough of Flemington to reduce extraneous flows aimed at reducing our discharge rate to less than 80% of rated capacity. Should the unlikely situation arise wherein the plant is deemed to be over capacity by the NJDEP, a sewer hookup ban could be imposed with significant but unknown financial impact.

The RTMUA is operating the Flemington Wet Weather Facility under a NJDEP NJPDES permit effective May 1, 2010 that contains "report only" parameters for various components of effluent. It appears that our effluent will be required to meet certain levels of the various components in the new permit, effective April 1, 2015. As technology does not exist to meet these parameters in an intermittent facility such as Flemington, a permit with these requirements will create a major financial impact. The matter is under appeal and is before an Administrative Law Judge.

The RTMUA is operating the Main Plant at 365 Old York Road Flemington under a NJDEP NJPDES permit that expired May 30, 2013 and is currently in discussions with NJDEP for the new permit. There is the possibility that the NJDEP will require the permit level of the main plant effluent level of phosphorous to be approximately equal to 0.6 mg/1. The cost of modifications to the main plant to meet these limits would be significant but is unknown at this time.

In this difficult economic period, the Governor and Legislature are attempting to bring about financial relief and a balanced budget by many means including Executive Orders and new legislation. If some of these are passed and made into law, Municipal Authorities will be affected, and the financial impact could be significant, but is unknown at this time.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D) (UNAUDITED)

OVERALL ANALYSIS (CONT'D)

For the calendar year beginning January 1, 2017, the user fee for one EDU (Equivalent Dwelling Unit or 300 gallons per day) was increased from \$583.00 to \$612.00 per year and the base user fee portion increased from \$151.00 to \$159.00. The connection fee, set by statute, decreased from \$4,358.00 to \$3,961.00.

BUDGET VARIANCES

As the original budget was formulated in September 2015, certain actual events during the year caused the Authority to go over budget in several line items. During the year, the Authority realized increases in pension expenses and health insurance costs, which resulted in unfavorable variances as compared to the amount budgeted. The Authority did not overspend the budget as a whole.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

During 2016, the Authority expended \$1,491,389.51 for capital activities. All expenditures were classified as capital assets.

The proposed five-year capital programs total \$14,100,000.00. The major line items making up a portion of the Capital Budget are:

1. Mechanical Screen Replacement
2. Final Clarifier Improvements
3. Sludge Holding Tank Replacement
4. Hach Lab Data Management
5. Upstream Interceptor Rehab
6. Aeration Tank Valve & Gates
7. Primary Sludge Collectors
8. Phosphorus Removal
9. Flemington Waste Water Facility Equalization Tank Construction
10. Flem. Borough Rt.31(HS) Interceptor
11. Commerce Street Sewer Replacement

The Authority has not experienced any change in its credit rating, nor does it anticipate any. The Authority does not operate under any debt limitations; it is required to receive approval from the Township and the Local Finance Board prior to issuing of debt.

CONTACTING THE AUTHORITY'S MANAGEMENT

This financial report is designed to provide Raritan Township residents, investors, clients and creditors, with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the public funds it receives. If you have any questions about this report or need any additional information, contact the Authority at 365 Old York Road, Flemington, NJ 08822 or by telephone at 908-782-7453.

BASIC FINANCIAL STATEMENTS

RARITAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
 Statements of Net Position
 As of November 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Current Assets:		
Unrestricted Assets:		
Cash and Cash Equivalents	\$ 1,933,987.44	\$ 2,108,347.09
Investments	29,830.87	26,744.03
Consumer Accounts Receivable	698,881.19	421,125.03
Other Accounts Receivable	4,125.25	
Accrued Investment Income Receivable	887.42	772.10
Prepaid Expenses	16,041.42	16,166.98
	<u>2,683,753.59</u>	<u>2,573,155.23</u>
Total Unrestricted Assets		
Restricted Assets:		
Cash	1,075,399.89	1,223,657.23
Investments	642,454.97	584,265.27
Due from Flemington - Restricted for Debt Service	153,623.29	114,291.20
Accrued Investment Income Receivable	458.30	454.01
NJ EIT Loan Receivable	603,865.00	2,056,181.00
	<u>2,475,801.45</u>	<u>3,978,848.71</u>
Total Restricted Assets		
Total Current Assets	<u>5,159,555.04</u>	<u>6,552,003.94</u>
Noncurrent Assets:		
Capital Assets		
Completed (Net of Accumulated Depreciation)	27,029,886.94	27,907,348.05
Construction in Progress	2,753,374.61	1,404,077.57
	<u>29,783,261.55</u>	<u>29,311,425.62</u>
Total Capital Assets		
Other Assets		
Due from Flemington - Restricted for Debt Service	1,487,202.54	1,571,057.51
	<u>1,487,202.54</u>	<u>1,571,057.51</u>
Total Other Assets		
Total Noncurrent Assets	<u>31,270,464.09</u>	<u>30,882,483.13</u>
Total Assets	<u>36,430,019.13</u>	<u>37,434,487.07</u>
DEFERRED OUTFLOWS OF RESOURCES		
Related to Pensions	<u>2,463,828.00</u>	<u>1,018,281.92</u>

(Continued)

RARITAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
 Statements of Net Position
 As of November 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
LIABILITIES		
Current Liabilities Payable from Unrestricted Assets:		
Accounts Payable	\$ 327,845.43	\$ 388,844.94
Accounts Payable - Related to Pensions	241,297.00	226,867.00
Unearned Revenue	309,203.34	282,384.14
Compensated Absences - Current Portion		23,177.53
Unfunded PERS Obligation - Current Portion	3,788.00	3,473.00
Prepaid Rents	12,167.01	4,861.57
	<u>894,300.78</u>	<u>929,608.18</u>
Total Current Liabilities Payable from Unrestricted Assets		
Current Liabilities Payable from Restricted Assets:		
Accounts Payable	155,473.54	263,608.09
Retainage Payable	36,076.26	15,468.87
Developer's Escrow	104,582.00	144,914.88
Revenue Bonds Payable - Current Portion	160,000.00	155,000.00
NJ EIT Loans - Current Portion	242,375.70	164,549.39
Accrued Interest Payable	29,043.89	25,278.24
	<u>727,551.39</u>	<u>768,819.47</u>
Total Current Liabilities Payable from Restricted Assets		
Long-term Liabilities:		
Compensated Absences	113,853.38	106,295.53
Unfunded PERS Obligation	34,000.00	37,788.00
Net Pension Liability	8,044,394.00	5,923,603.00
Accrued Liability - Related to Pensions	100,540.00	94,527.92
Net OPEB Obligation	450,085.50	386,476.00
Revenue Bonds Payable	3,084,673.50	3,269,578.31
NJ EIT Loans Payable	4,288,017.93	4,535,517.51
	<u>16,115,564.31</u>	<u>14,353,786.27</u>
Total Long-Term Liabilities		
	<u>17,737,416.48</u>	<u>16,052,213.92</u>
Total Liabilities		
DEFERRED INFLOWS OF RESOURCES		
Deferred Revenue	845,503.80	956,451.14
Related to Pensions		95,240.00
	<u>845,503.80</u>	<u>1,051,691.14</u>
Total Deferred Inflows of Resources		

(Continued)

RARITAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
 Statements of Net Position
 As of November 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
NET POSITION		
Net Investment in Capital Assets	\$ 24,051,354.62	\$ 24,677,514.70
Restricted:		
Bond Resolution Covenants	648,605.46	590,125.52
State Unemployment Compensation	30,805.54	28,349.54
Unrestricted	<u>(4,419,838.77)</u>	<u>(3,947,125.83)</u>
Total Net Position	<u>\$ 20,310,926.85</u>	<u>\$ 21,348,863.93</u>

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

RARITAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Statements of Revenues, Expenses and Change in Net Position
For the Fiscal Years Ended November 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Operating Revenues:		
Utility Service Charges	\$ 5,193,752.63	\$ 5,556,984.32
Connection Fees	163,657.75	143,918.50
Other Operating Revenues	374,520.49	25,060.99
Total Operating Revenues	<u>5,731,930.87</u>	<u>5,725,963.81</u>
Operating Expenses:		
Administration:		
Salaries and Wages	271,322.42	315,118.58
Fringe Benefits	183,427.66	179,808.34
Other Expenses	704,914.47	633,715.37
Cost of Providing Services:		
Salaries and Wages	1,863,362.21	1,904,410.11
Fringe Benefits	1,333,136.29	945,188.64
Other Expenses	1,265,165.73	1,357,750.77
Depreciation	1,019,553.58	1,014,012.97
Total Operating Expenses	<u>6,640,882.36</u>	<u>6,350,004.78</u>
Operating Loss	<u>(908,951.49)</u>	<u>(624,040.97)</u>
Non-operating Revenue (Expenses):		
Investment Income	9,523.86	5,689.39
Cost of Issuance		(71,325.36)
Interest on Debt	(138,509.45)	(113,279.74)
Net Non-Operating Expenses	<u>(128,985.59)</u>	<u>(178,915.71)</u>
Change in Net Position, Before Capital Contributions	(1,037,937.08)	(802,956.68)
Capital Contributions		<u>720,997.80</u>
Change in Net Position, After Capital Contributions	(1,037,937.08)	(81,958.88)
Net Position - Beginning	<u>21,348,863.93</u>	<u>21,430,822.81</u>
Net Position - Ending	<u>\$ 20,310,926.85</u>	<u>\$ 21,348,863.93</u>

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

RARITAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Statements of Cash Flows
For the Fiscal Years Ended November 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities:		
Receipts from Customers and Users	\$ 4,950,121.11	\$ 5,665,896.84
Payments for Other Goods or Services	(2,035,079.40)	(1,793,577.15)
Payments for Employee Services	(3,046,617.64)	(3,055,861.95)
Other Operating Receipts	427,230.90	168,979.49
	<u>295,654.97</u>	<u>985,437.23</u>
Net Cash Provided by Operating Activities		
Cash Flows from Capital and Related Financing Activities:		
Principal Paid on Bonds	(155,000.00)	(150,000.00)
Principal Paid on Loans	(164,549.39)	(113,270.50)
NJ EIT Loan Receivable	1,452,316.00	599,747.00
NJEIT Premium		46,259.45
Debt Issue Costs Payable	(7,819.39)	(52,690.71)
Due From Flemington	66,841.65	93,200.52
Acquisitions of Capital Assets	(1,571,097.28)	(956,826.60)
Interest on Debt	(187,091.26)	(181,866.26)
	<u>(566,399.67)</u>	<u>(715,447.10)</u>
Net Cash Used in Capital and Related Financing Activities		
Cash Flows from Investing Activities:		
Investment Income Receipts	9,404.25	6,469.26
Purchases of Investments	(8,923,960.10)	(26,258.19)
Proceeds from Sales of Investments	8,862,683.56	
	<u>(51,872.29)</u>	<u>(19,788.93)</u>
Net Cash Used in Investing Activities		
Net Change in Cash and Cash Equivalents	(322,616.99)	250,201.20
Cash and Cash Equivalents, December 1	<u>3,332,004.32</u>	<u>3,081,803.12</u>
Cash and Cash Equivalents, November 30	<u>\$ 3,009,387.33</u>	<u>\$ 3,332,004.32</u>

(Continued)

RARITAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Statements of Cash Flows
For the Fiscal Years Ended November 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities:		
Operating Loss	\$ (908,951.49)	\$ (624,040.97)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:		
Depreciation Expense	1,019,553.58	1,014,012.97
Changes in Assets:		
(Increase) Decrease in Consumer Accounts Receivable	(277,756.16)	62,637.07
(Increase) Decrease in Other Accounts Receivable	(4,125.25)	
(Increase) Decrease in Prepaid Expenses	125.56	(444.54)
Change in Deferred Outflows of Resources:		
(Increase) Decrease in Deferrals Related to Pensions	(1,445,546.08)	(705,873.00)
Change in Liabilities:		
Increase (Decrease) in Unrestricted Accounts Payable	(60,999.51)	198,333.53
Increase (Decrease) in Accounts Payable Related to Pensions	14,430.00	14,126.00
Increase (Decrease) in Unearned Revenue	26,819.20	12,815.36
Increase (Decrease) in Compensated Absences	(15,619.68)	(12,450.62)
Increase (Decrease) in Unfunded PERS Obligation	(3,473.00)	(3,198.00)
Increase (Decrease) in Prepaid Rents	7,305.44	(310.31)
Increase (Decrease) in Developers' Deposits	(40,332.88)	32,734.34
Increase (Decrease) in Net Pension Liability	2,120,791.00	1,092,013.00
Increase (Decrease) in Accrued Liability - Related to Pensions	6,012.08	
Increase (Decrease) in OPEB Obligation	63,609.50	64,009.00
Change in Deferred Inflows of Resources:		
Increase (Decrease) in Deferrals Related to Pensions	(95,240.00)	(192,697.00)
Increase (Decrease) in Deferred Revenue	(110,947.34)	33,770.40
 Total Adjustments	 1,204,606.46	 1,609,478.20
 Net Cash Provided by Operating Activities	 \$ 295,654.97	 \$ 985,437.23

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

RARITAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

Notes to Financial Statements

For the Fiscal Years Ended November 30, 2016 and 2015

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Raritan Township Municipal Utilities Authority have been prepared to conform with accounting principles generally accepted in the United States of America ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant of these policies.

Reporting Entity

The Raritan Township Municipal Utilities Authority (the "Authority") is a public body corporate and politic of the State of New Jersey and was originally created as a municipal utilities authority by an ordinance adopted on August 10, 1964 by the governing body of the Township of Raritan (the "Township"), pursuant to the Municipal and County Utilities Authorities Law.

The Authority was created to construct and operate a wastewater collection and treatment system to serve the residents of Raritan Township. The plant has 3.8 millions of gallons per day of treatment capacity. The five commissioners of the Authority are appointed by the elected body of Raritan Township.

Component Unit

In evaluating how to define the Authority for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statements No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34*. Blended component units, although legally separate entities, are in-substance part of the government's operations. Each discretely presented component unit would be or is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and / or its citizens.

A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity.

Based upon the application of these criteria, the Authority has no component units and is a component unit of the Township of Raritan.

Basis of Presentation

The financial statements of the Authority have been prepared in accordance with accounting principles generally accepted in the United States of America applicable to enterprise funds of State and Local Governments on a going concern basis. The focus of enterprise funds is the measurement of economic resources, that is, the determination of operating income, changes in net position (or cost recovery), financial position and cash flows. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Basis of Presentation (Cont'd)**

The Authority is a single enterprise fund and maintains its records on the accrual basis of accounting. Enterprise funds account for activities (i) that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity; or (ii) that are required by law or regulations that the activity's cost of providing services, including capital cost (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues; or (iii) that the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service). Under this method, revenues are recorded when earned and expenses are recorded when the related liability is incurred.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Enterprise funds are accounted for using the accrual basis of accounting.

Revenues -- Exchange and Non-Exchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value is recorded on the accrual basis when the exchange takes place. Sewer service charges are recognized as revenue when services are provided. Connection fees are collected in advance and, accordingly, the Authority defers these revenues until the municipality issues a release for certificate of occupancy and determines that sewage collection services are being provided to the properties.

Non-exchange transactions, in which the Authority receives value without directly giving equal value in return, include grants, contributed capital, and donations. Revenue from grants, contributed capital, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Authority must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Authority on a reimbursement basis.

Expenses - On the accrual basis of accounting, expenses are recognized at the time they are incurred.

Budgets and Budgetary Accounting

The Authority must adopt an annual budget in accordance with N.J.A.C. 5:31-2. N.J.A.C. 5:31-2 requires the governing body to introduce the annual Authority budget at least 60 days prior to the end of the current fiscal year and to adopt not later than the beginning of the Authority's fiscal year. The governing body may amend the budget at any point during the fiscal year. The budget is adopted on the accrual basis of accounting with provisions for cash payments for bond principal. Depreciation expense, bond premiums, and the annual required contribution for the Authority's Other Postemployment Benefits ("OPEB") Plan are not included in the budget appropriations.

The legal level of budgetary control is established at the detail shown on the Statements of Revenues, Expenses and Changes in Net Position. All budget transfers and amendments to those accounts must be approved by resolution of the Authority as required by the Local Finance Board. Management may transfer among supplementary line items as long as the legal level line items are not affected. There are no statutory requirements that budgetary line items not be over-expended. The Authority did not adopt an amending budget resolution during the fiscal year.

The Authority records encumbrances. An encumbrance represents a commitment related to unperformed contracts for goods or services. The issuance of a purchase order or the signing of a contract would create an encumbrance. The encumbrance does not represent an expenditure for the period, only a commitment to expend resources. At year-end, the accounting records are adjusted to record only expenses in accordance with generally accepted accounting principles.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Cash, Cash Equivalents and Investments**

Cash and cash equivalents include petty cash, change funds and cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus accrued interest. Such is the definition of cash and cash equivalents used in the statement of cash flows. U.S. treasury and agency obligations and certificates of deposit with maturities of one year or less when purchased are stated at cost. All other investments are stated at fair value.

New Jersey governmental units are required by N.J.S.A. 40A:5-14 to deposit public funds in a bank or trust company having its place of business in the State of New Jersey and organized under the laws of the United States or of the State of New Jersey or in the New Jersey Cash Management Fund. N.J.S.A. 40A:5-15.1 provides a list of investments which may be purchased by New Jersey municipal units. These permissible investments generally include bonds or other obligations of the United States of America or obligations guaranteed by the United States of America, government money market mutual funds, any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, bonds or other obligations of the local unit or bonds or other obligations of school district of which the local unit is a part or within which the school district is located, bonds or other obligations approved by the Division of Local Government Services in the Department of Community Affairs for investment by local units, local government investment pools, deposits with the State of New Jersey Cash Management Fund, and agreements for the purchase of fully collateralized securities with certain provisions. In addition, other State statutes permit investments in obligations issued by local authorities and other state agencies.

N.J.S.A. 17:9-41 et seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Governmental Unit Deposit Protection Act ("GUDPA"), a multiple financial institutional collateral pool, which was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. Public depositories include State or federally chartered banks, savings banks or associations located in or having a branch office in the State of New Jersey, the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of governmental units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the amount of their deposits to the governmental units.

Additionally, the Authority has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act. In lieu of designating a depository, the cash management plan may provide that the local unit make deposits with the State of New Jersey Cash Management Fund.

Inventories

Inventory consists principally of chemicals for the treatment of sewerage and sludge and is valued at cost. The Authority has determined that the inventories are immaterial and are not recorded in the financial statements.

Prepaid Expenses

Prepaid expenses recorded on the financial statements represent payments made to vendors for services that will benefit periods beyond the applicable fiscal year end.

Capital Assets

Capital assets primarily consist of expenditures to acquire, construct, place in operation and improve the facilities of the Authority. Assets purchased are stated at actual cost. Donated capital assets are recorded at their fair market value as of the date received.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Capital Assets (Cont'd)**

Expenditures, which enhance the asset or significantly extend the useful life of the asset are considered improvements and are added to the capital asset's currently capitalized cost. The cost of normal repairs and maintenance are not capitalized. Costs incurred during construction of an asset are recorded as construction in progress. In the year that the project is completed, these costs are transferred to Capital Assets - Completed. Interest costs incurred during construction are not capitalized into the cost of the asset.

Expenditures are capitalized when they meet the following requirements:

- 1) Cost of \$1,500.00 or more
- 2) Useful life of more than one year
- 3) Asset is not affected by consumption

Depreciation

Depreciation is provided using the straight-line method over the following estimated useful life of the assets:

	<u>Years</u>
Building, Sewage Treatment Plant and Pumping Stations	15-75
Infrastructure	75
Equipment	3-15
Vehicles	7-10

Debt Discounts / Debt Premiums

Debt discounts / debt premiums arising from the issuance of long-term debt are amortized over the life of the debt, in a systematic and rational method, from the issue date to maturity as a component of interest expense. Debt discounts / debt premiums are presented as an adjustment of the face amount on the debt.

Deferred Outflows of Resources

The Authority reports decreases in net position that relate to future periods as deferred outflows of resources in a separate section of its statements of net position. The only deferred outflows of resources reported in this year's financial statements is a deferred outflow of resources for contributions made to the Authority's defined benefit pension plans between the measurement date of the net pension liabilities from those plans and the end of the Authority's fiscal year.

Deferred Inflows of Resources

The Authority's statements of net position report a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net position that applies to a future periods. Deferred inflows of resources are reported in the Authority's statements of net position for connection fee funds received prior to providing sewer services and for actual pension plan investment earnings in excess of the expected amounts included in determining pension expense. This deferred inflow of resources is attributed to pension expense over a total of five (5) fiscal years, including the current fiscal year.

Compensated Absences

Compensated absences are those absences for which employees will be paid, such as vacation, sick leave, and sabbatical leave. A liability for compensated absences that are attributable to services already rendered, and that are not contingent on a specific event that is outside the control of the Authority and its employees, is accrued as the employees earn the rights to the benefits. Compensated absences that relate to future services, or that are contingent on a specific event that is outside the control of the Authority and its employees, are accounted for in the period in which such services are rendered or in which such events take place.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Unearned Revenue**

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied and are recorded as a liability until the revenue is both measurable and the Authority is eligible to realize the revenue.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees' Retirement System ("PERS") and additions to/deductions from PERS's fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net Position

In accordance with the provisions of GASB Statement No. 34 ("Statement 34") of the Governmental Accounting Standards Board "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments", the Authority has classified its net position into three components – net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

Net Investment in Capital Assets - This component of net position consists of capital assets, net of accumulated depreciation, reduced, by the outstanding balances of any debts, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position. If there are significant unspent related debt proceeds or deferred inflows of resources at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Instead, that portion of the debt or deferred inflows of resources should be included in the same net position component as the unspent amount.

Restricted – Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Unrestricted - This component of net position consists of net position that does not meet the definition of "restricted" or "net investment in capital assets." This component includes net position that may be allocated for specific purposes by the Board.

Income Taxes

The Authority operates as defined by the Internal Revenue Code Section 115 and appropriately is exempt from income taxes under Section 115.

Operating and Non-Operating Revenues and Expenses

Operating revenues include all revenues derived from facility charges and other revenue sources. Non-operating revenues principally consist of interest income earned on various interest-bearing accounts and on investments in U.S. Government Money Market Funds.

Operating expenses include expenses associated with the operation, maintenance and repair of the sewer system and general administrative expenses. Non-operating expenses principally include expenses attributable to the Authority's interest on funded debt.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Accounting Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Recently Issued and Adopted Accounting Pronouncements

For the fiscal year ended November 30, 2016, the Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The adoption of this Statement resulted in additional disclosures, see note 3.

In addition, the Authority adopted GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. The adoption this Statement had no impact on the Authority's financial statements.

Next, the Authority adopted GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify, in the context of the current governmental financial reporting environment, the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The adoption this Statement had no impact on the Authority's financial statements.

Furthermore, the Authority adopted GASB Statement No. 77, *Tax Abatement Disclosures*. This Statement requires governments that enter into tax abatement agreements to disclose certain information about the agreements. The adoption this Statement had no impact on the Authority's financial statements.

Additionally, the Authority adopted GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. The adoption this Statement had no impact on the Authority's financial statements.

Lastly, the Authority adopted GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. The adoption this Statement had no impact on the Authority's financial statements.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Recently Issued Accounting Pronouncements**

The GASB has issued the following Statements which will become effective in future fiscal years as shown below:

Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. The Statement will become effective for the Authority in the fiscal year ending November 30, 2017. Management does not expect this Statement will have an impact on the financial statements.

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The Statement will become effective for the Authority in the fiscal year ending November 30, 2018. Management has not yet determined the impact of this Statement on the financial statements.

Statement No. 80, *Blending Requirements for Certain Component Units an amendment of GASB Statement No. 14*. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. The Statement will become effective for the Authority in the fiscal year ending November 30, 2017. Management does not expect this Statement will have an impact on the financial statements.

Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The Statement will become effective for the Authority in the fiscal year ending November 30, 2017. Management does not expect this Statement will have an impact on the financial statements.

Statement No. 82, *Pension Issues and amendment of GASB Statements No. 67, No. 68, and No. 73*. This Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The Statement will become effective for the Authority in the fiscal year ending November 30, 2017. Management does not expect this Statement will have an impact on the financial statements.

Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The Statement will become effective for the Authority in the fiscal year ending November 30, 2019. Management does not expect this Statement will have an impact on the financial statements.

Statement No. 84, *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The Statement will become effective for the Authority in the fiscal year ending November 30, 2020. Management does not expect this Statement will have an impact on the financial statements.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Recently Issued Accounting Pronouncements (Cont'd)**

Statement No. 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The Statement will become effective for the Authority in the fiscal year ending November 30, 2018. Management has not yet determined the impact of this Statement on the financial statements.

Note 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**Compliance with Finance Related Legal and Contractual Provisions**

Management of the Authority is unaware of any material violations of finance related legal and contractual provisions.

General Bond Resolution

The Authority is subject to the provisions and restrictions of the General Bond Resolution adopted June 17, 2010 and Supplemental Resolution adopted December 15, 2011 (collectively the "Bond Resolution"). A summary of the activities of each account created by the Bond Resolution is covered below.

Revenue Account - All money collected by the Authority for service charges or from any other source for operating, maintaining or repairing the system is deposited in this account. The Trustee, on the first day of each month, shall make payments into the other accounts to satisfy bond resolution.

Operating Account - The balance on deposit shall be used to pay for the operating expenses of the Authority.

Debt Service Account - The balance on deposit must be sufficient as of any particular date of computation in a particular Fiscal Year; and with respect to the Debts Outstanding on such date, an amount of money equal to any unpaid interest or principal then due, plus, all interest payable on or payment of which is deemed to accrue through the end of the month during which such date of computation occurs and all principal payable on or payment of which may be deemed to accrue through the end of such month. In the case of Capital Appreciation Bonds, the Accreted Value of Capital Appreciation Bonds becoming due at maturity or by virtue of a Sinking Fund Installment shall be included when due and payable as part of the principal or Sinking Fund Installment in accordance with the above provisions. At November 30, 2016, the balance in the debt service account meets the requirements of the Bond Resolution.

Debt Reserve Account - The amount of funds on deposit must be maintained at the lower of the maximum annual debt service on the 2010 Sewer System Revenue Bonds or one hundred twenty-five percent (125%) of the average annual debt service on the 2010 Sewer System Revenue Bonds. The Bond Resolution states that there shall be no Debt Reserve Requirement, in connection with the issuance of debts issued through the NJEIT Financing Program. At November 30, 2016, the balance in the debt reserve account meets the requirements of the Bond Resolution.

Renewal and Replacement Account - These funds are maintained for reasonable and necessary expenses with respect to the system for major repairs, renewals, replacements or maintenance items of a type not recurring annually. At November 30, 2016, the balance in the renewal and replacement account meets the requirements of the Bond Resolution.

Rebate Account - This account is to be established in accordance with Section 401 of the Bond Resolution in the event that a rebate to the United States Government arises from excess investment earnings pursuant to the IRS code.

General Account - All excess funds of the Authority are recorded in the General Account. If the Authority is not in default in the payment of debt principal or interest and all fund requirements are satisfied, the Authority may use the excess funds for any lawful purpose.

Note 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONT'D)**General Bond Resolution (Cont'd)**

Construction Account - This account was established in accordance with Section 401 of the Bond Resolution. The construction account is held by the Trustee and is used to pay the cost of the project and is pledged, pending application to such costs.

Note 3: DETAIL NOTES - ASSETS**Cash and Cash Equivalents**

Custodial Credit Risk Related to Deposits - Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits might not be recovered. Although the Authority does not have a formal policy regarding custodial credit risk, N.J.S.A. 17:9-41 et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the GUDPA. Under the Act, the first \$250,000.00 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation ("FDIC"). Public funds owned by the Authority in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings or funds that may pass to the Authority relative to the happening of a future condition. If the Authority had any such funds, they would be shown as uninsured and uncollateralized in the following schedule.

As of November 30, 2016 and 2015, the Authority's bank balances were exposed to custodial credit risk as follows:

	November 30,	
	<u>2016</u>	<u>2015</u>
Insured by FDIC	\$ 594,508.55	\$ 500,000.00
Insured by GUDPA	2,380,787.70	2,719,525.12
Uninsured and Collateralized	38,733.09	180,237.35
	<hr/>	<hr/>
Total	<u>\$ 3,014,029.34</u>	<u>\$ 3,399,762.47</u>

Investments

New Jersey authorities are limited as to the types of investments and types of financial institutions they may invest in. N.J.S.A. 40A:5-15.1 provides a list of permissible investments that may be purchased by New Jersey authorities. These permissible investments generally include bonds or other obligations of the United States of America or obligations guaranteed by the United States of America, government money market mutual funds, any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, bonds or other obligations of the local unit or other obligations of the local unit or units within which the Authority is located, bonds or other obligations approved by the Division of Investment in the Department of Treasury for investment by authorities, local government investment pools, deposits with the State of New Jersey Cash Management Fund, and agreements for the purchase of fully collateralized securities with certain provisions. The Authority has no investment policy that would further limit its investment choices.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party if the counterparty to the transaction fails. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Authority, and are held by either the counterparty or the counterparty's trust department or agent but not in the Authority's name. Other than the rules and regulations promulgated by N.J.S.A. 40A:5-15.1, the Authority has no investment policy to limit its exposure to custodial credit risk. All of the Authority's \$672,285.84 as of November 30, 2016 and \$611,009.30 of November 30, 2015 investments in U.S. government money market funds are held in the name of the Authority.

Note 3: DETAIL NOTES – ASSETS (CONT'D)**Investments (Cont'd)**

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Other than the rules and regulations promulgated by N.J.S.A. 40A:5-15.1, the Authority does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. As stated in note 1, investments are purchased in accordance with N.J.S.A. 40A:5-15.1. Other than the rules and regulations promulgated by N.J.S.A. 40A:5-15.1, the Authority has no investment policy that would further limit its exposure to credit risk.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. Other than the rules and regulations promulgated by N.J.S.A. 40A:5-15.1, the Authority's investment policies place no limit on the amount the Authority may invest in any one issuer. All of the Authority's investments are in U.S. Government Money Market Funds.

As of November 30, 2016 and 2015, the Authority had the following investments and maturities:

<u>Investment</u>	<u>Maturities</u>	<u>Credit Rating</u>	<u>Fair Value November 30, 2016</u>	<u>Fair Value November 30, 2015</u>
US Government Money Market Fund	Demand	Aaa	\$ 672,285.84	\$ 611,009.30

Fair Value Measurements of Investments - The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted process in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Authority has the following recurring fair value measurements as of November 30, 2016 and 2015:

- Government Money Market Funds of \$672,285.84 as of November 30, 2016 and \$611,009.30 as of November 30, 2015 are valued using quoted market prices (Level 1 inputs).

Service Fees

The following is service charge billings and collections for all types of accounts maintained by the Authority:

<u>Fiscal Year Ended November 30,</u>	<u>Beginning Balance</u>	<u>Billings</u>	<u>Total Collections</u>	<u>Percentage of Collections</u>
2016	\$ 421,125.03	\$ 5,193,752.63	\$ 4,915,996.47	87.55%
2015	483,762.10	5,556,984.32	5,619,621.39	93.03%
2014	386,907.81	5,171,969.78	5,075,115.49	91.30%

Note 3: DETAIL NOTES – ASSETS (CONT'D)**Capital Assets**

During the fiscal years ended November 30, 2016 and 2015, the following changes in Capital Assets occurred:

	Balance <u>Dec. 1, 2015</u>	<u>Additions</u>	<u>Transfers</u>	Balance <u>Nov. 30, 2016</u>
Construction in Progress	\$ 1,404,077.57	\$ 1,369,580.02	\$ (20,282.98)	\$ 2,753,374.61
Buildings, Plant & Pumping Stations	584,276.60			584,276.60
Infrastructure	41,703,166.36	4,401.95	20,282.98	41,727,851.29
Equipment	4,338,367.12	117,407.54		4,455,774.66
Vehicles	316,937.21			316,937.21
Total Capital Assets being Depreciated	46,942,747.29	121,809.49	20,282.98	47,084,839.76
Total Assets	48,346,824.86	1,491,389.51	-	49,838,214.37
Less: Accumulated Depreciation	19,035,399.24	1,019,553.58	-	20,054,952.82
Total Capital Assets	\$ 29,311,425.62	\$ 471,835.93	\$ -	\$ 29,783,261.55
	Balance <u>Dec. 1, 2014</u>	<u>Additions</u>	<u>Transfers</u>	Balance <u>Nov. 30, 2015</u>
Construction in Progress	\$ 345,503.53	\$ 1,065,747.18	\$ (7,173.14)	\$ 1,404,077.57
Buildings, Plant & Pumping Stations	584,276.60			584,276.60
Infrastructure	41,609,346.63	86,646.59	7,173.14	41,703,166.36
Equipment	4,283,138.87	55,228.25		4,338,367.12
Vehicles	316,937.21			316,937.21
Total Capital Assets being Depreciated	46,793,699.31	141,874.84	7,173.14	46,942,747.29
Total Assets	47,139,202.84	1,207,622.02	-	48,346,824.86
Less: Accumulated Depreciation	18,021,386.27	1,014,012.97	-	19,035,399.24
Total Capital Assets	\$ 29,117,816.57	\$ 193,609.05	\$ -	\$ 29,311,425.62

Note 4: DETAIL NOTES - LIABILITIES**Long Term Liabilities**

During the fiscal years ended November 30, 2016 and 2015, the following changes occurred in long-term obligations:

	Balance Dec. 1, 2015	Additions	Reductions	Balance Nov. 30, 2016	Due Within One Year
Loans Payable					
NJEIT Loans	\$ 4,608,784.33		\$ (164,549.39)	\$ 4,444,234.94	\$ 242,375.70
Issuance Premiums	91,282.57		(5,123.88)	86,158.69	
Total Loans Payable	4,700,066.90	\$ -	(169,673.27)	4,530,393.63	242,375.70
Bonds Payable					
Bonds	3,230,000.00		(155,000.00)	3,075,000.00	160,000.00
Issuance Premiums	194,578.31		(24,904.81)	169,673.50	
Total Bonds Payable	3,424,578.31	-	(179,904.81)	3,244,673.50	160,000.00
Other Liabilities					
Compensated Absences	129,473.06	9,480.28	(25,100.64)	113,852.70	
Unfunded PERS Obligation	41,261.00		(3,473.00)	37,788.00	3,788.00
Net Pension Liability	5,923,603.00	3,285,842.00	(1,165,051.00)	8,044,394.00	
Other Liabilities -					
Related to Pension	94,527.92	100,540.00	(94,527.92)	100,540.00	
Net OPEB Obligation	386,476.00	70,664.00	(7,054.50)	450,085.50	
Total Other Liabilities	6,575,340.98	3,466,526.28	(1,295,207.06)	8,746,660.20	3,788.00
Total Long Term Liabilities	\$ 14,699,986.19	\$ 3,466,526.28	\$ (1,644,785.14)	\$ 16,521,727.33	\$ 406,163.70
	Balance Dec. 1, 2014	Additions	Reductions	Balance Nov. 30, 2015	Due Within One Year
Loans Payable					
NJEIT Loans	\$ 2,120,598.83	\$ 2,622,999.00	\$ (134,813.50)	\$ 4,608,784.33	\$ 164,549.39
Issuance Premiums	33,613.21	60,592.45	(2,923.09)	91,282.57	
Total Loans Payable	2,154,212.04	\$ 2,683,591.45	(137,736.59)	4,700,066.90	164,549.39
Bonds Payable					
Bonds	3,380,000.00		(150,000.00)	3,230,000.00	155,000.00
Issuance Premiums	220,498.06		(25,919.75)	194,578.31	
Total Bonds Payable	3,600,498.06	-	(175,919.75)	3,424,578.31	155,000.00
Other Liabilities					
Compensated Absences	141,923.68	15,447.71	(27,898.33)	129,473.06	23,177.53
Unfunded PERS Obligation	44,459.00		(3,198.00)	41,261.00	3,473.00
Net Pension Liability	4,831,590.00	1,632,001.00	(539,988.00)	5,923,603.00	
Other Liabilities -					
Related to Pension	94,527.92			94,527.92	
Net OPEB Obligation	322,467.00	70,664.00	(6,655.00)	386,476.00	
Total Other Liabilities	5,434,967.60	1,718,112.71	(577,739.33)	6,575,340.98	26,650.53
Total Long Term Liabilities	\$ 11,189,677.70	\$ 4,401,704.16	\$ (891,395.67)	\$ 14,699,986.19	\$ 346,199.92

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)**Sewer System Revenue Bonds Payable - Series 2010**

The Sewer System Revenue Bonds Series 2010 are direct obligations of the Authority and are secured under the provisions of the Resolution pledging the revenues and all funds established by the Resolution to secure the payment of principal and the interest on the bonds. The Bonds are further secured by the limited service agreement between the Authority and the Township (See Note 6).

The 2010 Series Bonds were issued to provide funds for certain capital improvements of the Authority and to pay the costs of the issuance of the bonds. The Bonds were issued originally for \$3,810,000.00 and carried interest rates ranging from 3.00% to 5.00% with a final maturity due on May 1, 2030.

The following schedule reflects the Debt Service maturities for Series 2010 Bonds:

Fiscal Year Ending <u>November 30,</u>	<u>Principal</u>	<u>Rates</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 160,000.00	4.00%	\$ 141,800.00	\$ 301,800.00
2018	170,000.00	4.00%	135,200.00	305,200.00
2019	175,000.00	4.00%	128,300.00	303,300.00
2020	180,000.00	4.00%	121,200.00	301,200.00
2021	190,000.00	4.00%	113,800.00	303,800.00
2022-2026	1,100,000.00	5.00%	417,500.00	1,517,500.00
2027-2030	<u>1,100,000.00</u>	5.00%	<u>113,250.00</u>	<u>1,213,250.00</u>
	3,075,000.00		<u>\$ 1,171,050.00</u>	<u>\$ 4,246,050.00</u>
Current Maturities	(160,000.00)			
Premium on Bonds	<u>169,673.50</u>			
Long-Term Portion	<u>\$ 3,084,673.50</u>			

New Jersey Environmental Infrastructure Trust Loans

On May 3, 2012, the Authority closed on two loans from the New Jersey Environmental Infrastructure Trust (the "NJEIT Series 2012A") totaling \$2,319,383.00 for the repair of various pump stations and other capital improvements. The Authority received principal forgiveness on a portion of fund loan in the amount of \$214,271.00. The Fund portion of the award is for \$1,554,383.00 and is interest free. The remaining Trust portion is for \$765,000.00 and carries interest rates varying from 2.0% to 5.0% with a final maturity due on August 1, 2031.

On May 28, 2015, the Authority closed on two loans from the New Jersey Environmental Infrastructure Trust (the "NJEIT Series 2015A-1") totaling \$1,029,299.00 for the Woodside Farms Pump Station. The Fund portion of the award is for \$784,299.00 and is interest free. The remaining Trust portion is for \$245,000.00 and carries interest rates varying from 4.0% to 5.0% with a final maturity due on August 1, 2034.

On November 24, 2015, the Authority closed on two loans from the New Jersey Environmental Infrastructure Trust (the "NJEIT Series 2015A-2") totaling \$1,593,700.00 for Motor Control Center Panel. The Fund portion of the award is for \$1,193,700.00 and is interest free. The remaining Trust portion is for \$400,000.00 and carries interest rates varying from 3.0% to 5.0% with a final maturity due on August 1, 2035.

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)**New Jersey Environmental Infrastructure Trust Loans (Cont'd)**

The following schedule reflects the loan maturities for NJEIT Series 2012A, 2015A-1 and 2015A-2:

Fiscal Year Ending November 30,	Interest Free Loan Principal	Loan Principal	Total Principal	Rates	Interest	Total
2017	\$ 187,375.70	\$ 55,000.00	\$ 242,375.70	5.00%	\$ 53,003.76	\$ 295,379.46
2018	187,375.70	55,000.00	242,375.70	5.00%	50,253.76	292,629.46
2019	187,375.70	60,000.00	247,375.70	5.00%	47,503.76	294,879.46
2020	187,375.70	60,000.00	247,375.70	5.00%	44,503.76	291,879.46
2021	187,375.70	60,000.00	247,375.70	5.00%	41,503.76	288,879.46
2022-2026	936,878.50	375,000.00	1,311,878.50	3.00% - 5.00%	156,518.80	1,468,397.30
2027-2031	915,335.83	460,000.00	1,375,335.83	3.00% - 4.00%	72,171.28	1,447,507.11
2032-2035	375,142.11	155,000.00	530,142.11	3.00% - 4.00%	12,756.26	542,898.37
	<u>\$3,164,234.94</u>	<u>\$1,280,000.00</u>	<u>4,444,234.94</u>		<u>\$478,215.14</u>	<u>\$ 4,922,450.08</u>
Current Maturities			(242,375.70)			
Premium on Bonds			<u>86,158.69</u>			
Long-Term Portion			<u>\$4,288,017.93</u>			

Compensated Absences

Authority employees may accumulate unused sick days with no restrictions. Additionally, administrative employees may carry over a maximum of 5 unused vacation days for one year. Employees are compensated for accumulated sick leave upon retirement or resignation at their then current hourly rate of pay times the number of days accumulated. Upon separation from the Authority, the employee will be paid for all accrued vacation time at their then current hourly rate. The accrued liability for accumulated sick leave and vacation time at November 30, 2016 and 2015 is estimated at \$113,852.70 and \$129,473.06, respectively.

Net Pension Liability

For details on the net pension liability, see the Pension Plans section of this note. The Authority's annual required contribution to the Public Employees' Retirement System is budgeted and paid on an annual basis.

Lease Obligations

At November 30, 2016, the Authority has operating lease agreements in effect for copiers.

Operating Leases – Future minimum rental payments under operating lease agreements are as follows:

Fiscal Year Ending November 30,	Lease Payment
2017	\$10,708.20
2018	10,708.20
2019	<u>3,569.40</u>
	<u>\$24,985.80</u>

Current year payments under operating leases totaled \$10,405.85.

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)**Pension Plans**

A substantial number of Authority employees participate in the Public Employees' Retirement System ("PERS"), a defined benefit pension plan, which is administered by the New Jersey Division of Pensions and Benefits ("the Division"). In addition, Authority employees may participate in the Defined Contribution Retirement Program ("DCRP"), which is a defined contribution pension plan. This plan is administered by Prudential Financial for the New Jersey Division of Pensions and Benefits. Each plan has a Board of Trustees that is primarily responsible for its administration. The Division issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to:

State of New Jersey
Division of Pensions and Benefits
P.O. Box 295
Trenton, New Jersey 08625-0295
<http://www.nj.gov/treasury/pensions>

General Information about the Pension Plans**Plan Descriptions**

Public Employees' Retirement System - The Public Employees' Retirement System is a cost-sharing multiple-employer defined benefit pension plan which was established as of January 1, 1955, under the provisions of N.J.S.A. 43:15A. The PERS's designated purpose is to provide retirement, death, disability and medical benefits to certain qualified members. Membership in the PERS is mandatory for substantially all full-time employees of the Authority, provided the employee is not required to be a member of another state-administered retirement system or other state pensions fund or local jurisdiction's pension fund. The PERS's Board of Trustees is primarily responsible for the administration of the PERS.

Defined Contribution Retirement Program - The Defined Contribution Retirement Program is a multiple-employer defined contribution pension fund established on July 1, 2007 under the provisions of Chapter 92, P.L. 2007, and Chapter 103, P.L. 2007 (N.J.S.A. 43:15C-1 et seq.). The DCRP is a tax-qualified defined contribution money purchase pension plan under Internal Revenue Code (IRC) § 401(a) et seq., and is a "governmental plan" within the meaning of IRC § 414(d). The DCRP provides retirement benefits for eligible employees and their beneficiaries. Individuals covered under DCRP are employees enrolled in PERS on or after July 1, 2007, who earn salary in excess of established "maximum compensation" limits; employees enrolled in PERS after May 21, 2010, who earn salary in excess of established "maximum compensation" limits; employees otherwise eligible to enroll in 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 \$5,000.00 annually; and employees otherwise eligible to enroll in PERS after May 21, 2010 who do not work the minimum number of hours per week required for tiers 4 or 5 enrollment, but who earn salary of at least \$5,000.00 annually.

Vesting and Benefit Provisions

Public Employees' Retirement System - The vesting and benefit provisions are set by N.J.S.A. 43:15A and 43:3B. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS.

The following represents the membership tiers for PERS:

<u>Tier</u>	<u>Definition</u>
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 21, 2010
4	Members who were eligible to enroll after May 21, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)**Pension Plans (Cont'd)****General Information about the Pension Plans (Cont'd)****Vesting and Benefits Provisions (Cont'd)**

Public Employees' Retirement System (Cont'd) - Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tiers 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 tiers 1 and 2 members before reaching age 60, tiers 3 and 4 before age 62 with 25 or more years of service credit and tier 5 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 age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. 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.

Defined Contribution Retirement Program - 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 nonforfeitable. A participant's interest in that portion of his or her defined contribution retirement plan account attributable to employer contributions shall be vested and nonforfeitable 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.

Contributions

Public Employees' Retirement System - The contribution policy is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. Members contribute at a uniform rate. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years beginning in July 2012. The member contribution rate was 7.06% in State fiscal year 2016. The phase-in of the additional incremental member contribution rate takes place in July of each subsequent State fiscal year. The rate for members who are eligible for the Prosecutors Part of PERS (Chapter 366, P.L. 2001) increased from 8.5% of base salary to 10%. Employers' contribution amounts are based on an actuarially determined rate. The Authority's contribution amounts are based on an actuarially determined rate which included the normal cost and unfunded accrued liability.

The Authority's contractually required contribution rates for the fiscal years ended November 30, 2016 and 2015 were 13.72% and 12.25% of the Authority's covered payroll. These amount were actuarially determined as the amount that, when combined with employee contributions, are expected to finance the costs of benefits earned by employees during the year, including an additional amount to finance any unfunded accrued liability.

Based on the most recent PERS measurement date of June 30, 2016, the Authority's contractually required contribution to the pension plan for the fiscal year ended November 30, 2016 is \$241,297.00, and is payable by April 1, 2017. Based on the PERS measurement date of June 30, 2015, the Authority's contractually required contribution to the pension plan for the fiscal year ended November 30, 2015 was \$226,867.00, which was paid on April 1, 2016. Employee contributions to the Plan during the fiscal year ended November 30, 2016 were \$128,168.07.

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)**Pension Plans (Cont'd)****General Information about the Pension Plans (Cont'd)****Contributions (Cont'd)**

Public Employees' Retirement System (cont'd) - Based on the PERS measurement date of June 30, 2015, the Authority's contractually required contribution to the pension plan for the fiscal year ended November 30, 2015 was \$226,867.00, and was payable by April 1, 2016. Based on the PERS measurement date of June 30, 2014, the Authority's contractually required contribution to the pension plan for the fiscal year ended November 30, 2014 was \$212,741.00, which was paid on April 1, 2015. Employee contributions to the Plan during the year ended November 30, 2015 were \$128,835.44.

Defined Contribution Retirement Program - The contribution policy is set by N.J.S.A. 43:15C-3 and requires contributions by active members and contributing employers. In accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members are required to contribute 5.5% of their annual covered salary. In addition to the employee contributions, the Authority's contribution amounts for each pay period, 3% of the employees' base salary, are transmitted to Prudential Financial not later than the fifth business day after the date on which the employee is paid for that pay period.

For the fiscal years ended November 30, 2016 and 2015, there were no employees participating in DCRP.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The following information relates only to the Public Employees' Retirement System ("PERS"), which is a cost-sharing multiple-employer defined benefit pension plan.

The Authority reported a liability of \$8,044,394.00 and \$5,923,603.00 for its proportionate share of the net pension liability for the fiscal years ended November 30, 2016 and 2015, respectively.

The net pension liability reported at November 30, 2016 was measured by the PERS plan as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2016. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. For the June 30, 2016 measurement date, the Authority's proportion was .0271612876%, which was an increase of .0007731746% from its proportion measured as of June 30, 2015.

The net pension liability reported at November 30, 2015 was measured by the PERS plan as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2015. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. For the June 30, 2015 measurement date, the Authority's proportion was .0263881130%, which was an increase of .0005821060% from its proportion measured as of June 30, 2014.

For the fiscal years ended November 30, 2016 and 2015, the Authority recognized pension expense of \$827,299.00 and \$420,301.00, respectively. These amounts were based on the plan's June 30, 2016 and 2015 measurement dates, respectively.

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)**Pension Plans (Cont'd)****Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)****Deferred Outflows of Resources and Deferred Inflows of Resources**

At November 30, 2016 and 2015, the Authority reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>November 30, 2016</u>		<u>November 30, 2015</u>	
	<u>Measurement Date June 30, 2016</u>		<u>Measurement Date June 30, 2015</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Experience	\$ 149,601.00		\$ 141,316.00	
Changes of Assumptions	1,666,369.00		636,148.00	
Net Difference between Projected and Actual Earnings on Pension Plan Investments	306,740.00			\$ 95,240.00
Changes in Proportion and Differences between Authority Contributions and Proportionate Share of Contributions	240,578.00	\$ -	146,290.00	-
Authority Contributions Subsequent to the Measurement Date	100,540.00		94,528.00	
	<u>\$ 2,463,828.00</u>	<u>\$ -</u>	<u>\$ 1,018,282.00</u>	<u>\$ 95,240.00</u>

The deferred outflows of resources related to pensions totaling \$100,540.00 and \$94,528.00 will be included as a reduction of the net pension liability in the fiscal years ended November 30, 2017 and 2016.

Other amounts included as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in future periods as follows:

<u>Fiscal Year Ending November 30,</u>	
2017	\$ 537,193.00
2018	537,193.00
2019	612,958.00
2020	512,176.00
2021	163,768.00
	<u>\$ 2,363,288.00</u>

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)**Pension Plans (Cont'd)****Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)****Deferred Outflows of Resources and Deferred Inflows of Resources (Cont'd)**

The amortization of the other deferred outflows of resources and deferred inflows of resources related to pensions will be over the following number of years:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Experience		
Year of Pension Plan Deferral:		
June 30, 2014	-	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
Changes of Assumptions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments		
Year of Pension Plan Deferral:		
June 30, 2014	-	5.00
June 30, 2015	-	5.00
June 30, 2016	5.00	-
Changes in Proportion and Differences between Authority Contributions and Proportionate Share of Contributions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44	6.44
June 30, 2015	5.72	5.72
June 30, 2016	5.57	5.57

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)**Pension Plans (Cont'd)****Actuarial Assumptions**

The net pension liability was measured as of June 30, 2016 and 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015 and 2014. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2016 and 2015. This actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

	Measurement Date <u>June 30, 2016</u>	Measurement Date <u>June 30, 2015</u>
Inflation	3.08%	3.04%
Salary Increases:		
2012-2021		2.15% - 4.40% Based on Age
Through 2026	1.65% - 4.15% Based on Age	
Thereafter	2.65% - 5.15% Based on Age	3.15% - 5.40% Based on Age
Investment Rate of Return	7.65%	7.90%
Mortality Rate Table	RP-2000	RP-2000
Period of Actuarial Experience		
Study upon which Actuarial		
Assumptions were Based	July 1, 2011 - June 30, 2014	July 1, 2008 - June 30, 2011

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

In accordance with State statute, the long-term expected rate of return on plan investments (7.65% at June 30, 2016 and 7.90% at June 30, 2015) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2016 and 2015 are summarized in the table on the following page.

