

PRELIMINARY OFFICIAL STATEMENT DATED NOVEMBER 17, 2014

NEW ISSUE

RATING: S&P's: "___"

In the opinion of the Law Office of John G. Hudak, Esq., LLC, Linden, New Jersey ("Bond Counsel"), under existing statutes, regulations and judicial decisions, assuming continuing compliance with certain tax-related covenants described herein, (i) interest on the Bonds is not includable in gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended ("Code"), and (ii) such interest will not be treated as a preference item under Section 57 of the Code for purposes of computing the federal alternative minimum tax; such interest, however, will be included in the adjusted current earnings of a corporation for purposes of the federal alternative minimum tax imposed on corporations. Bond Counsel is further of the opinion that, under existing laws of the State of New Jersey, interest on the Bonds and any gain on the sale of the Bonds is not includable as gross income under the New Jersey Gross Income Tax Act. See "TAX MATTERS" herein.

TOWNSHIP OF ALLAMUCHY IN THE COUNTY OF WARREN, NEW JERSEY \$9,915,000* GENERAL OBLIGATION BONDS, CONSISTING OF \$6,390,000* OF GENERAL IMPROVEMENT BONDS AND \$3,525,000* WATER-SEWER UTILITY BONDS, SERIES 2014 (BOOK-ENTRY ONLY) (BANK-QUALIFIED)

Dated: Date of Issuance

Due: December 1 as shown on the inside cover

The \$9,915,000* General Obligation Bonds consisting of \$6,390,000* of General Improvement Bonds (the "General Improvement Bonds") and \$3,525,000* Water-Sewer Utility Bonds, Series 2014 (the "Water-Sewer Utility Bonds") and together with the General Improvement Bonds, the "Bonds") are general obligations of the Township of Allamuchy, in the County of Warren, New Jersey (the "Township") and are secured by a pledge of the full faith and credit of the Township for the payment of the principal of and interest thereon. The Bonds are payable, if not paid from other sources, from *ad valorem* taxes levied upon all taxable real property within the Township without limitation as to rate or amount.

The Bonds, when issued, will be issued as fully-registered bonds in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, New York, New York ("DTC"), which will maintain a book-entry system for recording ownership interests of DTC Participants. Individual purchases of beneficial ownership interests in the Bonds may be made in book-entry form only on the records of DTC and its Participants and only in the principal amount of \$1,000 or any integral multiple thereof (with a minimum purchase of \$5,000). Beneficial Owners of the Bonds will not receive certificates representing their interests in the Bonds. As long as Cede & Co. is the registered owner, as nominee of DTC, references in this Official Statement to the registered owners shall mean Cede & Co., and not the Beneficial Owners of the Bonds. See "BOOK-ENTRY ONLY SYSTEM" herein.

The Bonds shall be dated the date of delivery and will mature on the dates and in the principal amounts set forth on the inside cover page hereof. The Bonds shall bear interest from the date of delivery, payable as of each June 1 and December 1, commencing June 1, 2015 (each an "Interest Payment Date"), in each year until maturity at the interest rates set forth on the inside cover hereof. As long as DTC or its nominee Cede & Co. is the registered owner of the Bonds, payment of the principal of and interest on the Bonds will be made by the Township directly to DTC or its nominee, Cede & Co. Interest on the Bonds will be credited to the participants of DTC as listed on the records of DTC as of each preceding November 15 and May 15 for the Bonds (the "Record Dates" for the payment of interest on the Bonds).

The Bonds will be subject to redemption prior to their stated maturities; see "Redemption" herein.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire official statement to obtain information essential to the making of an informed investment decision.

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

The Bonds are offered when, as and if issued and subject to prior sale, to withdrawal or modification of the offer without notice, and to the approval of legality by the Law Office of John G. Hudak Esq., LLC, Linden, New Jersey, Bond Counsel, and certain other conditions described herein. Certain legal matters will be passed upon for the Township by its Counsel, Edward Wacks, Esq., Morristown, New Jersey. The Bonds are expected to be available for delivery in definitive form through DTC in New York, New York on or about December 10, 2014.

**SEALED PROPOSALS FOR THE PURCHASE OF THE BONDS WILL BE RECEIVED BY THE CHIEF
FINANCIAL OFFICER UNTIL 11:00 AM ON TUESDAY DECEMBER 2, 2014 AT THE MUNICIPAL
BUILDING P. O. BOX A, ALPHANO ROAD, ALLAMUCHY, NEW JERSEY 07820**

This Preliminary Official Statement and the information contained herein are subject to completion, amendment or other changes without notice. The Bonds may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the applicable securities laws of any such jurisdiction.

Date:

* Preliminary Subject to Change

This is a Preliminary Official Statement, complete with the exception for the specific information permitted to be omitted by Rule 15c2-12 of the Securities and Exchange Commission. The Township has authorized distribution of this Preliminary Official Statement to prospective purchasers and others. In accordance with Rule 15c2-12, this Preliminary Official Statement is deemed final. Upon the sale of the Bonds described herein, the Township will deliver a final Official Statement within the earlier of seven business days following such sale or in order to accompany the purchaser's confirmations that request payment for the Bonds.

\$6,390,000 GENERAL IMPROVEMENT REFUNDING BONDS, SERIES 2014
MATURITIES, INTEREST RATES AND YIELDS*

<u>Year</u> <u>(December 1)</u>	<u>Principal</u> <u>Amount</u>
2015	\$ 205,000
2016	215,000
2017	225,000
2018	235,000
2019	245,000
2020	255,000
2021	265,000
2022	275,000
2023	280,000
2024	290,000
2025	360,000
2026	370,000
2027	380,000
2028	390,000
2029	400,000
2030	400,000
2031	400,000
2032	400,000
2033	400,000
2034	400,000

\$3,525,000 WATER-SEWER UTILITY BONDS, SERIES 2014
MATURITIES, INTEREST RATES AND YIELDS*

<u>Year</u> <u>(December 1)</u>	<u>Principal</u> <u>Amount</u>
2015	\$ 130,000
2016	135,000
2017	140,000
2018	145,000
2019	150,000
2020	155,000
2021	160,000
2022	165,000
2023	170,000
2024	175,000
2025	180,000
2026	185,000
2027	190,000
2028	195,000
2029	200,000
2030	205,000
2031	205,000
2032	210,000
2033	215,000
2034	215,000

Dated: Date of Issuance

* Preliminary Subject to Change

TOWNSHIP OF ALLAMUCHY
COUNTY OF WARREN, NEW JERSEY
MAYOR AND COUNCIL

Mayor
Betty Schultheis

Council
Diana Cook
Douglas Ochwat
Keith A. DeTombeur
Rick Lomonaco

Township Clerk/Administrator
Ann Marie Tracy

Chief Financial Officer
James Kozimor

Township Attorney
Edward Wacks, Esq.

Township Auditor
Nisivoccia LLP

Bond Counsel
Law Office of John G. Hudak, Esq., LLC

No broker, dealer, salesperson or other person has been authorized by the Township of Allamuchy (the "Township") or by the Underwriter to give any information or to make any representations, other than those contained in this Official Statement, in connection with the offering of the Bonds made hereby and, if given or made, such information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. Capitalized terms not defined on this page shall have the meanings set forth in this Official Statement.

Upon issuance, the Bonds will not be registered under the Securities Act of 1933, as amended, or listed on any stock or other securities exchange and the Resolution will not have been qualified under the Trust Indenture Act of 1939, as amended, in reliance upon exemptions contained in such acts. The registration or qualification of the Bonds in accordance with applicable provisions of the securities laws of the states in which the Bonds have been registered or qualified, if any, and the exemption from registration or qualification in other states cannot be regarded as a recommendation of the Bonds. Neither these states nor any of their agencies have passed upon the merits of the Bonds or the accuracy or completeness of this Official Statement. Any representation to the contrary may be a criminal offense. Neither the Securities and Exchange Commission nor any other federal, state, municipal or other governmental entity has passed upon the accuracy or adequacy of this Official Statement, or, except for the Township and the County, has approved the Bonds for sale.

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements." Such statements are generally identifiable by the terminology used, such as "plan," "project," "expect," "anticipate," "intend," "believe," "estimate," "budget" or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The Township does not plan to issue any updates or revisions to those forward-looking statements if or when its expectations or events, conditions or circumstances on which such statements are based occur.

The information which is set forth herein has been provided by the Township and by other sources which are believed to be reliable by the Township and by the Underwriter, but such information provided by such other sources is not guaranteed as to accuracy or completeness by the Township or by the Underwriter, and is not intended to be and is not to be construed as a representation by the Township or the Underwriter. Certain financial, economic and demographic information concerning the Township is contained in Appendices A and B to this Official Statement. Such information has been furnished by the Township.

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

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

THE ORDER AND PLACEMENT OF MATERIALS IN THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES, ARE NOT TO BE DEEMED TO BE A DETERMINATION OF RELEVANCE, MATERIALITY OR IMPORTANCE, AND THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES, MUST BE CONSIDERED IN ITS ENTIRETY. THE OFFERING OF THE BONDS IS MADE ONLY BY MEANS OF THIS ENTIRE OFFICIAL STATEMENT.

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

Neither the Law Office of John G. Hudak, Esq. LLC, Edward Wacks, Esq., or the Underwriter have not participated in the preparation of the financial or statistical information contained in this Official Statement nor have they verified the accuracy or completeness thereof, and, accordingly, they express no opinion with respect thereto.

TABLE OF CONTENTS

Page No.

INTRODUCTION.....	1
THE BONDS	1
General Description.....	1
SECURITY AND SOURCE OF PAYMENT	2
AUTHORIZATION AND PURPOSE OF THE ISSUE	2
REDEMPTION	4
BOOK-ENTRY ONLY SYSTEM	4
Discontinuation of Book-Entry Only System.....	7
PROVISIONS FOR THE PROTECTION OF GENERAL OBLIGATION DEBT	7
Local Bond Law (N.J.S.A.40A:2-1 et seq.).....	7
Local Budget Law (N.J.S.A.40A:4-1 et seq.).....	7
Capital Budget	8
Operation of Utilities.....	8
Municipal “Cap” Law.....	8
Tax Levy “Cap”	9
Miscellaneous Revenue	9
Real Estate Taxes	10
Deferral of Current Expenses	10
Budget Transfers	10
Local Fiscal Affairs Law (N.J.S.A.40A:5-1 et seq.)	10
Debt Limit	11
Exceptions to Debt Limit.....	11
School Debt	11
Short-Term Financing	11
TAX MATTERS.....	12
Federal Tax Exemption	12
Bond Premium.....	12
New Jersey Tax Exemption.....	12
Alternative Minimum Tax.....	12
Branch Profits Tax.....	13
S Corporation Tax	13
Bank Qualification.....	13
Other Federal Tax Consequences.....	13
Future Events.....	14
RATING	14
MUNICIPAL BANKRUPTCY.....	14
LITIGATION	15
LEGALITY FOR INVESTMENT	15
CONTINUING DISCLOSURE	15
NO DEFAULT	17
UNDERWRITING	17
APPROVAL OF LEGAL PROCEEDINGS	17
PREPARATION OF OFFICIAL STATEMENT	17
FINANCIAL STATEMENTS	18
ADDITIONAL INFORMATION	18
MISCELLANEOUS	18

- APPENDIX A: GENERAL INFORMATION REGARDING THE TOWNSHIP OF ALLAMUCHY
- APPENDIX B: AUDITED FINANCIAL INFORMATION–
FOR THE YEARS ENDED DECEMBER 31, 2013, 2012, AND 2011
- APPENDIX C: FORM OF CONTINUING DISCLOSURE CERTIFICATE
- APPENDIX D: FORM OF LEGAL OPINION

**PRELIMINARY OFFICIAL STATEMENT
TOWNSHIP OF ALLAMUCHY
IN THE COUNTY OF WARREN, NEW JERSEY
\$9,915,000* GENERAL IMPROVEMENT BONDS, CONSISTING OF \$6,390,000*
OF GENERAL OBLIGATION BONDS AND \$3,525,000* WATER-SEWER
UTILITY BONDS, SERIES 2014
(BOOK-ENTRY ONLY) (BANK-QUALIFIED)**

INTRODUCTION

This Preliminary Official Statement, which includes the cover page and the appendices attached hereto, has been prepared by the Township of Allamuchy, County of Warren, New Jersey (the "Township") and provides certain information regarding the financial and economic condition of the Township in connection with the issuance and sale of the Township's \$9,915,000* General Obligation Bonds, consisting of \$6,390,000* General Improvement Bonds, Series 2014 (the "General Improvement Bonds") and \$3,525,000* General Obligation Water-Sewer Bonds, Series 2014 (the "Water-Sewer Utility Bonds" and together with the General Improvement Bonds, the "Bonds"). This Preliminary Official Statement has been executed by and on behalf of the Township by the Chief Financial Officer of the Township.

This Preliminary Official Statement is "deemed final", as of its date, within the meaning of Rule 15c2-12 of the Securities and Exchange Commission ("Rule 15c2-12"), but is subject to (a) completion with certain pricing and other information to be made available by the Underwriter and (b) amendment. This Preliminary Official Statement, as so revised, will constitute the "final official statement" within the meaning of Rule 15c2-12.

THE BONDS

General Description

The Bonds shall be dated Date of Issuance and will mature on the dates and in the principal amounts set forth on the inside cover page hereof. The Bonds shall bear interest from the date of delivery, payable as of each December 1 and June 1, commencing June 1, 2015 (each an "Interest Payment Date"), in each year until maturity at the interest rates set forth on the cover page and inside cover hereof. As long as The Depository Trust Company, New York, New York ("DTC") or its nominee, Cede & Co., is the registered owner of the Bonds, payments of the principal of and interest on the Bonds will be made by the Township directly to DTC or Cede & Co. which will credit payments of principal of and interest on the Bonds to the participants of DTC as listed on the records of DTC as of each next preceding November 15 and May 15, respectively (the "Record Dates" for the payment of interest on the Bonds), which participants will in turn credit such payments to the beneficial owners of the Bonds.

The Bonds are issuable as fully-registered book-entry bonds in the form of one certificate for each maturity of the Bonds and in the principal amount of such maturity. The Bonds will be issued in book-entry form only and in the principal amount of \$1,000 or any integral multiple thereof (with a minimum purchase of \$5,000). So long as DTC or its nominee, Cede & Co. (or any successor or assign), is the registered owner of the Bonds, payment of the principal of and interest on the Bonds will be made by the Township directly to DTC or Cede & Co. (or any successor or assign), as nominee for DTC. Disbursement of such payments to the participants of DTC is the responsibility of DTC. See "BOOK-ENTRY ONLY SYSTEM".

* Preliminary Subject to Change

SECURITY AND SOURCE OF PAYMENT

The Bonds will be general obligations of the Township, and the Township has pledged its full faith and credit for the payment of the principal of and interest on the Bonds. The Township is required by law to levy ad valorem taxes upon all the taxable real property within the Township for the payment of the principal of and interest on the Bonds, without limitation as to rate or amount. See “PROVISIONS FOR THE PROTECTION OF GENERAL OBLIGATION DEBT” herein. The Bonds will be originally issued in the name of Cede & Co., as registered owner and nominee for DTC. See “BOOK-ENTRY ONLY SYSTEM” herein.

Enforcement of a claim for payment of principal of or interest on bonds or notes or the Township is subject to applicable provision of Federal bankruptcy law and to the provisions of statutes, if any, hereafter enacted by the Congress of the United States or the Legislature of the State of New Jersey, providing extension with respect to the payment of principal of or interest on the Bonds or imposing other constraints upon enforcement of such contracts insofar as any such constraints may be constitutionally applied. Under State law, a county, municipality or other political subdivision may file a petition under Federal bankruptcy laws and a plan for readjustment of its debt, but only after first receiving the approval of the State Municipal Finance Committee, whose powers have been vested in the Local Finance Board (hereinafter defined).

AUTHORIZATION AND PURPOSE OF THE ISSUE

The Bonds are issued pursuant to the Local Bond Law of the State of New Jersey (N.J.S.A. 40A:2-1 et seq.), and the acts amendatory thereof and supplemental thereto (the “Local Bond Law”).

