NEW ISSUE **SERIAL BONDS**

Rating: Moody's "Aaa"

PRELIMINARY OFFICIAL STATEMENT DATED AUGUST 30, 2017

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

$24,200,000
PRINCETON,
IN THE COUNTY OF MERCER, NEW JERSEY
GENERAL IMPROVEMENT BONDS, SERIES 2017
(Book-Entry-Only) (Callable)

Dated Date: Date of Delivery **Due: September 15, as shown on the inside front cover page**

The $24,200,000 General Improvement Bonds, Series 2017 (the "Bonds") of Princeton, in the County of Mercer, New Jersey (the "Princeton"), will be issued in the form of one certificate for the aggregate principal amount of the Bonds of each series maturing in each year and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as Securities Depository. *See* "AUTHORIZATION AND PURPOSE" herein.

Interest on the Bonds will be payable semiannually on March 15 and September 15 in each year until maturity or earlier redemption, commencing on March 15, 2018. Principal of and interest on the Bonds will be paid to DTC by Princeton or its designated paying agent. Interest on the Bonds will be credited to the participants of DTC as listed on the records of DTC as of each next preceding March 1 and September 1 (the "Record Dates" for the payment of interest on the Bonds).

The Bonds are subject to redemption prior to their stated maturities. *See* "THE BONDS – Optional Redemption" herein.

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

This cover page contains information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement, including the Appendices, to obtain information essential to the making of an informed investment decision.

The Bonds are offered when, as and if issued, and delivered to the Underwriter, subject to prior sale, to withdrawal or modification of the offer without notice and to the approval of legality by the law firm of McManimon, Scotland & Baumann, LLC, Roseland, New Jersey, and certain other conditions described herein. Phoenix Advisors, LLC, Bordentown, New Jersey, has served as Municipal Advisor in connection with the issuance of the Bonds. Delivery is anticipated to be via DTC in New York, New York on or about September 15, 2017.

ELECTRONIC SUBMISSIONS FOR THE BONDS WILL BE RECEIVED VIA MUNIAUCTION AT WWW.GRANTSTREET.COM FROM 11:00 A.M. TO 11:15 A.M. ON SEPTEMBER 6, 2017. FOR MORE DETAILS ON HOW TO BID ELECTRONICALLY, VIEW THE NOTICE OF SALE POSTED AT THE ADDRESS LISTED ABOVE.

PRINCETON,
IN THE COUNTY OF MERCER, NEW JERSEY

$24,200,000 GENERAL IMPROVEMENT BONDS, SERIES 2017
(CALLABLE)
(BOOK-ENTRY-ONLY)

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, YIELDS OR PRICES AND CUSIP NUMBERS

Year	General Improvement Bonds	Interest Rate	Yield	CUSIPS*
2018	$1,000,000	%		
2019	1,000,000			
2020	1,500,000			
2021	1,500,000			
2022	1,600,000			
2023	1,650,000			
2024	1,700,000			
2025	1,750,000			
2026	1,800,000			
2027	2,000,000			
2028	2,000,000			
2029	2,000,000			
2030	2,000,000			
2031	1,700,000			
2032	1,000,000			

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

PRINCETON,
IN THE COUNTY OF MERCER,
NEW JERSEY

MAYOR
Elizabeth Lempert

PRINCETON COUNCIL MEMBERS
Jenny Crumiller, Council President
Jo Butler
Heather Howard
Lance Liverman
Bernard Miller
Timothy Quinn

PRINCETON ADMINISTRATOR
Marc D. Dashield

CHIEF FINANCIAL OFFICER

Sandra Webb

MUNICIPAL CLERK

Kathleen Brzezynski, RMC

PRINCETON ATTORNEY

Mason, Griffin & Pierson, P.C.
Princeton, New Jersey

AUDITOR

Hodulik & Morrison, P.A.
Highland Park, New Jersey

MUNICIPAL ADVISOR

Phoenix Advisors, LLC
Bordentown, New Jersey

BOND COUNSEL

McManimon, Scotland & Baumann, LLC
Roseland, New Jersey

No broker, dealer, salesperson or other person has been authorized by Princeton to give any information or to make any representations with respect to the Bonds other than those contained in this Official Statement, and, if given or made, such information or representations must not be relied upon as having been authorized by the foregoing. The information contained herein has been provided by Princeton and other sources deemed reliable; however, no representation or warranty is made as to its accuracy or completeness and such information is not to be construed as a representation or warranty by the Underwriter or, as to information from sources other than itself, by Princeton. The information and the expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale hereunder under any circumstances shall create any implication that there has been no change in any of the information herein since the date hereof or since the date as of which such information is given, if earlier. This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be used, in whole or in part, for any other purpose.

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

For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission, this document, as the same may be supplemented or amended by Princeton from time to time (collectively, the "Official Statement"), may be treated as a "Final Official Statement" with respect to the Bonds described herein that is deemed final as of the date hereof (or of any such supplement or amendment) by Princeton.

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

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

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

McManimon, Scotland & Baumann, LLC has not participated in the preparation of the financial or statistical information contained in this Official Statement nor have they verified the accuracy or completeness thereof, and, accordingly, they express no opinion with respect thereto.

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OFFICIAL STATEMENT
Relating to

PRINCETON,
IN THE COUNTY OF MERCER, NEW JERSEY

$24,200,000 GENERAL IMPROVEMENT BONDS, SERIES 2017

(Book-Entry-Only) (Callable)

INTRODUCTION

This Official Statement, which includes the cover page, the inside front cover page and the appendices attached hereto, has been prepared by Princeton (the "Princeton"), in the County of Mercer (the "County"), New Jersey (the "State"), in connection with the sale and the issuance of $24,200,000 General Improvement Bonds, Series 2017 (the “Bonds”). This Official Statement has been executed by and on behalf of Princeton by its Chief Financial Officer and may be distributed in connection with the sale of the Bonds described herein.

This Official Statement is "deemed final," as of its date, within the meaning of Rule 15c2-12 of the Securities and Exchange Commission.

THE BONDS

General Description

Interest on the Bonds will be payable semiannually on March 15 and September 15 in each year until maturity or earlier redemption, commencing on March 15, 2018. Principal of and interest on the Bonds will be paid to DTC by Princeton or its designated paying agent. Interest on the Bonds will be credited to the participants of DTC as listed on the records of DTC as of each next preceding March 1 and September 1 (the "Record Dates" for the payment of interest on the Bonds). The Bonds shall be subject to redemption prior to their stated maturities as set forth herein. *See* “Optional Redemption” herein.

The Bonds are issuable as fully registered book-entry bonds in the form of one certificate for each maturity of each series of Bonds and in the principal amount of such maturity. The Bonds may be purchased in book-entry only form in the amount of any integral multiple of $1,000 with a minimum purchase of $5,000 required (or a necessary odd denomination) through book-entries made on the books and records of The Depository Trust Company, New York, New York ("DTC") and its participants. So long as DTC or its nominee, Cede & Co. (or any successor or assign), is the registered owner for the Bonds, payments of the principal of and interest on the Bonds will be made by Princeton directly to Cede & Co. (or any successor or assign), as nominee for DTC. Interest on the Bonds will be credited to the participants of DTC as listed on the records of DTC as of each next preceding March 1 and September 1 (the "Record Dates" for the payment of interest on the Bonds). *See* "Book-Entry Only System" herein.

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 redeemable at the option of Princeton 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.

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 Princeton 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 Princeton determines to redeem a portion of the Bonds prior to maturity, the Bonds to be redeemed shall be selected by Princeton; 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, Princeton 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.

Book-Entry Only System[1]

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 (each as 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 Princeton. DTC will act as securities depository for the Bonds. The Bonds will be issued as a fully-registered security 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 Note certificate will be issued for the maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

[1] Source: The Depository Trust Company

Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has an S&P Global rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at **www.dtcc.com** and **www.dtc.org**.

Purchases of the Bonds 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 the Bonds ("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 the Bonds with DTC and its' 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 is credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Princeton 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, if any, and principal and interest 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 Princeton or the paying agent, if any, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC, the paying agent, if any, or Princeton, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, if any, and principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Princeton or the paying agent, if any, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to Princeton or the paying agent, if any. Under such circumstances, in the event that a successor depository is not obtained, note certificates are required to be printed and delivered.

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

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

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

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE BONDS, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE NOTEHOLDERS OR REGISTERED OWNERS OF THE BONDS (OTHER THAN UNDER THE CAPTIONS "TAX MATTERS AND SECONDARY MARKET DISCLOSURE") SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE BONDS.

Discontinuation of Book-Entry Only System

If Princeton, 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, Princeton will attempt to locate another qualified securities depository. If Princeton fails to find such a securities depository, or if Princeton determines, in its sole discretion, that it is in the best interest of Princeton or that the interest of the Beneficial Owners might be adversely affected if the book-entry only system of transfer is continued (Princeton undertakes no obligation to make an investigation to determine the occurrence of any events that would permit it to make such determination), Princeton shall notify DTC of the termination of the book-entry only system.

SECURITY AND SOURCE OF PAYMENT

The Bonds are valid and legally binding general obligations of Princeton, and Princeton has pledged its full faith and credit for the payment of the principal of and the interest on the Bonds. Princeton is required by law to levy *ad valorem* taxes upon all the real property taxable within Princeton for the payment of the principal of and the interest on the Bonds without limitation as to rate or amount.

AUTHORIZATION AND PURPOSE OF THE BONDS

The Bonds have been authorized by and are being issued pursuant to the laws of the State, including the Local Bond Law (constituting Chapter 2 of Title 40A of the New Jersey Statutes, as amended) (the "Local Bond Law"). The Bonds are authorized by various bond ordinances adopted by the Council referred to in the chart below and by a resolution adopted by the Council on August 21, 2017 (the "Resolution").

The proceeds of the Bonds will be issued to: (i) refund, on a current basis, Princeton's bond anticipation notes originally issued in the aggregate principal amount of $19,500,000, dated December 15, 2016 and maturing September 15, 2017 (the "2016 Prior Notes"), in the aggregate principal amount of $17,726,000; (ii) provide $6,474,000 of new money to fund various capital improvements; and (iii) pay costs and expenses incidental to the issuance and delivery of the Bonds.

Bond Ordinance Number	**Description of Improvement and Date of Adoption of Bond Ordinance**	**Amount of 2016 Prior Notes Being Refunded With the Bonds**	**Amount of New Money**
2006-03	Acquisition of a portion of property known as Tusculum, finally adopted February 6, 2006.	$0	$106,247
2008-16	Various capital improvements, finally adopted September 8, 2008.	0	848,996
2010-08	Various capital improvements, finally adopted March 8, 2010.	142,000	0
2010-08	Various capital improvements, finally adopted June 22, 2010.	131,000	0
2010-14	Construction of roof over the Mountain Lakes House Terraces, finally adopted May 10, 2010.	104,500	0
2010-21	Various capital improvements, finally adopted June 28, 2010.	17,500	0
2011-03	Various capital improvements, finally adopted April 11, 2011.	465,000	0
2011-05	Construction to the roof and other improvements of the Mountain Lakes House, finally adopted April 25, 2011.	28,500	0
2011-13	Various capital improvements, finally adopted September 19, 2011.	106,000	0
2011-01, as suppl. By 2011-25	Installation of a new pool, finally adopted February 22, 2011, as supplemented December 6, 2011.	139,400	0
2011-16	Various capital improvements, finally adopted August 2, 2011.	96,000	0
2011-17	Various capital improvements, finally adopted August 2, 2011.	167,000	0
2011-26	Stabilization of the Stony Brook Sewer main, finally adopted December 6, 2011.	256,000	0
2012-01	Rehabilitation of the sewer system, finally adopted February 14, 2012.	0	1,359,299
2012-06	Rehabilitation of the sewer systems, finally adopted February 27, 2012.	0	1,861,344
2012-18	Traffic and signal improvements to Washington Road and Faculty Road, finally adopted September 10, 2012.	160,500	0
2013-21	Various capital improvements, finally adopted July 22, 2013.	1,408,500	0
2013-31	Various capital improvements, finally adopted December 9, 2013.	284,000	0
2014-25	Various capital improvements, finally adopted July 14, 2014.	5,317,000	0
2015-07	Various capital improvements, finally adopted April 27, 2015.	4,830,750	750,000
2015-15	Sidewalk repairs, finally adopted April 27, 2015.	47,000	0
2015-22	Acquisition of real property, finally adopted July 27, 2015.	527,250	0
2015-35	Sanitary sewer lateral repairs by the Municipality for properties on Valley Road, Jefferson Road, Ewing Street and North Harrison, finally adopted December 7, 2015.	111,000	0
2016-20	Installation of a public sanitary sewer main and laterals along a portion of Snowden Lane and Van Dyke Road, finally adopted May 23, 2016.	2,733,100	750,000
2016-28	Various capital improvements, finally adopted June 26, 2017.	654,000	0
2017-37	Various capital improvements, finally adopted April 25, 2016.	0	798,114
SUB-TOTAL		$17,726,000	$6,474,000
TOTAL			**$24,200,000**

The remaining portion of $1,774,000 was sold on August 24, 2017 form of a Bond Anticipation Notes and scheduled to close on September 15, 2017.