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)**Pension Plans (Cont'd)****Actuarial Assumptions (Cont'd)**

<u>Asset Class</u>	<u>Measurement Date</u> <u>June 30, 2016</u>		<u>Measurement Date</u> <u>June 30, 2015</u>	
	<u>Target</u> <u>Allocation</u>	<u>Long-Term</u> <u>Expected Real</u> <u>Rate of Return</u>	<u>Target</u> <u>Allocation</u>	<u>Long-Term</u> <u>Expected Real</u> <u>Rate of Return</u>
Cash	5.00%	0.87%	5.00%	1.04%
U.S. Treasuries	1.50%	1.74%	1.75%	1.64%
Investment Grade Credit	8.00%	1.79%	10.00%	1.79%
Mortgages	2.00%	1.67%	2.10%	1.62%
High Yield Bonds	2.00%	4.56%	2.00%	4.03%
Inflation-Indexed Bonds	1.50%	3.44%	1.50%	3.25%
Broad U.S. Equities	26.00%	8.53%	27.25%	8.52%
Developed Foreign Equities	13.25%	6.83%	12.00%	6.88%
Emerging Market Equities	6.50%	9.95%	6.40%	10.00%
Private Equity	9.00%	12.40%	9.25%	12.41%
Hedge Funds / Absolute Return	12.50%	4.68%	12.00%	4.72%
Real Estate (Property)	2.00%	6.91%	2.00%	6.83%
Commodities	0.50%	5.45%	1.00%	5.32%
Global Debt ex U.S.	5.00%	-0.25%	3.50%	-0.40%
REIT	5.25%	5.63%	4.25%	5.12%
	<u>100.00%</u>		<u>100.00%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 3.98% and 5.55% as of June 30, 2016 and 2015 measurement dates, respectively. The respective single blended discount rates were based on the long-term expected rate of return on pension plan investments of 7.65% and 7.90%, and a municipal bond rate of 2.85% and 3.80% as of June 30, 2016 and 2015, respectively, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rates assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 30% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2034 for PERS. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034 for PERS, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liabilities.

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)**Pension Plans (Cont'd)****Sensitivity of Authority's Proportionate Share of Net Pension Liability to Changes in the Discount Rate**

The following presents the Authority's proportionate share of the net pension liability at November 30, 2016 calculated using a discount rate of 3.98%, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rates used:

	1% Decrease <u>(2.98%)</u>	Current Discount Rate <u>(3.98%)</u>	1% Increase <u>(4.98%)</u>
Authority's Proportionate Share of the Net Pension Liability	<u>\$ 9,857,466.00</u>	<u>\$ 8,044,394.00</u>	<u>\$ 6,547,546.00</u>

The following presents the Authority's proportionate share of the net pension liability at November 30, 2015 calculated using a discount rate of 4.90%, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rates used:

	1% Decrease <u>(3.90%)</u>	Current Discount Rate <u>(4.90%)</u>	1% Increase <u>(5.90%)</u>
Authority's Proportionate Share of the Net Pension Liability	<u>\$ 7,362,313.00</u>	<u>\$ 5,923,603.00</u>	<u>\$ 4,717,398.00</u>

Pension Plan Fiduciary Net Position

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the respective fiduciary net position of the PERS and additions to/deductions from PERS' respective fiduciary net position have been determined on the same basis as they are reported by PERS. Accordingly, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. For additional information about PERS, please refer to the plan's Comprehensive Annual Financial Report (CAFR) which can be found at www.nj.gov/treasury/pensions.

Public Employees' Retirement System (PERS) Payment Deferral

On March 17, 2009, P.L. 2009, c.19 (S-21) was signed into legislation and provided the option of deferring fifty percent (50%) of the Authority's 2009 regular PERS pension liability. Authorities that elected to defer the pension liability are required to begin repaying the deferred amount over fifteen (15) years, starting in April of 2012. The amount to be paid will fluctuate based on the pension system investment earnings on the unfunded liability. At any time, however, upon requesting a payoff amount from the Division of Pensions and Benefits, an authority may pay off the deferred amount. The deferral of the aforementioned PERS payment is only an option for the 2009 fiscal year. Commencing in fiscal year 2010 and beyond, the full annual PERS pension liability was required to be budgeted and paid.

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)**Public Employees' Retirement System (PERS) Payment Deferral (Cont'd)**

In fiscal year 2009, the Authority elected to defer fifty percent (50%) of the April 2009 payment, equaling a total deferral of \$52,221.00. The following is a schedule for the payment of the PERS deferral, based on an interest rate of 8.25%. N.J.S.A 43:15A-24b requires the use of "regular interest" when the actuary calculates the amortization of the unfunded accrued liability of the pension system, which is set by the State Treasurer (N.J.S.A. 43:15A-6n) and currently is 8.25%.

The following schedule reflects the remaining amounts due:

Fiscal Year Ending <u>November 30,</u>	Deferral <u>Payment</u>	<u>Interest</u>	Total Projected <u>Payment</u>
2017	\$ 3,788.00	\$ 4,315.00	\$ 8,103.00
2018	3,458.00	2,805.00	6,263.00
2019	3,549.00	2,520.00	6,069.00
2020	3,643.00	2,227.00	5,870.00
2021	3,739.00	1,926.00	5,665.00
2022-2026	19,611.00	4,839.00	24,450.00
	<u>\$37,788.00</u>	<u>\$18,632.00</u>	<u>\$56,420.00</u>

Postemployment Benefits

The State Pension Fund provides health benefits through the State Health Benefit Plan which is a cost-sharing multiple-employer defined benefit postemployment healthcare plan. As a result, GASB Statement 45 requires that the actuarial accrued liability for employee benefits are recorded as an obligation of the State Health Benefit Plan and not the Authority.

The Authority also provides a reimbursement of Medicare B premiums to employees that have retired from the Authority in addition to benefits provided through the State Pension Fund. The benefits and reimbursement for the Medicare Part B deduction amounts are established by the Authority. GASB Statement 45 requires that accrued liabilities associated with these benefits be recorded on the Authority's financial statements.

State Health Benefits

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

The SHBP was extended to employees, retirees, and dependents of participating local public employers in 1964. Local employers must adopt a resolution to participate in the SHBP. On November 16, 1978, the Authority authorized participation in the SHBP's post-retirement benefit program through a resolution. The Authority provides postemployment health care benefits, at its cost, to all Authority retirees who at the date of retirement have not less than twenty-five (25) years of service credit in a State locally administered retirement system and have served at least twenty (20) years as an employee of the Authority. Benefits provided include health insurance, dental coverage, and prescription coverage for retirees and their dependents only during the retired employees' life.

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)**Postemployment Benefits (Cont'd)****State Health Benefits (Cont'd)**

Plan Description (Cont'd) - The State Health Benefits Commission is the executive body established by statute to be responsible for the operation of the SHBP. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for the SHBP. That report may be obtained by writing to: State of New Jersey Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295 or by visiting their website at www.state.nj.us/treasury/pensions/.

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

Contributions to pay for the health premiums of participating retirees in the SHBP are billed to the Authority on a monthly basis. The Authority funds these benefits on a pay-as-you-go basis.

The Authority's contributions to SHBP for the fiscal year ended November 30, 2016, 2015 and 2014 were \$155,537.85, \$99,880.79, and \$93,075.22 which equaled the required contributions each year. As of November 30, 2016, there were 8 retirees, 5 spouses and 1 child eligible for postemployment medical benefits.

Authority's Plan – Medicare B Reimbursement

Plan Description – The Authority also provides Medicare Part B reimbursement to retirees and their covered dependents. The reimbursements are administered by the Authority; therefore, payments are made directly by the Authority to the retirees.

Funding Policy – The Authority presently funds its current retiree postemployment benefit costs on a “pay-as-you-go” basis. The Authority's contributions to the plan for the fiscal year ended November 30, 2016 and 2015 were \$7,054.50 and \$5,769.50, respectively.

Future Retirees - In accordance with Statement No. 45 of the Governmental Accounting Standards Board, the Authority is required to expense the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty (30) years. The ARC includes the costs of both current and future retirees. The current ARC was determined to be \$76,948.00 at an unfunded discount rate of 4.0%. For the fiscal year ending November 30, 2016, the Authority has funded the cost of existing retirees in the amount of \$7,054.50 contributed to the plan for Medicare part B reimbursements. The Authority has accrued the benefit costs for future eligible employees, but has not yet begun funding this outstanding liability.

Annual OPEB Cost – For fiscal year 2016, the Authority's annual OPEB cost (expense) of \$70,664.00 for the plan was equal to the ARC plus certain adjustments because the Authority's actual contributions in prior years differed from the ARC.

The Authority's annual OPEB cost (expense) is calculated based on the ARC, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years.

The Authority's annual required contribution (ARC), the interest on the net OPEB obligation, the adjustment to the ARC, the increase or decrease in the net OPEB obligation, the net OPEB obligation, and the percentage of annual OPEB cost contributed to the plan for fiscal years 2016, 2015 and 2014 are as follows in the table on the following page.

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)**Postemployment Benefits (Cont'd)****Authority's Plan – Medicare B Reimbursement (Cont'd)**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Normal cost	\$ 32,023.00	\$ 32,023.00	\$ 28,462.00
Amortization Payment	44,925.00	44,925.00	44,925.00
Annual required contribution (expense)	76,948.00	76,948.00	73,387.00
Interest on Outstanding Net OPEB Obligation	10,467.00	10,467.00	10,467.00
Adjustment to Annual Required Contribution	(16,751.00)	(16,751.00)	(16,751.00)
Total Annual OPEB Cost	70,664.00	70,664.00	67,103.00
Contributions Made	7,054.50	6,655.00	6,320.00
	63,609.50	64,009.00	60,783.00
Net OPEB obligation - beginning of year	386,476.00	322,467.00	261,684.00
Net OPEB obligation - end of year	<u>\$ 450,085.50</u>	<u>\$ 386,476.00</u>	<u>\$ 322,467.00</u>
Percentage of Annual OPEB Cost Contribution	9.98%	9.42%	9.42%

Funded Status and Funding Progress - The funded status of the plan as of November 30, 2016, was as follows:

Actuarial Accrued Liability (AAL)	\$ 701,817.00
Actuarial Value of Plan Assets	<u>-</u>
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 701,817.00</u>
Funded Ratio (Actuarial Value of Plan Assets / AAL)	0%
Covered Payroll (Active Plan Members)	Not Provided
UAAL as a Percentage of Covered Payroll	Not Provided

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)**Postemployment Benefits (Cont'd)****Authority's Plan – Medicare B Reimbursement (Cont'd)**

Actuarial Methods and Assumptions - The projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December 1, 2014 actuarial valuation, the projected unit credit cost method was used. Under this method, an actuarial accrued liability is determined as the actuarial present value of the portion of projected benefits which is allocated to service before the current plan year. In addition, a normal cost is determined as the actuarial present value of the portion of projected benefits which is allocated to service in the current plan year for each active participant under the assumed retirement age. The UAAL is being amortized (straight-line) for thirty (30) years on an open basis. The remaining amortization period at November 30, 2016, was twenty-four years. The actuarial assumptions included the following:

- *Mortality*: Sex-distinct RP-2014 Employee/Annuitant Mortality Tables with generational mortality improvements at scale MP-2014
- *Annual Discount Rate*: 4.0 % investment rate of return (net of administrative expenses)
- *Healthcare Trend Rate*: 4.5%

Note 5: DETAIL NOTES – DEFERRED INFLOWS OF RESOURCES**Connection Fees**

The Authority receives payments for connection fees when new users connect to the sewer system. The Authority does not supply the user with supplies or services to make the physical connection and is therefore considered a non-exchange transaction. The Authority recognizes the revenue in the period that the user exercises their right to connect to the system.

Note 6: INTERGOVERNMENTAL AGREEMENTS**Major Customer**

The Authority derives a significant portion of its total service fees from the Borough of Flemington. Since the charges are based upon the flow from the system, the Authority's revenues are subject to large fluctuations from one customer. A comparison of the billings is shown below:

<u>Year</u>	Borough of Flemington <u>Billings</u>	Total <u>Billings</u>	<u>Percentage</u>
2016	\$ 567,494.51	\$ 5,193,752.63	10.93%
2015	532,438.89	5,556,984.32	9.58%
2014	780,291.00	5,171,969.78	15.09%

Note 6: INTERGOVERNMENTAL AGREEMENTS (CONT'D)**Borough of Flemington Service Agreement**

The Authority entered into an ongoing wastewater service agreement with the Borough of Flemington (Borough) on April 8, 1970. This agreement was amended on September 15, 1977, February 26, 1988, January 11, 1996, March 20, 2001, and August 27, 2013. The purpose of this agreement is to determine the amount of operating and capital costs the Borough must reimburse the Authority for the operation of the Flemington Wet Weather Facility (FWWF). The FWWF is owned and operated by the Authority; however, the facility's sole purpose is to service the wastewater from the Borough. Further, the FWWF only operates at time of excessive waste water flow which typically occurs during storm events. The Borough must reimburse the Authority for 80% of the FWWF operational costs and capital costs. If the Authority issues debt for capital improvements at the FWWF, the Borough must reimburse the Authority based on an agreed upon percentage of the debt payments in the year the principal and interest is paid to the bondholders.

As of November 30, 2016 and 2015, the receivable on capital acquisitions and related debt obligations is \$1,640,825.83 and \$1,685,348.71, respectively.

Township of Raritan Service Agreement

A Service Agreement was entered into on March 1, 1970 between the Authority and the Township. Under the Service Agreement, the Township agrees to pay any shortfall the Authority may encounter in making payments for either Operating Expenses and/or Debt Service (Service Charges).

The purpose of this agreement is to grant temporary relief to the Authority should it experience difficulty in meeting its obligations. The agreement calls for the Township to be reimbursed for any Service Charges paid by the Township when the Authority's operations permit. Ultimately, all Operating Expenses and Debt Service of the Authority are borne by revenues of the system.

Note 7: COMMITMENTS

The Authority had several outstanding or planned construction projects as of November 30, 2016. These projects are evidenced by contractual commitments with contractors and include:

<u>Project</u>	<u>Total Project</u>	<u>Total Expended</u>	<u>Commitment Remaining</u>
Woodside Farms Pump Station Rehabilitation	\$ 669,727.49	\$ 656,332.94	\$ 13,394.55
Motor Control Center Replacement	1,243,599.17	1,111,404.03	132,195.14
	<u>\$ 1,913,326.66</u>	<u>\$ 1,767,736.97</u>	<u>\$ 145,589.69</u>

Note 8: DEFERRED COMPENSATION SALARY ACCOUNT

The Authority offers its employees a Deferred Compensation Plan in accordance with Internal Revenue Code Section 457 which has been approved by the Director of the Division of Local Government Services. The Plan, available to all full time employees at their option, permits employees to defer a portion of their salary to future years. The deferred compensation is not available to participants until termination, retirement, death or unforeseeable emergency.

Amounts deferred under Section 457 plans must be held in trust for the exclusive benefit of participating employees and not be accessible by the Authority or its creditors. Since the Authority does not have a fiduciary relationship with the Plan, the balances and activities of the Plan are not reported in the Authority's financial statements.

Note 9: RISK MANAGEMENT

The Authority is a member of the New Jersey Utility Authorities Joint Insurance Fund. The Fund provides the Authority with the following coverage:

Property and Physical Damage
Workers Compensation
Excess Liability
Boiler and Machinery
General and Automobile Liability

Contributions to the Fund, including a reserve for contingencies are payable in an annual premium and is based on actuarial assumptions determined by the Fund's actuary. The Commissioner of Insurance may order additional assessments to supplement the Fund's claim, loss retention or administrative accounts to assure the payment of the Fund's obligations. The Authority's agreement with the pool provides that the pool will be self-sustaining through member premiums and will reinsure through commercial insurance for claims in excess of \$500,000.00 for each insured event.

The Fund publishes its own financial report for the year ended December 31, 2016, which can be obtained from:

New Jersey Utilities Authorities Joint Insurance Fund
9 Campus Drive, Suite 16
Parsippany, New Jersey 07054-4412

Note 10: CONTINGENCIES

There is the possibility that the NJDEP will require the permit level of the main plant effluent level of phosphorous to be approximately equal to 0.6 mg/1. The cost of modifications to the main plant to meet these limits would be significant but is unknown at this time. The Authority is operating the Main Plant under a NJDEP NJPDES permit that expired May 30, 2013 and is currently in discussions with NJDEP for the new permit.

The RTMUA is currently operating under a Capacity Assurance Program with the NJDEP that could limit the amount of new sewer connections allowed. Should the unlikely situation arise wherein the plant is deemed to be over capacity by the NJDEP, a ban on new sewer hookups could be imposed.

The Authority is operating the Flemington Wet Weather Facility under a NJDEP NJPDES permit effective May 1, 2010 that contains "report only" parameters for various components of effluent. It appears that the Authority's effluent will be required to meet certain levels of the various components in the new permit, effective April 1, 2015. As technology does not exist to meet these parameters in an intermittent facility such as Flemington, a permit with these requirements will create a major financial impact, the amount of which cannot be estimated at this time. The matter is under appeal and is before an Administrative Law Judge.

REQUIRED SUPPLEMENTARY INFORMATION

RARITAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
 Required Supplementary Information
 Schedule of Funding Progress for the OPEB Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability - (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
12/1/2014	\$ -	\$701,817.00	\$ 701,817.00	0 %	*	*

* Not Provided

Schedule RSI-2

RARITAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
 Required Supplementary Information
 Schedule of Employer Contributions to the OPEB Plan

Fiscal Year Ended November 30,	Annual Required Contribution (ARC)	Percentage of ARC Contributed
2016	\$ 70,664.00	9.98%
2015	70,664.00	9.42%
2014	67,103.00	9.42%

RARITAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
 Required Supplementary Information
 Schedule of the Authority's Proportionate Share of the Net Pension Liability
 Public Employees' Retirement System (PERS)
 Last Four Fiscal Years

	Measurement Date Ending June 30,			
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Authority's Proportion of the Net Pension Liability	0.0271612876%	0.0263881130%	0.0258060070%	0.0253975033%
Authority's Proportionate Share of the Net Pension Liability	\$ 8,044,394.00	\$ 5,923,603.00	\$ 4,831,590.00	\$ 4,853,968.00
Authority's Covered Payroll (Plan Measurement Period)	\$ 1,869,916.00	\$ 1,820,268.00	\$ 1,784,632.00	\$ 1,705,552.00
Authority's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	430.20%	325.42%	270.73%	284.60%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	40.14%	47.93%	52.08%	48.72%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available.

RARITAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
 Required Supplementary Information
 Schedule of the Authority Contributions
 Public Employees' Retirement System (PERS)
 Last Four Fiscal Years

	Fiscal Year Ended November 30,			
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$ 241,297.00	\$ 226,867.00	\$ 212,741.00	\$ 191,365.00
Contributions in Relation to Contractually Required Contribution	<u>(241,297.00)</u>	<u>(226,867.00)</u>	<u>(212,741.00)</u>	<u>(191,365.00)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's Covered Payroll (Calendar Year)	\$ 1,758,439.00	\$ 1,852,418.00	\$ 1,808,163.00	\$ 1,773,216.00
Authority's Contributions as a Percentage of its Covered Payroll	13.72%	12.25%	11.77%	10.79%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available.

RARITAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Notes to Required Supplementary Information
For the Fiscal Year Ended November 30, 2016

Note 1: OTHER POSTEMPLOYMENT BENEFITS

The information presented in the required supplementary schedules was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation follows:

Valuation Date	December 1, 2014
Actuarial Cost Method	Projected Unit Credit Method
Amortization Method	Closed, Level Dollar Method
Remaining Amortization Periods	24 years
Asset Valuation Method	N/A
Actuarial Assumptions:	
Discount Rate:	4.0%
Healthcare Trend Rate:	4.5%

For determining the GASB ARC, the rate of employer contributions to the Raritan Township Municipal Utilities Authority Plan is composed of the Normal Cost plus amortization of the Unfunded Actuarial Liability. The Normal Cost is a portion of the actuarial present value of plan benefits and expenses which is allocated to a valuation year by the actuarial cost method. The Actuarial Liability is that portion of the Present Value of Projected Benefits that will not be paid by Future Employer Normal Costs or active employee contributions. The difference between this liability and the funds accumulated as of the same date is the Unfunded Actuarial Liability.

Note 2: POSTEMPLOYMENT BENEFITS - PENSION**Public Employees' Retirement System (PERS)**

Changes in Benefit Terms - None

Changes in Assumptions - For 2016, the discount rate changed to 3.98%, the long-term expected rate of return changed to 7.65%, demographic assumptions were revised in accordance with the results of the July 1, 2011 - June 30, 2014 experience study and the mortality improvement scale incorporated the plan actuary's modified MP-2014 projection scale. Further, salary increases were assumed to increase between 1.65% and 4.15% (based on age) through fiscal year 2026 and 2.65% and 5.15% (based on age) for each fiscal year thereafter. For 2015, the discount rate changed to 4.90%. In addition, the social security wage base was set at \$118,500 for 2015, increasing 4.00% per annum, compounded annually and the 401(a)(17) pay limit was set at \$265,000 for 2015, increasing 3.00% per annum, compounded annually. For 2014, the discount rate was 5.39%.

SUPPLEMENTARY SCHEDULES

RARITAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Combining Schedule of Revenues, Expenses and Changes in Fund Net Position
For the Fiscal Year Ended November 30, 2016

	Operating & General	Restricted			Unemployment Compensation	Total
		Debt Service Reserve	Debt Service	Renewal and Replacement		
Operating Revenues:						
Utility Service Charges	\$ 5,193,752.63					\$ 5,193,752.63
Connection Fees	163,657.75					163,657.75
Other Operating Revenues	372,064.49				\$ 2,456.00	374,520.49
Total Operating Revenues	5,729,474.87	\$ -	\$ -	\$ -	2,456.00	5,731,930.87
Operating Expenses:						
Administration:						
Salaries and Wages	271,322.42					271,322.42
Fringe Benefits	183,427.66					183,427.66
Other Expenses	704,914.47					704,914.47
Cost of Providing Service:						
Salaries and Wages	1,863,362.21					1,863,362.21
Fringe Benefits	1,333,136.29					1,333,136.29
Other Expenses	1,265,165.73					1,265,165.73
Depreciation	1,019,553.58					1,019,553.58
Total Operating Expenses	6,640,882.36	-	-	-	-	6,640,882.36
Operating Income (Loss)	(911,407.49)	-	-	-	2,456.00	(908,951.49)
Non-operating Revenue (Expenses):						
Investment Income	8,739.73	18.56	194.40	571.17		9,523.86
Interest on Debt	30,028.69		(168,538.14)			(138,509.45)
Net Income (Loss) Before Transfers	(872,639.07)	18.56	(168,343.74)	571.17	2,456.00	(1,037,937.08)
Transfers	(226,233.95)	(18.56)	226,823.68	(571.17)	-	-
Change in Net Position	(1,098,873.02)	-	58,479.94	-	2,456.00	(1,037,937.08)
Net Position - Beginning	20,730,388.87	305,500.00	191,351.52	93,274.00	28,349.54	21,348,863.93
Net Position - Ending:						
Net Investment in Capital Assets	24,051,354.62					24,051,354.62
Restricted		305,500.00	249,831.46	93,274.00	30,805.54	679,411.00
Unrestricted	(4,419,838.77)					(4,419,838.77)
Total Net Position	\$ 19,631,515.85	\$ 305,500.00	\$ 249,831.46	\$ 93,274.00	\$ 30,805.54	\$ 20,310,926.85

RARITAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

Schedule of Cash Receipts and Disbursements

For the Fiscal Year Ended November 30, 2016

	Operating and General	Debt Service Reserve	Debt Service	Restricted Renewal and Replacement	Project Fund	Unemployment Compensation	Total
Cash, Cash Equivalents and Investments: Balance December 1, 2015	\$ 3,236,457.14	\$ 305,500.00	\$ 278,765.27	\$ 93,941.67	\$ -	\$ 28,349.54	\$ 3,943,013.62
Receipts:							
Investment Income	8,624.41	18.56	194.40	566.88			9,404.25
Consumer Accounts Receivable	4,628,750.76						4,628,750.76
Prepaid Rents	12,167.01						12,167.01
Unearned Revenue	309,203.34						309,203.34
Deferred Revenue	52,710.41						52,710.41
Escrow Deposits	203,490.48						203,490.48
Other Operating Revenues	367,939.24					2,456.00	370,395.24
Due From Flemington	66,841.65						66,841.65
NJ EIT Loan Receivable					1,452,316.00		1,452,316.00
Transfers In			576,085.34		118,782.37		694,867.71
Total Cash and Investments Available	8,886,184.44	305,518.56	855,045.01	94,508.55	1,571,098.37	30,805.54	11,743,160.47
Disbursements:							
Budgetary	4,620,903.16		11,449.39				4,632,352.55
Prepaid Expenses	16,041.42						16,041.42
Bond Principal			155,000.00				155,000.00
Loan Principal			164,549.39				164,549.39
Interest on Debt			187,091.26				187,091.26
Capital Assets					1,335,770.73		1,335,770.73
Accounts Payable	396,664.33				235,326.55		631,990.88
Escrow Disbursements	243,823.36						243,823.36
Transfers Out	694,849.15	18.56					694,867.71
Total Disbursements	5,972,281.42	18.56	518,090.04	-	1,571,097.28	-	8,061,487.30
Cash, Cash Equivalents and Investments: Balance November 30, 2016	\$ 2,913,903.02	\$ 305,500.00	\$ 336,954.97	\$ 94,508.55	\$ 1.09	\$ 30,805.54	\$ 3,681,673.17
Analysis of Balance November 30, 2016							
Cash and Cash Equivalents	\$ 2,884,073.24			\$ 94,508.55		\$ 30,805.54	\$ 3,009,387.33
Investments	29,829.78	\$ 305,500.00	\$ 336,954.97		\$ 1.09		672,285.84
	\$ 2,913,903.02	\$ 305,500.00	\$ 336,954.97	\$ 94,508.55	\$ 1.09	\$ 30,805.54	\$ 3,681,673.17

RARITAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
 Schedule of Operations -- Revenues, Operating Appropriations, Principal Payments and
 Non-Operating Appropriations Compared to Budget--Budgetary Basis
 For the Fiscal Year Ended November 30, 2016

	Adopted Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues:			
Service Charges	\$ 5,335,453.00	\$ 5,193,752.63	\$ (141,700.37)
Connection Fees	75,000.00	163,657.75	88,657.75
Other Operating Revenues	425,000.00	374,520.49	(50,479.51)
Total Operating Revenues	5,835,453.00	5,731,930.87	(103,522.13)
Non-Operating Revenues:			
Investment Income	13,000.00	9,523.86	(3,476.14)
Total Anticipated Revenues	5,848,453.00	5,741,454.73	(106,998.27)
Operating Appropriations:			
Administration:			
Salaries and Wages:			
Administration Salaries	226,920.00	262,875.92	(35,955.92)
Commissioners' Salaries	10,500.00	8,446.50	2,053.50
Total Salaries and Wages	237,420.00	271,322.42	(33,902.42)
Fringe Benefits	98,246.00	183,427.66	(85,181.66)
Other Expenses:			
Professional Services - Legal	30,000.00	34,508.60	(4,508.60)
Professional Services - Audit	45,000.00	45,000.00	
Professional Services - Accounting	8,000.00	8,000.00	
Professional Services - Engineering	140,700.00	111,016.97	29,683.03
Medical	1,000.00	862.38	137.62
Trustee Fee	6,000.00	6,000.00	
NJEIT Fees	8,860.00	1,469.65	7,390.35
Professional Services - Ind. Contractor	31,500.00	38,245.03	(6,745.03)
Insurance	206,009.00	191,691.80	14,317.20
Education	10,000.00	7,998.00	2,002.00
Travel Expenses	7,000.00	8,459.03	(1,459.03)
Dues and Memberships	5,500.00	4,772.00	728.00
Conferences & Seminars	5,000.00	3,980.00	1,020.00
Office Expense	21,000.00	24,640.11	(3,640.11)
Public Advertising	2,500.00	3,207.97	(707.97)
Postage	10,500.00	10,694.00	(194.00)
Permits, Licenses & Easement Fees	22,000.00	16,076.70	5,923.30
Retirement Benefits	142,100.00	162,592.35	(20,492.35)
Computer Maintenance & Upgrade	28,160.00	25,699.88	2,460.12
Total Other Expenses	730,829.00	704,914.47	25,914.53
Total Administration	1,066,495.00	1,159,664.55	(93,169.55)

(Continued)

RARITAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
 Schedule of Operations -- Revenues, Operating Appropriations, Principal Payments and
 Non-Operating Appropriations Compared to Budget--Budgetary Basis
 For the Fiscal Year Ended November 30, 2016

	<u>Adopted Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
Operating Appropriations (Cont'd):			
Cost of Service:			
Operations			
Salaries and Wages	\$ 1,956,790.00	\$ 1,815,539.45	\$ 141,250.55
Fringe Benefits	833,971.00	1,333,136.29	(499,165.29)
Other Expenses:			
Chemical Costs - Chlorine	36,000.00	32,043.71	3,956.29
Chemical Costs - Polymer	26,000.00	20,064.00	5,936.00
Chemicals Costs - Sulfur Dioxide	34,000.00	13,866.02	20,133.98
Utility Costs - Electricity	320,000.00	359,542.90	(39,542.90)
Utility Costs - Natural Gas	33,529.00	24,721.51	8,807.49
Utility Costs - Telephone	23,000.00	23,949.52	(949.52)
Supplies and Services - Dyed Diesel	8,000.00	2,127.62	5,872.38
Sludge Disposal	510,000.00	476,468.75	33,531.25
Tools	5,500.00	4,036.97	1,463.03
Supplies & Services - Gasoline	16,000.00	6,915.01	9,084.99
Supplies & Services - Lab	17,000.00	11,900.86	5,099.14
Supplies & Services - Ind. Lab	14,000.00	16,369.00	(2,369.00)
Safety Equipment	10,000.00	10,929.50	(929.50)
Pump Station & Collection System	50,000.00	32,154.44	17,845.56
Maintenance - Treatment Plant	140,000.00	48,102.70	91,897.30
Maintenance - Buildings & Grounds	16,000.00	5,519.98	10,480.02
Maintenance - Instr & Meter Calibration	28,000.00	19,179.87	8,820.13
Maintenance - Vehicle	12,000.00	12,260.43	(260.43)
Maintenance - Plant Lab	5,000.00	3,379.00	1,621.00
Maintenance - Septage & Tank Cleaning	20,000.00	17,375.00	2,625.00
Miscellaneous	30,730.00	14,948.12	15,781.88
Total Other Expenses	1,354,759.00	1,155,854.91	198,904.09
Total Operations	4,145,520.00	4,304,530.65	(159,010.65)

(Continued)

RARITAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
 Schedule of Operations -- Revenues, Operating Appropriations, Principal Payments and
 Non-Operating Appropriations Compared to Budget--Budgetary Basis
 For the Fiscal Year Ended November 30, 2016

	<u>Adopted Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Operating Appropriations (Cont'd):			
Cost of Service (Cont'd):			
Flemington Storm Water Facility			
Salaries and Wages:	\$ 58,571.00	\$ 47,822.76	\$ 10,748.24
Other Expenses:			
Legal	17,500.00	18,382.41	(882.41)
Accounting	12,000.00	2,953.30	9,046.70
Engineering	17,000.00	27,921.98	(10,921.98)
Insurance	6,006.00	6,006.00	
Permits	6,000.00	6,238.29	(238.29)
Chemicals	10,000.00	2,512.42	7,487.58
Utilities	35,000.00	31,211.10	3,788.90
Service & Supplies - Lab	10,000.00	7,432.00	2,568.00
Safety Supplies & Equipment	1,000.00	415.32	584.68
Maintenance - Operations	2,500.00	438.26	2,061.74
Maintenance - Buildings & Grounds	8,000.00	3,375.90	4,624.10
Maintenance - Instr & Meter Calibration	3,500.00	2,423.84	1,076.16
Miscellaneous	20,000.00		20,000.00
Total Other Expenses	148,506.00	109,310.82	39,195.18
Total Flemington Storm Water Facility	207,077.00	157,133.58	49,943.42
Total Cost of Service	4,352,597.00	4,461,664.23	(109,067.23)
Principal Payments on Debt Service in Lieu of Depreciation	319,550.00	319,549.39	0.61
Total Operating Appropriations	5,738,642.00	5,940,878.17	(202,236.17)
Non-Operating Appropriations:			
Interest on Debt	187,091.00	138,509.45	48,581.55
Total Operating, Principal Payments and Non-Operating Appropriations	5,925,733.00	6,079,387.62	(153,654.62)
Unreserved Net Position Utilized to Balance Budget	(77,280.00)	-	(77,280.00)
Net Total Appropriations	5,848,453.00	6,079,387.62	(230,934.62)
Excess (Deficit) in Anticipated Revenues Over Operating, Principal Payments and Non-Operating Appropriations	\$ -	\$ (337,932.89)	\$ (337,932.89)

(Continued)

RARITAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Schedules of Anticipated Revenues, Operating Appropriations, Principal Payments and
Non-Operating Appropriations Compared to Budget--Budgetary Basis
For the Fiscal Year Ended November 30, 2016

Reconciliation of Excess (Deficit) Revenues over Appropriations to Operating Loss

Revenues Over (Under) Expenses and Other Costs		\$ (337,932.89)
Add:		
Debt Service Principal Payments	\$ 319,549.39	
Interest on Debt	<u>138,509.45</u>	
		<u>458,058.84</u>
		120,125.95
Less:		
Investment Income	9,523.86	
Depreciation	<u>1,019,553.58</u>	
		<u>1,029,077.44</u>
Operating Loss (Exhibit B)		<u><u>\$ (908,951.49)</u></u>

Reconciliation of Actual Expenditures

Cash Disbursements		\$ 4,632,352.55
Accounts Payable		327,845.43
Prepaid Expenses		16,166.98
Change in Accrued OPEB Costs		63,609.50
Change in Unfunded PERS Obligation		(3,473.00)
Change in Compensated Absences Payable		(15,619.68)
Change in Deferred Outflows of Resources		(1,445,546.08)
Change in Accounts Payable - Related to Pension		14,430.00
Change in Accrued Liability - Related to Pensions		6,012.08
Change in Net Pension Liability		2,120,791.00
Change in Deferred Inflows of Resources - Related to Pensions		(95,240.00)
Debt Principal		319,549.39
Interest on Debt		<u>138,509.45</u>
		<u><u>\$ 6,079,387.62</u></u>

RARITAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
 Schedule of Consumer Accounts Receivable
 For the Fiscal Year Ended November 30, 2016

Balance December 1, 2015		\$	421,125.03
Add:			
User Fees			5,193,752.63
			5,614,877.66
Less:			
Current Year Collections	\$ 4,628,750.76		
Unearned Revenue Realized	282,384.14		
Prepaid Rents Applied	4,861.57		
			4,915,996.47
Balance November 30, 2016		\$	698,881.19

RARITAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
 Schedule of Accrued Investment Income Receivable
 For the Fiscal Year Ended November 30, 2016

	<u>Balance</u> <u>December 1, 2015</u>	<u>Investment</u> <u>Income</u>	<u>Received</u>	<u>Balance</u> <u>November 30, 2016</u>
Unrestricted Accounts				
Operating & General Accounts	\$ 772.10	\$ 8,739.73	\$ 8,624.41	\$ 887.42
Restricted Accounts:				
Debt Service Reserve Account		18.56	18.56	
Debt Service Account		194.40	194.40	
Renewal & Replacement Account	454.01	571.17	566.88	458.30
	454.01	784.13	779.84	458.30
Total Investment Income	\$ 1,226.11	\$ 9,523.86	\$ 9,404.25	\$ 1,345.72

RARITAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
 Schedule of Capital Assets - Completed
 For the Fiscal Year Ended November 30, 2016

	Balance December 1, 2015	Additions	Deletions	Balance November 30, 2016
Buildings, Plant & Pump Stations	\$ 584,276.60			\$ 584,276.60
Infrastructure	41,703,166.36	\$ 24,684.93		41,727,851.29
Equipment	4,338,367.12	117,407.54		4,455,774.66
Vehicles	316,937.21			316,937.21
	46,942,747.29	142,092.47	\$ -	47,084,839.76
Less: Accumulated Depreciation	19,035,399.24	1,019,553.58		20,054,952.82
	<u>\$ 27,907,348.05</u>	<u>\$ (877,461.11)</u>	<u>\$ -</u>	<u>\$ 27,029,886.94</u>
Transferred from CIP		\$ 20,282.98		
Disbursed		<u>121,809.49</u>		
		<u>\$ 142,092.47</u>		

Schedule 7

RARITAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
 Schedule of Construction in Progress
 For the Fiscal Year Ended November 30, 2016

Balance December 1, 2015	\$ 1,404,077.57
Add:	
Disbursed	\$ 1,213,961.24
Retainage Payable	20,607.39
Accounts Payable	<u>135,011.39</u>
	<u>1,369,580.02</u>
	2,773,657.59
Less:	
Transferred to Completed	<u>20,282.98</u>
Balance November 30, 2016	<u>\$ 2,753,374.61</u>

RARITAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
 Schedule of Deferred Revenue (Connection Fees)
 For the Fiscal Year Ended November 30, 2016

Balance December 1, 2015		\$ 956,451.14
Add:		
Receipts		<u>52,710.41</u>
		1,009,161.55
Less:		
Realized as Revenue		<u>163,657.75</u>
Balance November 30, 2016		<u><u>\$ 845,503.80</u></u>

RARITAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
 Schedule of Accrued Interest Payable
 For the Fiscal Year Ended November 30, 2016

Balance December 1, 2015		\$ 25,278.24
Increased by:		
Accrued	\$ 168,538.14	
Due from Flemington	<u>22,318.77</u>	
		<u>190,856.91</u>
		216,135.15
Decreased by:		
Cash Disbursed		<u>187,091.26</u>
Balance November 30, 2016		<u><u>\$ 29,043.89</u></u>
Analysis of Interest Expense:		
Accrued		\$ 168,538.14
Amortization of Loan Premium		(5,123.88)
Amortization of Bond Premium		<u>(24,904.81)</u>
Total Interest Expense		<u><u>\$ 138,509.45</u></u>

RARITAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
 Schedule of Revenue Bonds Payable
 For the Fiscal Year Ended November 30, 2016

Purpose	Date of Issue	Original Issue	Maturities of Bonds		Interest Rate	Balance December 1, 2015	Paid or Amortized	Balance November 30, 2016
			Date	Amount				
Sewer System Revenue Bonds, Series 2010	08/12/10	\$ 3,810,000.00	05/01/17	\$ 160,000.00	4.00%			
			05/01/18	170,000.00	4.00%			
			05/01/19	175,000.00	4.00%			
			05/01/20	180,000.00	4.00%			
			05/01/21	190,000.00	4.00%			
			05/01/22	200,000.00	5.00%			
			05/01/23	210,000.00	5.00%			
			05/01/24	220,000.00	5.00%			
			05/01/25	230,000.00	5.00%			
			05/01/26	240,000.00	5.00%			
			05/01/27	255,000.00	5.00%			
			05/01/28	270,000.00	5.00%			
			05/01/29	280,000.00	5.00%			
			05/01/30	295,000.00	5.00%			
Premium on Loans					194,578.31	24,904.81	169,673.50	
					<u>\$ 3,424,578.31</u>	<u>\$ 179,904.81</u>	<u>\$ 3,244,673.50</u>	

RARITAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
 Schedule of New Jersey Environmental Infrastructure Trust Loans
 For the Fiscal Year Ended November 30, 2016

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Loan Principal Payments</u>		<u>Interest Rate</u>	<u>Balance</u>		<u>Balance</u>
			<u>Date</u>	<u>Amount</u>		<u>December 1, 2015</u>	<u>Decreased</u>	
New Jersey Environmental Infrastructure Trust Loan, Series 2012A (Interest Bearing)	05/03/12	\$ 765,000.00	08/01/17	\$ 30,000.00	4.000%	\$ 675,000.00	\$ 30,000.00	\$ 645,000.00
			08/01/18	30,000.00	5.000%			
			08/01/19	35,000.00	5.000%			
			08/01/20	35,000.00	5.000%			
			08/01/21	35,000.00	5.000%			
			08/01/22	40,000.00	5.000%			
			08/01/23	40,000.00	5.000%			
			08/01/24	45,000.00	5.000%			
			08/01/25	45,000.00	5.000%			
			08/01/26	45,000.00	5.000%			
			08/01/27	50,000.00	3.000%			
			08/01/28	50,000.00	3.000%			
			08/01/29	55,000.00	3.125%			
			08/01/30	55,000.00	3.200%			
			08/01/31	55,000.00	3.250%			
New Jersey Environmental Infrastructure Trust Loan, Series 2012A (Non-Interest Bearing)	05/03/12	1,554,383.00	02/01/17	27,756.83				
			08/01/17	55,513.67				
			02/01/18	27,756.83				
			08/01/18	55,513.67				
			02/01/19	27,756.83				
			08/01/19	55,513.67				
			02/01/20	27,756.83				
			08/01/20	55,513.67				
			02/01/21	27,756.83				
			08/01/21	55,513.67				
			02/01/22	27,756.83				
			08/01/22	55,513.67				
			02/01/23	27,756.83				
			08/01/23	55,513.67				
			02/01/24	27,756.83				
			08/01/24	55,513.67				

(Continued)

RARITAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
 Schedule of New Jersey Environmental Infrastructure Trust Loans
 For the Fiscal Year Ended November 30, 2016

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Loan Principal Payments</u>		<u>Interest Rate</u>	<u>Balance</u>		<u>Balance November 30, 2016</u>			
			<u>Date</u>	<u>Amount</u>		<u>December 1, 2015</u>	<u>Decreased</u>				
New Jersey Environmental Infrastructure Trust Loan, Series 2012A (Non-Interest Bearing) (Cont'd)	05/03/12	\$ 1,554,383.00	02/01/25	\$ 27,756.83							
			08/01/25	55,513.67							
			02/01/26	27,756.83							
			08/01/26	55,513.67							
			02/01/27	27,756.83							
			08/01/27	55,513.67							
			02/01/28	27,756.83							
			08/01/28	55,513.67							
			02/01/29	27,756.83							
			08/01/29	55,513.67							
			02/01/30	27,756.83							
			08/01/30	55,513.67							
			02/01/31	27,128.13							
			08/01/31	34,599.70							
						<u>1,227,514.83</u>		\$ 1,310,785.33	\$ 83,270.50	\$ 1,227,514.83	
			New Jersey Environmental Infrastructure Trust Loan, Series 2015A-1 (Interest Bearing)	05/28/15	245,000.00	08/01/17	10,000.00	5.000%			
						08/01/18	10,000.00	5.000%			
08/01/19	10,000.00	5.000%									
08/01/20	10,000.00	5.000%									
08/01/21	10,000.00	5.000%									
08/01/22	10,000.00	5.000%									
08/01/23	10,000.00	5.000%									
08/01/24	10,000.00	5.000%									
08/01/25	15,000.00	5.000%									
08/01/26	15,000.00	5.000%									
08/01/27	15,000.00	4.000%									
08/01/28	15,000.00	4.000%									
08/01/29	15,000.00	4.000%									
08/01/30	15,000.00	4.000%									
08/01/31	15,000.00	4.000%									

(Continued)

RARITAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
 Schedule of New Jersey Environmental Infrastructure Trust Loans
 For the Fiscal Year Ended November 30, 2016

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Loan Principal Payments</u>		<u>Interest Rate</u>	<u>Balance</u>		<u>Balance November 30, 2016</u>
			<u>Date</u>	<u>Amount</u>		<u>December 1, 2015</u>	<u>Decreased</u>	
New Jersey Environmental Infrastructure Trust Loan, Series 2015A-1 (Interest Bearing) (Cont'd)	05/28/15	\$ 245,000.00	08/01/32	\$ 15,000.00	4.000%	\$ 245,000.00	\$ 10,000.00	\$ 235,000.00
			08/01/33	15,000.00	4.000%			
			08/01/34	20,000.00	4.000%			
				<u>235,000.00</u>				
New Jersey Environmental Infrastructure Trust Loan, Series 2015A-1 (Non-Interest Bearing)	05/28/15	784,299.00	02/01/17	13,759.63				
			08/01/17	27,519.26				
			02/01/18	13,759.63				
			08/01/18	27,519.26				
			02/01/19	13,759.63				
			08/01/19	27,519.26				
			02/01/20	13,759.63				
			08/01/20	27,519.26				
			02/01/21	13,759.63				
			08/01/21	27,519.26				
			02/01/22	13,759.63				
			08/01/22	27,519.26				
			02/01/23	13,759.63				
			08/01/23	27,519.26				
			02/01/24	13,759.63				
			08/01/24	27,519.26				
			02/01/25	13,759.63				
			08/01/25	27,519.26				
			02/01/26	13,759.63				
			08/01/26	27,519.26				
			02/01/27	13,759.63				
			08/01/27	27,519.26				
			02/01/28	13,759.63				
08/01/28	27,519.26							
02/01/29	13,759.63							
08/01/29	27,519.26							

(Continued)

RARITAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
 Schedule of New Jersey Environmental Infrastructure Trust Loans
 For the Fiscal Year Ended November 30, 2016

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Loan Principal Payments</u>		<u>Interest Rate</u>	<u>Balance</u>		
			<u>Date</u>	<u>Amount</u>		<u>December 1, 2015</u>	<u>Decreased</u>	<u>November 30, 2016</u>
New Jersey Environmental Infrastructure Trust Loan, Series 2015A-1 (Non-Interest Bearing) (Cont'd)	05/28/15	\$ 784,299.00	02/01/30	\$ 13,759.63				
			08/01/30	27,519.26				
			02/01/31	13,759.63				
			08/01/31	27,519.26				
			02/01/32	13,759.63				
			08/01/32	27,519.26				
			02/01/33	13,759.63				
			08/01/33	27,519.26				
			02/01/34	13,759.63				
			08/01/34	27,519.35				
				<u>743,020.11</u>		\$ 784,299.00	\$ 41,278.89	\$ 743,020.11
New Jersey Environmental Infrastructure Trust Loan, Series 2015A-2 (Interest Bearing)	11/24/15	400,000.00	08/01/17	15,000.00	5.000%			
			08/01/18	15,000.00	5.000%			
			08/01/19	15,000.00	5.000%			
			08/01/20	15,000.00	5.000%			
			08/01/21	15,000.00	5.000%			
			08/01/22	20,000.00	5.000%			
			08/01/23	20,000.00	5.000%			
			08/01/24	20,000.00	5.000%			
			08/01/25	20,000.00	5.000%			
			08/01/26	20,000.00	3.000%			
			08/01/27	20,000.00	3.000%			
			08/01/28	25,000.00	3.000%			
			08/01/29	25,000.00	3.000%			
			08/01/30	25,000.00	3.000%			
			08/01/31	25,000.00	3.000%			
			08/01/32	25,000.00	3.000%			
			08/01/33	25,000.00	3.125%			
			08/01/34	25,000.00	3.125%			
			08/01/35	30,000.00	3.250%			
				<u>400,000.00</u>		400,000.00		400,000.00

(Continued)

RARITAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
 Schedule of New Jersey Environmental Infrastructure Trust Loans
 For the Fiscal Year Ended November 30, 2016

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Loan Principal Payments</u>		<u>Interest Rate</u>	<u>Balance</u>	
			<u>Date</u>	<u>Amount</u>		<u>December 1, 2015</u>	<u>Decreased</u>
New Jersey Environmental Infrastructure Trust Loan, Series 2015A-2 (Non-Interest Bearing)	11/24/15	\$ 1,193,700.00	02/01/17	\$ 20,942.10			
			08/01/17	41,884.21			
			02/01/18	20,942.10			
			08/01/18	41,884.21			
			02/01/19	20,942.10			
			08/01/19	41,884.21			
			02/01/20	20,942.10			
			08/01/20	41,884.21			
			02/01/21	20,942.10			
			08/01/21	41,884.21			
			02/01/22	20,942.10			
			08/01/22	41,884.21			
			02/01/23	20,942.10			
			08/01/23	41,884.21			
			02/01/24	20,942.10			
			08/01/24	41,884.21			
			02/01/25	20,942.10			
			08/01/25	41,884.21			
			02/01/26	20,942.10			
			08/01/26	41,884.21			
			02/01/27	20,942.10			
			08/01/27	41,884.21			
			02/01/28	20,942.10			
			08/01/28	41,884.21			
			02/01/29	20,942.10			
			08/01/29	41,884.21			
			02/01/30	20,942.10			
			08/01/30	41,884.21			
			02/01/31	20,942.10			
			08/01/31	41,884.21			
			02/01/32	20,942.10			
			08/01/32	41,884.21			
			02/01/33	20,942.10			
08/01/33	41,884.21						

(Continued)

RARITAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
 Schedule of New Jersey Environmental Infrastructure Trust Loans
 For the Fiscal Year Ended November 30, 2016

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Loan Principal Payments</u>		<u>Interest Rate</u>	<u>Balance</u>		<u>Balance</u>
			<u>Date</u>	<u>Amount</u>		<u>December 1, 2015</u>	<u>Decreased</u>	
New Jersey Environmental Infrastructure Trust Loan, Series 2015A-2 (Non-Interest Bearing) (Cont'd)	11/24/15	\$ 1,193,700.00	02/01/34	\$ 20,942.10				
			08/01/34	41,884.21				
			02/01/35	20,942.10				
			08/01/35	41,884.32				
				<u>1,193,700.00</u>		\$ 1,193,700.00		\$ 1,193,700.00
						4,608,784.33	\$ 164,549.39	4,444,234.94
Premium on Loans						<u>91,282.57</u>	<u>5,123.88</u>	<u>86,158.69</u>
						<u>\$ 4,700,066.90</u>	<u>\$ 169,673.27</u>	<u>\$ 4,530,393.63</u>
Amortized as Interest Expense Paid							\$ 5,123.88	
							<u>164,549.39</u>	
							<u>\$ 169,673.27</u>	

**RARITAN TOWNSHIP
MUNICIPAL UTILITIES AUTHORITY**

PART II

SINGLE AUDIT SECTION

**FOR THE FISCAL YEAR ENDED
NOVEMBER 30, 2016**

**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

INDEPENDENT AUDITOR'S REPORT

The Chairman and Members of
Raritan Township Municipal Utilities Authority
Flemington, New Jersey

Report on Compliance for Each Major Federal Program

We have audited the Raritan Township Municipal Utilities Authority's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Authority's major federal program for the fiscal year ended November 30, 2016. The Authority's major federal program is identified in the *Summary of Auditor's Results* section of the accompanying *Schedule of Findings and Questioned Costs*.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Authority's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance 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; audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey; and Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the fiscal year ended November 30, 2016.

Report on Internal Control Over Compliance

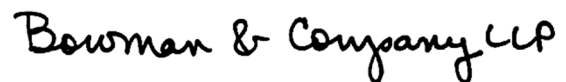
Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,



BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants

Voorhees, New Jersey
May 4, 2017

RARITAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
 Schedule of Expenditures of Federal Awards
 For the Fiscal Year Ended November 30, 2016

Federal Grantor/ Pass Through Grantor/ Program or Cluster Title	Federal CFDA Number	Federal FAIN Number	Pass-through Entity ID Number	Program or Award Amount	Grant Period		Receivable December 1, 2015	
					From	To	Unreimbursed Expenditures	Project Funds Balance
U.S. Department of Environmental Protection								
Passed through the State Department of Environmental Protection								
Capitalization Grants for Clean Water State Revolving Funds								
Environmental Infrastructure Trust	66.458	N/A	S340485-06	\$ 642,814.00	05/03/12	Open		\$ 72.00
Environmental Infrastructure Trust	66.458	N/A	S340485-08	1,125,840.00	05/03/12	Open	\$ 320.00	
Environmental Infrastructure Trust	66.458	N/A	S340485-10	784,299.00	05/28/15	Open	214,894.00	119,784.00
Environmental Infrastructure Trust	66.458	N/A	S340485-09	1,193,700.00	11/24/15	Open	99,365.00	1,094,335.00
							<u>314,579.00</u>	<u>1,214,191.00</u>
U.S. Department of Transportation								
Passed through the State Department of Transportation								
Highway Planning and Construction	20.205	N/A	N/A	17,000.00	03/09/15	Open	-	-
							<u>\$ 314,579.00</u>	<u>\$ 1,214,191.00</u>

The accompanying Notes to Financial Statements and Notes to Schedules of Federal Awards and State Financial Assistance are an integral part of this schedule.

RARITAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
 Schedule of Expenditures of Federal Awards
 For the Fiscal Year Ended November 30, 2016

<u>Revenue Recognized</u>	<u>Cash Receipts</u>	<u>Passed-Through to Subrecipients</u>	<u>Adjustments</u>	<u>Disbursements or Expenditures</u>	<u>Receivable November 30, 2016</u>		<u>(Memo Only)</u>	
					<u>Unreimbursed Expenditures</u>	<u>Project Funds Balance</u>	<u>Cash Received 2016</u>	<u>Accumulated Expenditures</u>
	\$ 72.00			\$ 72.00			\$ 72.00	\$ 618,915.00
	320.00						320.00	1,120,230.00
	182,410.00		\$ (143,899.00)	158,630.00	\$ 47,215.00	\$ 105,053.00	182,410.00	679,246.00
	893,068.00		(191,820.00)	867,444.00	157,679.00	142,953.00	893,068.00	1,158,628.00
<u>\$ -</u>	<u>1,075,870.00</u>	<u>\$ -</u>	<u>(335,719.00)</u>	<u>1,026,146.00</u>	<u>204,894.00</u>	<u>248,006.00</u>	<u>1,075,870.00</u>	<u>3,577,019.00</u>
	12,874.75		(8,487.73)	17,000.00	4,125.25	-	12,874.75	17,000.00
<u>\$ -</u>	<u>\$ 1,088,744.75</u>	<u>\$ -</u>	<u>\$ (344,206.73)</u>	<u>\$ 1,043,146.00</u>	<u>\$ 209,019.25</u>	<u>\$ 248,006.00</u>	<u>\$ 1,088,744.75</u>	<u>\$ 3,594,019.00</u>

RARITAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
 Schedule of Expenditures of State Financial Assistance
 For the Fiscal Year Ended November 30, 2016

Federal Grantor/ Pass Through Grantor/ <u>Program or Cluster Title</u>	State GMIS <u>Number</u>	Pass-through Grantors' <u>Number</u>	Program or Award <u>Amount</u>	<u>Grant Period</u>		November 30, 2015	
				<u>From</u>	<u>To</u>	<u>Unreimbursed Expenditures</u>	<u>Project Funds Balance</u>
NJ Department of Environmental Protection							
Passed through NJ Environmental Infrastructure Trust Program							
Environmental Infrastructure Trust	N/A	S340485-06	\$ 428,543.00	05/03/12	Open	\$ 147.00	
Environmental Infrastructure Trust	N/A	S340485-10	261,433.00	05/28/15	Open	23,665.00	\$ 87,894.00
Environmental Infrastructure Trust	N/A	S340485-09	397,900.00	11/24/15	Open	33,121.00	364,779.00
						<u>\$ 56,933.00</u>	<u>\$ 452,673.00</u>

The accompanying Notes to Financial Statements and Notes to Schedules of Federal Awards and State Financial Assistance are an integral part of this schedule.

These funds were not audited in accordance with State of New Jersey Circular 15-08-OMB, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid since the total of all grant award expenditures was less than \$750,000.00.

RARITAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
 Schedule of Expenditures of State Financial Assistance
 For the Fiscal Year Ended November 30, 2016

<u>Revenue Recognized</u>	<u>Cash Receipts</u>	<u>Passed-Through to Subrecipients</u>	<u>Adjustments</u>	<u>Disbursements or Expenditures</u>	<u>NJ EIT Loan Receivable November 30, 2016</u>		<u>(Memo Only)</u>	
					<u>Unreimbursed Expenditures</u>	<u>Project Funds Balance</u>	<u>Cash Received 2016</u>	<u>Accumulated Expenditures</u>
	\$ 147.00						\$ 147.00	\$ 412,609.00
	60,803.00			\$ 52,786.00	\$ 15,648.00	\$ 35,108.00	60,803.00	226,325.00
	297,691.00		\$ (63,941.00)	289,148.00	88,519.00	11,690.00	297,691.00	386,210.00
<u>\$ -</u>	<u>\$ 358,641.00</u>	<u>\$ -</u>	<u>\$ (63,941.00)</u>	<u>\$ 341,934.00</u>	<u>\$ 104,167.00</u>	<u>\$ 46,798.00</u>	<u>\$ 358,641.00</u>	<u>\$ 1,025,144.00</u>

RARITAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance
For the Fiscal Year Ended November 30, 2016

Note 1: BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal awards and state financial assistance include federal and state award activity of the Raritan Township Municipal Utilities Authority (hereafter referred to as the "Authority"). The Authority is defined in note 1 to the Authority's basic financial statements. The information in these schedules is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and State of New Jersey Circular 15-08-OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. All federal and state awards received directly from federal and state agencies, as well as federal awards and state financial assistance passed through other government agencies, are included on the schedules of expenditures of federal awards and state financial assistance. Because these schedules present only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position and changes in operations of the Authority.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedules of expenditures of federal awards and state financial assistance are presented using the accrual basis of accounting. These bases of accounting are described in note 1 to the Authority's basic financial statements. Such expenditures are recognized following, the cost principles contained in Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and State of New Jersey Circular 15-08-OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, wherein certain types of expenditures are not allowed or are limited as to reimbursement. The Authority has elected not to use the 10-percent de minimis indirect cost rate allowed under Uniform Guidance.

Note 3: RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

Amounts reported in the accompanying schedules agree with amounts reported in the Authority's basic financial statements.

Note 4: RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

Amounts reported in the accompanying schedules agree with the amounts reported in the related federal and state financial reports.

Note 5: ADJUSTMENTS

Amounts reported in the column entitled "adjustments" represent planning and design costs expended prior to the grant award.

Note 6: MAJOR PROGRAMS

Major programs are identified in the Summary of Auditor's Results section of the Schedule of Findings and Questioned Costs.

**RARITAN TOWNSHIP
MUNICIPAL UTILITIES AUTHORITY**

PART III

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**FOR THE FISCAL YEAR ENDED
NOVEMBER 30, 2016**

RARITAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
 Schedule of Findings and Questioned Costs
 For the Fiscal Year Ended November 30, 2016

Section 1- Summary of Auditor's Results

Financial Statements

Type of auditor's report issued Unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes X no

Significant deficiency(ies) identified? yes X none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? yes X no

Significant deficiency(ies) identified? yes X none reported

Type of auditor's report issued on compliance for major programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? yes X no

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

66.458	Capitalization Grants for Clean Water State Revolving Funds

Dollar threshold used to determine Type A programs \$ 750,000.00

Auditee qualified as low-risk auditee? X yes no

RARITAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended November 30, 2016

Section 1- Summary of Auditor's Results (Cont'd)

State Financial Assistance

Not Applicable

Internal control over major programs:

Material weakness(es) identified? _____ yes _____ no

Significant deficiency(ies) identified? _____ yes _____ none reported

Type of auditor's report issued on compliance for major programs _____

Any audit findings disclosed that are required to be reported in accordance with New Jersey Circular 15-08-OMB? _____ yes _____ no

Identification of major programs:

GMIS Number(s)

Name of State Program

Dollar threshold used to determine Type A programs _____

Auditee qualified as low-risk auditee? _____ yes _____ no

RARITAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended November 30, 2016

Section 2- Schedule of Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards* and with audit requirements as prescribed by the Bureau of Authority Regulations, Division of Local Government Services, Department of Community Affairs, State of New Jersey.

None

RARITAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended November 30, 2016

Section 3 - Schedule of Federal Award Findings and Questioned Costs

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major Federal programs, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

None

RARITAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended November 30, 2016

Section 4 - Schedule of State Financial Assistance Findings and Questioned Costs

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major State programs, as required by State of New Jersey Circular 15-08-OMB.

Not Applicable

RARITAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Summary Schedule of Prior Year Audit Findings
and Questioned Costs as Prepared by Management

This section identifies the status of prior year findings related to the financial statements, federal awards and state financial assistance that are required to be reported in accordance with *Government Auditing Standards*, Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and State of New Jersey Circular 15-08-OMB.

FINANCIAL STATEMENT FINDINGS

Finding No. 2015-001

Condition

We found the following errors in our tests of internal controls and compliance requirements for the payment of claims:

- The Authority failed to award a contract for Bond Counsel services, with a total amount paid in excess of \$33,000.00.
- The Authority did not consistently certify the availability of funds when entering into contracts with vendors.
- The Authority did not obtain the proper political disclosure forms when entering into a non-fair and open contract.
- The Authority failed to obtain quotes for parts to repair or maintain its sewage treatment equipment. The cost of the parts totaled over \$17,000.00.
- The Authority did not properly advertise the award of professional services when contracts were awarded.
- The Authority did not consistently obtain Business Registration Certificates, when required.

Current Status

This condition has been corrected.

FEDERAL AWARDS

None

STATE FINANCIAL ASSISTANCE PROGRAMS

Not Applicable

37100

APPRECIATION

We express our appreciation for the assistance and courtesies rendered by the Authority officials during the course of the audit.

Respectfully submitted,

Bowman & Company LLP

BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants

APPENDIX B

**CERTAIN GENERAL AND FINANCIAL INFORMATION CONCERNING
THE TOWNSHIP OF RARITAN, COUNTY OF HUNTERDON, NEW JERSEY**

INFORMATION REGARDING THE TOWNSHIP OF RARITAN

The following material presents certain economic and demographic information of the Township of Raritan ("Township"), in the County of Hunterdon ("County"), State of New Jersey ("State").

General Information

The Township was formed in 1838 when Raritan, Delaware, East Amwell and West Amwell were separated from the Township of Amwell. The Borough of Flemington was part of the Township until 1910 when it was incorporated as a separate municipality.

The Township is located in the heart of the County in the western part of the State. The land area is approximately 38.5 square miles of gently rolling land surrounding the Borough of Flemington, the County seat of government. The Township is approximately 50 miles from Philadelphia and 55 miles from New York City. The area is served by good roads which converge in the Flemington-Raritan area from other parts of the State, Route 31 from Trenton to Clinton goes through the Township from North to South while Route 202 from the New Hope/Lambertville area to Somerville travels Northeast through the Township.

Form of Government

The Township has a Township Committee form of government, comprised of five (5) elected representatives. The committee members choose the Mayor from among their own ranks. A full-time Administrator is in charge of day-to-day government operations. Regular meetings are held in the modern Municipal Building located at One Municipal Drive.

Retirement Systems

All full-time permanent or qualified Township employees who began employment after 1944 must enroll in one of two retirement systems depending upon their employment status. These systems were established by acts of the State Legislature. Benefits, contributions, means of funding and the manner of administration are set by State law. The Division of Pensions, within the New Jersey Department of Treasury ("Division"), is the administrator of the funds with the benefit and contribution levels set by the State. The Township is enrolled in the Public Employees' Retirement System ("PERS") and the Police and Firemen's Retirement System ("PFRS").

Pension Plans

Employees, who are eligible to participate in a pension plan, are enrolled in PERS or PFRS, administered by the Division. The Division annually charges municipalities and other participating governmental units for their respective contributions to the plans based upon actuarial calculations. The employees contribute a portion of the cost.

Education

Public school students in grades Pre-K through Grade 8 attend the Flemington-Raritan Regional School District. Raritan Township jointly operates four elementary schools and one middle school in consolidation with the Borough of Flemington. Total school student population of the joint schools is 3,544 with 3,170 from Raritan Township. The Township supports 89.25% of the total joint budget.

The Township's secondary students attend Hunterdon Central Regional High School District, along with pupils from four other surrounding communities. It is fully accredited by the Middle Atlantic States Association. Total student population for the 2007-2008 year is estimated at 3,057 with 1,438 from Raritan Township. Raritan Township supports 40.88% of the Central High School budget.

Hospital

Hunterdon Medical Center, a non-profit community hospital with a total medical staff of 210, is located in the Township. The 200-bed facility provides a full range of medical, surgical, pediatric, obstetric and mental health services. The medical center is also a teaching institution, affiliated with the University of Medicine & Dentistry of New Jersey - Robert Wood Johnson Medical School.

Public Safety

The Township is served with a full time Police Department of 34 sworn officers and 3 civilian personnel, the largest police force in the County. Nine of the officers are Emergency Medical Technicians and defibrillator trained. The department has a 4 man Detective Bureau. The Police Department operates out of the Police/Court Facility centrally located in the Township. The Police Chief has been with the Township for over 29 years. Police enforcement efforts are augmented by the use of the County-wide dispatch system. Fire protection is provided by a fully equipped volunteer fire company with state-trained firemen. The state requires fire rescue courses.

The Flemington-Raritan First Aid and Rescue Squad is a volunteer organization with volunteers who have all been through CPR training and the required Emergency Medical Technician Course.

Utilities

The Township is served by JCP & L, Century Link, New Jersey American Water and the Elizabethtown Gas Company. The Raritan Township Municipal Utilities Authority serves the Township for sewerage waste. The Utilities Authority operates a modern secondary activated sludge treatment facility which incorporates the aerobic digestion process with the ultimate discharge flowing to the South Branch of the Raritan River. The treatment plant has a current capacity of 3.5 million gallons per day and is considering an expansion program.

Shopping

The Township is served by three shopping centers and by a large selection of businesses located along the major roadways. The Flemington-Raritan area is one of the major outlet centers of the North-Central New Jersey area, drawing large numbers from the New York Metropolitan area every weekend.

Building Permits Issued (1)

<u>Year</u>	<u>Number of Permits</u>	<u>Value of Construction</u>
2017 (2)	1,496	\$29,992,413
2016	1,715	50,018,498
2015	1,582	39,792,930
2014	1,616	56,346,128
2013	1,648	66,300,220
2012	1,707	39,840,701

(1) Source: Township Construction Official

(2) As of November 20, 2017

Township Employees

	December 31				
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Permanent	79	85	85	75	78
Part-time	<u>24</u>	<u>22</u>	<u>22</u>	<u>25</u>	<u>24</u>
	<u>103</u>	<u>107</u>	<u>107</u>	<u>100</u>	<u>102</u>

Population (1)

2010 Federal Census.....	22,185
2000 Federal Census.....	19,809
1990 Federal Census.....	15,616
1980 Federal Census.....	8,292

Selected Census 2010 Data for the Township (1)

Median household income	\$109,941
Median family income	\$130,514
Per capita income	\$48,782

Labor Force(2)

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Township					
Labor Force	11,585	11,711	11,662	11,727	11,970
Employment	11,163	11,252	11,105	11,059	11,179
Unemployment	422	459	557	668	791
Unemployment Rate	3.6%	3.9%	4.8%	5.7%	6.6%
County					
Labor Force	65,144	66,112	65,766	66,156	67,570
Employment	62,693	63,405	62,577	62,307	62,970
Unemployment	2,451	2,707	3,189	3,849	4,600
Unemployment Rate	3.8%	4.1%	4.8%	5.8%	6.8%
State					
Labor Force	4,524,262	4,545,083	4,518,715	4,537,800	4,595,500
Employment	4,299,923	4,291,650	4,218,423	4,166,000	4,159,300
Unemployment	224,315	253,417	300,277	371,800	436,200
Unemployment Rate	5.0%	5.6%	6.6%	8.2%	9.5%

(1) Source: U.S. Department of Commerce, Bureau of Census

(2) Source: State of New Jersey Department of Labor

CERTAIN TAX INFORMATION

TEN LARGEST REAL PROPERTY TAXPAYERS (1)

<u>Name of Taxpayer</u>	<u>Nature of Business</u>	<u>2017 Assessed Valuation</u>
Flemington Fair Associates	Retail	\$50,942,800
Bedford Falls Land Co.	Retail/Car Dealerships	35,525,500
Hunterdon Medical Center	Office/Medical	31,708,400
Flemington Mall LTD.	Retail	26,000,000
Johanna Foods, Inc.	Industrial/Manufacturing	19,891,600
Clojo Circle, LLC	Retail	19,486,900
1200 Route 523 LLC	Industrial	16,850,000
Raritan Village Shopping Center	Retail	16,657,500
M R Development Corp.	Retail	15,615,000
Foremost Realty LP	Medical Care Facility	15,181,000

CURRENT TAX COLLECTIONS (2)

<u>Year</u>	<u>Total Levy</u>	<u>Collected in Year of Levy</u>		<u>Outstanding Dec. 31</u>	
		<u>Amount</u>	<u>Percentage</u>	<u>Amount</u>	<u>Percentage</u>
2016	\$97,017,955	\$96,366,632	99.33%	\$601,804	0.62%
2015	94,274,701	93,444,937	99.12	764,580	0.81
2014	92,413,832	91,492,345	99.00	836,827	0.91
2013	92,777,393	91,768,547	98.91	868,445	0.94
2012	90,985,865	89,365,597	98.22	1,587,722	1.75

DELINQUENT TAXES (2)

<u>Year</u>	<u>Outstanding Jan 1</u>	<u>Added</u>	<u>Collected</u>		<u>Transferred to Liens</u>	<u>Other Credits</u>	<u>Outstanding Dec. 31</u>
			<u>Amount</u>	<u>Percentage</u>			
2016	\$764,580	---	\$764,553	99.99%	\$27	---	---
2015	844,264	\$5,725	846,931	99.64	---	\$3,058	---
2014	874,170	---	826,721	94.57	1,600	38,412	\$7,437
2013	1,588,735	2,644	1,585,654	99.64	---	---	5,725
2012	1,156,294	---	1,155,186	99.90	---	95	1,013

(1) Source: Township Tax Assessor

(2) Source: Annual Reports of Audit

TAX TITLE LIENS (1)

<u>Year</u>	<u>Balance Jan. 1</u>	<u>Added by Sales and Transfers</u>	<u>Collected</u>	<u>Cancellations, Foreclosures and Transfers</u>	<u>Balance Dec. 31</u>
2016	\$5,085	\$2,077	---	---	\$7,162
2015	231,576	20,982	\$247,473	---	5,085
2014	195,052	36,524	---	---	231,576
2013	164,466	33,083	2,497	---	195,052
2012	131,920	32,546	---	---	164,466

FORECLOSED PROPERTY (1)(2)

<u>Year</u>	<u>Balance Dec. 31</u>
2016	---
2015	---
2014	---
2013	---
2012	---

NET ASSESSED VALUATIONS AND ANNUAL TAX RATES (3)

<u>Year</u>	<u>Net Assessed Valuation</u>	<u>Total</u>	<u>Tax Rate(4)</u>			
			<u>County</u>	<u>Regional School</u>	<u>Local School</u>	<u>Municipal</u>
2017	\$4,023,245,440	\$2.450	\$0.383	\$0.591	\$1.159	\$0.317
2016	4,002,044,996	2.406	0.375	0.574	1.141	0.316
2015	3,987,470,536	2.345	0.365	0.553	1.117	0.310
2014	3,972,083,111	2.314	0.359	0.552	1.096	0.307
2013	3,978,598,228	2.311	0.368	0.557	1.078	0.308

(1) Source: Annual Reports of Audit

(2) These amounts are reflected on the basis of assessed value in the year of acquisition in accordance with the regulation of the Division of Local Government Services.

(3) Source: Township Tax Assessor

(4) Per \$100 of assessed valuation

**RATIO OF ASSESSED VALUATION TO TRUE VALUE
AND TRUE VALUE PER CAPITA (1)**

<u>Year</u>	<u>Real Property Assessed Valuation</u>	<u>Percentage of True Value</u>	<u>True Value</u>	<u>True Value per Capita(3)</u>
2017	\$4,023,245,440	96.81%(2)	\$4,155,815,969	\$187,325
2016	4,002,044,996	99.06	4,040,021,195	182,106
2015	3,987,470,536	101.81	3,916,580,430	176,542
2014	3,972,083,111	103.34	3,843,703,417	173,257
2013	3,970,444,036	99.02	4,009,739,483	180,741

REAL PROPERTY CLASSIFICATION (4)

<u>Year</u>	<u>Assessed Value</u>						
	<u>Land and Improvements</u>	<u>Vacant</u>	<u>Residential</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Farm</u>	<u>Apartments</u>
2017	\$4,023,245,440	\$51,373,300	\$3,171,053,600	\$620,335,100	\$99,855,400	\$67,914,840	\$12,713,200
2016	4,002,044,996	63,634,700	3,148,815,000	610,793,500	99,941,196	66,147,400	12,713,200
2015	3,987,470,536	68,935,700	3,124,946,400	612,089,040	100,503,896	68,282,300	12,713,200
2014	3,972,083,111	66,809,275	3,106,721,300	609,384,640	106,157,496	70,297,200	12,713,200
2013	3,970,444,036	54,240,100	3,109,189,600	611,756,940	109,899,696	72,644,500	12,713,200

(1) Source: State of New Jersey, Department of Treasury, Division of Taxation

(2) Based on Preliminary Percentage

(3) Based on Federal Census 2010 of 22,185

(4) Source: Township Tax Assessor

**TOWNSHIP OF RARITAN
STATEMENT OF INDEBTEDNESS (1)**

The following table summarizes the direct debt of the Township in accordance with the requirements of the Local Bond Law. The gross debt comprises short and long-term debt issued and debt authorized but not issued, including General and debt of the Hunterdon Central Regional High School District. Deductions from gross debt to arrive at net debt include deductible school debt. The resulting net debt of \$17,717,628 represents .441% of the average of equalized valuations for the Township for the last three years, which is within the 3.5% limit imposed by *N.J.S.A. 40A:2-6*.

	<u>Debt Issued</u>		<u>Authorized But Not Issued</u>	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
	<u>Bonds</u>	<u>Loans</u>			<u>School Debt</u>	
General	\$ 16,036,000	\$ 622,560	\$ 1,059,068	\$ 17,717,628		\$ 17,717,628
School - Regional 1	4,373,121			4,373,121	\$ 4,373,121	
School - Regional 2	27,669,920			27,669,920	27,669,920	
	<u>\$ 48,079,041</u>	<u>\$ 622,560</u>	<u>\$ 1,059,068</u>	<u>\$ 49,760,669</u>	<u>\$ 32,043,041</u>	<u>\$ 17,717,628</u>

(1) As of December 31, 2016

Source: Township Auditor

DEBT RATIOS AND VALUATIONS(1)

Average of Equalized Valuations of Real Property with Improvements for 2014, 2015 and 2016	\$4,020,230,617
Statutory Net Debt as a Percentage of the Average of Equalized Valuations of Real Property with Improvements for 2014, 2015 and 2016	0.441%
2017 Net Valuation Taxable	\$4,023,245,440
2017 Equalized Valuation of Real Property and Taxable Personal Property Used in Communications	\$4,155,815,969
Gross Debt (2):	
As a percentage of 2017 Net Valuation Taxable	1.24%
As a percentage of 2017 Equalized Valuation of Real Property and Taxable Personal Property Used in Communications	1.20%
Net Debt (2):	
As a percentage of 2017 Net Valuation Taxable	0.44%
As a percentage of 2017 Equalized Valuation of Real Property and Taxable Personal Property Used in Communications	0.43%
Gross Debt Per Capita (3)	\$2,243
Net Debt Per Capita (3)	\$799

TOWNSHIP BORROWING CAPACITY(1)

3.5% of Averaged (2014-16) Equalized Valuation of Real Property including Improvements (\$4,020,230,617)	\$140,708,072
Net Debt	<u>17,717,628</u>
Remaining Borrowing Capacity	<u><u>\$122,990,444</u></u>

REGIONAL HIGH SCHOOL DISTRICT #1 BORROWING CAPACITY (1)

3% of Averaged (2014-16) Equalized Valuation of Real Property including Improvements (\$4,020,230,617)	\$120,606,919
Gross Debt(4)	<u>10,025,000</u>
Remaining Borrowing Capacity	<u><u>\$110,581,919</u></u>

REGIONAL SCHOOL DISTRICT #2 BORROWING CAPACITY (1)

3% of Average (2014-16) Equalized Valuation of Real Property including Improvements (\$4,020,230,617)	\$120,606,919
Gross Debt(5)	<u>30,870,000</u>
Remaining Borrowing Capacity	<u><u>\$89,736,919</u></u>

(1) As of December 31, 2016

(2) Excluding overlapping debt

(3) Based on 2010 Federal Census of 22,185

(4) Debt portion allocated to the Township \$4,373,121

(5) Debt portion allocated to the Township \$27,669,920

**TOWNSHIP OF RARITAN
OVERLAPPING DEBT
AS OF DECEMBER 31, 2016**

	DEBT ISSUED			Net Debt Outstanding Allocated to Issuer	Debt Auth. but not Issued
<u>Debt Outstanding</u>	<u>Deductions</u>	<u>Net Debt Outstanding</u>			
County of Hunterdon: General: Notes		\$ -	-	(2) \$ 75,793,752	
	\$ -	\$ -	-	\$ 75,793,752	

(1) Such debt is allocated as a proportion of the Issuer's share of the total 2016 Net Valuation on which County taxes are apportioned, which is 19.13%.

APPENDIX C

AUDITED FINANCIAL STATEMENTS OF THE TOWNSHIP

TOWNSHIP OF RARITAN
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Independent Auditors' Report

The Honorable Mayor and Members
of the Township Committee
Township of Raritan
Raritan, New Jersey

Report on the Financial Statements

We have audited the financial statements – *regulatory basis* - of the various funds of the Township of Raritan, in the County of Hunterdon (the "Township") as of and for the year ended December 31, 2016, and the related notes to the 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 accounting practices prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division") to demonstrate compliance with the Division's regulatory basis of accounting, and the budget laws of New Jersey; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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, audit requirements prescribed by the Division, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

The Honorable Mayor and Members
of the Township Committee
Township of Raritan
Page 2

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

As described in Note 1, the financial statements are prepared by the Township on the basis of accounting practices prescribed or permitted by the Division to demonstrate compliance with the Division's regulatory basis of accounting and the budget laws of New Jersey, 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 position of each fund and account group of the Township as of December 31, 2016, or the changes in financial position where applicable thereof for the year then ended.


Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the various funds and account group of the Township of Raritan as of December 31, 2016 and the results of operations and changes in fund balance, where applicable, of such funds, thereof for the year then ended on the basis of the accounting practices prescribed or permitted by the Division to demonstrate compliance with the Division's regulatory basis of accounting and the budget laws of New Jersey, as described in Note 1.

Other Matters

The financial statements of the Township as of December 31, 2015 were audited by other auditors whose report dated May 29, 2016 expressed an unmodified opinion on those statements.

Mount Arlington, New Jersey
June 15, 2017



NISIVOCCIA LLP

TOWNSHIP OF RARITAN
CURRENT FUND
BALANCE SHEET - REGULATORY BASIS

December 31, 2016

ASSETS

Regular Fund:

Cash and Cash Equivalents:

Treasurer	\$ 5,159,594.39
Change Fund	775.00
	5,160,369.39

Due from State of New Jersey:

Senior Citizens and Veterans Deductions	57.91
	5,160,427.30

Receivables and Other Assets With Full Reserves:

Delinquent Property Taxes Receivable	601,803.90
Tax Title Liens Receivable	7,161.55
Due from:	
Other Trust Funds	26,672.96
	635,638.41

Total Receivables and Other Assets with Full Reserves

Deferred Charges:

Overexpenditure of Appropriation Reserves	2,823.38
	2,823.38

Total Deferred Charges

Total Regular Fund

5,798,889.09

Federal and State Grant Fund:

Cash and Cash Equivalents	49,463.43
Grants Receivable	209,258.95
Due from Current Fund	49,246.29
Due from Other Trust Funds	12,105.66
Due from Payroll Accounts	9,095.20
	329,169.53

Total Federal and State Grant Fund

TOTAL ASSETS

\$ 6,128,058.62

TOWNSHIP OF RARITAN
CURRENT FUND
BALANCE SHEET - REGULATORY BASIS
(Continued)

December 31, 2016

LIABILITIES, RESERVES AND FUND BALANCE

Regular Fund:

Appropriation Reserves:

Encumbered	\$ 187,076.85
Unencumbered	602,486.85
	789,563.70

Due to:

Federal and State Grant Fund	49,246.29
Animal Control Fund	12.00
Open Space Trust Fund	8,502.44
General Capital Fund	291,930.66
Accounts Payable - Vendors	34,996.06
County Tax Payable	100,978.91
Prepaid Taxes	687,929.72
Tax Overpayments	2,829.66

Due to State of New Jersey:

Marriage License Fees	375.00
DCA Training Fees	14,545.00
Burial Permits	5.00

Reserve for :

Solicitor Bonds	500.00
Sunflower Estates	3,232.72
Community Day	3,189.32
Codification of Ordinances	100.05
Master Plan	2,421.85
Revaluation	0.37
Stormwater Management	156,230.06
FEMA Reimbursements	34,054.36
	2,180,643.17

Reserve for Receivables and Other Assets

	635,638.41
Fund Balance	2,982,607.51
	5,798,889.09

Total Regular Fund

TOWNSHIP OF RARITAN
CURRENT FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
(Continued)

December 31, 2016

LIABILITIES, RESERVES AND FUND BALANCE (Cont'd)

Federal and State Grant Fund:	
Due to General Capital Fund	\$ 53,000.00
Encumbrances Payable	4,029.90
Appropriated Reserves	<u>272,139.63</u>
Total Federal and State Grant Fund	<u>329,169.53</u>
 TOTAL LIABILITIES, RESERVES AND FUND BALANCE	 <u>\$ 6,128,058.62</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

TOWNSHIP OF RARITAN
CURRENT FUND
STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE -
REGULATORY BASIS

	<u>December 31, 2016</u>
<u>Revenue and Other Income Realized</u>	
Fund Balance Utilized	\$ 875,000.00
Miscellaneous Revenue Anticipated	4,367,346.16
Receipts from:	
Delinquent Taxes	766,552.63
Current Taxes	96,366,631.57
Nonbudget Revenue	94,084.50
Other Credits to Income:	
Unexpended Balance of Appropriation Reserves	237,413.90
Accounts Payable Cancelled	446.44
Due to State of New Jersey DCA Training Fees Cancelled	6.00
Interfunds Returned	371,559.13
	<hr/>
Total Income	103,079,040.33
	<hr/>
<u>Expenditures</u>	
Budget Appropriations - Municipal Purposes	16,874,056.95
Municipal Open Space Taxes	604,368.36
County Taxes	14,992,652.59
County Added and Omitted Taxes	100,978.91
Regional High School Taxes	22,966,483.00
Regional School Taxes	45,646,632.00
Refund of Prior Year Revenue	6,326.07
Prior Year Senior Citizens Deductions Disallowed	2,000.00
Overexpenditure of Appropriation Reserves	2,823.38
	<hr/>
Total Expenditures	101,196,321.26
	<hr/>
Excess in Revenue	1,882,719.07

TOWNSHIP OF RARITAN
CURRENT FUND
STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE -
REGULATORY BASIS
 (Continued)

	<u>December 31, 2016</u>
Adjustments before Fund Balance:	
Expenditures Included Above Which are by Statute	
Deferred Charges to Budget of Succeeding Year	\$ 2,823.38
	<hr/>
Statutory Excess to Fund Balance	1,885,542.45
<u>Fund Balance</u>	
Balance January 1	1,972,065.06
	<hr/>
	3,857,607.51
Decreased by:	
Utilized as Anticipated Revenue	875,000.00
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Balance December 31	\$ 2,982,607.51
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THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
 ARE AN INTEGRAL PART OF THIS STATEMENT

TOWNSHIP OF RARITAN
CURRENT FUND
STATEMENT OF REVENUE - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2016

	Budget After Modification	Realized
Fund Balance Anticipated	\$ 875,000.00	\$ 875,000.00
Miscellaneous Revenue Anticipated	4,205,435.66	4,367,346.16
Receipts from Delinquent Taxes	750,000.00	766,552.63
Amount to be Raised by Taxes for Support of Municipal Budget:		
Local Tax for Municipal Purposes	12,064,729.74	13,070,516.71
Budget Totals	17,895,165.40	19,079,415.50
Nonbudget Revenue		94,084.50
	\$ 17,895,165.40	\$ 19,173,500.00
Original Budget	\$ 17,895,165.40	
Added by NJSA 40A:4-87	8,814.37	
	\$ 17,903,979.77	

TOWNSHIP OF RARITAN
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS

C-5

	For the Year Ended December 31, 2016			Unexpended Balance Canceled
	Budget After Modification	Paid or Charged	Reserved	
Operations Within "CAPS" (Continued):				
Salaries and Wages	\$ 7,396,415.75	\$ 7,108,040.02	\$ 288,375.73	
Other Expenses	5,133,032.92	4,915,113.14	217,919.78	
Deferred Charges and Statutory				
Expenditures - Municipal Within "CAPS"	1,963,009.31	1,931,656.07	31,353.24	
Operations Excluded from "CAPS"	391,050.03	323,661.33	55,582.84	\$ 11,805.86
Capital Improvements Excluded from "CAPS"	251,800.00	242,544.74	9,255.26	
Municipal Debt Service Excluded from "CAPS"	1,753,671.76	1,750,554.80		3,116.96
Reserve for Uncollected Taxes	1,015,000.00	1,015,000.00		
	\$ 17,903,979.77	\$ 17,286,570.10	\$ 602,486.85	\$ 14,922.82
Adopted Budget	\$ 17,895,165.40			
Added by NJS A 40A:4-87	8,814.37			
	\$ 17,903,979.77			

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

TOWNSHIP OF RARITAN
BALANCE SHEET - TRUST FUNDS - REGULATORY BASIS

December 31, 2016

<u>ASSETS</u>	
Animal Control Fund:	
Cash and Cash Equivalents:	
Treasurer	\$ 61,232.78
Due from Current Fund	12.00
	<u>61,244.78</u>
Other Trust Funds:	
Cash and Cash Equivalents	4,889,058.31
Due from Animal Control Fund	952.00
	<u>4,890,010.31</u>
Open Space Trust Fund:	
Cash and Cash Equivalents	515,794.54
Due from Current Fund	8,502.44
	<u>524,296.98</u>
 TOTAL ASSETS	 <u>\$ 5,475,552.07</u>

TOWNSHIP OF RARITAN
COMPARATIVE BALANCE SHEET - TRUST FUNDS - REGULATORY BASIS

December 31, 2016

LIABILITIES AND RESERVES

Animal Control Fund:

Due to Current Fund	
Due to Other Trust Funds	\$ 952.00
Due to State Board of Health	22.20
Reserve for Animal Control Expenditures	60,270.58
	61,244.78

Other Trust Funds:

Due to Current Fund	26,672.96
Due to Federal and State Grant Fund	12,105.66
Due to General Capital Fund	12,495.00
Reserve for:	
Cash in Lieu of Bonds	2,053,576.89
Traffic Study	50,778.38
Tax Sale Premiums	380,021.37
Well Testing	1,994.15
Performance Guarantees	140,669.95
School & Park Improvements	7,540.39
Parking Offense Adjudication Act - Township	219.06
Parking Offense Adjudication Act - Hampton Borough	76.00
Traffic Light	9,800.00
Minneakoning Road Deposit	44,737.84
Outside Liens	382.40
Developers' Escrow Fund	425,459.42
Engineering Inspections	282,347.96
Recycling Program	7,583.88
Transportation Improvement District	776,027.36
Public Defender - Township	5,901.73
Public Defender - Hampton Borough	200.00
Council on Affordable Housing	618,738.64
Accumulated Absences	1,358.72
Storm Recovery	14,734.54
Outside Detail Police Salaries	14,699.52
Uniform Fire Code Penalties	1,888.49
	4,890,010.31

Open Space Trust Fund:

Reserve for Open Space	524,296.98
	524,296.98

TOTAL LIABILITIES AND RESERVES	\$ 5,475,552.07
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THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

TOWNSHIP OF RARITAN
GENERAL CAPITAL FUND
BALANCE SHEET - REGULATORY BASIS

December 31, 2016

ASSETS

Cash and Cash Equivalents	\$ 3,217,486.56
Due from Current Fund	291,930.66
Due from Federal and State Grant Fund	53,000.00
Due from Other Trust Fund	12,495.00
Loan Receivable - CFP	38,000.00
Deferred Charges to Future Taxation:	
Funded	16,658,559.70
Unfunded	1,059,068.54
	\$ 21,330,540.46
 TOTAL ASSETS	 \$ 21,330,540.46

LIABILITIES, RESERVES AND FUND BALANCE

Serial Bonds Payable	\$ 16,036,000.00
Green Acres Loan Payable	622,559.70
Improvement Authorizations:	
Funded	3,006,589.67
Unfunded	855,904.62
Encumbrances Payable	309,140.35
Capital Improvement Fund	12,570.86
Reserve for:	
Purchase of Fire Equipment	41,771.92
Purchase of Road Equipment	66.40
Reconstruction of Roads	93.19
Concord Ridge	18,000.00
Purchase of Police Equipment	700.00
Payment of Note Interest	0.33
County Open Space Funds	347.27
Water Tank	2,500.00
Loan Receivable	38,000.00
Fund Balance	386,296.15
	\$ 21,330,540.46
 TOTAL LIABILITIES, RESERVES AND FUND BALANCE	 \$ 21,330,540.46

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

TOWNSHIP OF RARITAN
GENERAL CAPITAL FUND
STATEMENT OF FUND BALANCE - REGULATORY BASIS

Balance December 31, 2015		\$ 30.15
Increased by:		
Premium on Sale of Bonds	\$ 193,230.00	
New Jersey Department of Transportation Grant Received on Fully Funded Ordinance #13-13	<u>193,036.00</u>	
		<u>386,266.00</u>
Balance December 31, 2016		<u><u>\$ 386,296.15</u></u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

TOWNSHIP OF RARITAN
GENERAL FIXED ASSETS ACCOUNT GROUP
BALANCE SHEET - REGULATORY BASIS

December 31, 2016

ASSETS

Land and Land Improvements	\$ 17,512,002.00
Buildings and Building Improvements	9,476,401.00
Equipment	<u>12,627,961.00</u>
 TOTAL ASSETS	 <u>\$ 39,616,364.00</u>

RESERVES

Reserve for Fixed Assets	<u>\$ 39,616,364.00</u>
 TOTAL RESERVES	 <u>\$ 39,616,364.00</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

TOWNSHIP OF RARITAN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

Except as noted below, the financial statements of the Township of Raritan include every board, body, officer or commission supported and maintained wholly or in part by funds appropriated by the Township of Raritan, as required by N.J.S. 40A:5-5. Accordingly, the financial statements of the Township of Raritan do not include the operations of the volunteer fire companies and first aid organizations.

Governmental Accounting Standards Board ("GASB") Codification Section 2100, "Defining the Financial Reporting Entity" establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A legally separate, tax-exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met: (1) The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents. (2) The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization. (3) The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. As the financial reporting entity was established in accordance with New Jersey statutes, the requirements of GASB Codification Section 2100 were not followed and, accordingly, the reporting entity could be different from accounting principles generally accepted in the United States of America.

B. Description of Funds

The accounting policies of the Township of Raritan conform to the accounting practices applicable to municipalities which have been prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"). Such practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. Under this method of accounting, the Township of Raritan accounts for its financial transactions through the following separate funds:

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

Trust Funds - Receipts, custodianship and disbursement of funds in accordance with the purpose for which each reserve was created.

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

TOWNSHIP OF RARITAN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)

Note 1: Summary of Significant Accounting Policies (Cont'd)

B. Description of Funds (Cont'd)

General Fixed Assets Account Group – Estimated values of land, buildings and certain fixed assets of the Township as discussed in Note 1E.

C. Basis of Accounting

Basis of accounting refers to when revenue and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The more significant accounting policies in New Jersey follow.

Revenue is recorded when received in cash except for certain amounts which may be due from the State of New Jersey. Grant revenue is realized in the Current Fund when it is budgeted and in the General Capital Fund when improvements are authorized. The amounts recorded as property taxes and consumer accounts receivable have not been included in revenue. Amounts that are due to the municipality, which are susceptible of accrual, are recorded as receivables with offsetting reserves in the Current Fund.

Expenditures are charged to operations based on budgeted amounts. Exceptions to this general rule include:

- 1) Accumulated unpaid vacation, sick pay and other employee amounts are not accrued.
- 2) Prepaid expenses, such as insurance premiums applicable to subsequent periods, are charged to current budget appropriations in total.
- 3) Principal and interest on long-term debt are recognized when due.

Expenditures, if any, in excess of appropriations, appropriation reserves or ordinances become deferred charges which must be raised by future taxes. Outstanding encumbrances at December 31 are reported as a cash liability in the financial statements and constitute part of the statutory appropriation reserve balance. Appropriation reserves covering unexpended appropriation balances are automatically created at December 31 of each year and recorded as liabilities, except for amounts which may be cancelled by the governing body. Appropriation reserves are available, until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred during the preceding fiscal year. Lapsed appropriation reserves are recorded as income.

Had the Township's financial statements been prepared under accounting principles generally accepted in the United States of America, encumbrances would not be considered as expenditures; appropriation reserves would not be recorded; revenue susceptible to accrual would have been reflected without offsetting reserves; Federal and State grants and assistance would be recognized when earned, not when received, inventories would not be reflected as expenditures at the time of purchase, investments would generally be stated at fair value and the Township's net pension liability and related deferred inflows and outflows would be recorded.

The cash basis of accounting is followed in the Trust Funds.

TOWNSHIP OF RARITAN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)

Note 1: Summary of Significant Accounting Policies (Cont'd)

D. Deferred Charges to Future Taxation

The General Capital Fund balance sheet includes both funded and unfunded deferred charges. Funded means that bonds have been issued and are being paid off on a serial basis. Unfunded means that debt has been authorized but not permanently financed. A municipality can eliminate an unfunded deferred charge by raising it in the budget, by collecting a grant, by selling bonds or by issuing loans or capital lease purchase agreements.

E. Other Significant Accounting Policies Include:

Management Estimates – The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents – Amounts include petty cash, change funds, amounts on deposit, and short-term investments with original maturities of three months or less.

Investments – Investments are stated at cost, which approximates market.

Grants Receivable – Grants receivable represent total grant awards less amounts collected to date. Because the amount of grants funds to be collected are dependent on the total costs eligible for reimbursement, the actual amount collected may be less than the total amount awarded.

Allowance for Uncollectible Accounts – No allowance for uncollectible accounts has been recorded as all amounts are considered collectible.

Compensated Absences – Expenditures relating to unused accumulated vacation and sick pay are not recorded until paid.

Foreclosed Property - Foreclosed Property is recorded in the Current Fund at the assessed valuation when such property was acquired and is fully reserved.

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.

Inventories of Supplies - The cost of inventories of supplies for all funds are recorded as expenditures at the time individual items are purchased. The cost of inventories is not included on the various balance sheets.

General Fixed Assets - General fixed assets are recorded at cost or estimated historical cost based on estimation procedures performed by an independent appraisal company. Infrastructure assets are not included in general fixed assets, as per state directive. Major renewals and betterments are charged to the asset amounts; maintenance and minor repairs and replacements, which do not improve or extend the lives of the respective assets, are expensed currently. Donated fixed assets are valued at their fair market value on the date donated. No depreciation has been provided for on general fixed assets. The total value recorded for general fixed assets is offset by a "Reserve for Fixed Assets." When properties are retired or otherwise disposed of, the asset and the reserve are adjusted accordingly.

TOWNSHIP OF RARITAN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)

Note 1: Summary of Significant Accounting Policies (Cont'd)

E. Other Significant Accounting Policies Include: (Cont'd)

General Fixed Assets (Cont'd)

General fixed assets recorded in the general fixed assets account group may also be recorded in the Current and General Capital Funds. The values recorded in the General Fixed Assets Account Group and the Current and General Capital Funds may not always agree due to differences in valuation methods, timing of recognition of assets, and the recognition of infrastructures. Fixed assets are reviewed for impairment.

F. Budget/Budgetary Control – Annual appropriated budgets are usually prepared in the first quarter for the Current Fund and the Open Space Trust Fund. The budget is submitted to the governing body and the Division of Local Government Services. The budget is prepared using the cash basis of accounting. The legal level of budgetary control is established at the line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the flexible chart of accounts referenced in N.J.S.A. 40A. All budget amendments/transfers must be approved by the Township during the year.

Note 2: Long-Term Debt

The Local Bond Law governs the issuance of bonds to finance general Township capital expenditures. All bonds are retired in serial installments within the statutory period of usefulness. All bonds issued by the Township are general obligation bonds. The Township's full faith and credit taxing power has been pledged to the payment of the general obligation debt principal and interest.

	December 31,		
	2016	2015	2014
<u>Issued</u>			
General:			
Bonds, Loans and Notes	\$ 16,658,559.70	\$ 15,564,113.43	\$ 15,822,816.43
Net Debt Issued	16,658,559.70	15,564,113.43	15,822,816.43
<u>Authorized but not Issued:</u>			
Bonds and Notes	1,059,068.54	2,221,068.54	2,147,068.54
Net Bonds, Loans and Notes Issued and Authorized but not Issued	\$ 17,717,628.24	\$ 17,785,181.97	\$ 17,969,884.97

TOWNSHIP OF RARITAN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)

Note 2: Long-Term Debt (Cont'd)

Summary of Municipal Debt Issued and Outstanding – Current and Prior Years

	<u>Balance</u> <u>12/31/14</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>12/31/15</u>
Serial Bonds:				
General Capital Fund	\$ 12,948,000.00		\$ 1,850,000.00	\$ 11,098,000.00
Bond Anticipation Notes:				
General Capital Fund	1,915,500.00	\$ 3,673,500.00	1,915,500.00	3,673,500.00
Loans Payable:				
General Capital Fund:				
Green Trust Loans	<u>959,316.43</u>		<u>166,703.00</u>	<u>792,613.43</u>
Total	<u>\$ 15,822,816.43</u>	<u>\$ 3,673,500.00</u>	<u>\$ 3,932,203.00</u>	<u>\$ 15,564,113.43</u>
	<u>Balance</u> <u>12/31/15</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>12/31/16</u>
Serial Bonds:				
General Capital Fund	\$ 11,098,000.00	\$ 11,981,000.00	\$ 7,043,000.00	\$ 16,036,000.00
Bond Anticipation Notes:				
General Capital Fund	3,673,500.00		3,673,500.00	
Loans Payable:				
General Capital Fund:				
Green Trust Loans	<u>792,613.43</u>		<u>170,053.73</u>	<u>622,559.70</u>
Total	<u>\$ 15,564,113.43</u>	<u>\$ 11,981,000.00</u>	<u>\$ 10,886,553.73</u>	<u>\$ 16,658,559.70</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 0.441%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
General Debt	\$ 17,717,628.24		\$ 17,717,628.24
Regional School District Debt	<u>32,043,040.90</u>	<u>\$ 32,043,040.90</u>	
General Debt	<u>\$ 49,760,669.14</u>	<u>\$ 32,043,040.90</u>	<u>\$ 17,717,628.24</u>

Net Debt of \$17,717,628.24 divided by Equalized Valuation Basis per N.J.S. 40A:2-2, \$4,020,230,616.67 = 0.441%.

TOWNSHIP OF RARITAN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)

Note 2: Long-Term Debt (Cont'd)

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

3-1/2% Average Equalized Valuation of Real Property	\$ 140,708,071.58
Net Debt	<u>17,717,628.24</u>
Remaining Borrowing Power	<u>\$ 122,990,443.34</u>

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

At December 31, 2016 the Township has the following debt outstanding:

General Capital Serial Bonds

Description	Final Maturity	Interest Rate	Balance Dec. 31, 2016
2005 General Improvement Bonds	7/15/2017	3.625%	\$ 400,000.00
2009 General Improvement Refunding Bonds	8/15/2019	5.00%	765,000.00
2010 General Improvement Bonds	7/15/2020	3.00%	2,225,000.00
2012 General Improvement Refunding Bonds	8/15/2017	3.00%	665,000.00
2016 General Improvement Refunding Bonds	8/15/2025	1.27%	5,540,000.00
2016 General Improvement Bonds	2/15/2031	2.00% - 3.00%	<u>6,441,000.00</u>
			<u>\$ 16,036,000.00</u>

Green Acres Trust Program

This program was developed by the New Jersey Department of Environmental Protection to provide low interest loans to local governments for the acquisition, preservation and improvement of land for recreation.

Through December 31, 2016, the loan balance for the project as of the end of the year is as follows:

General Capital Green Trust Loans

Purpose	Final Maturity Date	Interest Rate	Balance Dec. 31, 2016
Green Trust Loan Payable	03/14/20	2.00%	<u>\$ 622,559.70</u>
Total Debt Outstanding			<u>\$ 16,658,559.70</u>

TOWNSHIP OF RARITAN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)

Note 2: Long-Term Debt (Cont'd)

Green Acres Trust Program (Cont'd)

Payments of principal and interest on the loans are required to be made once the funds earmarked for a specific project have been completely drawn down. Payments are to commence nine months after the final drawdown date and are to continue on a semi-annual basis over a period of 10 to 20 years. Interest, on the loans, is at the rate of 2% annually on the outstanding balance. The Township has appropriated \$185,060 in its 2017 Open Space Trust Fund budget to fund the 2017 principal and interest payments for the above project.

Schedule of Annual Debt Service for Principal and Interest for the Next Five Years and Thereafter for Bonds and Loans Issued and Outstanding

<u>Year</u>	<u>General</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2017	\$ 2,443,471.81	\$ 349,345.70	\$ 2,792,817.51
2018	2,086,958.59	291,846.37	2,378,804.96
2019	2,120,515.46	240,903.50	2,361,418.96
2020	1,741,613.84	186,987.14	1,928,600.98
2021	1,070,000.00	149,312.50	1,219,312.50
Thereafter:			
2022-2026	4,675,000.00	459,413.00	5,134,413.00
2027-2031	2,521,000.00	126,990.00	2,647,990.00
	<u>\$ 16,658,559.70</u>	<u>\$ 1,804,798.21</u>	<u>\$ 18,463,357.91</u>

TOWNSHIP OF RARITAN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)

Note 2: Long-Term Debt (Cont'd)

Net Pension Liability

The State of New Jersey Public Employees' Retirement System's (PERS) net pension liability was calculated to be \$13,751,785 at June 30, 2016. The State of New Jersey Police and Firemen's Retirement System's (PFRS) net pension liability was calculated to be \$18,469,237 at June 30, 2016. See Note 4 for further information on the PERS and PFRS.

Note 3: Fund Balances Appropriated

Fund balance at December 31, 2016, which is appropriated and included in the Current Fund adopted budget for the year ending December 31, 2017 is \$1,424,050.

Note 4: Pension Plans

Township employees participate in one of the two contributory, defined benefit public employee retirement systems: the State of New Jersey Public Employee's Retirement System (PERS) or the State of New Jersey Police and Firemen's Retirement System (PFRS); or the Defined Contribution Retirement Program (DCRP), a tax-qualified defined contribution money purchase pension plan under Internal Revenue Code (IRC) 401(a).

A. Public Employees' Retirement System (PERS)

Plan Description

The State of New Jersey, Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about the PERS, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions/annrprts.shtml.

Benefits Provided

The vesting and benefit provisions are set by N.J.S.A. 43:15A. 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:

Tier	Definition
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll 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

TOWNSHIP OF RARITAN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)

Note 4: Pension Plans (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Benefits Provided (Cont'd)

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to Tiers 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 to Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 with 25 or more years of service credit before age 62 and Tier 5 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 age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. 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.

Contributions

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing members. The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. Township contributions to PERS amounted to \$468,766 for 2016.

The employee contribution rate was 7.06% effective July 1, 2015 and increased to 7.20% effective July 1, 2016. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1st to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

Pension Liabilities and Pension Expense

At June 30, 2016, the Township's liability was \$13,751,785 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015 which was rolled forward to June 30, 2016. The Township's proportion of the net pension liability was based on a projection of the Township's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2016, the Township's proportion was 0.046%, which was a decrease of 0.002% from its proportion measured as of June 30, 2015.

For the year ended December 31, 2016, the Township recognized actual pension expense in the amount of \$468,766.

TOWNSHIP OF RARITAN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)

Note 4: Pension Plans (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Actuarial Assumptions

The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015 which was rolled forward to June 30, 2016. This actuarial valuation used the following actuarial assumptions:

Inflation Rate	3.08%
Salary Increases:	
Through 2026	1.65 – 4.15% based on age
Thereafter	2.65 – 5.15% based on age
Investment Rate of Return	7.65%

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

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

Long Term Expected Rate of Return

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

TOWNSHIP OF RARITAN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)

Note 4: Pension Plans (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Long Term Expected Rate of Return (Cont'd)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	0.87%
U.S. Treasuries	1.50%	1.74%
Investment Grade Credit	8.00%	1.79%
Mortgages	2.00%	1.67%
High Yield Bonds	2.00%	4.56%
Inflation-Indexed Bonds	1.50%	3.44%
Broad U.S. Equities	26.00%	8.53%
Developed Foreign Equities	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%
Private Equity	9.00%	12.40%
Hedge Funds/Absolute Return	12.50%	4.68%
Real Estate (Property)	2.00%	6.91%
Commodities	0.50%	5.45%
Global Debt ex. U.S.	5.00%	-0.25%
REIT	5.25%	5.63%

Discount Rate

The discount rate used to measure the total pension liability was 3.98% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65% and a municipal bond rate of 2.85% as of June 30, 2016 based on the Bond Buyer Go 20 Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based upon the contribution rate in the most recent fiscal year. The local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2034. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

TOWNSHIP OF RARITAN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)

Note 4: Pension Plans (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Sensitivity of the Township's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Township's proportionate share of the collective net pension liability as of June 30, 2016 calculated using the discount rate as disclosed below, as well as what the Township's proportionate share of the net pension 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 rate:

	June 30, 2016		
	1% Decrease (2.98%)	Current Discount Rate (3.98%)	1% Increase (4.98%)
<u>Township's proportionate share of the Net Pension Liability Pension Plan Fiduciary Net Position</u>	\$ 16,851,207	\$ 13,751,785	\$ 11,192,943

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial statements.