Proceeds of the General Improvement Bonds will be used to retire upon maturity the Township’s \$5,077,500 of General Improvement Bond Anticipation Notes and to fund various capital improvements projects as noted below:

Ordinance No. And dated of Adoption	Authorized Amount	Bonds to be Issued	Purpose
Bond Ordinance No. 2005-10 adopted on September 20, 2005	\$356,250	\$320,000	Acquisition of Property
Bond Ordinance No. 2007-11 adopted on August 21, 2007	\$190,000	\$153,500	Road Renovations to Ridge Road
Bond Ordinance No. 2012-02 adopted on March 20, 2012	\$237,500	\$186,500	Improvements to Shades of Death Road, Phase II
Bond Ordinance No. 2013-09 adopted on July 16, 2013	\$66,500	\$66,000	The Acquisition of Real Estate
Bond Ordinance No. 2013-03 adopted on March 19, 2013	\$171,000	\$171,000	Improvements to Cat Swamp Road
Bond Ordinance No. 2007-02 adopted on April 2, 2007 as amended by Bond Ordinance No. 2010-08 adopted on July 20, 2010	\$4,750,000	\$4,180,000	Additions to the Existing Firehouse
Bond Ordinance No. 2014-05 adopted June 7, 2014	\$173,000	\$173,000	Improvements to Quaker Church Road

Bond Ordinance No. 2014-04 adopted May 20, 2014	\$1,140,000	\$1,140,000	Acquisition of two fire trucks
TOTALS:	\$7,084,250	\$6,390,000	

Proceeds of the Water and Sewer Utility Bonds will be used to retire upon maturity the Township's \$3,075,048 of Water-Sewer Utility Bond Anticipation Notes and to fund various capital improvements projects as noted below:

Ordinance No. And dated of Adoption	Authorized Amount	Bonds to be Issued	Purpose
Bond Ordinance No.2006-12 on June 20, 2006	\$100,000	\$92,400	Water Main Replacement
Bond Ordinance No.2005-07 on July 19, 2005	\$200,000	\$177,335	Supplemental Appropriation for Water System Improvements Authorized by Ordinance 2004-2 Adopted June 15, 2004
Bond Ordinance No. 2004-2 on June 15, 2004	\$950,000	\$74,385	Water System Improvements
Bond Ordinance No. 2009-12 adopted September 15, 2009	\$1,000,000	\$923,064	Water Main Improvements
Bond Ordinance No. 2009-06 adopted June 16, 2009	\$125,000	\$115,385	The Repair and Replacement of Water Mains
Bond Ordinance No. 2010-01 adopted March 16, 2010	\$1,050,000	\$269,395	The Installation of Solar Panels for Water Utility and Upgrade of Sand Filter System
Bond Ordinance No. 2010-07 adopted June 15, 2010	\$1,500,000	\$1,123,036	Water-Sewer Utility Improvements
Bond Ordinance No. 2014-06 adopted June 7, 2014	\$750,000	\$750,000	Water-Sewer Utility Improvements
TOTALS:	\$5,675,000	\$3,525,000	

The General Improvement Bond Anticipation Notes and the Water-Sewer Utility Bond Anticipation Notes mature on December 17, 2014.

REDEMPTION

The Bonds maturing on or after December 1, 2025, shall be redeemable at the option of the Township in whole or in part on any date on or after December 1, 2024 at the respective prices expressed as percentages of 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
December 1, 2024 and thereafter	100%

The Bonds may be subject to Mandatory Sinking Fund Redemption of any principal amounts aggregated by a bidder in accordance with N.J.S.A. 40A:2-32(g).

Notice of redemption shall be given by first class mail, postage prepaid, to the registered owners of the Bonds or portions thereof to be redeemed, not less than thirty (30) days nor more than sixty (60) days prior to the redemption date, but 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 notice of redemption shall have been given as aforesaid, the Bonds or portions thereof specified in said notice shall become due and payable at the redemption price on the redemption date therein designated and if, on the redemption date, shall be available for such payment on said date, then from and after the redemption date interest on such Bonds shall cease to accrue and become payable. Less than all of a Bond in a denomination in excess of \$5,000 may be so redeemed, and in such case, upon the surrender of such Bonds, there shall be issued to the registered owner thereof, without charge therefor, for the unredeemed balance of the principal amount of such Bond, Bonds of like series, designation, maturity and interest rate in any of the authorized denominations, so long as The Depository Trust Company (or any successor thereto) acts as securities depository and shall not be sent to the beneficial owners of the Bonds. Any failure of such depository to advise any of its participants or any failure of any participant to notify any beneficial owner of any notice of redemption shall not affect the validity of the redemption proceedings.

BOOK-ENTRY ONLY SYSTEM

The description which follows of the procedures and recordkeeping with respect to beneficial ownership interest in the Bonds, payment of principal and interest and other payments on the Bonds Direct and Indirect Participants (defined below) or Beneficial Owners (defined below), confirmation and transfer of beneficial ownership interests in the Bonds and other related transactions by and between DTC, Direct Participants and Beneficial Owners, is based on certain information furnished by DTC to the Township. Accordingly, the Township does not make any representations as to the completeness or accuracy of such information. DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered bonds 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 issue of the Bonds, each in the aggregate principal amount of such issue, and will be deposited with DTC.

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

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

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

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

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

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

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

A Beneficial Owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to the Tender Agent, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to the Tender Agent. The requirement for physical delivery of the Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by book-entry credit of tendered Bonds to the Tender Agent's DTC account.

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

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

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

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

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

Discontinuation of Book-Entry Only System

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

In the event that the book-entry only system for the Bonds is discontinued, the Township has provided that upon receipt of the Bond certificates from DTC and the Participant information, the Township will authenticate (or cause to be authenticated) and deliver definitive Bonds to the holders thereof, and the principal of and interest on the Bonds will be payable and the Bonds may thereafter be transferred or exchanged in the manner described in the Bond certificates so provided.

PROVISIONS FOR THE PROTECTION OF GENERAL OBLIGATION DEBT

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

The Bonds are issued pursuant to the provisions of the Local Bond Law, N.J.S.A. 40A:2-1 et seq. The Local Bond Law governs the issuance of bonds and notes by municipalities to finance certain general municipal and utility capital expenditures. Among its provisions are requirements that bonds must mature within the statutory period of usefulness of the projects bonded and that bonds must be retired in serial installments. A 5% cash down payment is generally required toward the financing of expenditures for municipal purposes. All bonds and notes issued by the Township are general full faith and credit obligations.

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

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

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

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

Capital Budget

In accordance with the Local Budget Law, the Township must adopt a statement of capital undertakings underway or projected for a period not greater than the next ensuing six years as a general improvement program. The capital budget, when adopted, does not constitute the approval or appropriation of funds, but sets forth a plan of the possible capital expenditures which the local unit may contemplate over the six years. Expenditures for capital purposes may be made either by ordinances adopted by the governing body setting forth the items and the method of financing or from the annual operating budget if the terms were detailed.

Operation of Utilities

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

Municipal "Cap" Law

A statute passed in 1976, as amended and supplemented (N.J.S.A. 40A:4-45.1 *et seq.*), commonly known as the "Cap Law", imposed limitations on increases in municipal appropriations subject to various exceptions. While the Cap Law restricts the ability of a municipality to increase its overall appropriations, the payment of debt service is an exception from this limitation. The Cap formula is somewhat complex, but basically, it permits a municipality to increase its overall appropriations by the lesser of 2.5% or the Cost-of-Living Adjustment ("COLA"). Increases up to 3.5% are allowed by adoption of an ordinance whenever the COLA is less than 2.5%. If the COLA is greater than 2.5% , an increase in any amount above 2.5% will be permitted by adoption of an ordinance to 3.5% and beyond 3.5% upon passage of referendum. The COLA is the rate of annual percentage increase in the Implicit Price Deflator for State and Local Government purchases of goods and services computed by the U.S. Department of Commerce. Exceptions to the limitations imposed by the Cap Law also exist for other items including capital expenditures; extraordinary expenses approved by the Local Finance Board for implementation of an interlocal services agreement; expenditures mandated as a result of certain emergencies; and certain expenditures for services mandated by law. The Cap Law does not limit the obligation of the Township to levy and *ad valorem* taxes upon all taxable real property within the Township to pay debt service.

Chapter 62 of the Pamphlet Laws of 2007 imposed restrictions upon the allowable annual increase in the tax levy. In general, starting with the 2008 budgets for calendar year municipalities and 2009 for fiscal year municipalities, municipalities have their tax levies limited to a four percent (4%) increase. The cap calculation is subject to various adjustments, such as the value of increased assessments, and allows for an increase in the adjusted tax levy for various items, including amounts required to be added to the adjusted tax levy for increases in debt service, amounts required to replace reductions in State formula aid, certain increased pension contributions, increases greater than four percent (4%) in the reserve for uncollected taxes, and increases in health care costs in excess of four percent (4%) (but not in excess of the percentage increase in the State Health Benefits Program). The law also allows the Local Finance Board to grant waivers for extraordinary circumstances (some of which are defined in the Law) and authorizes a municipality to submit a public question to the voters for approval (by an affirmative vote of at least sixty percent (60%) to increase the amount to be raised by taxation by more than the allowable adjusted tax levy.

On January 153, 2010, P.L. 2010, c.44 was approved, effective for budget years following enactment, reducing tax levy cap to 2% and limiting the exclusions to amounts required to be raised by taxation for debt service as defined by law, certain pension contributions and health care costs in excess of 2% and extraordinary costs directly related to a declared emergency. Voter approval may be requested to increase the amount to be raised by taxation by more than the allowable adjusted tax levy.

For municipalities, the levy cap is in addition to the existing appropriation cap; both cap laws must be met. Neither cap law limits the obligation of the Township to levy *ad valorem* taxes upon all taxable real property within the Township to pay debt service.

The Township's appropriation and tax levy increases for 2014 were within the limits allowed by the CAP Law and Chapter 62, taking into account applicable adjustments.

Tax Levy "Cap"

Chapter 62 of P.L. 2007 imposes limitations on increases in the tax levies of municipalities, counties, and fire districts subject to various exclusions. Beginning with the preparation of Fiscal 2008 budgets the amount to be raised by taxation by a local unit shall not exceed the sum of new ratables, the adjusted tax levy, and the total of waivers approved by the Local Finance Board pursuant to section 11 of P.L. 2007, c.62 (C.40A:4-45.46). "New Ratables" means the product of the taxable value of any new construction or improvements times the tax rate of the local unit for its previous tax year. "Adjusted tax levy" means an amount not greater than the amount to be raised by taxation of the previous fiscal year, less any waivers from a prior fiscal year multiplied by 1.04, to which the sum of exclusions defined in subsection b. of section 10 of P.L. 2007, c.62 (C.40A:4-45.45) shall be added. Exclusions pursuant to this section are: (1) increases in amounts required to be raised for (a) all debt service and (b) lease payments with county improvement authorities in effect at the time of the passing of the legislation; (2) increases in amounts required to be raised to replace State formula aid due to a reduction in State formula aid from the previous local budget year; (3) increases in amounts for certain pension contributions set forth in section 5 of P.L. 2003, c.108 (C.40A:4-45.43) for the years set forth in that section; (4) any increase greater than four percent in the reserve for uncollected taxes that is required by law; (5) increases in health care costs equal to that portion of the actual increase in total health care costs for the budget year that is in excess of four percent of the total health care costs in the prior year, but is not in excess of the product of the total health care costs in the prior year and the average percentage increase of the State Health Benefits Program as annually determined by the Division of Pensions and Benefits in the Department of the Treasury; (6) Notwithstanding the above provisions, when the appropriation for all debt service is less than the amount appropriated for all debt service in the prior fiscal year, the amount of the difference shall be deducted from the sum of the exclusions listed above as (1) through (5) . If there are no exclusions, then the amount of the difference shall reduce the adjusted tax levy by that amount. Any cancelled or unexpended appropriations for any exclusion pursuant to this subsection or waiver, also shall be deducted from the sum of the exclusions listed above as (1) through (5) or directly reduce the adjusted tax levy if there are no exclusions. The Tax Levy Cap does not limit the obligations of the Township to levy *ad valorem* taxes upon all taxable real property within the Township to pay debt service on the Bonds.

Miscellaneous Revenues

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

Real Estate Taxes

N.J.S.A. 40A:4-29 of the Local Budget Law governs anticipation of delinquent tax collections: “The maximum which may be anticipated is the sum produced by the multiplication of the amount of delinquent taxes unpaid and owing to the local unit on the first day of the current fiscal year by the percentage of collection of delinquent taxes for the year immediately preceding the current fiscal year”.

N.J.S.A. 40A:4-41 of the Local Budget Law provides with regard to current taxes that: “Receipts from the collection of taxes levied or to be levied in a municipality or, in the case of a county, for general county purposes and payable in a fiscal year, shall be anticipated in an amount which is not in excess of the percentage of taxes levied and payable during the next preceding fiscal year which was received in cash by the last day of the preceding fiscal year.”

This provision and N.J.S.A. 40A:4-40 require that an additional amount (the “Reserve for Uncollected Taxes”) be added to the tax levy to balance the budget so that when the percentage of the prior year's tax collection is applied to the combined total, the product will be at least equal to the tax levy required to balance the budget. The reserve for uncollected taxes requirement is calculated as follows:

The tax levy required to balance this budget, divided by the prior year's percentage of current tax collections (or lesser percentage) levied, will equal the total taxes to be levied for the current fiscal year.

Deferral of Current Expenses

Emergency appropriations (those made after the adoption of the budget and determination of the tax rate) may be authorized by the Township Council. With minor exceptions, however, such appropriations must be included in full in the following year's budget. Under the Cap Law, any emergency appropriation must be declared by resolution in accordance with the Local Budget Law, must be approved by at least two-thirds of the Township Council and must be approved by the Director. When such appropriations exceed 3% of the adopted operating budget, consent of the Director must be obtained.

The exceptions are certain enumerated quasi-capital projects (“special emergencies”) such as ice, snow, and flood damage to streets, roads, and bridges which may be amortized over three years; and tax map preparation, re-evaluation programs, revision and codification of ordinances, master plan preparations, and drainage map preparation for flood control purposes which may be amortized over five years.

Budget Transfers

Budget transfers provide a degree of flexibility and afford a control mechanism. Transfers between major appropriation accounts are prohibited until the last two months of the year. Although sub-accounts within an appropriation account are not subject to the same year-end transfer restriction, they are subject to internal review and approval.

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

This law regulates the non-budgetary financial activities of local governments. An annual, independent audit of the local unit's accounts for the previous year must be performed by a licensed Registered Municipal Accountant. The audit, conforming to the Division of Local Government Services “Requirements of Audit”, includes recommendations for improvement of the local unit's financial procedures and must be filed with the Clerk of the local governmental unit and with the Director within six (6) months after the close of the local unit's fiscal year, unless the Director extends the time to

complete and file the audit. A synopsis of the audit report, together with all recommendations made, must be published in a local newspaper within 30 days of its completion.

The Finance Officer of every local unit must file annually with the Director a verified statement of the financial condition of the local unit. The entire annual audit report is filed with the Municipal Clerk and is available for review during business hours.

Debt Limit

The authorized bonded indebtedness of the Township is limited by statute, subject to the exceptions noted below, to an amount equal to 3-1/2% of its stated equalized valuation basis. The stated equalized valuation basis of the Township is set by statute as the average for the last three years of the equalized value of all taxable real property and improvements and certain Class II railroad property within its boundaries as annually determined by the State Board of Taxation. Certain categories of debt are permitted by statute to be deducted for purposes of computing the statutory debt limit.

The Bonds are included in the computation of debt for the purpose of the statutory debt limit. The issuance of the Bonds will not cause the Township's indebtedness to exceed the statutory limit, as shown in Appendix "A".

Exceptions To Debt Limit

The Township may exceed its debt limit with the approval of the Local Finance Board. If all or any part of the proposed debt authorization would exceed its debt limit, the Township must apply to the Local Finance Board for an extension of credit. If the Local Finance Board determines that a proposed debt authorization would not materially impair the credit of the Township or substantially reduce the ability of the Township to meet its obligations or to provide essential services or make other statutory determinations, approval is granted. In addition to the aforesaid, debt in excess of the debt limit may be issued to fund certain notes, to provide for self-liquidating purposes and, in each fiscal year, to provide for purposes in an amount not exceeding two-thirds of the amount budgeted in such fiscal year for the retirement of outstanding obligations (exclusive of obligations issued for utility or assessment purposes).

School Debt

State law permits local school districts, upon approval of the voters, to authorize school district debt, including debt in excess of its independent debt limitation by using the available borrowing capacity of the Township. If such debt is in excess of the school district debt limit and the remaining borrowing capacity of the Township, the State Department of Education and the Local Finance Board must approve the proposed debt authorization before it is submitted to the voters.