MUNICIPAL FINANCE -
FINANCIAL REGULATION OF COUNTIES AND MUNICIPALITIES

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

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

The authorized bonded indebtedness of Princeton for municipal purposes is limited by statute, subject to the exceptions noted below, to an amount equal to 3½% of its average equalized valuation basis. 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 the boundaries of Princeton, as annually determined by the State Director of Taxation, is $7,595,931,122.

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

Princeton has not exceeded its statutory debt limit. As of December 31, 2016, the statutory net debt as a percentage of average equalized valuation was 1.718%. As noted above, the statutory limit is 3½%.

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

Princeton 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. Bond anticipation notes for capital improvements may be issued in an aggregate amount not exceeding the amount specified in the ordinance creating such capital expenditure, as it may be amended and supplemented. A local unit's bond anticipation notes may be issued for periods not greater than one year. Generally, bond anticipation notes may not be outstanding for longer than ten years. An additional period may be available following the tenth anniversary date equal to the period from the notes' maturity to the end of the tenth fiscal year in which the notes mature plus 4 months (May 1) in the next following fiscal year from the date of original issuance. Beginning in the third year, the amount of notes that may be issued is decreased by the minimum amount required for the first year's principal payment for a bond issue.

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

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

The local unit is authorized to issue Emergency Notes and Special Emergency Notes pursuant to the Local Budget Law.

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

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

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

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

No budget or budget amendment may be adopted unless the Director shall have previously certified his approval of such anticipated revenues except that categorical grants-in-aid contracts may be included for their face amount with an offsetting appropriation. The fiscal years for such grants rarely coincide with the municipality's calendar year. However, grant revenue is generally realized in the amount so budgeted.

The same general principle that revenue cannot be anticipated in a budget in excess of that realized in the preceding year applies to property taxes. The maximum amount of delinquent taxes that may be anticipated is limited by a statutory formula, which allows the local unit to anticipate collection at the same rate realized for the collection of delinquent taxes in the previous year. Also the local unit is required to make an appropriation for a "reserve for uncollected taxes" in accordance with a statutory formula to provide for a tax collection in an amount that does not exceed the percentage of taxes levied and payable in the preceding fiscal year that was received in cash by December 31 of that year, the average of the previous three years in accordance with P.L. 2000, c. 126, or the previous year collection percentage after reducing the previous year levy by tax appeal judgments of the county tax board pursuant to R.S. 54:3-21 et seq., or the State tax court pursuant to R.S. 54:48-1 et seq. in accordance with Chapter 56 P.L. 2010. The budget also must provide for any cash deficits of the prior year.

Emergency appropriations (those made after the adoption of the budget and the determination of the tax rate) may be authorized by the governing body of a local unit. However, with minor exceptions, such appropriations must be included in full in the following year's budget.

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

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

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

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

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

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

Tax Assessment and Collection Procedure

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

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

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

Tax installments not paid on or before the due date are subject to interest penalties of 8% per annum on the first $1,500.00 of the delinquency and 18% per annum on any amount in excess of $,1,500.00. These interest rates 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. A table detailing tax title liens is included in Appendix "A". In addition, any delinquent taxes outstanding related to a previous calendar year in excess of $10,000 incurs a 6% surcharge.

Tax Appeals

The New Jersey Statutes provide a taxpayer with remedial procedures for appealing an assessment deemed excessive. Prior to February 15 in each year, Princeton 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.

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

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

An independent examination of each local unit's accounts must be performed annually by a licensed registered municipal accountant. The audit, conforming to the Division of Local Government Services' "Requirements of Audit", includes recommendations for improvement of the local unit's financial procedures and must be filed with the report, together with all recommendations made, and must be published in a local newspaper within 30 days of its submission. The entire annual audit report for the year ended December 31, 2016 for Princeton is on file with the Clerk and is available for review during business hours.

TAX MATTERS

General

Section 103(a) of the Internal Revenue Code of 1986, as amended (the "Code"), provides that interest on obligations such as the Bonds is not included in gross income for federal income tax purposes only if certain requirements are met. In its Certificate as to Arbitrage and Compliance with the Code (the "Tax Certificate"), which will be delivered in connection with the issuance of the Bonds, Princeton will make certain representations, certifications of fact and statements of reasonable expectation in connection with the issuance of the Bonds and certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of the interest on the Bonds from gross income under Section 103(a) of the Code.

In the opinion of Bond Counsel, under existing statutes, regulations, administrative pronouncements and judicial decisions, and in reliance on the representations, certifications of fact, and statements of reasonable expectation made by Princeton in the Tax Certificate and assuming compliance by Princeton with its ongoing covenants in the Tax Certificate, interest on the Bonds is not included in the gross income of the owners thereof for federal income tax purposes pursuant to the Section 103(a) of the Code and is not an item of tax preference to be included in calculating alternative minimum taxable income under the Code for purposes of the alternative minimum tax imposed with respect to individuals and corporations. Interest on the Bonds held by corporate taxpayers is included in the relevant income computation for calculation of the federal alternative minimum tax imposed on corporations as a result of interest on the Bonds being included in "adjusted current earnings."

Certain Federal Tax Consequences Relating to the Bonds

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

There can be no assurance that legislation will not be introduced or enacted after the issuance and delivery of the Bonds so as to affect adversely the exclusion from gross income for federal income tax purposes of interest on the Bonds. Each purchaser of the Bonds should consult his or her own advisor regarding any changes in the status of pending or proposed federal tax legislation.

Bank Qualification

The Bonds **will not** be designated as qualified under Section 265 of the Code by Princeton for an exemption from the denial of deduction for interest paid by financial institutions to purchase or to carry tax-exempt obligations.

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

New Jersey Gross Income Tax

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

Future Events

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

EACH PURCHASER OF THE BONDS SHOULD CONSULT HIS OR HER OWN ADVISOR REGARDING ANY CHANGES IN THE STATUS OF PENDING OR PROPOSED FEDERAL OR NEW JERSEY STATE TAX LEGISLATION, ADMINISTRATIVE ACTION TAKEN BY TAX AUTHORITIES, OR COURT DECISIONS.

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

FINANCIAL STATEMENTS

The audited financial statements of Princeton for the year ended December 31, 2016 are presented in Appendix B to this Official Statement (the “Financial Statements”). The Financial Statements have been prepared by Hodulik & Morrison, P.A., Highland Park, New Jersey, an independent auditor (the “Auditor”), as stated in its report appearing in Appendix B to this Official Statement. See "APPENDIX B - Financial Statements of Princeton, in the County of Mercer, New Jersey”.

LITIGATION

To the knowledge of Princeton Attorney, Mason, Griffin & Pierson, P.C., Princeton, 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 Princeton or the title of any of the present officers. Moreover, to the knowledge of Princeton Attorney, no litigation is presently pending or threatened that, in the opinion of Princeton Attorney, would have a material adverse impact on the financial condition of Princeton if adversely decided.

SECONDARY MARKET DISCLOSURE

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

(a) On or prior to 270 days of each year, beginning with December 31, 2017 to the Municipal Securities Rulemaking Board through the Electronic Municipal Market Access Data Port (the "MSRB"), annual financial information with respect to Princeton consisting of the audited financial statements (or unaudited financial statements if audited financial statements are not then available, which audited financial statements will be delivered when and if available) of Princeton and certain financial information and operating data consisting of (i) Princeton and overlapping indebtedness including a schedule of outstanding debt issued by Princeton, (ii) property valuation information, and (iii) tax rate, levy and collection data. The audited financial information will be prepared in accordance with modified cash accounting as mandated by State of New Jersey statutory principles in effect from time to time or with generally accepted accounting principles as modified by governmental accounting standards as may be required by New Jersey law and shall be filed electronically and accompanied by identifying information with the MSRB;

(b) in a timely manner not in excess of ten business days after the occurrence of the event, to the MSRB and to the State Repository, if any, notice of any of the following events with respect to the Bonds (herein "Material Events"):

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

For the purposes of the event identified in subparagraph (12) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(c) in a timely manner to the MSRB, if any, notice of failure of Princeton to provide required annual financial information on or before the date specified in the Form and Sale Resolution.

In the event that Princeton fails to comply with the above-described undertaking and covenants, Princeton shall not be liable for any monetary damages, remedy of the beneficial owners of the Bonds being specifically limited in the undertaking to specific performance of the covenants.

The undertaking may be amended by Princeton from time to time, without the consent of the Bondholders or the beneficial owners of the Bonds, in order to make modifications required in connection with a change in legal requirements or change in law, which in the opinion of nationally recognized bond counsel complies with the Rule.

There can be no assurance that there will be a secondary market for the sale or purchase of the Bonds. Such factors as prevailing market conditions, financial condition or market position of firms who may make the secondary market and the financial condition of Princeton may affect the future liquidity of the Bonds.

During the period of the previous five years, the Borough previously failed to file in a timely manner its annual audited information and operating data for fiscal year ending December 31, 2011. The Township previously failed to file in a timely manner its annual audited information and operating data for fiscal year ending December 31, 2011. Although initially filed on time, the operating data for fiscal year ending December 31, 2013 for Princeton contained an error and the document was re-filed on October 3, 2014. The revised operating data adjusted the original filing date, making it late by less than a week. The Borough previously failed to file late filing notices and material event notices in connection with: (i) the timely filing of certain annual financial information; and (ii) certain underlying bond insurer rating changes. In addition, the Township also previously failed to file in a timely manner late notices for certain annual financial information. Additionally, Princeton filed its introduced budget for the fiscal year ending December 31, 2017 on April 4, 2017 and failed to file its most current adopted budget in a timely manner. Such notices of material events and late filings have been filed with EMMA as of the date of this Official Statement. Princeton has retained Phoenix Advisors LLC as dissemination agent for purposes of on-going secondary market disclosure compliance for all outstanding obligations.

MUNICIPAL BANKRUPTCY

The undertakings of Princeton 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, and as further amended 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 debts; directs such a petitioner to file with the court a list of petitioner's creditors; provides that a petition filed under this chapter shall operate as a stay of the commencement or continuation of any judicial or other proceeding against the petitioner; grants priority to debt owed for services or material actually provided within three 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. The 1976 Amendments were incorporated into the Bankruptcy Reform Act of 1978 with only minor changes.

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 IX 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.

APPROVAL OF LEGAL PROCEEDINGS

All legal matters incident to the authorization, the issuance, the sale and the delivery of the Bonds are subject to the approval of Bond Counsel to Princeton, whose approving legal opinion will be delivered with the Bonds substantially in the form set forth as Appendix C. Certain legal matters will be passed on for Princeton by its Princeton Attorney.

UNDERWRITING

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

RATING

Moody's Investors Service, Inc. (the "Rating Agency") has assigned a municipal bond rating of "Aaa" to the Bonds.

The rating reflects only the view of the Rating Agency and an explanation of the significance of such rating may only be obtained from the Rating Agency. Princeton provided the Rating Agency with certain information and materials concerning the Bonds and Princeton. There can be no assurance that the ratings will be maintained for any given period of time or that the rating will not be raised, lowered or withdrawn entirely, if in the Rating Agency's judgment, circumstances so warrant. Any downward change in, or withdrawal of such ratings, may have an adverse effect on the marketability or market price of the Bonds.

MUNICIPAL ADVISOR

Phoenix Advisors, LLC, Bordentown, New Jersey has served as Municipal Advisor to Princeton 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. The Municipal Advisor is an independent firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

PREPARATION OF OFFICIAL STATEMENT

Princeton hereby states that the descriptions and statements herein, including financial statements, are true and correct in all material respects, and it will confirm same to the purchasers of the Bonds by certificates signed by the Mayor and Chief Financial Officer.

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

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

ADDITIONAL INFORMATION

Inquiries regarding this Official Statement, including information additional to that contained herein, may be directed to Sandra Webb, Chief Financial Officer, at (609) 924-9183 or to the Municipal Advisor, Phoenix Advisors, LLC at 4 West Park Street, Bordentown, New Jersey 08505, (609) 291-0130.

MISCELLANEOUS

This Official Statement is not to be construed as a contract or agreement between Princeton 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 Princeton since the date hereof. The information contained in the Official Statement is not guaranteed as to accuracy or completeness.

PRINCETON, IN THE COUNTY OF MERCER, NEW JERSEY

____

Sandra Webb
Chief Financial Officer

Dated: August ___, 2017

APPENDIX A

CERTAIN ECONOMIC AND DEMOGRAPHIC INFORMATION ABOUT PRINCETON

INFORMATION REGARDING PRINCETON

The following material presents certain economic and demographic information of Princeton.

Municipal Consolidation

Following an extensive consolidation and shared services study over the course of two years, the Borough of Princeton (the "Borough") and the Township of Princeton (the "Township") conducted a referendum on November 8, 2011, which allowed residents to vote on consolidating the Borough and the Township into one municipality. The referendum was successful and beginning January 1, 2013, the Borough and the Township became one municipality know as Princeton and as a result the obligations as to the prior bonds issued by the Borough and the Township are vested in Princeton as the new municipality.

General Information

Princeton covers 18.5 square miles and is located in west central New Jersey in northern Mercer County.

Form of Government

Princeton is governed by a Mayor and a six-member Council. The Mayor was elected at large for a four-year term and the Council members are elected at large for staggered three-year terms. The President of the Council, who presides in the absence of the Mayor, was elected annually by the Council from among their membership for a one-year term. The professional staff is headed by an appointed, non-partisan Administrator, a position established by ordinance.

