

PRELIMINARY OFFICIAL STATEMENT DATED AUGUST 29, 2017

NEW ISSUE (BOOK-ENTRY ONLY)

RATING: S&P “AA” (Stable Outlook)

SEE “RATING” HEREIN

In the opinion of DeCotiis, FitzPatrick, Cole & Giblin, LLP, Bond Counsel, assuming continuing compliance by the Township of Parsippany-Troy Hills (the “Township”) with certain covenants described herein, under current law, interest on the Bonds is not includable in gross income for federal income tax purposes and is not an item of tax preference under Section 57 of the Internal Revenue Code of 1986, as amended (“the Code”), for purposes of computing the federal alternative minimum tax; however, interest on the Bonds held by corporate taxpayers is included in the relevant income computation for calculation of the federal alternative minimum tax as a result of the inclusion of interest on the Bonds in “adjusted current earnings”. No opinion is expressed regarding other federal tax consequences arising with respect to the Bonds. Further, in the opinion of Bond Counsel, under current law, interest on the Bonds and any gain on the sale thereof are not includable as gross income under the New Jersey Gross Income Tax Act. See “TAX EXEMPTION” herein.

**TOWNSHIP OF PARSIPPANY-TROY HILLS,
IN THE COUNTY OF MORRIS, NEW JERSEY
\$62,826,000 GENERAL OBLIGATION BONDS, SERIES 2017
consisting of
\$43,827,000 General Improvement Bonds, Series 2017A
\$5,119,000 Water Utility Bonds, Series 2017B
\$7,197,000 Sewer Utility Bonds, Series 2017C and
\$6,683,000 Golf and Recreational Utility Bonds, Series 2017D
(BOOK-ENTRY ONLY)
(Callable)**

Dated: Date of delivery

Due: As shown on inside front cover

The \$62,826,000 General Obligation Bonds, Series 2017 (the “Bonds”), consisting of \$43,827,000 General Improvement Bonds, Series 2017A (the “2017A Bonds”), \$5,119,000 Water Utility Bonds, Series 2017B (the “2017B Bonds”), \$7,197,000 Sewer Utility Bonds, Series 2017C (the “2017C Bonds”), and \$6,683,000 Golf and Recreational Utility Bonds, Series 2017D (the “2017D Bonds”) of the Township of Parsippany-Troy Hills (the “Township”), in the County of Morris, New Jersey (the “State”), are valid and legally binding obligations of the Township and are secured by the full faith and credit of the Township for the payment of principal thereof and interest thereon. Unless paid from other sources, the Bonds are payable from ad valorem taxes levied upon all of the taxable property within the Township for the payment of principal of and interest on the Bonds without limitation as to rate or amount. Interest on the Bonds is payable semiannually on March 15 and September 15, commencing March 15, 2018, in each year until maturity or earlier redemption. The Bonds are subject to optional redemption prior to maturity.

The Bonds will be issued in the form of one certificate for the aggregate principal amount of the Bonds of each series and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”), which will maintain a book-entry system for recording ownership interests of DTC Participants. Individual purchases of the beneficial ownership interests in the Bonds may be made in book-entry only form on the records of DTC and its Participants and only in the principal amount of \$5,000 or any integral multiple of \$1,000 in excess thereof. 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 proceeds of the Bonds will be used to: (i) refund, on a current basis, \$48,177,143 principal amount of \$52,255,332 outstanding bond anticipation notes of the Township maturing September 21, 2017; (ii) provide new money in the aggregate amount of \$14,648,857 to finance various general improvement, water utility, sewer utility and golf and recreational utility capital projects by the Township; and (iii) pay certain costs and expenses incidental to the issuance and delivery of the Bonds.

The Bonds are offered when, as and if issued and delivered to the Underwriter, subject to prior sale, to withdrawal or modification of the offer without notice and to approval of legality by the law firm of DeCotiis, FitzPatrick, Cole & Giblin, LLP, Teaneck, New Jersey. Phoenix Advisors, LLC has served as municipal advisor in connection with the Bonds. It is anticipated that the Bonds will be available for delivery to DTC in New York on or about September 20, 2017.

**ELECTRONIC SUBMISSIONS OF THE PROPOSALS FOR THE BONDS WILL BE RECEIVED VIA
MUNIAUCTION ON SEPTEMBER 7, 2017 AT 11:00 a.m. TO 11:15 a.m. WITH THE TWO MINUTE RULE
APPLICABLE.**

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND YIELDS

\$62,826,000 GENERAL OBLIGATION BONDS, SERIES 2017

Maturity Date September <u>15</u>	General Improvement <u>Bonds</u>	Water Utility <u>Bonds</u>	<u>Sewer Utility</u> <u>Bonds</u>	Golf & Recreational Utility <u>Bonds</u>	Total Principal <u>Amount</u>	Interest <u>Rate</u>	<u>Yield</u>	CUSIP <u>Number*</u>
2018	\$2,367,000	\$304,000	\$397,000	\$403,000	\$3,471,000	%	%	701859__
2019	2,450,000	320,000	400,000	405,000	3,575,000	%	%	701859__
2020	3,000,000	340,000	425,000	450,000	4,215,000	%	%	701859__
2021	3,000,000	365,000	450,000	475,000	4,290,000	%	%	701859__
2022	3,000,000	375,000	450,000	500,000	4,325,000	%	%	701859__
2023	3,000,000	385,000	450,000	500,000	4,335,000	%	%	701859__
2024	4,000,000	400,000	650,000	600,000	5,650,000	%	%	701859__
2025	4,000,000	415,000	650,000	600,000	5,665,000	%	%	701859__
2026	4,000,000	425,000	650,000	550,000	5,625,000	%	%	701859__
2027	4,000,000	440,000	650,000	550,000	5,640,000	%	%	701859__
2028	4,000,000	450,000	660,000	550,000	5,660,000	%	%	701859__
2029	3,500,000	450,000	675,000	550,000	5,175,000	%	%	701859__
2030	3,510,000	450,000	690,000	550,000	5,200,000	%	%	701859__

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

**TOWNSHIP OF PARSIPPANY-TROY HILLS,
IN THE COUNTY OF MORRIS, NEW JERSEY**

MAYOR

James R. Barberio

TOWNSHIP COUNCIL

Dr. Louis Valori	President
Robert J. Peluso	Vice President
Paul Carifi, Jr.	Council Member
Michael J. dePierro	Council Member
Loretta Gragnani	Council Member

TOWNSHIP BUSINESS ADMINISTRATOR

Ellen Sandman

DIRECTOR OF FINANCE/CHIEF FINANCIAL OFFICER/TOWNSHIP TREASURER

Ann M. Cucci

TOWNSHIP CLERK

Khaled Madin

TOWNSHIP ATTORNEY

John Inglesino, Esq. of the law firm of
Inglesino, Webster, Wyciskala & Taylor, LLC

TOWNSHIP AUDITOR

Nisivoccia LLP

MUNICIPAL ADVISOR

Phoenix Advisors, LLC

BOND COUNSEL

DeCotiis, FitzPatrick, Cole & Giblin, LLP

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

Certain information set forth herein has been obtained from sources other than the Township that are believed to be reliable, but such sources are not guaranteed as to accuracy or completeness by the Township. Such information is not to be construed as a representation of the Township.

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

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

All quotations from and summaries and explanations of provisions of law herein do not purport to be complete, and reference is made to such laws for full and complete statements of their provisions.

Upon issuance, the Bonds will not be registered under the Securities Act of 1933, as amended, will not be listed on any stock or other securities exchange and neither the Securities and Exchange Commission nor any other federal, state, municipal or other governmental entity, other than the Township, will have passed upon the accuracy or adequacy of this Official Statement.

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

This Official Statement is not to be construed as a contract or an agreement between the Township of Parsippany-Troy Hills 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, estimates and expressions of opinion herein are subject to change without notice. The delivery of this Official Statement or any sale of the Bonds made hereunder shall not, under any circumstances, create any implication that there has been no change in the affairs of the Township since the date hereof. This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purposes.

Table of Contents

INTRODUCTION	1
DESCRIPTION OF THE BONDS	1
General	1
Book-Entry Only System.....	2
Discontinuation of Book-Entry Only System.....	4
Optional Redemption	4
SECURITY AND SOURCE OF PAYMENT	5
PURPOSE OF THE BONDS	5
AUTHORIZATION AND PURPOSE OF THE BONDS	6
PROVISION FOR THE PROTECTION OF GENERAL OBLIGATION DEBT	8
The Local Budget Law (N.J.S.A. 40A:4-1 et seq.)	8
Municipal “CAP” Law and “Levy Cap” Law	8
Local Bond Law (N.J.S.A. 40A:2-1 et seq.)	9
Short-Term Financing	9
Debt Limits	9
Exceptions to Debt Limits - Extension of Credit	10
School Debt - Subject to Voter Approval	10
Tax Assessment and Collection Procedure	10
Tax Appeals.....	11
Real Estate Taxes	11
Miscellaneous Revenue.....	11
Deferral of Current Expenses	12
Budget Transfers	12
Capital Budget.....	12
Operation of Utilities.....	13
The Local Fiscal Affairs Law	13
SECONDARY MARKET DISCLOSURE	13
TAX EXEMPTION.....	14
NO DEFAULT	15
MUNICIPAL ADVISOR	16
MUNICIPAL BANKRUPTCY	16
PREPARATION OF OFFICIAL STATEMENT	17
CERTIFICATES OF THE TOWNSHIP	18
RATING	18
ADDITIONAL INFORMATION.....	18
MISCELLANEOUS	19
CERTAIN ECONOMIC AND FINANCIAL INFORMATION RELATING TO THE TOWNSHIP OF PARSIPPANY-TROY HILLS.....	Appendix A
TOWNSHIP OF PARSIPPANY-TROY HILLS INDEPENDENT AUDITOR’S REPORT AND AUDITED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 and 2014	Appendix B
FORM OF BOND COUNSEL OPINION.....	Appendix C
CONTINUING DISCLOSURE CERTIFICATE	Appendix D

OFFICIAL STATEMENT

Relating to the

\$62,826,000 GENERAL OBLIGATION BONDS, SERIES 2017

consisting of

\$43,827,000 General Improvement Bonds, Series 2017A

\$5,119,000 Water Utility Bonds, Series 2017B

\$7,197,000 Sewer Utility Bonds, Series 2017C and

\$6,683,000 Golf and Recreational Utility Bonds, Series 2017D

of the

**TOWNSHIP OF PARSIPPANY-TROY HILLS,
IN THE COUNTY OF MORRIS, NEW JERSEY**

INTRODUCTION

This Official Statement, which includes the cover page and the appendices, has been prepared by DeCotiis, FitzPatrick, Cole & Giblin, LLP, Bond Counsel to the Township of Parsippany-Troy Hills (the "Township"), in the County of Morris (the "County"), State of New Jersey (the "State") on behalf of the Township, and provides certain information relating to the Township in connection with the sale and issuance of its \$62,826,000 General Obligation Bonds, Series 2017 (the "Bonds"), consisting of \$43,827,000 General Improvement Bonds, Series 2017A (the "Series 2017A Bonds"), \$5,119,000 Water Utility Bonds, Series 2017B (the "Series 2017B Bonds"), \$7,197,000 Sewer Utility Bonds, Series 2017C (the "Series 2017C Bonds"), and \$6,683,000 Golf and Recreational Utility Bonds, Series 2017D (the "Series 2017D Bonds"). This Official Statement has been executed on behalf of the Township by the Chief Financial Officer/Township Treasurer and may be distributed in connection with the sale of the Bonds described herein.

DESCRIPTION OF THE BONDS

General

The Bonds will be issued in the aggregate principal amount of \$62,826,000, will be dated their date of delivery, will bear interest from that date at the rate or rates per annum set forth on the inside front cover page hereof, and will mature on September 15 in each of the years and in the principal amounts shown on the inside front cover page of this Official Statement. Interest on the Bonds will be payable semiannually on March 15 and September 15 (each an "Interest Payment Date"), commencing March 15, 2018, in each year until maturity or earlier redemption. The Bonds are subject to optional redemption prior to maturity as set forth herein. The Bonds will be issued as fully registered bonds in book-entry only form and when issued will be registered in the name of and held by Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC") which will act as Securities Depository for the Bonds. The Bonds may be purchased in book-entry only form in the principal amount of \$5,000 or any integral multiple of \$1,000 in excess thereof through book entries made on the books and records of DTC and its participants.

The principal of the Bonds will be payable to the registered owners thereof at maturity upon presentation and surrender of the Bonds at the offices of the Township, as bond registrar and paying agent ("Paying Agent"). Interest on the Bonds shall be payable on each Interest Payment Date to the registered owner of record thereof appearing on the registration books kept by the Township for such purpose at the Township as of the close of business on the first day of the month preceding each Interest Payment Date ("Record Date"). So long as DTC, or its nominee Cede & Co. (or any successor or assign) is the registered

owner of the Bonds, payment of principal of and interest on the Bonds will be made by the Township directly to Cede & Co. (or any successor or assign) as the nominee of DTC. Disbursements of such payments to the DTC Participants (“DTC Participants”) is the responsibility of DTC and disbursements of such payments to the Beneficial Owners (defined below) of the Bonds is the responsibility of the DTC Participants and not the Township. See “THE BONDS – Book-Entry Only System” herein.

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 to 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 series of the Bonds, each in the aggregate principal amount of such series, and will be deposited with DTC.

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTC 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 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 the 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.

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

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and 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 Township as Paying Agent (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.

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 transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry 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 NOR 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" HEREIN) 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.

Optional Redemption

The Bonds of this issue maturing prior to September 15, 2026 are not subject to redemption prior to their stated maturities. The Bonds of this issue maturing on or after September 15, 2026 are subject to redemption at the option of the Township, in whole or in part on any date on or after September 15, 2025 at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the date fixed for redemption.

Any Bond subject to redemption as aforesaid may be called in part, provided that the portion not called for redemption shall be in the principal amount of \$5,000 or any integral multiple of \$1,000 in excess thereof. If less than all of the Bonds of a particular maturity are to be redeemed, Bonds of that maturity shall be selected by The Depository Trust Company or any successor securities depository or, if there is no securities depository, by the Paying Agent.

Notice of Redemption shall be given by mailing by first class mail in a sealed envelope with postage prepaid to the registered owners of the Bonds not less than thirty (30) days nor more than sixty

(60) days prior the date fixed for redemption. Such mailing shall be to the owners of such Bonds at their respective addresses as they last appear on the registration books kept for that purpose by the Township or a duly appointed Bond Registrar. Any failure of the depository to advise any of its participants or any failure of any participant to notify any beneficial owner of any Notice of Redemption shall not affect the validity of the redemption proceedings. If the Township determines to redeem a portion of the Bonds prior to maturity, the Bonds to be redeemed shall be selected by the Township; the Bonds to be redeemed having the same maturity shall be selected by the Securities Depository in accordance with its regulations.

So long as Cede & Co., as nominee of DTC, is the registered owner of the Bonds, the Township shall send redemption notices only to Cede & Co. See "Book-Entry Only System" herein for further information regarding conveyance of notices and Beneficial Owners.

If Notice of Redemption has been given as provided herein, the Bonds or the portion thereof called for redemption shall be due and payable on the date fixed for redemption at the redemption price, together with accrued interest to the date fixed for redemption. Interest shall cease to accrue on the Bonds after the date fixed for redemption and no further interest shall accrue beyond the redemption date. Payment shall be made upon surrender of the Bonds redeemed.

SECURITY AND SOURCE OF PAYMENT

The Bonds will be valid and binding general obligations of the Township and, unless paid from other sources, are payable from *ad valorem* taxes levied upon all taxable property within the Township without limitation as to rate or amount. The Township is required to include the total amount of interest and debt redemption charges on all of its general obligation indebtedness, such as the Bonds, for the current year in each annual municipal budget. The enforceability of rights or remedies with respect to the Bonds, may be limited by bankruptcy, insolvency or other laws affecting creditors' rights or remedies heretofore or hereafter enacted.

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

PURPOSE OF THE BONDS

The Bonds are being issued by the Township to provide funds which will be used to: (i) refund, on a current basis, \$48,177,143 principal amount of \$52,255,332 outstanding bond anticipation notes of the Township maturing September 21, 2017; (ii) provide new money in the aggregate amount of \$14,648,857 to finance various general improvement, water utility, sewer utility and golf and recreational utility capital projects by the Township; and (iii) pay certain costs and expenses incidental to the issuance and delivery of the Bonds. The projects to be financed by the Bonds are described in further detail in the bond ordinances set forth below.

AUTHORIZATION AND PURPOSE OF THE BONDS

The Bonds are authorized and will be issued pursuant to N.J.S.A. 40A:2-1 et seq. (the “Local Bond Law”) under which the Township is authorized to incur indebtedness, borrow money and issue negotiable obligations, a resolution duly adopted by the Township on August 22, 2017 (the “Resolution”), and the ordinances of the Township set forth in the following chart (the “Ordinances”):

ORDINANCE NUMBER	DESCRIPTION OF IMPROVEMENT AND DATE OF ADOPTION	AGGREGATE AMOUNT OF BONDS TO BE ISSUED
	General Improvement Ordinances	
08-13	Various General Capital Improvements adopted 05/13/2008.	\$ 316,250
09-24	Various General Capital Improvements adopted 06/16/2009.	1,082,250
10-13	Various General Capital Improvements adopted 07/20/2010.	3,565,000
11-07	Various General Capital Improvements adopted 06/21/2011.	4,535,100
12-24	Various General Capital Improvements adopted 06/19/2012.	6,858,900
13-14	Various General Capital Improvements adopted 06/18/2013.	8,297,900
14-27	Various General Capital Improvements adopted 08/19/2014.	6,273,000
15-22	Various General Capital Improvements adopted 09/15/2015.	6,794,187
16-23	Various General Capital Improvements adopted 09/20/2016.	6,104,413
Total		\$43,827,000
	Water Utility Ordinances	
10-14	Various General Capital Improvements to the Water Utility System adopted 07/20/2010.	\$ 84,904
11-08	Various General Capital Improvements to the Water Utility System adopted 06/21/2011.	424,897
12-25	Various General Capital Improvements to the Water Utility System adopted 06/19/2012.	651,330
13-11	Various General Capital Improvements to the Water Utility System adopted 06/18/2013.	887,869
15-21	Various General Capital Improvements to the Water Utility System adopted 09/15/2015.	1,995,000
17-13	Various General Capital Improvements to the Water Utility System adopted 07/11/2017.	1,075,000
Total		\$5,119,000

AUTHORIZATION AND PURPOSE OF THE BONDS
(continued)

ORDINANCE NUMBER	DESCRIPTION OF IMPROVEMENT AND DATE OF ADOPTION	AGGREGATE AMOUNT OF BONDS TO BE ISSUED
	Sewer Utility Ordinances	
07-20	Various General Capital Improvements to the Sewer Utility System adopted 07/24/2007.	\$ 41,115
09-26	Various General Capital Improvements to the Sewer Utility System adopted 06/16/2009.	621,633
10-15	Various General Capital Improvements to the Sewer Utility System adopted 07/20/2010.	1,458,138
12-26	Various General Capital Improvements to the Sewer Utility System adopted 06/19/2012.	3,795,762
13-24	Various General Capital Improvements to the Sewer Utility System adopted 09/17/2013.	1,280,352
Total		\$7,197,000
	Golf and Recreational Utility Ordinances	
08-16	Various General Capital Improvements to the Golf & Recreational Utility System adopted 05/13/2008.	\$ 31,581
09-27	Various General Capital Improvements to the Golf & Recreational Utility System adopted 06/16/2009.	37,344
10-16	Various General Capital Improvements to the Golf & Recreational Utility System adopted 07/20/2010.	268,180
11-10	Various General Capital Improvements to the Golf & Recreational Utility System adopted 06/21/2011.	168,525
12-27	Various General Capital Improvements to the Golf & Recreational Utility System adopted 06/19/2012.	114,172
13-12	Various General Capital Improvements to the Golf & Recreational Utility System adopted 06/18/2013.	229,310
15-20	Various General Capital Improvements to the Golf & Recreational Utility System adopted 09/15/2015.	2,856,083
16-24	Various General Capital Improvements to the Golf & Recreational Utility System adopted 09/20/2016.	113,218
17-14	Various General Capital Improvements to the Golf & Recreational Utility System adopted 07/11/2017.	2,864,587
Total		\$6,683,000
Aggregate Total		\$62,826,000

PROVISION FOR THE PROTECTION OF GENERAL OBLIGATION DEBT

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

In general, the provisions of the Local Budget Law restrict the amount of revenue which can be anticipated based on the prior year's actual collection rate and limit the deferral of operating costs incurred but not anticipated in the budget to one year.

The foundation of the New Jersey local finance system is the annual budget. Every local unit must adopt an 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 must be certified by the Director of the Division (the "Director") prior to final adoption of the budget. The Local Budget Law requires each local unit to appropriate sufficient funds for payment of current debt service, and the Director is required to review the adequacy of such appropriations.