Short-Term Financing

The Township may issue short-term "bond anticipation notes" to temporarily finance a capital improvement or project in anticipation of the issuance of bonds, if the bond ordinance or subsequent resolution so provides. Bond anticipation notes for capital improvements may be issued in an aggregate amount not exceeding the amount specified in the ordinance, as amended and supplemented, creating such capital expenditure less, generally, a cash down payment of 5%. Bond anticipation notes may be issued and renewed for one-year periods, with the final maturity not exceeding ten years plus the period from the notes' maturity to the end of the fiscal year in which the notes mature plus four months in the next following fiscal year from the date of original issuance. Beginning in the third year, the amount of notes that may be issued is decreased by the minimum amount required for the first year's principal payment for a bond issue.

TAX MATTERS

Federal Tax Exemption

In the opinion of Bond Counsel, under existing statutes, regulations, rulings and court decisions, interest on the Bonds will not be includable in the gross income of the holders thereof for federal income tax purposes and will not be a specific preference item for purposes of computing the federal alternative minimum tax imposed on individuals and corporations. However, interest on the Bonds is taken into account in determining adjusted current earnings for the purpose of computing the federal alternative minimum tax imposed on corporations (other than an S corporation, regulated investment company, real estate investment trust or real estate mortgage investment conduit). In addition, interest on the Bonds is included in effectively connected earnings and profits for purposes of computing branch profits tax on certain foreign corporations doing business in the United States. Further, interest on the Bonds may be subject to federal income taxation under Section 1375 of the Internal Revenue Code of 1986, as amended (“Code”), for S corporations which have Subchapter C earnings and profits at the close of the taxable year.

Bond Premium

The difference between the principal amount of the Bonds (the “Premium Bonds”) and the initial offering price to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers), at which price a substantial amount of the Premium Bonds of the same maturity was sold, constitutes to an initial purchaser amortizable bond premium which is not deductible from gross income for federal income tax purposes. The amount of amortizable bond premium for a taxable year is determined actuarially on a constant interest rate basis over the term of each Premium Bond. For purposes of determining gain or loss on the sale or other disposition of a Premium Bond, an initial purchaser who acquires such obligation in the initial offering to the public at the initial offering price is required to decrease such purchaser’s adjusted basis in such Premium Bond annually by the amount of amortizable bond premium for the taxable year. The amortization of bond premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining various other tax consequences of owning the Premium Bonds. Owners of the Premium Bonds are advised that they should consult with their own tax advisors with respect to the state and local tax consequences of owning the Premium Bonds.

New Jersey Tax Exemption

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

Alternative Minimum Tax

The Code provides that an alternative minimum tax is imposed on corporations at a rate of twenty percent (20%). For purposes of the corporate alternative minimum tax, the Code includes an increase adjustment for computation of the alternative minimum tax consisting generally of seventy five percent (75%) of the amount by which “adjusted current earning” exceed alternative minimum taxable income (computed without regard to this adjustment and the alternative tax net operating loss deduction). The Bonds do not qualify for the exclusion of the interest thereon in calculating “adjusted current earnings” as implemented by Section 1503(b) of the American Recovery and Reinvestment Act of 2010. Thus, to the extent that interest on the Bonds is a component of a corporate holder’s “adjusted current earnings,” a portion of that interest may be subject to an alternative minimum tax.

Branch Profits Tax

Section 884 of the Code imposes on foreign corporations a branch profits tax equal to 30% of the “dividend equivalent amount” for the taxable year, unless modified, reduced or eliminated by income tax treaty in certain instances. Interest on the Bonds received or accrued by a foreign corporation subject to the branch profits tax may be included in computing the “dividend equivalent amount” of such corporation for purposes of the branch profits tax.

S Corporation Tax

Section 1375 of the Code imposes a tax on the “excess net passive income” of certain S Corporations with passive investment income in excess of 25% of the gross receipts for a taxable year. The U.S. Department of Treasury has issued regulations indicating that interest on tax-exempt bonds held by an S corporation, such as the Bond, would be included in the calculation of excess net passive income.

Bank Qualification

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

The Code denies the interest deduction for certain indebtedness incurred by banks, thrift institutions and other financial institutions to purchase or to carry tax-exempt obligations. The denial to such institutions of one hundred percent (100%) of the deduction for interest paid on funds allocable to tax-exempt obligations applies to those tax exempt obligations acquired by such institutions after August 7, 1986. Pursuant to a de minimis safe harbor exception contained in the American Recovery and Reinvestment Act of 2009, certain tax-exempt obligations issued in 2009 and 2010 are not taken into account for purposes of this interest disallowable provision, up to a maximum amount equal to 2% of the taxpayer’s average adjusted bases of all its assets.

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.

Other Federal Tax Consequences

Owners of the Bonds should be aware that the ownership of tax-exempt obligations may result in other collateral federal income tax consequences to certain taxpayers, including property and casualty insurance companies, individual recipients of Social Security and Railroad Retirement benefits, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or to carry tax-exempt obligations. Owners of the Bonds should consult their own tax advisors as to the applicability and the effect on their federal income taxes of the alternative minimum tax, the branch profits tax and the tax on S corporations, as well as the applicability and the effect of any other federal income tax consequences.

The Township 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 the Internal Revenue Code of 1986, as amended (the “Code”). These covenants relate to, inter alia, the use and investment of proceeds of the Bonds and the rebate to the United States Treasury of specified arbitrage earnings, if required. In rendering its opinion, Bond Counsel has assumed compliance by the Township with such covenants, failure of the Township to comply with such covenants could result in the interest on the Bonds becoming subject to federal income tax from the date of issue.

Future Events

Tax legislation, administrative action taken by tax authorities, and court decisions, whether at the Federal or state level, may adversely affect the exclusion from gross income of interest on the Bonds for federal income tax purposes, or the exclusion of interest on and any gain realized on the sale of the Bonds on the existing New Jersey Gross Income Tax Act, and any such legislation, administrative action or court decision could adversely affect the market price or marketability of the Bonds.

ALL POTENTIAL PURCHASERS OF THE BONDS SHOULD CONSULT WITH THEIR TAX ADVISORS IN ORDER TO UNDERSTAND THE IMPLICATIONS OF THE CODE.

RATING

Standards & Poor, the "Rating Agency" has assigned a rating of "___" to the Bonds.

The rating reflects only the views of the Rating Agency and an explanation of the significance of such rating may only be obtained from the Rating Agency. The Township furnished the Rating Agency with certain information and materials concerning the Bonds and the Township. Generally, the Rating Agency bases its rating on such information and materials and also on such investigations, studies and assumptions that it may undertake independently. There can be no assurance that any such rating will be maintained for any given period of time or that it may not be raised, lowered or withdrawn entirely if, in the Rating Agency's judgment, circumstances so warrant. Any downward change in or withdrawal of such rating may have an adverse effect on the marketability or market price of the Bonds.

MUNICIPAL BANKRUPTCY

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

The Bankruptcy Code provides that special revenue acquired by the debtor after the commencement of the case shall remain subject to any lien resulting from any security agreement entered into by such debtor before the commencement of such bankruptcy case. However, any such lien, other than municipal betterment assessments, shall be subject to the necessary operating expenses of such project or system. Furthermore, the Bankruptcy Code provides that a transfer of property of a debtor to or for the benefit of any holder of a bond or note, on account of such bond or note, may not be avoided pursuant to certain preferential transfer provisions set forth in such act.

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

Municipal Finance Commission must be obtained. The powers of the Municipal Finance Commission have been vested in the Local Finance Board.

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

LITIGATION

There is no litigation pending or, to the knowledge of the Township Attorney, threatened, restraining or enjoining the issuance, sale or the delivery of the Bonds or the levy or the collection of any taxes to pay the principal of and the interest on the Bonds or in any manner questioning the Township or the proceedings for the issuance, sale or delivery of the Bonds or for the levy or the collection of said taxes, or contesting the corporate existence or the boundaries of the Township or the title of any of its present officers. There is no pending or threatened litigation that would have a material adverse impact on the financial condition of the Township if adversely decided. A certificate to such effect will be executed by the Township Attorney and delivered to the Underwriters of the Bonds at the closing.

LEGALITY FOR INVESTMENT

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

CONTINUING DISCLOSURE

The Township has agreed, pursuant to a resolution adopted on September 16, 2014 to undertake for the benefit of the Bondholders and the beneficial owners of the Bonds to provide certain secondary market disclosure information pursuant to Rule 15c2-12. Specifically, the Township will do the following for the benefit of the holders of the Bonds and the beneficial owners thereof.

(A) Not later than a date which is ninety (90) days after the date on which the Issuer is to have received and filed its audited Financial Statements (prepared in accordance with the rules and regulations promulgated by the State of New Jersey, department of Community Affairs), as established by the statutes of the State of New Jersey (N.J.S.A. 40A:5-4 *et seq.* as currently enacted, or as supplemented or amended) which date is no later than six (6) months after the close of the fiscal year (the fiscal year is currently the calendar year and this the audit is to be received by June 30 of each year), commence not later than December 31, 2015, provide or cause to be provided to the Municipal Securities Rulemaking Board (the "MSRB") in an electronic format, as prescribed by the MSRB, annual financial information with respect to the Township of (i) audited financial statements (or unaudited financial statements if audited financial statements are not then available by the date of filing, which audited financial statements will be delivered when and if available) of the Township and (ii) certain financial information and operating data consisting of (a) information concerning the Township's debt, overlapping indebtedness, tax rate, levy and collection data, property valuation and fund balance of the type contained in "Appendix A- Certain Information of the Township of Allamuchy" under the headings "Budget Information", "Financial Information" and "Debt Information", and (b) the Township's most recent adopted budget. The audited financial statements will be prepared in accordance with mandated State statutory accounting principles, as in effect from time to time. Audited financial statements if not available by the filing date will be submitted separately when available.

(B) Provide or cause to be provided in a timely manner not in excess of ten days after the occurrence of the event, notice of the occurrence of any of the following events with respect to the Bonds:

- (1) Principal or 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-TEB0 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 the rights of the Bondholders, if material;
- (8) Bond calls, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution or sale of property which secures the repayment of the Bonds, if material;
- (11) Rating changes;
- (12) Bankruptcy insolvency, receivership or similar event of the Township (the event is 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 Township 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 Township, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court of governmental Township having supervision or jurisdiction over substantially all of the assets or business of the Township);
- (13) The consummation of a merger, consolidation, or acquisition involving the Township or the sale of all or substantially all of the assets of the Township, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(C) Provide or cause to be provided, in a timely manner, to the MSRB notice of the failure of the Township to provide required annual financial information on or before the date specified above.

All documents provided to the MSRB shall be accompanied by identifying information as prescribed by the MSRB.

If the Township fails to comply with the above-described undertaking, any Bondholder or beneficial owner of the Bonds may pursue an action for specific performance to enforce the rights of all Bondholders and beneficial owners with respect to such undertaking; provided, however, that failure to comply with such undertaking shall not be an event of default and shall not result in any acceleration of payment of the Bonds or any ability by the Township for monetary damages. All actions shall be instituted, had and maintained in the manner provided in this paragraph for the benefit of all Bondholders and beneficial owners of the Bonds.

The Township reserves the right to terminate its obligation to provide annual financial information and notice of material events, as set forth above, if and when the Township no longer remains an "obligated person" with respect to the Bonds within the meaning of Rule 15c2-12.

The undertaking may be amended by the Township from time to time, without consent of the Bondholders or the beneficial owners of the Bonds, in order to make modifications required in connection with a change in legal requirements, a change in law or a change in identity, nature, type of operation or status of the Township, which in the opinion of nationally recognized bond counsel complies with Rule 15c2-12 and does not, in such bond counsel's opinion, materially impair the interests of the Bondholders and the beneficial owners of the Bonds.

See: "Continuing Disclosure Agreement" set forth in Exhibit C attached hereto.

The Township has reviewed its compliance procedures relating to the filing of secondary market information for prior issues. The review showed that 1.) Audited Financial Statements and other financial documents such as budgets generally were filed, but not always within the prescribed timeframe, and not always applied to all appropriate CUSIPs. Such filings contained operating data, but may not always have contained all required information, and 2.) Material Event notices may not have been filed on a timely basis for all rating changes, particularly changes applicable to third parties, such as insurers. "Failure to File" notices often were not submitted. The Township will implement measures to provide for the timely filing of such financial information going forward.

NO DEFAULT

There is no record of default in the payment of the principal or interest on the bonds or notes of the Township.

UNDERWRITING

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

APPROVAL OF LEGAL PROCEEDINGS

The issuance, sale and delivery of the Bonds are subject to the approval of Law Office of John G. Hudak, Esq., LLC, Linden, New Jersey, Bond Counsel, whose approving legal opinion will be delivered with the Bonds substantially in the form set forth as Appendix "C". Certain legal matters will be passed on for the Township by its Counsel, Edward Wacks, Esq.

PREPARATION OF OFFICIAL STATEMENT

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

FINANCIAL STATEMENTS

Appendix "B" contains audited financial data of the Township from its Annual Financial Statement for the year ending December 31, 2013, 2012 and 2011. Such financial data was audited by Nisivoccia LLP, Mt. Arlington, New Jersey, to the extent and for the period set forth in their report appearing in Appendix "B", and are included herein in reliance upon the Township of such firm. Nisivoccia LLP, Mt. Arlington, New Jersey has consented to the inclusion of their report in this Official Statement.

ADDITIONAL INFORMATION

Inquiries regarding this Official Statement, including any information additional to that contained herein, may be directed to Hon. James Kozimor, Chief Financial Officer, Township of Allamuchy, Township of Allamuchy, Municipal Building, Alphano Road, P. O. Box A, Allamuchy, New Jersey, (973) 838-7200, extension 220.

MISCELLANEOUS

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

TOWNSHIP OF ALLAMUCHY
COUNTY OF WARREN, NEW JERSEY

By: _____
James Kozimor, Chief Financial Officer

Date: November __, 2014

APPENDIX A

GENERAL INFORMATION REGARDING THE TOWNSHIP OF ALLAMUCHY

GENERAL INFORMATION ABOUT THE TOWNSHIP OF ALLAMUCHY, COUNTY OF WARREN, STATE OF NEW JERSEY

Allamuchy is a rural/residential community bisected by Interstate 80 and bordered on the east by State Route 206 and on the southwest by U. S. Route 46. It is a regional transportation center for passengers and commuters. Park and ride facilities and express and local bus lines to New York are also to be found there. Surrounding the town center are a series of rolling hills which are primary residential areas of the community. Commercial operations within the Township include sod farms throughout the Township and retail business within the town center.

Bounding Allamuchy are six municipalities which are primarily residential in nature; Independence Township and Hackettstown to the south, Green and Frelinghuysen Townships to the north, Liberty Township to the west, and Byram Township to the east.

The Township is governed by a Mayor whose term is for three years and a Township Council consisting of four members. Members are elected to three year terms on a staggered basis.

The local school system consists of one elementary school (grades kindergarten to eight). High school students attend Hackettstown High School in Hackettstown, New Jersey. The total fiscal 2012/2013 student enrollment was 1,856.

Allamuchy has a volunteer Fire Department with an outstanding record of service. The Township's Water Department supplies the Township's 1,900 customers. There is a water storage tank .5 m.g capacity.

The waste water collection system is under control of the Township. Charges are based on water usage and billed along with water charges quarterly.

Building Permits Issued

<u>Year</u>	<u>Number of Permits</u>	<u>Construction Value</u>
2013	301	\$ 4,340,300
2012	618	11,589,900
2011	313	4,845,442

Source: Township of Allamuchy Construction Office

Other Demographic and Economic Information

The following summarizes certain housing and population information with respect to the Township:

Population:

<u>Year</u>	<u>Township</u>	<u>County</u>	<u>State</u>
2010	4,323	108,692	8,791,894
2000	3,877	102,437	8,414,350
1990	3,484	91,607	7,730,188
1980	2,560	84,429	7,365,001

Housing Units:

<u>Year</u>	<u>Total Units</u>
2010	2,096
2000	1,774
1990	1,623

Source: US Census

TAX INFORMATION

Tax Levies and Current Collections:

<u>Year</u>	<u>Tax Levy</u>	<u>Collected in Current Year</u>	<u>Percentage Collected</u>
2013	\$ 16,598,815	\$ 16,341,078	98.44%
2012	16,436,268	16,114,826	98.04%
2011	16,013,843	15,725,381	98.19%
2009	16,036,597	15,659,359	97.64%

Source: Township of Allamuchy Finance Department

Tax Title Leins and Delinquent Taxes for the Years Ended December 31,:

<u>Year</u>	<u>Amount of Delinquent Taxes</u>	<u>Percentage of Tax Levy</u>
2013	\$ 185,457	1.12%
2012	212,614	1.29%
2011	187,406	1.17%
2010	215,558	1.34%

Source: Township of Allamuchy Finance Department

TAX INFORMATION (Cont'd)

Property Acquired by Tax Title Lien Liquidation:

There were no properties acquired for taxation reported as of 2014 by foreclosure or deed as a result of liquidation of tax title liens.