Retirement Systems

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

Pension Information

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

Employment and Unemployment Comparisons

For the following years, the New Jersey Department of Labor reported the following annual average employment information for the Borough, Township, the County, and the State of New Jersey:

	Total Labor Force	Employed Labor Force	Total Unemployed	Unemployment Rate
Princeton				
2016	15,740	15,304	436	2.8%
2015	15,915	15,422	493	3.1%
2014	15,529	14,949	580	3.7%
2013	14,824	14,139	685	4.6%
County				
2016	199,781	191,137	8,644	4.3%
2015	199,062	189,451	9,611	4.8%
2014	195,012	183,638	11,374	5.8%
2013	193,653	179,698	13,955	7.2%
2012	194,236	178,253	15,983	8.2%
State				
2016	4,524,262	4,299,923	224,315	5.0%
2015	4,545,083	4,291,650	253,417	5.6%
2014	4,518,715	4,218,423	300,277	6.6%
2013	4,537,800	4,166,000	371,800	8.2%
2012	4,595,500	4,159,300	436,200	9.5%

Source: New Jersey Department of Labor, Office of Research and Planning, Division of Labor Market and Demographic Research, Bureau of Labor Force Statistics, Local Area Unemployment Statistics

Income (as of 2010)

	Princeton Borough	Princeton Township	County	State
Median Household Income	$112,808	$104,856	$73,883	$71,180
Median Family Income	161,447	164,861	92,817	86,779
Per Capita Income	37,328	70,822	36,721	35,768

Source: US Bureau of the Census 2010

Population

The following tables summarize population increases and the decreases for Princeton, the County, and the State.

	Princeton		County		State	
Year	Population	% Change	Population	% Change	Population	% Change
2010	28,572	(5.48%)	366,513	4.49%	8,791,894	4.49%
2000	30,230	19.89%	350,761	7.65%	8,414,350	8.85%
1990	25,214	(1.95%)	325,824	5.83%	7,730,188	4.96%
1980	25,715	(0.95%)	307,863	1.23%	7,365,001	2.75%
1970	25,962	16.42%	304,116	14.16%	7,168,164	18.15%

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

Largest Taxpayers

The ten largest taxpayers in Princeton and their assessed valuations are listed below:

Taxpayers	2017 Assessed Valuation	% of Total Assessed Valuation
Trustees of Princeton University	$395,752,000	5.65%
Palmer Residences 1 LLC	82,539,100	1.18%
Avalon Properties LLC	40,212,000	0.57%
Palmer Sq LTD Partners	35,310,000	0.50%
Jasna Polna Golf Club	31,500,000	0.45%
Princeton (Edens) LLC	32,542,200	0.46%
Nassau Inn Partnership	26,030,100	0.37%
Fountain Ridge (Copperwood)	24,590,900	0.35%
Institute for Advanced Study	22,015,500	0.31%
Princeton Theological Seminary	17,229,200	0.25%
Total	$707,721,000	10.11%

Source: School District CAFR & Municipal Tax Assessor

Comparison of Tax Levies and Collections

Princeton

Year	Tax Levy	Current Year Collection	Current Year % of Collection
2016	$156,620,488	$155,890,976	99.53%
2015	151,153,749	150,279,774	99.42%
2014	148,621,930	146,436,237	98.53%
2013	144,030,581	142,636,184	99.03%

Source: Annual Audit Reports

Borough

Year	Tax Levy	Current Year Collection	Current Year Percentage of
2012	46,272,974	45,472,364	98.27%
2011	45,503,366	44,542,641	97.89%
2010	45,045,123	44,065,968	97.83%
2009	43,629,202	43,208,101	99.03%

Source: Annual Audit Reports

Township

Year	Tax Levy	Current Year Collection	Current Year Percentage of
2012	$94,393,854	$93,348,113	98.89%
2011	91,022,928	90,070,653	98.95%
2010	91,571,655	89,927,274	98.20%
2009	88,824,374	87,777,919	98.82%

Source: Annual Audit Reports

Delinquent Taxes and Tax Title Liens

Princeton

Year	Amount of Tax Title Liens	Amount of Delinquent Tax	Total Delinquent	% of Tax Levy
2016	$117,206	$1,135,276	$1,252,482	0.80%
2015	105,354	1,115,779	$1,221,133	0.81%
2014	95,843	841,535	$937,378	0.63%
2013	95,814	1,195,427	1,291,241	0.90%

Source: Annual Audit Reports

Borough

Year	Amount of Tax Title Liens	Amount of Delinquent Tax	Total Delinquent	% of Tax Levy
2012	9,366	697,505	$706,871	1.53%
2011	9,994	906,814	916,808	2.01%
2010	4,785	573,497	578,282	1.28%
2009	4,171	367,021	371,192	0.85%

Source: Annual Audit Reports

Township

Year	Amount of Tax Title Liens	Amount of Delinquent Tax	Total Delinquent	% of Tax Levy
2012	$173,943	$964,382	$1,138,325	1.21%
2011	149,852	800,044	949,897	1.04%
2010	128,753	1,002,616	1,131,369	1.24%
2009	107,976	869,357	977,333	1.10%

Source: Annual Audit Reports

Property Acquired by Tax Lien Liquidation

The value of property acquired by liquidation of tax title lines on December 31, the basis of the last assessed valuation of such properties was as follows:

Princeton

Year	Amount
2016	$634,400
2015	278,400
2014	317,400
2013	330,100

Source: Annual Audit Reports

Borough

Year	Amount
2012	$0
2011	0
2010	0
2009	0

Source: Annual Audit Reports

Township

Year	Amount
2012	$359,700
2011	510,000
2010	430,800
2009	137,000

Source: Annual Audit Reports

Tax Rates per $100 of Net Valuations Taxable and Allocations

Year	Municipal	Local School	County	Total
2017	$0.502	$1.101	$0.696	$2.299
2016	0.495	1.080	0.689	2.264
2015	0.486	1.063	0.663	2.212
2014	0.470	1.047	0.668	2.185
2013	0.471	1.026	0.634	2.131

Source: Abstract of Ratables and State of New Jersey – Property Taxes

Valuation of Property

Year	Aggregate Assessed Valuation of Real Property	Aggregate True Value of Real Property	Ratio of Assessed to True Value	Assessed Value of Personal Property	Equalized Valuation
2017	$6,990,951,700	$7,876,241,212	88.76%	$8,823,569	$7,885,064,781
2016	6,891,624,800	7,764,336,187	88.76	8,698,857	7,773,035,044
2015	6,813,101,660	7,603,059,547	89.61	8,545,211	7,611,604,758
2014	6,769,628,760	7,420,397,632	91.23	8,619,869	7,429,017,501
2013	6,727,808,660	7,218,856,563	93.17	9,976,866	7,228,833,429

Source: Abstract of Ratables and State of New Jersey – Table of Equalized Valuations

Classification of Ratables

The table below lists the comparative assessed valuation for each classification of real property within Princeton for past five (5) years.

Year	Vacant Land	Residential	Farm	Commercial	Industrial	Apartments	Total
2017	$87,865,000	$5,779,425,700	$36,947,600	$779,781,900	$11,759,700	$295,171,800	$6,990,951,700
2016	88,842,500	5,700,180,500	38,150,200	778,304,700	11,759,700	274,387,200	6,891,624,800
2015	92,656,100	5,619,263,400	49,403,410	772,598,550	8,981,700	270,198,500	6,813,101,660
2014	90,710,900	5,572,589,600	47,280,410	788,160,750	8,981,700	261,905,400	6,769,628,760
2013	97,017,800	5,544,992,800	55,756,810	810,620,450	8,981,700	210,439,100	6,727,808,660

Source: Abstract of Ratables and State of New Jersey – Property Value Classification

Current Fund

The following table lists the Princeton's fund balance and the amount utilized in the succeeding year's budget for the Current Fund for the past five (5) fiscal years ending December 31.

Fund Balance - Current Fund

Year	Balance 12/31	Utilized in Budget of Succeeding Year
2016	$17,290,952	$6,230,000
2015	15,489,255	6,100,000
2014	15,340,856	6,100,000
2013	13,125,910	5,800,000

Source: Annual Audit Reports

Combined Current Fund Balance

Year	Balance 12/31	Utilized in Budget of Succeeding Year
2012	$13,040,526	$5,800,000
2011	11,866,040	5,800,000
2010	10,142,293	4,925,000
2009	7,369,290	3,999,808

Source: Annual Audit Reports

Parking Utility Operating Fund

The following table lists the Princeton's fund balance and the amount utilized in the succeeding year's budget for the Parking Utility Operating Fund for the past five (5) fiscal years ending December 31.

Princeton - Parking Utility Operating Fund

Year	Balance 12/31	Utilized in Budget of Succeeding Year
2016	$963,755	$181,881
2015	930,611	191,069
2014	999,886	307,829
2013	888,397	168,450

Source: Annual Audit Reports

Parking Utility Operating Fund

Year	Balance 12/31	Utilized in Budget of Succeeding Year
2012	$674,649	N/A
2011	609,267	111,037
2010	48,775	24,372
2009	248,775	200,000

Source: Annual Audit Reports of the Borough

Affordable Housing Utility Operating Fund

The following table lists the Princeton's fund balance and the amount utilized in the succeeding year's budget for the Affordable Housing Utility Operating Fund for the past five (5) fiscal years ending December 31.

Princeton - Affordable Housing Utility Fund

Year	Balance 12/31	Utilized in Budget of Succeeding Year
2016	$428,651	$0
2015	346,714	0
2014	301,864	0
2013	253,330	0

Source: Annual Audit Reports of Princeton

	Affordable Housing Operating Fund	
	Balance	**Utilized in Budget**
Year	**12/31**	**of Succeeding Year**
2012	$158,089	N/A
2011	58,192	122,000
2010	130,669	124,760
2009	151,993	140,000

Source: Annual Audit Reports of the Township

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Princeton Indebtedness as of December 31, 2016

General Purpose Debt	
Serial Bonds	$58,885,209
Bond Anticipation Notes	19,500,000
Bonds and Notes Authorized but Not Issued	46,860,798
Other Bonds, Notes and Loans	7,492,100
Total:	$132,738,106
Regional School District Debt	
Serial Bonds	$31,635,000
Temporary Notes Issued	0
Bonds and Notes Authorized but Not Issued	0
Total:	$31,635,000
Parking Utility Debt	
Serial Bonds	$9,180,000
Temporary Notes Issued	0
Bonds and Notes Authorized but Not Issued	0
Total:	$9,180,000
Affordable Housing Utility Debt	
Serial Bonds	$0
Bond Anticipation Notes	0
Bonds and Notes Authorized but Not Issued	15,863
Other Bonds, Notes and Loans	0
Total:	$15,863
TOTAL GROSS DEBT	**$173,568,970**
Less: Statutory Deductions	
General Purpose Debt	$2,245,084
Regional School District Debt	31,635,000
Parking Utility Debt	9,180,000
Affordable Housing Utility	15,863
Total:	$43,075,947
TOTAL NET DEBT	**$130,493,023**

Source: Consolidated Annual Debt Statement

Overlapping Debt (as of December 31, 2016)[1]

Name of Related Entity	Related Entity Debt Outstanding	Percentage	Share
Regional School District	$31,635,000	100.00%	$31,635,000
Stony Brook Reg. Sewerage Authority	23,099,013	33.18%	7,664,253
Mercer County Improvement Authority	256,725,000	17.68%	45,377,859
Mercer County	490,911,747	17.68%	86,771,932
Net Indirect Debt			$171,449,044
Net Direct Debt			130,493,023
Total Net Direct and Indirect Debt			**$301,942,067**
Percentage of Net Indirect Debt to Average Equalized Valuation			2.26%
Percentage of Net Direct Debt to Average Equalized Valuation			1.72%

Debt Limit

Average Equalized Valuation Basis (2014, 2015, 2016)	$7,595,931,122
Permitted Debt Limitation (3 1/2%)	265,857,589
Less: Net Debt	130,493,023
Remaining Borrowing Power	$135,364,567
Percentage of Net Debt to Average Equalized Valuation	1.72%
Gross Debt Per Capita based on 2010 population of 12,307	$6,075
Net Debt Per Capita based on 2010 population of 12,307	$4,567

Source: Consolidated Annual Debt Statement

[1] Princeton percentage of County and County Improvement Authority debt is based on the Princeton's share of total equalized valuation in the County. The Princeton's utilities authority debt is based on the Princeton's portion of total flow from each respective authority.

APPENDIX B

FINANCIAL STATEMENTS OF PRINCETON, IN THE COUNTY OF MERCER, NEW JERSEY

HODULIK & MORRISON, P.A.
CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS
PUBLIC SCHOOL ACCOUNTANTS
1102 RARITAN AVENUE, P.O. BOX 1450
HIGHLAND PARK, NJ 08904
(732) 393-1000
(732) 393-1196 (FAX)

ANDREW G. HODULIK, CPA, RMA, PSA
ROBERT S. MORRISON, CPA, RMA, PSA

MEMBERS OF:
AMERICAN INSTITUTE OF CPA'S
NEW JERSEY SOCIETY OF CPA'S
REGISTERED MUNICIPAL ACCOUNTANTS OF N.J.