The Director has no authority over individual operating appropriations, unless a specific amount is required by law, but the review focusing on anticipated revenues serves to protect the solvency of all local units. The budgets of local units must be in balance; *i.e.*, total anticipated revenues must equal total appropriations.

If in any year a Local Unit's expenditures exceed (or are less than) its realized revenues for that year, then such deficit (excess) must be raised (accounted for) in the succeeding year's budget.

Municipal "CAP" Law and "Levy Cap" Law

Chapter 68 of the Pamphlet Laws of 1976 (N.J.S.A. 40A:4-45.1 et seq.), as amended and supplemented by P.L. 1983, c. 49, P.L. 1990, c. 89, and by P.L. 2004, c. 74 (the "CAP Law"), imposes restrictions that limit the allowable increase in municipal appropriations over the previous year's appropriations, commonly referred to as a "CAP". In summary, the CAP for each budget year is determined by multiplying the previous year's final appropriations by the lesser of 102.5% or the increase in the Implicit Price Deflator for State and Local Government Purchases of Goods and Services as published by the United States Department of Commerce (the "Cost-of-Living Adjustment"). Further, if the Cost-of-Living Adjustment is less than or equal to 2.5%, an increase up to 3.5% will be permitted by adoption of an ordinance. An increase in any amount will be permitted upon passage of a referendum. This limitation is subject to various exceptions, including: (i) all debt service payments; (ii) the amount of revenue generated by the increase in valuations within the municipality based solely on applying the preceding year's municipal tax rate to the apportionment valuation of new construction or improvements within the municipality and such increase shall be levied in direct proportion to said valuation; (iii) capital expenditures funded by any source; (iv) an increase involving certain defined categories of emergency appropriations as approved by the Director in certain cases; (v) amounts required to be paid pursuant to any contract between the municipality and any political subdivision or public body in connection with the provision and/or financing of projects for certain public purposes such as water, sewer, parking, senior citizens' housing or any similar purpose; or (vi) that portion of the municipal tax levy which represents funding to participate in any Federal or State aid program and amounts received or to be received from Federal, State or other funds in reimbursement for local expenditures.

Additionally, the Legislature of the State of New Jersey previously enacted P.L. 2007, c. 62 (the "Levy Cap Law"), effective April 3, 2007, which imposed a 4% cap on the tax levy of a municipality,

county, School District or solid waste collection district, with certain exceptions and subject to a number of adjustments. The Levy Cap Law has been amended by the provisions of P.L. 2010, c. 44, effective June 13, 2010 (the “Amendment”), and applicable to the next budget year following enactment. The Amendment reduces the tax levy cap to 2%, limits exclusions only to capital expenditures, including debt service, certain increases in pension contributions and accrued liability for pension contributions in excess of 2%, certain healthcare cost increases in excess of 2%, extraordinary costs directly related to a declared emergency and amounts approved by a simple majority of voters voting at a special election. Waivers from the Division of Local Government Services or the Local Finance Board are no longer available under the Amendment.

For municipalities, the levy cap is in addition to the existing appropriation cap; the provisions of both cap laws must be satisfied.

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

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

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

Short-Term Financing

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

Debt Limits

The authorized bonded indebtedness of the Township is limited by statute, subject to the exceptions noted below, so that no bond ordinance shall be adopted if its net debt as a percentage of average equalized valuations exceeds 3.5%. In summary, the equalized valuation basis is 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 Director of Taxation, Department of the Treasury, State of New Jersey (the “State Director of Taxation”). The Township’s equalized valuation basis was \$8,528,647,472 as of December 31, 2016.

Certain categories of debt are permitted by statute to be deducted for purposes of computing the statutory debt limit.

The Township has not exceeded its statutory debt limit. As of December 31, 2016, the Township's net debt as a percentage of average equalized valuations was 0.937%. As noted above, the statutory limit is 3.5%. See "Appendix A – Certain Economic, Demographic and Operating Data regarding the Township of Parsippany-Troy Hills."

Exceptions to Debt Limits - Extension of Credit

The debt limit of a local unit may be exceeded with the approval of the Local Finance Board, and as permitted by other statutory exceptions. If all or any part of a proposed debt authorization would exceed its debt limit, a local unit 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 ability of a local unit to meet its obligations or to provide essential services, and the Local Finance Board makes other statutory determinations, approval is granted.

School Debt - Subject to Voter Approval

In the State of New Jersey, in a Type II school district without a Board of School Estimate, school debt authorized by the board of education must be approved by the registered voters of that school district. When the amount authorized exceeds the school district's limit, the district may use the municipality's share of available borrowing capacity upon approval of the proposed debt by the State Commissioner of Education (the "Commissioner") and the Local Finance Board, and subsequently by the registered voters of the district. School debt of a Type I school district is authorized by a Board of School Estimate and the governing body of a local unit. The Board of Education of the Township is a Type II school district.

Tax Assessment and Collection Procedure

Property valuations (assessments) are determined on true values as arrived at by a cost approach, market data approach and capitalization of net income where appropriate. Current assessments are the results of new assessments on a like basis with established comparable properties for newly assessed or purchased properties. This method assures equitable treatment to like property owners. But it often results in a divergence of the assessment ratio to true value. Because of the changes in property resale values, annual adjustments could not keep pace with the changing values. A re-evaluation of all property in the Township was last completed in 2002 and placed on the 2003 Tax List.

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

Tax bills are mailed annually in July by the Township. The taxes are payable in quarterly installments; the first installment on February 1, the second installment on May 1, the third installment

on August 1^{*} and the fourth installment on November 1, all with a ten-day grace period. The August 1 due date has been extended in the past due to the timing of the State certification of State Aid. Because the true amount of tax will have yet to be determined when due for the first and second installment, the amount payable is generally one-quarter of the total tax levied the preceding year. The amount payable in the third and fourth installments is the full tax as levied for the current year, less the amounts paid in the first and second installments.

Tax installments not paid on or before the due date are subject to interest penalties of 8% per annum on the first \$1,500.00 of the delinquency and 18% per annum on any amount in excess of \$1,500.00. These interest and penalties are the highest permitted under New Jersey Statutes. Delinquent taxes open for one year or more are annually included in a tax sale in accordance with New Jersey Statutes. The Township had \$137,241 in liens as of December 31, 2016.

Tax Appeals

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

Real Estate Taxes

Under New Jersey Law, the maximum amount of delinquent tax that may be anticipated to be collected by a local unit in a fiscal year is “the sum produced by 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.”

With regard to the amount of current taxes that may be anticipated to be collected by a local unit in a fiscal year, New Jersey law provides that “Receipts from the collection of taxes levied or to be levied in the municipality or in the case of a county for general county purposes and payable in the fiscal year, shall be anticipated in an amount which is not in excess of the percentage of taxes levied and payable during the next preceding fiscal year which was received in cash by December 31 of such preceding fiscal year.”

New Jersey Law also requires that an additional amount (the “reserve for uncollected taxes”) be added to the tax levy required to balance the budget so that when the percentage of the prior year’s tax collection is applied to the combined total, the product will at least be equal to the tax levy required to balance the budget.

Miscellaneous Revenue

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 excess of the amount actually realized in

^{*} Due to the timing of the certification of State Aid, the August 1 due date has been extended in past years and may be extended in the future.

cash from the same source during the next preceding fiscal year, unless the director shall determine upon application by the governing body that the facts clearly warrant the expectation that such excess amount will actually be realized in cash during the fiscal year and shall certify such determination, in writing, to the local unit.”

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

Deferral of Current Expenses

A local unit may make emergency appropriations after the adoption of a budget and the determination of the tax rate, but only to meet unforeseen pressing needs to protect or promote public health, safety, morals or welfare, or to provide temporary housing or public assistance. With limited exceptions set forth below, such appropriations must be included in full in the following year’s budget. If such emergency appropriations exceed 3% of the adopted operating budget, consent of the Director is required (N.J.S.A. 40A:4-46, -47, -49). The exceptions are certain enumerated quasi-capital projects such as ice, snow, and flood damage to streets, roads and bridges, which may be amortized over three years, and tax map preparation, reevaluation programs, revision and codification of ordinances, master plan preparation, drainage map preparation for flood control purposes and contractually required severance liabilities resulting from the layoff or retirement of employees, which may be amortized over five years. (N.J.S.A. 40A:4-53, -54, -55, -55.1, -55.3).

Under the CAP Law, emergency resolutions aggregating less than 3% of the previous year’s final current operating appropriations may be raised in that portion of the budget outside its limitations if approved by at least two-thirds of the members of the governing body and the Director. Emergency resolutions that aggregate more than 3% of the previous year’s final current operating appropriations must be raised within its limitations. Emergency resolutions for debt service, capital improvements, the County’s share of Federal or State grants and other statutorily permitted items are outside its limitation.

Budget Transfers

Budget transfers provide a degree of flexibility and afford a control mechanism. Transfers between appropriation accounts are prohibited until the last two months of the year and the first three months of the subsequent year, although sub-accounts within an appropriation are not subject to the same year end transfer restriction, they are subject to review and approval by the Township Council.

Capital Budget

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

Operation of Utilities

Municipal public utilities are supported by the revenues generated by the respective operations of the utilities in addition to the general taxing power upon real property.

For each utility, there is established a separate budget. The anticipated revenues and appropriations for each utility are set forth in the separate budget. The budget is required to be balanced and to provide fully for debt service. The regulations regarding anticipation of revenues and deferral of charges apply equally to the budgets of the utilities.

Deficits or anticipated deficits in utility operations which cannot be provided for from utility surplus, if any, are required to be raised in the “current” or operating budget.

The Local Fiscal Affairs Law

This law regulates the nonbudgetary financial activities of local governments including the receipt, expenditure and investment of funds held by a municipality. 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 Director prior to June 1 of each year, however, an automatic extension may be granted to July 31, in certain circumstances. 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 financial 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 and online at www.parsippany.net.

SECONDARY MARKET DISCLOSURE

The Township has covenanted for the benefit of the holders and beneficial owners of the Bonds to provide notices of the occurrence of certain enumerated events. The notices of material events will be filed by the Township with the Municipal Securities Rulemaking Board (the “MSRB”). Such information shall be provided in an electronic format and accompanied by identifying information as prescribed by the MSRB. The specific nature of the information to be contained in the notices of material events is set forth in “Appendix D - Form of Continuing Disclosure Certificate.”

The Township previously failed to file, in accordance with the Rule, in a timely manner, under previous filing requirements, annual operating data for the year ended December 31, 2012. Additionally, the Township acknowledges that it previously failed to file certain bond insurer rating changes and underlying rating changes. Such notices of material events and late filings have been filed with EMMA.

The Township has retained Phoenix Advisors LLC (phoenix@muniadvisors.com) to assist it in complying with its continuing disclosure undertakings under the Rule.

TAX EXEMPTION

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 ("Code"). Failure to comply with certain requirements of the Code could cause interest on the Bonds to be includable in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds.

In the opinion of DeCotiis, FitzPatrick, Cole & Giblin, LLP, Bond Counsel, to be delivered at the time of original issuance of the Bonds, assuming continuing compliance by the Township with certain covenants described herein, under current law, interest on the Bonds is not includable in gross income for federal income tax purposes and is not an item of tax preference under Section 57 of the Code for purposes of computing the federal alternative minimum tax; however, interest on the Bonds held by corporate taxpayers is included in the relevant income computation for calculation of the federal alternative minimum tax as a result of the inclusion of interest on the Bonds in "adjusted current earnings" (see discussion below). No opinion is expressed regarding other federal tax consequences or other federal taxes arising with respect to the Bonds.

The Code imposes certain significant ongoing requirements that must be met after the issuance and delivery of the Bonds in order to assure that the interest on the Bonds will be and remain excludable from gross income for federal income tax purposes. These requirements include, but are not limited to, requirements relating to use and expenditure of proceeds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on investments of gross proceeds of the Bonds be rebated to the federal government. Noncompliance with such requirements may cause interest on the Bonds to become subject to federal income taxation retroactive to their date of issuance, regardless of the date on which such noncompliance occurs or is discovered. The Township has covenanted that it shall do and perform all acts permitted by law that are necessary or desirable to assure that interest on the Bonds will be and will remain excluded from gross income for federal income tax purposes. The Township will deliver its Arbitrage and Tax Certificate concurrently with the issuance of the Bonds, which will contain provisions relating to compliance with the requirements of the Code, including certain covenants in that regard by the Township. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Township in connection with the Bonds, and Bond Counsel has assumed compliance by the Township with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Bonds from gross income under Section 103 of the Code.

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

The opinions of Bond Counsel are limited to and based upon the laws and judicial decisions of the State and the federal laws and judicial decisions of the United States of America as of the date of the opinions, and are subject to any amendment, repeal or other modification of the applicable laws or judicial decisions that served as the basis for their opinions or to any laws or judicial decisions hereafter enacted or rendered. Bond Counsel assumes no obligation to update its opinions after the issue date to reflect any future action, fact or circumstance, or change in law or interpretation, or otherwise. Bond Counsel expresses no opinion on the effect of any action taken after the date of the opinions or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for federal income tax purposes of interest on the Bonds.

Alternative Minimum Tax. Section 55 of the Code provides that an alternative minimum tax is imposed on corporations at a rate of 20 percent. 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 of the amount by which "adjusted current earnings" exceeds alternative minimum taxable income (computed without regard to this adjustment and the alternative tax net operating loss deduction). 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.

Bank Qualification. The Bonds will **NOT** 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.

Branch Profits Tax. Section 884 of the Code imposes on foreign corporations a branch profits tax equal to 30 percent 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 percent of gross receipts for a taxable year. The U.S. Department of Treasury has issued regulations indicating that interest on tax-exempt obligations, such as the Bonds, held by an S Corporation would be included in the calculation of excess net passive income.

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 each 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.

Possible Government Action. Legislation affecting municipal bonds is regularly under consideration by the United States Congress. In addition, the Internal Revenue Service ("IRS") has established an expanded audit program for tax-exempt obligations. There can be no assurance that legislation enacted or proposed or an audit initiated or concluded by the IRS after the issue date of the Bonds involving either the Bonds or other tax-exempt obligations will not have an adverse effect on the tax-exempt status or market price of the Bonds.

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

NO DEFAULT

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

MUNICIPAL ADVISOR

Phoenix Advisors, LLC, Bordentown, New Jersey, has served as Municipal Advisor to the Township with respect to the issuance of the Bonds (the "Municipal Advisor"). The Municipal Advisor is not obligated to undertake, and has not undertaken, either to make an independent verification of, or to assume responsibility for the accuracy, completeness, or fairness of the information contained in the Official Statement and the appendices hereto.

LITIGATION

To the knowledge of the Township Attorney, John Inglesino, Esq. of the law firm of Inglesino, Webster, Wyciskala & Taylor, LLC, Parsippany, New Jersey, there is no litigation of any nature now pending or threatened, restraining or enjoining the issuance or the delivery of the Bonds, or the levy or the collection of any taxes to pay the principal of or the interest on the Bonds, or in any manner questioning the authority or the proceedings for the issuance of the Bonds, or for the levy or the collection of taxes, or contesting the corporate existence or the boundaries of the Township or the title of any of the present officers.

Further, there is no litigation presently pending or threatened that, in the opinion of the Township Attorney, would have a material adverse impact on the Township if decided adversely to the interest of the Township.

UNDERWRITER

The Bonds have been purchased from the Township at a public sale by _____ (the "Underwriter") at a price of \$_____, equal to par amount of \$_____ plus net original issue premium in the amount of \$_____ plus reoffering premium retained by the Underwriter in the amount of \$_____.

The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing the Bonds into investment trusts) at a yield higher than public offering yield stated on the front cover page hereof.

MUNICIPAL BANKRUPTCY

The undertakings of the Township should be considered with reference to Chapter IX of the Bankruptcy Act, 11 U.S.C. Section 901, et seq., as amended by Public Law 94-260, approved April 8, 1976, and as further amended on November 6, 1978 by the Bankruptcy Reform Act of 1978, effective October 1, 1979, as further amended by Public Law 100-597, effective November 3, 1988, the Bankruptcy Reform Act of 1994, effective October 22, 1994, and other bankruptcy laws affecting creditor's rights and municipalities in general. The amendments of P.L. 94-260 replace former Chapter IX and permit the State or any political subdivision, public agency, or instrumentality that is insolvent or unable to meet its debts to file a petition in a court of bankruptcy for the purpose of effecting a plan to adjust its debt; directs such a petitioner to file with the court a list of petitioner's creditors; provides that a petition filed under this chapter shall operate as a stay of the commencement or continuation of any judicial or other proceeding against the petitioner; grants priority to debt owned for services or material actually provided within three (3) months of the filing of the petition; directs a petitioner to file a plan for the adjustment of its debts; and provides that the plan must be accepted in writing by or on behalf of creditors holding at least two-thirds in amount or more than one-half in number of the listed creditors.

Reference should also be made to N.J.S.A. 52:27-40 et.seq., which provides that a municipality has the power to file a petition in bankruptcy provided the approval of the Municipal Finance Commission has been obtained. The powers of the Municipal Finance Commission have been vested in the Local Finance Board. The Bankruptcy Act specifically provides that Chapter 9 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 Act.

The above reference to the provisions of the Bankruptcy Act is not to be construed as an indication that the Township expects to or intends to resort to the provisions of the Bankruptcy Act or if it did that such action would be approved by the Local Finance Board or that any such plan would include a dilution of the sources of payment of and security for the Bonds or that the Bankruptcy Act could not be amended after the date hereof.

APPROVAL OF LEGAL PROCEEDINGS

All legal matters incident to the authorization, the issuance, the sale and the delivery of the Bonds are subject to the approval of DeCotiis, FitzPatrick, Cole & Giblin, LLP, Teaneck, New Jersey, Bond Counsel to the Township, whose approving legal opinion will be delivered with the Bonds substantially in the form set forth as Appendix C hereto. Certain legal matters will be reviewed on behalf of the Township by its attorney, John Inglesino, Esq. of the law firm of Inglesino, Webster, Wyciskala & Taylor, LLC, Parsippany, New Jersey.

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 by a certificate signed by the Director of Finance/Chief Financial Officer/Township Treasurer, that to her knowledge such descriptions and statements, as of the date of this Official Statement, 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 herein, in light of the circumstances under which they were made, not misleading.

Nisivoccia LLP, Mt. Arlington, New Jersey, is the current auditor of the Township and takes responsibility for the Audited Financial Statements for the years ended December 31, 2016, 2015 and 2014 to the extent specified in its Independent Auditor's Report attached hereto as Appendix B. The Township's audited financial statements for the years ended December 31, 2016, 2015 and 2014 were prepared by Nisivoccia LLP and can be found on the Township's website at <http://www.parsippany.net/Transparency>.

All other information has been obtained from sources which the Township of Parsippany-Troy Hills considers to be reliable and they make no warranty, guaranty or other representation with respect to the accuracy and completeness of such information.

DeCotiis, FitzPatrick, Cole & Giblin, LLP, has prepared this Official Statement on behalf of the Township but it has not participated in the preparation or the assembly of the financial or statistical information contained in this Official Statement, nor has it verified the accuracy, completeness or fairness thereof and, accordingly, expresses no opinion with respect thereto.

CERTIFICATES OF THE TOWNSHIP

Upon the delivery of the Bonds, the Township will deliver certificates to the Underwriter, in form satisfactory to Bond Counsel and signed by officials of the Township, stating to the best knowledge of said officials, that this Official Statement as of its date did not contain any untrue statement of a material fact, or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; and stating, to the best knowledge of said officials, that there has been no material adverse change in the condition, financial or otherwise, of the Township from that set forth in or contemplated by this Official Statement. In addition, the Township will also deliver certificates to the Underwriter, in form satisfactory to Bond Counsel, evidencing the proper execution and delivery of the Bonds and receipt of payment therefor, and certificates dated as of the date of the delivery of the Bonds, and signed by the officers who signed the Bonds, stating that no litigation is then pending or, to the knowledge of such officers, threatened to restrain or enjoin the issuance or delivery of the Bonds, as applicable, or the levy or collection of taxes to pay the Bonds or the interest thereon, as applicable, or questioning the validity of the statutes or the proceedings under which the Bonds are issued, as applicable, and that neither the corporate existence or boundaries of the Township, nor the title of any of the said officers to the respective offices, is being contested.

RATING

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

An explanation of the significance of the rating may be obtained from the Rating Agency at 55 Water Street, New York, New York 10041. Such rating reflects only the view of such Rating Agency, and an explanation of the significance of the rating may be obtained from such Rating Agency. There is no assurance that the rating will continue for any period of time or that it will not be revised or withdrawn entirely by such Rating Agency, if in the judgment of such Rating Agency, circumstances so warrant. Any revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

ADDITIONAL INFORMATION

Inquiries regarding this Official Statement, including information additional to that contained herein, may be directed to Ellen Sandman, Township Administrator at (973) 263-4391 or Ann M. Cucci, Director of Finance/Chief Financial Officer/Township Treasurer at (973) 263-4265.

MISCELLANEOUS

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

This Official Statement has been duly executed and delivered on behalf of the Township by the Director of Finance/Chief Financial Officer/Township Treasurer.