Largest Taxpayers

The following table sets forth ten of the largest taxpayers located in the Township and their assessed valuations for the year 2013:

Name	Assessed Valuation
Baker Residential Ltd. Partnership	\$ 8,188,300
Panther Valley Golf & Country Club	7,185,400
Allamuchy Mall Partners LLC	4,500,000
Colonial Manor at Partner Valley LLC	4,337,800
Bowers Glen, Inc.	2,988,000
Verizon	1,276,451
Gibbs, J & N	1,253,170
Freeborn, L & C	1,214,000
Allamuchy Land Development	1,186,800
Russo, Lawrence Jr.	1,146,600
	<u><u>\$ 33,276,521</u></u>

Source: Allamuchy Township Tax Assessor

Largest Employers of Warren County:

Employer
Mars Chocolate, North America
DSM Nutritional Products
Al Can Packing
Bihler of America
Atlantic States Cast Iron Pipe Co.
Graham Packaging
Mallinckrodt/Baker, Inc
Hunterdon Transformers
EJ Brooks
NYK Logistics/Yusen Logistics

Source: Warren County Planning Board

TAX INFORMATION (Cont'd)

Property Valuation:

	2013	2012	2011
Assessed Valuation:			
Land and Improvements	\$ 535,111,651	\$ 571,528,603	\$ 566,364,307
County Equalized Value	\$ 572,723,098	\$ 581,853,316	\$ 610,967,090
County Equalized Ratio	93.43%	98.23%	92.70%

Source: Township of Allamuchy Finance Department

Assessed Valuations of Property by Class:

Property Classification	2013		2012		2011	
	Assessment	Percent	Assessment	Percent	Assessment	Percent
Vacant Land	\$ 11,114,700	1.89	\$ 10,071,600	1.60	\$ 15,588,300	2.51
Residential	476,465,300	80.82	521,530,400	83.10	510,591,000	82.17
Farm Regular	20,599,900	3.49	21,439,700	3.42	21,830,200	3.51
Farm Qualified	1,345,800	0.23	1,339,935	0.21	1,303,355	0.21
Commercial	19,971,700	3.39	13,692,800	2.18	15,892,800	2.56
Industrial	1,276,451	0.22	1,254,168	0.20	1,158,652	0.19
Apartments	4,337,800	0.73	2,200,000	0.35	0.00	0.00
	535,111,651	90.77	571,528,603	91.07	566,364,307	91.15
Exempt Property	54,426,808	9.23	56,046,235	8.93	54,995,935	8.85
	\$ 589,538,459	100.00	\$ 627,574,838	100.00	\$ 621,360,242	100.00

Source: Allamuchy Township Tax Assessor

Apportionment and Totals of Tax Rates per \$100 Assessed Valuation:

	2013	2012	2011	2010
Township	\$ 0.361	\$ 0.321	\$ 0.290	\$ 0.260
Library	0.054	0.052	0.058	
Local School District	1.485	1.339	1.280	1.315
County	0.649	0.606	0.623	0.785
County Open Space	0.047	0.066	0.070	
Municipal Open Space	0.020	0.020	0.020	0.022
	\$ 2.616	\$ 2.404	\$ 2.341	\$ 2.382

Source: Township of Allamuchy Tax Collector

TAX INFORMATION (Cont'd)

Analysis of Property Tax Levy:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Municipal Open Space	\$ 107,468	\$ 114,962	\$ 115,257
County Open Space	253,132	371,818	402,115
Municipal	1,978,098	1,896,163	1,798,298
Local School	7,948,020	7,655,548	7,251,445
Special Taxing District	2,542,182	2,619,895	2,525,251
County	<u>3,769,915</u>	<u>3,777,881</u>	<u>3,921,477</u>
	<u>\$ 16,598,815</u>	<u>\$ 16,436,267</u>	<u>\$ 16,013,843</u>

Source: Township of Allamuchy Tax Collector

FINANCIAL INFORMATION

SUMMARY OF ANNUAL DEBT STATEMENT

As Required by NJS 40A:2-40

(As of December 31, 2013)

	<u>Gross</u>	<u>Deduction</u>	<u>Net</u>
Total Bonds and Notes for School Purposes	\$ 10,120,000		
Less: Applicable Deductions		\$ 10,120,000	
Net Debt for School Purposes			\$ -0-
Total Bonds and Notes for Self-Liquidating Purposes	4,134,573		
Less: Applicable Deductions		4,134,573	
Net Debt for Self-Liquidating Purposes			-0-
Total Other Bonds, Notes and Loans	13,065,058		
Less: Applicable Deductions		124,680	
Net Debt for Other Purposes			12,940,378
 Total Gross Debt	 <u><u>\$ 27,319,631</u></u>		
 Total Deductions		 <u><u>\$ 14,379,253</u></u>	
 Total Net Debt December 31, 2013			 <u><u>\$ 12,940,378</u></u>
 Equalized Valuation Basis per NJS 40A: 2-2			 <u><u>\$ 588,514,501</u></u>
 Three and a Half Percent of Equalized Valuation Basis (Municipal)			 <u><u>\$ 20,598,008</u></u>
 Net Debt			 <u><u>12,940,378</u></u>
 Remaining Borrowing Power			 <u><u>\$ 7,657,630</u></u>

Soure: Township of Allamuchy Finance Department

<u>Overlapping Unit</u>	<u>Net Debt 12/31/2013</u>	<u>Township Proportionate Percentage</u>	<u>Estimated Township of Allmuchy</u>
County of Warren	<u><u>\$ 6,500,000</u></u>	<u><u>4.9825%</u></u>	<u><u>\$ 323,863</u></u>

Source: Township of Allamuchy Finance Department

FINANCIAL INFORMATION (Cont'd)

History of Statutory Debt Ratios:

	2013	2012	2011
Gross Debt:			
Local School District:			
Bonds Issued	\$ 10,120,000	\$ 10,440,004	\$ 11,039,875
Township			
General			
Bonds, Notes and Loans Issued	13,049,307	13,592,577	14,664,844
Authorized but Not Issued	15,750	135,750	
Self Liquidating:			
Bonds, Notes and Loans Issued	4,133,847	4,556,661	6,142,208
Authorized but Not Issued	727	726	726
Total Gross Debt	<u>27,319,631</u>	<u>28,725,718</u>	<u>31,847,653</u>
Statutory Deductions:			
Local School District	10,120,000	10,440,004	11,039,875
Township (Reserve to Pay Debt)	124,680		221,209
Self-Liquidating	4,134,573	4,557,387	6,142,934
	<u>\$ 12,940,378</u>	<u>\$ 13,728,327</u>	<u>\$ 14,443,635</u>
Average Equalized Valuation	\$ 588,514,501	\$ 614,789,893	\$ 689,236,998
Population (2010 Census)	4,323	4,323	4,323
Ratios:			
Gross Debt to Average Equalized Valuation	4.64%	4.67%	4.62%
Net Debt to Average Equalized Valuation	2.20%	2.23%	2.10%
Gross Debt Per Capita	\$ 6,319.60	\$ 6,644.86	\$ 7,367.03
Net Debt Per Capita	\$ 2,993.38	\$ 3,175.65	\$ 3,341.11

Source: The Townships of Allamuchy Annual Debt Statement

FINANCIAL INFORMATION (Cont'd)

COMPARATIVE SCHEDULE OF FUND BALANCES

	Year	Balance December 31,	Utilization in Budget of Succeeding Year
Current Fund	2013	\$ 578,753	\$ 267,289
	2012	387,067	245,000
	2011	442,529	245,000
	2010	316,228	273,000
Water & Sewer Utility Operating Fund	2013	\$ 584,793	\$ 182,763
	2012	513,928	182,763
	2011	407,269	224,316
	2010	315,851	251,500

Source: Township of Allamuchy Finance Department

SCHEDULE OF EXISTING DEBT MATURITIES DECEMBER 31, 2013

Calendar Year	General		Water and Sewer Utility		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 344,254	\$ 125,781	\$ 375,681	\$ 24,745	\$ 719,935	\$ 203,652
2015	361,087	117,095	59,907	15,973	420,994	150,526
2016	372,768	106,924	68,291	14,509	441,059	133,068
2017	381,056	96,266	68,330	12,822	449,386	121,433
2018	397,597	85,298	68,232	10,861	465,829	109,089
2019-2023	1,874,340	226,367	270,557	28,850	2,144,897	255,217
2024	295,000	5,900	58,655	1,531	353,655	7,431
	<u>\$ 4,026,103</u>	<u>\$ 763,631</u>	<u>\$ 969,652</u>	<u>\$ 109,292</u>	<u>\$ 4,995,755</u>	<u>\$ 980,415</u>

Source: Township of Allamuchy Finance Department

FINANCIAL INFORMATION (Cont'd)

Labor Force:

<u>Allamuchy Township</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Labor Force	2,545	2,366	2,356
Employment	2,323	2,261	2,249
Unemployment	222	105	107
Unemployment Rate	8.7%	4.4%	4.5%
<u>Warren County</u>			
Labor Force	58,310	59,614	59,440
Employment	54,214	54,725	54,424
Unemployment	4,096	4,889	5,016
Unemployment Rate	7.0%	8.2%	8.4%
<u>State of New Jersey</u>			
Labor Force	4,537,821	4,595,461	4,556,191
Employment	4,166,029	4,159,287	4,131,834
Unemployment	371,792	436,174	424,357
Unemployment Rate	8.2%	9.5%	9.3%

Source: New Jersey Department of Labor

EDUCATIONAL SYSTEM

Local School District – Kindergarten Through 8th Grade

The District provides a full range of educational services appropriate to grade levels K through 8. These include regular, as well as special education for handicapped youngsters. The District completed the 2012-2013 fiscal year with an average enrollment of 445 students, which is 5 students or 1.14% more than the previous year's enrollment. The following details the changes in the students enrollment of the District over the last five years.

Local School District - Kindergarten Through 8th Grade

<u>Fiscal Year</u>	<u>Student Enrollment</u>	<u>Pecent Change</u>
2012-13	445	1.14%
2011-12	440	4.02%
2010-11	423	9.30%
2009-10	387	2.93%
2008-09	376	3.30%

Source: School District Reports

APPENDIX B

TOWNSHIP OF ALLAMUCHY

FINANCIAL STATEMENTS FOR THE YEARS
ENDED DECEMBER 31, 2013, 2012, 2011

TOWNSHIP OF DENVILLE
FINANCIAL STATEMENTS
TABLE OF CONTENTS

FINANCIAL STATEMENTS AS OF DECEMBER 31, 2011

	<u>Page</u>
Independent Auditor's Report	B-1
Current Fund:	
Balance Sheet	B-2 to B-3
Statement of Operations and Change in Fund Balance	B-4
Statement of Revenue	B-5
Statement of Expenditures	B-6
Trust Fund:	
Balance Sheet	B-7 to B-8
General Capital:	
Balance Sheet	B-9
Statement of Fund Balance	B-10
Water and Sewer Utility Fund:	
Balance Sheet	B-11 to B-12
Statement of Operations and Change in Fund Balance	B-13
Statement of Fund Balance	B-14
Statement of Revenue	B-15
Statement of Expenditures	B-16
Public Assistance:	
Balance Sheet	B-17
Water District:	
Balance Sheet	B-18
General Fixed Assets Account Group:	
Balance Sheet	B-19
Notes to Financial Statements	B-20 to B-37

Independent Auditors' Report

The Honorable Mayor and Members
of the Township Council
Township of Allamuchy
Allamuchy, New Jersey

We have audited the financial statements of the various funds of the Township of Allamuchy in the County of Warren (the "Township") as of and for the years ended December 31, 2013, 2012, and 2011, as listed in the foregoing table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions 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, audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

As described in Note 1, these financial statements have been prepared in conformity with accounting principles prescribed by the Division, that demonstrate compliance with the modified accrual basis, with certain exceptions, and the budget laws of New Jersey, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the statutory basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because the Township prepares its financial statements on the basis of accounting discussed in the third paragraph, the financial statements referred to in the first paragraph do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2013, 2012, and 2011, and the results of its operations for the years then ended.

However, in our opinion, the financial statements referred to above, present fairly, in all material respects, the financial position of the various funds of the Township of Allamuchy at December 31, 2013, 2012 and 2011, and the results of operations and changes in fund balance, where applicable, of such funds, thereof for the year then ended, in conformity with accounting principles prescribed by the Division, as described in Note 1.

November 5, 2014
Mount Arlington, New Jersey

NISIVOCIA LLP

B-1

TOWNSHIP OF ALLAMUCHY
CURRENT FUND
COMPARATIVE BALANCE SHEET

	December 31,		
	2013	2012	2011
<u>ASSETS</u>			
Regular Fund:			
Cash and Cash Equivalents	\$ 977,485.20	\$ 782,482.09	\$ 984,899.19
Change Funds	200.00	200.00	200.00
	<u>977,685.20</u>	<u>782,682.09</u>	<u>985,099.19</u>
Due from State of New Jersey - Senior Citizens' and Veterans' Deductions	12,339.00	6,339.00	339.00
	<u>990,024.20</u>	<u>789,021.09</u>	<u>985,438.19</u>
Receivables and Other Assets With Full Reserves:			
Delinquent Property Taxes Receivable	185,456.50	212,614.36	187,406.07
Revenue Accounts Receivable	3,509.22	2,368.07	3,855.32
Due from:			
Animal Control Fund	1,576.77	592.43	
Other Trust Fund			2,253.40
Water/Sewer Utility Operating Fund	551.94		
Special Taxing District	540.40		
Other Accounts Receivable	<u>2,735.83</u>	<u>2,735.83</u>	<u>2,735.83</u>
Total Receivables and Other Assets With Full Reserves	<u>194,370.66</u>	<u>218,310.69</u>	<u>196,250.62</u>
Deferred Charges:			
Special Emergency Appropriation	120,000.00	160,000.00	200,000.00
Expenditure without an Appropriation	<u>3,759.85</u>		
Total Regular Fund	<u>1,308,154.71</u>	<u>1,167,331.78</u>	<u>1,381,688.81</u>
Federal and State Grant Fund:			
Cash and Cash Equivalents	57,930.57	76,780.07	63,012.17
Grant Funds Receivable	<u>169,478.48</u>	<u>322,744.70</u>	<u>9,702.44</u>
Total Federal and State Grant Fund	<u>227,409.05</u>	<u>399,524.77</u>	<u>72,714.61</u>
TOTAL ASSETS	<u>\$ 1,535,563.76</u>	<u>\$ 1,566,856.55</u>	<u>\$ 1,454,403.42</u>

TOWNSHIP OF ALLAMUCHY
CURRENT FUND
COMPARATIVE BALANCE SHEET
(Continued)

	December 31,		
	2013	2012	2011
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Regular Fund:			
Liabilities:			
Appropriation Reserves:			
Encumbered	\$ 61,845.48	\$ 15,706.61	\$ 23,013.60
Unencumbered	154,865.10	171,424.11	93,094.85
	<u>216,710.58</u>	<u>187,130.72</u>	<u>116,108.45</u>
Due State of New Jersey:			
Marriage License Fees	65.00	115.00	15.00
Building Surcharge Fees		449.00	272.00
Due to Other Trust Fund	2,747.67	2,735.32	
Accounts Payable - Vendors	55.51	55.51	
County Added and Omitted Taxes Payable	16,681.34	23,802.53	74,228.43
Prepaid Taxes	96,055.00	75,358.70	69,874.71
Tax Overpayments	2,263.26	2,454.36	9,497.85
Garbage District Taxes Payable		3,105.39	9,465.17
Special Emergency Notes Payable	120,000.00	160,000.00	200,000.00
Special District Taxes Payable - Municipal		119.32	
Reserve for:			
Bid Bonds	9,050.00	9,050.00	9,050.00
Pending Tax Appeals	3,500.00	3,500.00	3,500.00
Lake Eagle Rock Study	20,000.00	20,000.00	20,000.00
Revaluation		26,175.15	182,995.15
Payments in Lieu of Taxes	47,902.85	47,902.85	47,902.85
	<u>535,031.21</u>	<u>561,953.85</u>	<u>742,909.61</u>
Reserve for Receivables and Other Assets	194,370.66	218,310.69	196,250.62
Fund Balance	<u>578,752.84</u>	<u>387,067.24</u>	<u>442,528.58</u>
Total Regular Fund	<u>1,308,154.71</u>	<u>1,167,331.78</u>	<u>1,381,688.81</u>
Federal and State Grant Fund:			
Unappropriated Reserves	11,463.23	4,715.77	9,408.04
Appropriated Reserves			
Unencumbered	215,945.82	394,809.00	63,306.57
Total Federal and State Grant Fund	<u>227,409.05</u>	<u>399,524.77</u>	<u>72,714.61</u>
TOTAL LIABILITIES, RESERVES AND FUND BALANCE	<u>\$ 1,535,563.76</u>	<u>\$ 1,566,856.55</u>	<u>\$ 1,454,403.42</u>