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members
of the Princeton Council
Municipality of Princeton
Mercer County, New Jersey

Report on the Financial Statements

We have audited the accompanying entity-wide financial statements, consisting of the combined statement of assets, liabilities, reserves and fund balance – regulatory basis and the combined statement of revenues, expenditures and changes in fund balance – regulatory basis, and the accompanying individual fund and account group financial statements, consisting of the balance sheets – regulatory basis, statements of operations and changes in fund balance – regulatory basis, statements of revenues – regulatory basis and statements of expenditures – regulatory basis and the statement of general fixed assets of the various funds and fixed asset account group of Princeton, County of Mercer, New Jersey, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise Princeton's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the reporting provisions of the Division of Local Government Services, Department of Community Affairs, State of New Jersey, as described in Note 2. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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

As described in Note 2, these financial statements were prepared in conformity with accounting practices prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, United States of America, that demonstrate compliance with the modified accrual basis, with certain exceptions, and the budget laws of New Jersey, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. These prescribed principles 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. Accordingly, the accompanying financial statements – regulatory basis are not intended to present financial position and results of operations in accordance with accounting principles generally accepted in the United States of America. The effect on the financial statements of the differences between these regulatory accounting practices 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 matters discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statements referred to in the first paragraph do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial positions of Princeton, County of Mercer, New Jersey, as of December 31, 2015, the changes in its financial position, and, where applicable, its cash flows for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion the financial statements – regulatory basis referred to above present fairly, in all material respects, the financial position – regulatory basis of the various funds and governmental fixed assets of Princeton, County of Mercer, New Jersey as of December 31, 2016, and the results of its operations and changes in fund balance – regulatory basis of such funds for the year then ended and the revenues- regulatory basis and statement of expenditures – regulatory basis of the various funds for the year ended December 31, 2016, on the basis of accounting described in Note 2.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that pension plan information, including the Notes thereto, (Required Supplementary Information – Part II), as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was made for the purpose of forming an opinion on the financial statements of Princeton, County of Mercer, New Jersey. The information included in Part IV – Supplementary Schedules and Part V – Supplementary Data, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements of Princeton, County of Mercer, New Jersey. The information included in Part III – Supplementary Schedules are presented for purposes of additional analysis and are also not a required part of the financial statements. The Part III - Supplementary Schedules are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements, or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements – regulatory basis taken as a whole. The schedules and information contained in Part IV – Supplementary Data have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated May 12, 2017 on our consideration of Princeton's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Princeton's internal control over financial reporting and compliance.

Hodulik & Morrison, P.A.

HODULIK & MORRISON, P.A.
Certified Public Accountants
Registered Municipal Accountants

Robert S. Morrison
Registered Municipal Accountant
No. 412

Highland Park, New Jersey
May 12, 2017

HODULIK & MORRISON, P.A.
CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS
PUBLIC SCHOOL ACCOUNTANTS
1102 RARITAN AVENUE, P.O. BOX 1450
HIGHLAND PARK, NJ 08904
(732) 393-1000
(732) 393-1196 (FAX)

ANDREW G. HODULIK, CPA, RMA, PSA
ROBERT S. MORRISON, CPA, RMA, PSA

JO ANN BOOS, CPA, PSA

MEMBERS OF:
AMERICAN INSTITUTE OF CPA'S
NEW JERSEY SOCIETY OF CPA'S
REGISTERED MUNICIPAL ACCOUNTANTS OF N.

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

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members
of the Council
Municipality of Princeton
Mercer County, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements – regulatory basis of Princeton, County of Mercer, New Jersey as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise Princeton's basic financial statements and have issued our report thereon dated May 12, 2017. Our report was modified due to the departure from accounting principles generally accepted in the United States of America, as disclosed in Note 2, that are embodied in the Other Comprehensive Basis of Accounting Utilized for financial statements presentations and was unmodified based upon that Other Comprehensive Basis of Accounting.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

We also noted other matters involving compliance and internal control over financial reporting that we have reported to management of Princeton in the General Comments section of the Report of Audit.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance, Accordingly, this communication is not suitable for any other purpose.

HODULIK & MORRISON, P.A.
Certified Public Accountants
Registered Municipal Accountants

Robert S. Morrison
Registered Municipal Accountant
No. 412

Highland Park, New Jersey
May 12, 2017

FINANCIAL STATEMENTS

PRINCETON
COUNTY OF MERCER
COMBINED STATEMENT OF ASSETS, LIABILITIES, RESERVES AND FUND BALANCE - ALL FUND TYPES AND ACCOUNT GROUP - REGULATORY BASIS
DECEMBER 31, 2016

ASSETS	CURRENT FUND	TRUST FUNDS	GENERAL CAPITAL FUND	AFFORDABLE HOUSING UTILITY FUNDS	PARKING UTILITY FUNDS	PUBLIC ASSISSTANCE FUND	FIXED ASSET ACCOUNT GROUP	TOTAL DEC. 31,2016
Cash and Equivalents	$ 26,554,524.12	$ 14,983,350.32	$ 4,485,250.69	$ 3,678,663.94	$ 1,899,540.07	$ 119,363.39		$ 51,720,692.53
Funds Held by Fiscal Agent			10,614.66					$ 10,614.66
Public & Private Funding Receivable	1,099,658.28		3,804,273.84					4,903,932.12
Receivables and Other Assets:								-
Delinquent Property Taxes	1,135,275.51							1,135,275.51
Assessments Receivable		458,324.66						458,324.66
Tax Title and Assessment Liens Rec.	117,206.36							117,206.36
Other Accounts Receivable	93,924.51	1.99	116,170.00	383,945.06				594,041.56
Interfunds Receivable	234.34	8,587.60						8,821.94
Property Acquired for Taxes	634,400.00							634,400.00
Prospective Assessments Funded		556,786.50						556,786.50
Deferred Charge to Future Taxation:								-
Special Emergency Appropriation	483,516.00							483,516.00
Amount to be Raised for Assessment Bonds								-
Fixed Capital					14,585,431.26			14,585,431.26
Fixed Capital Authorized and Uncompleted					585,269.37			585,269.37
Deferred Charge to Future Taxation:								-
Funded			66,407,771.06					66,407,771.06
Unfunded			41,210,480.10					41,210,480.10
Governmental Fixed Assets							196,552,141.00	196,552,141.00
	$ 30,118,739.12	$ 16,007,051.07	$ 116,034,560.35	$ 4,062,609.00	$ 17,070,240.70	$ 119,363.39	$ 196,552,141.00	$ 379,964,704.63

Note: See Notes to Financial Statements

PRINCETON
COUNTY OF MERCER
COMBINED STATEMENT OF ASSETS, LIABILITIES, RESERVES AND FUND BALANCE - ALL FUND TYPES AND ACCOUNT GROUP - REGULATORY BASIS
DECEMBER 31, 2016

LIABILITIES, RESERVES AND FUND BALANCE	CURRENT FUND	TRUST FUNDS	GENERAL CAPITAL FUND	AFFORDABLE HOUSING UTILITY FUNDS	PARKING UTILITY FUNDS	PUBLIC ASSISSTANCE FUND	FIXED ASSET ACCOUNT GROUP	TOTAL DEC. 31,2016
Tax & Utility Overpayments	$ 5,083.05							$ 5,083.05
Appropriation Reserves	3,811,938.19				183,649.18			3,995,587.37
Prepaid Taxes and Utility Charges	2,141,380.84							2,141,380.84
Federal and State Grants:								
Appropriated Reserves	1,883,644.87							1,883,644.87
Unappropriated Reserves	3,049.14							3,049.14
Encumbrances	11,777.60							11,777.60
Due County for Added Taxes	198,327.96							198,327.96
Due to State of New Jersey	39,841.37							39,841.37
Reserve for Future Debt Service			1,880,083.57		275,000.00			2,155,083.57
Premium on Tax Sale Certificates	476,500.00							476,500.00
Capital Improvement Fund			18,994.49					18,994.49
Specified Reserves	754,094.45	14,277,253.58	375,614.66	3,131,044.34	4,166.66	119,363.39		18,661,537.08
Improvement Authorizations			21,293,496.56	67,702.05	419,518.19			21,780,716.80
Reserve for Encumbrances	1,255,898.83	18,306.61	2,832,180.90		227,504.27			4,333,890.61
Prospective Assessments Funded		556,786.50						556,786.50
Interfunds Payable		234.34	500.00					734.34
Serial Bonds Payable		94,328.52	58,915,671.47		9,180,000.00			68,189,999.99
Bond Anticipation Notes			19,500,000.00					19,500,000.00
Green Trust Loan Payable			309,641.78					309,641.78
Environmental Infrastructure Loans			7,182,457.81					7,182,457.81
Reserve for Receivables	1,981,040.72	456,908.87	1,250,000.00	383,945.06				4,071,894.65
Reserve for Amortization					5,492,700.63			5,492,700.63
Other Payables	265,210.11	175,689.62			145,934.67			586,834.40
Investment in Fixed Assets							196,552,141.00	196,552,141.00
Fund Balance	17,290,951.97	419,455.43	2,475,919.11	479,917.55	1,141,767.10			21,808,011.16
	$ 30,118,739.10	**$ 15,998,963.47**	**$ 116,034,560.35**	**$ 4,062,609.00**	**$ 17,070,240.70**	**$ 119,363.39**	**$ 196,552,141.00**	**$ 379,956,617.01**

Note: See Notes to Financial Statements

PRINCETON
COUNTY OF MERCER

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - REGULATORY BASIS
FOR THE YEAR ENDED DEC. 31,2016

	CURRENT FUND	TRUST FUNDS	GENERAL CAPITAL FUND	AFFORDABLE HOUSING UTILITY FUNDS	PARKING UTILITY FUNDS	TOTAL DEC. 31, 2016
Revenues and Other Income:						
Fund Balance Appropriated	$ 6,100,000.00	$ 34,328.52	$	$	$ 191,069.00	#VALUE!
Miscellaneous Revenue Anticipated	22,081,715.29			467,903.00	4,145,548.15	26,695,166.44
Receipts from Delinquent Taxes	1,113,492.62					1,113,492.62
Amount to be Raised by Taxes for Support of Municipal Budget:						
Local Tax for Municipal Purposes	32,898,823.36					32,898,823.36
Library Tax	2,537,199.05					2,537,199.05
Total Budget Revenue	64,731,230.32	34,328.52		467,903.00	4,336,617.15	69,570,078.99
Other Credits to Income	4,705,788.56	382,951.54	7,405.71	33,083.58	241,209.96	5,370,439.35
Total Revenues and Other Income	69,437,018.88	417,280.06	7,405.71	500,986.58	4,577,827.11	74,940,518.34
Expenditures and Other Charges:						
Budgeted - Within Spending "CAP"						
General Government	5,987,291.00					5,987,291.00
Land Use Administration	557,779.00					557,779.00
Public Safety	9,763,034.00					9,763,034.00
Public Works	4,197,669.00					4,197,669.00
Health & Human Services	1,426,468.00					1,426,468.00
Parks and Recreation	994,964.00					994,964.00
Unclassified	10,516,106.00					10,516,106.00
Deferred Charges and Statutory Expenditures	3,927,000.00					3,927,000.00
Budgeted Excluded From "CAP":						
General Government	8,139,697.00					8,139,697.00
Public and Private Programs	997,438.11					997,438.11
Capital Improvements	150,000.00					150,000.00
Debt Service	11,260,854.58					11,260,854.58
Deferred Charges	683,516.00					683,516.00
Surplus - General Budget		300,000.00	600,000.00			900,000.00
Reserve for Uncollected Taxes	2,914,906.48					2,914,906.48
Affordable Housing Utility Expenditures				419,050.48		419,050.48
Parking Utility Expenditures					4,203,880.17	4,203,880.17
Total Budget Expenditures	61,516,723.17	300,000.00	600,000.00	419,050.48	4,203,880.17	67,039,653.82
Other Charges	18,598.43	89,569.91		15,863.35		124,031.69
Total Expenditures and Other Charges	61,535,321.60	389,569.91	600,000.00	434,913.83	4,203,880.17	67,163,685.51

PRINCETON
COUNTY OF MERCER

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - REGULATORY BASIS
FOR THE YEAR ENDED DEC. 31,2016

	CURRENT FUND	TRUST FUNDS	GENERAL CAPITAL FUND	AFFORDABLE HOUSING UTILITY FUNDS	PARKING UTILITY FUNDS	TOTAL DEC. 31, 2016
Statutory Excess to Fund Balance	7,901,697.28	27,710.15	(592,594.29)	66,072.75	373,946.94	7,776,832.83
Fund Balance - Beginning of Year	15,489,254.69	426,073.80	3,068,513.40	413,844.80	958,889.16	20,356,575.85
	23,390,951.97	453,783.95	2,475,919.11	479,917.55	1,332,836.10	28,133,408.68
Decreased by: Utilized in Budget	6,100,000.00	34,328.52			191,069.00	6,325,397.52
Fund Balance - End of Year	**$ 17,290,951.97**	**$ 419,455.43**	**$ 2,475,919.11**	**$ 479,917.55**	**$ 1,141,767.10**	**$ 21,808,011.16**