**TOWNSHIP OF PARSIPPANY-TROY HILLS,
IN THE COUNTY OF MORRIS, NEW JERSEY**

By: _____
Ann M. Cucci,
Director of Finance/ Chief Financial
Officer/Township Treasurer

Dated: September __, 2017

APPENDIX A
CERTAIN ECONOMIC AND FINANCIAL INFORMATION RELATING TO
THE TOWNSHIP OF PARSIPPANY-TROY HILLS

TOWNSHIP OF PARSIPPANY-TROY HILLS
COUNTY OF MORRIS, NEW JERSEY

ECONOMIC AND FINANCIAL INFORMATION

The following material presents certain economic, demographic and financial information on the Township of Parsippany-Troy Hills.

Building Permits

	<u>Number of Permits</u>				
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Residential:					
New	22	65	25	33	23
Additions/Alterations	2,204	2,785	2,613	2,571	2,318
Business:					
New	4	2	2	1	3
Additions/Alterations	406	551	308	315	417
Industrial/Factory:					
New					
Additions/Alterations		2	4	3	5
Mercantile					
New	2		3		
Additions/Alterations	7	17	9	17	18
Educational / Institutional:					
New					
Additions/Alterations	12	25	54	5	4
Storage/Accessory					
New	2	3	1	1	1
Additions/Alterations	7	27	10	7	13
Churches, Restaurants, Entertainment					
New	5	2			1
Additions/Alterations	58	64	36	50	44
Demolitions/Other	<u>228</u>	<u>246</u>	<u>328</u>	<u>320</u>	<u>244</u>
Total	<u>2,957</u>	<u>3,791</u>	<u>3,393</u>	<u>3,324</u>	<u>3,091</u>

Source: Township of Parsippany-Troy Hills Building Department

Employment and Unemployment Comparisons

For the years 2012 to 2016, the New Jersey Department of Labor reported the following annual average employment information for the Township of Parsippany-Troy Hills, County of Morris and the State of New Jersey:

Township of Parsippany-Troy Hills

<u>Year</u>	<u>Total Labor Force</u>	<u>Employed Labor Force</u>	<u>Total Unemployed</u>	<u>Unemployment Rate</u>
2016	28,454	27,329	1,125	4.0%
2015	28,737	27,533	1,204	4.2%
2014	28,968	27,520	1,448	5.0%
2013	31,909	29,958	1,951	6.1%
2012	32,489	30,287	2,202	7.2%

County of Morris

<u>Year</u>	<u>Total Labor Force</u>	<u>Employed Labor Force</u>	<u>Total Unemployed</u>	<u>Unemployment Rate</u>
2016	260,506	250,348	10,158	3.9%
2015	263,272	252,145	11,127	4.2%
2014	263,878	250,919	12,959	4.9%
2013	274,200	257,000	17,200	6.3%
2012	275,962	255,907	20,055	7.3%

State of New Jersey

<u>Year</u>	<u>Total Labor Force</u>	<u>Employed Labor Force</u>	<u>Total Unemployed</u>	<u>Unemployment Rate</u>
2016	4,485,200	4,252,400	232,800	5.2%
2015	4,543,800	4,288,800	255,000	5.6%
2014	4,518,600	4,218,440	300,160	6.6%
2013	4,476,800	4,177,500	299,300	6.7%
2012	4,640,283	4,198,415	441,868	9.5%

Source: New Jersey Department of Labor, Division of Planning and Research, Office of Demographics and Economic Analysis; Bureau of Labor Force Statistics; Local Area Unemployment Statistics

Per Capita Income

<u>Year</u>	<u>Parsippany- Troy Hills</u>	<u>Morris County</u>	<u>New Jersey</u>
2010	\$38,902.00	\$48,252.00	\$35,928.00
2000	32,220.00	36,964.00	27,006.00
1990	22,137.00	25,177.00	18,714.00
1980	9,576.00	9,910.00	8,128.00

Source: United States Department of Commerce, Bureau of the Census

Population

	<u>2010</u>	<u>2000</u>	<u>1990</u>
Township of Parsippany-Troy Hills	53,238	50,649	48,478
Morris County	492,276	470,212	421,361
State of New Jersey	8,791,894	8,414,350	7,730,180

Source: U.S. Census Bureau

Largest Taxpayers

The ten largest commercial taxpayers in the Township and their 2016 assessed valuation are listed below:

<u>Taxpayer</u>	<u>Land Use</u>	<u>Assessed Value</u>
Knoll Manor Assoc.	Apartment Complex	61,015,400
Morris Corporate Ctr HDQ III	Office	58,875,100
Morris Corporate Ctr HDQ I & II	Office	57,660,700
Powder Mill Heights	Apartment Complex	51,831,300
NJ Kimball, LLC	Office	49,544,700
Sylvan/Campus Rlty, LLC	Office	49,101,800
MCC IV Phase I LLC	Office	43,526,900
Troy Hills Village	Apartment Complex	41,506,500
Wells Reit-Multi State	Office	40,677,800
Wyndham Worldwide	Office	<u>39,807,200</u>
Total		<u>493,547,400</u>

Source: Township of Parsippany-Troy Hills
Office of the Assessor

Major Employers

The largest employers in the Township of Parsippany-Troy Hills, based upon their estimate of full time employees, are listed below:

<u>Employer</u>	<u>Type of Business</u>	<u>Number of Employees</u>
United Parcel Service	Package Delivery	2,850
Tiffany & Co.	Jewelry Sales	1,000
Avis	Auto Rental	900
Common Health	Health Care Services	575
Wyndham Worldwide	Hotel Services	450
ADP	Payroll Services	400
NJ Manufacturing Ins.	Auto Insurance	300
GAF	Roofing Systems	250
Deloitte	Accounting Services	225
Day Pitney	Legal Firm	200

Source: Township of Parsippany-Troy Hills Planning Department

PROPERTY VALUATIONS

(For Years Ended December 31)

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Assessed Valuations:					
Real Property*	7,161,408,200	7,160,158,000	7,166,160,200	7,196,618,300	7,249,366,400
Personal Property	<u>422,000</u>	<u>422,050</u>	<u>424,700</u>	<u>10,643,519</u>	<u>10,038,053</u>
Total Assessed Valuation	<u>7,161,830,200</u>	<u>7,160,580,050</u>	<u>7,166,584,900</u>	<u>7,207,261,819</u>	<u>7,259,404,453</u>
County Equalized Valuations	<u>8,485,580,805</u>	<u>8,490,202,642</u>	<u>8,437,232,000</u>	<u>8,418,714,882</u>	<u>8,991,088,002</u>
County Equalized Ratio	<u>84.40%</u>	<u>84.41%</u>	<u>84.94%</u>	<u>85.61%</u>	<u>80.74%</u>

* Does not include tax exempt property

Source: Township of Parsippany-Troy Hills
Office of the Assessor

ASSESSED VALUATION OF REAL PROPERTY BY CLASS

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Vacant Land	67,209,400	67,577,600	68,028,800	66,904,400	72,717,000
Residential	4,405,575,800	4,399,306,700	4,391,472,200	4,403,242,200	4,405,119,200
Farm	335,300	335,300	330,800	330,800	330,800
Commercial	2,039,260,500	2,045,286,500	2,053,077,500	2,070,234,400	2,129,928,300
Apartments	407,361,100	403,241,700	403,241,700	401,241,700	390,988,700
Tangible Personal Property	422,000	422,050	424,700	10,643,519	10,038,053
Exempt Property	541,694,900	592,396,100	582,012,400	576,340,400	585,077,700
Totals	<u>7,703,325,100</u>	<u>7,752,949,150</u>	<u>7,748,597,300</u>	<u>7,783,602,219</u>	<u>7,844,482,153</u>

Source: Township of Parsippany-Troy Hills
Office of the Assessor

Analysis of Tax Rates per \$100

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Apportionment of Tax Rate:					
Municipal	.595	.572	.568	.557	.556
Municipal Library	.039	.040	.039	.039	.041
County	.293	.284	.289	.282	.286
Local School	1.811	1.769	1.734	1.691	1.638
County Open Space	.011	.014	.012	.014	.019
Municipal Open Space	.020	.020	.021	.018	.017
Total Tax Rate	<u>2.769</u>	<u>2.699</u>	<u>2.663</u>	<u>2.601</u>	<u>\$2.557</u>

Not included in the tax rates above are six local Fire District Levies. The rates and charges for those districts are not uniform throughout the Township, however, the total tax levies shown below in dollars do reflect the Fire District Levies.

Source: Township of Parsippany-Troy Hills
Tax Collector's Department

Comparisons of Tax Levies and Collections

<u>Year</u>	(1) <u>Tax Levy</u>	(1) Collections During <u>Year of Levy</u>	Percentage of <u>Collection</u>
2016	\$202,441,385	\$201,086,010	99.33%
2015	\$197,396,005	\$196,138,497	99.36%
2014	\$194,423,879	\$193,110,200	99.32%
2013	\$191,137,372	\$189,762,822	99.28%
2012	\$188,882,375	\$187,422,078	99.22%

(1) Includes Fire District Levies.

Source: Township of Parsippany-Troy Hills
Tax Collector's Department

**Delinquent Taxes and Tax Title Liens
For the Years Ended December 31**

<u>Year</u>	<u>Amount of Tax Title Liens</u>	<u>Amount of Delinquent Taxes</u>	<u>Total Delinquent</u>	<u>Percentage of Tax Levy</u>
2016	\$137,241	\$1,282,390	\$1,419,631	.70%
2015	\$119,776	\$1,216,094	\$1,335,870	.68%
2014	\$113,879	\$1,264,732	\$1,378,611	.71%
2013	\$107,763	\$1,218,530	\$1,326,293	.69%
2012	\$118,379	\$1,388,897	\$1,507,276	.79%

Source: Township of Parsippany-Troy Hills
Tax Collector's Department

Comparative Schedules of Fund Balances

	<u>Year</u>	<u>Balance December 31</u>	<u>Appropriated in Budgets of Succeeding Year</u>
Current Fund:			
	2016	5,986,335	3,700,000
	2015	4,742,128	3,700,000
	2014	5,860,002	3,717,448
	2013	6,449,718	3,580,000
	2012	6,085,906	3,600,000
Water Utility Operating Fund:			
	2016	6,615,064	700,000
	2015	6,142,770	700,000
	2014	5,339,046	700,000
	2013	4,796,683	700,000
	2012	4,002,591	850,000
Sewer Utility Operating Fund:			
	2016	9,799,708	1,000,000
	2015	11,340,828	1,000,000
	2014	10,955,141	1,000,000
	2013	11,172,677	1,000,000
	2012	10,303,886	2,000,000
Golf and Recreation Utility Operating Fund:			
	2016	1,249,270	200,000
	2015	626,778	-
	2014	170,707	-
	2013	186,585	149,000
	2012	249,750	200,000

Source: Township of Parsippany-Troy Hills
Finance Department

Debt Limit of the Township as of December 31, 2016

Average Equalized Valuation Basis (2014, 2015 & 2016)	<u>\$ 8,528,647,472</u>
Permitted Debt Limitations (3 1/2%)	\$ 296,868,777
Net Debt Issued and Outstanding	\$ 79,883,333
Remaining Borrowing Power	<u>\$ 216,985,444</u>
Percentage of Net Debt to Average Equalized Valuation	<u>.94%</u>

Township Indebtedness

Debt Statement - December 31, 2016

Total Bonds and Notes for School Purposes	\$31,570,000
Self-Liquidating Indebtedness:	
Bonds Outstanding	7,080,000
Bonds Anticipation Notes-Outstanding	13,592,332
New Jersey Environmental Trust 2001A-Water Utility	148,164
New Jersey Environmental Trust-Sewer Utility	14,128,671
Bond Anticipation Notes Authorized but Not Issued	11,123,350
Other Indebtedness:	
Bonds Outstanding	27,530,000
Bonds Anticipation Notes	38,663,000
Bond Anticipation Notes Authorized but Not Issued	13,775,261
State of New Jersey Loans Outstanding:	
Green Acres	20,455
Total Gross Debt	157,631,232
Less: Self-Liquidating Debt	46,072,517
Less: Deduction for School Debt	31,570,000
Less: Reserve to Pay Debt Service	105,383
Total Net Debt	<u>\$ 79,883,333</u>

Source: Township of Parsippany-Troy Hills
Finance Department - 2016 Annual Debt Statement

Direct and Overlapping Debt Issued and Outstanding As of December 31, 2016**DIRECT DEBT**

Bonds and Notes for School Purposes	31,570,000	
Total For School Purposes		\$31,570,000
<hr/>		
Bonds (Issued):		
General Purpose	27,530,000	
Water Utility	2,395,000	
Sewer Utility	3,685,000	
Golf Course and Recreational Utility		
Utility	1,000,000	
Total Bonds Issued		\$34,610,000
<hr/>		
Bond Anticipation Notes:		
General Purpose	38,663,000	
Water Utility	4,049,000	
Sewer Utility	7,410,332	
Golf Course and Recreational Utility	2,133,000	
Total Bond Anticipation Notes Issued		\$52,255,332
<hr/>		
Bonds and Notes Authorized but not issued:		
General Purpose	13,775,261	
Water Utility	95,061	
Sewer Utility	9,306,695	
Golf Course and Recreational Utility	1,721,594	
Total Bonds and Notes Authorized but not Issued		\$24,898,611
<hr/>		
State of New Jersey Loans: Green Acres	20,455	
NJ Environmental Infrastructure Trust 2001A-water utility	148,164	
NJ Environmental Infrastructure Trust-sewer	14,128,670	
Total Loans Outstanding		\$14,297,289
<hr/>		

<u>GROSS DIRECT DEBT</u>		157,631,232
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OVERLAPPING DEBT

Morris County, Township Share (9.307%)	20,585,314	
Total Overlapping Debt		20,585,314

<u>GROSS DIRECT AND OVERLAPPING DEBT</u>		178,216,546
---	--	-------------

Less:		
For School Purposes	31,570,000	
Self-Supporting Debt:		
Water Utility	6,687,225	
Sewer Utility	34,530,697	
Golf Course and Recreational Utility	4,854,594	
Reserve to Pay Debt Service	105,383	
Total Deductions		77,747,899

<u>NET DIRECT AND OVERLAPPING DEBT</u>		<u>\$ 100,468,647</u>
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Source: Township of Parsippany-Troy Hills Finance Department – 2016 Annual Debt Statement
County of Morris Finance Department – 2016 Annual Debt Statement & Abstract of Ratables

APPENDIX B

TOWNSHIP OF PARSIPPANY-TROY HILLS

AUDITED FINANCIAL STATEMENTS FOR THE YEARS
ENDED DECEMBER 31, 2016, 2015 AND 2014

TOWNSHIP OF PARSIPPANY-TROY HILLS
FINANCIAL STATEMENTS
TABLE OF CONTENTS

FINANCIAL STATEMENTS AS OF DECEMBER 31, 2016, 2015 AND 2014

	<u>Page</u>
Independent Auditors' Report	B-1
Current Fund:	
Comparative Balance Sheet - Regulatory Basis	B-2 to B-3
Comparative Statement of Operations and Change in Fund Balance - Regulatory Basis	B-4
Comparative Statement of Revenue - Regulatory Basis	B-5
Comparative Statement of Expenditures - Regulatory Basis	B-6
Trust Funds:	
Comparative Balance Sheet - Regulatory Basis	B-7 to B-8
General Capital Fund:	
Comparative Balance Sheet - Regulatory Basis	B-9
Comparative Statement of Fund Balance - Regulatory Basis	B-10
Water Utility Fund:	
Comparative Balance Sheet - Regulatory Basis	B-11 to B-12
Comparative Statement of Operations and Change in Fund Balance – Regulatory Basis	B-13
Comparative Water Utility Capital Fund Statement of Fund Balance – Regulatory Basis	B-14
Comparative Statement of Revenue - Regulatory Basis	B-15
Comparative Statement of Expenditures - Regulatory Basis	B-16
Sewer Utility Fund:	
Balance Sheet - Regulatory Basis	B-17 to B-18
Statement of Operations and Change in Fund Balance - Regulatory Basis	B-19
Sewer Utility Capital Fund Statement of Fund Balance - Regulatory Basis	B-20
Statement of Revenue - Regulatory Basis	B-21
Statement of Expenditures - Regulatory Basis	B-22
Golf and Recreation Utility Fund:	
Comparative Balance Sheet - Regulatory Basis	B-23 to B-24
Comparative Statement of Operations and Change in Fund Balance – Regulatory Basis	B-25
Comparative Golf and Recreation Utility Capital Fund Statement of Fund Balance - Regulatory Basis	B-26
Comparative Statement of Revenue - Regulatory Basis	B-27
Comparative Statement of Expenditures - Regulatory Basis	B-28
Public Assistance Fund:	
Comparative Balance Sheet - Regulatory Basis	B-29
General Fixed Assets Account Group:	
Comparative Balance Sheet - Regulatory Basis	B-30
Notes to Financial Statements	B-31-67

Independent Auditors' Report

The Honorable Mayor and Members
of the Township Council
Township of Parsippany-Troy Hills
Parsippany, New Jersey

Report on the Financial Statements

We have audited the financial statements – *regulatory basis* - of the various funds of the Township of Parsippany-Troy Hills, in the County of Morris (the "Township") as of and for the years ended December 31, 2016, 2015 and 2014, and the related notes to the financial statements, as listed in the foregoing table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting practices prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division") to demonstrate compliance with the Division's regulatory basis of accounting, and the budget laws of New Jersey; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

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

As described in Note 1, the financial statements are prepared by the Township on the basis of accounting practices prescribed or permitted by the Division to demonstrate compliance with the Division's regulatory basis of accounting and the budget laws of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for the Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly in accordance with accounting principles generally accepted in the United States of America the financial position of each fund and account group of the Township as of December 31, 2016, 2015 and 2014, or the changes in financial position or where applicable, cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the various funds and account group of the Township of Parsippany Troy Hills as of December 31, 2016, 2015 and 2014, and the results of operations and changes in fund balance, where applicable, of such funds, thereof for the years then ended on the basis of the accounting practices prescribed or permitted by the Division to demonstrate compliance with the Division's regulatory basis of accounting and the budget laws of New Jersey, as described in Note 1.