B. Police and Firemen's Retirement System (PFRS)

Plan Description

The State of New Jersey, State of New Jersey Police and Firemen's Retirement System (PFRS), is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey Division of Pensions and Benefits (the Division). For additional information about the PFRS, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions/annrprts.shtml.

Benefits Provided

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

Tier	Definition
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 to enroll on or after June 28, 2011

TOWNSHIP OF RARITAN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)

Note 4: Pension Plans (Cont'd)

B. Police and Firemen's Retirement System (PFRS) (Cont'd)

Benefits Provided (Cont'd)

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.

Contributions

The contribution policy for PFRS is set by N.J.S.A. 43:16A and requires contributions by active members and contributing members. The Local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PFRS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual amounts over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of the assets.

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 legislation which legally obligates the State is as follows: Chapter 8, P.L. 2000, Chapter 318, P.L. 2001, Chapter 86, P.L. 2001, Chapter 511, P.L. 1991, Chapter 109, P.L. 1979, Chapter 247, P.L. 1993 and Chapter 201, P.L. 2001. The amounts contributed on behalf of the local participating employers under this legislation is considered to be a special funding situation as defined by GASB Statement No. 68 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 (except for employer specified financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers related to this legislation. However, the notes to the financial statements of the local participating employers must disclose the portion of the nonemployer contributing entities' total proportionate share of the collective net pension liability that is associated with the local participating employer. The June 30, 2016 State special funding situation net pension liability amount is the accumulated difference between the annual actuarially determined State obligation under the special funding situation and the actual State contribution through the valuation date. The State special funding situation pension expense for the fiscal year ended June 30, 2016 is the actuarially determined contribution amount that the State owes for the fiscal year ending June 30, 2016. The pension expense is deemed to be a State administrative expense due to the special funding situation.

TOWNSHIP OF RARITAN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)

Note 4: Pension Plans (Cont'd)

B. Police and Firemen's Retirement System (PFRS) (Cont'd)

Special Funding Situation (Cont'd)

Township contributions to PFRS amounted to \$898,551 for the year ended December 31, 2016. During the fiscal year ended June 30, 2016, the State of New Jersey contributed \$59,428 to the PFRS for normal pension benefits on behalf of the Township, which is less than the contractually required contribution of \$198,094.

The employee contributions for PFRS are 10.00% of employees' annual compensation, as defined.

Pension Liabilities and Pension Expense

At June 30, 2016, the Township's liability for its proportionate share of the net pension liability was \$18,469,237. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015 which was rolled forward to June 30, 2016. The Township's proportion of the net pension liability was based on a projection of the Township's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2016, the Township's proportion was 0.097%, which was an increase of 0.002% from its proportion measured as of June 30, 2015.

Additionally, the State's proportionate share of the net pension liability attributable to the Township is \$1,550,958 as of June 30, 2016. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015 which was rolled forward to June 30, 2016. The State's proportionate share of the net pension liability associated with the Township was based on a projection of the Township's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2016, the State's proportion was 0.097%, which was an increase of 0.002% from its proportion measured as of June 30, 2015 which is the same proportion as the Township's.

Township's Proportionate Share of the Net Pension Liability	\$ 18,469,237
State's Proportionate Share of the Net Pension Liability Associated with the Township	1,550,958
Total Net Pension Liability	\$ 20,020,195

For the year ended December 31, 2016, the Township recognized total pension expense of \$898,551.

Actuarial Assumptions

The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015 which was rolled forward to June 30, 2016. This actuarial valuation used the following actuarial assumptions:

Inflation Rate	3.08%
Salary Increases:	
Through 2026	2.10% - 8.98% based on age
Thereafter	3.10% - 9.98% based on age
Investment Rate of Return	7.65%

TOWNSHIP OF RARITAN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)

Note 4: Pension Plans (Cont'd)

B. Police and Firemen's Retirement System (PFRS) (Cont'd)

Actuarial Assumptions (Cont'd)

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

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

Long Term Expected Rate of Return

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

TOWNSHIP OF RARITAN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)

Note 4: Pension Plans (Cont'd)

B. Police and Firemen's Retirement System (PFRS) (Cont'd)

Long Term Expected Rate of Return (Cont'd)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	0.87%
U.S. Treasuries	1.50%	1.74%
Investment Grade Credit	8.00%	1.79%
Mortgages	2.00%	1.67%
High Yield Bonds	2.00%	4.56%
Inflation-Indexed Bonds	1.50%	3.44%
Broad U.S. Equities	26.00%	8.53%
Developed Foreign Equities	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%
Private Equity	9.00%	12.40%
Hedge Funds/Absolute Return	12.50%	4.68%
Real Estate (Property)	2.00%	6.91%
Commodities	0.50%	5.45%
Global Debt ex. U.S.	5.00%	-0.25%
REIT	5.25%	5.63%

Discount Rate – PFRS

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

TOWNSHIP OF RARITAN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)

Note 4: Pension Plans (Cont'd)

B. Police and Firemen's Retirement System (PFRS) (Cont'd)

Sensitivity of the Total Net Pension Liability (including the State's proportionate share of the net pension liability attributable to the Township) to Changes in the Discount Rate

The following presents the total net pension liability (including the State's proportionate share of the net pension liability attributable to the Township) as of June 30, 2016 calculated using the discount rate as disclosed above, as well as what the collective net pension 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 rate:

	June 30, 2016		
	1% Decrease (4.55%)	Current Discount Rate (5.55%)	1% Increase (6.55%)
Township's proportionate share of the NPL and the State's proportionate share of the Net Pension Liability associated with the Township	\$ 25,814,573	\$ 20,020,195	\$ 15,295,227
<u>Pension Plan Fiduciary Net Position – PFRS</u>			

Detailed information about the PFRS's fiduciary net position is available in the separately issued PFRS financial statements.

C. Defined Contribution Retirement Program (DCRP)

Prudential Financial jointly administers the DCRP investments with the NJ Division of Pensions and Benefits. If an employee is ineligible to enroll in the PERS or PFRS, the employee may be eligible to enroll in the DCRP. DCRP provides eligible members with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting is immediate upon enrollment for members of the DCRP.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of the DCRP. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625-0295.

Employers are required to contribute at an actuarially determined rate. Employee contributions are based on percentages of 5.50% for DCRP of employees' annual compensation, as defined. The DCRP was established July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 and expanded under the provisions of Chapter 89, P.L. 2008. Employee contributions for DCRP are matched by a 3% employer contribution.

For DCRP, the Township recognized pension expense of \$1,708.81 for the year ended December 31, 2016. Employee contributions to DCRP amounted to \$3,036.72 for the year ended December 31, 2016.

TOWNSHIP OF RARITAN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)

Note 5: Regional and Regional High School District Taxes

Regulations provide for the deferral of not more than 50% of the annual levy when school taxes are raised for a school year and have not been requisitioned by the school district.

The Township of Raritan has elected not to defer regional school and regional high school taxes.

Note 6: Accrued Sick and Vacation Benefits

The Township permits employees to accrue a limited amount of unused vacation and sick pay and compensatory time, which may be taken as time off or paid at a later date at an agreed-upon rate. It is estimated that the current cost of such unpaid compensation is approximately \$2.3 million at December 31, 2016. This amount is not reported either as an expenditure or a liability. It is expected that the cost of such unpaid compensation would be included in the Township's budget operating expenditures in the year in which it is used. Additionally, there is \$1,358.72 in a Reserve for Accumulated Absences on the Trust Funds balance sheet at December 31, 2016.

Note 7: Selected Tax Information

Property taxes are levied as of January 1 on property values assessed as of the previous calendar year. The tax levy is divided into two billings. The first billing is an estimate of the current year's levy based on the prior year's taxes. The second billing reflects adjustments to the current year's actual levy. The final tax bill is usually mailed on or before June 14th along with the first half estimated tax bills for the subsequent year. The first half estimated taxes are divided into two due dates, February 1 and May 1. The final tax bills are also divided into two due dates, August 1 and November 1. A ten-day grace period is usually granted before the taxes are considered delinquent and the imposition of interest charges. A penalty may be assessed for any unpaid taxes in excess of \$10,000 at December 31 of the current year. Unpaid taxes of the prior year may be placed in lien at a tax sale held after April 1 and through December 31. Unpaid taxes of the current year may be placed in lien at a tax sale held after December 10.

Comparative Schedule of Tax Rate Information

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<u>Tax Rate</u>	\$ 2.406	\$ 2.345	\$ 2.314
<u>Apportionment of</u>			
<u>Tax Rate</u>			
Municipal	0.316	0.310	0.307
County	0.375	0.365	0.359
Regional School	1.141	1.117	1.096
Regional High School	0.574	0.553	0.552
<u>Assessed Valuations</u>			
2016	<u>\$ 4,002,044,996.00</u>		
2015		<u>\$ 3,987,470,536.00</u>	
2014			<u>\$ 3,972,083,111.00</u>

TOWNSHIP OF RARITAN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)

Note 7: Selected Tax Information (Cont'd)

Comparison of Tax Levies and Collection Currently

A study of the following tabulation could indicate a possible trend in future tax levies. A decrease in the percentage of current collection could be an indication of a probable increase in future tax levies.

<u>Year</u>	<u>Tax Levy</u>	<u>Currently</u>	
		<u>Cash Collections</u>	<u>Percentage of Collection</u>
2016	\$ 97,017,955.29	\$ 96,366,631.57	99.32%
2015	94,274,701.19	93,444,936.77	99.12%
2014	92,413,831.99	91,492,345.40	99.00%

Also, increases in future tax levies can also be warranted if revenue sources outside of those directly generated by the municipality, such as federal or state aid, should decline without corresponding decreases in budgeted expenditures.

Note 8: Cash and Cash Equivalents

Cash and cash equivalents include petty cash, change funds, amounts in deposits, money market accounts, and short-term investments with original maturities of three months or less.

Investments are stated at cost, which approximates market. The Township classifies certificates of deposit which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments.

GASB Statement No. 40, *Governmental Accounting Standards Board Deposit and Investment Risk Disclosures*, requires disclosure of the level of custodial credit risk assumed by the Township in its cash, cash equivalents and investments, if those items are uninsured or unregistered. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned.

Interest Rate Risk - In accordance with its cash management plan, the Township ensures that any deposit or investment matures within the time period that approximates the prospective need for the funds, deposited or invested, so that there is not a risk to the market value of such deposits or investments.

Credit Risk - The Township limits its investments to those authorized in its cash management plan which are those permitted under state statute as detailed on the following two pages.

Custodial Credit Risk - The Township's policy with respect to custodial credit risk requires that the Township ensures that Township funds are only deposited in financial institutions in which NJ municipalities are permitted to invest their funds.

TOWNSHIP OF RARITAN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)

Note 8: Cash and Cash Equivalents (Cont'd)

Deposits:

New Jersey statutes require that municipalities deposit public funds in public depositories located in New Jersey which are insured by the Federal Deposit Insurance Corporation, or by any other agency of the United States that insures deposits made in public depositories. Municipalities are also permitted to deposit public funds in the State of New Jersey Cash Management Fund.

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 5% of the average daily balance of collected public funds on deposit, and in addition to the above collateral requirement, if the public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value at least equal to 100% of the amount exceeding 75%.

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.

Investments:

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

- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- (2) Government money market mutual funds;
- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
- (4) Bonds or other obligations of the local unit or bonds or other obligations of school districts of which the local unit is a part or within which the school district is located;
- (5) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Local Government Services in the Department of Community Affairs for investment by local units;
- (6) Local government investment pools;
- (7) Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C.52:18A-90.4); or

TOWNSHIP OF RARITAN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016

Note 8: Cash and Cash Equivalents (Cont'd)

Investments: (Cont'd)

- (8) Agreements for the repurchase of fully collateralized securities if:
- (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) above;
 - (b) the custody of collateral is transferred to a third party;
 - (c) the maturity of the agreement is not more than 30 days;
 - (d) the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c.236 (C.17:9-41); and
 - (e) a master repurchase agreement providing for the custody and security of collateral is executed.

As of December 31, 2016, cash and cash equivalents of the Township of Raritan consisted of the following:

<u>Fund</u>	<u>Cash on Hand</u>	<u>Checking Accounts</u>	<u>NJ Cash Management Fund</u>	<u>Total</u>
Current	\$ 775.00	\$ 5,158,498.27	\$ 1,096.12	\$ 5,160,369.39
Federal and State Grant		49,463.43		49,463.43
Animal Control		61,232.78		61,232.78
Other Trust		4,888,017.74	1,040.57	4,889,058.31
Open Space Trust		515,794.54		515,794.54
General Capital		3,216,421.50	1,065.06	3,217,486.56
	<u>\$ 775.00</u>	<u>\$ 13,889,428.26</u>	<u>\$ 3,201.75</u>	<u>\$ 13,893,405.01</u>

During the year ended December 31, 2016, the Township did not hold any investments. The carrying amount of the Township of Raritan's cash and cash equivalents at December 31, 2016, was \$13,893,405.01 and the bank balance was \$13,844,116.73.

Note 9: Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Health benefits are provided through Horizon Blue Cross/Blue Shield of NJ.

Property, Liability and Workers' Compensation

The Township is currently a member of the Somerset County Joint Insurance Fund (the "Fund"). The Fund provides its members with Auto, Liability, Property Insurance, Workers' Compensation and Employee Liability Insurance. The Fund is a risk-sharing public entity risk pool that is both an insured and self administered group of governmental entities established for the purpose of providing low-cost insurance coverage for its members in order to keep local property taxes at a minimum. Each member appoints an official to represent their respective entity for the purpose of creating a governing body from which officers for the Fund are elected.

TOWNSHIP OF RARITAN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)

Note 9: Risk Management (Cont'd)

As a member of this Fund, the Township could be subject to supplemental assessments in the event of deficiencies. If the assets of the Fund were to be exhausted, members would become responsible for their respective shares of the Fund's liabilities.

The Fund can declare and distribute dividends to members upon approval of the State of New Jersey Department of Banking and Insurance. These distributions are divided amongst the members in the same ratio as their individual assessment relates to the total assessment of the membership body. The members may either receive payment or offset their subsequent year assessments with their respective share of the distribution.

The summarized financial information for the Fund as of December 31, 2016 is as follows:

	<u>Somerset County Joint Insurance Fund</u>
Total Assets	<u>\$ 17,623,829</u>
Net Position	<u>\$ 8,531,689</u>
Total Revenue	<u>\$ 11,564,464</u>
Total Expenses	<u>\$ 8,949,818</u>
Change in Net Position	<u>\$ 2,614,646</u>
Member Dividends	<u>\$ 404,022</u>

Financial statements for the Fund are available at the offices of the Fund's Executive Director:

Somerset County Joint Insurance Fund
20 West End Avenue
Somerville, NJ 08876

TOWNSHIP OF RARITAN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)

Note 9: Risk Management (Cont'd)

New Jersey Unemployment Compensation Insurance

The Township has elected to fund its New Jersey Unemployment Compensation Insurance under the "Contributory Method". Under this plan, the Township is required to remit employee withholdings to the State on a quarterly basis. All of the Township's claims are paid by the State.

Note 10: Interfund Receivables and Payables

The following interfund balances remained on the balance sheet at December 31, 2016:

Fund	Interfund Receivable	Interfund Payable
Current Fund	\$ 26,672.96	\$ 349,691.39
Federal and State Grant Fund	61,351.95	53,000.00
Animal Control Fund	12.00	952.00
Other Trust Funds	8,502.44	51,273.62
Open Space Trust Fund	952.00	
General Capital Fund	357,425.66	
	\$ 454,917.01	\$ 454,917.01

The interfund between the Current Fund and the Other Trust Funds is due to a prior year interfund not fully settled. The interfund between the General Capital Fund and the Current Fund is primarily due to a grant receipt collected in the Current Fund and budget appropriations in the Current Fund due to the General Capital Fund. The interfund between the Federal and State Grant Fund and the Current Fund is primarily due to grant receipts collected in the Current Fund. The interfund between the Federal and State Grant Fund and the Other Trust Funds is due to a prior year interfund not fully settled. The interfund between the General Capital Fund and the Other Trust Funds is due to a prior year interfund. The interfund between the Federal and State Grant Fund and the General Capital Fund is due to a prior year interfund not fully settled. The interfund between the Animal Control Fund and the Other Trust Funds is due to a prior year interfund.

TOWNSHIP OF RARITAN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)

Note 11: Contingent Liabilities

The Township is periodically involved in various lawsuits arising in the normal course of business, including claims for property damage, personal injury, and various contract disputes. The Township vigorously contests these lawsuits and believes the ultimate resolution would not have a material adverse effect on its financial position.

Amounts received or receivable from grantors, principally the federal and state governments are subject to regulatory requirements and adjustments by the agencies. Any disallowed claims, including amounts previously recognized by the Township as revenue would constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantors cannot be determined at this time, although Township officials expect such amounts, if any, to be immaterial.

Note 12: Economic Dependency

The Township receives a substantial amount of its support from federal and state governments. A significant reduction in the level of support, if this were to occur, may have an effect on the Township's programs and activities.

Note 13: Open Space Trust Fund

The Township adopted an ordinance to establish a "Municipal Open Space, Recreation, and Farmland and Historic Preservation Trust Fund," permitting the Township to collect a tax of \$.02 cents per \$100.00 assessed valuation for the Open Space Trust Fund in 1997. The 2016 Open Space tax levy was \$.015 or \$604,368.36 including added and omitted taxes. The balance in the Reserve for Open Space at December 31, 2016 was \$524,296.98.

Note 14: Deferred Compensation Plan

The Township of Raritan offers its employees a deferred compensation plan (the "Plan") created in accordance with Section 457 of the Internal Revenue Code. The Plan, which is administered by AXA, is available to all Township employees and permit participants to defer a portion of their salary. The deferred compensation plan is not available to employees until termination, retirement, unforeseeable emergency, or upon death to their beneficiaries.

Note 15: Post-Retirement Benefits

Plan Description

In addition to the pension benefits described in Note 4, the Township provides other post-retirement benefits to certain Township employees after retirement, substantially similar in nature to the health benefits provided to employees presently working.

TOWNSHIP OF RARITAN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)

Note 15: Post-Retirement Benefits (Cont'd)

The Township provides post-retirement benefits to Township employees who meet the following criteria. The benefits are as follows:

Retirement from Raritan Township with a minimum of 25 years of service credit in the New Jersey State Pension System and with the last minimum of 20 years of active service with the Township.

Upon retirement due to an on the job disability, regardless of years of service.

The Township provides certain post-retirement benefits to qualifying retired employees and their eligible dependents or survivors pursuant to collective bargaining agreements and Board resolutions. The contributions for retirees and beneficiaries have been funded on a pay-as-you-go basis, in accordance with New Jersey law and regulation. New Jersey budget and financial reporting laws do not require local units to budget amounts that exceed their current cash cost or to reflect the long-term liability on their balance sheet. Governmental units have to calculate and disclose their liability if the liability is material to understanding the financial condition of the local unit.

Funding Policy

The Township is not required to nor does it contribute the annual required contribution (ARC) per N.J.S.A. 40A:4-1 et. seq. There is currently no provision under State statute for the Township to accrue funds, create a trust or issue debt to finance their other post employment benefit (“OPEB”) liability.

Currently, there are no contribution requirements of plan members.

The Township's portion of post-retirement benefits is funded on a pay-as-you go basis from the Current Fund operating budget. During 2016, the Township had approximately 39 employees who met eligibility requirements and recognized expenses of approximately \$751,467.

The Township accounts for certain post-employment health care benefits provided in accordance with Government Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Employers that participate in *single-employer* or *agent multiple-employer defined benefit* OPEB plans (sole and agent employers) are required to measure and disclose an amount for annual OPEB cost on the accrual basis of accounting. Annual OPEB cost is equal to the employer’s annual required contribution to the plan (ARC), with certain adjustments if the employer has a net OPEB obligation for past under- or over contributions.

TOWNSHIP OF RARITAN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)

Note 15: Post-Retirement Benefits (Cont'd)

Funding Policy (Cont'd.)

The ARC is defined as the employer's required contributions for the year, calculated in accordance with certain parameters, and includes (a) the normal cost for the year and (b) a component for amortization of the total unfunded actuarial accrued liabilities (or funding excess) of the plan over a period not to exceed thirty years. If the methods and assumptions used in determining a plan's funding requirements meet the parameters, the same methods and assumptions are required for financial reporting by both a plan and its participating employer(s). However, if a plan's method of financing does not meet the parameters (for example, the plan is financed on a pay-as-you-go basis), the parameters nevertheless apply for financial reporting purposes.

The Township as a sole employer should recognize OPEB expense in an amount equal to annual OPEB cost. Net OPEB obligations, if any, should be displayed as liabilities (or assets) in the financial statements.

Annual OPEB Cost and Net OPEB Obligation

The Township's annual OPEB cost is calculated based on the annual required contribution (ARC) of the employer. The Township engaged an actuary to calculate the ARC and related information per the provisions of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial accrued liabilities over a period not to exceed 30 years, with an assumption that payroll increases by 4% per year.

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include economic assumptions; benefit assumptions and demographic assumptions. Economic assumptions include the discount and health care cost trend rates. Benefit assumptions encompass the initial per capita costs rates for medical coverage. Finally, demographic assumptions include probabilities concerning retirement, mortality, termination without being eligible for benefits, disability, participation rates and coverage levels were based on those used to value the New Jersey State Health Benefits Program. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and included the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December 31, 2014 actuarial valuation, the projected unit credit cost method was used. Under this method, the present value of benefits is allocated uniformly over an employee's expected working lifetime. For pre-Medicare medical benefits, the initial rate utilized was 6.0% in 2014, reducing by .5% per annum through year seven to 5.0% thereafter. For post-Medicare medical benefits, the initial rate utilized was 5.8% in 2014, reducing by .5% per annum through year eight to 5.0% thereafter.

TOWNSHIP OF RARITAN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)

Note 15: Post-Retirement Benefits (Cont'd)

Annual OPEB Cost per Actuarial Valuation

The following table shows the components of the Township's annual OPEB cost for the year, the amount actually contribution to the plan and the Township's obligation to the Plan at December 31, 2014, 2015 and 2016:

Since it has fewer than 200 plan members the Township follows the three year rotation cycle.

Benefit Obligations and Normal Cost

	Valuation December 31,		
	2014	2015	2016
Actuarial accrued liability (AAL):			
Retired employees	\$ 16,841,800	N/A	N/A
Active employees	15,538,000	N/A	N/A
Unfunded actuarial accrued liability (UAAL)	<u>\$ 32,379,800</u>	N/A	N/A
Normal cost at beginning of year	1,035,200	N/A	N/A
Amortization factor based on 30 years	1,987,800	N/A	N/A
Annual covered payroll	6,686,000	N/A	N/A
UAAL as a percentage of covered payroll	484.30%	N/A	N/A

Level Dollar Amortization

Calculation of ARC under Projected Unit Credit Cost Method

	Valuation December 31,		
	2014	2015	2016
ARC normal cost with interest to end of year	\$ 1,035,200	N/A	N/A
Amortization of unfunded actuarial accrued liability (UAAL) over 30 years with interest at year end	1,987,800	N/A	N/A
Annual Required Contribution (ARC)	3,023,000	N/A	N/A
Interest on net OPEB obligation	533,200	N/A	N/A
Adjustment to ARC	<u>(727,500)</u>	N/A	N/A
Annual OPEB cost (expense)	2,828,700	N/A	N/A
Pay as you go benefits	<u>(806,100)</u>	N/A	N/A
Net OPEB expense at December 31,:		N/A	N/A
2015 and 2016, respectively	2,022,600	N/A	N/A
Prior year	<u>11,849,800</u>	N/A	N/A
Net OPEB obligation December 31,:			
2015 and 2016, respectively	<u>\$ 13,872,400</u>	N/A	N/A
Projected unfunded actuarial accrued liability (December 31, 2014)			<u>\$ 32,379,800</u>

TOWNSHIP OF RARITAN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)

Note 15: Post-Retirement Benefits (Cont'd)

Funding Status and Funding Progress

As of December 31, 2014, the actuarial accrued liability for benefits was \$32,379,800 all of which is unfunded.

Note 16: Deferred Charges to be Raised in Succeeding Budgets

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2016, the following deferred charges is shown on the balance sheet of the Current Fund:

	<u>Balance</u> <u>Dec. 31, 2016</u>	<u>2017</u> <u>Budget</u> <u>Appropriation</u>
Current Fund:		
Overexpenditure of Appropriations		
Reserves	<u>\$ 2,823.38</u>	<u>\$ 2,823.38</u>

Note 17: Fixed Assets

The Township had a full inventory of their fixed assets conducted by an independent appraisal company as of December 31, 2016. The estimate of acquisition cost in the current year appraisal conducted by an independent fixed assets appraisal company and confirmed by the Township differed from that of the previous appraisal. The change in estimate is reflected in the adjustment column below.

	<u>Balance</u> <u>Dec. 31, 2015</u>	<u>Additions</u>	<u>Adjustments</u>	<u>Balance</u> <u>Dec. 31, 2016</u>
Land and Land Improvements	\$ 13,899,680.00	\$ 311,900.00	\$ 3,300,422.00	\$ 17,512,002.00
Buildings and Building Improvements	8,927,120.00		549,281.00	9,476,401.00
Machinery and Equipment	<u>12,421,381.00</u>	<u>1,873,537.00</u>	<u>(1,666,957.00)</u>	<u>12,627,961.00</u>
	<u>\$ 35,248,181.00</u>	<u>\$ 2,185,437.00</u>	<u>\$ 2,182,746.00</u>	<u>\$ 39,616,364.00</u>

APPENDIX D

**FORM OF BOND RESOLUTION AND TOWNSHIP OF RARITAN
SERVICE CONTRACT**

**RESOLUTION AUTHORIZING THE ISSUANCE OF
SEWER SYSTEM REVENUE BONDS OF
THE RARITAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**

Adopted June 17, 2010,

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Exhibit A - Form of Bond

**RESOLUTION AUTHORIZING THE ISSUANCE OF
SEWER SYSTEM REVENUE BONDS OF THE
RARITAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**

BE IT RESOLVED by The Raritan Township Municipal Utilities Authority as follows:

ARTICLE I

DEFINITIONS AND INTERPRETATIONS

Section 101. Short Title. This Resolution may hereinafter be cited by the Authority and is hereinafter sometimes referred to as the “Resolution.”

Section 102. Definitions. As used or referred to in this Resolution, unless a different meaning clearly appears from the context:

“Accountant's Certificate” means a certificate, an opinion or a statement signed by any registered municipal accountant who is also a certified public accountant of the State of New Jersey (who may be the accountant or a member of the firm of accountants who regularly audit the books and accounts of the Authority) from time to time selected by the Authority;

“Accreted Value” means, as of any date of computation with respect to any Capital Appreciation Bond an amount equal to the principal amount of such Capital Appreciation Bond (the principal amount on the date of original issuance), plus the interest accrued on such Capital Appreciation Bond from the date of original issuance to the interest payment date next preceding the date of computation or the date of computation if an interest payment date, such interest to accrue at the rate set forth in the resolution of the Authority providing for the issuance of said Bond, but not exceeding the maximum rate permitted by law, compounded periodically at the times provided for in said resolution, plus, with respect to matters related to the payment upon redemption or acceleration of such Capital Appreciation Bond if such date of computation shall not be an interest payment date, a portion of the difference between the Accreted Value as of the immediately preceding interest payment date (or the date of original issuance if the date of computation is prior to the first interest payment date succeeding the date of original issuance) and the Accreted Value as of the immediately succeeding interest payment date, calculated based on the assumption that Accreted Value accrues during any period in equal daily amounts on the basis of a year of 360 days of twelve 30-day months. For purposes of this definition, “interest payment date” shall mean the dates on which interest would have been payable if the Capital Appreciation Bond had been a current interest paying bond, as set forth in the resolution authorizing the issuance of such Bond;

“Act” means the Municipal and County Utilities Authorities Law of New Jersey, constituting Chapter 183 of the Pamphlet Laws of 1957 of the State of New Jersey, and the acts amendatory thereof and supplemental thereto (N.J.S.A. 40:14B-1 et seq.);

“Additional Bonds” means any of the Bonds of the Authority, authenticated and delivered under and pursuant to Sections 314 and 315, and any bonds issued in lieu of or in substitution for such Bonds;

“Additional Project” shall have the meaning ascribed to such term in Section 314(a)(1);

“Annual Budget” means the budget or the amended budget for a Fiscal Year adopted by the Authority or in effect pursuant to the Local Authorities Fiscal Control Law (N.J.S.A. 40A:5A-1 et seq.);

“Annual Charges” means the sum of money paid or becoming payable to the Authority by the Township pursuant to the Service Contract;

Articles and Sections mentioned by number are the respective Articles and Sections hereof so numbered;

“Authority” means The Raritan Township Municipal Utilities Authority, a public body corporate and politic organized and existing under the Act, created by virtue of an ordinance numbered 64-3 of the Township Committee of the Township of Raritan, duly adopted on August 10, 1964;

“Authority Officer” means the Chairman or Chairwoman, the Vice Chairman or the Vice Chairwoman, the Treasurer, the Secretary or the Executive Director of the Authority and, when used with reference to an act or document, also means any other person authorized by resolution of the Authority to perform such act or to sign such document;

“Authorized Denominations” means \$5,000 or any integral multiple thereof;

“Bond” means any Initial Bonds of the Authority authorized in Section 301, any Additional Bonds authorized in Section 314, or any bonds issued in lieu of or in substitution for such Bonds pursuant to this Resolution;

“Bond Counsel” means McManimon & Scotland, L.L.C., or such other attorney or a firm of attorneys of nationally recognized standing in the field of law relating to municipal bonds selected by the Authority;

“Bondholder” or the term “holder” or any similar term when used with reference to a Bond or Bonds pursuant to this Resolution means the Registered Owner;

“Bond Reserve Credit Facility” means any letter of credit, surety bond, loan agreement or other credit agreement, facility, insurance or guarantee arrangement which is obtained by the

Authority, in satisfaction of all or any portion of the Bond Reserve Requirement, and which is issued or guaranteed by a financial institution, insurance company or association that has been rated not lower than the highest rating category by Moody's Investors Service, Inc. and Standard & Poor's Ratings Services, provided however, that any agreement with a provider of such facility shall not provide for a reimbursement to such provider at a rate faster than the rate at which any deficiencies in the Bond Reserve Fund shall be made up in accordance with the Resolution;

“Bond Reserve Fund” means the account so designated that is established and created by Section 502;

“Bond Reserve Requirement”, if any, shall be determined for each Series of Bonds by adoption of a Supplemental Resolution or execution of an Officer’s Certificate, determining the Bond Reserve Requirement, however there shall be no Bond Reserve Requirement, as set forth in this section, in connection with the issuance of bonds issued through the New Jersey Environmental Infrastructure Trust Financing Program;

“Bond Service” for any period shall mean, as of any date of calculation and with respect to any Series of Bonds, an amount equal to the sum of (a) the interest accruing during such period on Bonds Outstanding of such Series except to the extent that such interest is to be paid from deposits (including investment income received thereon) in the Bond Service Fund made from Bond proceeds and (b) that portion of each Principal Installment for such Series that would accrue during such period if such Principal Installment were deemed to accrue daily in equal amounts from the next preceding Principal Installment due date for such Series or, if there shall be no such preceding Principal Installment due date, from a date one year (or such lesser period as shall be appropriate if Principal Installments shall become due more frequently than annually) preceding the due date of such Principal Installment or from the date of issuance of the Bonds of such Series, whichever is later;

“Bond Service Fund” means the account so designated that is established and created by Section 502;

“Bond Service Requirement” means as of any particular date of computation in a particular Fiscal Year; and with respect to the Bonds Outstanding on such date, an amount of money equal to any unpaid interest or principal then due, plus, all interest payable on or payment of which is deemed to accrue through the end of the month during which such date of computation occurs and all principal payable on or payment of which may be deemed to accrue through the end of such month. In the case of Capital Appreciation Bonds, the Accreted Value of Capital Appreciation Bonds becoming due at maturity or by virtue of a Sinking Fund Installment shall be included when due and payable as part of the principal or Sinking Fund Installment in accordance with the above provisions;

“Book-Entry System” means the System maintained by the Securities Depository described in Section 303;

“Business Day” means a day (a) on which banking institutions in any of the cities in which the corporate trust offices of the Trustee and the Paying Agent are located are not required or authorized to remain closed and (b) on which the New York Stock Exchange is not closed;

“Capital Appreciation Bonds” means any bond issued under this Resolution as to which interest is compounded periodically on each of the applicable periodic dates designated for compounding in the resolution authorizing said Bonds and payable in an amount equal to the then current Accreted Value only at the maturity, earlier redemption or other payment date therefor, all as so designated by the Authority in the resolution authorizing said Bonds and which may be either Serial Bonds or Term Bonds;

“Code” means the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder;

“Construction Fund” means the fund so designated that is established and created by Section 401;

“Consulting Engineer” means the individual or individuals or firm or firms retained or employed by the Authority with experience with respect to feasibility analyses, financial planning, design, budgeting, operation, rate-setting and ability to provide Consulting Engineer's Certificates of the type and the character provided for herein for sewer systems or facilities of size and capacity comparable with the System;

“Consulting Engineer's Certificate” means a certificate, an opinion or a statement signed by the Consulting Engineer;

“Cost” has the meaning for “Cost” set forth in the Act;

“Counsel's Opinion” means an opinion signed by an attorney or a firm of attorneys of recognized standing (who may be counsel or of counsel to the Authority) selected by the Authority;

“District” means the geographical areas served by the Authority;

“Fiduciary” means the Trustee, the Registrar or any Paying Agent;

“Fiscal Year” means the Authority's fiscal year as determined from time to time by the Authority;

“Funds” means the funds and accounts established under this Resolution;

“General Fund” means the fund so designated that is established and created by Section 502;

“Government Grant” means any sum of money heretofore or hereafter received by the Authority from the United States of America or any agency thereof or from the State of New Jersey or any agency thereof as or on account of a grant or contribution, not repayable by the Authority, in aid of or with respect to (a) the planning, the design, the construction, the acquisition or other development of any part of the System or any costs of any such construction, acquisition or development or (b) the financing of any such construction, acquisition or development costs;

“Herein,” “hereunder,” “hereby,” “hereto,” and “hereof” and any similar terms refer to this Resolution; the term “heretofore” means before the adoption of this Resolution; and the term “hereafter” means after the adoption of this Resolution;

“Initial Bonds” means the Bonds authorized pursuant to Section 301 and 302 of this Resolution;

“Initial Project” means the financing for the certain capital projects as described on Exhibit B attached hereto and the payment by the Executive Director of certain costs and expenses in connection with the issuance of the Initial Bonds from the proceeds of such Initial Bonds;

“Insurer” means the municipal bond insurance company, if any, issuing a policy of insurance on a Bond of the Authority, and its successors and assigns;

“Investment Obligations” means to the extent permitted by law:

(a) Direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury, and CATS and TIGRS) or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America.

(b) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself): (1) U.S. Export-Import Bank (Eximbank) - direct obligations or fully guaranteed certificates of beneficial ownership; (2) Farmers Home Administration (FmHA) - certificates of beneficial ownership; (3) Federal Financing Bank; (4) Federal Housing Administration Debentures (FHA); (5) General Services Administration - participation certificates; (6) Government National Mortgage Association (GNMA or "Ginnie Mae") - GNMA-guaranteed mortgage-backed bonds and GNMA-guaranteed pass-through obligations (not acceptable for certain cash-flow sensitive issues); (7) U.S. Maritime Administration - guaranteed Title XI financing; (8) U.S. Department of Housing and Urban Development (HUD) - Project Notes, Local Authority Bonds, New Communities Debentures (U.S. government guaranteed debentures), U.S. Public Housing Notes and Bonds (U.S. government guaranteed public housing notes and bonds).

(c) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities are only permitted if they have been stripped by the agency itself): (1) Federal Home Loan Bank System - senior debt obligations; (2) Federal Home Loan Mortgage Corporation (FHLMC or "Freddie Mac") - participation certificates and senior debt obligations; (3) Federal National Mortgage Association (FNMA or "Fannie Mae") - mortgage-backed securities and senior debt obligations; (4) Student Loan Marketing Association (SLMA or "Sallie Mae") - senior debt obligations; (5) Resolution Funding Corp. (REFCORP) obligations and (6) Farm Credit System - consolidated system-wide bonds and notes.

(d) Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of AAAm-G; AAA-m; or AA-m and if rated by Moody's rated Aaa, Aa1 or Aa2.

(e) Certificates of deposit secured at all times by collateral described in (a) and/or (b) above. Such certificates must be issued by commercial banks, savings and loan associations or mutual savings banks. The collateral must be held by a third party and the Bondholders must have a perfected first security interest in the collateral.

(f) Certificates of deposit, savings accounts, deposit accounts or money market deposits which are fully insured by FDIC, including BIF and SAIF.

(g) Investment Agreements, including GIC's, Forward Purchase Agreements and Reserve Fund Put Agreements acceptable to MBIA (Investment Agreement criteria is available upon request).

(h) Commercial paper rated, at the time of purchase, "Prime - 1" by Moody's and "A-1" or better by S&P.

(i) Bonds or notes issued by any state or municipality which are rated by Moody's and S&P in one of the two highest rating categories assigned by such agencies.

(j) Federal funds or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of "Prime-1" or "A3" or better by Moody's and "A-1" or "A" or better by S&P.

(k) the New Jersey Cash Management Fund.

(l) Repurchase Agreements for 30 days or less must follow the following criteria. Repurchase Agreements which exceed 30 days must be acceptable to the Insurer (criteria available upon request).

Repurchase agreements must provide for the transfer of securities from a dealer bank or securities firm (seller/borrower) to the Authority (buyer/lender), and the transfer of cash from the Authority to the dealer bank or securities firm with an agreement that the dealer bank or

securities firm will repay the cash plus a yield to the Authority in exchange for the securities at a specified date.

Repurchase agreements must be between the Authority and a dealer bank or securities firm, which is a primary dealer on the Federal Reserve reporting dealer list which is rated "A" or better by Standard & Poor's Corporation and Moody's Investor Services, or bank rated "A" or above by Standard & Poor's Corporation and Moody's Investor Services.

The written repurchase agreement must include the following: (i) securities which are acceptable for transfer are direct U.S. governments or federal agencies backed by the full faith and credit of the U.S. government (including FNMA and FHLMC); (ii) the term of the repurchase agreement may be up to 30 days; (iii) the collateral must be delivered to the Authority, Trustee (if the Trustee is not supplying the collateral) or third party acting as agent for the Trustee (if the Trustee is supplying the collateral) before or simultaneously with payment (perfection by possession of certificated securities); and (iv) valuation of collateral must occur weekly, marked-to-market at current market price plus accrued interest. The value of collateral must be equal to 104% of the amount of cash transferred by the Authority to the dealer bank or security firm under the repurchase agreement plus accrued interest. If the value of securities held as collateral slips below 104% of the value of the cash transferred by the Authority, then additional cash and/or acceptable securities must be transferred. If, however, the securities used as collateral are FNMA or FHLMC, then the value of the collateral must equal 105%.

A legal opinion must be delivered to the Authority, which states that the repurchase agreement meets guidelines under state law for legal investment of public funds.

Reserve Fund investments may not have maturities extending beyond five years, except for investment agreements or repurchase agreements approved by the Insurer.

Any obligation designated in subparagraph (a) shall be considered to be an Investment Obligation for purposes of Section 1201;

“Maximum Annual Debt Service” means as of any particular date of computation and with respect to a particular Series of Bonds then Outstanding, an amount equal to the largest amount of money required to be raised in the then current or in any future Fiscal Year for interest payable on such Bonds and maturing principal of such Bonds and required payments to the Sinking Fund on account of such Bonds, all calculated on the assumption that the Bonds of such Series will cease to be Outstanding after such date of computation by reason of, but only by reason of (a) the payment of such Bonds at their respective maturities, and (b) the payment of all monies required to be paid into the Sinking Fund on account of such Series of Bonds in the amounts and at times so required by the terms hereof or any resolution of the Authority authorizing such Bonds and the immediate application of such moneys so paid into the Sinking Fund to the retirement of Bonds of such Series in accordance with their terms. For purposes of this computation, variable rate bonds shall be deemed to bear interest at all times to the maturity thereof at a rate equal to the greater of (1) the daily average interest rate on such Bonds during the twelve months ending with the month preceding the date of calculation, or such shorter

period that such Bonds shall have been Outstanding and (2) the rate of interest on such Bonds on the date of calculation;

“Net Revenues” when used with respect to a period of time, means the excess (if any) of the Revenues for such period of time over the Operating Expenses for such period of time;

"New Jersey Environmental Infrastructure Trust" means that certain public body corporate and politic with corporate succession duly created and lawfully existing under the laws of the State, and such successor entities thereto;

“New Jersey Environmental Infrastructure Trust Financing Program” means the financing program operated through the New Jersey Environmental Infrastructure Trust and the State, acting by and through the New Jersey Department of Environmental Protection, in order to provide financing for certain priority projects within the State;

“Officer's Certificate” means a certificate signed by an Authority Officer;

“Operating Expenses” means the Authority's reasonable and necessary current expenses of maintaining, repairing and operating the System, including without limitation, all administrative, general and commercial expenses, insurance and surety bond premiums, payments to others for the provision or supply of sewer, engineering expenses, legal expenses, auditing expenses, payments to pension, retirement, health and hospitalization funds, any taxes that may be lawfully imposed on the Authority or its income or operations or the property under its control, ordinary and usual expenses of maintenance and repair, costs of service not paid from the Construction Fund, refunds of moneys lawfully due to others, and any other current expenses required or permitted to be paid by the Authority under the provisions hereof or by law, all to the extent properly and directly attributable to the System under generally accepted accounting principles, expenses in connection with the authorization of the Bonds and the expenses, liabilities and compensation of any Fiduciary required to be paid hereunder, but not including any reserves for operation, maintenance or repair or any allowance for depreciation, amortization, interest on obligations of the Authority, including the Bonds, or similar charges;

“Operating Fund” means the account so designated that is to be established and created by the Authority in accordance with Section 502;

“Outstanding,” when used with reference to Bonds and as of any particular date, describes all Bonds theretofore and thereupon being authenticated and delivered except (a) any Bonds canceled by the Trustee or proven to the satisfaction of the Trustee to have been canceled by the Authority or by any other Fiduciary at or before such date, (b) any Bond for the payment or the redemption of which either (1) cash, equal to the principal amount of or the Redemption Price thereof, as the case may be, with interest accrued and unpaid and interest to accrue to the date of maturity or the redemption date, or (2) moneys and/or Investment Obligations designated in subparagraph (a) of the definition thereof in the amounts, of the maturities and otherwise conforming with the provisions of Section 1201, shall have been deposited theretofore with one or more Fiduciaries in trust whether upon or prior to maturity or the redemption date of such

Bonds and, except in the case of a Bond to have paid at maturity, or which notice of redemption shall have been given or provided for in accordance with Article VII and (c) any in lieu of or in substitution for which another shall have been authenticated and delivered pursuant to the provisions of the Resolution.

“Participant” means a direct participant in the book-entry System of a Securities Depository through which purchases of beneficial interests in the Bonds may be made;

“Paying Agent” means any paying agent for Bonds appointed by or pursuant to Section 1102, its successor or successors and any other corporation or association that at any time may be substituted in its place pursuant to this Resolution;

“Project” means any Initial Project and/or Additional Project.

“Principal Installment” means any payment of principal of Bonds under this Resolution and required by this Resolution or any supplement to it;

“Rebate Fund” means the account as designated that is established and created by Section 502;

“Record Date” means (1) the fifteenth (15th) day (whether or not a Business Day) of the calendar month next preceding each interest payment date, in the event that the interest payment date is the first (1st) day of a month, (2) the first (1st) day (whether or not a Business Day) of the calendar month in the event that the interest payment date is the fifteenth (15th) day of the month or (3) as otherwise provided for a Series of Bonds prior to its issuance by Supplemental Resolution;

“Registered Owner” means the owner of any registered as reflected on the register maintained by the Trustee or Registrar;

“Registrar” means any registrar or bond registrar for the Bonds appointed pursuant to Section 1103, and its successor or successors or any other corporation or association that may at any time be substituted in its place pursuant to this Resolution;

“Renewal and Replacement Fund” means the account so designated that is established and created by Section 502;

“Renewal and Replacement Requirement” means that amount needed as a reserve for the items listed in Section 509(b) as determined from time to time by a certificate of the Executive Director of the Authority.

“Resolution” means this Resolution as it may from time to time be amended, modified or supplemented;

“Revenues” means all fees, rents, charges including Service Charges and Annual Charges and all other income derived or to be derived by the Authority from or for the operation, use or services of the System;

“Revenue Fund” means the account so designated that is established and created by Section 502;

“Secretary” means the Secretary or any Assistant Secretary of the Authority;

“Securities Depository” means a “clearing agency” registered under Section 17A of the Securities Exchange Act of 1934, as amended, including The Depository Trust Company, New York, New York, or its nominee, and the successors and assigns of any such entity;

“Series” refers to any Bonds authenticated and delivered on original issuance in a simultaneous transaction and so designated by the Supplemental Resolution authorizing such Series;

“Serial Bonds” shall mean the Bonds of a Series that shall mature in annual or semiannual installments;

“Service Charges” means the amounts that the Authority imposes and collects pursuant to the Act from time to time for the use of the System;

“Service Contract” means the agreement between the Authority and Township dated March 1, 1970, as amended and supplemented.

“Sinking Fund” means the account so designated that is herein established and created by Section 502;

“Sinking Fund Installment” means the amount of money required by this Resolution or by a Supplemental Resolution of the Authority authorizing Additional Bonds adopted in conformity with the provisions of Article VIII to be paid into the Sinking Fund by the Authority toward the retirement of any Term Bonds but does not include any amount payable by reason only of a maturity of a Bond;

“Sinking Fund Requirement” means, as of any particular Withdrawal Date (as defined in Section 505) in a particular Fiscal Year and with respect to all Bonds Outstanding on such date, an amount of money equal to all prior Sinking Fund Installments then due and unpaid plus an amount equal to the amount of the Sinking Fund Installments due on or before the next ensuing December 31 that may be deemed to have accrued through the next ensuing Withdrawal Date;

“State” means the State of New Jersey;

“Supplemental Resolution” means any resolution of the Authority amending or supplementing this Resolution adopted and becoming effective in accordance with the terms of Article VIII;

“System” means the plants, structures and other real and personal property acquired, constructed or operated or to be acquired, constructed or operated by the Township or the Authority for the purposes of the Authority’s wastewater system, including sewers, conduits, pipelines, mains, pumping and ventilating stations, sewage treatment or disposal systems, plants and works, connections, outfalls, compensating reservoirs, and other plants, structures, boats, conveyances, and other real and personal property, and right therein and appurtenances necessary or useful and convenient for the collection, treatment, purification or disposal in a sanitary manner of any sewage, liquid or solid wastes, night soil or industrial wastes, including the Project;

“Term Bonds” shall mean the Bonds of a Series that shall be stated to mature on one date and that shall be subject to retirement by operation of the Sinking Fund;

“Township” means the Township of Raritan, in the County of Hunterdon, a municipal corporation of the State of New Jersey;

“Treasurer” means the Chief Financial Officer, Treasurer or any Assistant Treasurer of the Authority;

“Trustee” means the trustee to be appointed pursuant to Section 1101 and its successor or successors and any other corporation or association that at any time may be substituted in its place pursuant to this Resolution;

Words and terms used herein but not defined herein shall have the meaning assigned to such words or terms by this Resolution;

Words importing persons include firms, associations and corporations;

Words importing the maturity or the payment of a Bond do not include or connote the becoming due of such Bond upon redemption thereof prior to maturity pursuant to this Resolution or the payment of the Redemption Price thereof;

Words importing the redemption of, the redeeming or the calling for redemption of a Bond do not include or connote the payment of such Bond at its stated maturity, the payment of such Bond upon declaring the same due and payable in advance of such maturity or the purchase of such Bond; and words importing the singular number include the plural number and vice versa.

Section 103. Successors and Assigns. Whenever in this Resolution the Authority is named or is referred to it shall be deemed to include its successors and assigns whether so expressed or not. All of the covenants, the stipulations, the obligations and the agreements by or

on behalf of and other provisions for the benefit of the Authority contained in this Resolution shall bind and shall inure to the benefit of such successors and assigns and shall bind and shall inure to the benefit of any officer, board, commission, authority, agent or instrumentality to whom or to which there shall be transferred by or in accordance with law any right, power or duty of the Authority or of its successors or assigns, the possession of which is necessary or appropriate in order to comply with any such covenants, stipulations, obligations, agreements or other provisions hereof.

Section 104. Parties Interested Herein. Nothing expressed or implied in this Resolution is intended or shall be construed to confer upon or to give to any person or corporation, other than the Authority, the Trustee, any other Fiduciary and the holders of the Bonds any right, remedy or claim under or by reason hereof or any covenant, condition or stipulation thereof. All the covenants, the stipulations, the promises and the agreements contained in this Resolution by and on behalf of the Authority shall be for the sole and exclusive benefit of the Authority, the Trustee any other Fiduciary and the holders of the Bonds.

Section 105. Severability of Invalid Provisions . If any one or more of the covenants or the agreements in this Resolution to be performed on the part of the Authority, the Trustee or any other Fiduciary 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 not affect the validity of the other provisions hereof or of the Bonds.

Section 106. Applicable Law . The Resolution being adopted pursuant to statutes of the State, the law of the State shall be applicable to its interpretation and construction.

ARTICLE II

STATUTORY DETERMINATIONS, OBLIGATIONS OF THE AUTHORITY AND LIMITATION ON AMOUNT OF FINANCING

Section 201. Authority for Resolution. This Resolution is adopted by virtue of the Act and pursuant to its provisions. The Authority has ascertained and hereby determines that each and every act, matter, thing or course or conduct as to which provision is made herein is necessary in order to promote, to carry out and to effectuate the purposes of the Authority in accordance with the Act, to carry out powers expressly given in the Act and to secure or to further secure the payment of the principal of and the interest on the Bonds.

Section 202. Purpose of Financing . The purpose of this Resolution is the financing of the Initial Project and any Additional Projects. The Authority hereby determines to undertake the Initial Project through the issuance of the Initial Bonds.

Section 203. Estimated Cost. The estimated Cost (as defined in the Act) of this financing is estimated in an amount not to exceed \$4,500,000.

Section 204. Resolution to Constitute Contract. In consideration of the purchase and the acceptance of any or all of the Bonds by those who shall hold them from time to time, the provisions of this Resolution shall constitute a contract of the Authority with the holders from time to time of the Bonds. Any pledge made in this Resolution and the provisions, the covenants and the agreements herein set forth to be performed by or on behalf of the Authority shall be for the equal benefit, protection and security of the holders of any and all of the Bonds. All of the Bonds, regardless of the time or the times of their issuance, shall be of equal rank without preference, priority or distinction of any of the Bonds over any other thereof except as expressly provided in or pursuant to this Resolution.

Section 205. Obligation of Bonds. The Bonds shall be direct and special obligations of the Authority, and the full faith and credit of the Authority are hereby pledged to the payment of the principal of and the interest on the Bonds.

Section 206. Applicability of the Service Contract. In connection with the undertaking of the Initial Project and the issuance of the Initial Bonds, the Authority hereby ratifies the applicability of the Service Contract.