See Notes to Financial Statements

FUND FINANCIAL STATEMENTS

PRINCETON
MERCER COUNTY, NEW JERSEY

Exhibit - A

CURRENT FUND
BALANCE SHEET - REGULATORY BASIS
DECEMBER 31, 2016

ASSETS	BALANCE DEC. 31,2016	LIABILITIES, RESERVES AND FUND BALANCE	BALANCE DEC. 31,2016
Cash and Investments - Treasurer	$ 25,754,095.77	Liabilities:	
Change Fund	1,615.00	Appropriation Reserves	$ 3,811,938.19
		Reserve for Encumbrances	1,255,898.83
	25,755,710.77	Tax Overpayments	5,083.05
Receivables and Other Assets With Full Reserves:		Due State of NJ Senior Cit./Veterans Deductions	7,006.17
		Accounts Payable	72,605.26
Taxes Receivable	1,135,275.51	Due to State of NJ- Various Fees	32,835.20
Tax Title Liens Receivable	117,206.36	Due to County for Added Taxes	198,327.96
Sewer Charges Receivable	56,154.39	Prepaid Taxes	2,072,534.45
Delinquent Interest & Penalty	37,770.12	Prepaid Sewer	68,846.39
Property Acquired for Taxes at Assessed Value	634,400.00	Various Payables	192,604.85
		Premium on Tax Sale Certificates	476,500.00
Interfund Receivables	234.34	Miscellaneous Reserves	754,094.45
	1,981,040.72		8,948,274.80
Deferred Charges:			
Emergency Appropriation	483,516.00	Reserve for Receivables	1,981,040.72
		Fund Balance	17,290,951.97
	483,516.00		
Total Current Fund	28,220,267.49	Total Current Fund	28,220,267.49
Grant Fund:		Grant Fund:	
Cash and Investments - Treasurer	798,813.35	Reserve for Encumbrances	11,777.60
State & Federal Grants Receivable	1,099,658.26	Reserve for State & Federal Grants:	
		Appropriated	1,883,644.87
		Unappropriated	3,049.14
Total Grant Fund	1,898,471.61	Total Grant Fund	1,898,471.61
	$ 30,118,739.10		**$ 30,118,739.10**

Note: See Notes to Financial Statements

PRINCETON
MERCER COUNTY, NEW JERSEY

CURRENT FUND
STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016

REVENUE AND OTHER INCOME	YEAR 2016
Fund Balance Utilized	$ 6,100,000.00
Miscellaneous Revenues Anticipated	22,081,715.29
Receipts from Delinquent Taxes	1,113,492.62
Receipts from Current Taxes	155,890,975.50
Non-Budget Revenue	960,191.08
Other Credits to Income:	
Unexpended Balance of Approp.	
Reserves Lapsed	3,429,739.05
Interfund Loans Returned	4,589.82
Cancelled Accounts Payable	146,381.14
Cancelled Tax Overpayments	164,887.47
Total Revenues and Other Income	189,891,971.97
EXPENDITURES AND OTHER CHARGES	
Budget Appropriations:	
Operations:	
Salaries and Wages	17,247,710.00
Other Expenses	25,332,736.11
Deferred Charges and Statutory Expenditures	4,610,516.00
Capital Improvements	150,000.00
Municipal Debt Service	11,260,854.58
County Taxes	47,689,210.26
Local District School Taxes	74,504,606.00
Municipal Open Space Tax	1,176,043.31
Refunds of Prior Year Revenues	18,598.43
Total Expenditures and Other Charges	181,990,274.69
Statutory Excess to Fund Balance	7,901,697.28
FUND BALANCE	
Balance - January 1	15,489,254.69
	23,390,951.97
Decreased by:	
Utilized as Anticipated Revenue	6,100,000.00
Balance - December 31	**$ 17,290,951.97**

Note: See Notes to Financial Statements

PRINCETON
MERCER COUNTY, NEW JERSEY

CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016

	ANTICIPATED 2016 BUDGET	ANTICIPATED N.J.S.A. 40A:4-87	REALIZED	EXCESS OR (DEFICIT)
Surplus Anticipated	**$ 6,100,000.00**		**$ 6,100,000.00**	
Miscellaneous Revenues:				
Licenses:				
Alcoholic Beverage	62,000.00		62,692.00	692.00
Other	84,000.00		95,553.00	11,553.00
Fees and Permits:				
Other	390,000.00		395,256.32	5,256.32
Fines and Costs:				
Municipal Court	1,219,000.00		1,147,738.56	(71,261.44)
Interest and Costs on Taxes	349,000.00		441,757.36	92,757.36
Interest on Investments and Deposits	185,187.29		209,770.92	24,583.63
Anticipated Utility Operating Surplus	1,400,000.00		1,400,000.00	
Sewer Rentals	6,690,000.00		6,682,523.52	(7,476.48)
PILOT- Institute for Advanced Study	250,000.00		250,000.00	
PILOT-Tenacre Foundation	500,000.00		500,000.00	
PILOT-Princeton Community Village	340,000.00		350,515.75	10,515.75
Princeton University Fair Share	2,970,000.00		2,970,000.00	
Life Hazard Use Fees	89,000.00		87,632.33	(1,367.67)
Fire and Housing Inspection Fees	242,000.00		238,032.00	(3,968.00)
Energy Receipts Tax	2,452,421.00		2,452,421.00	
Consolidated Municipal Property Tax Relief Aid	4,855.00		4,855.00	
UCC Administrative Fee	202,324.00		202,324.00	
Special Items:				
Corner House Foundation	200,000.00		200,000.00	
Corner House - Client Fees	50,000.00		50,000.00	
Princeton University Prospect St. Lighting	7,654.00		7,654.00	
Princeton University Fire Equipment	20,000.00		20,000.00	
Bonner Foundation	21,500.00		21,500.00	
Bonner Foundation-Unappropriated	2,334.12		2,334.12	
Body Armor Grant		4,670.33	4,670.33	
Drunk Driving Enforcement Grant	61,118.09	7,350.81	68,468.90	
Recycling Tonnage Grant	55,146.63		55,146.93	0.30
Alcohol Education Rehabilitation Fund		2,779.84	2,779.84	
Adolescent Mercer County	28,497.00		28,497.00	
Mercer County PYP	27,304.00		27,304.00	
NJ Prevention Network		3,000.00	3,000.00	
Assn. of NJ Environmental Commissions		1,000.00	1,000.00	
Food Waste Recycling	20,000.00		20,000.00	
SAFER Grant		35,632.00	35,632.00	
Clean Communities		70,945.49	70,945.49	
CDC Preventative Health		10,000.00	10,000.00	
Mercer County Regional Drug Treatment Program	30,000.00		30,000.00	
Princeton Regional - NJMSPLI	1,000.00		1,000.00	
Princeton Regional Star Program	8,500.00		8,500.00	

CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016

	ANTICIPATED 2016 BUDGET	ANTICIPATED N.J.S.A. 40A:4-87	REALIZED	EXCESS OR (DEFICIT)
Miscellaneous Revenues (Cont'd.):				
Princeton Regional Academic Success	10,000.00		10,000.00	
Cranbury Drug Intervention Program	10,080.00		10,080.00	
State of NJ Vicinage Program	50,000.00		50,000.00	
NJ Division of Addiction Services	200,000.00		200,000.00	
Body Camera Grant-Mercer County		15,000.00	15,000.00	
Cops in Shop	2,800.00		2,800.00	
Pedestrian Safety		3,069.50	3,069.50	
Municipal Alliance on Alcoholism and Drug Abuse	28,056.00		28,056.00	
Theological Seminary	211,326.00		211,326.00	
PILOT - Elm Court	77,000.00		81,701.50	4,701.50
Chamber St. Land Lease	141,600.00		147,630.00	6,030.00
Reserve for Debt Service Institute Woods	246,793.00		246,762.84	(30.16)
Reserve for Debt Service - Other	1,400,000.00		1,400,000.00	
Trust Surplus - Improvement Assessments	300,000.00		300,000.00	
Cable TV	100,000.00		100,000.00	
Shared Service Agreement - Library / School District	70,000.00		71,481.95	1,481.95
Stony Brook Industrial User Fees	20,000.00		15,983.48	(4,016.52)
Hotel/Motel Tax	308,000.00		328,319.65	20,319.65
Reserve for Premium on Bonds	100,000.00		100,000.00	
General Capital Fund - Fund Balance	600,000.00		600,000.00	
Total Miscellaneous Revenues	**21,840,512.13**	**153,447.97**	**22,081,715.29**	**89,771.19**
Receipts from Delinquent Taxes	**1,067,074.26**		**1,113,492.62**	**46,418.36**
Amount to be Raised by Taxation for Support of Municipal Budget:				
Local Tax for Municipal Purposes Including Reserve for Uncollected Taxes	30,395,544.02		32,898,823.36	2,503,279.34
Minimum Library Tax	2,537,199.05		2,537,199.05	
Total Municipal Tax	**32,932,743.07**		**35,436,022.41**	**2,503,279.34**
Budget Totals	**61,940,329.46**	**153,447.97**	**64,731,230.32**	**$ 2,639,468.89**
Non-Budget Revenues			**960,191.08**	
	$ 61,940,329.46	**$ 153,447.97**	**$ 65,691,421.40**	

Note: See Notes to Financial Statements

PRINCETON
MERCER COUNTY, NEW JERSEY

CURRENT FUND
STATEMENT OF REVENUES-REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016

ANALYSIS OF REALIZED REVENUES	REF.		
Allocation of Current Tax Collections:			
2016 Collections	A-6	154,398,532.25	
Prepaid Taxes Applied	A-6	1,419,082.98	
State Share of Sr. Citizen's and Veteran's Deductions Allowed	A-6	73,360.27	
	A-1		$ 155,890,975.50
Allocated to:			
Regional School Tax	A-11	74,504,606.00	
County Taxes	A-11	47,568,501.84	
Added County Taxes	A-11	120,708.42	
Local Open Space Tax	A-1	1,176,043.31	
			123,369,859.57
			32,521,115.93
Add: Reserve for Uncollected Taxes	A-3		2,914,906.48
Amount for Support of Municipal Budget	A-2		$ 35,436,022.41
Allocation of Delinquent Tax Collections:			
Collections	A-6		$ 1,113,492.62
	A-2		$ 1,113,492.62

Note: See Notes to Financial Statements

PRINCETON
MERCER COUNTY, NEW JERSEY

CURRENT FUND
STATEMENT OF EXPENDITURES-REGULATORY BASIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016

	2016 BUDGET	BUDGET AFTER MODIFICATION	EXPENDED: PAID OR CHARGED	EXPENDED: ENCUMBERED	EXPENDED: RESERVED	UNEXPENDED BALANCE CANCELLED
Operations Within "CAPS"						
GENERAL GOVERNMENT:						
General Administration						
Salaries and Wages	$ 214,966.00	$ 214,966.00	$ 209,659.91	$	$ 5,306.09	$
Other Expenses	1,480,600.00	1,348,100.00	247,308.17	84,378.53	1,008,413.30	8,000.00
Information Technology						
Salaries and Wages	297,404.00	299,404.00	297,693.81		1,710.19	
Other Expenses	517,042.00	517,042.00	395,137.37	106,863.11	5,041.52	10,000.00
Human Resources (Personnel)						
Other Expenses	279,725.00	279,725.00	199,937.62	19,692.98	60,094.40	
Mayor and Council						
Salaries and Wages	80,000.00	80,000.00	79,999.80		0.20	
Other Expenses	22,150.00	22,150.00	6,987.55	200.40	14,962.05	
Municipal Clerk						
Salaries and Wages	313,814.00	316,814.00	315,862.55		951.45	
Other Expenses	43,500.00	43,500.00	23,842.74	9,169.47	10,487.79	
Elections						
Salaries and Wages	4,500.00	4,500.00	4,062.08		437.92	
Other Expenses	15,700.00	15,700.00	12,329.30		3,370.70	
Financial Administration (Treasury)						
Salaries and Wages	668,574.00	668,574.00	608,938.01		59,635.99	
Other Expenses	30,350.00	30,350.00	15,397.69	1,888.16	13,064.15	
Audit Services	50,000.00	50,000.00			50,000.00	
Revenue Administration (Tax Collection)						
Salaries and Wages	164,507.00	164,507.00	127,725.86		36,781.14	
Other Expenses	14,725.00	14,725.00	6,837.86	348.16	7,538.98	

PRINCETON
MERCER COUNTY, NEW JERSEY

CURRENT FUND
STATEMENT OF EXPENDITURES-REGULATORY BASIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016

	2016 BUDGET	BUDGET AFTER MODIFICATION	EXPENDED PAID OR CHARGED	EXPENDED ENCUMBERED	EXPENDED RESERVED	UNEXPENDED BALANCE CANCELLED
Operations Within "CAPS" (Cont'd.)						
GENERAL GOVERNMENT:						
Tax Assessment Administration						
Salaries and Wages	162,596.00	162,596.00	162,595.92		0.08	
Other Expenses	84,000.00	84,000.00	48,681.26	3,007.30	32,311.44	
Legal Services						
Other Expenses	439,500.00	439,500.00	281,426.05	100,452.93	57,621.02	
Defense of Tax Appeals	30,000.00	30,000.00	22,705.56	589.00	6,705.44	
Call Center						
Salaries and Wages	132,140.00	138,140.00	137,791.96		348.04	
Other Expenses	16,700.00	16,700.00	7,891.10		8,808.90	
Engineering Services						
Salaries and Wages	983,263.00	983,263.00	869,784.21		113,478.79	
Other Expenses	48,000.00	48,000.00	36,266.84	5,641.04	6,092.12	
Historical Site Office						
Salaries and Wages	2,000.00	2,000.00	2,000.00			
Other Expenses	31,035.00	31,035.00	7,853.98	4.73	23,176.29	
LAND USE ADMINISTRATION:						
Planning Board						
Salaries and Wages	$ 232,991.00	$ 232,991.00	$ 228,547.11	$	$ 4,443.89	$
Other Expenses	78,200.00	78,200.00	14,748.63	22,480.11	40,971.26	
Zoning Board of Adjustment						
Salaries and Wages	221,788.00	221,788.00	221,291.68		496.32	
Other Expenses	24,800.00	24,800.00	13,294.01	11,084.15	421.84	