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

TOWNSHIP OF ALLAMUCHY
CURRENT FUND
COMPARATIVE STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE

	Year Ended December 31,		
	2013	2012	2011
<u>Revenue and Other Income Realized</u>			
Fund Balance Utilized	\$ 267,289.00	\$ 245,000.00	\$ 245,000.00
Miscellaneous Revenue Anticipated	996,240.65	1,437,406.18	1,100,619.02
Receipts from:			
Delinquent Taxes	201,548.50	187,399.18	215,515.85
Current Taxes	16,341,077.70	16,114,825.64	15,725,381.02
Nonbudget Revenue	57,041.06	74,798.43	67,253.77
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves	80,961.12	5,748.62	65,305.28
Interfunds and Other Receivables Returned	592.43	2,253.40	1,365.81
Total Income	17,944,750.46	18,067,431.45	17,420,440.75
<u>Expenditures</u>			
Budget Appropriations:			
Municipal Purposes	2,862,389.81	3,324,695.71	3,028,971.62
County Taxes	4,023,047.07	4,149,699.41	4,323,591.72
Local School District Taxes	7,948,020.00	7,655,548.34	7,251,444.87
Local Open Space Taxes	107,467.58	114,962.25	115,257.09
Special District Taxes	2,542,182.29	2,619,894.65	2,525,251.39
Reserve for Snow Removal		12,500.00	
Expenditure without an Appropriation	3,759.85		
Interfunds and Other Receivables Advanced	2,669.11	592.43	4,623.24
Total Expenditures	17,489,535.71	17,877,892.79	17,249,139.93
Excess in Revenue	455,214.75	189,538.66	171,300.82
Adjustments to Income Before Fund Balance:			
Expenditures Included Above Which are by Statute Deferred Charges To Budget of Succeeding Year	3,759.85		200,000.00
Statutory Excess to Fund Balance	458,974.60	189,538.66	371,300.82
<u>Fund Balance</u>			
Balance January 1	\$ 387,067.24	\$ 442,528.58	316,227.76
	846,041.84	632,067.24	687,528.58
Decreased by:			
Utilized as Anticipated Revenue	267,289.00	245,000.00	245,000.00
Balance December 31	\$ 578,752.84	\$ 387,067.24	442,528.58

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

TOWNSHIP OF ALLAMUCHY
CURRENT FUND
COMPARATIVE STATEMENT OF REVENUE

	For the Years Ended December 31,			
	2013	2012		2011
	Budget After Modification	Realized	Budget After Modification	Budget After Modification Realized
Fund Balance Anticipated	\$ 267,289.00	267,289.00	245,000.00	245,000.00 245,000.00
Miscellaneous Revenue Anticipated	856,796.77	996,240.65	1,060,462.74	1,127,807.06 1,100,619.02
Receipts from Delinquent Taxes	175,000.00	201,548.50	175,000.00	215,000.00 215,515.85
Amount to be Raised by Taxes for Support of Municipal Budget:				
Local Tax for Municipal Purposes	1,934,449.53	2,104,106.76	1,840,140.92	1,643,097.26 1,909,835.95
Nonbudget Revenue		57,041.06		67,253.77
	<u>\$ 3,233,535.30</u>	<u>\$ 3,626,225.97</u>	<u>\$ 3,320,603.66</u>	<u>\$ 3,230,904.32</u> <u>\$ 3,538,224.59</u>

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

TOWNSHIP OF ALLAMUCHY
CURRENT FUND
COMPARATIVE STATEMENT OF EXPENDITURES

For the Years Ended December 31,

	2013			2012			2011		
	Budget After Modification	Paid or Charged	Reserved	Budget After Modification	Paid or Charged	Reserved	Budget After Modification	Paid or Charged	Reserved
Operations for Municipal Purposes:									
Salaries and Wages	\$ 579,774.80	\$ 545,397.40	\$ 34,377.40	\$ 613,117.89	\$ 582,828.16	\$ 30,289.73	\$ 618,919.94	\$ 610,931.36	\$ 7,988.58
Other Expenses	1,149,078.81	1,034,122.04	114,956.77	1,542,326.74	1,403,923.54	138,403.20	1,281,982.86	1,196,904.34	85,078.52
Capital Improvements	125,000.00	125,000.00		30,000.00	30,000.00		70,000.00	70,000.00	
Debt Service	871,641.60	859,542.11		988,108.61	987,751.38		945,651.52	943,718.82	
Deferred Charges and Statutory Expenditures	148,994.09	143,463.16	5,530.93	151,499.70	148,768.52	2,731.18	114,350.00	114,322.25	27.75
Total Operations for Municipal Purposes	2,874,489.30	2,707,524.71	154,865.10	3,325,052.94	3,153,271.60	171,424.11	3,030,904.32	2,935,876.77	93,094.85
Reserve for Uncollected Taxes	383,746.00	383,746.00		383,746.72	383,746.72		400,000.00	400,000.00	
	\$ 3,258,235.30	\$ 3,091,270.71	\$ 154,865.10	\$ 3,708,799.66	\$ 3,537,018.32	\$ 171,424.11	\$ 3,430,904.32	\$ 3,335,876.77	\$ 93,094.85
Adopted Budget	3,233,535.30			3,320,603.66			3,230,904.32		
Emergency Appropriation	24,700.00			388,196			200,000.00		
	3,258,235.30			3,708,799.66			3,430,904.32		

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

TOWNSHIP OF ALLAMUCHY
TRUST FUNDS
COMPARATIVE BALANCE SHEET

	December 31,		
	2013	2012	2011
<u>ASSETS</u>			
Animal Control Fund:			
Cash and Cash Equivalents:			
Treasurer	\$ 9,293.07	\$ 8,530.57	\$ 4,112.61
	<u>9,293.07</u>	<u>8,530.57</u>	<u>4,112.61</u>
Other Trust Funds:			
Cash and Cash Equivalents	745,229.56	893,072.64	696,514.21
Due from Current Fund	2,747.67	3,511.88	
	<u>747,977.23</u>	<u>896,584.52</u>	<u>696,514.21</u>
TOTAL ASSETS	<u>\$ 757,270.30</u>	<u>\$ 905,115.09</u>	<u>\$ 700,626.82</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Animal Control Fund:			
Due to Current Fund	\$ 1,576.77	\$ 592.43	
Due State Board of Health	22.80	21.60	\$ 20.40
Reserve for Animal Control Expenditures	7,693.50	7,916.54	4,092.21
	<u>9,293.07</u>	<u>8,530.57</u>	<u>4,112.61</u>

TOWNSHIP OF ALLAMUCHY
TRUST FUNDS
COMPARATIVE BALANCE SHEET

	December 31,		
	2013	2012	2011
TOTAL LIABILITIES, RESERVES AND FUND BALANCE			
Other Trust Funds:			
Due Current Fund			\$ 2,253.40
Developer's Deposits	\$ 469,308.54	\$ 653,730.06	456,349.32
Constrution Escrow Deposits	13,067.30	13,831.51	11,298.31
Reserve for:			
Condominium Security Deposits	36,300.77	33,896.89	21,973.67
Recreation	3,500.00		
State Unemployment Insurance	18,804.89	17,698.25	16,531.81
Housing Rehabilitation	65,839.96	40,830.23	23,806.12
Open Space Trust Fund	28,618.94	28,618.94	28,618.94
Parking Offence Adjudication Act	114.00	114.00	114.00
Public Defender Fees	3,400.00	3,400.00	3,400.00
Senior Luncheon	1,554.00	1,554.00	1,554.00
GIS Updates	12,142.62	12,142.62	12,142.62
Tax Sale Premiums	64,200.00	61,900.00	86,400.00
Tax Map Assessments	723.63	723.63	723.63
Harvest Festival	993.39	993.39	993.39
Fire Safety	250.00	250.00	250.00
Rutherford Hall	60.00	60.00	60.00
Playground	7184.19	9,926.00	21,045.00
Open Space Donation	4,415.00	4,415.00	9,000.00
Snow Removal	17,500.00	12,500.00	
	<u>747,977.23</u>	<u>896,584.52</u>	<u>696,514.21</u>
	<u>\$ 757,270.30</u>	<u>\$ 905,115.09</u>	<u>\$ 700,626.82</u>

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

TOWNSHIP OF ALLAMUCHY
GENERAL CAPITAL FUND
COMPARATIVE BALANCE SHEET

	December 31,		
	2013	2012	2011
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 597,757.88	\$ 773,060.94	\$ 814,229.07
Deferred Charges to Future Taxation:			
Funded	4,026,102.67	4,386,971.95	4,896,045.82
Unfunded	9,038,955.00	9,061,355.00	9,270,110.00
Warren County Grant Receivable	213.00	213.00	213.00
Due from Escrow Agent	3,400.94	3,400.94	
Due from Rating Agency	7,900.00	7,900.00	
TOTAL ASSETS	<u>\$ 13,674,329.49</u>	<u>\$ 14,232,901.83</u>	<u>\$ 14,980,597.89</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Bond Anticipation Notes Payable	9,023,205.00	9,045,605.00	9,134,360.00
New Jersey Green Trust Loans Payable	228,788.42	254,910.04	280,516.96
New Jersey Environmental Infrastructure Loans Payable	1,052,314.25	1,172,061.91	1,285,528.86
Serial Bonds Payable	2,745,000.00	2,960,000.00	3,330,000.00
Improvement Authorizations:			
Funded	25,301.81	120,793.70	42,957.15
Unfunded	4,229.78	410,142.83	404,977.16
Capital Improvement Fund	89,704.22	19,704.22	137,229.22
Reserve for:			
Developers' Contributions	1,500.00	1,500.00	1,500.00
Improvements	59,000.00	39,000.00	35,000.00
Renovations to Maintenance Garage	50,000.00	50,000.00	50,000.00
Road Improvements and Paving			4,975.00
Public Safety Equipment	35,861.00	35,861.00	35,861.00
Downpayment on Improvements		2,500.00	2,500.00
Fire Station Building Improvements	20,000.00	20,000.00	20,000.00
Recreation			15,000.00
Sewer Line		14,709.37	14,709.37
Payment of Debt Service	124,680.37		66,458.68
Fund Balance	<u>214,744.64</u>	<u>86,113.76</u>	<u>119,024.49</u>
TOTAL LIABILITIES, RESERVES AND FUND BALANCE	<u>\$ 13,674,329.49</u>	<u>\$ 14,232,901.83</u>	<u>\$ 14,980,597.89</u>

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

TOWNSHIP OF ALLAMUCHY
GENERAL CAPITAL FUND
STATEMENT OF FUND BALANCE

	For the Year Ended December 31,		
	2013	2012	2011
Balance January 1,	\$ 86,113.76	\$ 119,024.49	\$ 70,476.09
Increased by:			
Premium on Sale of Bond Anticipation Notes	18,323.31	30,115.59	32,513.40
Improvement Authorizations Cancelled	125,714.20		
Improvements to Cat Swamp Road			30,000.00
Canceled Reserve to Pay Debt Service		0.68	
Cancel Reserve for Sewer Line	14,709.37		
	<u>244,860.64</u>	<u>149,140.76</u>	<u>132,989.49</u>
Decreased by:			
Utilized as Anticipated Revenue in the Current Fund	30,116.00		
Fund Balance Anticipated as Current Fund Revenue		63,027.00	13,965.00
	<u>30,116.00</u>	<u>63,027.00</u>	<u>13,965.00</u>
Balance December 31,	<u>\$ 214,744.64</u>	<u>\$ 86,113.76</u>	<u>\$ 119,024.49</u>

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

TOWNSHIP OF ALLAMUCHY
WATER AND SEWER UTILITY FUND
COMPARATIVE BALANCE SHEET

	December 31		
	2013	2012	2011
<u>ASSETS</u>			
Operating Fund:			
Cash and Cash Equivalents:			
Treasurer	\$ 727,809.72	\$ 639,701.95	\$ 534,603.75
Receivables and Other Assets with Full Reserves:			
Consumer Accounts Receivable	380,477.55	377,645.06	374,187.10
Total Operating Fund	1,108,287.27	1,017,347.01	908,790.85
Capital Fund:			
Cash and Cash Equivalents	405,580.43	643,576.14	1,959,872.36
Fixed Capital	8,934,599.41	8,782,046.54	7,537,046.54
Fixed Capital Authorized and Uncompleted	1,500,000.00	1,585,000.00	2,830,000.00
Total Capital Fund	10,840,179.84	11,010,622.68	12,326,918.90
<u>TOTAL ASSETS</u>	<u>\$ 11,948,467.11</u>	<u>\$ 12,027,969.69</u>	<u>\$ 13,235,709.75</u>

TOWNSHIP OF ALLAMUCHY
WATER AND SEWER UTILITY FUND
COMPARATIVE BALANCE SHEET
(Continued)

	December 31,		
	2013	2012	2011
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Operating Fund:			
Appropriation Reserves:			
Unencumbered	\$ 20,193.57	\$ 43,518.42	\$ 52,011.21
Encumbered	62,603.72	19,020.01	6,899.21
	82,797.29	62,538.43	58,910.42
Third Party Liens	36.47	881.20	881.20
Water and Sewer Overpayments	1,569.10	1,146.87	619.86
Security Deposits	42,629.34	39,086.63	34,209.70
Due to Current Fund	551.94		
Accrued Interest on Wastewater Treatment Loans	4,887.48	9,456.25	13,813.00
Accrued Interest on New Jersey Water Supply Interconnection Loan	11.57	13.27	14.92
Accrued Interest on New Jersey Environmental Infrastructure Trust Loan	4,468.75	4,802.09	5,135.42
Accrued Interest on Bond Anticipation Notes	6,064.61	7,448.16	12,977.14
Accrued Interest on Bonds		401.04	773.43
	143,016.55	125,773.94	127,335.09
Reserve for Receivables	380,477.55	377,645.06	374,187.10
Fund Balance	584,793.17	513,928.01	407,268.66
Total Operating Fund	1,108,287.27	1,017,347.01	908,790.85
Capital Fund:			
Serial Bonds Payable		25,000.00	50,000.00
New Jersey Wastewater Treatment Loans Payable	315,896.03	616,496.84	908,323.67
New Jersey Water Supply Interconnection Loan Payable	118,999.81	136,534.25	153,470.72
New Jersey Environmental Infrastructure Trust Loan Payable	534,756.11	577,034.61	619,960.62
Bond Anticipation Notes Payable	3,164,195.00	3,201,595.00	4,044,824.00
Improvement Authorizations:			
Funded		5,208.22	24,339.50
Unfunded	358,094.46	563,254.14	1,044,276.05
Capital Improvement Fund	16,937.60	51,937.60	26,937.60
Reserve for Payment of Debt Service			840,835.58
Reserve for Facility Improvements	850.00	850.00	850.00
Reserve for Amortization	6,224,126.25	5,686,159.63	3,534,041.53
Reserve for Developer Contribution	13,826.00		
Deferred Reserve for Amortization	75,900.00	123,500.00	1,055,699.79
Fund Balance	16,598.58	23,052.39	23,359.84
Total Capital Fund	10,840,179.84	11,010,622.68	12,326,918.90
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>\$ 11,948,467.11</u>	<u>\$ 12,027,969.69</u>	<u>\$ 13,235,709.75</u>

TOWNSHIP OF ALLAMUCHY
WATER AND SEWER UTILITY FUND
COMPARATIVE STATEMENT OF OPERATIONS AND CHANGE IN OPERATING FUND BALANCE