Mt Arlington, NJ
June 5, 2017


NISIVOCIA LLP

TOWNSHIP OF PARSIPPANY-TROY HILLS
CURRENT FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

	December 31,		
	2016	2015	2014
<u>ASSETS</u>			
Regular Fund:			
Cash - Checking	\$ 5,991,881.02	\$ 7,151,419.17	\$ 12,497,790.57
Cash - Investments	7,035,222.87	5,000,000.00	6,056,329.52
	<u>13,027,103.89</u>	<u>12,151,419.17</u>	<u>18,554,120.09</u>
Change Funds	815.00	815.00	815.00
Due from State of New Jersey - Senior Citizens' and Veterans' Deductions	34,346.30	57,648.35	35,708.61
	<u>13,062,265.19</u>	<u>12,209,882.52</u>	<u>18,590,643.70</u>
Receivables and Other Assets With Full Reserves:			
Delinquent Property Taxes Receivable	1,271,355.14	1,216,094.09	1,264,731.50
Tax Title Liens Receivable	137,240.46	119,775.78	113,879.45
Property Acquired for Taxes at Assessed Valuation	1,428,800.00	1,428,800.00	1,428,800.00
Revenue Accounts Receivable	176,123.95	278,744.11	175,823.12
Other Liens Receivable	189,373.06	191,926.95	191,926.95
Due from:			
Federal and State Grant Fund		41,177.46	48,187.09
Other Trust Fund		258,302.78	
Water Utility Operating Fund	66.52	387,783.17	45,937.75
Sewer Utility Fund	107.22	587,777.01	
Golf and Recreation Utility Operating Fund		14,075.34	63,515.34
Public Assistance Trust Fund			3.06
Payroll		58,092.39	53,272.50
Total Receivables and Other Assets With Full Reserves	<u>3,203,066.35</u>	<u>4,582,549.08</u>	<u>3,386,076.76</u>
Deferred Charges:			
Special Emergency Authorization	2,463,342.04	3,132,859.00	2,735,429.00
Overexpenditure of Appropriation Reserve			20,140.70
Total Deferred Charges	<u>2,463,342.04</u>	<u>3,132,859.00</u>	<u>2,755,569.70</u>
Total Regular Fund	<u>18,728,673.58</u>	<u>19,925,290.60</u>	<u>24,732,290.16</u>
Federal and State Grant Fund			
Due from General Capital Fund	549,053.98	290,325.55	
Federal and State Grant Receivable	64,884.56	56,584.56	409,129.59
Total Federal and State Grant Fund	<u>613,938.54</u>	<u>346,910.11</u>	<u>409,129.59</u>
TOTAL ASSETS	<u>\$ 19,342,612.12</u>	<u>\$ 20,272,200.71</u>	<u>\$ 25,141,419.75</u>

TOWNSHIP OF PARSIPPANY-TROY HILLS
CURRENT FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
(Continued)

	December 31,		
	2016	2015	2014
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Regular Fund:			
Liabilities:			
Appropriation Reserves	\$ 4,894,718.62	\$ 5,662,777.72	\$ 7,573,968.85
Accounts Payable	44,551.39	31,190.35	52,107.79
County Taxes Payable	89,190.17	101,907.22	56,179.60
School Taxes Payable			3,490,205.00
Special Emergency Notes Payable	764,518.00	1,769,275.00	
Prepaid Taxes	1,370,907.00	1,130,582.27	1,170,269.63
Tax Overpayments	51,520.85	44,639.87	194,445.96
Reserve for Tax Appeals	1,586,141.70	1,155,761.18	1,001,911.81
Prepaid Revenue	75,090.14	55,839.81	83,608.53
Due to State of New Jersey:			
Construction Code Fees	22,486.00	35,134.00	31,804.00
Marriage License Fees	3,100.00	1,575.00	1,300.00
Burial Fees	25.00	30.00	5.00
Due to:			
Animal Control Fund	2.43	58,489.81	67,888.55
Other Trust Fund	8,379.41		1,586,417.12
General Capital Fund		446,289.97	4,358.14
Sewer Utility Operating Fund			116,562.98
Golf and Recreation Utility Capital Fund		26,943.36	
Federal and State Grant Fund	549,053.98		
Payroll	24,409.86		
Reserve for:			
Accumulated Revenue Unappropriated	55,178.00	80,178.00	55,178.00
	9,539,272.55	10,600,613.56	15,486,210.96
Reserve for Receivables and Other Assets	3,203,066.35	4,582,549.08	3,386,076.76
Fund Balance	5,986,334.68	4,742,127.96	5,860,002.44
 Total Regular Fund	 18,728,673.58	 19,925,290.60	 24,732,290.16
Federal and State Grant Fund:			
Due to Current Fund		41,177.46	48,187.09
Unappropriated Reserves	314,260.07	8,098.96	104,388.03
Appropriated Reserves	299,678.47	297,633.69	256,554.47
 Total Federal and State Grant Fund	 613,938.54	 346,910.11	 409,129.59
 TOTAL LIABILITIES, RESERVES AND FUND BALANCE	 \$ 19,342,612.12	 \$ 20,272,200.71	 \$ 25,141,419.75

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

TOWNSHIP OF PARSIPPANY-TROY HILLS
CURRENT FUND
COMPARATIVE STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE - REGULATORY BASIS

	December 31,		
	2016	2015	2014
<u>Revenue and Other Income Realized</u>			
Fund Balance Utilized	\$ 3,700,000.00	\$ 3,234,126.27	\$ 3,580,000.00
Fund Balance Anticipated with Prior Written Consent of Director of Local Government Services		483,321.88	
	3,700,000.00	3,717,448.15	3,580,000.00
Miscellaneous Revenue Anticipated	18,735,707.17	16,924,473.68	15,334,272.68
Receipts from:			
Delinquent Taxes	1,232,504.48	1,286,405.14	1,237,601.54
Current Taxes	201,086,010.11	196,138,496.80	193,110,200.02
Nonbudget Revenue	797,030.64	892,363.56	1,174,110.73
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves	1,299,007.07	1,092,537.63	632,310.22
Other Liens Receivable Realized	2,553.89		
Tax Overpayments Cancelled	32,577.93	41,052.93	
Special District Taxes Collected	25,396.92	9,183.50	31,890.02
Federal and State Grants Appropriated Reserves Cancelled		6,704.86	
Interfunds Returned	1,347,208.15	210,915.74	353,876.15
Total Income	228,257,996.36	220,319,581.99	215,454,261.36
<u>Expenditures</u>			
Budget Appropriations:			
Municipal Purposes	66,921,002.28	64,472,432.25	63,470,203.87
County Taxes	21,787,023.90	21,430,683.55	21,618,328.19
Local School District Taxes	129,643,891.00	126,663,553.00	124,231,081.00
Open Space Taxes	1,432,366.00	1,438,970.28	1,437,200.73
Special District Taxes	3,305,254.92	3,197,824.50	3,073,254.02
Reserve for Pending Tax Appeals	800,000.00	500,000.00	240,000.00
Prior Year Senior Citizens Deductions Disallowed	22,341.80	24,354.11	24,543.83
Overexpenditure of Appropriation Reserve			20,140.70
Interfunds and Other Receivables Advanced	173.74	1,347,208.15	210,915.74
Refund of Prior Year Revenue	9,692.04	8,567.48	23,729.50
Total Expenditures	223,921,745.68	219,083,593.32	214,349,397.58
Excess in Revenue	4,336,250.68	1,235,988.67	1,104,863.78
Adjustments to Excess Before Fund Balance			
Expenditures Included Above Which are by Statute			
Deferred Charges to Budget of Succeeding Year	607,956.04	1,363,585.00	1,885,420.70
Statutory Excess to Fund Balance	4,944,206.72	2,599,573.67	2,990,284.48
<u>Fund Balance</u>			
Balance January 1	\$ 4,742,127.96	\$ 5,860,002.44	\$ 6,449,717.96
	9,686,334.68	8,459,576.11	9,440,002.44
Decreased by:			
Utilized as Anticipated Revenue	3,700,000.00	3,717,448.15	3,580,000.00
Balance December 31	\$ 5,986,334.68	\$ 4,742,127.96	\$ 5,860,002.44

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

TOWNSHIP OF PARSIPPANY-TROY HILLS
CURRENT FUND
COMPARATIVE STATEMENT OF REVENUE - REGULATORY BASIS

	For the Years Ended December 31,					
	2016		2015		2014	
	Budget After Modification	Realized	Budget After Modification	Realized	Budget After Modification	Realized
Fund Balance Anticipated	\$ 3,700,000.00	\$ 3,700,000.00	\$ 3,234,126.27	\$ 3,234,126.27	\$ 3,580,000.00	\$ 3,580,000.00
Fund Balance Anticipated with Prior Written Consent of Director of Local Government Services			483,321.88	483,321.88		
Miscellaneous Revenue	3,700,000.00	3,700,000.00	3,717,448.15	3,717,448.15	3,580,000.00	3,580,000.00
Receipts from Delinquent Taxes	17,812,197.51	18,735,707.17	16,237,936.82	16,924,473.68	15,105,381.39	15,334,272.68
Amount to be Raised by Taxes for Support of Municipal Budget:	1,224,885.00	1,232,504.48	1,260,000.00	1,286,405.14	1,240,000.00	1,237,601.54
Local Tax for Municipal Purposes	42,649,736.00	43,989,470.29	40,939,682.55	42,453,685.70	40,764,358.00	41,797,594.08
Minimum Library Tax	2,828,004.00	2,828,004.00	2,830,040.49	2,830,040.49	2,827,742.00	2,827,742.00
	45,477,740.00	46,817,474.29	43,769,723.04	45,283,726.19	43,592,100.00	44,625,336.08
Budget Totals	68,214,822.51	70,485,685.94	64,985,108.01	67,212,053.16	63,517,481.39	64,777,210.30
Nonbudget Revenue		797,030.64		892,363.56		1,174,110.73
	\$ 68,214,822.51	\$ 71,282,716.58	\$ 64,985,108.01	\$ 68,104,416.72	\$ 63,517,481.39	\$ 65,951,321.03

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

TOWNSHIP OF PARSIPPANY-TROY HILLS
CURRENT FUND
COMPARATIVE STATEMENT OF EXPENDITURES - REGULATORY BASIS

For the Years Ended December 31,

	2016			2015			2014		
	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	\$ 26,529,793.00	\$ 25,397,939.26	\$ 1,131,853.74	\$ 25,160,668.47	\$ 24,227,269.62	\$ 933,398.85	\$ 23,237,821.00	\$ 21,884,961.40	\$ 1,352,859.60
Other Expenses	25,155,399.55	22,562,750.09	2,592,649.46	24,758,548.72	21,083,323.78	3,675,224.94	25,733,058.39	20,482,106.53	5,250,951.86
Capital Improvements	476,430.00	476,430.00		489,170.00	489,170.00		440,150.00	440,150.00	
Debt Service	8,164,437.00	8,162,660.73		8,129,900.00	8,129,899.96		7,644,620.00	7,607,062.48	
Deferred Charges and Statutory	6,596,719.00	6,397,159.17	199,559.83	5,934,145.10	5,921,401.88	12,743.22	6,452,112.00	6,445,876.38	6,235.62
Total Operations for Municipal Purposes	66,922,778.55	62,996,939.25	3,924,063.03	64,472,432.29	59,851,065.24	4,621,367.01	63,507,761.39	56,860,156.79	6,610,047.08
Reserve for Uncollected Taxes	1,900,000.00	1,900,000.00		1,876,260.72	1,876,260.72		1,875,000.00	1,875,000.00	
	\$ 68,822,778.55	\$ 64,896,939.25	\$ 3,924,063.03	\$ 66,348,693.01	\$ 61,727,325.96	\$ 4,621,367.01	\$ 65,382,761.39	\$ 58,735,156.79	\$ 6,610,047.08
Adopted Budget	\$ 68,146,222.45			\$ 64,956,777.93			\$ 63,425,698.50		
Special Emergency Authorization	607,956.04			1,363,585.00			1,865,280.00		
Added by NUSA 40A-4-87	68,600.06			28,330.08			91,782.89		
	\$ 68,822,778.55			\$ 66,348,693.01			\$ 65,382,761.39		

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

TOWNSHIP OF PARSIPPANY-TROY HILLS
TRUST FUNDS
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

	December 31,		
	2016	2015	2014
<u>ASSETS</u>			
Animal Control Fund:			
Cash and Cash Equivalents	\$ 68,433.41	\$ 50.00	\$ 50.00
Change Fund	50.00	50.00	50.00
Due from Current Fund	2.43	58,489.81	67,888.55
Due from Municipal Court			525.00
	<u>68,485.84</u>	<u>58,539.81</u>	<u>68,463.55</u>
Other Trust Funds:			
Cash and Cash Equivalents	17,259,270.34	15,049,450.99	12,521,396.02
Assets in the Hands of Plan Administrator:			
Workers' Compensation Plan	105,899.32	105,899.32	95,494.93
Due from Municipal Court	2,280.50	1,849.00	1,520.00
Due from Current Fund	8,379.41		1,586,417.12
Due from Sewer Utility Operating Fund			262,000.00
Due Payroll	2,178.12	2,178.12	2,178.12
Off Duty Police Receivable	58,319.00	69,324.00	
Federal Grants Receivable	241,308.45	435,611.38	316,139.69
	<u>17,677,635.14</u>	<u>15,664,312.81</u>	<u>14,785,145.88</u>
TOTAL ASSETS	<u>\$ 17,746,120.98</u>	<u>\$ 15,722,852.62</u>	<u>\$ 14,853,609.43</u>

LIABILITIES, RESERVES AND FUND BALANCE

Animal Control Fund:			
Reserve for Animal Control Expenditures	\$ 48,931.76	\$ 35,359.33	\$ 46,471.29
Reserve for Donations	19,541.48	18,431.48	16,124.26
Due to State of NJ	12.60	498.60	462.00
Prepaid Licenses		4,250.40	5,406.00
	<u>\$ 68,485.84</u>	<u>\$ 58,539.81</u>	<u>\$ 68,463.55</u>

TOWNSHIP OF PARSIPPANY-TROY HILLS
TRUST FUNDS
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

<u>LIABILITIES, RESERVES AND FUND BALANCE</u>	December 31,		
	<u>2016</u>	<u>2015</u>	<u>2014</u>
Other Trust Funds:			
Due to Current Fund		\$ 258,302.78	
Due to General Capital Fund		80,000.00	
Reserve for:			
Special Deposits	\$ 6,641,316.03	6,119,405.84	\$ 6,152,062.77
Premiums on Tax Sale	729,364.90	685,364.90	1,031,400.00
Security Deposits	17,043.87	17,026.76	17,009.66
Off Duty Police	27,627.50	30,792.50	21,703.36
Municipal Open Space Preservation Trust Fund	7,899,862.36	7,051,221.02	6,226,446.16
Workers' Compensation	102,996.40	105,899.32	95,494.93
Police Explorer Program	15,569.50		
State Unemployment Insurance Fund	94,265.60	167,274.47	113,403.25
Employee Health Benefit Fund - Municipal	942,440.25		
Employee Health Benefit Fund - Contractor	253,840.28	1,413.84	99,486.06
Storm Recovery	400,000.00	400,000.00	400,000.00
Accumulated Sick and Vacation Compensation	312,000.00	312,000.00	312,000.00
Grant Trust Fund Expenditures	241,308.45	435,611.38	316,139.69
	<u>17,677,635.14</u>	<u>15,664,312.81</u>	<u>14,785,145.88</u>
TOTAL LIABILITIES, RESERVES AND FUND BALANCE	<u>\$ 17,746,120.98</u>	<u>\$ 15,722,852.62</u>	<u>\$ 14,853,609.43</u>

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

TOWNSHIP OF PARSIPPANY-TROY HILLS
GENERAL CAPITAL FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

	December 31,		
	2016	2015	2014
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 4,629,601.39	\$ 6,531,906.34	\$ 3,360,202.54
Due from Current Fund		446,289.97	4,358.14
Due from Open Space Trust Fund		80,000.00	
Federal Emergency Management Agency Grant Receivable	4,123,208.90	4,520,990.19	7,220,206.00
New Jersey Department of Transportation Grant Receivable	247,176.35	225,000.00	460,000.00
County of Morris Open Space Grant Receivable	1,356,062.25	1,593,415.50	1,593,415.50
Deferred Charges to Future Taxation:			
Funded	27,550,455.26	33,326,935.83	39,257,430.85
Unfunded	52,438,261.01	44,639,439.69	35,995,228.69
TOTAL ASSETS	<u>\$ 90,344,765.16</u>	<u>\$ 91,363,977.52</u>	<u>\$ 87,890,841.72</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Serial Bonds Payable	\$ 13,750,000.00	\$ 16,500,000.00	\$ 19,465,000.00
Refunding Bonds	13,780,000.00	16,720,000.00	19,555,000.00
Green Acres Trust Acquisition Loan Payable	20,455.26	106,935.83	237,430.85
Bond Anticipation Notes Payable	38,663,000.00	29,932,000.00	20,198,000.00
Improvement Authorizations:			
Funded	3,205,586.11	4,647,572.57	6,683,892.29
Unfunded	19,097,924.10	21,995,839.02	21,152,894.46
Reserve for:			
Deposit for Regional Contribution Agreement	261,420.19	261,420.19	261,420.19
Developer Contributions	79,652.68	79,652.68	79,652.68
Payment of Debt Service	25,730.00	15,000.00	7,217.39
Forge Pond Dam	600,000.00		
Emergency Preparedness	122,442.50		
Due to Federal and State Grant Fund		290,325.55	
Capital Improvement Fund	31,008.00	33,757.00	33,757.00
Fund Balance	707,546.32	781,474.68	216,576.86
TOTAL LIABILITIES, RESERVES AND FUND BALANCE	<u>\$ 90,344,765.16</u>	<u>\$ 91,363,977.52</u>	<u>\$ 87,890,841.72</u>

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

TOWNSHIP OF PARSIPPANY-TROY HILLS
GENERAL CAPITAL FUND
COMPARATIVE STATEMENT OF FUND BALANCE - REGULATORY BASIS

	December 31,		
	<u>2016</u>	<u>2015</u>	<u>2014</u>
Balance January 1,	\$ 781,474.68	\$ 216,576.86	\$ 175,449.22
Increased by:			
Premium on Note Sale	604,071.64	781,474.68	215,714.64
Reimbursement of Prior Year Expense	69,880.00		
Cancellation of Improvement Authorizations	32,120.00		
	<u>1,487,546.32</u>	<u>998,051.54</u>	<u>391,163.86</u>
Decreased by:			
Utilized as Anticipated Revenue in the Current Fund	<u>780,000.00</u>	<u>216,576.86</u>	<u>174,587.00</u>
Balance December 31,	<u>\$ 707,546.32</u>	<u>\$ 781,474.68</u>	<u>\$ 216,576.86</u>

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

TOWNSHIP OF PARSIPPANY-TROY HILLS
WATER UTILITY CAPITAL FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

	December 31,		
	2016	2015	2014
<u>ASSETS</u>			
Operating Fund:			
Cash and Cash Equivalents	\$ 7,239,684.34	\$ 7,393,805.08	\$ 6,299,712.67
Due from Water Utility Capital Fund		2,944.67	
Receivables and Inventory with Full Reserves:			
Consumer Accounts Receivable	184,367.89	232,590.72	213,775.78
Water Utility Liens Receivable	252.57	252.57	252.57
Inventory	146,962.00	98,400.00	127,410.00
Total Receivables and Inventory with Full Reserves	331,582.46	334,187.96	341,438.35
Deferred Charges:			
Overexpenditure of Appropriation Reserves			25,898.10
Total Deferred Charges			25,898.10
Total Operating Fund	7,571,266.80	7,727,993.04	6,667,049.12
Capital Fund:			
Cash and Cash Equivalents	3,085,723.74	1,730,953.12	1,672,008.33
Fixed Capital	35,983,448.10	35,983,448.10	34,648,448.10
Fixed Capital Authorized and Uncompleted	6,090,000.00	5,920,000.00	5,135,000.00
Total Capital Fund	45,159,171.84	43,634,401.22	41,455,456.43
<u>TOTAL ASSETS</u>	<u>\$ 52,730,438.64</u>	<u>\$ 51,362,394.26</u>	<u>\$ 48,122,505.55</u>

TOWNSHIP OF PARSIPPANY-TROY HILLS
WATER UTILITY FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
(Continued)

	December 31,		
	2016	2015	2014
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Operating Fund:			
Liabilities:			
Appropriation Reserves	\$ 525,543.90	\$ 760,222.69	\$ 849,402.94
Reserve for Water Master Plan	24,250.03	24,250.03	24,250.03
Accrued Interest on Bonds	23,607.29	31,591.67	38,814.58
Accrued Interest on Loans	1,729.17	2,041.67	2,354.17
Accrued Interest on Notes	20,245.00	11,994.67	7,422.19
Water Rent Overpayments	29,156.56	36,096.18	18,382.62
Due to Current Fund	66.52	387,783.17	45,937.75
Due to Sewer Utility Operating Fund	21.75		
	<u>624,620.22</u>	<u>1,253,980.08</u>	<u>986,564.28</u>
Reserve for Receivables and Inventory	331,582.46	331,243.29	341,438.35
Fund Balance	<u>6,615,064.12</u>	<u>6,142,769.67</u>	<u>5,339,046.49</u>
Total Operating Fund	<u>7,571,266.80</u>	<u>7,727,993.04</u>	<u>6,667,049.12</u>
Capital Fund:			
Bond Anticipation Notes Payable	4,049,000.00	2,249,000.00	2,250,000.00
Serial Bonds Payable	1,825,000.00	2,190,000.00	2,555,000.00
Refunding Bonds Payable	570,000.00	1,030,000.00	1,475,000.00
N.J. Environmental Infrastructure Loans Payable	148,163.66	175,983.18	204,285.84
Improvement Authorizations:			
Funded	945,775.50	958,121.83	913,094.84
Unfunded	1,638,480.04	2,168,418.42	506,445.29
Capital Improvement Fund	314,498.22	314,498.22	14,498.22
Due to Water Utility Operating Fund		2,944.67	
Reserve for:			
Debt Service	192,749.21	192,749.21	204,438.21
Amortization	33,350,234.44	32,491,714.92	31,504,662.26
Deferred Amortization	2,035,989.00	1,771,689.00	1,738,750.00
Fund Balance	<u>89,281.77</u>	<u>89,281.77</u>	<u>89,281.77</u>
Total Capital Fund	<u>45,159,171.84</u>	<u>43,634,401.22</u>	<u>41,455,456.43</u>
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>\$ 52,730,438.64</u>	<u>\$ 51,362,394.26</u>	<u>\$ 48,122,505.55</u>

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

TOWNSHIP OF PARSIPPANY-TROY HILLS
WATER UTILITY OPERATING FUND
COMPARATIVE STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE - REGULATORY BASIS

	Years Ended December 31,		
	2016	2015	2014
<u>Revenue and Other Income Realized</u>			
Fund Balance Utilized	\$ 700,000.00	\$ 700,000.00	\$ 700,000.00
Rents	8,043,164.66	8,343,669.36	7,812,442.83
Interest on Investments	55,225.84	33,155.92	15,964.21
Water Utility Capital Fund Balance			23,557.00
Miscellaneous Revenue	53,377.02	21,683.35	116,247.10
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves	205,288.14	173,183.95	231,520.22
Total Income	9,057,055.66	9,271,692.58	8,899,731.36
<u>Expenditures</u>			
Budget Expenditures:			
Operating	6,248,312.00	5,699,870.00	5,408,699.00
Capital Improvements	170,000.00	425,000.00	880,000.00
Debt Service	1,111,369.71	1,048,506.20	1,000,579.95
Deferred Charges		25,900.00	
Statutory Expenditures	353,000.00	358,418.00	367,193.00
Prior Year Revenue Refunds	2,079.50	10,275.20	896.19
Total Expenditures	7,884,761.21	7,567,969.40	7,657,368.14
Excess in Revenue	1,172,294.45	1,703,723.18	1,242,363.22
<u>Fund Balance</u>			
Balance January 1	6,142,769.67	5,339,046.49	4,796,683.27
	7,315,064.12	7,042,769.67	6,039,046.49
Decreased by:			
Utilized as Anticipated Revenue	700,000.00	700,000.00	700,000.00
Prior Year Fund Balance Appropriated as Revenue -Current Fund		200,000.00	
Balance December 31	\$ 6,615,064.12	\$ 6,142,769.67	\$ 5,339,046.49