ARTICLE III

AUTHORIZATION, TERMS, EXECUTION AND ISSUANCE OF THE BONDS

Section 301. Authorization and Issuance of Initial Bonds . (a) In accordance with the provisions of the Act and subject to and pursuant to the provisions hereof, and for the purpose of raising funds to pay the cost of the Project, Initial Bonds of the Authority are hereby authorized to be issued by the Authority to pay for the cost of the Initial Project, in an aggregate principal amount not to exceed \$4,500,000. Such Initial Bonds shall be issued from time to time in accordance with the terms provided for in Section 302, herein, and such resolutions of the Authority adopted from time to time to supplement and to implement this Resolution as hereinafter provided.

(b) Form of Initial Bonds. Notwithstanding the provisions of Sections 302 and 306, contained herein, the Initial Bonds shall be in substantially the form described and contained in the Exhibit A hereto.

(c) Further Authorizations. Notwithstanding provisions to the contrary contained herein, the Authorized Officers of the Authority are hereby further severally authorized in connection with the authorization and issuance of the Initial Bonds to (i) execute and deliver, and the Secretary or Assistant Secretary of the Authority is hereby further authorized to attest to such execution and to affix the corporate seal of the Authority to, any document, instrument or closing certificate deemed necessary, desirable or convenient by the Authorized Officers, the Secretary or Assistant Secretary of the Authority, as applicable, in their respective sole discretion, after consultation with any such consultant or professional of the Authority, to be executed in connection with the execution and delivery of the Initial Bonds and the consummation of the transaction contemplated thereby, which determination being conclusively evidenced by the execution of each such certificate or other document by the party authorized hereunder to execute such certificate or other document, and (ii) perform such other actions as the Authorized Officers deem necessary, desirable or convenient in relation to the execution thereof.

Section 302. Terms of Bonds. (a) Each of the Initial Bonds authorized pursuant to Section 301 shall include the words “Sewer System Revenue Bond, Series _____” with the year of issuance being inserted in the designation. The Initial Bonds shall be issued in fully registered form with the rates of interest fixed to maturity, shall be dated the date, numbered and shall bear interest at the rate or rates, and shall mature on the date and in the years and in the amounts (subject to prior redemption, if any) as provided for and set forth in an Award Certificate (as defined herein) of the Executive Director of the Authority pursuant to subparagraph (b) of this Section.

(b) Delegation to Issue Initial Bonds. The Executive Director of the Authority is hereby designated as the individual who shall have the power to sell and to award the Initial Bonds (of the same or different series) on behalf of the Authority, including the power to determine, among

other things (a) the amount of Initial Bonds to be issued, in an amount not to exceed \$4,500,000, (b) the time and the manner of sale of the Initial Bonds, (c) the dated date, the denominations, designation and numbers, rate or rates of interest to be borne by the Initial Bonds, and (d) such other terms and conditions as may be necessary or related to the sale of the Initial Bonds. Such sale and award of the Initial Bonds shall be further evidenced by a certificate of the Executive Director (the "Award Certificate"), dated as of the date of issuance of the Initial Bonds. The Award Certificate shall be presented by the Executive Director to the Board of Commissioners of the Authority at the next regular meeting of the Authority following such issuance as evidence of the terms and details of the sale of such Initial Bonds.

(c) Each of the Additional Bonds authorized pursuant to Section 314 shall include the words "Sewer System Revenue Bond, Series ____" with the year of issuance being inserted in the designation. Each Additional Bond shall be dated as of such date, shall mature on such date or dates, shall bear interest at such rate or varying rates per annum not exceeding any limitation thereon prescribed by law as shall be determined by the resolution of the Authority adopted prior to the day of delivery thereof and payment therefor.

(d) The Bonds of each Series shall be executed in the name and on behalf of the Authority by the manual or facsimile signature of its Chairman or Chairwoman or Vice-Chairman or Vice-Chairwoman; its corporate seal (or a facsimile thereof) shall be affixed, imprinted, engraved or otherwise reproduced thereon; and such seal and Bond shall be attested by the manual or facsimile signature of its Secretary or Assistant Secretary. The Bonds shall bear thereon a certificate of authentication, in the form set forth in this Resolution, executed manually by the Registrar. Only such Bonds as shall bear such certificate of authentication thereon shall be entitled to any right or benefit under this Resolution, and no Bond shall be valid or obligatory for any purpose until such certificate of authentication shall have been duly executed by the Registrar. Such certificate of the Registrar upon any Bond executed on behalf of the Authority shall be conclusive evidence that the Bond so authenticated has been duly authenticated and delivered under this Resolution and that the holder thereof is entitled to the benefits of this Resolution. The Bonds of each Series shall be issued in fully registered form, without interest coupons and shall be numbered consecutively from R-1, upwards in the order of their issuance, or in any other manner deemed appropriate by the Paying Agent and the Trustee. The Bonds shall be in Authorized Denominations.

(e) Interest on the Bonds of each Series shall be paid by check mailed or delivered or by wire transfer to the Registered Owner of such Bonds at the address on file with the Registrar. Principal of the Bonds of each Series will be payable upon presentation and surrender thereof by the Registered Owner or his duly authorized attorney at the principal corporate trust office of the Registrar or to the extent that the Bonds are issued in Book-entry form only, by wire transfer or by check mailed or delivered by the Registrar to the registered owner or by his duly authorized attorney at the address listed on the books of the Authority kept for that purpose at the corporate trust office of the Registrar. The principal of and the interest on the Bonds shall be payable in lawful money of the United States of America. The Bonds are transferable only upon the books of the Authority kept for that purpose at the office of the Registrar by the Registered Owner thereof in person or by his attorney duly authorized in writing, upon surrender thereof together

with a written instrument of transfer satisfactory to the Registrar duly executed by the Registered Owner or such duly authorized attorney, and thereupon the Registrar shall issue in the name of the transferee a new registered bond or bonds. The Registrar and any Paying Agent of the Authority may treat and consider the person in whose name the Bond is registered as the holder and the absolute owner thereof for the purpose of receiving payment of, or on account of, the principal or the interest due thereon and for all purposes whatsoever.

Section 303. Book-Entry System. The Bonds may be issued or subsequently registered in the name of a Securities Depository or a nominee therefor, and held in the custody of the Securities Depository. In such event, a single bond will be issued and delivered to the Securities Depository for each Series of Bonds, and neither the actual purchasers of the Bonds (the "Beneficial Owners") nor the Paying Agent will receive physical delivery of Bond certificates except as provided herein, all transfers of beneficial ownership interests will be made by book-entry only, and no investor or other party purchasing, selling or otherwise transferring beneficial ownership of Bonds will receive, hold or deliver any Bond certificate. The Authority, the Trustee and the Paying Agent will recognize the Securities Depository or its nominee as the Bondholder for all purposes, including notices and voting.

The Authority and the Trustee covenant and agree, so long as The Depository Trust Company or any other Securities Depository serves as Securities Depository for the Bonds, to meet the requirements of The Depository Trust Company or such other Securities Depository with respect to required notices and other provisions of the letter of representations or agreement executed with respect to such Bonds.

The Authority, the Trustee and the Paying Agent may rely conclusively upon (a) a certificate of the Securities Depository as to the identity of the Participants in the Book-Entry System with respect to the Bonds and (b) a certificate of any such Participant as to the identity of, and the respective principal amount of Bonds beneficially owned by, the Beneficial Owners.

Whenever, during the term of the Bonds, the beneficial ownership thereof is determined through the books of the Securities Depository, the requirements in this Resolution of holding, delivering or transferring such Bonds shall be deemed modified to require the appropriate person to meet the requirements of the Securities Depository with respect to such actions to produce the same effect. Any provisions hereof permitting or requiring delivery of such Bonds shall, while such Bonds are in a Book-Entry System, be satisfied by the notation on the books of the Securities Depository in accordance with applicable state law.

The Authority may from time to time appoint a Securities Depository or a successor thereto and the Trustee and the Authority may enter into a letter of representation or other agreement with such Securities Depository to establish procedures with respect to the Bonds. Any Securities Depository shall be a "clearing agency" registered under Section 17A of the Securities Exchange Act of 1934, as amended.

Neither the Authority, the Trustee nor the Paying Agent will have any responsibility or obligation to any Securities Depository, any Participants in the Book-Entry System or the

Beneficial Owners with respect to (a) the accuracy of any records maintained by the Securities Depository or any Participant; (b) the payment by the Securities Depository or by any Participant of any amount due to any Beneficial Owner in respect of the principal amount or redemption or purchase price of, or interest on, any Bonds; (c) the delivery of any notice by the Securities Depository or any Participant; (d) the selection of the Beneficial Owners to receive payment in the event of any partial redemption of Bonds; or (e) any other action taken by the Securities Depository or any Participant.

Bond certificates are required to be delivered and registered in the name of the Beneficial Owner, under the following circumstances:

(a) A Securities Depository determines to discontinue providing its service with respect to such Bonds and no successor Securities Depository is appointed as described above; or

(b) The Authority determines not to continue the Book-Entry System through a Securities Depository.

If, at any time, the Securities Depository ceases to be the registered owner of the Bonds, thereafter all references herein to the Securities Depository shall be of no further force or effect.

None of the Authority, the Paying Agent or the Trustee will have any responsibility or obligation to any Participant for the Book-Entry System or to the Beneficial Owners with respect to the records delivered to the Authority and the Trustee in order to accomplish the delivery and registration in the names of the Beneficial Owners.

Section 304. Negotiability. The Bonds shall be negotiable instruments.

Section 305. Application of Proceeds of Bonds. (a) The Trustee shall deposit in the Bond Service Fund the amount (if any) of accrued interest received with respect to Bonds. Except as otherwise provided in subpart (b) of this Section, the Trustee shall deposit in the Bond Reserve Fund either the amount (if any) which is equal to the Bond Reserve Requirement or a Bond Reserve Credit Facility having a stated amount which (together with any proceeds so deposited) is at equal to the Bond Reserve Requirement, as applicable. The Trustee shall deposit in the Renewal and Replacement Fund the amount (if any) which is equal to the Renewal and Replacement Requirement. The Trustee shall deposit in the Operating Fund the amount (if any) which is equal to projected Operating Expenses of the Authority raised with the proceeds of Bonds. Any remainder of the proceeds of such Bonds shall be paid into the Construction Fund for application to payment of the Cost of the Project in accordance with the written order of an Authority Officer.

(b) The proceeds of any Additional Bonds shall be deposited with the fiduciary in a separate account for the Authority. Such account shall be established as a separate account in the Construction Fund. The amounts in such account shall be withdrawn in accordance with the provisions of the Additional Bonds. All proceeds and earnings on investment of the proceeds in

such account shall remain therein and be applied for costs of the Initial Project or Additional Project, including the payment of interest on the Additional Bonds.

Section 306. Form of Bond. Each Bond, the Certificate of Authentication of the Registrar appearing thereon and the Assignment of the Registered Owner in connection with the Bonds shall be substantially in the forms set forth in Exhibit A hereto, with such omissions, insertions, endorsements or variations as to recitals of fact, including provision for interest payments, as may be required by the circumstances or as may be necessary or appropriate to conform to the rules and the requirements of any governmental authority or any usage or requirement of law with respect thereto.

Section 307. No Recourse on the Bonds. No recourse shall be had for the payment of the principal of or the interest on any Bonds or for any claim based thereon or on this Resolution against any member or officer of the Authority or any person executing the Bonds. The Bonds are not and shall not be in any way a debt or liability of the State of New Jersey or of any county or municipality and do not and shall not create or constitute any indebtedness, liability or obligation of such State or of any county or municipality, either legal, moral or otherwise.

Section 308. Interchangeability of Bonds . At the option of the Registered Owner, Bonds may be exchanged upon surrender thereof at the principal office of the Registrar with a written instrument or transfer satisfactory to the Registrar duly executed by the Registered Owner thereof or his attorney duly authorized in writing for an equal aggregate principal amount of Bonds of the same Series, designation, maturity and interest rate of any other authorized denominations.

Section 309. Ownership of Bonds and Effect of Registration. The Authority and any Fiduciary may treat and may consider the person in whose name any Bond for the time being shall be registered as the holder and the absolute owner thereof, whether such Bond shall be overdue or not, for the purpose of receiving payment of the principal or the Redemption Price thereof or interest thereon and for all other purposes whatsoever. Payment of or on account of the principal or the Redemption Price of or the interest on such Bond shall be made only to or upon the order of such Registered Owner thereof, but such registration may be changed or may be discharged as provided herein. All payments made as provided in this Section shall be valid and effectual to satisfy and to discharge the liability upon the several Bonds to the extent of the sum or sums so paid.

Section 310. Reissuance of Mutilated, Destroyed, Stolen or Lost Bonds . In case any Outstanding Bond shall become mutilated, the Registrar shall authenticate and shall deliver a new Bond of like tenor, number and amount as the Bond so mutilated in exchange and in substitution for such mutilated Bond upon surrender and cancellation of such mutilated Bond. If such Outstanding Bond is so mutilated as to be unable to identify the Bond and the owner thereof, then the Registrar may require such Bond to be treated as a Bond that is destroyed. In case any Outstanding Bond shall become destroyed, stolen or lost, the Registrar shall authenticate and shall deliver a new Bond of like tenor, number and amount as the Bond so destroyed, stolen or lost in lieu of and in substitution for a destroyed, stolen or lost Bond upon

filing with the Registrar evidence satisfactory to the Authority and the Registrar that such Bond have been destroyed, stolen or lost and proof of ownership thereof and upon furnishing the Authority and the Registrar with indemnity satisfactory to them. As a condition to the reissuance of Bonds, the Authority and the Registrar also may require compliance with other reasonable regulations and will require payment of such expenses as the Authority and the Registrar may incur in connection with such loss. In lieu of reissuing a mutilated, destroyed, lost or stolen Bond that is due and payable, the Registrar may pay the amount due on such Bond to the owner thereof, provided all the other requirements of this Section have been met.

Section 311. Regulations with Respect to Registrations, Exchanges and Transfers. In all cases in which the privilege of exchanging Bonds or of transferring Registered Bonds is exercised, the Authority shall execute and the Registrar shall authenticate Bonds in accordance with the provisions hereof. For every registration, exchange or transfer of Bonds, the Authority or the Registrar may charge a sum sufficient to reimburse it for any tax or other governmental charge required to be paid, which sum, if not otherwise provided for, shall be paid by the person requesting such exchange or transfer as a condition precedent to the exercise of the privilege of effecting such registration, exchange or transfer. Neither the Authority nor the Registrar shall be required to make any registration, transfer or exchange of Bonds under the provisions of this Article during the period from any Record Date to the next succeeding interest payment date and, in the case of any proposed redemption of Bonds, after the fifteenth day of the month preceding the date of the first publication or of the mailing of notice of such redemption until such mailing nor shall be required to make any registration, exchange or transfer of any Bond selected or called for redemption. The Registrar shall deliver at the request of the Authority a statement of all Bonds issued in lieu of or in substitution for other Bonds pursuant to this Article including a report of the description and the disposition of such other Bonds.

Section 312. Issuance of Bonds and Disbursements of Proceeds of Sale and Other Funds. An amount not exceeding the aggregate principal amount of Bonds particularly authorized by this Resolution or a Supplemental Resolution of the Authority may be executed by or on behalf of the Authority and may be delivered to the Trustee for authentication by the Trustee or to the Registrar for authentication of any Series by the Registrar. Thereupon the Bonds shall be authenticated by the Trustee or by the Registrar. If authenticated by the Registrar, the Registrar shall deliver the authenticated Bonds to the Trustee, to the Authority or upon its order. Upon fulfillment of the conditions hereinafter set forth, the Bonds shall be delivered by the Trustee to the Authority or upon its order. The proceeds of sale of such Bonds, including accrued interest, together with other funds, if any, held by the Authority and not pledged or otherwise committed for a specific purpose shall be paid by the Authority simultaneously with the issuance of Bonds as provided in a Supplemental Resolution to be adopted prior to the authorization and the delivery of such Bonds.

Section 313. Conditions Precedent to Issuance of Bonds. (a) The Trustee shall not deliver to the Authority or to its order the Bonds pursuant to this Resolution or any Supplemental Resolution unless theretofore or simultaneously therewith there shall have been delivered or paid to the Trustee the following:

(1) A copy of this Resolution (including all amending and supplementing resolutions) certified by the Secretary of the Authority;

(2) A copy of the Service Contract certified by the Secretary of the Authority as having been duly adopted and being in full force and effect;

(3) A Counsel's Opinion stating, in the opinion of the signer, that this Resolution, as amended and supplemented, has been duly and lawfully adopted by the Authority, is in full force and effect and is valid and binding on the Authority, the Trustee and the holders of the Bonds, that the Bonds are validly authorized in accordance with this Resolution, that the pledge and the lien made in this Resolution are valid and lawful and make the pledge and the lien purported to be made therein, that the Authority will be obligated to collect Annual Charges and, Service Charges so long as the Bonds are Outstanding, that the Bonds are entitled to the benefits of the Service Contract, that the Township has and had full power and authority to enter into the Service Contract, that the Annual Charges will constitute valid, binding and general obligations of the Township, that the Township has full power and is obligated to levy ad valorem taxes on all the taxable real property in the Township for the payment of the Annual Charges as the same become due, without limitation as to rate or amount, that all conditions precedent to the authentication of the Bonds by the Trustee have been satisfied and that the Trustee lawfully may authenticate the Bonds;

(4) The written order of the Authority as to the delivery of the Bonds, signed by an Authority Officer and stating the amount of the proceeds of sale of the Bonds;

(5) The amounts required to be delivered to the Trustee pursuant to a Supplemental Resolution adopted prior to authentication and delivery of the Bonds;

(6) Any further certifications or documents required by Supplemental Resolution adopted prior to authentication and delivery of the Bonds.

(7) In the case of bonds issued under the New Jersey Environmental Infrastructure Trust Financing Program, any further certifications or documents required by the New Jersey Environmental Infrastructure Trust Financing Program prior to authentication and delivery of such Bonds.

(b) It shall not be necessary for the Authority to liquidate any securities then held by it for the purpose of payment of the aforesaid amounts to the Trustee, and the Trustee is hereby authorized and directed to accept any such securities in whole or in part as funds delivered under authority of this Section provided that such securities would constitute Investment Obligations under this Resolution applicable to the account into which any such securities are deposited.

Section 314. Purposes, Authorization and Description of Additional Bonds. (a) Additional Bonds of the Authority may be authorized to be issued on parity with other Bonds issued under this Resolution pursuant to and in accordance with the Act either (1) for the purpose of raising funds to pay the Cost of acquisition or construction of part or parts of the System,

other than the Initial Project, including extensions, renewals, replacements, equipment, alterations, improvements or betterments and of all or any property, rights, easements and franchises deemed by the Authority to be necessary or useful and convenient therefor, including any deposit or increase in any fund or account established by the Resolution incidental thereto or deemed by the Authority necessary in connection therewith, and further including any refunding temporary obligations or notes issued for such purposes (herein called an “Additional Project”), (2) for the purpose of raising funds to complete any Project, or not; or (3) for the purpose of refunding any of the Bonds, including Additional Bonds, of the Authority.

(b) Any Series of Additional Bonds of the Authority shall be issued only after authorization thereof by a Supplemental Resolution of the Authority stating the purpose or the purposes of issuance of such Additional Bonds, directing the application of the proceeds thereof to such purpose or purposes, directing the execution and the authentication thereof and fixing and determining the date, the principal amount, the denominations, the designation and the numbers thereof, the rate or the rates of interest or the maximum rate of interest to be borne thereby, the place or the places of payment thereof, the redemption privileges of the Authority, if any, with respect thereto, the amount and the date of each Sinking Fund Installment for the retirement of any Term Bonds and other provisions thereof in accordance with this Resolution. Upon such authorization and upon initial issuance, at one time or from time to time, such Additional Bonds may be executed by or on behalf of the Authority and may be delivered to the Registrar for authentication by the Registrars provided in this Resolution. Thereupon such Additional Bonds shall be authenticated by the Registrar. Upon fulfillment of the applicable conditions hereinbelow set forth in the next following Section, such Additional Bonds shall be delivered to the Authority or upon its order.

(c) All Additional Bonds shall be substantially in the form and the tenor of Bonds as provided in this Resolution, except that, notwithstanding any other provision of this Resolution, such Additional Bonds shall mature in such principal amounts, shall bear such denominations, shall bear such date, shall bear such designation as to Series, numbers or symbols prefixed to their number distinguishing them from each other Bond, shall be subject to redemption prior to maturity on such terms and conditions consistent with the provisions of this Resolution and may bear interest at such rate or such different or varying rates per annum as may be fixed by the Supplemental Resolution authorizing the issuance of such Additional Bonds or by Supplemental Resolution adopted prior to authentication by the Trustee or by the Registrar and determining the details thereof.

(d) No bonds, notes or other obligations of the Authority shall constitute Additional Bonds unless they are authenticated by the Trustee or Registrar as provided in this Resolution or shall be entitled to any right or benefit under this Resolution unless they are so authenticated, and no Additional Bond shall be valid and obligatory for any purpose of this Resolution unless such Additional Bond shall have been so authenticated.

(e) After their authentication and delivery, all Additional Bonds shall be deemed to constitute Bonds for all purposes hereof and shall be entitled to the pledge of the Revenues provided by this Resolution and shall have equal rank with the Bonds with respect thereto. All

such Additional Bonds shall be entitled to the security and the benefit of such pledge and of the provisions of this Resolution equally with the Bonds and all Additional Bonds previously authenticated and delivered, except as otherwise expressly provided in this Resolution.

Section 315. Conditions Precedent to Issuance of Additional Bonds. (a) The Trustee shall not authenticate or deliver to the Authority or to its order any Additional Bonds pursuant to this Resolution unless there shall have been delivered or paid theretofore or simultaneously therewith to the Trustee the following:

(1) A copy of this Resolution, including a copy of the Supplemental Resolution certified by the Secretary of the Authority, authorizing such Additional Bonds, stating the purpose or the purposes of issuance of such Additional Bonds and otherwise conforming with the provisions of Section 314 and if such Additional Bonds are authorized for any purpose other than the refunding of Bonds, describing in brief and general terms the part or the parts of the System (hereinafter in this Section called "improvement") to be financed by the issuance of such Additional Bonds;

(2) A copy of each Supplemental Resolution if required, certified by the Secretary of the Authority fixing the rate or the rates of interest on such Additional Bonds and all other terms and provisions thereof not previously fixed by this Resolution;

(3) If such Additional Bonds are authorized for a purpose described in Section 314(a)(1):

(A) an Accountant's Certificate setting forth as of the time immediately after the delivery of such Bonds by the Trustee the Bond Reserve Requirements, if any, and the Bond Service for the then current Fiscal Year (if any) and each future Fiscal Year for which there is Bond Service.

(B) a certificate of an Authority Officer setting forth (i) his estimate of the Net Revenues for the Fiscal Year immediately succeeding the completion of the part of the System financed by such Additional Bonds, calculated on the assumption that the Service Charges will be charged at the rates in effect on the date of such certificate or such higher rate as the Authority has covenanted by resolution to charge for such Fiscal Year, (ii) his opinion that the amount calculated in Section 315 (a)(3)(B)(i) for such Fiscal Year is not less than one hundred per centum of the debt service for each Fiscal Year. For purposes of the preceding sentence, debt service means the amount of Bond Service for each Fiscal Year as set forth in the Accountant's Certificate referred to in Section 315(a)(3)(A); and

(4) In the case of Additional Bonds, the written order of the Authority as to the delivery of such Additional Bonds, signed by an Authority Officer and stating (A) the amount of the proceeds of the sale of such Additional Bonds and any other funds to be deposited by the Authority, (B) the amount, if any, of such proceeds that will be deposited in the Bond Service Fund, (C) the amount, if any, or the delivery of a Bond Reserve Credit Facility, or any combination of the foregoing, which in any case, is required to be deposited in the Bond Reserve

Fund so that the amount in such account equals the Bond Reserve Requirement immediately after authentication and delivery of such Additional Bonds, (D) the amount to be deposited in the Renewal and Replacement Fund, if any, so that the amount in such fund equals the Renewal and Replacement Requirement immediately after authentication and delivery of such Additional Bonds, and (E) the amount, if any, of such proceeds to be deposited in the Operating Fund;

(5) The amount, if any, stated in the written order referred to in subparagraph (4) above as the amount of such proceeds that will be paid by the Authority to the Trustee for deposit in accordance with Section 315(a)(4);

(6) If such Additional Bonds are authorized for a purpose described in Section 314(a)(1), a certificate of the Consulting Engineer stating (A) the opinion that the improvement described in such Supplemental Resolution is a part of the System, (B) the opinion that the remainder of such proceeds after deducting the amounts referred to in Section 315(a)(5) and (6), (if applicable), together with any other funds of the Authority then available or expected to be available therefor, will be sufficient to pay the Cost of acquisition or construction of such improvement and (C) the opinion as to the period of time that will be required for completion of the acquisition or the construction of the improvement;

(7) If such Additional Bonds are authorized for the purpose described in Section 314(a)(2), a certificate of the Consulting Engineer stating that the amount of proceeds of the Bonds to be available for construction, together with any other funds or accounts of the Authority then available or expected to be available therefor, will be sufficient, in his opinion, to pay the Cost of completion of acquisition or construction of the Project or the Additional Project and any other amounts as may be required by this Resolution, as the case may be;

(8) A Counsel's Opinion approving the form of such Supplemental Resolution stating that such Additional Bonds are authorized to be issued for a purpose referred to in Section 314(a)(1), (2) or (3), that its terms and the provisions conform with the requirements of the Act and of this Resolution, that the order, the certificates and the amounts of money, if any, so delivered or paid to the Trustee constitute compliance with the conditions hereinabove stated for the authentication and the delivery of such Additional Bonds, that all conditions precedent to the authentication of the Additional Bonds have been satisfied, that the Trustee lawfully may authenticate the Additional Bonds, that the Additional Bonds will be authorized under this Resolution and the Service Contract, that the Authority thereafter will be obligated so long as any Bonds remain Outstanding to operate and to maintain the System and to collect Annual Charges and Service Charges with respect to operation of the System pursuant to the Act and under the Service Contract all in accordance with this Resolution, that upon the execution, the authentication and the delivery of the Additional Bonds all Revenues thereafter to be derived with respect to the operation of the System, including any Additional Project to be financed with such Bonds, will be pledged under and subject to the lien and the pledge created by this Resolution free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to or of equal rank with the pledge created by this Resolution, that this Resolution has been duly and lawfully adopted by the Authority, is in full force and effect and is valid and binding upon the Authority and enforceable in accordance with its terms except as may be

limited by bankruptcy or insolvency or other similar laws affecting creditor's rights generally and creates the valid pledge that it purports to create of the Revenues and the rights of the Authority under the provisions of the Service Contract to receive payments from the Township thereunder and all other moneys, securities and funds held or set aside or to be held or set aside under this Resolution subject only to the provisions of this Resolution permitting the withdrawal, the payment, the setting apart or the appropriation thereof for or to the purpose and on the terms and the conditions set forth in this Resolution, that the Authority is duly authorized and entitled to issue such Additional Bonds and that upon the execution, the authentication and the delivery thereof such Additional Bonds will be duly and validly issued and will constitute valid and binding obligations of the Authority entitled to the benefits of the Service Contract and this Resolution;

(9) A certificate of the Secretary stating that this Resolution has not been repealed and that a copy of every Supplemental or amending Resolution theretofore adopted by the Authority has been delivered to the Trustee;

(10) A written order of the Authority as to the delivery of the Additional Bonds of such Series signed by an Authority Officer; and

(11) A receipt signed by the Treasurer stating that the proceeds of the sale of such Additional Bonds have been received by or on behalf of the Authority and setting forth the amount of such proceeds, including accrued interest;

(12) A copy of the Service Contract certified by the Secretary;

(13) If such Additional Bonds are authorized for a purpose described in Section 314(a)(2):

(A) an Accountant's Certificate setting forth as of the time immediately after the delivery of such Bonds by the Trustee (i) the Bond Reserve Requirement, if any and (ii) the Bond Service for the then current Fiscal Year (if any) and each future Fiscal Year for which there is Bond Service.

(B) a certificate of an Authority Officer setting forth (i) his estimate of the Net Revenues for the Fiscal Year immediately succeeding the completion of the part of the System financed by such Additional Bonds, calculated on the assumption that the Service Charges will be charged at the rates in effect on the date of such certificate or such higher rate as the Authority has covenanted by resolution to charge for such Fiscal Year, (ii) his opinion that the amount calculated in Section 315 (a)(13)(B)(i) for such Fiscal Year is not less than one hundred per centum of the debt service for each Fiscal Year. For purposes of the preceding sentence, debt service means the amount of Bond Service for each Fiscal Year as set forth in the Accountant's Certificate referred to in Section 315(a)(13)(A);

(14) If such Additional Bonds are authorized for a purpose described in Section 314(a)(1), (2) or (3), a certificate of an Authority Officer stating that the Authority is not in default under the terms of this Resolution;

(b) If such Additional Bonds are authorized for a purpose described in Section 314(a)(1) or (2), the proceeds shall be deposited in accordance with Section 305;

(c) If such Additional Bonds are authorized for the purpose described in Section 314(a)(3), the Trustee shall deposit in the Construction Fund an amount sufficient to pay the costs of issuance of such Additional Bonds and shall apply the remaining proceeds thereof to the refunding of such Bonds or in accordance with the Supplemental Resolution of the Authority authorizing such Additional Bonds;

ARTICLE IV

CONSTRUCTION FUND

Section 401. Establishment of the Construction Fund. The Authority hereby establishes and creates a special account, designated the Construction Fund to be held by the Trustee. Any moneys received by the Authority from any source for payment of the Cost of construction or of acquisition of any part of the System may be deposited in the Construction Fund. Amounts received from the United States of America or from the State of New Jersey as grants in aid of construction of any part of the System, unless otherwise pledged for the payment of obligations of the Authority issued in anticipation of the receipt of such Government Grants, shall be deposited in the Construction Fund. Amounts in the Construction Fund shall be held by the Trustee in trust and shall be applied (in accordance with and subject to the limitations of this Article) to pay the Cost of the System. The Trustee shall establish within the Construction Fund a separate account for the Project and each Additional Project described in any Supplemental Resolution of the Authority adopted pursuant to Article VIII. Any insurance proceeds (other than business interruption, use and occupancy insurance) received by the Authority in connection with the construction of the Project or an Additional Project shall be deposited in the appropriate account in the Construction Fund. Notwithstanding this or any of the other provisions hereof, the Authority is authorized to issue project notes or other obligations in anticipation of the receipt of Government Grants and to pledge to the holders of such obligations the grant monies to be received so long as the proceeds received from the issuance of such obligations are deposited in the Construction Fund.

Section 402. Purpose of the Construction Fund. The Trustee shall make payments from the Construction Fund for the Cost of the System as provided in this Article. All payments from the Construction Fund shall be subject to the provisions and the restrictions set forth in this Article and the Authority shall not cause or permit to be paid from the Construction Fund any sums except in accordance with such provisions and restrictions.

Section 403. Payments from the Construction Fund. The Trustee shall make payments from the Construction Fund in the amounts, at the times, in the manner and on the other terms and conditions set forth in this Section. Before any such payment shall be made, the Authority shall file with the Trustee:

(a) its requisition therefor, stating in respect of each payment to be made: (1) the name of the person, the firm or the corporation to whom payment is due, (2) the amount to be paid and (3) in reasonable detail the purpose for which the obligation was incurred;

(b) its certificate attached to the requisition certifying: (1) that obligations in the stated amounts have been incurred by the Authority and that each item therefor is a proper charge against the Construction Fund, is a proper Cost of the System and has not

been paid, (2) that there has not been filed with or served upon the Authority notice of any lien, right to lien or attachment upon or claim affecting the right to receive payment of any of the moneys payable under such requisition to any of the persons, the firms or the corporations named in such requisition or, if any such lien, attachment or claim has been filed or served upon the Authority, that such lien, attachment or claim has been released or discharged and (3) that such requisition contains no item representing payment on account of any retained percentages that the Authority is at the date of such certificate entitled to retain; and

(c) in the case of expenses for studies, surveys and estimates, engineering borings, preliminary investigations to determine foundation or other conditions, estimates of Costs or Revenues and other estimates necessary or incident to determining the feasibility or the practicability of the System or payments made for labor and to contractors, builders and material men in connection with such construction, payments made for sewers, machinery materials, conveyances and marine or other equipment and payments made for restoration of property damaged or destroyed in connection with such construction, a certificate signed by the Consulting Engineer and attached to such requisition certifying that the Consulting Engineer has made reasonable investigations and that to the best of its knowledge each such obligation has been properly incurred and that, insofar as such obligation was incurred for work, materials, supplies or equipment, such work was actually performed or such materials, supplies or equipment were actually furnished or installed in or about the construction of the System or such materials, supplies or equipment were fabricated or were being fabricated for the construction thereof.

Upon receipt of each such requisition and accompanying certificates the Trustee either shall pay such requisition directly or shall transfer from the Construction Fund to the credit of a special account in the name of the Authority an amount equal to the total of the amounts to be paid as set forth in such requisition. The amounts in such special account shall be held solely for the payment of the obligations set forth in such requisition. In making such transfer, the Trustee may rely upon such requisition and accompanying certificates. If so transferred to the special account each such obligation shall be paid by check signed by any two authorized Authority Officers and drawn on such special account to the order of the person named in and in accordance with the requisition. Moneys deposited to the credit of such special account shall be deemed to be a part of the Construction Fund until paid out as provided above. If for any reason the Authority should decide prior to the payment of any item in a requisition to stop payment of such item, an Authority Officer shall give notice of such decision to the Trustee and thereupon the Authority shall transfer the amount of such item from such special account to the Construction Fund. The Trustee shall have no further obligation with respect to such funds upon disbursement from the special account or with respect to the propriety of such disbursement.

Section 404. Requisitions with Respect to Land Costs. If any requisition filed with the Trustee in accordance with Section 403 contains any item for payment of the Cost of acquisition of a fee simple interest in any land, there shall be attached to such requisition before any transfer

or payment with respect to such item shall be made, in addition to the certificates mentioned in such Section:

(a) certificate of the Consulting Engineer to the effect that such land is being acquired and is necessary or useful and convenient for the construction of the System; and

(b) a Counsel's Opinion stating, in the opinion of the signer, that the Authority has the power under the provisions of the Act to acquire such land and that the Authority will have upon the payment of such item such right, title and interest as is or will be sufficient to provide the Authority with such undisturbed possession as the Authority requires for its purpose.

Section 405. Interim Investment of Construction Fund. Any moneys in the Construction Fund shall be invested by the Trustee, at the written direction of the Authority, in Investment Obligations provided the maturity of every such Investment Obligation shall not be later than 90 days or any longer period in accordance with the draw down of funds projected in a Consulting Engineer's certificate of draw down of funds filed with the Trustee showing that the funds are not needed within such 90 day period. Investment income shall be held in any account in the Construction Fund and applied in accordance with Article V.

Section 406. Disposition of Balance in Construction Fund. (a) If any time an Officer's Certificate stating that construction or reconstruction of the Project or an Additional Project has been substantially completed shall have been filed by the Authority with the Trustee, accompanied by a Consulting Engineer's Certificate stating that an amount set forth in the Consulting Engineer's Certificate reserved in the account established in the Construction Fund for the Project or the Additional Project will be sufficient, with respect to the Project or the Additional Project, to pay all Costs of construction, any moneys in the Fund in excess of the amount set forth in the Consulting Engineer's Certificate shall be transferred from the Fund by the Trustee and shall be paid by the Trustee into such other account or accounts established in the Construction Fund for improvements to the System as may be specified in the Officer's Certificate or, if no other account shall be so specified the excess amount shall be paid into (1) the Bond Reserve Fund to such extent as shall not cause the amount in the Bond Reserve Fund to exceed the Bond Reserve Requirement and then into (2) the General Fund created by this Resolution to the extent of any remaining balance of such moneys.

(b) If at any time an Officer's Certificate stating that construction or reconstruction of the Project or an Additional Project or part thereof has been abandoned in accordance with Section 605 or completed shall have been filed by the Authority with the Trustee, any moneys remaining in such account shall be transferred by the Trustee and shall be paid by the Trustee into (1) the Bond Reserve Fund to such extent as shall not cause the amount in the Bond Reserve Fund to exceed the Bond Reserve Requirement, (2) an account in the Construction Fund established by Supplemental Resolution for an improvement of the System for which Additional Bonds can be authorized under Section 314(a)(1) or Section 314(a)(2), or (3) the Sinking Fund for the purpose of redemption or purchase of Bonds issued for such Project or Additional Project. Such Bonds shall be called for redemption in accordance with instructions of the Authority.

(c) Notwithstanding any of the foregoing provisions of this Section, the Trustee shall transfer from the Construction Fund and shall pay into the Bond Service Fund any amounts necessary for the payment, when due, of interest and principal on Bonds, if and to the extent the moneys or funds referred to in Section 506, Section 508, Section 509 or Section 510 are not sufficient therefor.

(d) No amount shall be withdrawn from or shall be paid out of the Construction Fund except as expressly provided in this Section or Section 403.

ARTICLE V

FUNDS, APPLICATION OF REVENUES AND OTHER MONEYS; BOND INSURANCE

Section 501. Pledge of Revenues and Other Moneys. Subject to the right and the obligation of the Authority to apply amounts for Operating Expenses of the System, all Revenues, moneys, securities and funds held or set aside or to be held or set aside pursuant to this Resolution by any Fiduciary or in any fund created by Section 502(a) are hereby pledged to secure the payment of the principal or the Redemption Price of and the interest on the Bonds. This pledge shall be valid and binding from and after the time of the delivery by the Trustee of the first Bond authenticated and delivered under this Resolution. The Revenues and other moneys, securities and funds so pledged and then or thereafter received by the Authority immediately shall be subject to the lien of such pledge without any physical delivery or further act. The lien of such pledge and the obligation to perform the contractual provisions hereby made shall have priority over any or all other obligations and liabilities of the Authority. The lien of such pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Authority irrespective of whether such parties have notice thereof.

Section 502. Establishment of Funds. (a) The Authority hereby establishes and creates the following Funds:

Revenue Fund

Operating Fund

Bond Service Fund

Sinking Fund

Bond Reserve Fund

Renewal and Replacement Fund

General Fund

Rebate Fund

The Operating Fund shall be held by the Authority and shall be used to pay for the Operating Expenses of the Authority. All other Funds shall be held by the Trustee.

(b) The Trustee shall also establish within the Bond Service Fund a separate subaccount for amounts received as Capitalized Interest for each Series of Bonds.

(c) Other funds or accounts may be created by Supplemental Resolution.

Section 503. Assignment of Service Contract. All rights of the Authority under the provisions of the Service Contract to receive payments from the Township shall be and are hereby pledged for the benefit and the security of the holders of the Bonds to secure and punctual performance by the Authority of all of its obligations under the terms and the provisions of this Resolution. For this purpose, such rights are hereby assigned to the Trustee, subject, however, to the right of the Authority to receive such payments and deposits and to apply the same as provided in the aforementioned resolutions except during periods when it may be in default in the performance of its obligations. Prior to the occurrence of an Event of Default, the Trustee shall have no obligation to enforce any such assigned rights, to collect any such payments or deposits or to account therefor.

Section 504. Deposit of Revenues, Government Grants and Contributions. (a) All Revenues shall be collected by the Authority and shall be deposited daily, as far as practicable, in the name of the Trustee with a depository or depositories, each fully qualified under the provisions of Section 1205 and designated by the Authority to receive the same as deposits of moneys held by the Trustee and credited by the Trustee to the Revenue Fund.

(b) Statements giving the amount of each such deposit and the name of the depository shall be forwarded promptly to the Trustee by the Authority and by such depository. The Trustee shall be accountable under this paragraph only for moneys actually so deposited. All such Revenues shall be credited by the Trustee to the Revenue Fund. Unless otherwise directed by any other provision or this Resolution, any moneys other than the foregoing, received by the Authority from any other source for operating, maintaining or repairing the System may be paid to the Trustee and shall be paid into and shall be credited to the Revenue Fund by the Trustee.

(c) All Government Grants and any contributions from other sources for or with respect to the Project or an Additional Project received by the Authority shall be deposited promptly in the name of the Trustee with the Trustee. The Trustee shall be accountable under this paragraph only for moneys actually so deposited. All such Government Grants and such contributions shall be paid by the Trustee (1) into the Construction Fund and credited to the account established and maintained therein for the Project or an Additional Project, or (2) if such account shall not then be maintained, into the General Fund.

Section 505. Periodic Withdrawals from Revenue Fund. As of the first day of each month (in this Section sometimes called the "Withdrawal Date") in any Fiscal Year (except as otherwise herein provided) the Trustee shall make payments out of the amount (herein called the "Withdrawal") of any moneys in the Revenue Fund into the following several accounts, but as to each such account only within the limitation hereinbelow indicated with respect thereto and only after maximum payment within such limitation into every such account previously mentioned in the following tabulation:

First: Into the Operating Fund, the amount of Operating Expenses needed for the month as shown in the Annual Budget then in effect, and such amount as are necessary for reimbursement of any prior payment of Operating Expenses which had been anticipated in the Annual Budget;

Second: Into the Bond Service Fund, to the extent, if any, needed to increase the amount in the Bond Service Fund so that it equals the Bond Service Requirement, and on a pro rata basis, into the Sinking Fund, to the extent,

if any, needed to increase the amount then or theretofore paid during such Fiscal Year into the Sinking Fund pursuant to this clause Second so that it equals the Sinking Fund Requirement;

Third: Into the Bond Reserve Fund (as necessary), to the extent, if any, needed to increase the amount in the Bond Reserve Fund so that it equals the Bond Reserve Requirement;

Fourth: Into the Renewal and Replacement Fund, to the extent, if any, needed to increase the amount in the Renewal and Replacement Fund so that it equals the Renewal and Replacement Requirement;

Fifth: Into the General Fund, to any extent.

Section 506. Application and Restoration of Bond Service Fund. (a) Immediately prior to each interest payment date of the Bonds, the Trustee shall withdraw from the Bond Service Fund an amount equal to the unpaid interest due on the Bonds on or before such interest payment date, shall cause the same to be applied to the payment of such interest when due and shall transmit the same to Paying Agents, who shall apply the same to such payment.

(b) If the withdrawals required under the provisions of Section 506(a) with respect to the same and every prior date shall have been made, the Trustee shall withdraw from the Bond Service Fund prior to each principal maturity date an amount equal to the principal amount of the Outstanding Bonds, if any, maturing on or before such day, shall cause the same to be applied to the payment of the principal of such Bonds when due and may transmit the same to Paying Agents, who shall apply the same to such payment.

(c) If the withdrawals required under the provisions of Section 506 (a) and (b) of this Section with respect to the same and every prior date shall have been made, the Trustee from time to time shall withdraw from the Bond Service Fund and shall pay into any account maintained in the Sinking Fund the amount sufficient to reimburse such account for any amount theretofore paid from such account for or on account of accrued interest on Bonds purchased in accordance with the provisions of Section 507.

(d) If at any time there shall not be a sufficient amount in the Bond Service Fund to provide for any withdrawal therefrom required under the provisions of Section 506 (a) or (b) after any deposit required under Section 510(a), if that section shall apply, the Trustee shall withdraw from the Bond Reserve Fund and shall pay into the Bond Service Fund or the Sinking Fund the amount sufficient to make up such deficiency therein. If the Bond Reserve Requirement is satisfied by a Bond Reserve Credit Facility, the Trustee shall give notice to the provider of such Facility as may be required to insure that the amounts, if any, to be drawn shall be available to make the required withdrawals from the Bond Service Fund and shall notify the Insurer.

(e) No amounts shall be withdrawn from or shall be paid out of the Bond Service Fund except as expressly provided in this Section or in Section 511 or in Section 1201.

Section 507. Application and Restoration of Sinking Fund. (a) Moneys paid into the Sinking Fund pursuant to Section 505 in any Fiscal Year shall be segregated upon receipt and shall be set aside in such accounts in proportion to the respective amounts of the Sinking Fund Installments payable during the next ensuing Fiscal Year with respect to the particular Bonds for which each such account is maintained. Moneys paid into the Sinking Fund pursuant to Section 507 shall be set aside upon receipt in the account therein with respect to which such payment is a reimbursement. Moneys paid into the Sinking Fund pursuant to paragraph (b) of this Section on account of any particular Sinking Fund Installment shall be set aside in the account therein maintained for the particular Bonds entitled to such Sinking Fund Installment. Any interest or profit on any investment of moneys in any account in the Sinking Fund shall be deposited by the Trustee notwithstanding the provisions of Section 1205 in such account.

(b) If on the Withdrawal Date prior to any Sinking Fund Installment date the full amount of any Sinking Fund Installment payable on the Sinking Fund Installment due date next ensuing shall not have been paid into the Sinking Fund pursuant to Section 505, the Trustee shall withdraw from the Bond Reserve Fund and shall pay into the Sinking Fund on account of such Sinking Fund Installment the amount thereof not previously so paid into the Sinking Fund. If the Bond Reserve Requirement is satisfied by a Bond Reserve Credit Facility, the Trustee shall give notice to the provider of such Facility as may be required to insure that the amounts, if any, to be drawn shall be available to make the required withdrawals from the Bond Service Fund and shall notify the Insurer.

(c) The Trustee shall apply moneys in any account established in the Sinking Fund as provided in Section 506(a) to the purchase or the redemption of the Bonds for which such account is maintained in the manner provided in this Section or to the payment of the principal thereof at maturity, provided that no such Bonds shall be purchased during the period of sixty days next preceding the date of a Sinking Fund Installment established for such Bonds. If any date there shall be moneys in any such account and there shall be Outstanding none of the Bonds for which such account was established, such account shall be closed and the moneys therein shall be withdrawn therefrom as directed by the Authority and (1) be segregated and be set aside in the other accounts in the Sinking Fund by the Trustee as if paid into the Sinking Fund on such date pursuant to Section 505 or (2) if there be no such other accounts in the Sinking Fund, shall be paid into the Bond Reserve Fund, to the extent necessary, and then into the General Fund.

(d) The purchase price paid by the Trustee (excluding accrued interest but including any brokerage and other charges) for any Bond purchased pursuant to this Section shall not exceed the Redemption Price of such Bond applicable upon its redemption through application of the moneys available for such purchase on the next date on which such Bond could be redeemed in accordance with its terms by operation of the Sinking Fund. Subject to the limitations hereinbefore set forth or referred to in this Section, the Trustee at direction of the Authority shall purchase Bonds at such time, for such prices, in such amounts and in such manner (whether after advertisement for tenders or otherwise) as the Trustee in its discretion

may determine and as may be possible with the amount of moneys available therefor in the Sinking Fund.

(e) As soon as practicable after the sixtieth and before the thirtieth day prior to the date of each Sinking Fund Installment, the Trustee shall call for redemption on the date of such Installment by operation of the Sinking Fund such principal amount of the Bonds entitled to such Sinking Fund Installment as is required to exhaust as nearly as may be practicable the balance of such Sinking Fund Installment remaining after deduction therefrom of any part of such Sinking Fund Installment previously paid into or available in the Sinking Fund pursuant to Section 505, set aside in the account maintained therein as provided in Section 507(a) for such Bonds and applied to the purchase of such Bonds. On the redemption date the Trustee shall apply the moneys in such account to the payment of the Redemption Price of the Bonds so called for redemption. Subject to the limitations hereinbefore set forth or referred to in this Section, any amount of moneys in the Sinking Fund that were paid into the Sinking Fund otherwise than pursuant to Section 505 and that on the day following such Sinking Fund Installment date remain unexpended in the hands of the Trustee may and, if such amount is sufficient to effect redemption of Bonds in a principal amount equal to or exceeding \$25,000 shall be set aside by the Trustee and shall be applied to the redemption (through application of such moneys but in other respects as if otherwise than by operation of the Sinking Fund) of the largest principal amount of Bonds that may be redeemed on the next succeeding interest payment date by such application of such amount. All Bonds redeemed under the provisions of this Section shall be redeemed in the manner provided in a Supplemental Resolution. Prior to the redemption date the Trustee shall withdraw from the Sinking Fund the amount of the Redemption Price of such Bonds, shall cause the same to be applied to the payment of such Redemption Price when due and may transmit the same to Paying Agents who shall apply the same to such payment.

(f) No amount shall be withdrawn from or shall be paid out of the Sinking Fund except as expressly provided in this Section or in Section 511 or in Section 1201.

Section 508. Application of Bond Reserve Fund. (a) If on any Withdrawal Date all withdrawals or payments from the Bond Reserve Fund required by any other provision of this Resolution with respect to the same and every prior date shall have been made, the Trustee shall withdraw from the Bond Reserve Fund upon direction of the Authority the amount of any excess therein over the Bond Reserve Requirement as of such Withdrawal Date and shall pay any moneys so withdrawn into the Bond Reserve Fund, to the extent necessary, and then into the General Fund. The preceding sentence shall not apply to any amounts represented by a Bond Reserve Credit Facility.

(b) In the event the Bond Reserve Requirement is satisfied with a Bond Reserve Credit Facility, and reimbursement to the provider thereof is required to restore any amounts paid therefrom to continue to be payable thereunder, then such amount shall be paid out from the Bond Reserve Fund to such provider, but only to the extent required by the agreement with the provider of the Bond Reserve Credit Facility.

(c) No amount shall be withdrawn from or paid out of the Bond Reserve Fund except as provided in this Section or in Section 506, Section 507, Section 511 or Section 1201. Any amounts to be withdrawn from or paid out of the Bond Reserve Fund shall be first withdrawn from cash or Investment Obligations on deposit therein and then from amounts to be paid from the Bond Reserve Credit Facility.

Section 509. Application of Renewal and Replacement Fund. (a) (1) If on any date there shall be no funds in the Bond Reserve Fund and on such date there shall not be a sufficient amount in the Bond Service Fund to provide for any withdrawal therefrom required under the provisions of Section 506(a), (b) or (c), the Trustee shall withdraw from the Renewal and Replacement Fund and shall pay into the Bond Service Fund the amount sufficient to make up such deficiency therein.

(2) If on any date there shall be no funds in the Bond Reserve Fund and the full amount of the Sinking Fund Requirement shall not have been paid into the Sinking Fund pursuant to Section 505, the Trustee shall withdraw from the Renewal and Replacement Fund and shall pay into the Sinking Fund the amount of the Sinking Fund Requirement not so paid into the Sinking Fund.

(3) If on any date the amount in the Bond Reserve Fund shall not equal the Bond Reserve Requirement and no funds shall be available in the General Fund to provide therefor, the Trustee shall withdraw from the Renewal and Replacement Fund and shall pay into the Bond Reserve Fund the amount required to cause the amount in the Bond Reserve Fund to equal the Bond Reserve Requirement.

(b) The Trustee shall withdraw from the Renewal and Replacement Fund amounts requisitioned by the Authority for improvements, constructions, reconstructions, betterments, major repairs, renewals, replacements or maintenance items of a type not recurring annually or at shorter intervals and for costs of equipment, all as related to the System, or, if necessary, for the Operating Expenses of the Authority. The Trustee shall apply such amounts by transferring the same to the Operating Fund in the event such amounts are for Operating Expenses and/or to the Construction Fund for any other amounts. Before any such transfer shall be made, the Authority shall file with the Trustee:

(1) its requisition therefor, stating the amount of such expenses and describing in reasonable detail the purpose of such expenditure; and

(2) a Certificate of an Authority Officer attached to such requisition stating the purpose of such expenditure and the opinion that the amount of such expenses is reasonable, that such expenditure is for a purpose described and permitted in Section 509(b) and such expenditure is necessary or desirable for the sound and economical operation or development of the System.

(c) If on any date all withdrawals or payments from the Renewal and Replacement Fund required by any other provisions of this Resolution with respect to the same and every prior

date shall have been made and the amount in the Renewal and Replacement Fund exceeds the Renewal and Replacement Requirement, the Trustee shall withdraw from the Renewal and Replacement Fund the amount of such excess and shall pay the moneys so withdrawn into the General Fund.

(d) No amount shall be withdrawn from or paid out of the Renewal and Replacement Fund except as expressly provided in this Section, in Section 511 or in Section 1201 or to pay any principal of or interest on Bonds in accordance with their terms as the same become due.