	Year Ended December 31		
	2013	2012	2011
<u>Revenue and Other Income Realized</u>			
Fund Balance Utilized	\$ 182,763.00	\$ 182,763.00	\$ 224,316.00
Water and Sewer Rents	1,494,556.93	1,472,054.99	1,442,719.13
Reserve for Debt Service		840,835.00	
Water District Rents	23,679.26	18,900.00	21,450.30
Water and Sewer Capital Fund Balance	14,375.00	14,684.00	
Miscellaneous	117,167.48	146,745.38	180,686.96
Other Credits to Income:			
Cancellation of Prior Year Reserve for Insurance Claim			10,723.80
Unexpended Balance of Appropriation Reserves	18,603.18	17,343.44	791.58
Total Income	1,851,144.85	2,693,325.81	1,880,687.77
<u>Expenditures</u>			
Budget Appropriations:			
Operating	1,048,200.00	1,018,164.00	1,030,388.68
Capital Improvements	35,000.00	25,000.00	25,000.00
Debt Services	489,316.69	1,335,739.46	484,565.80
Prior Year Fund Balance Anticipated as Revenue in Current Fund	25,000.00	25,000.00	25,000.00
Total Expenditures	1,597,516.69	2,403,903.46	1,564,954.48
Excess in Revenue/Statutory Excess to Fund Balance	253,628.16	289,422.35	315,733.29
<u>Fund Balance</u>			
Balance January 1	513,928.01	407,268.66	315,851.37
	767,556.17	696,691.01	631,584.66
Decreased by:			
Utilization as Anticipated Revenue	182,763.00	182,763.00	224,316.00
Balance December 31	\$ 584,793.17	\$ 513,928.01	\$ 407,268.66

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

TOWNSHIP OF ALLAMUCHY
WATER AND SEWER UTILITY CAPITAL FUND
COMPARATIVE STATEMENT OF FUND BALANCE

	For the Years Ended December 31,		
	2013	2012	2011
Balance January 1	\$ 23,052.39	\$ 23,359.84	\$ 8,676.28
Increased by:			
Improvement Authorizations Cancelled	2,447.13		
Cancelled Reserve Balance		0.58	
Bond Anticipation Note Premium	5,474.06	14,375.97	14,683.56
	<u>30,973.58</u>	<u>37,736.39</u>	<u>23,359.84</u>
Decreased by:			
Anticipated Revenue - Water and Sewer Utility Budget	14,375.00		
Anticipated Revenue in Operating Fund		14,684.00	
	<u>14,375.00</u>	<u>14,684.00</u>	
Balance December 31	<u>\$ 16,598.58</u>	<u>\$ 23,052.39</u>	<u>\$ 23,359.84</u>

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

TOWNSHIP OF ALLAMUCHY
WATER AND SEWER UTILITY OPERATING FUND
COMPARATIVE STATEMENT OF REVENUE

	For the Years Ended December 31,			
	2013	2012		2011
	Anticipated	Realized	Anticipated	Realized
Fund Balance Anticipated	\$ 182,763.00	182,763.00	182,763.00	182,763.00
Rents	1,373,683.00	1,494,556.93	1,327,370.00	1,472,054.99
Water District Rents	18,900.00	23,679.26	20,000.00	18,900.00
Reserve for Debt Service			840,835.00	840,835.00
Capital Fund Balance	14,375.00	14,375.00	14,684.00	14,684.00
Budget Totals	1,589,721.00	1,715,374.19	2,385,652.00	2,529,236.99
Nonbudget Revenue		117,167.48		146,745.32
	\$ 1,589,721.00	\$ 1,832,541.67	\$ 2,385,652.00	\$ 2,675,982.31
			\$ 1,571,686.00	\$ 1,869,172.39

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

TOWNSHIP OF ALLAMUCHY
WATER AND SEWER UTILITY OPERATING FUND
COMPARATIVE STATEMENT OF EXPENDITURES

For the Years Ended December 31,

	2013			2012			2011		
	Budget After Modification	Paid or Charged	Reserved	Budget After Modification	Paid or Charged	Reserved	Budget After Modification	Paid or Charged	Reserved
Operating:									
Salaries and Wages	\$ 52,215.00	\$ 50,388.53	\$ 1,826.47	\$ 51,189.00	\$ 49,463.01	\$ 1,725.99	\$ 50,185.00	\$ 48,492.96	\$ 1,692.04
Other Expenses	995,985.00	977,617.90	18,367.10	966,975.00	925,182.57	41,792.43	980,203.68	929,884.51	50,319.17
Capital Improvements:									
Capital Improvement Fund	35,000.00	35,000.00		25,000.00	25,000.00		25,000.00	25,000.00	
Capital Outlay									
Debt Service:									
Payment of Bond Principal	25,000.00	25,000.00		25,000.00	25,000.00		25,000.00	25,000.00	
Payment of Bond Anticipation Notes	37,400.00	37,400.00		843,229.00	843,229.00		4,743.00	4,742.00	
Interest on Bonds	37.00	36.46		909.00	908.87		1,721.00	877.60	
Interest on Notes	48,025.00	38,362.07		70,784.00	64,830.08		54,151.32	54,151.32	
Loans Principal and Interest	396,059.00	388,518.16		402,566.00	401,771.51		405,682.00	399,794.88	
Surplus (General Budget)							25,000.00	25,000.00	
	<u>\$ 1,589,721.00</u>	<u>\$ 1,552,323.12</u>	<u>\$ 20,193.57</u>	<u>\$ 2,385,652.00</u>	<u>\$ 2,335,385.04</u>	<u>\$ 43,518.42</u>	<u>\$ 1,571,686.00</u>	<u>\$ 1,512,943.27</u>	<u>\$ 52,011.21</u>

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

TOWNSHIP OF ALLAMUCHY
PUBLIC ASSISTANCE FUND
COMPARATIVE BALANCE SHEET

	December 31,		
	2013	2012	2011
<u>ASSETS</u>			
Cash and Cash Equivalents:			
Treasurer	\$ 7,586.69	\$ 7,574.39	\$ 7,560.09
TOTAL ASSETS	<u>\$ 7,586.69</u>	<u>\$ 7,574.39</u>	<u>\$ 7,560.09</u>
 <u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Reserve for Public Assistance Expenditures	\$ 7,586.69	\$ 7,574.39	\$ 7,560.09
TOTAL LIABILITIES, RESERVES AND FUND BALANCE	<u>\$ 7,586.69</u>	<u>\$ 7,574.39</u>	<u>\$ 7,560.09</u>

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

TOWNSHIP OF ALLAMUCHY
WATER DISTRICT
COMPARATIVE BALANCE SHEET

	December 31,		
	2013	2012	2011
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 62.24	\$ 42.60	\$ 22.96
Receivables with Full Reserves:			
Consumer Accounts Receivable	1,345.74	3,193.48	184.64
TOTAL ASSETS	<u>\$ 1,407.98</u>	<u>\$ 3,236.08</u>	<u>\$ 207.60</u>
 <u>RESERVES AND FUND BALANCE</u>			
Reserve for Receivables	\$ 1,345.74	\$ 3,193.48	\$ 184.64
Fund Balance	62.24	42.60	22.96
TOTAL RESERVES AND FUND BALANCE	<u>\$ 1,407.98</u>	<u>\$ 3,236.08</u>	<u>\$ 207.60</u>

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

TOWNSHIP OF ALLAMUCHY
GENERAL FIXED ASSETS ACCOUNT GROUP
COMPARATIVE BALANCE SHEET
(Unaudited)

	December 31,		
	2013	2012	2011
<u>ASSETS</u>			
Land	\$ 6,540,955.00	\$ 6,540,955.00	\$ 6,540,955.00
Building and Improvements	1,414,700.00	1,414,700.00	1,414,700.00
Equipment	2,885,203.00	2,896,672.00	2,896,672.00
<u>TOTAL ASSETS</u>	<u>\$ 10,840,858.00</u>	<u>\$ 10,852,327.00</u>	<u>\$ 10,852,327.00</u>
 <u>RESERVE</u>			
Reserve for Fixed Assets	\$ 10,840,858.00	\$ 10,852,327.00	\$ 10,852,327.00
<u>TOTAL RESERVE</u>	<u>\$ 10,840,858.00</u>	<u>\$ 10,852,327.00</u>	<u>\$ 10,852,327.00</u>

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

TOWNSHIP OF ALLAMUCHY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2013

Note 1 - Summary of Significant Accounting Policies

A. Reporting Entity

Except as noted below, the financial statements of the Township of Allamuchy include every board, body, officer or commission supported and maintained wholly or in part by funds appropriated by the Township of Allamuchy, as required by N.J.S. 40A:5-5. Accordingly, the financial statements of the Township of Allamuchy do not include the operations of the Volunteer Fire and First Aid Squads.

Governmental Accounting Standards Board publication, Codification of Governmental and Financial Reporting Standards, Section 2100, "Defining the Financial Reporting Entity" establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. The basic criterion for inclusion or exclusion from the financial reporting entity is the exercise of oversight responsibility over agencies, boards and commissions by the primary government. The exercise of oversight responsibility includes financial interdependency and a resulting financial benefit or burden relationship, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. As the financial reporting entity was established in accordance with New Jersey statutes, the requirements of Governmental Accounting Standards Board's 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 Allamuchy 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 Allamuchy 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 Fund - Receipt, 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.

Water and Sewer Utility Operating and Capital Funds - Account for the operations and acquisition of capital facilities of the municipally owned water and sewer utility.

Public Assistance Fund - Receipt and disbursement of funds that provide assistance to certain residents of the municipality pursuant to Title 44 of New Jersey Statutes.

TOWNSHIP OF ALLAMUCHY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2013
(Continued)

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

B. Description of Funds (Cont'd)

Water District Fund - Collection of water use fees for the cost of providing water to a small number of properties within the Township.

General Fixed Asset Account Group (Unaudited)- These accounts were established with 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 and for the prepayment of future years' revenue. Grant revenue is realized in the operating funds when it is received and in the capital funds 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.

Expenditures are charged to operations generally 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.

TOWNSHIP OF ALLAMUCHY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2013
(Continued)

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

C. Basis of Accounting (Cont'd)

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 awarded; inventories would not be reflected as expenditures at the time of purchase; and fixed assets purchased by the Water and Sewer Capital Funds would be depreciated.

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

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, or collecting a grant. The unfunded deferred charge may also be funded by selling bonds or by issuing loan or entering into capital lease agreements.

E. Other significant accounting policies include:

Management Estimates – The preparation of financial statements required 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 or amortized cost, which approximates market.

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 are not included on the various balance sheets.

Grants Receivable - Grants receivable represent the total grant awards less amounts collected to date. Because the amount of grant 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.

TOWNSHIP OF ALLAMUCHY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2013
(Continued)

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

E. Other significant accounting policies include (Cont'd):

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

General Fixed Assets (Unaudited) - General fixed assets are recorded at cost except for land and buildings, which are recorded at estimated historical cost. Infrastructure assets are not included in fixed assets; maintenance and minor parts 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 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. Assets recorded in the General Fixed Assets Account Group may also be recorded in the Current Fund, General Capital Fund and Water and Sewer Utility Capital Fund. The values recorded in the General Fixed Assets Account Group and the Current and Capital Funds may not always agree due to differences in valuation methods, timing or recognition of assets and the recognition of infrastructures. Capital assets are reviewed for impairment.

Property and equipment purchased by the Water and Sewer Utility Fund are recorded in the capital account at cost and are not adjusted for dispositions and abandonments. Contributions in aid of construction are not capitalized. The balances in the Reserve for Amortization and Deferred Reserve for Amortization accounts in the utility capital fund represent charges to operations of the cost of acquisitions of property, equipment and improvements. The Water and Sewer Utility does not record depreciation on fixed assets.

F. Budget/Budgetary Control

Annual appropriated budgets are usually prepared in the first quarter for current operating, utility, and open space trust funds. The budgets are submitted to the governing body and the State Division of Local Government Services. Budgets are 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 NJSA 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 and taxing power have been pledged to the payment of general obligation debt principal and interest.

TOWNSHIP OF ALLAMUCHY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2013
(Continued)

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

Summary of Municipal Debt

	December 31,		
	2013	2012	2011
Issued			
General:			
Bonds, Notes and Loans	\$13,049,307.67	\$ 13,592,576.95	\$ 14,030,405.82
Water and Sewer Utility:			
Bonds, Notes and Loans	4,133,846.95	4,556,660.70	5,776,579.01
Net Debt Issued	<u>17,183,154.62</u>	<u>18,149,237.65</u>	<u>19,806,984.83</u>
Authorized but not Issued:			
General:			
Bonds and Notes	15,750.00	15,750.00	135,750.00
Water and Sewer Utility:			
Bonds and Notes	726.21	726.21	726.21
Total Authorized but not Issued	<u>16,476.21</u>	<u>16,476.21</u>	<u>136,476.21</u>
Less:			
General:			
Reserve to Pay Debt Service	124,680.37		66,458.68
Water and Sewer Utility:			
Reserve to Pay Debt Service			840,835.58
Net Bonds, Notes and Loans Issued and Authorized but not Issued	<u>\$ 17,074,950.46</u>	<u>\$ 18,165,713.86</u>	<u>\$ 19,036,166.78</u>

Summary of Statutory Debt Condition - Annual Debt Statement

The summarized statement of debt condition, which follows, is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of 2.22%.

	Gross Debt	Deductions	Net Debt
School Debt	\$ 10,120,000.00	\$ 10,120,000.00	
Water and Sewer Utility Debt	4,134,573.16	4,134,573.16	
General Debt	<u>13,065,057.67</u>		<u>\$ 13,065,057.67</u>
	<u>\$ 27,319,630.83</u>	<u>\$ 14,254,573.16</u>	<u>\$ 13,065,057.67</u>

Net Debt: \$13,065,057.67 divided by Average Equalized Valuations of \$588,514,501.33 of Real Property = 2.22%.

TOWNSHIP OF ALLAMUCHY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2013
(Continued)

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

<u>Borrowing Power Under N.J.S. 40A:2-6 As Amended</u>	
3-1/2% Average Equalized Valuation of Real Property	\$ 20,598,007.55
Net Debt	<u>13,065,057.67</u>
Remaining Borrowing Power	<u>\$ 7,532,949.88</u>
<u>Calculation of "Self-Liquidating Purpose", Water and Sewer Utility Per N.J.S. 40A:2-45</u>	
Cash Receipts from Fees, Rents or Other Charges for Year	\$ 1,832,541.67
Deductions:	
Operating and Maintenance Costs	\$ 1,048,200.00
Debt Service per Water and Sewer Account	<u>489,316.69</u>
	<u>1,537,516.69</u>
Excess in Revenue	<u>\$ 295,024.98</u>

Footnote: If there is an "excess in revenue", all such utility debt is deductible. If there is a "deficit", then utility debt is not deductible to the extent of 20 times such deficit amount, or the total amount of debt service for that fund, whichever is less.