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

TOWNSHIP OF PARSIPPANY-TROY HILLS
WATER UTILITY CAPITAL FUND
COMPARATIVE STATEMENT OF FUND BALANCE - REGULATORY BASIS

	December 31,		
	2016	2015	2014
Balance January 1,	\$ 89,281.77	\$ 89,281.77	\$ 88,808.77
Increased by:			
Premium on Note Sale			24,030.00
	89,281.77	89,281.77	112,838.77
Decreased by:			
Anticipated Revenue in Water Utility			
Operating Fund Budget			23,557.00
Balance December 31,	\$ 89,281.77	\$ 89,281.77	\$ 89,281.77

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

TOWNSHIP OF PARSIPPANY-TROY HILLS
WATER UTILITY OPERATING FUND
COMPARATIVE STATEMENT OF REVENUE - REGULATORY BASIS

	For the Years Ended December 31,					
	2016		2015		2014	
	Anticipated	Realized	Anticipated	Realized	Anticipated	Realized
Operating Fund Balance Anticipated	\$ 700,000.00	\$ 700,000.00	\$ 700,000.00	\$ 700,000.00	\$ 700,000.00	\$ 700,000.00
Water Rents	7,200,000.00	8,043,164.66	6,852,142.00	8,343,669.36	6,936,860.00	7,812,442.83
Interest on Investments	25,000.00	55,225.84	15,000.00	33,155.92	15,000.00	15,964.21
Water Utility Capital Fund Balance					23,557.00	23,557.00
	7,925,000.00	8,798,390.50	7,567,142.00	9,076,825.28	7,675,417.00	8,551,964.04
		53,377.02		21,683.35		116,247.10
Nonbudget Revenue	\$ 7,925,000.00	\$ 8,851,767.52	\$ 7,567,142.00	\$ 9,098,508.63	\$ 7,675,417.00	\$ 8,668,211.14

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

TOWNSHIP OF PARSHIPANY-TROY HILLS
WATER UTILITY OPERATING FUND
COMPARATIVE STATEMENT OF EXPENDITURES - REGULATORY BASIS

For The Years Ended December 31,

	2016			2015			2014		
	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	\$ 2,372,128.00	\$ 2,310,533.53	\$ 61,594.47	\$ 2,260,530.00	\$ 2,213,079.30	\$ 47,450.70	\$ 2,081,411.00	\$ 2,009,702.85	\$ 71,708.15
Other Expenses	3,876,184.00	3,577,067.36	299,116.64	3,439,340.00	2,863,482.65	575,857.35	3,327,288.00	2,788,034.46	539,253.54
Capital Improvements:									
Capital Improvement Fund	170,000.00	170,000.00		425,000.00	425,000.00		880,000.00	880,000.00	
Debt Service:									
Payment of Bond Principal	825,000.00	825,000.00		810,000.00	810,000.00		783,000.00	783,000.00	
Payment of Bond Anticipation Notes and Capital Notes	100,000.00	100,000.00		45,000.00	45,000.00				
Interest on Bonds	107,610.00	102,890.62		138,611.00	130,202.09		162,335.00	155,593.75	
Interest on Notes	88,668.00	53,105.38		30,703.00	30,703.00		39,000.00	28,515.94	
Environmental Infrastructure Loan	32,410.00	30,373.71		33,640.00	32,601.11		35,190.00	33,470.26	
Deferred Charges:									
Prior Years Bills				25,900.00	25,898.10	1.90			
Statutory Expenditures:									
Contribution to:									
Public Employees' Retirement System	173,000.00	172,376.84	623.16	199,072.00	199,072.00		213,193.00	213,193.00	
Social Security (O.A.S.I.)	180,000.00	176,831.70	3,168.30	159,346.00	159,346.00	0.00	154,000.00	110,929.60	43,070.40
	<u>\$ 7,925,000.00</u>	<u>\$ 7,518,179.14</u>	<u>\$ 364,502.57</u>	<u>\$ 7,567,142.00</u>	<u>\$ 6,934,384.25</u>	<u>\$ 623,309.95</u>	<u>\$ 7,675,417.00</u>	<u>\$ 7,002,439.86</u>	<u>\$ 654,032.09</u>

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

TOWNSHIP OF PARSIPPANY-TROY HILLS
SEWER UTILITY FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

	December 31,		
	2016	2015	2014
<u>ASSETS</u>			
Operating Fund:			
Cash and Cash Equivalents	\$ 11,629,124.25	\$ 14,632,620.23	\$ 13,533,647.58
Due from Current Fund			116,562.98
Due from Sewer Utility Capital Fund		26,652.72	
Due from Water Utility Operating Fund	21.75		
	<u>11,629,146.00</u>	<u>14,659,272.95</u>	<u>13,650,210.56</u>
Receivables and Inventory With Full Reserves:			
Consumer Accounts Receivable	1,241,793.45	1,602,708.94	1,627,063.59
Sewer Utility Liens Receivable	721.81	721.81	721.81
Inventory	<u>64,068.00</u>	<u>45,225.00</u>	<u>96,214.96</u>
Total Receivables and Inventory with Full Reserves	1,306,583.26	1,648,655.75	1,724,000.36
Deferred Charges:			
Emergency Authorization (40A:4-46)	<u>376,250.00</u>		
Total Operating Fund	<u>13,311,979.26</u>	<u>16,307,928.70</u>	<u>15,374,210.92</u>
Capital Fund:			
Cash and Cash Equivalents	11,767,110.06	16,278,918.54	16,866,559.66
NJ Environmental Infrastructure Trust Loan Receivable	469,699.00	989,375.00	1,595,468.00
Fixed Capital	140,290,056.25	138,559,724.44	136,659,724.44
Fixed Capital Authorized and Uncompleted	<u>49,787,790.00</u>	<u>55,122,653.00</u>	<u>56,442,653.00</u>
Total Capital Fund	<u>202,314,655.31</u>	<u>210,950,670.98</u>	<u>211,564,405.10</u>
<u>TOTAL ASSETS</u>	<u>\$ 215,626,634.57</u>	<u>\$ 227,258,599.68</u>	<u>\$ 226,938,616.02</u>

TOWNSHIP OF PARSIPPANY-TROY HILLS
SEWER UTILITY FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
(Continued)

	December 31,		
	2016	2015	2014
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Operating Fund:			
Appropriation Reserves	\$ 1,871,821.69	\$ 2,440,771.43	\$ 2,207,982.34
Accrued Interest on Loans	81,114.94	86,759.41	92,088.16
Accrued Interest on Notes	28,319.79	35,606.25	41,881.25
Accrued Interest on Bonds	37,051.66	73,386.67	45,364.41
Sewer Rent Overpayments	45,941.52	94,144.56	45,753.46
Due to Other Trust Funds			262,000.00
Prepaid Sewer Rents	141,330.79		
Due to Current Fund	107.22	587,777.01	
	2,205,687.61	3,318,445.33	2,695,069.62
Reserve for Receivables and Inventory	1,306,583.26	1,648,655.75	1,724,000.36
Fund Balance	9,799,708.39	11,340,827.62	10,955,140.94
Total Operating Fund	13,311,979.26	16,307,928.70	15,374,210.92
Capital Fund:			
Bond Anticipation Notes Payable	7,410,332.00	13,760,000.00	13,752,000.00
Serial Bonds Payable	2,725,000.00	3,115,000.00	3,490,000.00
Refunding Bonds Payable	960,000.00	1,590,000.00	2,205,000.00
NJ Environmental Infrastructure Trust Loans Payable #1	119,006.32	127,659.95	136,274.58
NJ Environmental Infrastructure Trust Loans Payable #2	14,009,664.33	14,991,946.18	15,959,228.03
Improvement Authorizations:			
Funded	8,355,617.64	6,314,054.99	6,724,051.97
Unfunded	12,659,650.34	18,815,157.94	20,028,547.80
Due to Sewer Utility Operating Fund		26,652.72	
Capital Improvement Fund	166,000.00	1,123,750.00	1,023,750.00
Reserve for:			
Amortization	136,749,654.94	135,479,404.94	134,219,959.94
Deferred Amortization	18,797,493.85	15,314,808.37	13,733,356.89
Fund Balance	362,235.89	292,235.89	292,235.89
Total Capital Fund	202,314,655.31	210,950,670.98	211,564,405.10
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>\$ 215,626,634.57</u>	<u>\$ 227,258,599.68</u>	<u>\$ 226,938,616.02</u>

TOWNSHIP OF PARSIPPANY-TROY HILLS
SEWER UTILITY OPERATING FUND
COMPARATIVE STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCE - REGULATORY BASIS

	December 31,		
	2016	2015	2014
<u>Revenue and Other Income Realized</u>			
Fund Balance Utilized	\$ 1,000,000.00	\$ 1,000,000.00	\$ 1,000,000.00
Sewer Rents	14,636,082.11	14,926,606.58	13,779,790.46
Septage Removal	682,480.72	625,879.34	737,064.71
Interest on Investments	159,679.85	103,391.73	47,824.80
Capacity and Connection Fees			144,145.22
Sewer Utility Capital Fund Balance			110,196.00
Nonbudget Revenue	144,752.05	45,777.10	109,228.96
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves	1,093,204.34	919,139.77	122,459.24
Total Income	17,716,199.07	17,620,794.52	16,050,709.39
<u>Expenditures</u>			
Budget Expenditures:			
Operating	11,316,315.00	10,612,307.00	9,876,234.00
Capital Improvements	1,463,250.00	680,000.00	2,000,000.00
Debt Service	2,764,704.89	2,839,790.31	2,605,925.80
Deferred Charges and Statutory Expenditures	584,673.00	546,050.00	630,323.00
Refund of Prior Year Revenue	4,625.41	6,960.53	762.69
Total Expenditures	16,133,568.30	14,685,107.84	15,113,245.49
Excess in Revenue	1,582,630.77	2,935,686.68	937,463.90
Adjustments to Excess Before Fund Balance:			
Expenditures Included Above Which are by Statute			
Deferred Charges to Budget of Succeeding Year	376,250.00		
Statutory Excess to Fund Balance	1,958,880.77	2,935,686.68	937,463.90
<u>Fund Balance</u>			
Balance January 1	11,340,827.62	10,955,140.94	11,172,677.04
	13,299,708.39	13,890,827.62	12,110,140.94
Decreased by:			
Utilization as Anticipated Revenue	1,000,000.00	1,000,000.00	1,000,000.00
Prior Year Fund Balance Appropriated as Revenue -			
Current Fund	2,500,000.00	1,550,000.00	155,000.00
Balance December 31	\$ 9,799,708.39	\$ 11,340,827.62	\$ 10,955,140.94

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

TOWNSHIP OF PARSIPPANY-TROY HILLS
SEWER UTILITY CAPITAL FUND
COMPARATIVE STATEMENT OF FUND BALANCE - REGULATORY BASIS

	December 31,		
	2016	2015	2014
Balance January 1,	\$ 292,235.89	\$ 292,235.89	\$ 255,560.53
Increased by:			
Premium on Note Sale			146,871.36
Improvement Authorizations Cancelled	70,000.00		
	<u>362,235.89</u>	<u>292,235.89</u>	<u>402,431.89</u>
Decreased by:			
Utilized as Anticipated Revenue in Sewer Utility Operating Fund			110,196.00
Balance December 31,	<u>\$ 362,235.89</u>	<u>\$ 292,235.89</u>	<u>\$ 292,235.89</u>

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

TOWNSHIP OF PARSIPPANY-TROY HILLS
SEWER UTILITY OPERATING FUND
COMPARATIVE STATEMENT OF REVENUE - REGULATORY BASIS

	For the Years Ended December 31,					
	2016		2015		2014	
	Budget After Modification	Realized	Budget After Modification	Realized	Budget After Modification	Realized
Operating Fund Balance Anticipated	\$ 1,000,000.00	\$ 1,000,000.00	\$ 1,000,000.00	\$ 1,000,000.00	\$ 1,000,000.00	\$ 1,000,000.00
Sewer Rents	14,330,000.00	14,474,199.11	13,015,659.00	14,778,213.83	13,376,226.00	13,779,790.46
Interest on Investments	37,000.00	159,679.85	15,000.00	103,391.73	7,000.00	47,824.80
Septage Removal	500,000.00	682,480.72	500,000.00	625,879.34	650,000.00	737,064.71
Other Rents	148,000.00	161,883.00	161,883.00	148,392.75		
Capacity/Connection Fee					5,000.00	144,145.22
Sewer Capital Fund Balance					110,196.00	110,196.00
	16,015,000.00	16,478,242.68	14,692,542.00	16,655,877.65	15,148,422.00	15,819,021.19
Nonbudget Revenue		144,752.05		45,777.10		109,228.96
	<u>\$ 16,015,000.00</u>	<u>\$ 16,622,994.73</u>	<u>\$ 14,692,542.00</u>	<u>\$ 16,701,654.75</u>	<u>\$ 15,148,422.00</u>	<u>\$ 15,928,250.15</u>

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

TOWNSHIP OF PARSIPPANY-TROY HILLS
SEWER UTILITY OPERATING FUND

For the Years Ended December 31,						
	2016		2015		2014	
	Budget After Mod- ification	Paid or Charged	Reserved	Budget After Mod- ification	Paid or Charged	Reserved
Operating:						
Salaries and Wages	\$ 3,716,078.00	\$ 3,312,566.44	\$ 403,511.56	\$ 3,712,689.00	\$ 3,493,984.00	\$ 3,075,973.89
Other Expenses	7,600,237.00	6,315,893.24	1,284,343.76	6,899,618.00	6,382,250.00	5,031,392.56
Capital Improvements:						
Capital Improvement Fund	1,463,250.00	1,463,250.00		680,000.00	2,000,000.00	2,000,000.00
Debt Service:						
Payment of Bond Principal	1,020,000.00	1,020,000.00		990,000.00	963,300.00	963,300.00
Payment of Bond Anticipation Notes and Capital Notes	391,000.00	391,000.00		295,000.00	98,660.00	98,000.00
Interest on Bonds	144,740.00	144,738.54		191,069.00	212,520.00	206,577.92
Interest on Notes	277,757.00	238,100.54		186,536.00	171,700.00	144,036.27
Environmental Infrastructure Loan	1,193,515.00	970,865.81		1,191,580.00	1,195,685.00	1,194,011.61
Statutory Expenditures:						
Contribution to:						
Public Employees' Retirement System	288,000.00	287,294.74	705.26	265,119.00	355,323.00	355,323.00
Social Security System (O.A.S.I.)	296,673.00	258,303.49	38,369.51	280,931.00	275,000.00	186,187.21
	\$ 16,391,250.00	\$ 14,402,012.80	\$ 1,726,930.09	\$ 14,692,542.00	\$ 15,148,422.00	\$ 13,254,802.46
						\$ 1,857,680.34
Budget	\$ 16,015,000.00					
Emergency Authorization	376,250.00					
	\$ 16,391,250.00					

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

TOWNSHIP OF PARSIPPANY-TROY HILLS
GOLF AND RECREATION UTILITY FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

	December 31,		
	2016	2015	2014
<u>ASSETS</u>			
Operating Fund:			
Cash and Cash Equivalents	\$ 1,720,969.69	\$ 1,046,887.73	\$ 670,640.45
Investments			277,481.84
Change Funds	1,800.00		
	<u>1,722,769.69</u>	<u>1,046,887.73</u>	<u>948,122.29</u>
Due from Golf and Recreation Utility Capital Fund		29,069.04	
Receivables and Inventory with Full Reserves:			
Revenue Accounts Receivable	53,281.49	81,678.47	45,502.88
Inventory	<u>51,159.00</u>		
Total Receivables and Inventory with Full Receivables	<u>104,440.49</u>	<u>81,678.47</u>	<u>45,502.88</u>
Total Operating Fund	<u>1,827,210.18</u>	<u>1,157,635.24</u>	<u>993,625.17</u>
Capital Fund:			
Cash and Cash Equivalents	1,825,506.16	847,827.65	495,290.11
Due from Current Fund		26,943.36	
Fixed Capital	25,413,276.61	24,253,276.61	24,253,276.61
Fixed Capital Authorized and Uncompleted	<u>4,013,257.00</u>	<u>5,054,080.00</u>	<u>2,047,677.00</u>
Total Capital Fund	<u>31,252,039.77</u>	<u>30,182,127.62</u>	<u>26,796,243.72</u>
<u>TOTAL ASSETS</u>	<u>\$ 33,079,249.95</u>	<u>\$ 31,339,762.86</u>	<u>\$ 27,789,868.89</u>

TOWNSHIP OF PARSIPPANY-TROY HILLS
GOLF AND RECREATION UTILITY FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
(Continued)

	December 31,		
	2016	2015	2014
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Operating Fund:			
Liabilities:			
Appropriation Reserves	\$ 229,195.24	\$ 190,677.11	\$ 469,736.55
Sales Tax Payable	244.00		44.40
Accrued Interest on Bonds	12,293.75	15,477.08	18,466.25
Accrued Interest on Notes	10,665.00	4,852.12	2,579.62
Membership Overpayments	1,101.78	2,596.95	1,573.49
Prepaid Revenue		1,500.00	1,500.00
Due to Current Fund		14,075.34	63,515.34
Security Deposit	220,000.00	220,000.00	220,000.00
	473,499.77	449,178.60	777,415.65
Reserve for Receivables and Inventory	104,440.49	81,678.47	45,502.88
Fund Balance	1,249,269.92	626,778.17	170,706.64
	1,827,210.18	1,157,635.24	993,625.17
Total Operating Fund	1,827,210.18	1,157,635.24	993,625.17
Capital Fund:			
Bond Anticipation Notes Payable	2,133,000.00	910,000.00	782,000.00
Serial Bonds Payable	1,000,000.00	1,215,000.00	1,418,000.00
Improvement Authorizations:			
Funded	61,166.38	160,836.29	13,026.79
Unfunded	3,259,270.03	3,314,577.93	558,892.57
Capital Improvement Fund	161,593.05	181,593.05	31,593.05
Due to Golf and Recreation Utility Operating Fund		29,069.04	
Reserve for:			
Preliminary Expenses - Miniature Golf Recreation Facility	20,000.00		
Amortization	24,336,276.61	23,858,776.61	23,645,776.61
Deferred Amortization	235,663.00	467,204.00	301,884.00
Fund Balance	45,070.70	45,070.70	45,070.70
	31,252,039.77	30,182,127.62	26,796,243.72
Total Capital Fund	31,252,039.77	30,182,127.62	26,796,243.72
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>\$ 33,079,249.95</u>	<u>\$ 31,339,762.86</u>	<u>\$ 27,789,868.89</u>

TOWNSHIP OF PARSIPPANY-TROY HILLS
GOLF AND RECREATION UTILITY OPERATING FUND
COMPARATIVE STATEMENT OF OPERATIONS CHANGE IN FUND BALANCE - REGULATORY BASIS

	December 31,		
	2016	2015	2014
<u>Revenue and Other Income Realized</u>			
Fund Balance Utilized			\$ 149,000.00
Golf Fees	\$ 3,057,868.40	\$ 3,098,236.48	3,018,325.74
Room Rentals		7,172.00	15,770.00
Interest on Investments	18,183.01	8,159.11	10,852.49
Concessions:			
Utilities	33,657.85	22,733.43	21,467.39
Rent	660,000.00	662,750.00	660,000.00
Golf and Recreation Capital Fund Balance			5,758.00
Miscellaneous Revenue	1,184.01	11,210.20	971.75
Other Credits to Income:			
Overpayments Cancelled	2,333.57		
Unexpended Balance of Appropriation Reserves	101,865.40	187,728.64	141,495.87
Total Income	3,875,092.24	3,997,989.86	4,023,641.24
<u>Expenditures</u>			
Budget Expenditures:			
Operating	2,976,254.00	2,963,624.00	3,547,772.00
Capital Improvements	5,959.00	300,320.00	3,250.00
Debt Service	86,691.49	79,804.33	64,136.70
Deferred Charges and Statutory Expenditures	182,133.00	198,090.00	275,361.00
Prior Year Revenue Refunds	1,563.00	80.00	
Total Expenditures	3,252,600.49	3,541,918.33	3,890,519.70
Excess in Revenue	622,491.75	456,071.53	133,121.54
<u>Fund Balance</u>			
Balance January 1	626,778.17	170,706.64	186,585.10
	1,249,269.92	626,778.17	319,706.64
Decreased by:			
Utilized as Anticipated Revenue			149,000.00
Balance December 31	\$ 1,249,269.92	\$ 626,778.17	\$ 170,706.64