PRINCETON
MERCER COUNTY, NEW JERSEY

CURRENT FUND
STATEMENT OF EXPENDITURES-REGULATORY BASIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016

	2016 BUDGET	BUDGET AFTER MODIFICATION	EXPENDED PAID OR CHARGED	EXPENDED ENCUMBERED	EXPENDED RESERVED	UNEXPENDED BALANCE CANCELLED
Operations Within "CAPS" (Cont'd.)						
PUBLIC SAFETY FUNCTIONS:						
Police						
Salaries and Wages	7,006,025.00	7,010,525.00	7,010,107.10		417.90	
Other Expenses	357,966.00	357,966.00	251,333.14	28,900.22	27,732.64	50,000.00
Police Dispatch/911						
Salaries and Wages	804,116.00	804,116.00	725,755.24		78,360.76	
Office of Emergency Management						
Salaries and Wages	154,039.00	154,039.00	122,696.43		1,342.57	30,000.00
Other Expenses	16,000.00	16,000.00	3,395.78	10,764.69	1,839.53	
Fire Department						
Salaries and Wages	10,000.00	10,000.00	10,000.00			
Other Expenses - Including LOSAP Alternative	331,850.00	331,850.00	236,283.51	57,253.41	27,813.08	10,500.00
Other Expenses - Fire Facilities	126,500.00	126,500.00	80,071.55	15,520.23	30,908.22	
Fire Prevention						
Salaries and Wages	288,198.00	288,198.00	267,763.26		20,434.74	
Other Expenses	9,340.00	9,340.00	3,658.02	4,122.15	1,559.83	
Fire Hydrant Service	675,000.00	675,000.00	598,825.92	54,438.72	21,735.36	
Municipal Prosecutor's Office						
Other Expenses	70,000.00	70,000.00	52,500.00	17,500.00		

PRINCETON
MERCER COUNTY, NEW JERSEY

CURRENT FUND
STATEMENT OF EXPENDITURES-REGULATORY BASIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016

	2016 BUDGET	BUDGET AFTER MODIFICATION	EXPENDED PAID OR CHARGED	EXPENDED ENCUMBERED	EXPENDED RESERVED	UNEXPENDED BALANCE CANCELLED
Operations Within "CAPS" (Cont'd.)						
PUBLIC WORKS FUNCTIONS:						
Streets and Roads Maintenance						
Salaries and Wages	$ 1,706,816.00	$ 1,706,816.00	$ 1,618,359.20	$	$ 88,456.80	$
Other Expenses	421,900.00	421,900.00	262,107.74	38,136.32	121,655.94	
Sustainable Princeton	30,000.00	30,000.00	12,470.00		17,530.00	
Buildings and Grounds						
Salaries and Wages	607,194.00	607,194.00	527,927.07		79,266.93	
Other Expenses	481,550.00	481,550.00	358,041.11	72,376.84	51,132.05	
Vehicle Maintenance (Including Police Vehicles)						
Salaries and Wages	342,209.00	342,209.00	298,170.14		44,038.86	
Other Expenses	318,000.00	358,000.00	306,407.40	37,933.54	13,659.06	
Community Service Act						
(Condominium Community Costs)						
Other Expenses	250,000.00	250,000.00			250,000.00	
HEALTH & HUMAN SERVICES FUNCTIONS:						
Regional Health Commission-Proportionate Share						
Salaries and Wages	331,988.00	331,988.00	331,388.90		599.10	
Other Expenses	116,968.00	97,968.00	59,942.03	30,932.59	7,093.38	
Flu Program		19,000.00	3,825.00		15,175.00	
Contribution to Senior Resource Center						
Salaries and Wages	10,000.00	10,000.00	10,000.00			
Other Expenses	204,650.00	250,650.00	182,951.20	46,003.75	21,695.05	
Worker and Community Right to Know Act	1,000.00	1,000.00			1,000.00	

PRINCETON
MERCER COUNTY, NEW JERSEY

CURRENT FUND
STATEMENT OF EXPENDITURES-REGULATORY BASIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016

	2016 BUDGET	BUDGET AFTER MODIFICATION	EXPENDED PAID OR CHARGED	EXPENDED ENCUMBERED	EXPENDED RESERVED	UNEXPENDED BALANCE CANCELLED
Operations Within "CAPS" (Cont'd.)						
HEALTH & HUMAN SERVICES FUNCTIONS:						
Joint Environmental Commission						
Salaries and Wages	3,600.00	3,600.00	2,673.75		926.25	
Other Expenses	3,000.00	3,000.00	1,144.93	1,855.07		
Animal Control						
Salaries and Wages	63,795.00	63,795.00	56,915.29		6,879.71	
Other Expenses	12,200.00	12,200.00	7,539.66	1,986.32	2,674.02	
Save Boarding						
Deer Management Program						
Salaries and Wages	20,000.00	20,000.00	18,388.33		1,611.67	
Other Expenses	75,250.00	75,250.00	75,048.37		201.63	
Human Services Commission						
Salaries and Wages	113,965.00	144,965.00	144,879.73		85.27	
Other Expenses	18,850.00	18,850.00	10,354.71	1,090.58	7,404.71	
Joint Drug Abuse Prevention Program						
Salaries and Wages	219,202.00	219,202.00	199,000.24		20,201.76	
Other Expenses	155,000.00	155,000.00	115,760.82	34,129.66	5,109.52	
PARKS & RECREATION FUNCTIONS:						
Joint Recreation Board						
Salaries and Wages	$ 820,564.00	$ 820,564.00	$ 787,117.92	$	$ 33,446.08	$
Other Expenses	61,150.00	61,150.00	41,392.62	8,872.74	10,884.64	
Maintenance of Parks and Playgrounds						
Other Expenses	105,750.00	105,750.00	98,964.17	2,810.78	3,975.05	
Celebration of Public Events	7,500.00	7,500.00	3,977.31		3,522.69	

PRINCETON
MERCER COUNTY, NEW JERSEY

CURRENT FUND
STATEMENT OF EXPENDITURES-REGULATORY BASIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016

	2016 BUDGET	BUDGET AFTER MODIFICATION	EXPENDED PAID OR CHARGED	EXPENDED ENCUMBERED	EXPENDED RESERVED	UNEXPENDED BALANCE CANCELLED
Operations Within "CAPS" (Cont'd.)						
UTILITY EXPENSES & BULK PURCHASES:						
Electricity	400,000.00	400,000.00	167,362.92	15,025.84	217,611.24	
Telephone (excluding equipment)	225,000.00	225,000.00	192,117.93	19,431.75	13,450.32	
Water	21,000.00	21,000.00	13,692.96	1,525.66	5,781.38	
Gas (natural or propane)	100,000.00	100,000.00	72,731.54	5,768.28	21,500.18	
Fuel Oil	305,000.00	305,000.00	183,753.15	16,631.44	104,615.41	
Street Lighting	290,000.00	290,000.00	250,304.98	22,246.79	17,448.23	
Sewer System						
Salaries and Wages	663,185.00	663,185.00	544,739.39		72,845.61	45,600.00
Other Expenses	327,000.00	327,000.00	209,166.29	96,136.53	21,697.18	
UNCLASSIFIED:						
Garbage and Trash Removal						
Other Expenses	1,504,500.00	1,504,500.00	1,409,527.24	90,393.66	4,579.10	
Municipal Court						
Salaries and Wages	344,961.00	344,961.00	337,461.29		7,499.71	
Other Expenses	27,780.00	27,780.00	16,708.06	5,807.63	5,264.31	
Public Defender						
Other Expenses	57,500.00	57,500.00	27,500.00			30,000.00
Rental Housing						
Salaries and Wages	185,410.00	185,410.00	184,492.73		917.27	
Accumulated Leave Compensation	160,000.00	160,000.00	124,309.19		35,690.81	
Liability Insurance	741,891.00	741,891.00	733,391.09		8,499.91	

PRINCETON
MERCER COUNTY, NEW JERSEY

CURRENT FUND
STATEMENT OF EXPENDITURES-REGULATORY BASIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016

	2016 BUDGET	BUDGET AFTER MODIFICATION	EXPENDED PAID OR CHARGED	EXPENDED ENCUMBERED	EXPENDED RESERVED	UNEXPENDED BALANCE CANCELLED
Operations Within "CAPS" (Cont'd.)						
UNCLASSIFIED:						
Workers Compensation Insurance	443,700.00	443,700.00	381,154.00		62,546.00	
Group Insurance	4,421,779.00	4,421,779.00	4,106,632.37	820.00	314,326.63	
Health Benefit Waiver	160,000.00	160,000.00	134,593.38		25,406.62	
Transportation of Local Pupils by Board of Education (NJSA18A:39-1.2)						
Other Expenses	213,000.00	213,000.00	170,061.00		42,939.00	
Total Operations Within "CAPS"	33,627,411.00	33,627,411.00	28,763,435.73	1,104,215.26	3,575,660.01	184,100.00
DETAIL:						
Salaries and Wages	17,173,810.00	17,220,310.00	16,463,788.91		680,921.09	75,600.00
Other Expenses (Including Contingent)	16,453,601.00	16,407,101.00	12,299,646.82	1,104,215.26	2,894,738.92	108,500.00
Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"						
STATUTORY EXPENDITURES:						
Contribution to:						
Public Employees' Retirement System	$ 1,242,500.00	$ 1,242,500.00	$ 1,242,500.00	$	$	$
Social Security System (O.A.S.I.)	1,025,000.00	1,025,000.00	863,761.99		141,238.01	20,000.00
Consolidated Police & Firemen's Pension Fund	21,000.00	21,000.00	19,523.40		1,476.60	
Defined Contribution Retirement Program	8,500.00	8,500.00	7,329.95		1,170.05	
Unemployment Insurance	50,000.00	50,000.00	18,003.72		31,996.28	
Police and Firemen's Retirement System of N.J.	1,600,000.00	1,600,000.00	1,600,000.00			

PRINCETON
MERCER COUNTY, NEW JERSEY

CURRENT FUND
STATEMENT OF EXPENDITURES-REGULATORY BASIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016

	2016 BUDGET	BUDGET AFTER MODIFICATION	EXPENDED PAID OR CHARGED	EXPENDED ENCUMBERED	EXPENDED RESERVED	UNEXPENDED BALANCE CANCELLED
Total Deferred Charges and Statutory Expend. Municipal Within "CAPS"	3,947,000.00	3,947,000.00	3,751,119.06		175,880.94	20,000.00
Total General Appropriations for Municipal Purposes Within "CAPS"	37,574,411.00	37,574,411.00	32,514,554.79	1,104,215.26	3,751,540.95	204,100.00
Operations Excluded from "CAPS"						
Affordable Housing Agency						
Salaries and Wages	100,000.00	100,000.00	100,000.00			
Group Insurance for Employees	19,697.00	19,697.00	19,697.00			
Maintenance of Joint Public Library	4,150,000.00	4,150,000.00	4,150,000.00			
INTERLOCAL SERVICE AGREEMENTS:						
Stonybrook Regional Sewerage Authority						
Other Expenses	3,850,000.00	3,850,000.00	3,831,759.61		18,240.39	
Industrial User Fee	20,000.00	20,000.00	9,791.84		10,208.16	
PUBLIC AND PRIVATE PROGRAMS OFFSET BY REVENUES:						
Corner House Foundation-Mercer Reg.Drug Treatment Program						
Salaries and Wages	$ 103,000.00	$ 103,000.00	$ 103,000.00	$	$	
Other Expenses	97,000.00	97,000.00	75,027.31	24.00	21,948.69	
Drug Program-Cranbury Intervention Program	10,080.00	10,080.00	10,080.00			
Regional Municipal Alliance Program	28,056.00	28,056.00	28,056.00			