Section 510. Application of General Fund. (a) If on any date the amount in the Bond Service Fund shall be less than the Bond Service Requirement as of such date, the Trustee shall withdraw from the General Fund and shall pay into the Bond Service Fund the amount needed to increase the amount in the Bond Service Fund so that it equals such Bond Service Requirement.

(b) If on any date the amount in the Sinking Fund shall be less than the Sinking Fund Requirement as of such date, the Trustee shall withdraw from the General Fund and shall pay into the Sinking Fund the amount needed to increase the amount in the Sinking Fund so that it equals such Sinking Fund Requirement.

(c) If on any date the amount in the Bond Reserve Fund shall be less than the Bond Reserve Requirement as of such date, the Trustee shall withdraw from the General Fund and shall pay into the Bond Reserve Fund the amount needed to increase the amount in the Bond Reserve Fund so that it equals such Bond Reserve Requirement.

(d) If on any date the amount in the Renewal and Replacement Fund shall be less than the Renewal and Replacement Requirement as of such date, the Trustee shall withdraw from the General Fund the amount needed to increase the amount in the Renewal and Replacement Fund so that it equals the Renewal and Replacement Requirement.

(e) Notwithstanding any other provision of this Resolution, whenever at any date in any Fiscal Year (1) the amount in the Bond Service Fund equals or exceeds the Bond Service Requirement, (2) the amount in the Sinking Fund equals or exceeds the aggregate amount of all Sinking Fund Installments payable during the next ensuing Fiscal Year, (3) the amount in the Bond Reserve Fund equals or exceeds the Bond Reserve Requirement, (4) the amount in the Renewal and Replacement Fund equals or exceeds the Renewal and Replacement Requirement and (5) the Authority is not in default in the payment of the principal of, the interest on or the Redemption Price of any of the Bonds, the Trustee (A) upon the filing with it of an Officer's Certificate requesting such withdrawal, shall withdraw from the General Fund the amount stated in such Officer's Certificate and shall pay such amount into the Revenue Fund, or (B) upon direction by resolution of the Authority shall withdraw from and shall pay out of the General Fund, free and clear of any lien or pledge created by the Resolution, the amounts referred to in such resolution. All amounts so withdrawn by the Trustee from the General Fund immediately upon withdrawal shall be paid to the Authority and may be spent by the Authority for any lawful purpose, including payments with respect to subordinate debt. All amounts so paid to the

Authority forthwith upon withdrawal shall be forever free and clear of any lien or pledge created by this Resolution.

(f) No amount shall be withdrawn from or shall be paid out of the General Fund except as expressly provided in this Section, Section 511 or Section 1201 and to pay principal of or interest on the Bonds in accordance with their terms as the same become due.

Section 511. Rebate Fund. All moneys which are subject to rebate to the United States Government pursuant to the provisions of the Code, as determined in accordance with the terms of Section 609, shall be deposited in the Rebate Fund. Moneys which are on deposit in the Rebate Fund shall be invested by the Trustee in such Investment Obligations as may be directed by the Authority in accordance with the provision of Section 512; provided however, that such investments shall mature in such amounts and at such times as shall permit fund to be available when needed to make payments to the United States Government in accordance with the terms of Section 609. All income from such Investment Obligations shall be held within the Rebate Fund to the extent required by the provisions of the Code. Any moneys in the Rebate Fund which are determined to be not subject to rebate, shall be withdrawn from the Rebate Fund and deposited into the General Fund.

Section 512. Directions to Invest. The Trustee, upon receipt from time to time of directions from the Authority, or from someone designated by the Authority in writing, shall invest moneys held by it pursuant to and within the limitations of this Article V in such Investment Obligations, as may be directed by the Authority, provided however, that any investment of amounts representing Capitalized Interest shall be invested only in Investment Obligations described in subparagraph (a) of the definition thereof maturing at such times and in such amounts as are necessary to match the payment of interest on the Series of Bonds. Directions to the Trustee may be given orally by the Authority and confirmed in writing. Except as otherwise provided herein, all income from such Investment Obligations shall be credited to the Revenue Fund.

Section 513. Method of Valuation and Frequency of Valuation . In computing the amount in any fund or account except the Bond Reserve Fund, Investment Obligations shall be valued at the lower of cost or market price thereof. With respect to all funds and accounts except the Bond Reserve Fund, valuation shall occur on March 31 of each year or such other annual date as an Authority Officer shall designate. The Bond Reserve Fund shall be valued semiannually at fair market value and marked to market at least once per year, except in the event of a withdrawal from the Bond Reserve Fund, whereupon it shall be valued immediately after such withdrawal and monthly thereafter until the Bond Reserve Fund is at its required level. If amounts on deposit in the Bond Reserve Fund, at any time, be less than the applicable Bond Reserve Requirement, the Insurer, if any, shall be notified immediately and such deficiency shall be made up from first available moneys after required deposits to the Bond Service Fund (a) over a period of not more than four months, in the four (4) substantially equal payments in the event that such deficiency results from a decrease of 10% or more in the market value of the Investment Obligations on deposit in the Bond Reserve Fund and (b) over a twelve (12) month

period, in four (4) substantially equal quarterly payments, in the event such deficiency results from a withdrawal from such Bond Reserve Fund.

Section 514. Credit Facility or Liquidity Facility. In the event the Bonds of any Series are entitled to the benefits of a direct pay letter of credit or other credit facility or liquidity facility, the Trustee, in lieu of making payments from the Bond Service Fund to the Paying Agent or to the Bondholders and with the consent of the Insurer, may reimburse the credit facility issuer or the liquidity facility issuer by applying moneys from the Bond Service Fund for amounts paid by the credit facility issuer or the liquidity facility issuer to the Paying Agent or to the Bondholders for amounts otherwise required to be paid by the Trustee to the Bondholders. Any such reimbursement shall be subordinate to the payment of debt service on the Bonds and subordinate to the deposits required to be made into the Bond Reserve Fund, if any.

ARTICLE VI

PARTICULAR COVENANTS OF AUTHORITY

Section 601. General. The Authority hereby particularly covenants and agrees with the Trustee and with the holders of the Bonds and makes provisions that shall be a part of its contract with such holders to the effect and with the purpose set forth in the following provisions and Sections of this Article.

Section 602. Payment of Bonds. The Authority duly and punctually shall pay or shall cause to be paid the principal or the Redemption Price of every Bond and the interest thereon at the dates and the places and in the manner mentioned in the Bonds according to the true intent and meaning thereof and shall pay to the Trustee any part of any Sinking Fund Installments payable on or before such due day that has not previously been paid into the Sinking Fund pursuant to any other provisions of this Resolution,

Section 603. Construction and Completion of Project and Additional Projects. The Authority shall construct and shall complete the acquisition and the construction of the Project and any Additional Projects, shall cause all connections to be made to the System as provided for in the Service Contract and shall do all other acts and things necessary and reasonably possible to entitle it to receive and to enforce payment of Service Charges and Annual Charges and to collect Revenues with respect to the System at the earliest practicable time.

Section 604. Operation and Maintenance of System. The Authority at all times shall operate the System properly and in a sound and economical manner, shall maintain, shall preserve and shall keep it properly or shall cause it to be so maintained, preserved and kept with the appurtenances and every part and parcel thereof in good repair, working order and condition and from time to time shall make or shall cause to be made all necessary and proper repairs, replacements and renewals so that at all times the operation of the System may be properly and advantageously conducted.

Section 605. Abandonment of Construction. Nothing contained in this Resolution shall require the Authority to complete the construction of any Project, Additional Project or part thereof if there shall have been filed with the Trustee (1) an Officer's Certificate stating that in the opinion of the Authority abandonment of the construction of such Project, Additional Project or part thereof is economically justified and is not prejudicial to the interest of the Authority, the Customers or the Bondholders and (2) a Counsel's Opinion that abandonment of construction of such Project, Additional Project or part thereof will not violate the provisions of the Service Contract or prejudice the rights of Bondholders thereunder and (3) a Consulting Engineer's Certificate to the effect that the opinion set forth in the Officer's Certificate described in subsection (1) of this Section is not unreasonable.

Section 606. Offices for Servicing Bonds. The Authority at all times shall maintain an office or an agency in the State or in the Borough of Manhattan, City and State of New York, where Bonds may be presented for registration, transfer or exchange and where Bonds may be presented for payment or redemption. The Authority hereby irrevocably appoints the Registrar as its agent to maintain such office for the registration and transfer or the exchange of Bonds. The Authority shall appoint one or more Paying Agents as its agent to maintain such office for the payment or the redemption of Bonds.

Section 607. Annual Budget. The Annual Budget shall be adopted and shall be prepared in accordance with the requirements of the Local Authorities Fiscal Control Law notwithstanding any requirements of this Resolution to the contrary and shall be filed with the Trustee upon adoption thereof.

Section 608. Creation of Liens; Subordinated Indebtedness. The Authority shall not issue any bonds, notes or other evidences of indebtedness, other than the Bonds (including Additional Bonds) secured by a pledge of or other lien or charge on the Revenues (including amounts that the Authority thereafter may be entitled to expend for Operating Expenses) and shall not create or cause to be created any lien or charge on such Revenues or on any amounts held by the Trustee, the Registrar or any Paying Agent under this Resolution provided, however, that neither this Section nor any other provision of this Resolution shall prevent the Authority from issuing bonds or notes or other obligations for the purposes of the Authority payable out of or secured by a pledge of Revenues to be derived on and after such date as the pledge of the Revenues provided in this Resolution shall be discharged and satisfied as provided in Section 1201 or from issuing bonds or notes or other obligations (herein sometimes called subordinate indebtedness) for the purposes of the Authority that are payable out of or secured by a pledge of Revenues subordinate to the rights of Bondholders and (a) are issued for a purpose, the completion of which in the opinion of the Consulting Engineer as evidenced by certificate filed with the Trustee, will not cause a reduction in Revenues to be thereafter derived by or for the account of the Authority (other than available surplus funds in the General Fund), (b) recite on their face that such pledge of such amounts is and shall be in all respects subordinate to the provisions of this Resolution and the lien and the pledge created by this Resolution as well as the Initial Bonds or Additional Bonds and the lien and the pledge created by this Resolution and, if notes, (c) recite on their face that the Authority covenants that, such notes shall be redeemed by Additional Bonds or available funds of the Authority. The payment of subordinate indebtedness may not be accelerated pursuant to any resolution authorizing such indebtedness unless the payments on the Bonds shall have been accelerated under the Resolution.

Section 609. Compliance with Code and Arbitrage Regulations. (a) The Authority shall at all times do and perform all acts and things which are necessary in order to ensure that interest on any Series of Bonds that are issued on a tax exempt basis shall be excluded from gross income for purposes of federal income taxation under the Code.

(b) The Authority shall not permit at any time or times any of the proceeds derived from the sale of any Series of Bonds to be used, directly or indirectly, to acquire any securities or obligations the acquisition of which would cause any of the bonds issued on a tax exempt basis to be an “arbitrage bond” under the relevant provisions of the Code.

(c) In the event the Authority does not spend the gross proceeds derived from the sale of any Series of Bonds within the succeeding six (6) month period commencing on the date of issuance, the Authority shall direct the Trustee in writing to rebate to the United States of America on behalf of the Authority the amount to be calculated in accordance with the Code by the Authority or its representatives. Each year, on the anniversary date of the issuance of any Series of Bonds, the Authority shall determine the amount of the rebate which is due to the United States on behalf of the Authority and shall promptly pay such amount to the Trustee for deposit in the Rebate Fund to the extent that such amount is not then on hand in the Rebate Fund.

For each investment of the proceeds derived from the sale of any Series of Bonds in a Non-Purpose Investment, the Authority shall direct the Trustee to record the following information: purchase date, purchase price, fair market value, face amount, stated interest rate, any accrued interest due on its purchase date, frequency of interest payments, disposition date, and Yield to maturity as provided by the Authority. The Yield to maturity for an investment presently means that discount rate, based on a compounding frequency which is the same as that on any Series of Bonds (or such other compounding permitted by the Code), which when used to determine the present value, on the purchase date of such investment or the date on which the investment becomes a Non-Purpose Investment, whichever is later of all payments of principal and interest on such investment gives an amount equal to the fair market value of such investment including accrued interest due on such date.

The rebate amount shall be paid in installments which shall be made at least once every five (5) years from the date of issuance of any Series of Bonds. The first such installment shall be due to the United States on behalf of the Authority not later than thirty (30) days after the end of the fifth (5th) year following the date of issuance of any Series of Bonds and shall be in an amount which ensures that at least ninety percent (90%) of the amount described above with respect to any Series of Bonds is paid. Each subsequent payment shall be made not later than five (5) years after the date the preceding payment was due. Within sixty (60) days after the payment of any Series of Bonds, the Authority shall direct the Trustee, in writing, to pay to the United States on behalf of the Authority one hundred percent (100%) of the aggregate amount due with respect to any Series of Bonds which have not theretofore paid.

At the (1) maturity of any Series of Bonds, (2) if any Series of Bonds are redeemed prior to maturity, the date on which any Series of Bonds are redeemed, (3) each year, on the anniversary date of the issuance of any Series of Bonds, and (iv) any other date that may be required by the Code (the “Computation Date”), the Authority shall determine the amount of the rebate which shall be payable to the United States on behalf

of the Authority and shall promptly deliver written notice of such amount and the detailed basis of calculation therefore to the Authority and to the Trustee. On each Computation Date, if such rebate amount exceeds the amount which is then on deposit in the Rebate Fund, such Rebate amount shall be transferred by the Trustee at the written direction of the Authority to the Rebate Fund until such amount is paid as a rebate to the United States. If there is not a sufficient amount in the Rebate Fund for such transfer, the Authority shall promptly pay to the Trustee, from other sources, the amount which is necessary to make up such deficiency.

Section 610. Rates and Charges. With respect to all direct or indirect use of the System, the Authority shall make, shall impose, shall charge and shall collect Service Charges in accordance with the Act. Such Service Charges shall be so fixed, charged and collected under the Act so that the Revenues for each Fiscal Year will be at least sufficient to pay one hundred percent of (1) Operating Expenses in the Fiscal Year, (2) all interest on and principal of all Bonds as the same shall become due and payable without recourse to or withdrawal from the Bond Reserve Fund and (3) all other amounts that are required to be paid pursuant to this Resolution. For purposes of this Section 610, Revenues shall be deemed to include any funds which the Authority deposits in the Revenue Fund, regardless of the source thereof.

Section 611. Insurance. The Authority will obtain all insurance that is reasonable and necessary with respect to the System, the operation of the System or the construction of the System.

Section 612. Sale or Encumbrance. No part of the System shall be sold, leased, mortgaged, pledged, encumbered or otherwise disposed of; provided however, that the Authority may sell, and/or exchange or may lease at any time and from time to time on such terms as the Authority in its sole discretion may determine any property or facilities constituting part of the System and determined by the Authority by resolution as not being useful or necessary in the construction, the reconstruction or the operation thereof or not otherwise required for the efficient operation of the System. Any proceeds of any such sale or exchange received and not used to replace such property so sold or exchanged shall be paid to the Trustee to be deposited in accordance with this Resolution. Any proceeds of any lease received shall be deposited by the Authority as Revenues.

ARTICLE VII

REDEMPTION OF BONDS

Section 701. Privilege of Redemption and Redemption Prices. The Bonds of any Series that are redeemable prior to maturity at the option of the Authority shall be subject to redemption by or on behalf of the Authority, prior to maturity and upon notice as provided in this Article, to such extent, through application of such moneys, at such time or times, in such order and on such other terms and conditions as shall be provided by this Resolution and referred to in the form of such Bonds and in all cases at the Redemption Prices set forth in such Bonds and applicable upon such redemption, together with interest accrued to the redemption date.

Section 702. Selection of Bonds to be Redeemed. If less than all of the Bonds of any Series of like maturity then Outstanding are to be redeemed, the Authority shall designate the amount of Bonds of each Series to be redeemed, and if less than all of the Outstanding Bonds of any Series shall be called for redemption, the Bonds to be so redeemed shall be selected by the Trustee by lot or as otherwise provided by Supplemental Resolution authorizing such Series. In selecting Bonds to be redeemed, the Trustee shall treat each Bond as consisting of the quotient of the amount of the principal value of such Bond divided by \$5,000, provided that no Bond shall be redeemed which would result in the unredeemed portion thereof aggregating less than an Authorized Denomination.

Section 703. Notice of Redemption. When the Trustee shall be required or authorized or shall receive notice from the Authority of its election to redeem Bonds of any Series, the Trustee in accordance with the terms and provisions of the Bonds and of this Resolution shall select the Bonds to be redeemed and shall give notice in the name of the Authority of the redemption of Bonds. Such notice shall specify the Series and the maturities of the Bonds to be redeemed, the redemption date and the place of the places where amounts due upon such redemption will be payable and, if less than all of the Bonds of any like Series and maturity are to be redeemed, the letters and the numbers or other distinguishing marks of such Bonds so to be redeemed. In the case of a Bond to be redeemed in part only, such notice shall also specify the portion of the principal amount thereof to be redeemed. Such notice shall state further that on such date there shall become due and payable upon each Bond to be redeemed the Redemption Price thereof or the Redemption Price of the specified portion of the principal thereof in the case of a Registered Bond to be redeemed in part only, together with interest accrued to such date, and that from and after such date interest thereon shall cease to accrue and be payable. Such notice shall be given by the Trustee by mailing a copy of such notice, postage prepaid, not less than thirty (30) days before such redemption date, to the Registered Owner of any Bond all or a portion of which is to be redeemed at his last address, if any, appearing upon the registry books kept by the Registrar, and to the Insurer, but receipt of such mailing shall not be a condition precedent to such redemption and failure so to mail any such notice shall not affect the validity of any proceedings for the redemption of

Bonds. If at the time of mailing of any notice of redemption there shall not be on deposit with the Trustee moneys sufficient to redeem all the Bonds called for redemption, such notice shall state that such redemption is subject to the deposit of the redemption moneys with the Trustee not later than the opening of business on the redemption date and that such notice shall be of no effect unless such moneys are so deposited.

Section 704. Authority's Election to Redeem. The Authority shall give written notice to the Trustee and the Insurer of its election to redeem Bonds of any Series and of the redemption date. Such notice shall be given at least sixty days prior to the redemption date or at such later date as shall be acceptable to the Trustee. In the event that the required notice of redemption shall have been given, the Authority shall and hereby covenants that it will pay to the Trustee prior to the redemption date an amount in cash that, in addition to any other moneys available therefor held by the Trustee, will be sufficient to redeem at the Redemption Price thereof, plus interest accrued to the redemption date, all of the Bonds that are to be redeemed.

Section 705. Payment of Redeemed Bonds. Notice having been given in the manner provided in Section 703, the Bonds of any Series or the portions thereof called for redemption and specified in such notice shall become due and payable on the redemption date specified in such notice at the Redemption Prices thereof applicable on such date, plus unpaid interest on such Bonds or portions thereof accrued to such date. Upon presentation and surrender thereof at the place or the places specified in such notice and to the Registered Owner of the Bonds, or to his order, upon surrender of a written instrument of transfer duly executed by the Registered Owner or by his attorney duly authorized in writing or to such attorney in fact. If there shall be so called for redemption less than all of a Bond, the Authority shall execute and the Registrar shall authenticate and shall cause to be delivered, upon the surrender of such Bond, without charge to the owner thereof, for the unredeemed balance of the principal amount of the Bond so surrendered registered Bonds of like Series, designation, interest rates and maturities in any of the authorized denominations. If on such redemption date moneys for the redemption of all the Bonds or the portions thereof of any like Series and maturity to be redeemed, together with interest thereon accrued and unpaid to such date, shall be held by or on behalf of the Trustee, the Registrar or the Paying Agent so as to be available therefor on such date. If notice of redemption thereof shall have been provided as aforesaid, then from and after such redemption date, interest on the Bonds or the portions thereof of such Series and maturity so called for redemption shall cease to accrue and to become payable, and such Bonds shall no longer be considered as Outstanding hereunder. All moneys held by or on behalf of the Trustee, the Registrar or the Paying Agent for the redemption of particular Bonds shall be held in trust for the account of the holders of the Bonds so to be redeemed.

ARTICLE VIII

SUPPLEMENTAL RESOLUTIONS

Section 801. Supplemental Resolutions Effective Upon Adoption. A Supplemental Resolution shall be fully effective in accordance with its terms upon its adoption by the Authority to modify or to amend any of the terms or the provisions of this Resolution if no Bonds are Outstanding.

Section 802. Supplemental Resolutions Effective Upon Filing. A Supplemental Resolution for any one or more of the following purposes shall be fully effective in accordance with its terms and upon the filing with the Trustee of a copy thereof certified by an authorized officer of the Authority together with a Counsel's Opinion as required by Section 805:

(a) To close this Resolution against or to provide limitations and restrictions in addition to the limitations and the restrictions contained in this Resolution on the issuance of Bonds or of other notes, bonds, obligations or evidences of indebtedness in the future;

(b) To add to the covenants or the agreements of the Authority contained in this Resolution other covenants or agreements to be observed by the Authority that are not contrary to or inconsistent with this Resolution as theretofore in effect;

(c) To add to the limitations or the restrictions contained in this Resolution other limitations or restrictions to be observed by the Authority that are not contrary to or inconsistent with this Resolution as theretofore in effect;

(d) To surrender any right, power or privilege reserved to or conferred upon the Authority by this Resolution;

(e) To confirm, as further assurance, any pledge of or lien upon the Revenues or any other moneys, securities or funds;

(f) To specify, to determine or to authorize any and all matters and things relative to the Bonds or to the proceeds thereof that are not contrary to or inconsistent with this Resolution;

(g) To authorize Additional Bonds or, in connection therewith, to specify, to determine or to authorize the matters and the things mentioned or referred to in Article III and also any other matters and things relative to such Bonds or the proceeds thereof that are not contrary to or inconsistent with this Resolution as theretofore in effect;

(h) To modify or to amend any of the terms or the provisions of this Resolution provided that such modification by its terms shall not take effect until all

Bonds Outstanding on the date of adoption of such Supplemental Resolution shall have ceased to be Outstanding.

Section 803. Supplemental Resolutions Effective Accompanied by an Opinion of Counsel. A Supplemental Resolution for any one or more of the following purposes shall be fully effective in accordance with its terms upon (a) the filing with the Trustee of a copy thereof certified by an authorized officer of the Authority; (b) the filing of a Counsel's Opinion as required by Section 805 and (c) the giving of a notice to Bondholders mailed to holders of Registered Owners of Bonds, summarizing the nature of the amendment and providing that the Bondholders may protest the amendment by filing a petition signed by no less than 5% of the Outstanding Bondholders with the Trustee within sixty (60) days of such publication, in which case the amendment shall only take effect as provided in Section 804:

(1) To cure any ambiguity, to supply any omission or to cure or to correct any defect or inconsistent provision in this Resolution;

(2) To insert such provisions clarifying matters or questions arising under this Resolution as are necessary or desirable and as are not contrary to or inconsistent with this Resolution as theretofore in effect; and

(3) To modify or to amend this Resolution in any manner that is not detrimental to the Trustee or to the Bondholders; and

Section 804. Supplemental Resolutions Effective with Consent of Bondholders. Any Supplemental Bond Resolution not effective in accordance with Sections 801, 802 and 803 shall take effect only if permitted and in the manner prescribed by Article IX.

Section 805. Filing of Counsel's Opinion. Each Supplemental Resolution described in Sections 802 and 803 shall be accompanied, when filed with the Trustee, by a Counsel's Opinion to the effect that such Resolution has been duly and lawfully adopted by the Authority in accordance with the provisions of this Resolution, is authorized or is permitted by this Resolution and, when effective, will be valid and binding upon the Authority, the Bondholders and the Trustee.

Section 806. Authorization to Trustee. The Trustee is hereby authorized to accept the delivery of a certified copy of any resolution of the Authority referred to and permitted or authorized by Sections 801, 802 or 803, to take all actions necessary hereunder to cause such amendment to become effective and make all further agreements and stipulations that may be therein contained, and the Trustee, in taking such action, shall be fully protected in relying on an opinion of counsel (which may be a Counsel's Opinion) that such resolution is authorized or permitted by the provisions of this Resolution or contains no provisions that are contrary to or inconsistent with this Resolution as theretofore in effect.

ARTICLE IX
AMENDMENTS

Section 901. Mailing; Application of Article. Any provision in this Article for the mailing of a notice or other paper to Bondholders shall be fully complied with if it is mailed by first class mail postage prepaid only to each Registered Owner of Bonds then Outstanding at his address, if any, appearing upon the books of the Authority kept at the principal office of the Registrar.

Section 902. Powers of Amendment . Any modification or amendment of this Resolution and of the rights and the obligations of the Authority and of the holders of the Bonds, in any particular, may be made by a Supplemental Resolution with (a) the written consent given as hereinafter provided in Section 903 of the holders of at least two-thirds in principal amount of the Bonds Outstanding affected by the modification or the amendment, (b) to the extent that any Outstanding Bonds are insured by an Insurer, the written consent of such Insurer. However, no such modification or amendment shall permit a change in the maturity or the terms of redemption of the principal of any Outstanding Bond, in the terms of payment of any installment of interest thereon, in the amount of principal amount payable, in the Redemption Price thereof, in the rate of interest thereon or in any security therefor without the consent of the holder of such Bond, shall change or shall modify any of the rights or the obligations of any Fiduciary without its written assent thereto or shall reduce the percentages or otherwise affect the description of Bonds the consent of the holders of which is required to effect any such modification or amendment.

Section 903. Consent of Bondholders. The Authority at any time may adopt a resolution making a modification or amendment permitted by the provisions of Section 902 to take effect when and as provided in this Section. Upon the adoption of such resolution, a copy thereof, certified by the Secretary, shall be delivered to and shall be held by the Trustee for the inspection of the Bondholders. A copy of such resolution (or summary thereof or reference thereto in form approved by the Trustee) together with a request to Bondholders for their consent thereto in form satisfactory to the Trustee shall be mailed by the Authority to Bondholders (but failure to mail such copy and request shall not affect the validity of the resolution when consented to as provided in this Section). Such resolution shall not be effective unless and until (a) there shall have been filed with the Trustee (1) the written consents of holders of the percentage of Outstanding Bonds specified in Section 902 and (2) a Counsel's Opinion stating that such resolution has been duly and lawfully adopted by the Authority in accordance with the provisions of this Resolution, is authorized or permitted by this Resolution and will be valid and binding upon the Authority and enforceable in accordance with its terms upon its becoming effective as provided in this Section, and (b) a notice shall have been mailed as hereinafter provided in this Section. Each such consent shall be effective only if accompanied by proof of the holding at the date of such consent of the Bonds with respect to which such consent is given, which proof shall be such as is permitted by

Section 1202. A certificate or certificates by the Trustee filed with the Authority that it has examined such proof and that such proof is sufficient under the provisions of Section 1202 shall be conclusive that the consents have been given by the holders of the Bonds described in such certificate or certificates of the Trustee. Any such consent shall be binding upon the holder of the Bonds giving such consent and upon any subsequent holder of such Bonds and of any Bonds issued in exchange therefor (whether or not such subsequent holder thereof has notice thereof) provided that, notwithstanding the provisions of Section 1202, such consent may be revoked subsequently by the holder of such Bonds giving such consent or a subsequent holder thereof by filing with the Trustee, prior to the time when the written statement of the Trustee hereinafter provided for in this Section is filed, such revocation and, if such Bonds are transferable by delivery, proof that such Bonds are held by the signer of such revocation in the manner permitted by Section 1202. The fact that a consent has not been revoked likewise may be proved by a certificate by the Trustee filed with the Trustee to the effect that no revocation thereof is on file with the Trustee. At any time after the holders of the required percentages of Bonds shall have filed their consents to the resolution, the Trustee shall make and shall file with the Authority and the Trustee a written statement that the holders of such required percentages of Bonds have filed such consents. Such written statement shall be conclusive that such consents have been so filed. At any time thereafter notice, stating in substance that the resolution (which may be referred to as a resolution adopted by the Authority on a stated date a copy of which is on file with the Trustee) has been consented to by the holders of the required percentages of Bonds and will be effective as provided in this Section, may be given to Bondholders by the Authority by mailing such notice to Bondholders not more than ninety (90) days after the holders of the required percentages of Bonds shall have filed their consents to the resolution and the written statement of the Trustee provided for hereinabove is filed. The Authority shall file with the Trustee proof of mailing of such notice. A record, consisting of the papers required or permitted by this Section to be filed with the Trustee, shall be proof of the matters therein stated. Such resolution making such modification or amendment shall be deemed conclusively binding upon the Authority, the Trustee and the holders of all Bonds at the expiration of forty days after filing with the Trustee of the proof of the first mailing of such last-mentioned notice, except in the event of a final decree of a court of competent jurisdiction setting aside such resolution in a legal action or equitable proceeding for such purpose commenced within such forty-day period, of which decree timely notice shall have been given to the Trustee; provided, however, that the Trustee and the Authority during such forty (40) day period and any such further period during which any such action or proceeding may be pending shall be entitled in their absolute discretion to take such action or to refrain from taking such action with respect to such resolutions as they may deem expedient.

Section 904. Modifications by Unanimous Action. Notwithstanding anything contained in the foregoing provisions of this Article or Article VIII, the terms and the provisions of this Resolution or any resolution amendatory thereof or supplemental thereto and the rights and the obligations of the Authority and of the holders of any of the Bond thereunder may be modified or amended in any respect upon the adoption by the Authority and the filing with the Trustee of a resolution to that effect and the consent of

the holders of all the Bonds then Outstanding affected by such modification or amendment, such consent to be accompanied by proof of the holding (at the date of such consent) of the Bonds with respect to which such consent is given, which proof shall be such as is permitted by Section 1202. No notice to Bondholders either by mailing or by publication shall be required. No such modification or amendment shall change or shall modify any of the rights or the obligations of any Fiduciary without its written assent thereto.

Section 905. Exclusion of Bonds. Bonds owned or held by or for the account of the Authority shall not be deemed Outstanding and shall be excluded for the purpose of consent or other action or any calculation of Outstanding Bonds provided for in this Article, and the Authority shall not be entitled with respect to such Bonds to give any consent or to take any other action provided for in this Article. At the time of any consent or other action taken under this Article, the Authority shall furnish the Trustee a certificate of an Authority Officer, upon which the Trustee may rely, describing all Bonds so to be excluded.

Section 906. Notation on Bonds. Bonds authenticated and delivered after the effective date of any action taken as provided in Article VIII or this Article may and, if the Trustee so determines, shall bear a notation by endorsement or otherwise in form approved by the Authority and the Trustee as to such action, and in that case upon demand of the holder of any Bond Outstanding at such effective date and upon presentation of his Bond for the purpose at the principal office of the Trustee, suitable notation shall be made on such Bond by the Trustee as to any such action. If the Authority shall so determine, new Bonds so modified as in the opinion of the Authority to conform to such action shall be prepared, authenticated by the Trustee or the Registrar and delivered and, upon demand of the holder of any Bond then Outstanding, shall be exchanged without cost to such Bondholder, for Bonds then Outstanding upon surrender of such Bonds.

Section 907. Contracts or Indentures. The Authority, insofar as authorized by law, may and, if requested by the Trustee, shall enter into a contract or an indenture with the Trustee giving effect to any modification or amendment of this Resolution or any resolution amendatory thereof or supplemental thereto as hereinabove provided in Article VIII or in this Article.

ARTICLE X

DEFAULT PROVISIONS AND REMEDIES OF TRUSTEE AND BONDHOLDERS

Section 1001. Defaults. The occurrence of any of the following events is hereby defined as and declared to be and to constitute an “Event of Default”:

- (a) Default in the due and punctual payment of any interest on any Bond; or
- (b) Default in the due and punctual payment of the principal or the Redemption Price of any Bond, whether at the stated maturity thereof, or on the date called for redemption in accordance with the provisions of a Supplemental Resolution authorizing such Bond or the redemption date set therefor in accordance with this Resolution or Supplemental Resolution thereto; or
- (c) Failure by the Authority to observe and to perform any other covenant, conditions or agreement on the part of the Authority in this Resolution or in the Bonds and continuance of such failure for a period of thirty (30) days after written notice, specifying such failure and requesting that it be remedied, shall be given to the Authority by the Trustee; or
- (d) The filing of a petition by the Authority seeking a composition of indebtedness under the Federal Bankruptcy Laws or under any other applicable law or statute of the United States of America or of the State; or
- (e) Failure by the Authority to comply with the provisions of this Resolution and a continuance of such failure for a period of thirty (30) days after written notice, specifying such failure and requesting that it be remedied, shall be given to the Authority by the Trustee; or

Section 1002. Acceleration. Upon the occurrence of an Event of Default identified in Section 1001(a), (b) or (d) and its continuance for a period of thirty (30) days, the Trustee may and, upon the written request of the holders of not less than a majority in aggregate principal amount of Bonds then Outstanding, shall declare the principal of all Bonds then Outstanding and the interest accrued thereon to date of such acceleration immediately due and payable by notice in writing delivered to the Authority. Upon the occurrence of an Event of Default identified in Section 1001(c), the Trustee may and, upon written request of the owners of not less than a majority in aggregate principal amount of Bonds then Outstanding, shall declare the principal of all Bonds then Outstanding and the interest accrued thereon to the date of such acceleration immediately due and payable by notice in writing delivered to the Authority. Upon any such declaration, the principal of and such interest on all Bonds then Outstanding shall become immediately due and payable.

Section 1003. Other Remedies. Upon the occurrence of an Event of Default, the Trustee may also pursue any remedy available to it at law or in equity or by statute.

No remedy by the terms of this Resolution conferred upon or reserved to the Insurer, Trustee or to the Bondholders is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given to the Insurer, the Trustee or to the Bondholders hereunder or now or hereafter existing at law, in equity or by statute.

No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient.

No waiver of any default hereunder, whether by the Insurer, the Trustee or by the Bondholders, shall impair any rights or remedies consequent thereon.

Section 1004. Rights of Bondholders. If an Event of Default shall have occurred and be continuing, if requested to do so by the holders of not less than a majority in aggregate principal amount of any Bonds then Outstanding and if indemnified as provided in this Resolution, the Trustee shall be obligated to exercise such one or more of the rights and the remedies conferred by this Article as the Trustee shall deem to be in the interests of the Bondholders and not contrary to law upon the advice of Counsel.

Section 1005. Rights of Bondholders to Direct Proceedings. Anything in this Resolution to the contrary notwithstanding, the owners of a majority in aggregate principal amount of any Bonds then Outstanding shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the method and the place of conducting all proceedings to be taken in connection with the enforcement of the terms and the conditions of this Resolution or for the appointment of a receiver or any other proceeding hereunder; provided that such direction shall not be otherwise than in accordance with the provisions of law and of this Resolution.

Section 1006. Application of Moneys. All moneys received by the Trustee pursuant to any right given or action taken under the provisions of this Article shall be deposited into the Bond Service Fund after payment of the costs and the expenses of the proceedings resulting in the collection of such moneys and of the fees, expenses, liabilities and advances incurred or made by the Trustee, including legal fees, and all moneys in the Bond Service Fund together with all moneys in all the Funds, except the Rebate Fund, shall be applied as follows:

(a) Unless the principal of all the Bonds shall have become or shall have been declared due and payable, all such moneys shall be applied:

First - To the payment to the persons entitled thereto of all installments of interest then due on the Bonds in the order of the maturity of the installments of

such interest and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amount due on such installment, to the persons entitled thereto, without any discrimination or privilege; and

Second - To the payment to the persons entitled thereto of the unpaid principal of any of the Bonds that shall have become due (other than principal of Bonds with respect to the payment of which moneys are held pursuant to the provisions of this Resolution), in the order of their due dates, with interest on such Bonds from the respective dates upon which they became due and, if the amount available shall not be sufficient to pay in full Bonds due on any particular date, together with such interest, then to the payment ratably, according to the amount of principal due on such date, to the persons entitled thereto without any discrimination privilege.

(b) If the principal of all the Bonds shall have become due or shall have been declared due and payable, all such moneys shall be applied to the payment of the principal and the interest then due and unpaid upon the Bonds without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or privilege.

(c) If the principal of all the Bonds shall have been declared due and payable and if such declaration shall thereafter have been rescinded and annulled under the provisions of this Article then, subject to the provisions of Section 1006(b) in the event that the principal of all the Bonds shall later become due or be declared due and payable, the moneys shall be applied in accordance with the provisions of Section 1006(a).

Whenever moneys are to be applied pursuant to the provisions of this Section, such moneys shall be applied at such times, and from time to time, as the Trustee shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Trustee shall apply such funds, it shall fix the date (which shall be an interest payment date unless it shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such dates shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date and shall not be required to make payment to the owner of any Bond until such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if paid in full.

Whenever the principal or the Redemption Price and the interest on all Bonds have been paid under the provisions of this Section and all fees, expenses, including legal fees, and charges of the Trustee have been paid, any balance remaining in the Bond Service Fund shall be paid to the Authority.

Section 1007. Remedies Vested in Trustee. All remedies and rights of action (including the right to file proof of claims) under this Resolution or under any of the Bonds may be enforced by the Trustee without the possession of any of the Bonds or the production thereof in any trial or other proceedings relating thereto and any such suit or proceeding instituted by the Trustee shall be brought in its name as Trustee without the necessity of joining as plaintiffs or defendants any owners of the Bonds, and any recovery of judgment shall be for the equal benefit of the owners of the Outstanding Bonds.

Section 1008. Rights and Remedies of Bondholders. No owner of any Bond shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of this Resolution, for the execution of any trust thereof or for the appointment of a receiver or to enforce any other remedy hereunder, unless (a) a default has occurred of which an officer in the Corporate Trust Department of the Trustee has been notified as provided in this Resolution, (b) such default shall have become an Event of Default and the owners of not less than twenty-five percent (25%) in aggregate principal amount of Bonds then Outstanding shall have made written request to the Trustee and shall have offered reasonable opportunity either to proceed to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name; (c) such Bondholders have offered to the Trustee indemnity as provided in this Resolution; and (d) the Trustee shall thereafter fail or shall refuse to exercise the powers hereinbefore granted or to institute such action, suit or proceedings in its, his, her or their own name or names. Such notification, request and offer of indemnity are hereby declared in every case at the option of the Trustee to be conditions precedent to the execution of the powers and the trusts of this Resolution and to any action or cause of action for the enforcement of the Resolution, for the appointment of a receiver or for any other right or remedy hereunder. No one or more owners of the Bonds shall have any right in any manner whatsoever to affect, to disturb or to prejudice the lien of this Resolution by its, his, her or their action or to enforce any right or remedy hereunder except in the manner herein provided and all proceedings at law or in equity shall be instituted, had and maintained in the manner herein provided and for the equal benefit of the holders of all Bonds then Outstanding. Nothing contained in this Resolution, however, shall affect or impair the right of any Bondholder to enforce the payment of the principal or the Redemption Price of and the interest on any Bond at and after the maturity thereof or the redemption date set therefor or the obligation of the Authority to pay the principal or the Redemption Price of and the interest on each of the Bonds issued hereunder to the respective owners thereof at the time, at the place, from the sources and in the manner expressed in the Bonds.

Section 1009. Termination of Proceedings. If the Trustee shall have proceeded to enforce any right or remedy under this Resolution by the appointment of a receiver, by entry or otherwise, and such proceedings shall have been discontinued or abandoned for any reason or shall have been determined adversely, then in and every such case the Authority and the Trustee shall be restored to their former respective positions and rights

hereunder and all rights, remedies and powers of the Trustee shall continue as if no such proceedings had been taken.

Section 1010. Waivers of Defaults. The Trustee in its discretion may waive any Event of Default hereunder and its consequences specified in 1002 and 1003 and may rescind any declaration of maturity of principal and shall do so upon the written request of the owners of: (a) a majority in aggregate principal amount of all Bonds then Outstanding with respect to which a default in the payment of principal or interest exists; or (b) a majority in aggregate principal amount of all Bonds then Outstanding in the case of any other default; provided, however, that there shall not be waived (1) any Event of Default respecting the payment of the principal of any Bond at its maturity date or the redemption date prior to maturity, or (2) any Event of Default respecting the payment of the interest on any Bond, unless prior to such waiver or rescission, all arrears of principal (due otherwise than by declaration) and interest, with interest (to the extent permitted by law) at the rate borne by the Bonds with respect to which such default shall have occurred on overdue installments of interest and all arrears of payments of principal when due, as the case may be, and all expenses of the Trustee in connection with such default, including legal fees, shall have been paid or provided for. In case any such waiver or rescission or in case any proceedings taken by the Trustee on account of any such default shall have been discontinued or abandoned or determined adversely, then and in every such case the Authority, the Trustee and the Bondholders shall be restored to their former positions and rights hereunder, respectively, but no such waiver or rescission shall extend to any subsequent or other default or impair any right consequent thereon.

Section 1011. Notice of Defaults; Opportunity of the Authority to Cure Defaults. No default specified in Section 1001(c) shall constitute an Event of Default hereunder until notice of such default by registered or certified mail shall be given by the Trustee or by the owners of not less than twenty-five (25%) in aggregate principal amount of the Bonds then Outstanding to the Authority, and the Authority shall have had thirty (30) days after receipt of such notice to correct such default or cause such default or caused such default to be corrected within the applicable period; provided, however, that if such default be such that it cannot be corrected within the applicable period, it shall not constitute an Event of Default hereunder if corrective action capable of remedying such default is instituted by the Authority or the Bondholder within the applicable period and diligently pursued until such default is corrected.

ARTICLE XI

TRUSTEE, REGISTRAR AND PAYING AGENTS

Section 1101. Appointment of Trustee. TD Bank NA, Cherry Hill, New Jersey is hereby appointed to serve as Trustee for the Bonds, or such other commercial bank, trust company, national banking association, state bank or other banking institution doing business and having its principal office in the State of New Jersey and having trust powers as shall be subsequently appointed by the Authority to serve as trustee pursuant to a Supplemental Resolution, subject to the conditions contained in this Resolution. A copy of such Supplemental Resolution shall be certified by the Secretary or Assistant Secretary of the Authority and delivered to such bank, trust company, national banking association or other banking institution. The Trustee shall signify its acceptance of the duties and obligations imposed upon it by the terms of this Resolution by delivering a written acceptance thereof to the Authority. By such acceptance, the Trustee shall be deemed to have accepted such duties and obligations with respect to all the Bonds, but only, however, upon the terms and conditions set forth in this Resolution.

Section 1102. Appointment of Paying Agents. TD Bank NA, Cherry Hill, New Jersey is hereby appointed to serve as Paying Agent for the Bonds, or such other commercial banks, trust companies or national banking associations having trust powers as shall be subsequently appointed by the Authority to serve as Paying Agent pursuant to a Supplemental Resolution, subject to the conditions contained in this Resolution. Prior to issuance of any Additional Bonds the Chairman or Chairwoman of the Authority may appoint or, the Authority by a resolution may appoint any additional bank or trust company or national banking association that shall be acceptable to the Trustee as a Paying Agent for any Series of such Additional Bonds. Such Paying Agent shall signify its acceptance of the duties and obligations imposed upon it by executing and by delivering to the Authority and to the Trustee a written acceptance thereof. The Trustee may be appointed and may act as a Paying Agent.

Section 1103. Appointment of Registrar. TD Bank NA, Cherry Hill, New Jersey, New Jersey is hereby appointed to serve as Registrar for the Bonds, or such other bank, trust company or national banking association doing business and having an office in the State of New Jersey or in the Borough of Manhattan, City and State of New York, if there be such a bank, trust company, or national banking association willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by the Resolution, as shall be subsequently appointed by the Authority to serve as Registrar pursuant to a Supplemental Resolution, subject to the conditions contained in this Resolution. Each Registrar shall signify its acceptance of the duties and the obligations imposed upon it by this Resolution by executing and by delivering to the Authority and to the Trustee a written acceptance thereof. The Trustee or the Paying Agent may be appointed and may act as Registrar.

Section 1104. Responsibilities of Fiduciaries. The recitals of fact contained herein and in any Bond, shall be taken as the statements of the Authority, and no Fiduciary assumes any responsibility for the correctness of the same. No Fiduciary makes any representations as to the validity or the sufficiency of this Resolution or of any Bond issued thereunder or in respect to the security afforded by this Resolution, and no Fiduciary shall incur any responsibility in respect thereof. The Registrar shall, however, be responsible for its representation contained in its certificate of authentication of any Bonds. No Fiduciary shall be under any responsibility or duty with respect to the issuance of any Bonds for value or the application of the proceeds thereof, except to the extent such proceeds are paid to it, or the application of any moneys paid to the Authority or to others in accordance with this Resolution. No Fiduciary shall be under any responsibility or duty with respect to the application of any moneys paid to any other Fiduciary. No Fiduciary shall be under any obligation or duty to perform any act that would involve it in expense or liability or to institute or to defend any action or suit in respect to this Resolution or Bonds, or to advance any of its own moneys, unless properly indemnified. No Fiduciary shall be liable in connection with the performance of its duties hereunder except for its own negligence or willful misconduct.

Section 1105. Property Held in Trust. All moneys and securities held by any Fiduciary at any time pursuant to the terms of this Resolution shall be and hereby are assigned, transferred and set over unto such Fiduciary in trust for the purpose and under the terms and conditions of this Resolution.

Section 1106. Deposit of Funds. To the extent permitted by law, all moneys (not including securities) held by any Fiduciary may be deposited by it in demand or time deposit in its banking department or with such other banks or trust companies as may be designated by the Authority subject to the provisions of Section 1205 and in accordance with the provisions of the Governmental Unit Deposit Protection Act of New Jersey. Such funds so deposited shall be deposited in the name of the Fiduciary in trust and shall be credited to such Fiduciary for purposes of administering such moneys.

Section 1107. Evidence Supporting Action. Each Fiduciary shall be protected in acting upon any notice, resolution, request, consent, order, certificate, report, opinion, bond or other paper or document believed by it to be genuine and to have been signed and presented by the proper party or parties. Each Fiduciary may consult with counsel, who may or may not be of counsel to the Authority, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it in good faith and in accordance therewith. Whenever it shall be deemed necessary or desirable that a matter be proved or established prior to taking or suffering any action under the Resolution, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a certificate signed by an Authority Officer. Such certificate shall be full warrant for any action taken or suffered in good faith under the provisions of this Resolution upon the faith thereof, but in its discretion each Fiduciary in lieu thereof may accept other evidence of such fact or matter or may require such further or additional evidence as to it may seem reasonable. Except as otherwise expressly provided herein, any request, order,

notice or other direction required or permitted to be furnished pursuant to any provision hereof by the Authority to such Fiduciary shall be sufficiently executed if executed in the name of the Authority by an Authority Officer.

Section 1108. Compensation. Unless otherwise provided by contract, the Authority shall pay to each Fiduciary from time to time, reasonable compensation for all services rendered by it hereunder, and also all its reasonable expenses, charges, counsel fees and other disbursements and those of its attorneys, engineers, agents and employees, incurred in and about the performance of its powers and duties hereunder. The Authority shall indemnify and shall save each Fiduciary harmless against any loss, liability or expense, including but not limited to legal fees that it may incur in the exercise and the performance of its powers and duties hereunder and that are not due to its negligence or wilful misconduct. Such indemnity provided to the Trustee shall survive defeasance pursuant to Section 1201.

Section 1109. Permitted Acts. Each Fiduciary may become the owner of or may deal in Bonds as fully and with the same rights as if it were not such Fiduciary, may act as depository for and may permit any of its officers or directors to act as a member of or in any other capacity with respect to any committee formed to protect the rights of Bondholders or to effect or to aid in any reorganization growing out of the enforcement of any Bonds or this Resolution, whether or not such committee shall represent the holders of a majority in principal amount of the Bonds Outstanding.

Section 1110. Resignation. Each Fiduciary or any successor thereof may at any time resign and be discharged of its duties and obligations hereunder by giving not less than forty-five (45) days written notice to the Authority, the Insurer and the Bondholders. Such resignation shall take effect upon the day specified in such notice unless previously a successor shall have been appointed by the Authority or the Bondholders as herein provided, in which event such resignation shall take effect immediately on the appointment of such successor.

Section 1111. Removal. (a) A Fiduciary or any successor thereof may be removed at any time by the holders of a majority in principal amount of Bonds then Outstanding, excluding any Bonds held by or for the account of the Authority, upon forty-five (45) days written notice by an instrument or concurrent instruments in writing signed and duly acknowledged by such Bondholders or by their attorneys-in-fact duly authorized and delivered to the Authority and the Insurer. Such removal shall take effect upon the expiration of such forty-five (45) day period. Copies of each such instrument shall be delivered by the Authority to the Trustee and any successor thereof.

(b) The Authority may remove a Trustee at any time, except when there is an Event of Default that has not been remedied or no event, which the passage of time, or giving of notice would become an Event of Default, by filing with the Trustee an instrument signed by an Authority Officer, provided that no such removal of a Trustee by the Authority shall take effect until a successor shall have been appointed as provided in Section 1112.

(c) Any Paying Agent or Registrar may be removed by the Authority upon forty-five (45) days' written notice to such Paying Agent or Registrar, the Trustee and the Insurer. Such removal shall take effect upon the expiration of such forty-five (45) day period. Copies of each such instrument shall be delivered by the Authority to the Paying Agent or the Registrar and any successor thereof.

Section 1112. Successor. In case any Fiduciary or any successor thereof shall resign, shall be removed, shall become incapable of acting or shall be adjudged a bankrupt or an insolvent or, if a receiver, a liquidator or conservator thereof or of its property shall be appointed or if any public officer shall take charge or control thereof or of its property or affairs, a successor may be appointed by the holders of a majority in principal amount of the Bonds then Outstanding, excluding any Bonds held by or for the account of the Authority, by an instrument or concurrent instruments in writing signed and acknowledged by such Bondholders, the Authority shall appoint forthwith a successor to act until such appointment is made by Bondholders. Copies of each such instrument and of any resolution of the Authority providing for any such appointment shall be delivered by the Authority to the successor and to the predecessor. Any appointment made by the Authority shall be superseded and revoked immediately and without further act by appointment subsequently made by Bondholders. If in a proper case no appointment of a successor shall be made within forty-five (45) days after the giving of written notice in accordance with Section 1110 and Section 1111 or after the occurrence of any other event requiring or authorizing such appointment, the Trustee or any Bondholder may apply to any court of competent jurisdiction for the appointment of such successor, and such court thereupon, after such notice, if any, as such court may deem proper and prescribe, may appoint such successor. Any successor appointed under the provisions of this Section shall be a bank or trust company or national banking association doing business and having its principal office located in the State of New Jersey or in the Borough of Manhattan, City and State of New York, and having a capital and surplus aggregating at least \$50,000,000, if there be such a bank or trust company or national banking association willing and able to accept the appointment on reasonable and customary terms and authorized by law to perform all duties required by this Resolution.

Section 1113. Transfer of Rights and Property to Successor. Any successor appointed under the provisions of Section 1112 shall execute, shall acknowledge and shall deliver to its predecessor and also to the Authority, an instrument accepting such appointment. Thereupon such successor shall become fully vested without any further act, deed or conveyance with all moneys, estates, properties, rights, powers, duties and obligations of its predecessor hereunder with like effect as if originally appointed herein, but the Fiduciary ceasing to act nevertheless, on request by the Authority or such successor, shall execute, shall acknowledge and shall deliver such instruments of conveyance and further assurance and shall do such other things as reasonably may be required for more fully and certainly vesting and confirming in such successor all right, title and interest of such predecessor in and to any property held by it hereunder and shall pay over, shall assign and shall deliver to such successor any money or other property

subject to the trusts and the conditions herein set forth. Should any deed, conveyance or instrument in writing from the Authority be required by such successor for more fully and certainly vesting in and confirming to it any such moneys, estates, properties, rights, powers, duties or obligations, any and all such deeds, conveyance and instruments in writing, so far as may be authorized by law on request shall be executed, shall be acknowledged and shall be delivered by the Authority.

Section 1114. Merger or Consolidation. Any company, in which any Fiduciary may be merged or with which it may be consolidated, any company resulting from any merger or consolidation to which it shall be a party or any company to which it may sell or may transfer all or substantially all of its corporate trust business, provided such company shall be a commercial bank or trust company or national banking association with trust powers qualified to be a successor under the provisions of 1112, shall be such successor without any further act, deed or conveyance.