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

Summary of Municipal Debt Issued and Outstanding - Prior Year

Fund	Balance 12/31/2011	Additions	Retirements	Balance 12/31/2012
Serial Bonds:				
General Capital Fund	\$ 3,330,000.00	\$ 2,760,000.00	\$ 3,130,000.00	\$ 2,960,000.00
Water and Sewer Utility Capital Fund	50,000.00		25,000.00	25,000.00
Bond Anticipation Notes:				
Current Fund	200,000.00	160,000.00	200,000.00	160,000.00
General Capital Fund	9,134,360.00	9,045,605.00	9,134,360.00	9,045,605.00
Water and Sewer Utility Capital Fund	4,044,824.00	3,201,595.00	4,044,824.00	3,201,595.00
Loans Payable:				
General Capital Fund:				
Green Trust Loans	280,516.96		25,606.92	254,910.04
NJ Environmental Infrastructure Loan	1,285,528.86		113,466.95	1,172,061.91
Water and Sewer Utility Capital Fund:				
NJ Wastewater Treatment Loan	908,323.67		291,826.83	616,496.84
NJ Water Supply Interconnection Loan	153,470.72		16,936.47	136,534.25
NJ Environmental Infrastructure Loan	619,960.62		42,926.01	577,034.61
	<u>\$ 20,006,984.83</u>	<u>\$ 12,247,200.00</u>	<u>\$ 17,024,947.18</u>	<u>\$ 18,149,237.65</u>

TOWNSHIP OF ALLAMUCHY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2013
(Continued)

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

Summary of Municipal Debt Issued and Outstanding - Current Year

Fund	Balance 12/31/2012	Additions	Retirements	Balance 12/31/2013
Serial Bonds:				
General Capital Fund	\$ 2,960,000.00		\$ 215,000.00	\$ 2,745,000.00
Water and Sewer Utility Capital Fund	25,000.00		25,000.00	
Bond Anticipation Notes:				
Current Fund (Special Emergency)	160,000.00	\$ 120,000.00	160,000.00	120,000.00
General Capital Fund	9,045,605.00	9,023,205.00	9,045,605.00	9,023,205.00
Water and Sewer Utility Capital Fund	3,201,595.00	3,164,195.00	3,201,595.00	3,164,195.00
Loans Payable:				
General Capital Fund:				
Green Trust Loans	254,910.04		26,121.62	228,788.42
NJ Environmental Infrastructure Loan	1,172,061.91		119,747.66	1,052,314.25
Water and Sewer Utility Capital Fund:				
NJ Wastewater Treatment Loan	616,496.84		300,600.81	315,896.03
NJ Water Supply Interconnection Loan	136,534.25		17,534.44	118,999.81
NJ Environmental Infrastructure Loan	577,034.61		42,278.50	534,756.11
	<u>\$ 18,149,237.65</u>	<u>\$ 12,307,400.00</u>	<u>\$ 13,153,483.03</u>	<u>\$ 17,303,154.62</u>

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

Calendar Year	General		Water and Sewer Utility		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 344,254.41	\$ 125,780.69	\$ 375,680.53	\$ 24,745.03	\$ 719,934.94	\$ 203,651.73
2015	361,086.92	117,095.10	59,907.43	15,972.86	420,994.35	150,525.72
2016	372,768.09	106,923.73	68,290.54	14,509.30	441,058.63	133,067.96
2017	381,055.82	96,266.39	68,330.01	12,822.30	449,385.83	121,433.03
2018	397,597.08	85,297.84	68,231.88	10,861.06	465,828.96	109,088.69
2019-2023	1,874,340.35	226,366.83	270,556.91	28,849.76	2,144,897.26	255,216.59
2024	295,000.00	5,900.00	58,654.65	1,531.26	353,654.65	7,431.26
	<u>\$4,026,102.67</u>	<u>\$ 763,630.58</u>	<u>\$ 969,651.95</u>	<u>\$ 109,291.57</u>	<u>\$4,995,754.62</u>	<u>\$ 980,414.98</u>

At December 31, 2013, the Township had debt issued and outstanding described as follows:

<u>Current Fund Special Emergency Notes Payable</u>		
<u>Final Maturity</u>	<u>Rate</u>	
10/21/2014	1.25%	<u>\$ 120,000.00</u>

TOWNSHIP OF ALLAMUCHY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2013
(Continued)

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

At December 31, 2013, the Township had debt issued and outstanding described as follows: (Cont'd)

General Capital Bond Anticipation Notes

<u>Final Maturity</u>	<u>Rate</u>	
7/9/2014	1.00%	\$ 330,000.00
10/21/2014	1.00%	3,663,205.00
7/9/2014	1.00%	4,380,000.00
7/9/2014	1.00%	175,000.00
7/9/2014	1.00%	237,500.00
7/9/2014	1.00%	171,000.00
7/9/2014	1.00%	66,500.00
		<u>\$ 9,023,205.00</u>

General Capital New Jersey Green Trust Loan

<u>Final Maturity</u>	<u>Rate</u>	
9/5/2021	2.00%	<u>\$ 228,788.42</u>

General Capital Refunding Bonds

<u>Final Maturity</u>	<u>Rate</u>	
01/15/2014	2.00%	200,000.00
01/15/2015	3.00%	210,000.00
01/15/2016	3.00%	215,000.00
01/15/2017	3.00%	225,000.00
01/15/2018	3.00%	235,000.00
01/15/2019	3.00%	245,000.00
01/15/2020	4.00%	260,000.00
01/15/2021	4.00%	275,000.00
01/15/2022	4.00%	290,000.00
01/15/2023	4.00%	295,000.00
01/15/2024	4.00%	295,000.00
		<u>\$ 2,745,000.00</u>

General Capital New Jersey Environmental Infrastructure Loans

<u>Final Maturity</u>	<u>Rate</u>	
8/1/2021	4.00 - 5.50%	<u>\$ 1,052,314.25</u>

TOWNSHIP OF ALLAMUCHY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2013
(Continued)

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

Water and Sewer Utility Capital Wastewater Treatment Loans

<u>Final Maturity</u>	<u>Rate</u>	
3/1/2014	5.75 - 6.375%	<u>\$ 315,896.03</u>

Water and Sewer Utility Capital Water Supply Interconnection Loan

<u>Final Maturity</u>	<u>Rate</u>	
12/30/2019	3.50%	<u>\$ 118,999.81</u>

Water and Sewer Utility Capital New Jersey Environmental Infrastructure Loans

<u>Final Maturity</u>	<u>Rate</u>	
9/1/2024	3.00 - 4.375%	<u>\$ 534,756.11</u>

Water and Sewer Utility Capital Bond Anticipation Notes

<u>Final Maturity</u>	<u>Rate</u>	
7/9/2014	1.00%	\$ 182,465.00
7/9/2014	1.00%	76,539.00
7/9/2014	1.00%	93,710.00
7/9/2014	1.00%	118,590.00
7/9/2014	1.00%	948,705.00
7/9/2014	1.00%	282,686.00
7/9/2014	1.00%	1,461,500.00
		<u>\$ 3,164,195.00</u>

Total Debt Issued and Outstanding	<u>\$ 17,263,154.62</u>
-----------------------------------	-------------------------

General Capital New Jersey Green Trust Loan

On April 11, 2001, the Township of Allamuchy entered into a loan agreement with the State of New Jersey, acting by and through the NJ Department of Environmental Protection in the aggregate amount of \$500,000 which represents direct obligations of the Township.

A principal payment of \$27.78 was made in 2001. The remaining loan repayments commenced on September 5, 2002 and will continue on a semiannual basis over 19 years at 2.00% interest.

TOWNSHIP OF ALLAMUCHY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2013
(Continued)

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

General Capital New Jersey Environmental Infrastructure Loans

On November 1, 2001, the Township of Allamuchy entered into two loan agreements with the State of New Jersey, acting by and through the NJ Department of Environmental Protection (the "DEP") and the NJ Environmental Infrastructure Trust (the "Trust") in the aggregate amount of \$2,226,500 which represents direct obligations of the Township. The loan agreements were obtained to finance acquisition of property for open space.

Principal payments to the fund commenced on August 1, 2003, and will continue on a semiannual basis over 19 years at zero interest. Principal payments to the Trust loan agreement commenced on August 1, 2003, and will continue on a semiannual basis over 19 years at interest rates from 4.00% to 5.50%.

Also, annual administrative fees of three-tenths of one percent (.30%) of the initial principal amount of the loan or such lesser amount, if any, as the Trust may approve from time to time and of one percent (1.00%) of the initial principal amount of the loan or such lesser amount, if any, as the state may approve from time to time are payable on these loans.

Water and Sewer Utility Capital Water Supply Interconnection Loan

On March 10, 2000, the Township of Allamuchy entered into a loan agreement with the State of New Jersey, acting by and through the NJ Department of Environmental Protection, in the aggregate amount of \$300,000, plus accrued interest, which represents direct obligations of the Township.

The Township had drawn down 100% of the loan proceeds as of December 31, 2006. Loan repayments commenced during the year ended December 31, 2001 and will continue on a semiannual basis over 19 years at 3.5% interest.

Water and Sewer Utility Capital Wastewater Treatment Loans

On November 10, 1994, the Township of Allamuchy entered into two loan agreements with the State of New Jersey, acting by and through the NJ Department of Environmental Protection (the "DEP"), and the NJ Wastewater Treatment Trust (the "Trust"), in the aggregate amount of \$4,410,300, which represents direct obligations of the Township. The loan agreements were obtained to finance the acquisition of the Pequest Water and Sewer Company.

Principal payments to the "DEP" commenced on September 1, 1996, and continue on a semiannual basis over 18 years at zero interest. Principal payments to the Trust commenced on March 1, 1996, and continue on a semiannual basis over 18 years at interest rates from 5.75% to 6.375%.

Also, annual administrative fees of three-tenths of one percent (.30%) of the initial principal amount of the loan or such lesser amount, if any, as the Trust may approve from time to time and of one percent (1.00%) of the initial principal amount of the loan or such lesser amount, if any, as the state may approve from time to time are payable on these loans.

TOWNSHIP OF ALLAMUCHY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2013
(Continued)

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

Water and Sewer Utility Capital New Jersey Environmental Infrastructure Loans

On November 4, 2004, the Township of Allamuchy entered into two loan agreements with the State of New Jersey, acting by and through the NJ Department of Environmental Protection (the "DEP") and the NJ Environmental Infrastructure Trust (the "Trust") in the aggregate amount of \$857,637 which represents direct obligations of the Township. The loan agreements were obtained to finance acquisition of property for open space.

Principal payments to the fund commenced on August 1, 2005, and will continue on a semiannual basis over 20 years at zero interest. Principal payments to the Trust loan agreement commenced on August 1, 2005, and will continue on a semiannual basis over 20 years at interest rates from 3.00% to 4.375%.

Also, annual administrative fees of three-tenths of one percent (.30%) of the initial principal amount of the loan or such lesser amount, if any, as the Trust may approve from time to time and of one percent (1.00%) of the initial principal amount of the loan or such lesser amount, if any, as the state may approve from time to time are payable on these loans.

Note 3 - Fund Balances Appropriated

The Current Fund- Fund Balance at December 31, 2013, which is appropriated and included in the adopted budget as anticipated revenue for the year ending December 31, 2014 is \$267,289.

Note 4 - Pension Plans

Township employees are enrolled in a cost sharing multiple-employer public employee retirement system: the Public Employees' Retirement System (PERS). The State of New Jersey sponsors and administers this plan which covers substantially all Township employees. As a general rule, all full- time employees are eligible to join PERS.

Employees who are members of PERS and retire at a specified age according to the relevant tier category for that employee are entitled to a retirement benefit based upon a formula which takes "final average salary" during years of creditable service. Vesting occurs after 8 to 10 years of service.

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 above system. The financial reports may be obtained by writing to the State of New Jersey, Department of Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0295.

The contribution policy is set by New Jersey State Statutes and, in most retirement systems, contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. For PERS, the contribution rate was 6.64% effective July 1, 2012 and increased to 6.78% effective July 1, 2013. 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. Employers are required to contribute at an actuarially determined rate. The actuarially determined employer contribution includes funding for cost-of- living adjustments and noncontributory death benefits.

TOWNSHIP OF ALLAMUCHY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2013
(Continued)

Note 4 - Pension Plans (Cont'd)

Township contributions to PERS amounted to \$61,207, \$58,558, and \$65,850 for 2013, 2012 and 2011, respectively.

Note 5 - Accrued Sick, Vacation, and Compensatory Time Off

The Township of Allamuchy permits employees to accrue a limited amount of unused sick and vacation pay, which may be taken as time off or paid at a later date at an agreed-upon rate. The Township maintains records for their employees who are allowed to accrue unused sick, and vacation time. Two of these employees have served for a period of time which predates the current agreement between the Township and its employees. The Township negotiated a settlement with these employees as to the ending value of their accrued time. At current value, the maximum liability for these two employees would be \$46,879.77. The maximum liability for the other two eligible employees would be \$45,471.88, for a combined maximum total liability of \$92,351.65. This amount, as directed by accounting requirements of the Division of Local Government Services, is not reported as an expenditure or liability. Such compensation would be included in the Township's budget operating expenditures in the year it is paid.

Note 6 - 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 current year may be placed in lien at a tax sale held after December 10.

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Tax Rate	\$ 2.62	\$ 2.40	\$ 2.34
<u>Apportionment of Tax Rate</u>			
Municipal	0.36	0.32	0.29
County	0.75	0.72	0.75
Local School	1.49	1.34	1.28
Local Open Space	0.02	0.02	0.02
<u>Assessed Valuations</u>			
	<u>\$ 535,111,651.00</u>		
		<u>\$ 571,528,603.00</u>	
			<u>\$ 566,364,307.00</u>

TOWNSHIP OF ALLAMUCHY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2013
(Continued)

Note 6 - Selected Tax Information (Cont'd)

Comparison of Tax Levies and Collections Currently

A study of this 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>
2013	\$ 16,598,815.06	\$ 16,341,077.70	98.44%
2012	16,436,267.60	16,114,825.64	98.04%
2011	16,013,842.63	15,725,381.02	98.19%

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 7 - Cash and Cash Equivalents

Cash and cash equivalents include petty cash, change funds, amounts on deposit, 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 risk is the risk that in the event of 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 permitted under state statutes as detailed on the following page.

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 (FDIC), or by any other agency of the United States that insures deposits made in public depositories. Municipalities also are 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:

TOWNSHIP OF ALLAMUCHY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2013
(Continued)

Note 7 - Cash and Cash Equivalents (Cont'd)

Deposits (Cont'd)

The market value of the collateral must equal 5% of the average daily balance of public funds; and

If the public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value 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 Investment of the Department of the Treasury for investment by local units;
- (6) Local government investment pools;
- (7) Deposits with the State of New Jersey Cash Management Fund; or
- (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 statute; and
 - (e) a master repurchase agreement providing for the custody and security of collateral is executed.

TOWNSHIP OF ALLAMUCHY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2013
(Continued)

Note 7 - Cash and Cash Equivalents (Cont'd)

As of December 31, 2013, cash and cash equivalents of the Township of Allamuchy consisted of the following:

<u>Fund</u>	<u>Cash on Hand</u>	<u>Checking Accounts</u>	<u>Savings Accounts</u>	<u>NJ Cash Manage- ment Fund</u>	<u>Totals</u>
Current	\$ 200.00	\$ 961,515.60		\$ 15,969.60	\$ 977,685.20
Federal and State Grant		57,930.57			57,930.57
Animal Control		9,293.07			9,293.07
Other Trust		745,229.56			745,229.56
General Capital		525,421.91		72,335.97	597,757.88
Water and Sewer Utility Operating		727,809.72			727,809.72
Water and Sewer Utility Capital		405,580.43			405,580.43
Public Assistance		7,586.69			7,586.69
Water District			\$ 62.24		62.24
	<u>\$ 200.00</u>	<u>\$ 3,440,367.55</u>	<u>\$ 62.24</u>	<u>\$ 88,305.57</u>	<u>\$ 3,528,935.36</u>

The carrying amount of the Township's cash and cash equivalents at December 31, 2013, was \$3,528,935.36 and the bank balance was \$3,661,310.82. The \$88,305.57 in the NJ Cash Management Fund is uninsured and unregistered.

The Township held no investments during the year.

Note 8 - 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 to employees through the State of New Jersey health benefits plan.

Property and Liability Insurance

The Township of Allamuchy is currently a member of the Public Alliance Insurance Coverage Fund (the "Fund"). The Fund provides their members with Liability, Property and Workers' Compensation 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 respective 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.

As a member of the 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.

TOWNSHIP OF ALLAMUCHY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2013
(Continued)

Note 8 - Risk Management (Cont'd)

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 the individual assessment relates to the total assessment of the membership body.

The December 31, 2013 audit report of the Public Alliance Insurance Coverage Fund has not been filed as of the date of this audit. Selected, summarized financial information as of December 31, 2012 for the Fund is as follows:

	Public Alliance Insurance Coverage Dec. 31,
Total Assets	\$ 14,080,983
Net Position	\$ 7,142,181
Total Revenue	\$ 6,863,491
Total Expenses	\$ 4,409,384
Change in Net Position	\$ 2,454,107
Members Dividends	\$ -0-

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

Public Alliance Insurance Coverage Fund
Public Entity Group Administrative Services
51 Everett Drive
Suite B-40
West Windsor, NJ 08550
(609) 275-1155

New Jersey Unemployment Compensation Insurance

The Township has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method". Under this plan, the Township is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The Township is billed quarterly for amounts due to the State.

The following is a summary of Township contributions, interest earned, employee contributions, reimbursements to the State for benefits paid and the ending balance of the Township's expendable trust fund for the current and previous two years:

TOWNSHIP OF ALLAMUCHY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2013
(Continued)

Note 8 - Risk Management (Cont'd)

New Jersey Unemployment Compensation Insurance (Cont'd)

<u>Year</u>	<u>Township Contributions</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2013	\$ -0-	\$ 1,230.84	\$ 124.20	\$ 18,804.89
2012	-0-	1,341.72	175.28	17,698.25
2011	-0-	1,407.95	-0-	16,531.81

Note 9 - Open Space Trust Fund

On June 27, 2000, the Township created an Open Space Trust Fund with a tax levy of \$.02 per \$100 of assessed valuation. The funds collected are used to acquire and maintain open space property in the Township. As of December 31, 2013, the balance in the Open Space Trust Fund was \$28,618.94.