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

TOWNSHIP OF PARSIPPANY-TROY HILLS
GOLF AND RECREATION UTILITY CAPITAL FUND
COMPARATIVE STATEMENT OF FUND BALANCE - REGULATORY BASIS

	December 31,		
	2016	2015	2014
Balance January 1,	\$ 45,070.70	\$ 45,070.70	\$ 42,476.94
Increased by:			
Premium on Sale of Notes			8,351.76
	45,070.70	45,070.70	50,828.70
Decreased by:			
Utilized as Anticipated Revenue in the			
Golf and Recreation Utility Operating Fund			5,758.00
Balance December 31,	\$ 45,070.70	\$ 45,070.70	\$ 45,070.70

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

TOWNSHIP OF PARSIPPANY-TROY HILLS
GOLF AND RECREATION UTILITY OPERATING FUND
COMPARATIVE STATEMENT OF REVENUE - REGULATORY BASIS

	For the Years Ended December 31,					
	2016		2015		2014	
	Anticipated	Realized	Anticipated	Realized	Anticipated	Realized
Operating Fund Balance Anticipated					\$ 149,000.00	\$ 149,000.00
Golf Fees	\$ 2,600,000.00	\$ 3,057,868.40	\$ 2,851,362.00	\$ 3,098,236.48	3,172,454.00	3,018,325.74
Room Rentals			15,000.00	7,172.00	15,000.00	15,770.00
Interest on Investments	8,000.00	18,183.01	5,000.00	8,159.11	5,000.00	10,852.49
Concessions:						
Utilities	10,000.00	33,657.85	15,000.00	22,733.43	15,000.00	21,467.39
Rent	660,000.00	660,000.00	660,000.00	662,750.00	660,000.00	660,000.00
Capital Fund Balance					5,758.00	5,758.00
	3,278,000.00	3,769,709.26	3,546,362.00	3,799,051.02	4,022,212.00	3,881,173.62
Nonbudget Revenue		1,184.01		11,210.20		971.75
	<u>\$ 3,278,000.00</u>	<u>\$ 3,770,893.27</u>	<u>\$ 3,546,362.00</u>	<u>\$ 3,810,261.22</u>	<u>\$ 4,022,212.00</u>	<u>\$ 3,882,145.37</u>

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

For the Years Ended December 31,

B-28

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

TOWNSHIP OF PARSIPPANY-TROY HILLS
PUBLIC ASSISTANCE FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

	December 31,		
	2016	2015	2014
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 81,180.44	\$ 75,064.17	\$ 19,705.23
<u>TOTAL ASSETS</u>	<u>\$ 81,180.44</u>	<u>\$ 75,064.17</u>	<u>\$ 19,705.23</u>
 <u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Due to Current Fund			\$ 3.06
Reserve for Public Assistance	\$ 81,180.44	\$ 75,064.17	19,702.17
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>\$ 81,180.44</u>	<u>\$ 75,064.17</u>	<u>\$ 19,705.23</u>

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

TOWNSHIP OF PARSIPPANY-TROY HILLS
GENERAL FIXED ASSETS ACCOUNT GROUP
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

	December 31,		
	2016	2015	2014
<u>ASSETS</u>			
Land	\$ 107,841,072.00	\$ 104,259,502.00	\$ 104,227,400.00
Buildings	33,555,366.00	33,042,260.00	32,248,892.00
Furniture and Equipment	36,353.00	36,353.00	36,353.00
Vehicles and Road Equipment	19,239,931.00	18,700,897.00	17,136,904.00
Other Equipment	2,481,171.00	2,701,055.00	2,331,155.00
<u>TOTAL ASSETS</u>	<u>\$ 163,153,893.00</u>	<u>\$ 158,740,067.00</u>	<u>\$ 155,980,704.00</u>
 <u>RESERVE</u>			
Reserve for Fixed Assets	\$ 163,153,893.00	\$ 158,740,067.00	\$ 155,980,704.00
<u>TOTAL RESERVE</u>	<u>\$ 163,153,893.00</u>	<u>\$ 158,740,067.00</u>	<u>\$ 155,980,704.00</u>

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

TOWNSHIP OF PARSIPPANY-TROY HILLS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

Except as noted below, the financial statements of the Township of Parsippany-Troy Hills include every board, body, officer or commission supported and maintained wholly or in part by funds appropriated by the Township of Parsippany-Troy Hills, as required by N.J.S. 40A:5-5. Accordingly, the financial statements of the Township of Parsippany-Troy Hills do not include the operations of the Municipal Library.

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

B. Description of Funds

The accounting policies of the Township of Parsippany-Troy Hills 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 Parsippany-Troy Hills 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 - Receipts, custodianship and disbursement of funds in accordance with the purpose for which each reserve was created.

TOWNSHIP OF PARSIPPANY-TROY HILLS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)

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

B. Description of Funds (Cont'd)

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

Water Utility Operating and Capital Funds – Account for the operations and acquisition of capital facilities of the municipally owned Water Utility.

Sewer Utility Operating and Capital Funds – Account for the operations and acquisition of capital facilities of the municipally owned Sewer Utility.

Golf and Recreation Utility Operating and Capital Funds – Account for the operations and acquisition of capital facilities of the municipally owned Golf and Recreation 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. The operations of the State funded General Assistance Program were transferred to the County of Morris.

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

C. Basis of Accounting

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

The more significant accounting policies in New Jersey follow.

Revenue is recorded when received in cash except for certain amounts which may be due from the State of New Jersey and for the prepayment of future years' revenue. Grant revenue is realized in the operating funds when it is budgeted 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. Other amounts that are due to the municipality, which are susceptible of accrual, are recorded as receivables with offsetting reserves in the Current Fund.

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

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

TOWNSHIP OF PARSIPPANY-TROY HILLS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)

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

C. Basis of Accounting (Cont'd)

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

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

The cash basis of accounting is followed in the Trust 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, by collecting a grant, by selling bonds, by issuing loans or through capital lease purchase agreements.

- E. Other significant accounting policies include:

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

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

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

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

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

TOWNSHIP OF PARSIPPANY-TROY HILLS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)

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

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

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

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

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

Inventories of Supplies - The cost of inventories of supplies for all funds, except the Water, Sewer and Golf and Recreation Utility, is recorded as expenditures at the time individual items are purchased. The cost of the Water, Sewer, and Golf and Recreation Utility Operating Fund inventory is included on its balance sheet and is offset by a reserve.

General Fixed Assets Account Group – In accordance with N.J.A.C. accounting requirements, the Township has developed a fixed assets accounting and reporting system based on the following:

General fixed assets are recorded at cost except for land, which is recorded at estimated historical cost. Infrastructure assets are not included in general fixed assets, as per state directive. Major renewals and betterments are charged to the asset accounts; maintenance and minor repairs and replacements, which do not improve or extend the lives of the respective assets, are expensed currently. Donated fixed assets are valued at their fair market value on the date donated. No depreciation has been provided 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, the General Capital Fund and the Utility Funds. The values recorded in the General Fixed Assets Account Group and the Current, General Capital and Utility Funds may not always agree due to differences in valuation methods, timing of recognition of assets and the recognition of infrastructures. Fixed assets are reviewed for impairment.

Property and equipment purchased by the Water, Sewer and Golf and Recreation Utility Funds are recorded in their respective capital accounts at cost. The amounts shown do not purport to represent replacement costs or current value. 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 funds represent charges to operations for the costs of acquisitions of property, equipment and improvements. The utilities do not record depreciation on fixed assets.

TOWNSHIP OF PARSIPPANY-TROY HILLS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)

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

- F. Budget/Budgetary Control – Annual appropriated budgets are usually prepared in the first quarter for the Current, Open Space, Water, Sewer and Golf and Recreation Utility Operating Funds. The budgets are submitted to the governing body and the 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 N.J.S.A. 40A. All budget amendments/transfers must be approved by the Township during the year.

Note 2: Long-Term Debt

The Local Bond Law governs the issuance of bond 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 has been pledged to the payment of the general obligation debt principal and interest.

Summary of Municipal Debt

	December 31,		
	2016	2015	2014
<u>Issued</u>			
General:			
Bonds, Loans and Notes	\$ 66,213,455	\$ 63,258,936	\$ 59,455,431
Water Utility:			
Bonds, Loans and Notes	6,592,163	5,644,983	6,484,286
Sewer Utility:			
Bonds, Loans and Notes	25,224,003	33,584,606	35,542,503
Golf and Recreation Utility:			
Bonds and Notes	3,133,000	2,125,000	2,200,000
Total Issued	<u>101,162,621</u>	<u>104,613,525</u>	<u>103,682,220</u>
Less:			
Funds Temporarily Held			
to Pay Bonds and Notes:			
General	105,383	94,653	86,870
Water Utility	192,749	192,749	204,438
Total Deductions	<u>298,132</u>	<u>287,402</u>	<u>291,308</u>
Net Debt Issued	<u>100,864,489</u>	<u>104,326,123</u>	<u>103,390,912</u>

TOWNSHIP OF PARSIPPANY-TROY HILLS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)

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

Summary of Municipal Debt (Cont'd)

	December 31,		
	2016	2015	2014
<u>Authorized but not Issued:</u>			
General:			
Bonds, Loans and Notes	\$ 13,775,261	\$ 14,707,440	\$ 15,797,229
Water Utility:			
Bonds, Loans and Notes	95,061	1,995,061	55,750
Sewer Utility:			
Bonds, Loans and Notes	9,306,695	9,303,558	9,606,558
Golf and Recreation Utility:			
Bonds and Notes	1,721,594	2,856,376	153,293
Total Authorized but not Issued	<u>24,898,611</u>	<u>28,862,435</u>	<u>25,612,830</u>
Net Bonds and Notes Issued and Authorized but not Issued	<u>\$ 125,763,100</u>	<u>\$ 133,188,558</u>	<u>\$ 129,003,742</u>

Summary of Municipal Debt Issued and Outstanding – Prior Year

	Balance 12/31/14	Additions	Retirements	Balance 12/31/15
Serial Bonds:				
General Capital Fund	\$ 39,020,000		\$ 5,800,000	\$ 33,220,000
Water Utility Capital Fund	4,030,000		810,000	3,220,000
Sewer Utility Capital Fund	5,695,000		990,000	4,705,000
Golf and Recreation Utility Capital Fund	1,418,000		203,000	1,215,000
Bond Anticipation Notes:				
General Capital Fund	20,198,000	\$ 29,932,000	20,198,000	29,932,000
Water Utility Capital Fund	2,250,000	2,249,000	2,250,000	2,249,000
Sewer Utility Capital Fund	13,752,000	13,760,000	13,752,000	13,760,000
Golf and Recreation Utility Capital Fund	782,000	910,000	782,000	910,000
Loans Payable:				
General Capital Fund:				
Green Trust Loans	237,431		130,495	106,936
Water Utility Capital Fund:				
NJ Environmental Infrastructure Loan	204,286		28,303	175,983
Sewer Utility Capital Fund:				
NJ Environmental Infrastructure Loan	16,095,503		975,897	15,119,606
Total	<u>\$ 103,682,220</u>	<u>\$ 46,851,000</u>	<u>\$45,919,695</u>	<u>\$ 104,613,525</u>

TOWNSHIP OF PARSIPPANY-TROY HILLS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)

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

Summary of Municipal Debt Issued and Outstanding – Current Year

	Balance 12/31/15	Additions	Retirements	Balance 12/31/16
Serial Bonds:				
General Capital Fund	\$ 33,220,000		\$ 5,690,000	\$ 27,530,000
Water Utility Capital Fund	3,220,000		825,000	2,395,000
Sewer Utility Capital Fund	4,705,000		1,020,000	3,685,000
Golf and Recreation Utility Capital Fund	1,215,000		215,000	1,000,000
Bond Anticipation Notes:				
General Capital Fund	29,932,000	\$ 38,663,000	29,932,000	38,663,000
Water Utility Capital Fund	2,249,000	4,049,000	2,249,000	4,049,000
Sewer Utility Capital Fund	13,760,000	7,410,332	13,760,000	7,410,332
Golf and Recreation Utility Capital Fund	910,000	2,133,000	910,000	2,133,000
Loans Payable:				
General Capital Fund:				
Green Trust Loans	106,936		86,481	20,455
Water Utility Capital Fund:				
NJ Environmental Infrastructure Loan	175,983		27,819	148,164
Sewer Utility Capital Fund:				
NJ Environmental Infrastructure Loan	15,119,606		990,936	14,128,670
Total	<u>\$ 104,613,525</u>	<u>\$ 52,255,332</u>	<u>\$55,706,236</u>	<u>\$ 101,162,621</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 .937%.

	Gross Debt	Deductions	Net Debt
Local School District Debt	\$ 31,570,000	\$ 33,470,000	
Water Utility Debt	6,687,225	7,640,044	
Sewer Utility Debt	34,530,697	42,888,164	
Golf and Recreation Utility Debt	4,854,594	4,981,376	
General Debt	79,988,716	105,383	\$ 79,883,333
	<u>\$ 157,631,232</u>	<u>\$ 89,084,967</u>	<u>\$ 79,883,333</u>

Net Debt: \$79,883,333 divided by Equalized Valuation basis per N.J.S. 40A:2-2, as amended, of \$8,528,647,472.33 = .937%.

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

3-1/2% Average Equalized Valuation of Real Property	\$ 296,868,777
Net Debt	79,883,333
Remaining Borrowing Power	<u>\$ 216,985,444</u>

TOWNSHIP OF PARSIPPANY-TROY HILLS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)

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

Calculation of "Self-Liquidating Purpose", Water Utility Per N.J.S.40A:2-45

Cash Receipts from Fees, Rents or Other Charges for Year \$ 8,851,768

Deductions:

Operating and Maintenance Cost	\$	6,601,312	
Debt Service		1,111,370	
			7,712,682

Excess in Revenue \$ 1,139,086

Calculation of "Self-Liquidating Purpose", Sewer Utility Per N.J.S.40A:2-45

Cash Receipts from Fees, Rents or Other Charges for Year \$ 16,764,326

Deductions:

Operating and Maintenance Cost	\$	11,900,988	
Debt Service		2,764,705	
			14,665,693

Excess in Revenue \$ 2,098,633

Calculation of "Self-Liquidating Purpose", Golf and Recreation Utility Per N.J.S.40A:2-45

Cash Receipts from Fees, Rents or Other Charges for Year \$ 3,770,893

Deductions:

Operating and Maintenance Cost	\$	3,158,387	
Debt Service		86,891	
			3,245,278

Excess in Revenue \$ 525,615

Note: If there is a deficit in revenue, then the utility debt is not deductible to the extent of 20 times such deficit amount.

Schedule of Annual Debt Service for the Next Five Years and Thereafter for

Bonded Debt and Loans Issued and Outstanding

Year Ended December 31,	General		Water Utility		Sewer Utility		Golf and Recreation Utility		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 5,945,455	\$ 1,043,700	\$ 867,336	\$ 87,013	\$ 2,035,982	\$ 315,164	\$ 225,000	\$ 33,813	\$ 7,037,791	\$ 1,164,526
2018	4,335,000	813,075	436,853	53,786	1,541,036	262,822	230,000	26,200	5,001,853	893,061
2019	4,365,000	668,775	436,370	39,613	1,586,095	232,889	230,000	17,900	5,031,370	726,288
2020	2,420,000	498,200	244,108	24,300	1,501,160	201,548	75,000	9,450	2,739,108	531,950
2021	2,450,000	412,900	208,497	21,000	1,431,232	170,576	80,000	7,250	2,738,497	441,150
2022-2026	8,035,000	727,300	350,000	11,450	6,237,443	521,998	160,000	7,200	8,545,000	745,950
2027-2029					3,480,722	107,352			3,480,722	107,352
	<u>\$ 27,550,455</u>	<u>\$ 4,163,950</u>	<u>\$ 2,543,164</u>	<u>\$ 237,162</u>	<u>\$ 17,813,670</u>	<u>\$ 1,812,349</u>	<u>\$ 1,000,000</u>	<u>\$ 101,813</u>	<u>\$ 34,574,341</u>	<u>\$ 4,610,277</u>

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

TOWNSHIP OF PARSIPPANY-TROY HILLS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)

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

Analysis of Debt Issued and Outstanding at December 31, 2016

General Capital Fund

Serial Bonds

<u>Purpose</u>	<u>Maturities of Bonds</u> <u>Outstanding Dec. 31, 2016</u>		<u>Interest</u> <u>Rate</u>	<u>Balance</u> <u>Dec. 31, 2016</u>
	<u>Date</u>	<u>Amount</u>		
Refunding Bonds	10/1/2017	\$ 70,000	3.00%	
	10/1/2017	1,870,000	5.00%	\$ 1,940,000
Refunding Bonds	7/15/2017	1,135,000	4.00%	
	7/15/2018	1,185,000	3.00%	
	7/15/2019	180,000	4.00%	
	7/15/2019	1,035,000	5.00%	
	7/15/2020	1,270,000	4.00%	
	7/15/2021	1,300,000	4.00%	
	7/15/2022	1,340,000	5.00%	
	7/15/2023	1,460,000	5.00%	
	7/15/2024	1,470,000	4.00%	
	7/15/2025	1,465,000	4.00%	11,840,000
General Improvements	7/1/2017	1,700,000	3.75%	
	7/1/18-19	2,000,000	4.00%	5,700,000
General Improvements	11/1/2017	1,150,000	2.25%	
	11/1/2018	1,150,000	2.50%	
	11/1/2019	1,150,000	2.75%	
	11/1/20-23	1,150,000	3.00%	8,050,000
				<u>\$ 27,530,000</u>

TOWNSHIP OF PARSIPPANY-TROY HILLS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)

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

General Capital New Jersey Green Acres Trust Loans

The Township entered into two loan agreements with the State of New Jersey, Department of Environmental Protection and Energy under the Green Acres Trust Loan program. A loan for the acquisition of land in the amount of \$1,500,000 principal and interest payments commencing effective 1996 and continuing a semiannual basis through April 2016. A loan for the acquisition of land in the amount of \$664,482, which represents the loan proceeds drawn down and bearing 2% interest, was effective 1997 with principal and interest payments commencing and continuing a semiannual basis through May 2017.