ARTICLE XII

MISCELLANEOUS

Section 1201. Defeasance. (a) If the Authority shall pay or shall cause to be paid or if otherwise there shall be paid to the holders of all Bonds the principal or the Redemption Price, if applicable, of and the interest due or to become due thereon at the times and in the manner stipulated therein and in this Resolution, then, at the option of the Authority expressed in an Officer's Certificate delivered to the Trustee, the pledge of any Revenues and other moneys, funds and securities pledged under this Resolution and all covenants, agreements and other obligations of the Authority to the Bondholders thereupon shall cease, shall terminate, shall become void and shall be discharged and satisfied. In such event and upon request of the Authority expressed in an Officer's Certificate delivered to the Trustee, the Trustee, the Registrar and any Paying Agent shall pay over or shall deliver to the Authority all moneys, funds or securities held by them pursuant to this Resolution that are not required for the payment of principal or Redemption Price of and interest due or to become due on the Bonds. If the Authority shall pay or shall cause to be paid or if there shall be paid otherwise to the holders of all Outstanding Bonds of a particular Series or maturity within a Series the principal or the Redemption Price of, and the interest due or to become due thereon at the times and in the manner stipulated therein and in this Resolution, then, at the option of the Authority expressed in an Officer's Certificate delivered to the Trustee, such Bonds shall cease to be entitled to any lien, benefit or security under this Resolution, and all covenants, agreements and obligations of the Authority to the holders of such Bonds shall thereupon cease, shall terminate and shall become void and be discharged and satisfied. Upon the request of the Authority, the Trustee shall execute and shall deliver to the Authority all such instruments as may be desirable to evidence such discharge and satisfaction.

(b) Bonds and interest installments for the payment or the redemption of which moneys shall have been deposited with the Trustee or any escrow agent or any Paying Agent by or on behalf of the Authority whether at or prior to the maturity or the redemption date of such Bonds, shall be deemed to have been paid within the meaning and with the effect expressed in paragraph (a) of this Section. All Outstanding Bonds of any Series or of any maturity within a Series prior to the maturity or the redemption date thereof shall be deemed to have been paid within the meaning and with the effect expressed in Section 1201(a) if (1) in case any of such Bonds are to be redeemed on any date prior to their maturity, the Authority shall have given to the Trustee in form satisfactory to it irrevocable instructions to provide notice of redemption of such Bonds on such date to the Bondholders and the Insurer, (2) there shall have been deposited with the Trustee either cash in an amount that shall be sufficient or Investment Obligations (not redeemable at the option of the issuer), the principal of and the interest on which when due will provide moneys that, together with the moneys, if any, deposited with the Trustee at the same time shall be sufficient, based upon an accountant's verification, to pay when due the principal or the Redemption Price, if applicable, and the interest due

and to become due on such Bonds on and prior to the redemption date or the maturity date thereof, as the case may be, (3) such provision for payment shall be made in a manner sufficient to redeem such Bonds on or before the next mandatory tender date, if any, of such Bonds to be defeased and (4) in the event such Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the Authority shall have given the Trustee in form satisfactory to it irrevocable instructions to mail, as soon as practicable, a notice to the holders of such Bonds stating that the deposit required by Section 1201(b)(2) above has been made with the Trustee and that such Bonds are deemed to have been paid in accordance with this Section and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal or the Redemption Price, if applicable, on such Bonds. If at any time prior to the maturity date of Bonds deemed to have been paid in accordance with this Section 1201 that are not to be redeemed prior to their maturity or at any time prior to the mailing of the notice of redemption referred to in Section 1201(b) (1) with respect to any Bonds deemed to have been paid in accordance with this Section 1201 that are to be redeemed on any date prior to their maturity, the Authority shall purchase or otherwise shall acquire any such Bonds and shall deliver such Bonds to the Trustee prior to their maturity date or redemption date, as the case may be, the Trustee immediately shall cancel all such Bonds so delivered. Such delivery of the Bonds to the Trustee shall be accompanied by directions from the Authority to the Trustee as to the manner in which such Bonds are to be applied against the obligation of the Trustee to pay or to redeem Bonds deemed paid in accordance with this Section 1201. The directions given by the Authority to the Trustee referred to in the preceding sentences also shall specify the portion, if any, of such proceeds to be applied against the obligation of the Trustee to pay Bonds deemed paid in accordance with this Section upon their maturity date or dates and the portion, if any, of such bonds so purchased or delivered and cancelled to be applied against the obligation of the Trustee to redeem Bonds deemed paid in accordance with this Section on any date or dates prior to their maturity. In the event that on any date as a result of any purchase, acquisition and cancellation of Bonds as provided in this Section, the total amount of moneys and investment obligations remaining on deposit with the Trustee under this Section is in excess of the total amount that would have been required to be deposited with the Trustee on such date in respect of the remaining Bonds in order to satisfy Section 1201(b)(2), the Trustee shall pay the amount of such excess to the Authority free and clear of any trust, lien, pledge or assignment securing such Bonds or otherwise existing under this Resolution if requested by the Authority. Neither Investment Obligations nor cash deposited with the Trustee pursuant to Section 1201(b)(2), nor principal or interest payments on any such Investment Obligations, shall be withdrawn or shall be used for any purposes other than and shall be held in trust for the payment of the principal or the Redemption Price, if applicable, of and the interest on such Bonds, provided that any cash received from such principal or interest payments on such Investment Obligations deposited with the Trustee, (A) to the extent such cash will not be required at any time for such purpose, shall be paid over to the Authority as received by the Trustee, free and clear of any trust, lien or pledge securing such Bonds or otherwise existing under this Resolution and (B) to the extent such cash will be required for such purpose at a later date and to the extent practicable, shall be reinvested in Investment Obligations maturing at times in amounts sufficient to pay, when due, the principal or the

Redemption Price, if applicable, of and the interest to become due on such Bonds on or prior to such redemption date or maturity date thereof, as the case may be and interest earned from such reinvestments shall be paid over to the Authority, as received by the Trustee, free and clear of any trust, as received by the Trustee, free and clear of any trust, lien, pledge or assignment securing such Bonds or otherwise existing under this Resolution; provided however, that no cash shall be reinvested as set forth above, unless the Authority shall obtain a written opinion of Bond Counsel stating that such reinvestment will not affect the tax-exempt status of any Bonds. To the extent that the moneys or the principal and the interest on the Investment Obligations as referred to above are sufficient to provide for defeasance of all Outstanding Bonds, any additional moneys generated or available may be paid over to the Authority to be used for any lawful purpose free and clear of any trust, lien or pledge.

(c) Anything in this Resolution to the contrary notwithstanding, any moneys held by the Trustee, the Registrar or any Paying Agent in trust for the payment of the principal or the Redemption Price of and the interest on any of the Bonds remain unclaimed for four years after the date when such Bonds have become due and payable if such moneys were held by the Fiduciary at such date or for four years after the date of deposit of such moneys if deposited with the Fiduciary after such date when such Bonds become due and payable, at the written request of the Authority, shall be repaid by the Fiduciary to the Authority, as its absolute property and free from trust. Thereupon, the Fiduciary shall be released and discharged with respect thereto and the Bondholders shall look only to the Authority for the payment of such Bonds.

Section 1202. Evidence of Signatures of Bondholders and Ownership of Bonds. Any request, consent or other instrument that this Resolution may require or may permit to be signed and to be executed by the Bondholders may be in one or more instruments of similar tenor and shall be signed or executed by such Bondholders in person or by their attorneys appointed in writing. Proof of (a) the execution of any such instrument, (b) an instrument appointing any such attorney or of (c) the holding by any person of the Bonds, shall be sufficient for any purpose of this Resolution (except as otherwise expressly provided herein) if made in the following manner, but the Trustee nevertheless in its discretion may require further or other proof in cases where it deems the same desirable:

(1) The fact and the date of the execution by any Bondholder or his attorney of such instrument may be proved by a certificate, which need not be acknowledged or verified, of an officer of a bank or trust company satisfactory to the Trustee or of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state in which he purports to act that the person signing such request or other instrument acknowledged to him the execution thereof or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer. The authority of the person or persons executing any such instrument on behalf of a corporate Bondholder may be established without further proof if such instrument is signed by a person purporting to be the president or a vice president of such corporation with a

corporate seal affixed and attested by a person purporting to be its secretary or an assistant secretary; and

(2) The amount of Bonds transferable by delivery held by any person executing any instrument as a Bondholder and the numbers, the date and other indemnification thereof and the date of his holding such Bonds may be proved by a certificate, which need not be acknowledged or verified, in form satisfactory to the Trustee, executed by the Trustee or by a member of a financial firm or by an officer of a bank or trust company or financial corporation or to her depository satisfactory to the Trustee, showing at the date therein mentioned that such person exhibited to such member or officer or had on deposit with such depository the Bonds described in such certificate. Such certificate may be given by a member of a financial firm or by an officer of any bank, trust company, insurance company or financial corporation or depository satisfactory to the Trustee with respect to Bonds owned by it, if acceptable to the Trustee.

The ownership of Bond registered otherwise than to bearer and the amount, the numbers and other identification and the date of holding the same shall be proved by the registry books kept by the Registrar. Any request or consent by the holder of any Bonds shall bind all future holders of such Bonds in respect of anything done or suffered to be done.

Section 1203. Execution of Payment Documents. Every requisition, certificate or request of the Authority to be delivered to or filed with the Trustee under the provisions of this Resolution shall be signed by an Authority Officer. If the Consulting Engineer is an engineering firm, every certificate of the Consulting Engineer to be delivered to or filed with the Trustee under the provisions of this Resolution shall be signed in the firm's name by a member of the firm or by a person authorized by the firm to so sign. If the Consulting Engineer is a corporation, such certificate of the Consulting Engineer shall be signed in the name of the corporation by an authorized officer thereof and shall be attested in the name of such corporation by the seal thereof and the signature of a person duly authorized by such corporation to so attest. If the Consulting Engineer is an individual, such certificate of the Consulting Engineer shall be signed by the individual.

Section 1204. Preservation and Inspection of Documents. All requisitions, requests, certificates, opinions and other documents received by the Trustee under the provisions of this Resolution shall be retained in its possession and shall be subject at all reasonable times to the inspection of the Authority, the Consulting Engineer, the Accountant, any Bondholder and their agents and their representatives, any of whom may make copies thereof but any such reports, certificates, statements or other documents may be destroyed or otherwise disposed of at the election of the Trustee at any time six years after such date as the pledge of the Revenues created by this Resolution shall be discharged as provided in Section 1201.

Section 1205. Regulations Regarding Depositories, Security for Deposits, Investment of Funds and Valuation. (a) All moneys held by the Authority under this Resolution shall be deposited with one or more depositories in the name of the Authority. All moneys held by another Fiduciary shall be deposited with such Fiduciary or with one or more depositories in trust for such Fiduciary. All moneys deposited under the provisions of this Resolution with the Trustee or with any depository shall be held in trust and shall be applied only in accordance with the provisions of this Resolution;

(b) All moneys held by any depository under this Resolution may be placed in demand or in interest bearing time deposits as directed by the Authority, provided that such deposits shall permit the money so held to be available for use when needed. All moneys held by any Fiduciary may be deposited with its banking department on the demand or in interest bearing time deposits at the direction of the Authority provided that moneys on deposit are available for use when needed. Such Fiduciary shall allow and shall credit on such money such interest, if any, as it customarily allows upon similar funds of similar size;

(c) To the extent no moneys are invested in Investment Obligations, all moneys held under this Resolution by the Trustee or by any Fiduciary or depository in a depository account shall be continuously and fully secured, to the extent not covered by insurance except for public depositories within the meaning of the Governmental Unit Deposit Protection Act, by causing to be lodged with the Trustee as collateral security direct obligations of or obligations guaranteed by the United States of America having a market value (exclusive of accrued interest) not less than the amount of such moneys. No moneys shall be deposited with any bank or trust company in an amount exceeding twenty-five percent (25%) of the amount that an officer of such bank or trust company shall certify to the Trustee and to the Authority as the combined capital and surplus of such bank or trust company;

(d) Moneys held in the Funds described in Section 502 shall be invested and reinvested by the Trustee at the written direction of the Authority to the fullest extent practicable in Investment Obligations maturing or redeemable at the option of the holder thereof no later than necessary to provide moneys when needed for payments to be made from such Funds or as more specifically provided herein;

(e) Investment Obligations in any Fund or account created under the provisions of this Resolution shall be deemed at all times to be part of such Fund or account and any profit realized from the liquidation of such investment shall be credited to such fund or account. Interest earned (net of that which represents a return of accrued interest paid in connection with the purchase of any investment), except as otherwise expressly provided herein, or any gain realized on any moneys or investments in the Funds and accounts shall be retained therein and where appropriate applied as a credit against the next succeeding deposit required to be made pursuant to Section 505 or paid out as otherwise provided in this Resolution. In computing the aggregate amount in any Fund or account, Investment Obligations therein shall be valued at the lower of cost or market value.

(f) Except as otherwise provided in this Resolution, the Trustee or any depositary shall use its best efforts to sell at the best price obtainable or shall present for redemption any Investment Obligation held in any fund or account whenever it shall be necessary upon oral request immediately confirmed in writing from an Authority Officer in order to provide moneys to meet any payment or transfer from such Fund or account. The Trustee or any depositary shall not be liable or responsible for any loss resulting from any such investment, sale, liquidation or presentation for investment made in the manner provided above.

Section 1206. Authorized Acts of Officers. The Chairman or Chairwoman, the Vice Chairman or Vice Chairwoman, the Secretary and the Treasurer of the Authority are and each of them hereby is, authorized and directed to do and perform all things and execute all papers in the name of the Authority and to make all payments necessary or in their opinion convenient so that the Authority may carry out its obligation under the terms of the Bonds or this Resolution. The Authority hereby authorizes such officers to do and perform all things and execute all papers necessary to deliver and sell Bonds under this Resolution.

Section 1207. Effective Date. This Resolution shall be effective immediately.

EXHIBIT A

No. R- ____

\$

UNITED STATES OF AMERICA
STATE OF NEW JERSEY

THE RARITAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Sewer System Revenue Bond, Series _____

REGISTERED OWNER:

PRINCIPAL AMOUNT: _____ DOLLARS

INTEREST RATE PER ANNUM:

MATURITY DATE:

CUSIP:

DATED DATE:

AUTHENTICATION DATE:

THE RARITAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY (hereinafter called the "Authority"), a public body corporate and politic organized and existing under and by virtue of the laws of the State of New Jersey, hereby acknowledges itself indebted and for value received promises to pay to the REGISTERED OWNER, or registered assigns the PRINCIPAL AMOUNT on the MATURITY DATE, unless paid earlier as provided below, with interest from the DATED DATE at the INTEREST RATE PER ANNUM stated above, payable on _____, and on the first day of the next succeeding _____ or _____, thereafter to and including the MATURITY DATE (the "Interest Payment Dates"). If any payment date for principal, premium or interest shall not be a Business Day, then the payment thereof may be made on the next succeeding Business Day with the same force and effect as if made on the specified payment date and no interest shall accrue for the period after the specified payment date. The principal or the redemption price, when due, will be payable upon surrender of this bond at the corporate trust office of _____, _____, New Jersey, or its successors (the "Trustee", the "Registrar" and the "Paying Agent") as Paying Agent. Principal, redemption price, if any, and interest are payable in any coin or currency of the United States of America that at the time of payment is legal tender for the payment of public and private debts.

This Bond is one of a duly authorized issue of Bonds (each herein called “Bond”) of the Authority authorized and issued under and pursuant to the Municipal and County Utilities Authorities Law, constituting Chapter 183 of the Pamphlet Laws of 1957 of the State of New Jersey, and the acts amendatory thereof and supplemental thereto (hereinafter called the “Act”) and under and in accordance with a resolution of the Authority adopted on _____, 2010 and entitled, “Resolution Authorizing the Issuance of Sewer System Revenue Bonds of The Raritan Township Municipal Utilities Authority,” as amended and supplemented (hereinafter called the “Bond Resolution”). A copy of the Bond Resolution is on file at the office of the Authority and at the corporate trust office of the Trustee.

This Bond is a direct and special obligation of the Authority and is one of a Series of the Bonds limited to \$_____ in aggregate principal amount that bear the DATED DATE specified above of like tenor except as to maturity, rate of interest, denomination, registration and number. This Bond is a Bond within the meaning of the Bond Resolution.

Pursuant to the Bond Resolution, the Authority hereafter may issue additional bonds (hereinafter called “Additional Bonds”) for the purposes, in the amounts and on the conditions prescribed in the Resolution. All Bonds issued and to be issued under the Bond Resolution, including all Bonds and all Additional Bonds, are and will be secured equally by the pledge of funds and revenues provided in the Bond Resolution except as otherwise expressly provided in or pursuant to the Bond Resolution. However, the power and the obligation of the Authority to cause Revenues (as such term is defined in the Bond Resolution) or other funds to the payment of the principal or redemption price of or interest on the Bonds are subject to the prior obligation of the Authority to provide from such Revenues or other funds amounts for the payment of Operating Expenses.

Reference to the Bond Resolution, to any and all modifications and amendments thereof and to the Act is made for a description of the nature and the extent of the security for the Bonds, the funds or the revenues pledged, the nature, the extent and the manner of enforcement of the pledge, the rights and the remedies of the holders of the Registered Owners of the Bonds with respect thereto, including the right to accelerate the obligation to make payment on the Bonds, the terms and the conditions upon which the Bonds are issued and a statement of rights, the duties, the immunities and the obligations of the Authority and of the Trustee.

To the extent and in the respects permitted by the Bond Resolution, the provisions of the Bond Resolution or any resolution amendatory thereof or supplemental thereto may be modified or amended by action on behalf of the Authority taken in the manner and subject to the conditions and the exceptions prescribed in the Bond Resolution. The pledge of the Revenues and other obligations of the Authority under the Bond Resolution may be discharged at or prior to the maturity or the redemption of the Bonds upon provision for the payment thereof on the terms and the conditions set forth in the Bond Resolution.

The principal of the Bonds may be declared due and payable whether or not in advance of maturity, and any such declaration and its consequences may be annulled, as provided in the Act and in the Bond Resolution.

Unless otherwise defined herein, capitalized terms used in this Bond shall have the meaning given them in the Bond Resolution. The following terms are defined as follows:

"Business Day" means a day (i) on which banking institutions in any of the cities in which the principal corporate trust offices of the Trustee and the Paying Agent are located are not required or authorized to remain closed and (ii) on which the New York Stock Exchange is not closed.

"Paying Agent" means _____ Bank, or any successor or successors designated for the Bonds from time to time pursuant to Section 1102 of the Bond Resolution.

Interest on this Bond shall be computed on the basis of a 360-day year consisting of twelve 30-day months. From and after the date on which this Bond becomes due, any unpaid principal will bear interest at such rate until paid or duly provided for.

The principal of and premium, if any, on this Bond are payable when due by check or draft to the REGISTERED OWNER hereof but only upon presentation and surrender of this Bond at the office of the Paying Agent. Interest on this Bond is payable by check or draft mailed on the applicable payment date by the Paying Agent to the REGISTERED OWNER, determined as of the close of business on the applicable record date, at its address as shown on the registration books, except on the Maturity Date, in which case interest shall be payable upon presentation and surrender of this Bond.

The record date for payment of interest on this Bond is the day of the month that is fifteen days immediately preceding the date on which the interest is to be paid, provided that with respect to overdue interest or interest payable on redemption of this Bond other than on an Interest Payment Date or interest on any overdue amount, the Trustee may establish a special record date. The special record date may be not more than thirty (30) days before the date set for payment. The Paying Agent will mail notice of a special record date to the Bondholders at least ten (10) days before the special record date. The Paying Agent will promptly certify to the Authority and the Trustee that it has mailed such notice to all Bondholders, and such certificate will be conclusive evidence that notice was given in the manner required hereby.

The Bonds maturing on or after _____ are subject to redemption prior to maturity, at the option of the Authority, commencing on _____, as a whole or in part at any time upon notice, as provided herein, at the redemption prices (expressed as percentages of the principal amount of the Bonds to be redeemed) hereinafter indicated plus accrued interest thereon to the date fixed for redemption.

Redemption Period (both dates inclusive)	<u>Redemption Price</u>
_____ to _____	____%
_____ to _____	____%
_____ to _____	____%

The Bonds maturing on _____, in the years _____, _____ and _____ are subject to mandatory redemption prior to maturity, in part, by lot, from mandatory sinking fund installments that are required to be made in amounts sufficient to redeem on _____ of each year the principal amount of such Bonds as shown below at a redemption price equal to 100 % of the principal amount thereof, plus interest thereon accrued and unpaid to the date fixed for redemption, in the respective principal amounts set forth in the following table:

\$ _____ Bonds Maturing on _____, _____

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
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\$ _____ Bonds Maturing on _____, _____

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
-------------	---------------	-------------	---------------

\$ _____ Bonds Maturing on _____, _____

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
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Any notice required by this Bond to be given to Bondholders shall be effective when given, notwithstanding when or if any such notice is received by any Bondholder.

If less than all of this Bond is to be called for redemption, the portion thereof to be redeemed shall be selected as provided in the Bond Resolution. If less than all of the principal amount of this Bond is to be redeemed, upon surrender of this Bond to the Paying Agent, there will be issued to the REGISTERED OWNER, without charge, a new bond or, at the option of the REGISTERED OWNER, Bonds for the unredeemed principal amount.

In the event that the Trustee is required or is authorized, or has received notice from the Authority of its election to redeem Bonds, the Trustee will, in accordance with

the terms of the Bonds and the Bond Resolution, select the Bonds to be redeemed and will give notice in the name of the Authority of the redemption of such Bonds. Such notice will set forth the information which is required by the terms of the Bond Resolution and will be given by the Trustee by mailing a copy of such notice, postage prepaid, not less than 30 days before such redemption date, to the Registered Owner of any of the Bonds which are to be redeemed, at his last address, if any, appearing upon the registry books kept by the Registrar, but receipt of such mailing shall not be a condition precedent to such redemption and failure so to mail such notice shall not affect the validity of the proceedings for the redemption of the Bonds.

Notice of redemption having been duly mailed, this Bond, or the portion called for redemption, will become due and payable on the redemption date at the applicable redemption price and, if moneys for the redemption have been deposited with the Trustee, then, from and after the date fixed for redemption, no interest on this Bond (or such portion) will accrue.

With respect to any redemption of the Bonds, unless moneys sufficient to pay the principal of and premium, if any, and interest on the Bonds to be redeemed shall have been received by the Trustee prior to the giving of such notice of redemption, such notice shall state that said redemption shall be conditional upon the receipt of such moneys by the Trustee on or prior to the date fixed for such redemption. If such moneys are not received, such notice shall be of no force and effect, the Authority shall not redeem such bonds and the Paying Agent shall give notice, in the manner in which the notice of redemption was given, that such moneys were not so received.

This Bond is transferable by the REGISTERED OWNER, in person or by its attorney duly authorized in writing, at the office of the Paying Agent, upon surrender of this Bond to the Paying Agent for cancellation. Upon the transfer, a new Bond or Bonds in the same aggregate principal amount will be issued to the transferee at the same office. No transfer will be effective unless represented by such surrender and reissue. This Bond may also be exchanged at the office of the Paying Agent for a new Bond or Bonds in Authorized Denominations in the same aggregate principal amount without transfer to a new registered owner. Exchanges and transfers will be without expense to the owner except for applicable taxes or other governmental charges, if any.

This Bond is issuable only in fully registered form and shall be in Authorized Denominations of \$5,000 or any integral multiple thereof.

The Authority, the Trustee and the Paying Agent may treat the REGISTERED OWNER as the absolute owner of this Bond for all purposes, notwithstanding any notice to the contrary.

THE ACT PROVIDES THAT NEITHER THE MEMBERS OF THE AUTHORITY NOR ANY PERSON EXECUTING THE BOND SHALL BE LIABLE PERSONALLY ON THE BONDS BY REASON OF THE ISSUANCE THEREOF.

THE BONDS ARE NOT AND SHALL NOT BE IN ANY WAY A DEBT OR A LIABILITY OF THE STATE OF NEW JERSEY OR OF ANY COUNTY OR MUNICIPALITY AND DO NOT AND SHALL NOT CREATE OR CONSTITUTE ANY INDEBTEDNESS, LIABILITY OR OBLIGATION OF THE STATE OR OF ANY COUNTY OR MUNICIPALITY, EITHER LEGAL, MORAL OR OTHERWISE.

It is hereby certified and recited that all conditions, acts and things required by the Constitution or the statutes of the State of New Jersey or the Bond Resolution to exist, to have happened or to have been performed precedent to or in the issuance of this Bond exist, have happened and have been performed and that this issue of Bonds, together with all other indebtedness of the Authority, is within every debt and other limit prescribed by the Constitution or such statutes.

This Bond shall not be entitled to any security or benefit under the Bond Resolution or be valid or become obligatory for any purpose unless the certificate of authentication herein has been duly executed by the Trustee.

IN WITNESS WHEREOF, THE RARITAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY has caused this Bond to be signed in its name and on its behalf by the manual or facsimile signature of its Chairman [Chairwoman] or Vice Chairman [Vice Chairwoman] and its corporate seal to be hereunto affixed, impressed or otherwise reproduced and attested by the real or facsimile signature of its Secretary or Assistant Secretary, all as of the DATED DATE set forth above.

THE RARITAN TOWNSHIP MUNICIPAL
UTILITIES AUTHORITY

ATTEST:

(Assistant) Secretary

By: _____
[Vice] Chairwoman [Chairman]

[FORM OF CERTIFICATE OF AUTHENTICATION]

This Bond is one of the Bonds described in the within-mentioned Bond Resolution and is one of the Sewer System Revenue Bonds, Series _____ of the The Raritan Township Municipal Utilities Authority.

[Trustee], as Trustee

By: _____

Authorized Signatory

[FORM OF ASSIGNMENT]

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers this Bond to:

_____ [please print or type name and address of assignee]

_____ [Social Security or Other Identifying Number of Assignee]

and hereby irrevocably constitutes and appoints _____, as attorney-in-fact, to transfer it on the books of kept for registration of the bond, with full power of substitution.

Dated:

Signature Guaranteed:

_____ Bank, Trust Company or Brokerage Firm

By: _____ Authorized Signatory

NOTICE: Signatures must be guaranteed by an "eligible guarantor institution" meeting the requirements of the Trustee and the Paying Agent, which requirements include membership or participation in STAMP or such other "signature guarantee program" as may be determined by the Trustee or the Paying Agent in addition to, or in substitution for, STAMP, all in accordance with the Securities and Exchange Act of 1934, as amended.

The following abbreviations, when used in the inscription on the face of this Bond, shall be construed as though they were written out in full according to applicable law.

- TEN COM - as tenants in common
- TEN ENT - as tenants by the entirety
- JT TEN - as joint tenants with rights of survivorship and not as tenants in common
- UNIF GIFT MIN ACT - Uniform Gifts to Minors Act _____
(State)
- _____ Custodian _____
(Cust) (Minor)

Additional abbreviations may also be used though not set forth in the list above.

2017 SUPPLEMENTAL BOND RESOLUTION OF THE RARITAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY SUPPLEMENTING AND AMENDING CERTAIN PROVISIONS OF THE AUTHORITY'S GENERAL BOND RESOLUTION DULY ADOPTED JUNE 17, 2010, AS AMENDED AND SUPPLEMENTED, AND PROVIDING FOR THE ISSUANCE OF NOT TO EXCEED \$3,000,000 AGGREGATE PRINCIPAL AMOUNT OF SEWER SYSTEM REVENUE REFUNDING BONDS, IN ONE OR MORE SERIES, OF THE RARITAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

WHEREAS, on June 17, 2010, The Raritan Township Municipal Utilities Authority (the "Authority"), a public body corporate and politic of the State of New Jersey organized pursuant to the Municipal and County Utilities Authorities Law of New Jersey, constituting Chapter 183 of the Pamphlet Laws of 1957 of the State of New Jersey, and the acts amendatory thereof and supplemental thereto (N.J.S.A. 40:14B-1 et seq.) (the "Act"), adopted a resolution entitled, "Resolution Authorizing the Issuance of Sewer System Revenue Bonds of the Raritan Township Municipal Utilities Authority" (the "General Bond Resolution"), providing for the issuance of sewer system revenues bonds of the Authority and authorizing the issuance of "Additional Bonds," as such term is therein defined, for the purpose of, among others, refunding any of the Bonds, including Additional Bonds of the Authority (as such terms are defined in the General Bond Resolution); and

WHEREAS, the Authority has determined to issue its revenue refunding bonds pursuant to the General Bond Resolution in the principal amount not exceeding \$3,000,000 (the "2017 Bonds"), in one or more series, which along with the premium on the bonds and transferred proceeds of the Refunded Bonds as hereinafter defined, to provide for (i) the advance refunding of all or a portion of \$2,390,000 outstanding principal amount of the Authority's Sewer System Revenue Bonds, Series 2010, which bonds are callable on May 1, 2020 (the "Refunded Bonds"), (ii) the funding of the Bond Reserve Requirement, and (iii) the payment of the costs of issuance associated with the issuance of the 2017 Bonds (collectively, the "Project"); and

BE IT RESOLVED BY THE COMMISSIONERS OF THE RARITAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY, as follows:

ARTICLE I

Definitions and Interpretations

Section 101. **Short Title.** This resolution may hereinafter be cited by the Authority and is hereinafter sometimes referred to as the "2017 Supplemental Refunding Resolution".

Section 102. **Authorization for Supplemental Resolution.** This 2017 Supplemental Refunding Resolution is authorized by and adopted pursuant to the provisions of Section 314 of the General Bond Resolution.

Section 103. **Certain Definitions and Amendments to General Bond Resolution.**

(1) Terms which are used as defined terms herein shall, unless specifically defined herein or unless the context clearly requires otherwise, have the meanings assigned to such terms in the General Bond Resolution.

(2) Unless otherwise stated, for the purpose of this 2017 Supplemental Refunding Resolution, the term “Bond Insurer” shall mean the bond insurer selected by the Authority, if any, prior to the issuance of the 2017 Bonds described in Section 201 hereof.

ARTICLE II

Authorization and Issuance of 2017 Bonds

Section 201. **Amount, Title and Purpose of 2017 Bonds.** Not to exceed \$3,000,000 principal amount of 2017 Bonds are hereby authorized to be issued and sold by the Authority in accordance with the provisions of the General Bond Resolution and this 2017 Supplemental Refunding Resolution. Such 2017 Bonds shall be designated “2017 Sewer System Revenue Refunding Bonds”, or such title as shall be determined in a certificate of an Authority Officer. The purpose for which the 2017 Bonds are being issued is to fund the Project.

Section 202. **Description of 2017 Bonds.**

(1) **Amount and Term.** The 2017 Bonds shall be in such series, such amount, shall be dated and shall bear interest from such dates, and shall mature on May 1 in each of the years and in the respective principal amounts and shall be subject to prior redemption as set forth in a resolution of the Authority or a certificate of an Authority Officer adopted or executed, as applicable, prior to delivery of the 2017 Bonds.

(2) **Interest Payment Dates and Interest Rates Per Annum.** Interest on the 2017 Bonds shall be payable on the first day of May and November (each such date being an “Interest Payment Date”) in each year, commencing on such date as set forth in a resolution of the Authority or a certificate of an Authority Officer adopted or executed, as applicable, prior to delivery of the 2017 Bonds, until the Authority’s obligation with respect to the payment of the principal of and interest on the 2017 Bonds shall be discharged. The 2017 Bonds shall bear interest at the interest rates per annum as set forth in a resolution of the Authority or a certificate of an Authority Officer adopted or executed, as applicable, prior to delivery of the 2017 Bonds.

(3) **Denomination and Place of Payment.** The 2017 Bonds shall be issued in fully registered form, without coupons, and are issuable in the denomination of \$5,000 each, or any integral multiple thereof. The principal or Redemption Price of the 2017 Bonds shall be payable to the Registered Owner thereof, or registered assigns, at maturity or on the applicable date fixed for redemption upon presentation and surrender of the 2017 Bonds at the corporate trust office of the Paying Agent. Interest on the 2017 Bonds will be paid to the Registered Owner by check and such payment will be mailed by the Paying Agent to such Registered Owner (as determined on the Record Date) at the most recent address appearing on the registration books of the Authority. All other terms and conditions with respect to the payment of the principal or Redemption Price of and interest on the 2017 Bonds shall be as provided in the General Bond Resolution.

(4) **Form of Bonds.** The 2017 Bonds shall be in substantially the form described in Exhibit A of the General Bond Resolution.

Section 203. **Book-Entry System.**

(1) Except as provided in paragraph (3) of this Section 203, the Registered Owner of all of the 2017 Bonds shall be The Depository Trust Company, New York, New York (“DTC”) and the 2017 Bonds shall be registered in the name of Cede & Co., as nominee of DTC. Payment of interest on any 2017 Bond registered as of each Record Date in the name of Cede & Co. shall be made by wire transfer to the account of Cede & Co. on the interest payment date for the 2017 Bonds at the address indicated on the Record Date for Cede & Co. in the registry books of the Authority kept by the Bond Registrar.

(2) The 2017 Bonds shall be issued initially in the form of one authenticated fully registered 2017 Bond for each separate stated maturity of the 2017 Bonds in the principal amount of each such maturity. Upon initial issuance, the ownership of each such 2017 Bond shall be registered in the registry book of the Authority kept by the Bond Registrar in the name of Cede & Co., as nominee of DTC. The Trustee and the Authority may treat DTC (or its nominee) as the sole and exclusive owner of the 2017 Bonds registered in its name for the purposes of payment of the principal or Redemption Price of and interest on the 2017 Bonds, selecting the 2017 Bonds or portions thereof to be redeemed, giving any notice permitted or required to be given to the Bondholders under the General Bond Resolution, registering the transfer of 2017 Bonds, obtaining any consent or other action to be taken by Bondholders and for all other purposes whatsoever; and neither the Trustee nor the Authority shall be affected by any notice to the contrary. Neither the Trustee nor the Authority shall have any responsibility or obligation to any DTC participant any person claiming a beneficial ownership interest in the 2017 Bonds under or through DTC or any DTC participant, or any other person which is not shown on the registration books of the Authority kept by the Bond Registrar as being a Bondholder. The Authority, the Trustee, the Bond Registrar and the Paying Agent shall have no responsibility with respect to the accuracy of any records maintained by DTC, Cede & Co. or any DTC participant with respect to any ownership interest in the 2017 Bonds; the payment by DTC or any DTC participant to any beneficial owner of any amount in respect of the principal or Redemption Price of or interest on the 2017 Bonds; the delivery to any DTC participant or any beneficial owner of any notice which is permitted or required to be given to Bondholders under the General Bond Resolution; the selection by DTC or any DTC participant of any person to receive payment in the event of a partial redemption of the 2017 Bonds; or any consent given or other action taken by DTC as the Bondholder. The Paying Agent shall pay the principal or Redemption Price of and interest on the 2017 Bonds only to or “upon the order of” (as that term is used in the Uniform Commercial Code as adopted in the State of New Jersey) Cede & Co., as nominee of DTC, and all such payments shall be valid and effective to fully satisfy and discharge the Authority’s obligations with respect to the principal or Redemption Price of and interest on the 2017 Bonds to the extent of the sum or sums so paid. Upon delivery by DTC to the Trustee of written notice to the effect that DTC had determined to substitute a new nominee in place of Cede & Co., and subject to the provisions herein with respect to record dates, the words “Cede & Co.” in this 2017 Supplemental Refunding Resolution shall refer to such new nominee of DTC.

(3) In the event the Authority determines that it is in the best interest of the beneficial owners of the 2017 Bonds that they be able to obtain Bond certificates, the Authority may notify DTC and the Trustee, whereupon DTC will notify the DTC participants of the availability through DTC of 2017 Bond certificates. In such event, the trustee shall authenticate, transfer and exchange 2017 Bond certificates as requested by DTC and any other Bondholders in appropriate amounts. DTC may determine to discontinue providing its services with respect to the 2017 Bonds at any time by giving notice to the Authority and the Trustee and discharging its responsibilities with respect thereto under applicable law. Under such circumstances (if there is no successor securities depository), the Authority and Trustee shall be obligated to deliver 2017 Bond certificates as described in the General Bond Resolution. In the event 2017 Bond certificates are issued to Bondholders other than DTC, the provisions of the General Bond Resolution shall apply to, among other things, the transfer and exchange of such certificates and the method of payment of principal or Redemption Price of and interest on such certificated Bonds. Whenever DTC requests the Authority and the Trustee to do so, the Trustee and the Authority will cooperate with DTC in taking appropriate action after reasonable notice (a) to make available one or more separate certificates evidencing the 2017 Bonds to any DTC participant having 2017 Bonds credited to its DTC account or (b) to arrange for another securities depository to maintain custody of certificates evidencing the 2017 Bonds.

(4) Notwithstanding any other provision of the General Bond Resolution to the contrary, so long as any 2017 Bond is registered in the name of Cede & Co., as nominee of DTC, all payments with respect to the principal or Redemption Price of and interest on such 2017 Bonds and all notices with respect to such 2017 Bonds shall be made and given to DTC as provided in the representation letter to be entered into on or prior to the date of issuance and delivery of the 2017 Bonds by and among DTC, the Authority and the Trustee.

(5) In connection with any notice or other communication to be provided to the Bondholders pursuant to the General Bond Resolution by the Authority or the Trustee with respect to any consent or other action to be taken by the Bondholders, so long as any 2017 Bond is registered in the name of Cede & Co., as nominee of DTC, the Authority or the Trustee, as the case may be, shall establish a record date for such consent or other action and give DTC notice of such record date not less than 15 calendar days in advance of such record date to the extent possible.

Section 204. **Appointment of Trustee, Paying Agent and Registrar.** In accordance with the provisions of Article X of the General Bond Resolution, the appointment of TD Bank, National Association, Cherry Hill, New Jersey (the “Bank”) as Trustee, (the “Trustee”), Paying Agent (the “Paying Agent”) and Registrar (the “Registrar”) for the 2017 Bonds is hereby confirmed, ratified and approved. The Bank shall accept and shall carry out its duties and obligations as Trustee, Paying Agent and Registrar as provided in and as required by the terms of the General Bond Resolution.

Section 205. **Execution of 2017 Bonds.** The 2017 Bonds shall be executed in the name and on behalf of the Authority by the manual or facsimile signature of its Chairman or Vice-

Chairman, or Director and its corporate seal (or a facsimile thereof) shall be affixed, imprinted, engraved or otherwise reproduced thereon, and such seal and 2017 Bonds shall be attested by the manual or facsimile signature of its Secretary or Assistant Secretary. In case any officer of the Authority who shall have executed, sealed or attested any of the 2017 Bonds shall cease to be such officer of the Authority before the 2017 Bonds so executed, sealed or attested shall have been authenticated and delivered upon original issuance, such 2017 Bonds may nevertheless be authenticated and delivered as herein provided as if the person who so executed, sealed or attested such 2017 Bonds had not ceased to be such officer.

Section 206. **Authentication of 2017 Bonds.** The 2017 Bonds shall bear thereon a certificate of authentication, substantially in the form set forth in Exhibit A of the General Bond Resolution, duly executed by the Trustee. Only such 2017 Bonds as shall bear thereon such certificate of authentication, duly executed, shall be entitled to any right or benefit under the General Bond Resolution. No 2017 Bond shall be valid or obligatory for any purpose unless such certificate of authentication upon such 2017 Bond shall have been duly executed by the Trustee, and such certificate of authentication by the Trustee upon any 2017 Bond executed on behalf of the Authority shall be conclusive and the only evidence that the 2017 Bond so authenticated has been duly authenticated and delivered under this 2017 Supplemental Refunding Resolution and that the holder thereof is entitled to the benefits of the General Bond Resolution.

Section 207. **Application of Proceeds of 2017 Bonds.** The proceeds which are derived from the sale of the 2017 Bonds, including any accrued interest thereon, shall be applied by the Trustee, upon receipt, in the manner set forth in a resolution of the Authority or a certificate of an Authority Officer adopted or executed, as applicable, prior to delivery of the 2017 Bonds.

Section 208. **Appointment of Underwriter.** The 2017 Bonds shall be sold to RBC Capital Markets, LLC, or an underwriter or purchaser (the "Underwriter") as determined in a certificate of an Authority Officer. The Underwriter shall be compensated in accordance with the Purchase Agreement authorized below.

Section 209. **Approval of Purchase Agreement.** The Chairman, Vice-Chairman, Director and Secretary of the Authority are, and each of them is hereby, authorized and directed to negotiate, execute and deliver a purchase agreement (the "Purchase Agreement") with the Underwriter. Such Purchase Agreement, along with a resolution of the Authority or a certificate of an Authority Officer adopted or executed, as applicable, prior to delivery of the 2017 Bonds, shall determine the terms and conditions relating to the sale of the 2017 Bonds, including the rate of interest to be borne by the 2017 Bonds and the underwriter's discount, if any, which is payable to the Underwriter in connection with the sale of the 2017 Bonds. The 2017 Bonds shall be delivered to the Underwriter at such time and place as shall be determined by the Authority, subject to the terms and conditions of the Purchase Agreement. The Chairman, Vice-Chairman, Director and Secretary of the Authority are, and each of them is, hereby authorized and directed to do and perform all things and execute all papers in the name of the Authority, and to make all

payments necessary or in their opinion convenient, to the end that the Authority may carry out its obligations under the terms of said Purchase Agreement.

Section 210. **Appointment of Escrow Agent, Verification Agent and Other Professionals.** A bank, which may be the Bank shall be appointed in a certificate of an Authority Officer to serve as Escrow Agent (the “Escrow Agent”) under the Escrow Agreement (as hereinafter defined) pursuant to which the refunding of the Refunded Bonds will be accomplished. The Escrow Agent shall accept and shall carry out its duties and obligations as Escrow Agent as provided in and as required by the terms of the Escrow Agreement, including the redemption of the Refunded Bonds. A Verification Agent and such other professionals may be determined in a certificate of an Authority Officer, if deemed necessary by such Authority Officer for the issuance of the 2017 Bonds.

Section 211. **Prior Bonds and Redemption Thereof; Escrow Deposit Agreement.** The Authority hereby authorizes the refunding of the Refunded Bonds. The refunding of the Refunded Bonds will be effected pursuant to the terms and provisions of an irrevocable escrow deposit agreement in such form as shall be approved by the Chairman, Vice-Chairman or the Director with the advice of Bond Counsel to the Authority, between the Authority and the Escrow Agent (the “Escrow Agreement”). The entry by the Authority into such Escrow Agreement is hereby approved and the Chairman or the Director of the Authority is hereby authorized and directed to execute the Escrow Agreement. An Authority Officer is hereby directed to give irrevocable notice to the Escrow Agent to call the Refunded Bonds for redemption. The Chairman, Vice-Chairman or the Director of the Authority are hereby authorized to take whatever additional actions may be required, on the advice of Bond Counsel to the Authority, to effect the refunding of the Refunded Bonds.

Section 212. **Conditions Precedent to Issuance of Additional Bonds.** (1) The Trustee shall not authenticate or deliver to the Authority or upon its order any 2017 Bond pursuant to this 2017 Supplemental Refunding Resolution unless there shall have been delivered or paid theretofore or simultaneously therewith to the Trustee the following:

(a) A copy of the General Bond Resolution, including a copy of this 2017 Supplemental Refunding Resolution certified by the Secretary of the Authority, authorizing the 2017 Bonds.

(b) A copy of the certificate of an Authority Officer, certified by the Secretary of the Authority fixing the rate or rates of interest on such 2017 Bonds and all other terms and provisions thereof not previously fixed by this 2017 Supplemental Refunding Resolution.

(c) A written order of the Authority as to the delivery of such 2017 Bonds, signed by an Authority Officer and stating (A) the amount of proceeds of the sale of such 2017 Bonds and any other funds to be deposited by the Authority, (B) the amount, if any, of such proceeds that will be deposited in the Bond Service Fund, (C) the amount, if any, or the delivery of a Bond Reserve Credit Facility, or any combination of the foregoing, which in any case is

required to be deposited in the Bond Reserve Fund so that the amount in such account equals the Bond Reserve Requirement immediately after authentication and delivery of such 2017 Bonds, (D) the amount to be deposited in the Renewal and Replacement Fund, if any, so that the amount in such fund equals the Renewal and Replacement Requirement immediately after authentication and delivery of such 2017 Bonds, and (E) the amount, if any, of such proceeds to be deposited in the Operating Fund.

(d) A Counsel's Opinion approving the form of this 2017 Supplemental Refunding Resolution, stating that the 2017 Bonds are authorized to be issued for a purpose referred to in Section 314(a)(1), (2) or (3), that its terms and provisions conform with the requirements of the Act and of this 2017 Supplemental Refunding Resolution, that the order, certificates and amounts of money, if any, so delivered or paid to the Trustee constitute compliance with the conditions hereinabove stated for the authentication and delivery of such 2017 Bonds, that all conditions precedent to the authentication of the 2017 Bonds have been satisfied, that the Trustee lawfully may authenticate the 2017 Bonds, that the 2017 Bonds are authorized under this 2017 Supplemental Refunding Resolution, that the Authority thereafter will be obligated so long as any Bonds remain Outstanding to operate and maintain the System and to collect Revenues with respect to operation of the System pursuant to the Act all in accordance with the General Bond Resolution, that upon the execution, authentication and delivery of the 2017 Bonds all Revenues thereafter to be derived with respect to the operation of the System, will be pledged under and subject to the lien and pledge created by this 2017 Supplemental Refunding Resolution free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to or of equal rank with the pledge created by this 2017 Supplemental Refunding Resolution, that this 2017 Supplemental Refunding Resolution has been duly and lawfully adopted by the Authority, is in full force and effect and is valid and binding upon the Authority and enforceable in accordance with its terms, except as may be limited by bankruptcy, insolvency or other similar laws affecting creditor's rights generally, that this 2017 Supplemental Refunding Resolution creates the valid pledge that it purports to create of the Revenues and all other moneys, securities and funds held or set aside or to be held or set aside under this 2017 Supplemental Refunding Resolution, subject only to the provisions of this 2017 Supplemental Refunding Resolution permitting the withdrawal, payment, setting apart or appropriation thereof for or to the purpose and on the terms and conditions set forth in this 2017 Supplemental Refunding Resolution, that the Authority is duly authorized and entitled to issue such 2017 Bonds, and that upon the execution, authentication and delivery thereof, such 2017 Bonds will be duly and validly issued and will constitute valid and binding obligations of the Authority entitled to the benefits of this 2017 Supplemental Refunding Resolution.

(e) A certificate of an Authority Officer stating that the Authority is not in default under the terms of this Resolution, including, without limitation, Section 610.

(f) Evidence that after the Trustee has deposited in the Construction Fund an amount sufficient to pay the costs of issuance of the 2017 Bonds, the remaining proceeds thereof shall be sufficient for the refunding of such Refunded Bonds.

ARTICLE III

Miscellaneous

Section 301. **Payments Under Bond Insurance Policy.** If necessary, the Director shall arrange for any necessary bond insurance in order to obtain the best possible interest rates and the most cost effective financing in accordance with the recommendation of the Underwriter. To the extent that bond insurance is necessary, the Bond Insurer shall be deemed to be the sole holder of the 2017 Bonds for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the holders of the 2017 Bonds are entitled to take pursuant to the General Bond Resolution.

Section 302. **Continuing Market Disclosure.** Solely for purposes of complying with Rule 15c2-12 of the Securities and Exchange Commission, as amended and interpreted from time to time (the "Rule"), and provided that the 2017 Bonds are not exempt from the Rule and provided that the 2017 Bonds are not exempt from the following requirements in accordance with paragraph (d) of the Rule, for so long as the 2017 Bonds remain outstanding (unless the 2017 Bonds have been wholly defeased), the Authority shall provide for the benefit of the holders of the 2017 Bonds and the beneficial owners thereof all information required under the Rule.

If all or any part of the Rule ceases to be in effect for any reason, then the information required to be provided under this 2017 Supplemental Refunding Resolution, insofar as the provision of the Rule no longer in effect required the provision of such information, shall no longer be required to be provided.

The Director is hereby authorized to enter into additional written contracts or undertakings to implement the Rule and is further authorized to amend such contracts or undertakings or the undertakings set forth in this 2017 Supplemental Refunding Resolution, provided such amendment is, in the opinion of nationally recognized bond counsel, in compliance with the Rule or would have been in compliance with the Rule if such amended undertaking had been entered into at the time of the issuance of the 2017 Bonds.

In the event that the Authority fails to comply with the Rule or the written contracts or undertakings specified in this 2017 Supplemental Refunding Resolution, the Authority shall not be liable for monetary damages, remedy being hereby specifically limited to specific performance of the Rule requirements or the written contracts or undertakings therefor.

Section 303. **Distribution of Preliminary Official Statement; Approval of Official Statement.**

(a) **Preliminary Official Statement.** The Authority hereby authorizes the preparation and distribution of a preliminary official statement (the "Preliminary Official Statement") relating to the 2017 Bonds, substantially in such form as shall be approved by the Director of the Authority

in consultation with Bond Counsel. As of the date of such Preliminary Official Statement, the Director of the Authority, in consultation with Bond Counsel, shall make the determination that the Authority deems such Preliminary Official Statement “final”, as that term is used in paragraph (b)(1) of Rule 15c2-12 of the Securities Exchange Act of 1934 (the “Rule”), except for the omission of no more than the information permitted by paragraph (b)(1) of the Rule. The Authority hereby authorizes said Preliminary Official Statement and the information contained therein to be used in connection with the offering and sale of the 2017 Bonds and authorizes the Underwriter to distribute the Preliminary Official Statement, in electronic or hard copy form, to prospective purchasers of the 2017 Bonds.

(b) Official Statement. The Authority hereby authorizes the preparation of an official statement (the “Official Statement”) relating to the 2017 Bonds, to be dated the date of execution of the Purchase Contract and to be substantially in the form of the Preliminary Official Statement with such changes therein as shall be approved by the Director of the Authority, in consultation with Bond Counsel, and by the Underwriter. The Authority hereby authorizes the execution of the Official Statement by the Director of the Authority, the delivery thereof to the Underwriter and the distribution of the Official Statement in connection with the offering and sale of the 2017 Bonds.

Section 304. Covenant of Authority as to Compliance with Federal Tax Matters. The Authority hereby covenants that it will take all actions within its control that are necessary to assure that interest on the 2017 Bonds is excludable from gross income under the Internal Revenue Code of 1986, as amended (the “Code”), and the Authority will refrain from taking any action that would adversely affect the exclusion of interest on the 2017 Bonds from gross income under the provisions of the Code.

Section 305. Supplemental Resolutions; Amendment of Supplemental Resolution. At any time or from time to time, a Supplemental Resolution of the Authority may be adopted for the purpose of supplementing or amending the General Bond Resolution or amending or supplementing this 2017 Supplemental Refunding Resolution in each case upon the terms and conditions which are set forth in Articles VIII and IX of the General Bond Resolution.

Section 306. Effective Date. This Supplemental Resolution shall be fully effective in accordance with its terms upon the filing with the Trustee of a copy of this 2017 Supplemental Refunding Resolution.

Section 308. Signing Powers. The Authority Officers are hereby severally authorized and, after satisfaction of all conditions precedent thereto and after consultation with the professionals working on behalf of the Authority, are hereby severally directed to execute or acknowledge, as the case may be, or cause to be executed or acknowledged such other certificates, notices, instruments, agreements and other documents in such form as the Director, after consultation with the professionals working on behalf of the Authority, shall determine to be necessary, desirable or convenient in order to effect the issuance of 2017 Bonds or any other transaction contemplated hereby and thereby, which respective forms thereof shall be

dispositively evidenced by the Authority Officer's execution or acknowledgment, as the case may be, and delivery thereof or with respect to such documents of a party other than the Authority, shall be evidenced by an Authority Officer's execution thereof. Such documents shall include, but not be limited to, the Preliminary Official Statement(s), the Official Statement(s), Escrow Agreement, Continuing Disclosure Agreement, Bond Purchase Agreement(s), tax certificate, escrow agreement, services agreements, investment agreements, related certifications, bond insurance agreement and the DTC Representation Letter.