PRINCETON
MERCER COUNTY, NEW JERSEY

CURRENT FUND
STATEMENT OF EXPENDITURES-REGULATORY BASIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016

	2016 BUDGET	BUDGET AFTER MODIFICATION	EXPENDED: PAID OR CHARGED	EXPENDED: ENCUMBERED	EXPENDED: RESERVED	UNEXPENDED BALANCE CANCELLED
PUBLIC AND PRIVATE PROGRAMS OFFSET BY REVENUES:						
Adolescent Mercer County	28,497.00	28,497.00	28,497.00			
Drug Program-State of NJ	200,000.00	200,000.00	200,000.00			
Drug Program-Mercer County	30,000.00	30,000.00	30,000.00			
Alcohol Education Rehabilitation		2,779.84	2,779.84			
Academic Success Today	10,000.00	10,000.00	10,000.00			
Mercer County PYP Program	27,304.00	27,304.00	27,304.00			
Bonner Foundation	21,500.00	21,500.00	21,500.00			
Bonner Foundation-Unappropriated	2,334.12	2,334.12	2,334.12			
Princeton University Fire Equipment	20,000.00	20,000.00	20,000.00			
Princeton University Prospect Ave. St. Lighting	7,654.00	7,654.00	7,654.00			
Drug Program NJMSPLI	1,000.00	1,000.00	1,000.00			
Drug Program STAR	8,500.00	8,500.00	8,500.00			
State of NJ Vicinage Program	50,000.00	50,000.00	50,000.00			
Corner House-Client Fees	50,000.00	50,000.00	50,000.00			
CDC Preventative Health		10,000.00	10,000.00			
Cops in Shops	2,800.00	2,800.00	2,800.00			
Drunk Driving Enforcement	61,118.09	68,468.90	68,468.90			
Body Armor		4,670.33	4,670.33			
Body Camera Grant-Mercer County		15,000.00	15,000.00			
Food Waste Recycling	20,000.00	20,000.00	20,000.00			
Safer Grant		35,632.00	35,632.00			
Recycling Tonnage	55,146.93	55,146.93	55,146.93			

PRINCETON
MERCER COUNTY, NEW JERSEY

CURRENT FUND
STATEMENT OF EXPENDITURES-REGULATORY BASIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016

	2016 BUDGET	BUDGET AFTER MODIFICATION	EXPENDED PAID OR CHARGED	EXPENDED ENCUMBERED	EXPENDED RESERVED	UNEXPENDED BALANCE CANCELLED
PUBLIC AND PRIVATE PROGRAMS OFFSET BY REVENUES:						
Pedestrian Safety		3,069.50	3,069.50			
Clean Communities		70,945.49	70,945.49			
NJ Prevention Network		3,000.00	3,000.00			
Assn. of NJ Environmental Commissions		1,000.00	1,000.00			
Matching Funds for Grants	10,000.00	10,000.00			10,000.00	
Total Operations - Excluded from "CAPS"	8,983,687.14	9,137,135.11	9,076,713.87	24.00	60,397.24	
DETAIL:						
Salaries and Wages	579,855.09	103,000.00	103,000.00			
Other Expenses	8,403,832.05	9,034,135.11	8,973,713.87	24.00	60,397.24	
Capital Improvements - Excluded from "CAPS"						
Capital Improvement Fund	$ 150,000.00	$ 150,000.00	$ 150,000.00	$	$	$
Total Capital Improvements - Excluded from "CAPS"	150,000.00	150,000.00	150,000.00			

PRINCETON
MERCER COUNTY, NEW JERSEY

CURRENT FUND
STATEMENT OF EXPENDITURES-REGULATORY BASIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016

	2016 BUDGET	BUDGET AFTER MODIFICATION	EXPENDED PAID OR CHARGED	EXPENDED ENCUMBERED	EXPENDED RESERVED	UNEXPENDED BALANCE CANCELLED
Municipal Debt Service - Excluded from "CAPS"						
Payment of Bond Principal	7,950,000.00	7,950,000.00	7,929,409.48			20,590.52
Interest on Bonds	2,050,000.00	2,050,000.00	2,035,096.64			14,903.36
Interest on Notes	135,000.00	135,000.00	129,749.99			5,250.01
Green Trust Loan Program:						
Loan Repayments for Principal and Interest	246,792.84	246,792.84	246,792.82			0.02
NJ Environmental Infrastructure Loan	1,250,000.00	1,250,000.00	919,805.65			330,194.35
Total Municipal Debt Service - Excluded from "CAPS"	11,631,792.84	11,631,792.84	11,260,854.58			370,938.26
Deferred Charges - Municipal - Excluded from "CAPS"						
Deferred Charges:						
Special Emergency Authorizations - 5 Years (N.J.S.A. 40A:4-55)	483,516.00	483,516.00	483,516.00			
Deferred Charges to Future Taxation	200,000.00	200,000.00	200,000.00			
Total Deferred Charges - Municipal - Excluded from "CAPS"	683,516.00	683,516.00	683,516.00			
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	21,448,995.98	21,602,443.95	21,171,084.45	24.00	60,397.24	370,938.26
Subtotal General Appropriations	59,023,406.98	59,176,854.95	53,685,639.24	1,104,239.26	3,811,938.19	575,038.26

PRINCETON
MERCER COUNTY, NEW JERSEY

CURRENT FUND
STATEMENT OF EXPENDITURES-REGULATORY BASIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016

	2016 BUDGET	BUDGET AFTER MODIFICATION	EXPENDED PAID OR CHARGED	EXPENDED ENCUMBERED	EXPENDED RESERVED	UNEXPENDED BALANCE CANCELLED
Reserve for Uncollected Taxes	2,914,906.48	2,914,906.48	2,914,906.48			
Total General Appropriations	**$ 61,938,313.46**	**$ 62,091,761.43**	**$ 56,600,545.72**	**$ 1,104,239.26**	**$ 3,811,938.19**	**$ 575,038.26**

Adopted Budget	$61,938,313.46	
Approp. by N.J.S.A. 40A:4-87	153,447.97	
	$62,091,761.43	
Disbursed		$ 52,214,685.13
Deferred Charges		683,516.00
State and Federal Grants Appropriated		749,302.11
Reserve for Uncollected Taxes		2,914,906.48
		$ 56,562,409.72

Note: See Notes to Financial Statements

PRINCETON
MERCER COUNTY, NEW JERSEY

TRUST FUND
BALANCE SHEET - REGULATORY BASIS
FOR YEAR ENDED DECEMBER 31, 2016

ASSETS	BALANCE DEC. 31, 2016	LIABILITIES, RESERVES AND FUND BALANCE	BALANCE DEC. 31, 2016
Assessment Fund:		Assessment Fund:	
Cash and Equivalents	$ 488,897.96	Prospective Assessments Funded	$ 556,786.50
Assessments Receivable	458,324.66	Res. for Assessments, Liens and	
Prospective Assessments Funded	556,786.50	Interest and Costs	456,908.87
		Assessment Serial Bonds	94,328.52
		Fund Balance	395,985.23
Total Assessment Fund	1,504,009.12	Total Assessment Fund	1,504,009.12
Animal Control Fund:		Animal Control Fund:	
Cash and Equivalents	23,470.20	Fund Balance	23,470.20
Total Animal Control Fund	23,470.20	Total Animal Control Fund	23,470.20
Open Space Trust Fund:		Open Space Trust Fund:	
Cash and Equivalents	1,125,149.29	Reserve for Open Space	1,125,649.29
Due from General Capital Fund	500.00		
Total Open Space Trust Fund	1,125,649.29	Total Open Space Trust Fund	1,125,649.29
Unemployment Fund:		Unemployment Fund:	
Cash and Equivalents	503,076.85	Reserve for Unemployment Claims	503,076.85
Total Unemployment Fund	503,076.85	Total Unemployment Fund	503,076.85
Escrow Trust Fund:		Escrow Trust Fund:	
Cash and Equivalents	5,623,839.38	Due to Current Fund	232.35
		Reserve for Encumbrances	18,306.61
		Various Escrow Reserves	5,605,300.42
Total Escrow Trust Fund	5,623,839.38	Total Escrow Trust Fund	5,623,839.38

Exhibit - B
Page 2 of 2

TRUST FUND
BALANCE SHEET - REGULATORY BASIS
FOR YEAR ENDED DECEMBER 31, 2016

ASSETS	BALANCE DEC. 31, 2016	LIABILITIES, RESERVES AND FUND BALANCE	BALANCE DEC. 31, 2016
Payroll Fund:		Payroll Fund:	
Cash and Equivalents	175,689.62	Accounts Payable	175,689.62
Due from Taxing Authority	1.99	Due to Current Fund	1.99
Total Payroll Fund	175,691.61	Total Payroll Fund	175,691.61
Other Trust Funds:		Other Trust Funds:	
Cash and Equivalents	7,011,519.08	Various Reserves and Deposits	7,011,519.08
Total Other Trust Funds	7,011,519.08	Total Other Trust Funds	7,011,519.08
Flexible Spending Trust		Flexible Spending Trust	
Cash and Equivalents	4,406.73	Reserve for Flexible Spending	4,406.73
Total Flexible Spending Account	4,406.73	Total Flexible Spending Account	4,406.73
Landfill Closure Fund		Landfill Closure Fund	
Cash and Equivalents	23,671.79	Reserve for Landfill Closure	23,671.79
Total Landfill Account	23,671.79	Total Landfill Account	23,671.79
Law Enforcement Trust Fund		Law Enforcement Trust Fund	
Cash and Equivalents	3,629.42	Reserve for Law Enforcement Trust	3,629.42
Total Law Enforcement Account	3,629.42	Total Law Enforcement Account	3,629.42
Grand Total All Trust Funds	**$ 15,998,963.47**	**Grand Total All Trust Funds**	**$ 15,998,963.47**

Note: See Notes to Financial Statements

PRINCETON
MERCER COUNTY, NEW JERSEY

TRUST ASSESSMENT FUND
STATEMENT OF OPERATIONS AND CHANGE IN
FUND BALANCE - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016

REVENUE AND OTHER INCOME	**YEAR 2016**
Fund Balance Appropriated	$ 34,328.52
Assessment Receivables Pledged to Surplus	316,771.77
Assessment Bonds Refunded and Defeased	30,462.84
	381,563.13
EXPENDITURES AND OTHER CHARGES	
Allocated to Cancelled Assessments	51,249.45
	51,249.45
Statutory Excess/(Deficit) to Fund Balance	330,313.68
FUND BALANCE	
Balance - January 1	400,000.00
	730,313.68
Less:	
Utilized in 2016 Assessment Budget	34,328.52
Appropriated as Current Revenue	300,000.00
Balance - December 31	**$ 395,985.16**

Note: See Notes to Financial Statements

Exhibit B -2

TRUST FUND
STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE - REGULATORY BASIS
ANIMAL CONTROL FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

REVENUE AND OTHER INCOME		**YEAR 2016**
License Fees	$	19,514.40
Late Fees		369.00
Boarding & Miscellaneous Fees		15,833.46
		35,716.86
EXPENDITURES AND OTHER CHARGES		
Animal Control Expenditures		3,615.00
Other Charges:		
Excess Fund Balance Transferred to Current Fund		34,705.46
		38,320.46
Statutory Excess/(Deficit) to Fund Balance		(2,603.60)
FUND BALANCE		
Balance - Janaury 1, 2016		26,073.80
Balance - Deceember 31, 2016	$	**23,470.20**
License Fees Collected:		
2014	$	12,043.40
2015		11,426.80
	$	23,470.20

Note: R.S. 4:19-15.11

> ... there shall be transferred from such special account to the general funds of the municipality any amount then in such special account which is in excess of the total amount paid into such special account during the last two fiscal years preceding."

Note: See Notes to Financial Statements

PRINCETON
MERCER COUNTY, NEW JERSEY

GENERAL CAPITAL FUND
BALANCE SHEET - REGULATORY BASIS
DECEMBER 31, 2016

ASSETS		BALANCE DECEMBER 31, 2016
Cash and Equivalents - Treasurer	$	4,485,250.69
Funds Held by Fiscal Agent		10,614.66
Public and Private Funding Receivable		3,804,273.84
Accounts Receivable-Mercer County		116,170.00
Deferred Charges to Future Taxation:		
Funded		66,407,771.06
Unfunded		41,210,480.10
	$	116,034,560.35

LIABILITIES, RESERVES AND FUND BALANCE		
General Serial Bonds	$	58,915,671.47
Bond Anticipation Notes Payable		19,500,000.00
Infrastructure Loan Payable		7,182,457.81
Green Trust Project Loan Payable		309,641.78
Reserve for Encumbrances		2,832,180.90
Due to Open Space Trust Fund		500.00
Improvement Authorizations:		
Funded		2,974,552.31
Unfunded		18,318,944.25
Reserve For:		
Capital Improvement Fund		18,994.49
Future Debt Service Costs		1,880,083.57
Reserve for Roads		365,000.00
Grants Receivable		1,250,000.00
Refunding Bonds Costs		10,614.66
Fund Balance		2,475,919.11
	$	116,034,560.35

At December 31, 2016 here were Bonds and Notes Authorized but not Issued in the amount of $22,038,613.61

Note: See Notes to Financial Statements

PRINCETON
MERCER COUNTY, NEW JERSEY

GENERAL CAPITAL FUND
STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016

	YEAR 2016
REVENUE AND OTHER INCOME	
Cancellation of Improvement Authorizations	$ 7,405.71
	7,405.71
EXPENDITURES	
Utilized as Current Fund Revenue	600,000.00
	600,000.00
Statutory Excess/(Deficit) to Fund Balance	(592,594.29)
FUND BALANCE	
Balance - January 1	3,068,513.40
Balance - December 31	**$ 2,475,919.11**

Note: See Notes to Financial Statements

Exhibit - D

PRINCETON
MERCER COUNTY, NEW JERSEY

AFFORDABLE HOUSING UTILITY FUND
BALANCE SHEET - REGULATORY BASIS
DECEMBER 31, 2016

ASSETS	BALANCE DEC. 31, 2016
Operating Fund:	
Cash and Equivalents - Treasurer	$ 3,559,694.90
	3,559,694.90
Receivables and Inventory With Full Reserves:	
Accounts Receivable 234 Brickhouse	23,960.60
Down Payment Assistance Program Rec.	98,450.80
Morning Star Church Tax Lien	3,409.04
Rehabilitation Mortgage Receivable	258,124.62
	383,945.06
Total Operating Fund	3,943,639.96
Capital Fund:	
Cash	118,969.04
Total Capital Fund	118,969.04
	$ 4,062,609.00

LIABILITIES, RESERVES AND FUND BALANCES	BALANCE DEC. 31, 2016
Operating Fund:	
Reserves:	
Affordable Housing	458,601.88
Rehabilitation Program	199,535.35
Unit Repurchases	268,600.00
Affordability Assistance	126,417.70
Affordable Housing-Sect. 10B340	2,077,889.41
	3,131,044.34
Reserve for Receivables	383,945.06
Fund Balance	428,650.56
Total Operating Fund	3,943,639.96
Capital Fund:	
Improvement Authorizations:	
Unfunded	67,702.05
Fund Balance	51,266.99
Total Capital Fund	118,969.04
	$ 4,062,609.00

There were no Bonds and Notes Authorized but not Issued at December 31, 2016.