The balances of the loans at December 31, 2016 were as follows:

<u>Purpose</u>	<u>Final Maturity Date of Green Trust Loan Payable</u>	<u>Interest Rate</u>	<u>Balance Dec. 31, 2016</u>
Acquisition of Land	5/19/2017	2.00%	\$ 20,455
			<u>\$ 20,455</u>

Bond Anticipation Notes

<u>Purpose</u>	<u>Maturities of Notes Outstanding Dec. 31, 2016</u>		<u>Interest Rate</u>	<u>Balance Dec. 31, 2016</u>
	<u>Date</u>	<u>Amount</u>		
Various Capital Improvements	9/21/2017	\$ 38,663,000	2.00%	<u>\$ 38,663,000</u>

TOWNSHIP OF PARSIPPANY-TROY HILLS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)

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

Water Utility Capital Fund

<u>Serial Bonds</u>	Maturities of Bonds			
	<u>Outstanding Dec. 31, 2016</u>			
<u>Purpose</u>	<u>Date</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Balance Dec. 31, 2016</u>
Water Improvements	7/1/2017	\$ 200,000	3.75%	
	7/1/2018	200,000	4.00%	
	7/1/2019	200,000	4.00%	\$ 600,000
Water Improvements	11/1/2017	175,000	2.25%	
	11/1/2018	175,000	2.50%	
	11/1/2019	175,000	2.75%	
	11/1/2020	175,000	3.00%	
	11/1/2021	175,000	3.00%	
	11/1/2022	175,000	3.00%	
	11/1/2023	175,000	3.00%	1,225,000
Refunding Bonds	12/1/2017	190,000	4.13%	190,000
Refunding Bonds	10/1/2017	10,000	3.00%	
	10/1/2017	230,000	5.00%	240,000
Refunding Bonds	7/15/2017	35,000	4.00%	
	7/15/2018	35,000	3.00%	
	7/15/2019	35,000	5.00%	
	7/15/2020	35,000	4.00%	140,000
				<u>\$ 2,395,000</u>

TOWNSHIP OF PARSIPPANY-TROY HILLS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)

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

Water Utility Capital Fund

<u>Loan Payable</u>	Final Maturity Date of NJ Environmental Infrastructure Loan Payable	Interest Rate	Balance Dec. 31, 2016
<u>Purpose</u>			
Improvement of Water Supply and Distribution System	8/1/2021	4.75% to 5.00%	<u>\$ 148,164</u>

Bond Anticipation Notes

	Maturities of Notes Outstanding Dec. 31, 2016		Interest Rate	Balance Dec. 31, 2016
<u>Purpose</u>	<u>Date</u>	<u>Amount</u>		
Improvement of Water System	9/21/2017	\$ 2,249,000	2.00%	<u>\$ 4,049,000</u>

Sewer Utility Capital Fund

Serial Bonds

	Maturities of Bonds Outstanding Dec. 31, 2016		Interest Rate	Balance Dec. 31, 2016
<u>Purpose</u>	<u>Date</u>	<u>Amount</u>		
Sewer Improvements	7/1/2017	\$ 80,000	3.75%	
	7/1/2018	100,000	4.00%	
	7/1/2019	100,000	4.00%	\$ 280,000
Sewer Improvements	11/1/2017	310,000	2.25%	
	11/1/2018	325,000	2.50%	
	11/1/2019	350,000	2.75%	
	11/1/2020	350,000	3.00%	
	11/1/2021	370,000	3.00%	
	11/1/2022	370,000	3.00%	
	11/1/2023	370,000	3.00%	2,445,000
Refunding Bonds	12/1/2017	330,000	4.125%	330,000

TOWNSHIP OF PARSIPPANY-TROY HILLS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)

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

Sewer Utility Capital Fund

Serial Bonds

<u>Purpose</u>	<u>Maturities of Bonds</u> <u>Outstanding Dec. 31, 2016</u>		<u>Interest</u> <u>Rate</u>	<u>Balance</u> <u>Dec. 31, 2016</u>
	<u>Date</u>	<u>Amount</u>		
Refunding Bonds	10/1/2017	\$ 5,000	3.00%	
	10/1/2017	215,000	5.00%	\$ 220,000
Refunding Bonds	7/15/2017	95,000	4.00%	
	7/15/2018	100,000	3.00%	
	7/15/2019	105,000	5.00%	
	7/15/2020	110,000	4.00%	410,000
				<u>\$ 3,685,000</u>

Loan Payable

<u>Purpose</u>	<u>Final Maturity Date of NJ</u> <u>Environmental Infrastructure</u> <u>Loan Payable</u>	<u>Interest</u> <u>Rate</u>	<u>Balance</u> <u>Dec. 31, 2016</u>
Sewer Improvements	8/1/2029	3.50% to 5.00%	<u>\$ 14,128,670</u>

Bond Anticipation Notes

<u>Purpose</u>	<u>Maturities of Notes</u> <u>Outstanding Dec. 31, 2016</u>		<u>Interest</u> <u>Rate</u>	<u>Balance</u> <u>Dec. 31, 2016</u>
	<u>Date</u>	<u>Amount</u>		
Various Sewer Utility Improvements	9/21/2017	\$ 13,760,000	2.00%	<u>\$ 7,410,332</u>

TOWNSHIP OF PARSIPPANY-TROY HILLS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)

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

Golf and Recreation Utility Capital Fund

Serial Bonds

<u>Purpose</u>	<u>Maturities of Bonds</u>		<u>Interest Rate</u>	<u>Balance Dec. 31, 2016</u>
	<u>Outstanding Dec. 31, 2016</u>			
	<u>Date</u>	<u>Amount</u>		
General Improvements	7/1/2017	\$ 170,000	3.75%	
	7/1/2018	170,000	4.00%	
	7/1/2019	170,000	4.00%	\$ 510,000
General Improvements	11/1/2017	55,000	2.25%	
	11/1/2018	60,000	2.50%	
	11/1/2019	60,000	2.75%	
	11/1/2020	75,000	3.00%	
	11/1/2021	80,000	3.00%	
	11/1/2022	80,000	3.00%	
	11/1/2023	80,000	3.00%	490,000
				<u>\$ 1,000,000</u>

Bond Anticipation Notes

<u>Purpose</u>	<u>Maturities of Notes</u>		<u>Interest Rate</u>	<u>Balance Dec. 31, 2016</u>
	<u>Outstanding Dec. 31, 2016</u>			
	<u>Date</u>	<u>Amount</u>		
Various Improvements and Equipment	9/21/2017	\$ 2,133,000	2.00%	<u>\$ 2,133,000</u>

Total Debt Issued and Outstanding

\$ 101,162,621

N.J. Environmental Infrastructure Loan

Loan agreements were entered into by the Township of Parsippany-Troy Hills with the New Jersey Department of Environmental Protection for the purpose of improvements to the water system in 2001 at an interest rate of 4.75% to 5.50% and for the purpose of improvements to the waste water treatment plant in 2010 at an interest rate of 1.15% to 5.00%. Loans payable at December 31, 2016 for the Water Utility Capital Fund and Sewer Utility Capital Fund were \$148,163 and \$14,128,670, respectively.

Refunding Bonds:

On July 15, 2012, the Township issued \$16,115,000 refunding bonds with interest rates ranging from 1.50% to 4.00% to refund \$17,135,000 dated June 1, 2005 with an interest rates ranging from 1.50% to 4.00%. The refunding bonds will mature on July 15, 2012 through July 15, 2025 and constitute an advanced refunding. The refunding met the requirements of an in-substance debt defeasance.

TOWNSHIP OF PARSIPPANY-TROY HILLS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)

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

Refunding Bonds (Cont'd)

As a result of the advance refunding, the Township reduced its total debt service requirement by \$2,320,284 which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt).

Net Pension Liability

The State of New Jersey Public Employees' Retirement System's (PERS) net pension liability was calculated to be \$70,270,709 at June 30, 2016. The State of New Jersey Police and Firemen's Retirement System's (PFRS) net pension liability was calculated to be \$58,271,124 at June 30, 2016. See Note 4 for further information on the PERS and PFRS.

Note 3: Fund Balances Appropriated

Fund Balances at December 31, 2016 which was included in the introduced budget as appropriated and as anticipated revenue for the year ending December 31, 2017 budget were as follows:

Current Fund:	
Current Fund Balance	\$3,700,000
Water Utility Operating Fund Balance	\$700,000
Sewer Utility Operating Fund Balance	\$2,500,000
Water Utility Operating Fund	\$700,000
Sewer Utility Operating Fund	\$1,000,000
Golf and Recreation Utility	
Operating Fund	\$200,000

Note 4: Pension Plans

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

A. Public Employees' Retirement System (PERS)

Plan Description

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

TOWNSHIP OF PARSIPPANY-TROY HILLS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)

Note 4: Pension Plans (Cont'd)

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

Benefits Provided

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

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

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 before age 62 with 25 or more years of service credit and Tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Contributions

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing members. The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. Township contributions to PERS amounted to \$2,053,004 for 2016.

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

TOWNSHIP OF PARSIPPANY-TROY HILLS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)

Note 4: Pension Plans (Cont'd)

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

Pension Liabilities and Pension Expense

At June 30, 2016, the Township's liability was \$70,270,709 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015 which was rolled forward to June 30, 2016. The Township's proportion of the net pension liability was based on a projection of the Township's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2016, the Township's proportion was 0.237%, which was an increase of 0.003% from its proportion measured as of June 30, 2015.

For the year ended December 31, 2016, the Township recognized actual pension expense in the amount of \$6,709,439.

Actuarial Assumptions

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

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

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

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

TOWNSHIP OF PARSIPPANY-TROY HILLS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)

Note 4: Pension Plans (Cont'd)

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

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.90% at June 30, 2016) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. The long-term expected rate of return was determined using a building block method 65 in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS' target asset allocation as of June 30, 2016 are summarized in the following table:

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

Discount Rate

The discount rate used to measure the total pension liability was 3.98% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65% and a municipal bond rate of 2.95% as of June 30, 2016 based on the Bond Buyer Go 20 Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based upon the contribution rate in the most recent fiscal year. The local employers contributed 100% of their actuarially determined contributions.

TOWNSHIP OF PARSIPPANY-TROY HILLS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)

Note 4: Pension Plans (Cont'd)

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

Discount Rate (Cont'd)

Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2034. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

The following presents the Township's proportionate share of the collective net pension liability as of June 30, 2016 calculated using the discount rate as disclosed below, as well as what the Township's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2016		
	1% Decrease (2.98%)	Current Discount Rate (3.98%)	1% Increase (4.98%)
Township's proportionate share of the Net Pension Liability	\$ 86,108,551	\$ 70,270,709	\$ 57,195,196

Pension Plan Fiduciary Net Position

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

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

Plan Description

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

TOWNSHIP OF PARSIPPANY-TROY HILLS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)

Note 4: Pension Plans (Cont'd)

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

Benefits Provided

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

The following represents the membership tiers for PFRS:

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

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

Contributions

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

Special Funding Situation

Under N.J.S.A. 43:16A-15, local participating employers are responsible for their own contributions based on actuarially determined amounts, except where legislation was passed which legally obligated the State if certain circumstances occurred. The legislation which legally obligates the State is as follows: Chapter 8, P.L. 2000, Chapter 318, P.L. 2001, Chapter 86, P.L. 2001, Chapter 511, P.L. 1991, Chapter 109, P.L. 1979, Chapter 247, P.L. 1993 and Chapter 201, P.L. 2001. The amounts contributed on behalf of the local participating employers under this legislation is considered to be a special funding situation as defined by

TOWNSHIP OF PARSIPPANY-TROY HILLS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)

Note 4: Pension Plans (Cont'd)

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

Special Funding Situation (Cont'd)

Since the local participating employers do not contribute under this legislation directly to the plan (except for employer specified financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers related to this legislation. However, the notes to the financial statements of the local participating employers must disclose the portion of the nonemployer contributing entities' total proportionate share of the collective net pension liability that is associated with the local participating employer. The June 30, 2016 State special funding situation net pension liability amount is the accumulated difference between the annual actuarially determined State obligation under the special funding situation and the actual State contribution through the valuation date. The State special funding situation pension expense for the fiscal year ended June 30, 2016 is the actuarially determined contribution amount that the State owes for the fiscal year ending June 30, 2016. The pension expense is deemed to be a State administrative expense due to the special funding situation.

Township contributions to PFRS amounted to \$2,487,144 for the year ended December 31, 2016. During the fiscal year ended June 30, 2016, the State of New Jersey contributed \$187,498 to the PFRS for normal pension benefits on behalf of the Township, which is less than the contractually required contribution of \$624,994.

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

Pension Liabilities and Pension Expense

At June 30, 2016, the Township's liability for its proportionate share of the net pension liability was \$58,271,124. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015 which was rolled forward to June 30, 2016. The Township's proportion of the net pension liability was based on a projection of the Township's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2016, the Township's proportion was 0.305%, which was an increase of 0.001% from its proportion measured as of June 30, 2015.

Additionally, the State's proportionate share of the net pension liability attributable to the Township is \$4,893,329 as of June 30, 2016. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015 which was rolled forward to June 30, 2016. The State's proportionate share of the net pension liability associated with the Township was based on a projection of the Township's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

TOWNSHIP OF PARSIPPANY-TROY HILLS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)

Note 4: Pension Plans (Cont'd)

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

Pension Liabilities and Pension Expense (Cont'd)

At June 30, 2016, the State's proportion was 0.305%, which was an increase of 0.001% from its proportion measured as of June 30, 2015 which is the same proportion as the Township's.

Township's Proportionate Share of the Net Pension Liability	\$ 58,271,124
State's Proportionate Share of the Net Pension Liability Associated with the Township	<u>4,893,329</u>
Total Net Pension Liability	<u>\$ 63,164,453</u>

For the year ended December 31, 2016, the Town recognized total pension expense of \$2,487,144.

Actuarial Assumptions

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

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

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

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

TOWNSHIP OF PARSIPPANY-TROY HILLS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)

Note 4: Pension Plans (Cont'd)

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

Long Term Expected Rate of Return

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

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

Discount Rate – PFRS

The discount rate used to measure the total pension liability was 5.55% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65% and a municipal bond rate of 2.85% as of June 30, 2016 based on the Bond Buyer Go 20 Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 30% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions.

TOWNSHIP OF PARSIPPANY-TROY HILLS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)

Note 4: Pension Plans (Cont'd)

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

Discount Rate – PFRS (Cont'd)

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2050. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through 2050, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

The following presents the total net pension liability (including the State's proportionate share of the net pension liability attributable to the Township) as of June 30, 2016 calculated using the discount rate as disclosed above, as well as what the collective net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2016		
	At 1% Decrease (4.55%)	At Current Discount Rate (5.55%)	At 1% Increase (6.55%)
Township's proportionate share of the NPL and the State's proportionate share of the Net Pension Liability associated with the Township	\$ 81,445,930	\$ 63,164,453	\$ 48,257,007

Plan Fiduciary Net Position – PFRS

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

C. Defined Contribution Retirement Program (DCRP)

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

TOWNSHIP OF PARSIPPANY-TROY HILLS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)

Note 4: Pension Plans (Cont'd)

C. Defined Contribution Retirement Program (DCRP) (Cont'd)

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

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

For DCRP, the Township recognized pension expense of \$6,722 for the year ended December 31, 2016. Employee contributions to DCRP amounted to \$16,858 for the year ended December 31, 2016.

Note 5: 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 Parsippany-Troy Hills has elected not to defer school taxes.

Note 6: Accrued Sick and Vacation Benefits

The Township permits employees to accrue a limited amount of unused vacation and sick pay, which may be taken as time off or paid at a later date at an agreed-upon rate. It is estimated that the current cost of such unpaid compensation would approximate \$6,641,314 at December 31, 2016. This amount is not reported either as expenditure or a liability. It is expected that the cost of such unpaid compensation would be included in the Township's budget operating expenditures in the year in which it is used.

The reserves for accumulated sick and vacation time of \$312,000 reflected on the Other Trust Funds' balance sheet as of December 31, 2016 represent partial funding of the total estimated amount.

Note 7: Selected Tax Information

Property taxes are levied as of January 1 on property values assessed as of the previous calendar year. The tax levy is divided into two billings. The first billing is an estimate of the current year's levy based on the prior year's taxes. The second billing reflects adjustments to the current year's actual levy. The final tax bill is usually mailed on or before June 14th, along with the first half estimated tax bills for the subsequent year. The first half estimated taxes are divided into two due dates, February 1 and May 1. The final tax bills are also divided into two due dates, August 1 and November 1.

A ten-day grace period is usually granted before the taxes are considered delinquent and the imposition of interest charges. A penalty may be assessed for any unpaid taxes in excess of \$10,000 at December 31 of the current year. Unpaid taxes of the prior year may be placed in lien at a tax sale held after April 1 and through December 31. Unpaid Taxes of the current year may be placed in lien at a tax sale held after December 10.

TOWNSHIP OF PARSIPPANY-TROY HILLS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)

Note 7: Selected Tax Information (Cont'd)

Comparative Schedule of Tax Rate Information

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<u>Tax Rate</u>	\$ 2.769	\$ 2.699	\$ 2.663
<u>Apportionment of Tax Rate</u>			
Municipal	0.654	0.632	0.628
County	0.304	0.298	0.301
Local School	1.811	1.769	1.734
<u>Assessed Valuations</u>			
2016	\$ 7,161,830,200		
2015		\$ 7,160,580,050	
2014			\$ 7,166,584,900

Comparison of Tax Levies and Collection 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 Collections</u>
2016	\$ 202,441,385	\$ 201,086,010	99.33%
2015	197,396,005	196,138,497	99.36%
2014	194,423,879	193,110,200	99.32%

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

Note 8: Cash and Cash Equivalents and Investments

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

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

TOWNSHIP OF PARSIPPANY-TROY HILLS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)

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

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

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

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

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

Deposits:

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

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

The market value of the collateral must equal 5% of the average daily balance of public funds on deposit.

In addition to the above collateral requirement, if public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value at least equal to 100% of the amount exceeding 75%.

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

Investments

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

- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- (2) Government money market mutual funds

TOWNSHIP OF PARSIPPANY-TROY HILLS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)

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

Investments (Cont'd)

- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
- (4) Bonds or other obligations of the local unit or bonds or other obligations of school districts of which the local unit is a part or within which the school district is located;
- (5) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Local Government Services in the Department of Community Affairs for investment by local units;
- (6) Local government investment pools;
- (7) Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C.52:18A-90.4); or
- (8) Agreements for the repurchase of fully collateralized securities if:
 - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) above;
 - (b) the custody of collateral is transferred to a third party;
 - (c) the maturity of the agreement is not more than 30 days;
 - (d) the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c.236 (C.17:9-41); and
 - (e) a master repurchase agreement providing for the custody and security of collateral is executed.

TOWNSHIP OF PARSIPPANY-TROY HILLS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)

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

As of December 31, 2016, cash and cash equivalents of the Township of Parsippany-Troy Hills consisted of the following:

<u>Fund</u>	<u>Cash on Hand</u>	<u>Checking Accounts</u>	<u>Investments</u>	<u>Total</u>
Current Fund	\$ 815	\$ 5,991,876	\$ 7,035,223	\$ 13,027,914
Animal Control Trust Fund	50	68,433		68,483
Other Trust Fund		17,259,270		17,259,270
General Capital Fund		4,629,601		4,629,601
Water Utility Operating Fund		7,239,684		7,239,684
Water Utility Capital Fund		3,085,723		3,085,723
Sewer Utility Operating Fund		11,629,124		11,629,124
Sewer Utility Capital Fund		11,767,110		11,767,110
Golf and Recreation Utility Operating Fund		1,720,970		1,720,970
Golf and Recreation Utility Capital Fund		1,825,506		1,825,506
Public Assistance Fund		81,180		81,180
	<u>\$ 865</u>	<u>\$ 65,298,477</u>	<u>\$ 7,035,223</u>	<u>\$ 72,334,565</u>

The carrying amount of the Township's cash and cash equivalents and investments at December 31, 2016, was \$72,334,565 and the bank balance was \$75,850,311.

Note 9: Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The Township of Parsippany-Troy Hills is a member of the Garden State Municipal Joint Insurance Fund. This Fund is both an insured and self-administered group of municipalities established for the purpose of providing low-cost insurance coverage for their members in order to keep local property taxes at a minimum.

The following coverages are offered by the fund to its members:

- a.) Liability Other Than Motor Vehicles
- b.) Property Damage Other Than Motor Vehicles
- c.) Motor Vehicle
- d.) Public Officials' Liability/Employment Practices Coverage
- e.) Environmental Coverage

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 PARSIPPANY-TROY HILLS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016

(Continued)

Note 9: 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 their individual assessment relates to the total assessment of the membership body. The members may either receive payment or offset their subsequent year assessments with their respective share of the distribution.

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

Total Assets	\$ 45,429,384
Net Position	\$ 5,036,520
Total Revenue	\$ 33,717,875
Total Expenses	\$ 28,914,237
Change in Net Position	\$ 4,803,638
Members Dividends	\$ -0-

Financial statements for the fund are available at the Office of the Executive Director:

Garden State Municipal Joint Insurance Fund
900 Route 9 North, Suite 503
Woodbridge, NJ 07095-1003
800-446-7647

The Township is self-insured to the extent of the amounts "deductible" from umbrella insurance coverage for Workers' Compensation and Health Benefits.

Health Benefits Insurance

Coverage is provided by an excess risk insurance policy, issued by the American National Insurance Company with coverages detailed as follows:

A. Specific Loss:

The Township will pay the Specific Deductible amount of \$125,000 per policy period per covered person.

B. Aggregate Loss:

The maximum aggregate reimbursement is \$1,000,000 per policy period.

Processing and payment of claims is administered by the Insurance Design Administrators.

TOWNSHIP OF PARSIPPANY-TROY HILLS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)

Note 9: Risk Management (Cont'd)

There is a provision included in the financial statements for claims incurred but not reported as of December 31, 2016, however, sufficient funds were made available in the 2016 budget appropriation reserves to cover the incurred but not reported claims in 2017 in the Current Fund and Utility Funds.

A summary of activity for this fund is detailed as follows:

	<u>2016</u>	<u>2015</u>
Balance, Beginning of the Year	\$ 1,414	\$ 99,486
Receipts	<u>12,973,676</u>	<u>10,821,135</u>
	12,975,090	10,920,621
Disbursements	<u>12,721,250</u>	<u>10,919,207</u>
Balance, End of the Year	<u><u>\$ 253,840</u></u>	<u><u>\$ 1,414</u></u>

Workers' Compensation

Umbrella insurance coverage currently in force is carried for excess Workers' Compensation claims with specified limits detailed as follows:

A. Specific Loss:

The Township can pay no more than \$400,000 for each occurrence.

There has been no provision included in the financial statements for loss reserves as of December 31, 2016.

Claims for excess workers' compensation are funded on a cash basis through a loss fund which is administered by D and H Alternative Risk Solutions. A summary of the workers' compensation fund held by the insurance agent is detailed as follows:

TOWNSHIP OF PARSIPPANY-TROY HILLS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)

Note 9: Risk Management (Cont'd)

Workers' Compensation (Cont'd)

	<u>2016</u>	<u>2015</u>
Balance, Beginning of the Year	\$ 105,899	\$ 95,495
Recoveries	42,044	
Receipts	<u>652,962</u>	<u>851,825</u>
	800,905	947,320
Disbursements	<u>697,909</u>	<u>841,421</u>
Balance, End of the Year	<u><u>\$ 102,996</u></u>	<u><u>\$ 105,899</u></u>

Workers' Compensation Loss Reserves

The liability for unpaid losses and loss adjustment expenses represents an estimate of the ultimate net cost of reported losses and loss adjustment expenses as of December 31, 2016. This estimate is based on the estimated ultimate cost of settling the reported claims considering the historical experience, various other industry statistics, including the effects of inflation and other societal or economic factors. The ultimate cost may be more or less than the estimated liability. The unpaid losses are stated net of any recoveries from excess loss insurance and reinsurance coverages.