SERVICE CONTRACT

between

THE RARITAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

and

THE TOWNSHIP OF RARITAN, IN THE COUNTY OF HUNTERDON,
NEW JERSEY

March , 1970

SERVICE CONTRACT

between

THE RARITAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

and

THE TOWNSHIP OF RARITAN, IN THE COUNTY OF HUNTERDON,
NEW JERSEY

THIS AGREEMENT, made and dated as of the 1st day of March, One Thousand Nine Hundred and Seventy, between The Raritan Township Municipal Utilities Authority (hereinafter referred to as "Authority"), a public body politic and corporate of the State of New Jersey, and The Township of Raritan, in the County of Hunterdon, (hereinafter referred to as "Township"), a municipal corporation of the State of New Jersey, situate in said County of Hunterdon.

W I T N E S S E T H

WHEREAS pursuant to the Municipal Utilities Authorities Law, constituting Chapter 183 of the Pamphlet Laws of 1957, of the State of New Jersey, approved August 22, 1957, as amended and supplemented, the Authority was created by virtue of an ordinance duly and finally adopted on August 10, 1964, by the Township Committee of the Township as the governing body thereof, and is a public body politic and corporate of the State of New Jersey organized and existing under said Law, constituting a political subdivision and established as an instrumentality exercising public

treatment and disposal of sanitary sewage and other wastes arising within the Township; and

WHEREAS the Township and the Authority have each determined that it will be economical and otherwise advantageous to each of them and to the residents and property owners of the Township for the Township and the Authority to enter into a contract providing for and relating to the treatment and disposal of sewage and other wastes originating in the Township by means of said sewerage system and the cost and expense of such treatment and disposal, which contract, among other things, shall obligate the Authority to proceed promptly with the design, acquisition and construction and placing in operation of said sewerage system and obligate the Township to pay to the Authority such sum or sums of money as may be necessary to provide for deficits (if any) resulting from failure or disability of the Authority to derive adequate revenues from the operation of said sewerage system, and the Township and Authority have each duly authorized its proper officials to enter into and execute for it this Agreement;

NOW, THEREFORE, in consideration of the premises, of the mutual covenants and agreements herein set forth, and the undertakings of each party to the other, the Authority and the Township, each binding itself, its successors and assigns, do mutually covenant, promise and agree as follows:

and essential governmental functions to provide for the public health and welfare, with all necessary or proper powers to acquire, construct, maintain, operate or improve works for the accumulation, supply or distribution of water and works for the collection, treatment, purification or disposal of sewage or other wastes and to provide for utility services designed to provide or distribute an adequate supply of water for public and private uses and to relieve pollution of the waters in, bordering or entering the Township from pollution or threatened pollution and for improvement of conditions affecting the public health and with all the powers, privileges and authority conferred by said Law; and

WHEREAS the Authority is ready to construct and acquire and place in operation a sanitary sewerage system for collection, treatment and disposal of certain sanitary sewage and other wastes arising in a portion of the Township, but cannot economically finance the aforesaid under said Law unless the Authority is to be aided and assisted by the Township as provided in this Agreement; and

WHEREAS the Township desires to aid and assist the Authority in the establishment of said sewerage system and to make it economically feasible for the Authority to proceed with the financing, acquisition and construction thereof so as to make available, at an early date, a sanitary sewerage system for the use of residents and inhabitants of the Township for the collection,

ARTICLE 1.

Definitions

Section 101. Definitions. As used and referred to in this Agreement and subject to the provisions of Section 103 hereof, and unless a different meaning clearly appears from the context:

(1) "Accountant" means the Division of Local Finance in the Department of Community Affairs of the State of New Jersey or a registered municipal accountant or a certified public accountant of the State of New Jersey;

(2) "Act" means the Municipal Utilities Authorities Law, constituting Chapter 183 of the Pamphlet Laws of 1957, of the State of New Jersey, approved August 22, 1957, and the acts amendatory thereof or supplemental thereto;

(3) "Agreement" means this Service Contract;

(4) "Annual Charges" shall have the meaning given to such term in Article III hereof;

(5) "Authority" means The Baritan Township Municipal Utilities Authority referred to hereinabove;

(6) "Bond" means any bond, note or other evidence of indebtedness heretofore or hereafter issued by the Authority;

(7) "Bond Resolution" means any agreement of the Authority with or for the benefit of holders of Bonds to be

issued pursuant thereto;

(8) "Fiscal Year" means the period of twelve calendar months ending with November 30 of any year;

(9) "Governing Body" shall have the meaning given to such term by the Act;

(10) "Industrial Wastes" means liquid or other wastes resulting from any processes of industry, manufacture, trade or business or from the development of any natural resource;

(11) "Project" means the following sanitary sewerage facilities to be constructed or acquired within the Township, with all necessary and incidental connections, equipment, apparatus, structures and appurtenances, and including all real property and rights-of-way, easements and other interests therein and all personal property necessary or desirable for the efficient construction and operation of such facilities: (1) an interceptor called the "South Branch of Raritan River Interceptor" approximately 6160 linear feet in length to be constructed from the sewage treatment plant site extending northerly adjacent to the South Branch of the Raritan River to the confluence of the Bushkill Creek; an interceptor called the "South Branch of Bushkill Brook Interceptor" extending from the South Branch of Raritan River to the confluence of the North and South Branches of the Bushkill Brook approximately 2040 linear feet in length; an interceptor

called the "South Branch of Bushkill Brook Interceptor" extending from the confluence of North and South Branches of the Bushkill Brook to Route 202 approximately 6426 linear feet in length; an interceptor called the "Route 202-Interceptor" extending from the Voorhees Corner Road to a point approximately 1050 feet south of Reaville Road; an interceptor called the "1st Neshanic River" to a point 219 feet north of Everitts Hill Road; a force main extending from Pumping Station #1 located adjacent to the 1st Neshanic River to a point of discharge 1050 feet south of Reaville Road; an interceptor called the Bushkill Brook interceptor approximately 9192 linear feet in length extending from the confluence of the north and south branches of the Bushkill Brook to a point 2500 feet west of Route 31 adjacent to the Bushkill Creek; lateral, force main and collector sanitary sewer lines located in the following highways, streets and roads in the Township of Raritan: River Road, Greenwood Place, Route 202, Voorhees Corner Road, Commerce Street, Route 31, Johanna Farms Road, South Main Street, Spring Garden Road, Seals Place, Washington Street, Ranch Haven Road, Raritan Avenue, Dayton Road, Old Croton Road, Middlebrook Road, Glenway Drive, Flemington-Sergeantsville Road, Orchard Drive Meadow Lane, Circle Drive, Flemington

Junction Road, Route 12, Pennsylvania Avenue Extension; and easements required, all of which are substantially shown on plans entitled: "Sanitary Sewers - Contract No. 1 for Raritan Township, Hunterdon County, New Jersey" dated February 15, 1970, as prepared by Bohren, Bogart & Van Cleef Engineering Associates, Inc., Flemington, New Jersey, consisting of seventy-six sheets and on file in the office of the Authority; (2) sewage treatment plant facilities of approximately 1.6 million gallons per day capacity, substantially as shown on the plans entitled "Sewage Treatment Plant - Contract No. 2 for Raritan Township, Hunterdon County, New Jersey" dated February 15, 1970, as prepared by Bohren, Bogart & Van Cleef Engineering Associates, Inc., Flemington, New Jersey, consisting of seventy-three sheets and on file in the office of the Authority; (3) sewage pumping and metering facilities, substantially as shown on the plans entitled "Meter Pit & Pumping Stations Contract No. 3 for Raritan Township, Hunterdon County, New Jersey," dated February 15, 1970 as prepared by Bohren, Bogart & Van Cleef Engineering Associates, Inc., Flemington, New Jersey, consisting of eight sheets and on file in the office of the Authority;

(12) "Sections or Articles" mentioned by numbers are the respective Sections and Articles of the Service Contract so numbered;

(13) "Service Charges" means rents, rates, fees or other charges, for direct or indirect connection with, or the use or services of the System which the Authority, under the provisions of Sections 21, 22 or 23 of the Act, is or may be authorized to charge and collect with regard to persons or real property;

(14) The term "sewage" means the waterborne animal or vegetable wastes (other than industrial wastes) from water closets, buildings, residences, industrial establishments or other places, together with such ground water infiltration, surface water, admixtures or other wastes as may be present;

(15) "System" means the plants, structures and other real and personal property acquired, constructed or operated or to be acquired, constructed or operated by the Authority for the purposes of the Authority, including sewers, conduits, pipelines, mains, pumping and ventilating stations, sewage treatment or disposal systems, plants and works, connections, outfalls, compensating reservoirs and other plants, structures, boats, conveyances, and other real and personal property, and rights therein, and appurtenances necessary or useful and convenient for the

collection, treatment, purification or disposal in a sanitary manner of any sewage, liquid or solid wastes, night soil or industrial wastes;

(16) "Surplus Revenues" means any funds which may be available for use by the Authority for any purpose, and which are not required by any contract of the Authority or Bond Resolution to be retained in any fund or account established for the security of the Authority's Bonds; and

(17) Words importing the singular number include the plural number, and vice versa, and words importing persons include firms, associations and corporations.

Section 102. Short Title. This agreement may hereafter be cited by the Authority or by the Township and is herein sometimes referred to as the "Service Contract".

Section 103. Severability of Invalid Provision. If any one or more of the covenants or agreements provided in the Service Contract, on the part of the Authority or the Township to be performed should be contrary to law, then such covenant or covenants, agreement or agreements, shall be deemed separable from the remaining covenants and agreements, and shall in no way affect the validity of the other provisions of the Service Contract.

ARTICLE II.

Construction of the System.

Section 201. Construction and Operation of Project. The Authority will with all practicable speed acquire and place in operation the Project and will prepare and complete (to the extent not already prepared and completed) plans for the construction, acquisition and financing of the remaining portion of the System. The Authority will thereafter operate and maintain and, to the extent permitted under the terms of Section 202, enlarge the System so as to treat and dispose of sewage by means of the System subject to and in conformity with the provisions of the Agreement and with respect to any property connected thereto in accordance with the provisions of this Article.

Section 202. Alteration, Renewal or Extension of System. The Authority may at any time enlarge, alter or improve the System or renew or replace any part thereof, but the Authority shall not construct or acquire, and nothing in this Agreement shall be deemed to require the Authority to construct or acquire, any extension (which is not a part of the Project) unless:

(A) Written consent to construction or acquisition of such extension shall have previously been given by or on behalf of the Township; or

(B) There shall have been delivered by the Authority to the Township a certificate of a consulting engineer retained by the Authority stating that, taking

into consideration anticipated growth of population tributary to such extension during the period of five years next ensuing after completion of construction or acquisition of such extension, the construction or acquisition, financing, operating and maintenance by the Authority of such extension will not cause an increase in the Annual Charges payable to the Authority during said period.

Section 203. Project Plans to be Approved. Before undertaking construction of any substantial part of the Project, the plans and specifications for such construction will be submitted by the Authority to the State Department of Health of New Jersey for approval as to the sufficiency of design thereof and compliance with standards as then promulgated by said Department and in effect, and a permit (if required) will be obtained by the Authority from said Department to proceed with such construction.

Section 204. Location of System and Use of Public Property. The Authority shall have the right to construct, maintain, operate and use such trunk, intercepting and outlet sewers, conduits, pipelines, mains, pumping and ventilating stations, sewage treatment and disposal systems, plants and works at such places within or without the District and such other plants, structures, boats and conveyances as in the judgment of the Authority are necessary to treat and dispose of sewage or other wastes delivered or to be delivered into the System, and to that end, may enter upon and use and connect with any existing public drains, sewers, conduits,

pipe lines, pumping and ventilating stations and treatment plants and works or any other public property of a similar nature within the Township and close off and seal outlets and outfalls therefrom, and may construct, maintain and operate the system, free of charge by the Township, along, over, under and in any streets, alleys, highways, and other public places within the Township.

Section 205. Conveyance of Sewers. From time to time upon notice from the Authority, the Township will grant and convey to the Authority, upon such terms and conditions as have heretofore been agreed to, any sewer or other sanitary sewerage facility which may be owned by the Township and be specified in any such notice or notices.

Section 206. Connections to be Permitted. The Authority will permit every property in the Township fronting on the System or having reasonable access thereto to be connected with the System, but only upon payment to the Authority of such connection charge or charges as the Authority may prescribe and subject to and in conformity with the rules and regulations of the Authority then in effect.

Section 207. Connections to be Required. The Township will require all properties within its territory fronting on the System or having reasonable access thereto to be connected with the System for the purpose of delivering sewage therefrom into the System subject to rules and regulations of the Authority then in effect.

ARTICLE III.

Charges by the Authority and Payments by the Township.

Section 301. Service Charges. With respect to all sewage or other wastes delivered into the System and for all direct or indirect connections with, and all use and services of, the System, the Authority will charge Service Charges in accordance with the Act and at least to the extent required by this Service Contract and at the rates established in accordance herewith. Said Service Charges shall be computed at rates estimated to be sufficient to provide for the receipt by the Authority in each Fiscal Year of the sum of money equal to the sum of all of the amounts necessary in such Fiscal Year (1) to pay or provide for the expenses of operation and maintenance of the System and the principal of and interest on any and all Bonds as the same become due and to pay any deficit from prior years not approved by the Township, and (2) to ~~maintain such reserves or sinking funds~~ as may be required by the terms of any contract of the Authority or any Bond Resolution, or ~~as~~ may be deemed necessary or desirable by the Authority, and (3) to comply in all respects with the terms and provisions of any Bond Resolution and of the Act. In the event the Authority is required to increase its rents, rates, fees or other charges in order to comply with the provisions of this Section 301, any schedule of new charges providing for such increase shall, before adoption by the Authority, be submitted to the Governing Body of the Township for review prior to December 30 of each Fiscal Year. On or

before January 15 of such Fiscal Year the Governing Body shall give its written consent in the manner herein provided to such new schedule of charges; however, if the Governing Body deems it advantageous and in the best interest of the residents and property owners of the Township it may give its written consent in the manner herein provided to Service Charges which shall be less than sufficient to comply with the requirements of this Section 301.

Section 302. Annual Charges. For the treatment and disposal of sewage originating in the Township and to assure continuance of such treatment and disposal of sewage at reasonable rates of Service Charges, the Authority will charge the Township and the Township shall make payment to the Authority of Annual Charges computed and to be paid as set forth in this Agreement. The Annual Charges made and to be charged by the Authority to and payable by the Township for or with respect to any Fiscal Year shall be the sum of money equal to the excess (if any) of

(A) The sum of all of the amounts necessary or expended in such Fiscal Year (1) to pay or provide for the expenses of operation and maintenance of the System, including (without limitation of the foregoing) insurance, renewals, replacements, extensions, enlargements, alterations and betterments, (2) to pay or provide for any interest becoming due prior to the end of such Fiscal Year on Bonds, (3) to pay or provide for the principal

or redemption premium of Bonds becoming due prior to the end of such Fiscal Year, (4) to provide for any deficits of the Authority resulting from failure to receive sums payable to the Authority by the Township, any other municipality, any county or any person, or from any other cause, and (5) to maintain such reserves or sinking funds to provide for expenses of operation and maintenance of the System or for any interest on or principal or redemption premium of Bonds or for any such deficits as may be required by the terms of any contract of the Authority or Bond Resolution or be deemed necessary or desirable by the Authority, over

(B) the sum of such parts (if any) of the several amounts referred to in subparagraph (A) of this Section as, prior to the end of such Fiscal Year, are properly paid and discharged or fully provided for by application, in accordance with the Act or any Bond Resolution, of (1) Service Charges collected by the Authority, (2) the proceeds of Bonds received by or for account of the Authority, (3) the proceeds of insurance received by or for account of the Authority, (4) interest received on investments of funds held for the benefit or security of the Authority or the holders of Bonds, (5) contributions received by or for account of the Authority and not under any circumstances repayable by the Authority

until after the payment in full or all other obligations of the Authority including its Bonds, original or refunding or both, or (6) reserves on hand and applicable and available therefor at the beginning of such Fiscal Year.

Section 303. Rates of Service Charges. (1) the Service Charges to be prescribed, fixed and charged by the Authority pursuant to this Agreement shall be computed in accordance with and at the rates shown on a schedule of such charges which, after written consent to adoption of such achedule, or approval of such schedule after its adoption, shall have been given by or on behalf of the Township, shall be adopted and established by the Authority. After such adoption, the Authority may from time to time modify said schedule but only by amendments adopted in conformity with the restrictions of, and permitted by, this Section.

(2) The Authority shall not adopt or make any amendment of the schedule referred to in paragraph (1) of this Section (or of any revision thereof) at any time or in any particular unless:

(a) Such amendment imposes or effects only a payment (generally called a "connection charge") to be made to the Authority for or with respect to each making or discontinuing of a service connection by the System, or

(b) Written consent to such amendment shall have previously been given by or on behalf of the Township, or

(c) Such amendment is required by the terms of any final judgment or decree of a court of competent jurisdiction, or

(d) Such amendment is required by any of the terms or provisions of, or any of the covenants made for the benefit of holders of Bonds, or

(e) No Annual Charges shall have become payable by the Township to the Authority under the terms of the Agreement for or on account of any of the last three Fiscal Years ended next prior to the adoption or making of such amendment, or

(f) Such amendment is required by the provisions of this Agreement.

Section 304. Payment of Annual Charges by Township. (1)

For or in connection with the treatment and disposal of sewage or other wastes originating in the Township by means of the System during each Fiscal Year, the Township will pay to the Authority any Annual Charges made and charged by the Authority to and payable by the Township for such Fiscal Year computed by the Authority as provided in this Article. On or before each December 30 the Authority will make and deliver to the Township its certificate stating the amount of the Annual Charges (if any) for the preceding Fiscal Year computed in accordance with this Service Contract, accompanied by a certificate signed by an Accountant approving the statements in such certificate of the Authority.

The Annual Charges for each Fiscal Year, to the extent that any part thereof shall not have been theretofore paid, shall in all events be due and payable not later than January 15 next succeeding the close of such Fiscal Year, but current provision for and payment of part of such Annual Charges on an estimated basis shall be made by the Township in accordance with the following paragraphs of this Section.

(2) On or before the twenty-fifth day of the month next following the month in the Fiscal Year in which the Authority may first issue any Bonds and on or before December 30 of each Fiscal Year thereafter (and in any event on or before December 30 of each Fiscal Year after the System or any part thereof shall have been placed in operation), the Authority will make an estimate of the amount of the Annual Charges which will become payable by the Township for such Fiscal Year and thereafter on or before January 15 of such Fiscal Year, will make and deliver to the Township its certificate stating such estimated amount of the Annual Charges for such Fiscal Year. In the event that any part of any Annual Charges theretofore becoming payable by the Township shall not have been paid, the Authority will include in such certificate an additional provision separately stating the amount of such unpaid part (herein called the "Prior Annual Charges Deficiency").

(3) The Township will in each year make all budgetary and other provisions or appropriations necessary to provide for and authorize the payment by the Township to the Authority during each

Fiscal Year of the estimated amount of the Annual Charges and the amount of the Prior Annual Charges Deficiency (if any) stated in the certificate delivered in such Fiscal Year to it by the Authority as aforesaid.

(4) On or before January 16 of each Fiscal Year, the Township will pay to the Authority the amount of the Prior Annual Charges Deficiency (if any) stated in the certificate delivered in such Fiscal Year to it by the Authority as aforesaid. The Township will pay to the Authority that part of the estimated amount of the Annual Charges stated in the certificate delivered in such Fiscal Year to it by the Authority as aforesaid in four equal installments on the first days of February, May, August and November of such Fiscal Year provided that in the Fiscal Year in which the Authority may first issue any Bonds, and estimated amount with respect to such Fiscal Year shall be such part thereof as results from application thereto of a fraction, the denominator of which shall be twelve and the numerator of which shall be the number of months remaining in such Fiscal Year after the date of issuance of Bonds, and such amount shall be divided into as many installments as there are such months remaining in such Fiscal Year and one of such installments shall be due and payable to the Authority on the first day of such month.

(5) In the event that the amount of the Annual Charges made and charged by the Authority to and payable by the Township for any Fiscal Year computed as provided in this Article shall be less than the estimated amount of such Annual Charges (as afore-

said) stated in the certificate delivered in such Fiscal Year to it by the Authority and paid by it to the Authority, the Authority will credit the difference between said amounts to the Township against the amount of the next payment becoming due to the Authority from the Township under paragraph (1) or (4) of this Section.

Section 305. Limitation on Service Charges. The sums which may become payable by the Township to the Authority under the provisions of this Service Contract are and shall be in lieu of part of the Service Charges which the Authority would otherwise, under the provisions of Section 21 or 22 of the Act, charge and collect with regard to real property within the Township directly or indirectly connected with the System, and, so long as the Township shall not be in default in the making of any payments becoming due from it under the provisions of this Agreement, the Authority will suspend all Service Charges with regard to such real property except Service Charges computed in accordance with the provisions of Section 303, but nothing in this Section or this Agreement contained shall prevent the Authority from charging and collecting, as if this Agreement had not been made, Service Charges with regard to persons or real property within the Township sufficient to meet any default or deficiency in any payments agreed herein to be made by the Township. For the purposes of this Section, the Township shall be deemed to be in default if the Township for a period of thirty days after its due date, shall fail to make

in full to the Authority any payment required to be made by it under the provisions of this Agreement.

Section 306. Collection of Service Charges. The Authority will at all times take all reasonable measures permitted by the Act or otherwise by law to collect and enforce prompt payment to or for it of all Service Charges prescribed, fixed and charged by it in accordance with this Agreement.

ARTICLE IV.

Miscellaneous.

Section 401. Rules and Regulations. The Authority may at any time promulgate, issue, publish and from time to time amend, and enforce, rules and regulations regulating the making of connections to the System or the use or services of its utility system or prohibiting or regulating the discharge into the System or any sewer, sanitation or drainage systems connected therewith of storm water drainage from ground surface, roof leaders or catch basins or from any other source, industrial wastes, oils, acids or any other substances which, alone or in combination with other substances discharged into the System, are or may be injurious or deleterious to the System or to its efficient operation, and the Township will fully conform with such rules and regulations and will cause the same to be fully observed and conformed with throughout its territory. Such rules and regulations may include lists of harmful wastes, discharge of which into the System or any sewer, sanitation or drainage systems connected therewith shall be prohibited. In the enforcement of such rules and regulations (or in enforcement of Service Charges), the Authority may refuse to permit or continue the connection to the System of properties in the Township, and such refusal shall not be deemed to result in any violation by the Authority of the provisions of this Agreement as to construction or operation of the System or the charging or collection of Service Charges or any other matter.

Section 402. Insurance. The Authority will at all times maintain with responsible insurers all such insurance as is customarily maintained with respect to utility systems of like character against loss or damage to the System and against public or other liability to the extent not less than that reasonably necessary to protect the interests of the Authority and the Township, and will at all times maintain with responsible insurers all insurance reasonably required and obtainable within limits and at costs deemed reasonable by the Authority to indemnify and save harmless the Authority and the Township against all liabilities, judgments, costs, damages, expenses and attorney's fees for loss, damage or injury to person or property resulting directly or indirectly from the operation or a failure of operation of the System caused by the negligence or willful act of the Authority, its employees or agents.

Section 403. Accounts. The Authority will keep proper books of record and account in which complete and correct entries shall be made of its transactions relating to the System or any part thereof, and which, together with all other books and papers of the Authority, shall at all reasonable times be subject to inspection. The Authority shall cause its books and accounts to be audited annually by an Accountant, and annually within three months after the close of each Fiscal Year, copies of the reports of such audits so made shall be furnished to the Authority and to the Township, including statements in reasonable detail, accompanied by

certificate signed by the Accountant, of financial condition, or revenues and operating expenses, and of all funds held by or for the Authority.

Section 404. Competitive Facilities. The Township will not, after the date of this Agreement, construct any water supply or distribution system or other facilities for distribution of water within the Township or construct any sewerage disposal plant or sewers or other facilities for the collection, treatment or disposal of sewage originating within the District unless the Authority shall have given its written consent to such construction.

Section 405. Enforcement and Obligation of Annual Charges. If any payment or part thereof due to the Authority from the Township shall remain unpaid for thirty days following its due date, the Township shall be charged with and will pay to the Authority interest on the amount unpaid from its due date until paid, at the rate of six per centum (6%) per annum. Every obligation assumed by or imposed upon the Township by the Service Contract shall be enforceable by the Authority by appropriate action or proceeding, and the Authority may have and pursue any and all remedies provided by law for the enforcement of such obligation including the remedies and processes provided by the Act with respect to Service Charges.

Section 406. Effect of Breach. Failure on the part of the Authority in any instance or under any circumstance to observe or fully perform any obligation assumed by or imposed upon it by this

Agreement or by law shall not make the Authority liable in damages to the Township or relieve the Township from making any payment to the Authority or fully performing any other obligation required of it under this Agreement, but the Township may have and pursue any and all other remedies provided by law for compelling performance by the Authority of said obligation assumed by or imposed upon the Authority.

Section 407. Consents or Waivers by Authority. Whenever under the terms of this Agreement the Authority is authorized to give its written consent, the Authority, in its discretion, may give or refuse such written consent and, if given, may restrict, limit or condition such consent in such manner as it shall deem advisable. Acceptance by the Authority into the System of sewage or other wastes in any instance in a volume or at a rate or with characteristics exceeding or violating any limit or restriction provided for by or pursuant to this Agreement in one or more instances or under one or more circumstances shall not constitute a waiver of such limit or restriction or of any of the provisions of this Agreement and shall not in any way obligate the Authority thereafter to supply water from the System or to accept or make provision for sewage or wastes delivered into the System in a volume or at a rate or with characteristics exceeding or violating any such limit or restriction in any other instance or under any other circumstance.

Section 408. Special Consents by Township. Whenever under

connected to the System, except as may be provided for in the plans and specifications for construction of the Project, the Authority will not permit any property located outside of the Township to be connected with the System for the purpose of delivering sewage into the System, or accept any sewage or industrial wastes from, any person or property outside of the Township unless written consent thereto shall have previously been given by or on behalf of the Township.

Section 412. Report as to Bonds. Forthwith upon the issuance of any Bonds, the Authority shall prepare and file in the office of the Township Clerk of the Township a schedule setting forth the principal amount, designation, denomination, date of issue, place of payment, maturities, rate of interest and redemption prices (if any) of such Bonds, together with a copy of the resolution of the Authority authorizing such Bonds, each certified by its Secretary and under its seal.

Section 413. Repayments to Township. It is agreed by the parties hereto, that, the Authority shall repay to the Township all moneys paid by the Township to the Authority under this Agreement except, however, Service Charges on property owned by the Township itself, which repayment by the Authority to the Township shall be made out of Surplus Revenues of the Authority, together with interest on the unpaid balance thereof at the rate of six per centum (6%) per annum.

Section 414. Termination of this Agreement. At any time

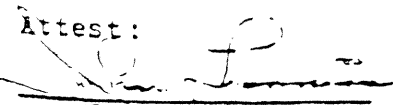
after five years from the date of this Service Contract and after the payment in full of all obligations of the Authority including its Bonds, the Township or the Authority upon two years' notice to the other party hereto, but subject to the provisions of Section 410 hereof, may terminate this Agreement.

Section 415. Service Charges to Township. Nothing contained in this Service Contract shall prevent the Authority from charging Service Charges, or shall require the Authority to charge Service Charges, for or with respect to utility service supplied by the Authority to any municipal or public buildings or facilities owned or operated by the Township in its governmental capacity.

Section 416. Execution of Counterparts. This Agreement may be executed in any number of counterparts each of which shall be executed by the Authority and by the Township and all of which shall be regarded for all purposes as one original and shall constitute and be but one and the same.

IN WITNESS WHEREOF, the Authority and the Township have caused their respective seals to be hereunto affixed and attested and these presents to be signed by their respective officers thereunto duly authorized and this Agreement to be dated as of the day and year first above written.

Attest:


Secretary

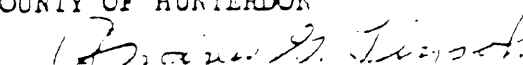
Attest:


Township Clerk

THE RARITAN TOWNSHIP MUNICIPAL
UTILITIES AUTHORITY

By 
Chairman

THE TOWNSHIP OF RARITAN, IN THE
COUNTY OF HUNTERDON

By 
Mayor

APPENDIX E

FORM OF LEGAL OPINION OF BOND COUNSEL

December __, 2017

The Raritan Township Municipal Utilities Authority
365 Old York Road
Flemington, NJ 08822

Re: The Raritan Township Municipal Utilities Authority
\$ _____ Sewer System Revenue Refunding Bonds, Series 2017

Dear Sirs:

We have examined a record of proceedings relating to the issuance of \$ _____ Sewer System Revenue Refunding Bonds, Series 2017, dated the date of this opinion (the “Bonds”), by The Raritan Township Municipal Utilities Authority, a public body corporate and politic of the State of New Jersey (the “State”), in the County of Hunterdon (the “Authority”).

The Bonds are authorized and are issued pursuant to the Municipal and County Utilities Authorities Law of the State, constituting Chapter 183 of the Pamphlet Laws of 1957, as amended and supplemented (N.J.S.A. 40:14B-1 *et seq.*) (the “Act”), and a bond resolution of the Authority adopted June 17, 2010, as amended and supplemented (the “General Bond Resolution”), including by a supplemental bond resolution adopted on October 19, 2017, entitled “2017 Supplemental Bond Resolution of the Raritan Township Municipal Utilities Authority Supplementing and Amending Certain Provisions of the Authority’s General Bond Resolution duly adopted June 17, 2010, as amended and supplemented, and Providing for the Issuance of Not To Exceed \$3,000,000 Aggregate Principal Amount Of Sewer System Revenue Refunding Bonds, in one or more series, of the Raritan Township Municipal Utilities Authority” (the “Supplemental Bond Resolution” and together with the General Bond Resolution, the “Bond Resolution”) as further amended and supplemented by a Certificate of the Chairman of the Authority (the “2017 Award Certificate” and together with the Bond Resolution, the “Resolution”). Terms used herein as defined terms have the meanings assigned to such terms in the Resolution unless otherwise defined herein or unless the context clearly requires otherwise.

The Authority and the Township of Raritan, New Jersey (the “Township”) have entered into an agreement, dated as of March 1, 1970 (the “Service Contract”), which provides, among other things, for payment to be made by the Township to the Authority of certain fees and charges, including Annual Charges (the “Annual Charges”) in an amount sufficient, together with other Revenues, to provide for any expenses of operation, maintenance and repairs of the sewer system, including establishment and maintenance of working capital and reserves, and payment and security of principal of and interest on any bonds issued or to be issued by the Authority, including the Bonds, in order to prevent the accrual of a deficit. Reference should be made to the Service Contract for a full description of its respective provisions.

In order to render the opinions set forth herein, we have examined such matters of law, including the Act, such documents, including the Resolution and the Service Contract, and such other statutes, resolutions, certificates and records of the Authority as we have considered necessary in order to enable us to express the opinions hereinafter set forth. As to matters of fact, we have relied upon the representations of the Authority, and, where we have deemed appropriate, representations or certifications of public officials. Further, in expressing such opinions, we have relied upon the genuineness, truthfulness and completeness of the Resolution, the Service Contract, and the documents, certificates and records referred to above.

Based upon and subject to the foregoing, we are of the opinion that:

1. The Authority has been duly created and validly exists under the provisions of the Constitution and statutes of the State, including the Act.

2. The Authority has the right and power under the Act to adopt the Bond Resolution and to execute the Award Certificate to authorize the issuance of the Bonds. The Resolution has been duly and lawfully adopted by the Authority, and the Award Certificate has been duly and lawfully executed and each is in full force and effect, is valid and binding upon the Authority, the Trustee and the holders of the Bonds and is enforceable in accordance with its terms. .

3. The Bonds have been duly authorized and issued by the Authority in accordance with the Act and the provisions of the Resolution. The Bonds are valid and binding, direct and special obligations of the Authority and shall be payable from and shall be secured by the Revenues of the Authority and from other moneys that are pledged for that purpose under the terms of the Resolution, subject only to the right of the Authority to pay Operating Expenses and to pay any rebate payments to the United States government required under the Internal Revenue Code of 1986, as amended (the "Code"). The Bonds are enforceable in accordance with their terms, the terms of the Act and the terms of the Resolution. The Bonds are not debts or liabilities of the State or of any county or municipality thereof (except to the extent of the obligation of the Township to make payments under the Service Contract).

4. The Authority and the Township have full power and authority to enter into the Service Contract. The Service Contract was duly authorized, executed and delivered by the Authority and the Township. The Service Contract, including the obligation of the Township to pay Annual Charges to the Authority thereunder, constitutes a valid and binding obligation of the Township, enforceable in accordance with its terms. The Township's obligation under the Service Contract to provide funds for payment of the Annual Charges to the Authority necessary to meet the Authority's obligation to pay debt service on the Bonds is payable, if not otherwise available, from the levy of *ad valorem* taxes upon the taxable real property in the Township without limitation as to rate or amount.

5. The Authority has covenanted to comply with any continuing requirements that may be necessary to preserve the exclusion from gross income for purposes of federal income taxation of interest on the Bonds under Section 103(a) of the Internal Revenue Code of 1986, as amended (the "Code"). Failure to comply with certain requirements of the Code could cause interest on the Bonds to be includable in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. In our opinion, assuming continuing compliance by each of the Authority and the Borrowers with their respective covenants, under current law, interest on the Bonds is not includable in gross income for federal income tax purposes and is not an item of tax preference under Section 57 of the Code for purposes of computing the federal alternative minimum tax. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

6. Interest on the Bonds and any gain on the sale of the Bonds are not includable as gross income under the New Jersey Gross Income Tax Act.

We express no other opinion regarding other federal or State tax consequences arising with respect to the Bonds.

We note, in connection with the opinions expressed herein, that the enforceability of rights or remedies with respect to the Bonds, the Resolution and the agreements contained therein are limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally and by equitable principals, whether considered at law or in equity.

The above opinions are limited to and based upon the laws and judicial decisions of the State and the federal laws and judicial decisions of the United States of America as of the date hereof, and are subject to any amendment, repeal or other modification of the applicable laws or judicial decisions that served as the basis for our opinions or to any laws or judicial decisions hereafter enacted or rendered.

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

Very truly yours,

APPENDIX F

FORM OF CONTINUING DISCLOSURE DOCUMENTS

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the Township of Raritan, in the County of Hunterdon, New Jersey (the “Township”), in connection with the issuance by The Raritan Township Municipal Utilities Authority (the “Authority”) of \$_____ aggregate principal amount of its Sewer System Revenue Refunding Bonds, Series 2017 (the “Bonds”). The Bonds are being issued pursuant to the Municipal and County Utilities Authorities Law, constituting Chapter 183 of the Pamphlet Laws of 1957 of the State of New Jersey, as amended and supplemented, and a bond resolution of the Authority adopted June 17, 2010, as variously amended and supplemented (the “General Bond Resolution”), including by a supplemental bond resolution adopted on October 19, 2017, entitled “2017 Supplemental Bond Resolution of the Raritan Township Municipal Utilities Authority Supplementing and Amending Certain Provisions of the Authority’s General Bond Resolution duly adopted June 17, 2010, as amended and supplemented, and Providing for the Issuance of Not To Exceed \$3,000,000 Aggregate Principal Amount Of Sewer System Revenue Refunding Bonds, in one or more series, of the Raritan Township Municipal Utilities Authority” (the “Supplemental Bond Resolution” and together with the General Bond Resolution, the “Bond Resolution”). The Township covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Township for the benefit of the Bondholders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with Rule 15c2-12(b)(5) of the Securities and Exchange Commission.

Section 2. Definitions. In addition to the definitions set forth above, the following capitalized terms shall have the following meanings when used in this Disclosure Certificate:

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

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

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

“Dissemination Agent” shall mean, initially, the Phoenix Advisors, LLC, Bordentown, New Jersey, or any successor Dissemination Agent designated in writing by the Township and which has filed with the Township a written acceptance of such designation.

“EMMA” means the MSRB’s Electronic Municipal Markets Access System.

“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.

“Participating Underwriter” shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

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

“SEC” shall mean the Securities and Exchange Commission.

“State” shall mean the State of New Jersey.

Section 3. Provision of Annual Reports.

(a) The Township shall, or shall cause the Dissemination Agent to, not later than 270 days after the end of the Township’s fiscal year, commencing with the Annual Report for the fiscal year ending December 31, 2017, provide to the MSRB through EMMA, in an electronic format as prescribed by the MSRB (or such other repository designated by the SEC to be an authorized repository for filing secondary market disclosure, if any) and accompanied by such identifying information as is prescribed by the MSRB, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information which has been made available to the public on the MSRB’s website or filed with the Securities and Exchange Commission; provided that the audited financial statements of the Township may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the Township’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c).

(b) Not later than fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report, the Township shall provide the Annual Report to the Dissemination Agent (if other than the Township). If the Township is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the Township shall, in a timely manner, send a notice to the MSRB through EMMA in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall, if the Dissemination Agent is other than the Township, file a report with the Township certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided.

(d) The Township shall provide to the Authority, or shall cause the Dissemination Agent to provide, promptly upon filing with the MSRB, a copy of each Annual Report or separately submitted audited financial statements provided to the MSRB.

Section 4. Content of Annual Reports. The Township's Annual Report shall contain or include by reference the following:

1. The audited financial statements of the Township of the prior fiscal year, commencing December 31, 2017, prepared in accordance with generally accepted accounting standards (GAAS) as from time to time in effect, and as prescribed by the Division of Local Government Services in the Department of Community Affairs of the State pursuant to Chapter 5 of Title 40A of the New Jersey Statutes. If the Township's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

2. The financial information and operating data pertaining to the Township consisting of (1) Township and overlapping indebtedness including a schedule of outstanding debt issued by the Township; (2) the Township's most current adopted budget; (3) property valuation information; and (4) tax rate, levy and collection data.

Section 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Township will provide, in a timely manner not in excess of ten (10) business days after the occurrence of any of the following events, to the MSRB through EMMA, notice of any of the following events (each, a "Listed Event"):

1. Principal and interest payment delinquencies.
2. Non-payment related defaults, if material.
3. Unscheduled draws on debt service reserves reflecting financial difficulties.
4. Unscheduled draws on credit enhancements reflecting financial difficulties.
5. Substitution of credit or liquidity providers or their failure to perform.
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or

determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds.

7. Modifications to rights of holders of the Bonds, if material.
8. Bond calls, if material, and tender offers.
9. Defeasances.
10. Release, substitution or sale of property securing repayment of the Bonds, if material.
11. Rating changes.
12. Bankruptcy, insolvency, receivership or similar event of the Township. Bankruptcy, insolvency, receivership or similar event of the Township, which shall be considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer of the Township in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Township, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision of jurisdiction over substantially all of the assets or business of the Township.
13. The consummation of a merger, consolidation, or acquisition involving the Authority or the Township or the sale of all or substantially all of the assets of the Authority or the Township, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
14. Appointment of a successor or additional trustee, or the change of name of a trustee, if material.

(b) Whenever the Township obtains actual knowledge of the occurrence of a Listed Event described in subsection (a) for which a disclosure obligation is dependent

upon materiality, the Township shall as soon as possible determine if such event would be material under applicable federal securities law.

(c) Upon the occurrence of a Listed Event, the Township shall promptly file, or shall cause the Dissemination Agent to file, in a timely manner not in excess of ten (10) business days after the occurrence of the Listed Event, in an electronic format as prescribed by the MSRB and accompanied by such identifying information as is prescribed by the MSRB, a notice of such occurrence with the MSRB through EMMA.

(d) The Township shall provide to the Authority, promptly upon filing with the MSRB, a copy of any notice of the occurrence of a Listed Event.

Section 6. Termination of Reporting Obligation. The Township's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds.

Section 7. Dissemination Agent. The Township may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Township pursuant to this Disclosure Certificate. The initial Dissemination Agent shall be Phoenix Advisors, LLC.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Township may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Section 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the 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, in the opinion of nationally recognized bond counsel, materially impair the interests of the Bondholders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the Township shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on

the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Township. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(c), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

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

Section 10. Default. In the event of a failure of the Township to comply with any provision of this Disclosure Certificate the Authority or any Bondholder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Township to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default on the Bonds, and the sole remedy under this Disclosure Certificate in the event of any failure of the Township to comply with this Disclosure Certificate shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Township agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including reasonable attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct. The obligations of the Township 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 Township, the Authority, the Dissemination Agent, the Underwriter and the Bondholders and Beneficial Owners from time to time of the Bonds, and shall not create rights in any other person or entity.

Dated: _____, 2016

TOWNSHIP OF RARITAN, IN THE COUNTY
OF HUNTERDON, NEW JERSEY

By: _____
Chief Financial Officer

Acknowledged and Accepted by:
[_____] ,
As Dissemination Agent

EXHIBIT A TO CONTINUING DISCLOSURE CERTIFICATE

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: The Raritan Township Municipal Utilities Authority

Name of Township: The Township of Raritan, County of Hunterdon, New Jersey

Name of Bond Issue: The Raritan Municipal Utilities Authority
\$_____ Sewer System Revenue Refunding Bonds, Series 2017

Dated Date: _____, 2017

NOTICE IS HEREBY GIVEN that the Township has not provided an Annual Report with respect to the above-named Bonds as required by Section 3(a) of the Continuing Disclosure Certificate dated _____, 2017. The Township anticipates that the Annual Report will be filed by _____.

Dated: _____

TOWNSHIP OF RARITAN, IN THE COUNTY
OF HUNTERDON, NEW JERSEY

By: _____
Name:
Title:

CONTINUING DISCLOSURE AGREEMENT

By and Between

The Raritan Township Municipal Utilities Authority

and

TD Bank, National Association

as Dissemination Agent for

\$ _____

**The Raritan Township Municipal Utilities Authority
Sewer System Revenue Refunding Bonds, Series 2017**

CONTINUING DISCLOSURE AGREEMENT

THIS CONTINUING DISCLOSURE AGREEMENT (the "Agreement"), dated as of _____, 2017, is by and between The Raritan Township Municipal Utilities Authority (the "Authority") and TD Bank, National Association, Cherry Hill, New Jersey as dissemination agent (the "Dissemination Agent") for the Authority's Sewer System Revenue Refunding Bonds, 2017 (the "Bonds") issued by The Raritan Township Municipal Utilities Authority (the "Authority") on the date hereof.

WITNESSETH

WHEREAS, Rule 15c2-12 (as hereinafter defined) of the Securities and Exchange Commission (S.E.C) provides that it is unlawful for any broker, dealer or municipal securities dealer (hereinafter, a "Participating Underwriter") to act as an underwriter for the Bonds unless the Participating Underwriter complies with the requirements of Rule 15c2-12 or is exempted from its provisions; and

WHEREAS, Rule 15c2-12 requires, among other things, that a Participating Underwriter shall not purchase or sell the Bonds unless the Participating Underwriter has reasonably determined that an "obligated person" (within the meaning of Rule 15c2-12) has undertaken, in a written agreement for the benefit of the Bondholders (as hereinafter defined), to provide certain information relating to such "obligated person"; and

WHEREAS, the Authority has determined that it is or will be an "obligated person" with respect to the Bonds within the meaning of Rule 15c2-12 and is therefore required to cause the delivery of the information described in this Agreement to the municipal securities marketplace for the period of time specified in this Agreement; and

WHEREAS, the Dissemination Agent and the Authority are entering into this Agreement for the benefit of Bondholders.

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, the Authority and the Dissemination Agent agree as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Agreement is being executed and delivered by the Authority for the benefit of the Bondholders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with S.E.C. Rule 15c2-12(b)(5).

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

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

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

"Bondholder" shall mean any person who is the registered owner of any Bond, including holders of beneficial interests in the Bonds.

"EMMA" means the MSRB's (as hereinafter defined) Electronic Municipal Markets Access System.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Agreement.

"MSRB" means the Municipal Securities Rulemaking Board or any other entity designated or authorized by the SEC to receive reports pursuant to Rule 15c2-12. Effective July 1, 2009 and until otherwise designated by the MSRB or the SEC, filings with the MSRB are to be made through EMMA.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Rule" or "Rule 15c2-12" shall mean Rule 15c2-12(b) (5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"SEC" means the Securities and Exchange Commission.

"State" shall mean the State of New Jersey.

"Township" means the Township of Raritan, in the County of Hunterdon, New Jersey.

SECTION 3. Provision of Annual Reports.

(a) The Authority hereby undertakes for the benefit of the Bondholders and Beneficial Owners of the Bonds to either provide directly (with a copy to the Dissemination Agent) or to cause to be provided through the Dissemination Agent, to the MSRB through EMMA in an electronic format as prescribed by the MSRB and accompanied by such identifying information as is prescribed by the MSRB, no later than the first day of the ninth month after the end of each fiscal year, commencing with the fiscal year ending November 30, 2017, the Annual Report relating to such fiscal year

consistent with Section 4 hereof, together with audited financial statements of the Authority for such fiscal year if audited financial statements are then available and if audited financial statements are not then available unaudited financial statements; provided, however, that if audited financial statements are not then available, such audited financial statements shall be provided when they become available.

(b) No later than fifteen (15) days prior to the date of each year specified in subsection 3(a), a copy of the Annual Report, complete to the extent required in Section 3(a), shall be provided by the Authority to the Dissemination Agent.

(c) If the Dissemination Agent fails to receive a copy of the Annual Report by the date which is fifteen (15) days prior to the date required in clause (a) above, the Dissemination Agent shall promptly send written notice to the Authority advising of such failure. Whether or not such notice is given or received, if the Dissemination Agent fails to receive the Annual Report by the first day of the month in which such Annual Report was due, the Dissemination Agent shall promptly send a notice to the MSRB, in electronic format, substantially in the form attached hereto as Exhibit A, together with identifying information as prescribed by the MSRB, with a copy thereof to the Authority and the Township. If the Dissemination Agent receives the Annual Report accompanied by a written request from the Authority that the Dissemination Agent file the Annual Report, the Dissemination Agent shall so file the Annual Report within five (5) business days of the receipt thereof.

SECTION 4. Content of Annual Reports. The Authority Annual Report shall contain or include by reference the following:

(a) The audited financial statements of the Authority for the prior fiscal year, commencing with the audit for the year ending November 30, 2017, prepared in accordance with generally accepted accounting standards (GAAS) as from time to time in effect, and as prescribed by the Division of Local Government Services in the Department of Community Affairs of the State pursuant to Chapter 5A of Title 40A of the New Jersey Statutes. If the Authority's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3, the Annual Report shall contain unaudited financial statements and the audited financial statements shall be filed in the same manner as the Annual Report when they become available; and

(b) The (i) financial information and operating data pertaining to the Authority set forth in the Official Statement dated December __, 2017 prepared in connection with the sale of the Bonds under the headings "The System".

The Annual Report may be submitted by the Authority, or on behalf thereof, as a single document or as separate documents comprising a package. Any or all of the items which must be included in the Annual Report may be incorporated by reference from

other documents, including official statements delivered in connection with other financings issued on behalf of the Authority or related public entities thereof, which have been made available to the public on EMMA or filed with the SEC. The Authority shall clearly identify each such other document so incorporated by reference. The Annual Report for any Fiscal Year containing any modified operating data or financial information for a prior Fiscal Year shall explain, in narrative form, the reasons for such modification and the effect of such modification on the Annual Report being provided for such Fiscal Year.

SECTION 5. Reporting of Significant Events.

(a) The Authority agrees that it will promptly file, or shall cause the Dissemination Agent to promptly file, in a timely manner not in excess of ten (10) Business Days after the occurrence of any of the following events, with the MSRB through EMMA, notice of any of the following events with respect to the Bonds:

1. Principal and interest payment delinquencies.
2. Non-payment related defaults, if material.
3. Unscheduled draws on debt service reserves reflecting financial difficulties.
4. Unscheduled draws on credit enhancements reflecting financial difficulties.
5. Substitution of credit or liquidity providers or their failure to perform.
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds.
7. Modifications to rights of holders of the Bonds, if material.
8. Bond calls, if material, and tender offers.
9. Defeasances.
10. Release, substitution or sale of property securing repayment of the Bonds, if material.
11. Rating changes.

12. Bankruptcy, insolvency, receivership or similar event of the Authority or the Township.
13. The consummation of a merger, consolidation, or acquisition involving the Authority or the Township or the sale of all or substantially all of the assets of the Authority or the Township, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
14. Appointment of a successor or additional trustee, or the change of name of a trustee, if material.

(b) Notices of the occurrence of a Listed Event shall be filed with the MSRB through EMMA in an electronic format as prescribed by the MSRB and shall be accompanied by such identifying information as is prescribed by the MSRB. Notwithstanding the foregoing, notice of Listed Events described in subsections (a) (8) and (9) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Bondholders of affected Bonds pursuant to the Resolution. Copies of the notices of the occurrence of a Listed Event shall be filed with the Township and the Dissemination Agent.

SECTION 6. Termination of Reporting Obligation. The Authority's obligations under this Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Authority shall give notice (or cause the Dissemination Agent to give such notice) of such termination in the same manner as for a Listed Event under Section 5(b).

SECTION 7. Dissemination Agent. The Authority may, from time to time, appoint or engage a new Dissemination Agent to assist it in carrying out its obligations under this Agreement, and may discharge any such Dissemination Agent upon appointing a new Dissemination Agent. The initial Dissemination Agent shall be TD Bank, National Association, Cherry Hill, New Jersey.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Agreement, the Authority and the Dissemination Agent may amend this Agreement, and any provision of this Agreement may be waived, provided that the following conditions are satisfied:

- (a) If the amendment or waiver relates to the provisions of Sections 3, 4, or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the 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, in the opinion of nationally recognized bond counsel, materially impair the interests of the Bondholders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Agreement, the Authority 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 Authority. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(b), 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 Agreement shall be deemed to prevent the Authority or the Dissemination Agent from disseminating any other information, using the means of dissemination set forth in this Agreement 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 Agreement. If the Authority 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 Agreement, the Authority shall have no obligation under this Agreement 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 Authority to comply with any provision of this Agreement any Bondholder or 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 Authority to comply with its obligations under this Agreement. A default under this Agreement shall not be deemed an Event of Default on the Bonds, and the sole remedy under this Agreement in the event of any failure of the Authority to comply with this Agreement shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Agreement, and to the extent permitted by law, the Authority agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and

liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability. The obligations of the Authority under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 12. Compensation. The Authority shall pay the Dissemination Agent from time to time reasonable compensation for all services rendered under this Disclosure Agreement, and also all reasonable charges, expenses, counsel fees and other disbursements, including those of its attorney's, agents and employees, incurred in and about the performance of its powers and duties under this Disclosure Agreement.

SECTION 13. Beneficiaries. This Agreement shall inure solely to the benefit of the Authority, the Dissemination Agent, the Participating Underwriters and the Bondholders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 14. Governing Law. This Agreement shall be governed by and construed in accordance with the federal securities laws and the laws of the State of New Jersey without regard to principles of conflict of laws.

SECTION 15. Severability. In the event any one or more of the provisions contained in this Agreement should be held invalid, illegal or unenforceable in any respect, (i) the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby, and (ii) the Authority and the Dissemination Agent shall engage in good faith negotiations to replace the invalid, illegal or unenforceable provisions with valid, legal and enforceable provisions the effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

SECTION 16. Counterparts. This Agreement may be executed in one or more counterparts, and when the Authority and the Dissemination Agent have each executed and delivered at least one counterpart, this Agreement shall become binding on the Authority and the Dissemination Agent and such counterparts shall be deemed to be one and the same documents

Date: _____, 2017

THE RARITAN TOWNSHIP MUNICIPAL
UTILITIES AUTHORITY

By: _____
Chairman

TD BANK, NATIONAL ASSOCIATION, acting in
the capacity of Dissemination Agent

By: _____
Authorized Officer

EXHIBIT A

**FORM OF NOTICE TO THE MSRB OF
FAILURE TO FILE ANNUAL REPORT**

Name of Obligated Person: The Raritan Township Municipal Utilities Authority

Name of Bond Issue: \$_____ Sewer System Revenue Refunding Bonds, Series 2017

Date of Issuance: December __, 2017

NOTICE IS HEREBY GIVEN that the Obligated Person has not provided an Annual Report with respect to the above-named Bonds as required by Section 3(a) of the Continuing Disclosure Agreement dated as of _____, 2017. The Obligated Person anticipates that the Annual Report will be filed by _____.

Dated: _____

TD BANK, NATIONAL ASSOCIATION, acting in
the capacity of Dissemination Agent

By: _____