Note 10 - Fixed Assets (Unaudited)

The following is a schedule of the Township of Allamuchy's fixed assets:

	<u>Balance Dec. 31, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance Dec. 31, 2013</u>
Land	\$ 6,540,955.00			\$ 6,540,955.00
Buildings and Improvements	1,414,700.00			1,414,700.00
Equipment	2,896,672.00	\$ 65,271.00	\$ 76,740.00	2,885,203.00
	<u>\$10,852,327.00</u>	<u>\$ 65,271.00</u>	<u>\$ 76,740.00</u>	<u>\$ 10,840,858.00</u>

Note 11 - Interfund Receivables and Payables

The following interfund balances remained on the balance sheet at December 31, 2013:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Current	\$ 2,669.11	\$ 2,747.67
Animal Control		1,576.77
Other Trust	2,747.67	
Water/Sewer Utility Operating		551.94
Special Taxing District		540.40
	<u>\$ 5,416.78</u>	<u>\$ 5,416.78</u>

The Township utilizes the Current Fund as a clearing account for receipts and disbursements of the other funds. The Chief Financial Officer monitors all interfunds for these accounts and liquidates them on a monthly basis. The balance between Current Fund and the Other Trust Funds is the remaining activity not liquidated by year end. The payable in the Animal Control Fund due to the Current Fund reflects the statutory excess due to the Current Fund.

TOWNSHIP OF ALLAMUCHY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2013
(Continued)

Note 12 - Deferred Compensation

The Board offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. This plan, which is administered by Valic, permits participants to defer a portion of their salary until future years. Amounts deferred under the plans are not available to employees until termination, retirement, death or unforeseeable emergency.

Note 13 - 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 will not have a material adverse effect on their financial position.

A reserve for pending tax appeals in the amount of \$3,500.00 has been recorded as a liability as of December 31, 2013.

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 14 - 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 Allamuchy has not elected to defer school taxes.

Note 15 - Economic Dependency

The Township of Allamuchy receives a substantial amount of 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 16 - Deferred Charges to be Raised in Succeeding Budgetes

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2013, the following deferred charge is shown on the Current Fund balance sheet:

	<u>Balance</u> <u>Dec. 31, 2013</u>	<u>To be</u> <u>Raised in</u> <u>2014 Budget</u>	<u>To be</u> <u>Raised in</u> <u>2015 Budget</u>	<u>Balance to</u> <u>Succeeding</u> <u>Year's Budgets</u>
Current Fund:				
Expenditure without an Appropriation	\$ 3,759.85		\$ 3,759.85	
Special Emergency	120,000.00	\$ 40,000.00		\$ 80,000.00

The appropriation in the 2014 budget is not less than that required by statute.

APPENDIX C

FORM OF CONTINUING DISCLOSURE CERTIFICATE

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by is executed by the Township of Allamuchy, in the County of Warren, State of New Jersey (the “Township” or “Issuer”), in connection with the issuance of \$9,915,000 General Obligation Bonds, consisting of \$6,390,000 General Obligation General Improvement Bonds, Series 2014 and \$3,525,000 General Obligation Water-Sewer Utility Bonds, Series 2014 (hereinafter referred to as the “Bonds”) of the Township dated the date of issuance. The Bonds are being issued pursuant to various Bond Ordinances of the Township, which were, in all respects, duly adopted and published in accordance with the Local Bond Law, N.J.S.A. 40A:2-1, et seq., and a Bond Resolution of the Issuer adopted September 16, 2014.

The Issuer covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the Bondholders, including Beneficial Owners, 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 Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

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

“Beneficial Owner” shall mean any person which has or shares the power, directly or indirectly, to make investment decisions concerning the ownership of any Bonds (including persons holding Bonds through nominee depositories or other intermediaries).

“Bondholder” or “Holder” or any similar term, when used with reference to a Bond or Bonds, means any person who shall be the registered owner of any outstanding Bond, including holders of beneficial interests in the Bonds.

“Dissemination Agent” shall mean the Chief Financial Officer of the Township of Allamuchy or any official thereof, or other entity subsequently designated as such by the Issuer.

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

“Financial Statements” means the audited financial statements of the Issuer for each Fiscal Year, including, without limitation, balance sheets, statements of changes in fund balances and statements of current funds, revenues, expenditures and other charges or statements that convey similar information.

“GAAP” means generally accepted accounting principles as in effect from time to time in the United States of America, consistently applied, as modified by governmental accounting

standards and mandated State statutory principles applicable to the Issuer as may be in effect from time to time.

“GAAS” means generally accepted auditing standards as in effect from time to time in the United States of America, consistently applied, as modified by governmental auditing standards and mandated State statutory principles applicable to the Issuer as may be in effect from time to time.

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

“MSRB” means the Municipal Securities Rulemaking Board. The address of the MSRB as of the date of this Agreement is 1900 Duke Street, Suite 600, Alexandria, VA 22314

“OCBOA” means any other comprehensive basis of accounting as in effect from time to time in the State, consistently applied. This basis of accounting is 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 and is a comprehensive basis of accounting other than generally accepted accounting principles. OCBOA includes with the rules and regulations promulgated by the State of New Jersey, Department of Community Affairs relating to governmental accounting.

“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.

“State” shall mean the State of New Jersey.

“State Repository” shall mean any public or private repository or entity designated by the State of New Jersey as a state repository for the purpose of the Rule. As of the date of this Agreement, there is no State Repository.

“Tax-exempt” shall mean that interest on the Bonds is excluded from gross income for federal income tax purposes, whether or not such interest is includable as an item of tax preference or otherwise includable directly or indirectly for purposes of calculating any other tax liability, including any alternative minimum tax or environmental tax.

SECTION 3. Provision of Annual Reports.

- (a) (i) Not later than a date which is ninety (90) days after the date on which the Issuer is to have received and filed its audited Financial Statements (prepared in accordance with the rules and regulations promulgated by the State of New Jersey, Department of Community Affairs), as established by the statutes of the State of New Jersey (N.J.S.A. 40A:5-4 et seq., as currently enacted, or as supplemented or amended) which date is no later than six (6) months after the close of the fiscal year (the fiscal year is currently the calendar year and thus the audit is to be received by June 30 of each year), the Issuer shall, or shall cause

the Dissemination Agent, to provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The filing of such Annual Report shall commence not later than December 31, 2015. Not later than five (5) Business Days prior to said date, the Issuer shall provide the Annual Report to the Dissemination Agent (if other than the Issuer). The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the Financial Statements of the Issuer may be submitted separately from the balance of the Annual Report.

(ii) The Annual Report may be provided to the State Repositories, if any.

(b) If the Issuer is unable to provide an Annual Report by the date required in subsection (a), the Issuer shall send a notice to the MSRB, and may send same to the State Repository, in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall:

(i) File the Annual Report with the MSRB in an electronic format and accompanied by identifying information as prescribed by the MSRB.

(ii) file a report with the Issuer certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided to the MSRB and listing all other Repositories to which it was provided.

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

1. The Issuer's Financial Statement for the prior fiscal year, or unaudited statements if audited statements are not available.
2. Annual updates of economic information, financial information, schedules of Existing Debt Maturities, and litigation information in Appendix "A" of the Official Statement dated _____, 2014, relating to the Issuer.
3. Additional Information which the Issuer or its counsel determine to be material.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the Issuer or related public entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The Issuer shall clearly identify each such other document so incorporated by reference.

SECTION 5. Reporting of Significant Events.

(a) This Section 5 shall govern the giving of notices of the occurrence of any of the following events with respect to the Bonds, as applicable, and the Issuer agrees to provide or to cause to be provided to the MRSB, within ten (10) days of the occurrence of any of the

following events with respect to the Bonds:

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

(b) Whenever the Issuer obtains knowledge of the occurrence of a Listed Event, the Issuer shall as soon as possible determine if such event would constitute material information for holders of Bonds, provided, that any event under subsection (a)(4), (5) or (6) will always be deemed to be material.

(c) If the Issuer determines that knowledge of the occurrence of a Listed Event would be material, the Issuer shall promptly file a notice of such occurrence with the MSRB. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(4) and (5) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds pursuant to the Resolution.

SECTION 6. Termination of Reporting Obligation. The Issuer'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 Issuer 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 Agent, with or without appointing a successor Dissemination Agent.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Issuer may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws, to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Issuer 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 Issuer 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 Issuer to comply with any provision of this Disclosure Certificate any Bondholder may, at the Bondholder's cost and expense, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer 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 Issuer 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 attorney's fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the Issuer under this Section 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 Issuer, the Dissemination Agent, the Participating Underwriters and holders from time to time of the Bonds, and shall create no rights in any other person or entity.

TOWNSHIP OF ALLAMUCHY
in the COUNTY OF WARREN, NEW JERSEY

By: _____
James Kozimor, Chief Financial Officer

Dated: _____, 2014

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Township of Allamuchy

Name of Bond Issue:

\$9,915,000 General Obligation Bonds, consisting of \$6,390,000 General Obligation General Improvement Bonds, Series 2014 and \$3,525,000 General Obligation Water-Sewer Utility Bonds, Series 2014

Date of Issuance: _____, 2014

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report with respect to the above-named Bonds as required by the Resolution dated September 16, 2014 as amended and supplemented, and the Continuing Disclosure Certificate dated _____, 2014.

The Issuer anticipates that the Annual Report will be filed by _____.

**TOWNSHIP OF ALLAMUCHY
COUNTY OF WARREN, NEW JERSEY**

By: _____
_____, Chief Financial Officer

Dated:

APPENDIX D
FORM OF LEGAL OPINION

LAW OFFICE OF JOHN G. HUDAK, ESQ., LLC

812 NORTH WOOD AVENUE
SUITE 304
LINDEN, NEW JERSEY 07036
(908) 925-0784
(908) 925-0787 - FAX
Jhudakesq@aol.com

JOHN G. HUDAK, Esq.

MARIO A. FERRARO, Esq

JOANNE JORDAN DOWD, Esq, Of Counsel

_____, 2014

Mayor and Council of the
Township of Allamuchy, in the
County of Warren
State of New Jersey

Dear Mayor and Council Members:

We have acted as Bond Counsel to the Township of Allamuchy in connection with the issuance by the Township of Allamuchy, County of Warren, New Jersey (hereinafter the "Township" or "Issuer") of \$9,915,000 General Obligation Bonds, consisting of \$6,390,000 General Obligation General Improvement Bonds, Series 2014 and \$3,525,000 General Obligation Water-Sewer Utility Bonds, Series 2014 of the Township dated the date of issuance (hereinafter referred to as the "Bonds"). The Bonds shall mature on December 1st in the years and in the amounts set forth below:

GENERAL OBLIGATION GENERAL IMPROVEMENT BONDS, SERIES 2014A

<u>YEAR</u>	<u>PRINCIPAL AMOUNT</u>	<u>INTEREST RATE</u>
2015	\$205,000	
2016	\$215,000	
2017	\$225,000	
2018	\$235,000	
2019	\$245,000	
2020	\$255,000	
2021	\$265,000	
2022	\$275,000	
2023	\$280,000	
2024	\$290,000	
2025	\$360,000	
2026	\$370,000	
2027	\$380,000	
2028	\$390,000	
2029	\$400,000	
2030	\$400,000	
2031	\$400,000	

2032	\$400,000
2033	\$400,000
2034	\$400,000

GENERAL OBLIGATION WATER UTILITY BONDS, SERIES 2014

<u>YEAR</u>	<u>PRINCIPAL AMOUNT</u>	<u>INTEREST RATE</u>
2015	\$130,000	
2016	\$135,000	
2017	\$140,000	
2018	\$145,000	
2019	\$150,000	
2020	\$155,000	
2021	\$160,000	
2022	\$165,000	
2023	\$170,000	
2024	\$175,000	
2025	\$180,000	
2026	\$185,000	
2027	\$190,000	
2028	\$195,000	
2029	\$200,000	
2030	\$205,000	
2031	\$205,000	
2032	\$210,000	
2033	\$215,000	
2034	\$215,000	

The Bonds of this issue maturing on or after December 1, 2025 shall be redeemable at the option of the Township in whole on any date or in part on any interest payment date on or after December 1, 2024 at the respective prices expressed as percentages of principal amount set forth below (the “redemption price”), plus, in each case, accrued interest to the date fixed for redemption:

<u>Redemption Period</u> <u>(both dates inclusive)</u>	<u>Redemption</u> <u>Price</u>
December 1, 2024 and thereafter.....	100%

We have examined the law and such certified proceedings and other documents as we deem necessary to render this opinion.

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering materials relating to the Bonds (except to the extent, if any, stated in the Official Statement) and we express no opinion relating thereto (excepting only the matters set forth as our opinion in the Official Statement).

As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify same by independent investigation. We have examined and relied upon originals or copies authenticated or certified to our satisfaction by officers of the Issuer, and such other documents which we have deemed relevant and necessary as to the basis of the opinions herein set forth. In making such examination, we have assumed the genuineness of all signatures, and the authenticity of the documents tendered to us as originals, and the conformity to original documents of all documents submitted to us as certified or as photostatic copies. We have not reviewed and are not expressing an opinion with respect to any statistical or financial data or other information relating to the Issuer which may have been similarly executed and authenticated. Further, in expressing such opinions, we have relied upon the genuineness, truthfulness and completeness of the resolutions, documents, certificates and records referred to herein and the accuracy of the statements of fact contained in such documents, and the representations made to us by representatives of the Issuer as to the application of the proceeds of the Bonds, and the nature and use of the projects financed thereby.

We have been advised on this date that there is no litigation threatened or pending which, in any manner, affects the validity of the Bonds.

The Issuer has covenanted pursuant to a resolution authorizing the issuance of the Bonds and an Arbitrage and Use of Proceeds Certificate dated as of the date hereof, to comply with any continuing requirements that may be necessary to preserve the exclusion from gross income under the Internal Revenue Code of 1986, as amended (the "Code"), of interest on the Bonds and to prevent interest on the Bonds from being treated as an item of tax preference under Section 57 of the Code.

Based upon the foregoing, we are of the opinion that, under existing law:

1. The Bonds are valid and binding general obligations of the Issuer, issued pursuant to Bond Ordinance No. 2005-10 adopted on September 20, 2005, Bond Ordinance No. 2007-11 adopted on August 21, 2007, Bond Ordinance No. 2012-02 adopted on March 20, 2012, Bond Ordinance No. 2013-09 adopted on July 16, 2013, Bond Ordinance No. 2013-03 adopted on March 19, 2013, Bond Ordinance No. 2007-02 adopted on April 2, 2007 as amended by Bond Ordinance No. 2010-08 adopted on July 20, 2010, Bond Ordinance No. 2014-05 adopted June 7, 2014, Bond Ordinance No. 2014-04 adopted May 20, 2014, Bond Ordinance No. 2006-12 on June 20, 2006, Bond Ordinance No. 2005-07 on July 19, 2005, Bond Ordinance No. 2005-07 on July 19, 2005, Bond Ordinance No. 2004-2 on June 15, 2004, Bond Ordinance No. 2009-12 adopted September 15, 2009, Bond Ordinance No. 2009-06 adopted June 16, 2009, Bond Ordinance No. 2010-01 adopted March 16, 2010, Bond Ordinance No. 2010-07 adopted June 15, 2010, and Bond Ordinance No. 2014-06 adopted June 7, 2014 (collectively the "Bond Ordinance") of the Township, which were, in all respects, duly adopted and published in accordance with the Local Bond Law, N.J.S.A. 40A:2-1, et seq., and as set forth in a Bond Resolution of the Issuer adopted September 16, 2014, as amended and supplemented.

2. All taxable property within the territory of the Issuer is subject to ad valorem taxation without limitation as to rate or amount to pay the Bonds. The Issuer is required by law to include in its annual tax levy the principal and interest coming due on the Bonds to the extent the necessary

funds are not provided from other sources.

3. Except as hereinafter described, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals; it should be noted, however, that for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings. The opinions set forth in the preceding sentence are subject to the condition that the Issuer complies with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continues to be, excluded from gross income for federal income tax purposes. The Issuer has covenanted to comply with such requirements. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Bonds except as specifically stated below.

The Bonds have been designated as “qualified tax-exempt obligations” within the meaning of Section 265(b)(3) of the Code and, in the case of certain financial institutions (within the meaning of Section 265(b)(5) of the Code), a deduction is allowed for eighty (80%) percent of that portion of such financial institutions’ interest expense allocable to interest on the Bonds.

4. Interest on the Bonds and any gain on the sale of the Bonds are not included in gross income under the New Jersey Gross Income Tax Act, as presently enacted and construed as of the date hereof.

Except as set forth above in paragraphs 3 and 4, we express no opinion as to any other federal, state or local tax consequences of acquiring, carrying, owning or disposing of the Bonds.

There can be no assurance that legislation will not be introduced and enacted after the issuance and delivery of the Bonds so as to cause interest on the Bonds to be subject to federal income taxation or to impose additional requirements as a condition of the exclusion of such interest from gross income, or the continuation of such exclusion after issuance, or to affect the tax treatment of such interest received by certain holders of the Bonds, or the market value of the Bonds. Furthermore, we take no responsibility for the continuing review or verification as to the satisfaction of the requirements under the Code, or any similar or related legislation when enacted or amended.

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

Very truly yours,