Loss reserves, at December 31, 2016 and 2015, respectively, which have been estimated by the Fund's Actuary and Servicing Agents, are as follows:

	<u>2016</u>	<u>2015</u>
Case Reserves	\$ 2,509,732	\$ 2,121,758
Less: Excess Coverage	<u>1,562,904</u>	<u>939,117</u>
Total Loss Reserves (Expenses)	<u><u>\$ 946,828</u></u>	<u><u>\$ 1,182,641</u></u>

TOWNSHIP OF PARSIPPANY-TROY HILLS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)

Note 9: Risk Management (Cont'd)

New Jersey Unemployment Compensation Insurance

The Township has elected to fund its New Jersey Unemployment Compensation Insurance under the "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 and employee contributions, interest earned and reimbursements to the State for benefits paid and the ending balance of the Township's expendable trust fund for the current and previous two years:

<u>Year</u>	<u>Township Contributions</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2016		\$ 47,028	\$ 120,037	\$ 94,265
2015	\$ 140,250	92,278	178,657	167,274
2014	171,000	130,675	308,689	113,403

Note 10: Post-Retirement Medical Benefits

The Township of Parsippany-Troy Hills provides certain post-retirement benefits to Township employees and their covered eligible dependents which include health insurance, prescription, dental and vision coverage. Eligible employees who retire in the Police and Firemen's Retirement System also receive life insurance coverage.

Upon retirement, to be eligible, employees in the Public Employees' Retirement System must have a minimum of twenty-five (25) years of pension service and twenty-five (25) years of service with the Township. Employees in the Police and Firemen's Retirement System must have a minimum of twenty-five (25) years of pension service and fifteen (15) years of service with the Township.

Eligible retirees under the Public Employees' Retirement System will receive post-retirement benefits until they reach the age of 65. Eligible retirees under the Police and Firemen's Retirement System will receive post-retirement benefits for life.

Funding Policy

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

Currently, there are no contribution requirements of plan members for healthcare benefits.

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

TOWNSHIP OF PARSIPPANY-TROY HILLS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)

Note 10: Post-Retirement Medical Benefits (Cont'd)

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

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

Annual OPEB Cost and Net OPEB Obligation

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

Actuarial Methods and Assumptions

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

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

In the 2014, 2015 and 2016 actuarial valuations, the projected unit credit cost method was used. Under this method, the present value of benefits is allocated uniformly over an employee's expected working lifetime. For medical benefits, the initial rate utilized is 9.0% and decreases to a 5.0% long-term trend rate for all medical benefits in 2026.

TOWNSHIP OF PARSIPPANY-TROY HILLS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)

Note 10: Post-Retirement Medical Benefits (Cont'd)

Annual OPEB Cost per Actuarial Valuation

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

Benefit Obligations and Normal Cost

	Valuation December 31,		
	2014	2015	2016
Actuarial accrued liability (AAL):			
Retired employees	\$ 51,143,732	\$ 48,734,536	\$ 36,485,560
Active employees	37,493,648	41,951,683	37,959,235
Unfunded actuarial accrued liability (UAAL)	<u>\$ 88,637,380</u>	<u>\$ 90,686,219</u>	<u>\$ 74,444,795</u>
Normal cost at beginning of year	\$ 2,844,509	\$ 2,958,289	\$ 2,666,673
Amortization factor based on 30 years	\$ 2,997,310	\$ 3,072,762	\$ 2,580,753
Annual covered payroll	N/A	N/A	N/A
UAAL as a percentage of covered payroll	N/A	N/A	N/A

Level Dollar Amortization

Calculation of ARC under Projected Unit Credit Cost Method

ARC normal cost with interest to end of year	\$ 2,844,509	\$ 2,958,289	\$ 2,666,673
Amortization of unfunded actuarial accrued liability (UAAL) over 30 years with interest at year end	<u>2,997,310</u>	<u>3,072,762</u>	<u>2,580,753</u>
Annual Required Contribution (ARC)	5,841,819	6,031,051	5,247,426
Interest on net OPEB obligation	383,369	480,751	576,715
Adjustment to ARC	<u>254,879</u>	<u>254,879</u>	<u>(827,883)</u>
Annual OPEB cost (expense)	6,480,067	6,766,681	4,996,258
Pay as you go benefits	<u>(4,045,514)</u>	<u>(4,367,593)</u>	<u>(3,153,376)</u>
Net OPEB expense at December 31,:			
2014, 2015 and 2016, respectively	2,434,553	2,399,088	1,842,882
Prior year	<u>9,584,228</u>	<u>12,018,781</u>	<u>14,417,869</u>
Net OPEB obligation December 31,:			
2014, 2015 and 2016, respectively	<u>\$ 12,018,781</u>	<u>\$ 14,417,869</u>	<u>\$ 16,260,751</u>
Projected unfunded actuarial accrued liability (December 31, 2014)			<u>\$ 88,637,380</u>
Projected unfunded actuarial accrued liability (December 31, 2015)			<u>\$ 90,686,219</u>
Projected unfunded actuarial accrued liability (December 31, 2016)			<u>\$ 74,444,795</u>

N/A - Not Available

TOWNSHIP OF PARSIPPANY-TROY HILLS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)

Note 10: Post-Retirement Medical Benefits (Cont'd)

Funding Status and Funding Progress

As of December 31, 2016 based on the 2016 valuation the actuarial accrued liability for benefits was \$74,444,795, all of which is unfunded.

Note 11: Deferred Compensation Plan

The Township of Parsippany-Troy Hills offers its employees two deferred compensation plans (the "Plan") created in accordance with Section 457 of the Internal Revenue Code. The Plans, which are administered by American United Life Insurance Company and Metropolitan Life Insurance Company, are available to all Township employees and permit participants to defer a portion of their salary. The deferred compensation is not available to employees until termination, retirement, unforeseeable emergency, or upon death to their beneficiaries.

Note 12: Interfund Receivables and Payables

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

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Current Fund	\$ 173	\$ 557,435
Federal and State Grand Fund	549,054	
Animal Control Fund	2	
Other Trust Funds	8,379	
Water Utility Operating Fund		88
Sewer Utility Operating Fund	22	107
	<u>\$ 557,630</u>	<u>\$ 557,630</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.

Note 13: Commitments and Contingencies

The Township is periodically involved in various lawsuits arising in the normal course of the Township's operations including claims for property damage, personal injury and various contract disputes. The ultimate effect of such litigation cannot be ascertained at this time since they are currently in various stages of discovery. In the opinion of management, the ultimate outcome of these lawsuits will not have a material adverse effect on the Township's financial position and operations as of December 31, 2016.

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.

TOWNSHIP OF PARSIPPANY-TROY HILLS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)

Note 13: Commitments and Contingencies (Cont'd)

Various tax appeals on assessed valuations have been filed against the Township and are awaiting tax court decisions. The ultimate outcome and effect of such appeals have not been determined; however, the Township Tax Assessor will aggressively defend the Township's assessments. The Township has established a reserve for this contingency in the amount of \$1,586,142.

The Township bills the Township of East Hanover, and three other municipalities for sewer usage. Currently, the Township is in dispute as to how much the Township of East Hanover owes Parsippany-Troy Hills. The amount recorded as receivable on the Sewer Utility Fund balance sheet at December 31, 2016 is fully reserved, therefore the possible cancellation of part of the receivable will not impact operations, but would reduce the receivable and offsetting reserve.

Note 14: Deferred Charges to be Raised in Succeeding Years

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2016, the Township had the following deferred charges:

	<u>Balance</u> <u>Dec. 31, 1899</u>	<u>Required</u> <u>Budget</u> <u>Appropriation</u>	<u>Balance</u> <u>to Years</u> <u>Subsequent</u> <u>Budgets</u>
Current Fund:			
Special Emergency Appropriation	\$ 2,463,342	\$ 1,258,826	\$ 1,204,516
Sewer Utility Operating Fund:			
Emergency Appropriation (NJSA 40A:4-46)	376,250	376,250	

The appropriation in the 2017 budget is not less than that required by statute.

Note 15: Economic Dependency

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

APPENDIX C

FORM OF BOND COUNSEL OPINION

*An opinion in substantially the following form
will be delivered at Closing, assuming no
material changes in facts or law*

_____, 2017

Mayor and Township Council of the
Township of Parsippany – Troy Hills,
in the County of Morris, New Jersey

Re: Township of Parsippany-Troy Hills, in the County of Morris, New Jersey
\$62,826,000 General Obligation Bonds, Series 2017

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance by the Township of Parsippany Troy Hills, in the County of Morris, New Jersey (the “Issuer”), of \$62,826,000 aggregate principal amount of the Issuer’s General Obligation Bonds, Series 2017 consisting of \$43,827,000 General Improvement Bonds, Series 2017A (the “2017A Bonds”), \$5,119,000 Water Utility Bonds, Series 2017B (the “2017B Bonds”), \$7,197,000 Sewer Utility Bonds, Series 2017C (the “2017C Bonds”), and \$6,683,000 Golf and Recreational Utility Bonds, Series 2017D (the “2017D Bonds”, and collectively with the 2017A Bonds, the 2017B Bonds and the 2017C Bonds, the “Bonds”). The Bonds are general obligations of the Issuer and the full faith, credit and taxing power of the Issuer are available to pay the principal of and the interest on the Bonds. The Bonds are issued in registered form and are dated September 20, 2017. The Bonds shall bear interest from September 20, 2017 and such interest shall be payable semiannually commencing March 15, 2018 and on each September 15 and March 15 thereafter until maturity or earlier redemption, as applicable, and shall mature on September 15 in each of the years and in the principal amounts as follows:

Year	2017A Bonds	2017B Bonds	2017C Bonds	2017D Bonds	Interest Rate
2018	\$2,367,000	\$304,000	\$397,000	\$403,000	_____ %
2019	2,450,000	320,000	400,000	405,000	_____ %
2020	3,000,000	340,000	425,000	450,000	_____ %
2021	3,000,000	365,000	450,000	475,000	_____ %
2022	3,000,000	375,000	450,000	500,000	_____ %
2023	3,000,000	385,000	450,000	500,000	_____ %
2024	4,000,000	400,000	650,000	600,000	_____ %
2025	4,000,000	415,000	650,000	600,000	_____ %
2026	4,000,000	425,000	650,000	550,000	_____ %
2027	4,000,000	440,000	650,000	550,000	_____ %

Year	2017A Bonds	2017B Bonds	2017C Bonds	2017D Bonds	Interest Rate
2028	\$4,000,000	\$450,000	\$660,000	\$550,000	_____ %
2029	3,500,000	450,000	675,000	550,000	_____ %
2030	3,510,000	450,000	690,000	550,000	_____ %

The Bonds are subject to redemption prior to maturity as provided in the form of the Bonds.

The Bonds will be issued as fully registered bonds in book-entry only form and when issued will be registered in the name of and held by Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”) which will act as Securities Depository for the Bonds. The Bonds may be purchased in book-entry in the principal amount of \$5,000 or any integral multiple of \$1,000 in excess thereof through book entries made on the books of DTC and its participants. So long as DTC, or its nominee Cede & Co. (or any successor or assign) is the registered owner of the Bonds, payments of principal of and interest on the Bonds will be made by the Issuer directly to Cede & Co. (or any successor or assign) as the nominee of DTC.

The Bonds are issued under the provisions of the Local Bond Law Chapter 169 of the Laws of 1960 of the State of New Jersey, effective January 1, 1962 and the acts amendatory thereof and supplemental thereto (the “Act”), the ordinances of the Issuer pertaining to each series of the Bonds, numbered 08-13, 09-24, 10-13, 11-07, 12-24, 13-14, 14-27, 15-22, 16-23, 10-14, 11-08, 12-25, 13-11, 15-21, 17-13, 07-20, 09-26, 10-15, 12-26, 13-24, 08-16, 09-27, 10-16, 11-10, 12-27, 13-12, 15-20, 16-24 and 17-14, as applicable (collectively, the “Ordinances”), and a Resolution authorizing the sale and issuance of the Bonds duly adopted by the Township Council on August 22, 2017 (the “Resolution”). The Bonds are issued for the purpose of: (i) refunding, on a current basis, \$48,177,143 principal amount of \$52,255,332 outstanding bond anticipation notes of the Township maturing September 21, 2017; (ii) providing new money in the aggregate amount of \$14,648,857 to finance various general improvement, water utility, sewer utility and golf and recreational utility capital projects by the Township; and (iii) paying certain costs and expenses incidental to the issuance and delivery of the Bonds.

In our capacity as Bond Counsel and as a basis for the opinions set forth below, we have examined the proceedings relating to the authorization and issuance of the Bonds, including: (a) copies of the Ordinances; (b) the Resolution; (c) such matters of law, including inter alia, the Act and the Internal Revenue Code of 1986, as amended (the “Code”); and (d) such other agreements, proceedings, certificates, records, approvals, resolutions and documents as to various matters with respect to the issuance of the Bonds as we have deemed necessary. We have further assumed and relied upon the genuineness, accuracy and completeness of all of the documents and other instruments which we have examined. As to questions of fact material to our opinion, we have relied upon the proceedings and other certifications of public officials executed and furnished to us without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion that:

1. The Bonds have been duly authorized, issued, executed and sold by the Issuer; the Ordinances and the Resolution each have been duly authorized and adopted by the Issuer; and the

Bonds, the Ordinances and the Resolution are legal, valid and binding obligations of the Issuer enforceable in accordance with their respective terms.

2. The power and obligation of the Issuer to pay the Bonds is unlimited, and, unless paid from other sources, the Issuer shall be obligated to levy ad valorem taxes upon all the taxable property within the Township for the payment of the principal of and interest on the Bonds, without limitation as to rate or amount.

3. The Issuer 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 Code. Failure to comply with certain requirements of the Code could cause interest on the Bonds to be includable in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. In our opinion, assuming continuing compliance by the Issuer with its covenants, under current law, interest on the Bonds is not includable in gross income for federal income tax purposes and is not an item of tax preference under Section 57 of the Code for purposes of computing the alternative minimum tax; however, interest on the Bonds held by corporate taxpayers is included in the relevant income computation for calculation of the federal alternative minimum tax as a result of the inclusion of interest on the Bonds in “adjusted current earnings”.

4. Interest on the Bonds and any gain on the sale thereof are not includable as gross income under the New Jersey Gross Income Tax Act.

For purposes of this opinion, the enforceability (but not the validity) of the documents mentioned herein may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other laws now or hereafter enacted by any state or by the federal government affecting the enforcement of creditors' rights generally, and by equitable principles, and the phrase “enforceable in accordance with their respective terms” shall not mean that specific performance would necessarily be available as a remedy in every situation.

Other than as set forth in Paragraphs 3 and 4 hereof, we express no opinion regarding other federal and state tax consequences arising with respect to the Bonds.

The opinions expressed herein are limited to and based upon the laws and judicial decisions of the State of New Jersey and the federal laws and judicial decisions of the United States of America as of the date hereof, and are subject to any amendment, repeal or other modification of the applicable laws or judicial decisions that served as the basis for our opinions or to any laws or judicial decisions hereafter enacted or rendered.

We express no opinion herein as to the adequacy or accuracy of any official statement or other offering material pertaining to the offering of the Bonds.

DECOTIIS, FITZPATRICK, COLE & GIBLIN, LLP

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the Township of Parsippany-Troy Hills, in the County of Morris, New Jersey (the “Issuer”) in connection with the issuance by the Issuer of \$62,826,000 aggregate principal amount of its General Obligation Bonds, Series 2017 consisting of \$43,827,000 General Improvement Bonds, Series 2017A, \$5,119,000 in Water Utility Bonds, Series 2017B, \$7,197,000 Sewer Utility Bonds, Series 2017C, and \$6,683,000 Golf and Recreational Utility Bonds, Series 2017D, being dated September 20, 2017 (collectively, the “Bonds”). 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 and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with Rule 15c2-12(b)(5) of the Securities and Exchange Commission.

Section 2. Definitions. The following capitalized terms shall have the following meanings:

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

“Bondholder” shall mean any person who is the registered owner of any Bonds, including holders of beneficial interests in the Bonds.

“Dissemination Agent” shall mean the Issuer, or any successor Dissemination Agent designated in writing by the Issuer and which has filed with the Issuer a written acceptance of such designation. As of the date of this Disclosure Certificate, the Issuer has engaged Phoenix Advisors, LLC as its Dissemination Agent.

“EMMA” shall mean the MSRB’s (as defined below) Electronic Municipal Markets Access System.

“MSRB” means the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to Rule 15c2-12. Effective July 1, 2009 and until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the EMMA website of the MSRB, currently located at <http://emma.msrb.org>.

“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.

Section 3. Provision of Annual Reports.

(a) On or prior to 270 days from the end of each fiscal year, beginning with the fiscal year ending December 31, 2017, the Issuer shall, or shall cause the Dissemination Agent to, provide to the MSRB, in an electronic format as prescribed by the MSRB and accompanied by such identifying information as is prescribed by the MSRB, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information which has been made available to the public on the MSRB's website or filed with the Securities and Exchange Commission; provided that the audited financial statements of the Issuer may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the Issuer's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(b) hereof.

(b) Not later than fifteen (15) business days prior to said date, the Issuer shall provide the Annual Report to the Dissemination Agent (if other than the Issuer). If the Issuer is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the Issuer shall send a notice to the MSRB in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall, if the Dissemination Agent is other than the Issuer, 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.

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

1. The audited financial statements of the Issuer for the prior fiscal year, prepared in accordance with generally accepted accounting standards (GAAS) as from time to time in effect, and as prescribed by the Division of Local Government Services in the Department of Community Affairs of the State pursuant to Chapter 5 of Title 40A of the New Jersey Statutes. If the Issuer's audited financial statements are not available by the time the Annual Report is required to be provided pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements and the audited financial statements shall be provided in the same manner as the Annual Report when they become available.

2. The financial information and operating data set forth in Appendix A of the Official Statement dated September 7, 2017 prepared in connection with the sale of the Bonds.

Section 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 3, the Issuer shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds (each a "Listed Event") :

- (i) Principal and interest payment delinquencies;
- (ii) Non-payment related defaults, if material;
- (iii) Unscheduled draws on debt service reserves, reflecting financial difficulties;
- (iv) Unscheduled draws on credit enhancements, reflecting financial difficulties;
- (v) Substitution of credit or liquidity providers, or their failure to perform;
- (vi) 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 of determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (vii) Modifications to rights of the holder of the Bonds;
- (viii) Bond calls, if material, and tender offers;
- (ix) Defeasances;
- (x) Release, substitution, or sale of property securing repayment of the Bonds, if material;
- (xi) Rating changes;
- (xii) Bankruptcy, insolvency, receivership or similar events of the Issuer;
- (xiii) The consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, 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
- (xiv) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) Whenever the Issuer obtains knowledge of the occurrence of a Listed Event, the Issuer shall file, or cause to be filed, a notice of such occurrence with the MSRB through EMMA in a timely manner not in excess of ten (10) business days after the occurrence of such event. The notice shall be filed in an electronic format as prescribed by the MSRB and shall be accompanied by such identifying information as is prescribed by the MSRB. Notwithstanding the foregoing, notice of Listed Events described in subsections (a) (viii) and (ix)

need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of the affected Bonds.

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. If such termination occurs prior to the final maturity of the Bonds, the Issuer shall give notice of such termination in the same manner as for a Listed Event under Section 3(b).

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 Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Issuer pursuant to this Disclosure Certificate.

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, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Section 3, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Bondholders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the Issuer shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Issuer. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, notice of such change shall be given in the same manner as for a Listed Event under Section 3(b).

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 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 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 Disclosure Certificate to update such information or include it in any 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 or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Issuer to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default on the Bonds, and the sole remedy under this Disclosure Certificate in the event of any failure of the 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 reasonable attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct. The obligations of the Issuer under this Section 9 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 the Bondholders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Dated: September __, 2017

TOWNSHIP OF PARSIPPANY-TROY HILLS,
IN THE COUNTY OF MORRIS, NEW JERSEY

By: _____
Name: Ann M. Cucci
Title: Director of Finance/Chief Financial Officer/
Township Treasurer

**EXHIBIT A TO CONTINUING DISCLOSURE CERTIFICATE
NOTICE TO MSRB/ELECTRONIC MUNICIPAL MARKETS ACCESS SYSTEM
("EMMA") OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: Township of Parsippany-Troy Hills, in the County of Morris, New Jersey

Name of Bond Issue: \$62,826,000 General Obligation Bonds, Series 2017, consisting of
\$43,827,000 General Improvement Bonds, Series 2017A, \$5,119,000
Water Utility Bonds, Series 2017B, \$7,197,000 Sewer Utility Bonds, Series
2017C, and \$6,683,000 Golf and Recreational Utility Bonds, Series 2017D

Dated Date: September __, 2017

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report with respect to the above-named Bonds as required by Section 3(a) of the Continuing Disclosure Certificate dated September __, 2017. The Issuer anticipates that the Annual Report will be filed by _____.

Dated: _____, 20__

TOWNSHIP OF PARSIPPANY-TROY HILLS,
IN THE COUNTY OF MORRIS, NEW JERSEY

By: _____
Authorized Signatory