Note: See Notes to Financial Statements

Exhibit D-1

PRINCETON
MERCER COUNTY, NEW JERSEY

AFFORDABLE HOUSING UTILITY OPERATING FUND
STATEMENT OF OPERATIONS AND
CHANGE IN FUND BALANCE - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016

REVENUE AND OTHER INCOME		**2016**
Miscellaneous Revenues Anticipated	$	467,903.00
Non-Budget Revenue		14,667.66
Other Credits to Income:		
Unexpended Balance of Appropriation Reserves		18,415.92
Total Revenues		500,986.58
EXPENDITURES		
Budget Expenditures:		
Salaries and Wages		96,639.32
Other Expenses		322,411.16
Total Expenditures		419,050.48
Excess in Revenues		81,936.10
FUND BALANCE		
Balance - January 1		346,714.46
Balance -December 31	**$**	**428,650.56**

Note: See Notes to Financial Statements

PRINCETON
MERCER COUNTY, NEW JERSEY

AFFORDABLE HOUSING CAPITAL FUND
STATEMENT OF OPERATIONS AND CHANGE
IN FUND BALANCE - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016

		YEAR 2016
EXPENDITURES AND OTHER CHARGES		
Cancellation of Fixed Capital		15,863.35
		15,863.35
Statutory Excess/(Deficit) to Fund Balance		(15,863.35)
FUND BALANCE		
Balance - January 1	$	67,130.34
Balance - December 31	**$**	**51,266.99**

Note: See Notes to Financial Statements

Exh. D - 3

PRINCETON
MERCER COUNTY, NEW JERSEY

AFFORDABLE HOUSING UTILITY OPERATING FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016

	2016 BUDGET	REALIZED	EXCESS OR (DEFICIT)
Affordable Housing Fees	$ 153,461.00	$ 153,461.00	$
Township Contribution	100,000.00	100,000.00	-
Affordable Housing Reserve Sec1. 0B:340	214,442.00	214,442.00	-
	$ 467,903.00	**$ 467,903.00**	**$ -**

Note: See Notes to Financial Statements

PRINCETON
MERCER COUNTY, NEW JERSEY

AFFORDABLE HOUSING UTILITY OPERATING FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016

	2016 BUDGET	BUDGET AFTER MODIFICATION	EXPENDED PAID OR CHARGED	LAPSED
Operating:				
Salaries and Wages	$ 99,663.00	$ 99,663.00	$ 96,639.32	$ 3,023.68
Other Expenses	368,240.00	368,240.00	322,411.16	45,828.84
	$ 467,903.00	**$ 467,903.00**	**$ 419,050.48**	**$ 48,852.52**

Note: See Notes to Financial Statements

Exhibit - E

PRINCETON
MERCER COUNTY, NEW JERSEY

PARKING UTILITY FUND
BALANCE SHEET - REGULATORY BASIS
DECEMBER 31, 2016

ASSETS	BALANCE DEC. 31, 2016	LIABILITIES, RESERVES AND FUND BALANCES	BALANCE DEC. 31, 2016
Operating Fund:		Operating Fund:	
Cash and Equivalents - Treasurer	$ 1,359,256.26	Liabilities:	
		Accounts Payable	$ 2,956.54
		Reserve for Encumbrances	61,750.76
		Appropriation Reserves	183,649.18
		Accrued Interest on Bonds	142,978.13
		Reserve for Security Deposit Hinkson	4,166.66
		Fund Balance	963,754.99
Total Operating Fund	**1,359,256.26**	**Total Operating Fund**	**1,359,256.26**
Capital Fund:		Capital Fund:	
Cash and Equivalents - Treasurer	540,283.81	Serial Bonds Payable	9,180,000.00
Fixed Capital	14,585,431.26	Improvement Authorizations	
Fixed Capital Authorized & Uncompleted	585,269.37	Funded	98,747.59
		Unfunded	320,770.60
		Reserve for Encumbrances	165,753.51
		Reserve for:	
		Debt Service	275,000.00
		Amortization	5,278,953.04
		Deferred Amortization	213,747.59
		Fund Balance	178,012.11
Total Capital Fund	**15,710,984.44**	**Total Capital Fund**	**15,710,984.44**
	$ 17,070,240.70		**$17,070,240.70**

There were Bonds and Notes Authorized but not Issued at December 31, 2016 in the amount of $498,000.00

Note: See Notes to Financial Statements

PRINCETON
MERCER COUNTY, NEW JERSEY

Exhibit - E-1

PARKING UTILITY OPERATING FUND
STATEMENT OF OPERATIONS AND
CHANGE IN FUND BALANCE - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016

REVENUE AND OTHER INCOME	YEAR 2016
Operating Fund Balance	$ 191,069.00
Miscellaneous Revenues Anticipated	4,145,548.15
Non-Budget Revenue	9,336.77
Other Credits to Income:	
Unexpended Balance of Appropriation Reserves	82,139.51
Total Revenues	4,428,093.43
EXPENDITURES	
Budget Expenditures:	
Salaries and Wages	712,525.00
Other Expenses	946,226.00
Debt Service	945,129.17
Deferred Charges	200,000.00
Surplus - General Budget	1,400,000.00
Total Expenditures	4,203,880.17
Excess in Revenues	224,213.26
FUND BALANCE	
Balance - January 1	930,610.73
	1,154,823.99
Decreased by:	
Utilized as Anticipated Revenue	191,069.00
Balance -December 31	**$ 963,754.99**

Note: See Notes to Financial Statements

PRINCETON
MERCER COUNTY, NEW JERSEY

PARKING UTILITY CAPITAL FUND
STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016

		YEAR 2016
REVENUE AND OTHER CREDITS TO INCOME:		
Other Credits:		
Improvement Authorizations Cancelled		
		149,733.68
Statutory Excess/(Deficit) to Fund Balance		149,733.68
FUND BALANCE		
Balance - January 1	$	28,278.43
Balance - December 31	**$**	**178,012.11**

Note: See Notes to Financial Statements

PRINCETON
MERCER COUNTY, NEW JERSEY

PARKING UTILITY OPERATING FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016

	2016 BUDGET	REALIZED	EXCESS OR (DEFICIT)
Fund Balance Utilized	$ 191,069.00	$ 191,069.00	$
Parking Fees	3,446,072.00	3,550,243.45	104,171.45
Service Charge	127,559.00	129,977.59	2,418.59
Lease Agreements	353,281.00	356,861.53	3,580.53
Reserve for Debt Service	100,000.00	100,000.00	-
Interest	9,245.00	8,465.58	(779.42)
	$ 4,227,226.00	$ 4,336,617.15	$ 109,391.15

Note: See Notes to Financial Statements

PRINCETON
MERCER COUNTY, NEW JERSEY

PARKING UTILITY OPERATING FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016

	2016 BUDGET	BUDGET AFTER MODIFICATION	EXPENDED: PAID OR CHARGED	EXPENDED: ENCUMBERED	RESERVED	UNEXPENDED BALANCE CANCELLED
Operating:						
Salaries and Wages	$ 727,525.00	$ 712,525.00	$ 608,083.10	$	$ 104,441.90	$
Other Expenses	931,226.00	946,226.00	805,267.96	61,750.74	79,207.30	
Debt Service:						
Payment of Bond Principal	555,000.00	555,000.00	555,000.00			
Interest on Bonds	413,475.00	413,475.00	390,129.17			23,345.83
Deferred Charges:						
Ord. 15-08	200,000.00	200,000.00	200,000.00			
Surplus - General Budget	1,400,000.00	1,400,000.00	1,400,000.00			
	$ 4,227,226.00	**$ 4,227,226.00**	**$ 3,958,480.23**	**$ 61,750.74**	**$ 183,649.20**	**$ 23,345.83**
Disbursed			**$ 3,568,351.06**			
Accrued Interest on Bonds			**390,129.17**			
			$ 3,958,480.23			

Note: See Notes to Financial Statements

Exhibit - F

PRINCETON
MERCER COUNTY, NEW JERSEY

PUBLIC ASSISTANCE FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016

		BALANCE DEC 31, 2016
ASSETS		
Cash and Equivalents:		
Treasurer	$	119,363.39
	$	**119,363.39**
LIABILITIES, RESERVES AND FUND BALANCE		
Reserves:		
SSI Due to Clients	$	1,238.31
Reserve for Public Assistance		104,564.49
Advanced State Aid		13,560.59
	$	**119,363.39**

Note: See Notes to Financial Statements

Exhibit - G

PRINCETON
MERCER COUNTY, NEW JERSEY

STATEMENT OF GOVERNMENTAL FIXED ASSETS
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016

	BALANCE DEC. 31, 2015	ADDITIONS	DELETIONS	BALANCE DEC. 31, 2016
Governmental Fixed Assets:				
Land/Buildings	$ 179,241,200.00			$ 179,241,200.00
Equipment	7,679,742.77	873,128.00	2,281,971.77	6,270,899.00
Vehicles	10,679,988.35	2,114,305.00	1,754,251.35	11,040,042.00
Total Governmental Fixed Assets	**$ 197,600,931.12**	**$ 2,987,433.00**	**$ 4,036,223.12**	**$ 196,552,141.00**
Investment in Governmental Fixed Assets	**$ 197,600,931.12**	**$ 2,987,433.00**	**$ 4,036,223.12**	**$ 196,552,141.00**

Nots: See Notes to Financial Statements

Note 1: FORM OF GOVERNMENT

On January 1, 2013 the Township of Princeton and the Borough of Princeton consolidated to become one municipality, Princeton. Princeton operates under the legislative authority of N.J.S.A. 40A:60-1 et seq., which provides for the election of a mayor to serve a term of four years, and a council of six members serving three-year terms. The mayor is the head of the executive branch of municipal government and the council is the legislative body. Princeton has adopted an administrative code, which provides in part for the delegation of a portion of executive responsibilities to an administrator and for the organization of the council into standing committees to oversee various municipal activities.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

B. Description of Funds

The accounting policies of Princeton conform to the accounting principles applicable to municipalities that have been prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. Under this method of accounting, Princeton 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, except as otherwise noted.

Trust Fund - receipts, custodianship and disbursement of funds in accordance with the purposes for which each reserve was created. Pursuant to the provisions of N.J.S.A. 40A: 4-39, the financial transactions of the following funds and accounts are also reported within the Trust Fund:

- Assessment Trust Fund
- Animal Control Trust Fund
- Unemployment Compensation Insurance Trust Fund
- Developer's Escrow Fund
- Open Space Trust Fund
- Payroll & Payroll Agency Fund
- Police Off-Duty Pay
- Mountain Lakes Nature Preserve Donations
- Parking Adjudication Act
- Construction Code Fees
- Municipal Public Defender Fees
- Disposal of Forfeited Property
- Dedicated Donations (Parks, Public Safety, Shade Trees, etc.)
- Uniform Fire Safety Act Penalties
- Electronic Receipts Fees
- Snow Removal Trust Fund
- Accumulated Absences Fund

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

B. Description of Funds (Cont'd.)

General Capital Fund - resources, including Federal and State Grants in aid of construction, and expenditures for the acquisition of general capital facilities, other than those acquired through the Current Fund, including the status of bonds and notes authorized for said purposes.

Affordable Housing Utility Fund - resources and expenditures relating to the maintenance and expansion of affordable housing units within the municipality, including state, federal and private grants in aid of construction/acquisition of such units, and the status of bonds and notes authorized for said purposes.

Parking Utility Fund – revenues and expenditures for the operations of the municipally-owned parking utility and resources, including federal and state grants in aid of construction, and expenditures for the acquisition of parking utility capital facilities, other than those acquired through the Current Fund, including the status of bonds and notes authorized for said purposes.

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

General Fixed Assets – The General Fixed Asset Account Group is used to account for fixed assets used in municipal operations, for control purposes. Infrastructure assets such as roads, sidewalks, wastewater collection and transmission systems, etc. are not capitalized. General fixed assets acquired prior to 1985 are valued at historical cost or estimated historical cost if actual historical cost was not available. Assets acquired or constructed subsequent to 1985 are valued at historical cost. Contributed capital is valued at the estimated fair market value of the asset at the date of the contribution. No depreciation is recorded on general fixed assets.

The Governmental Accounting Standards Board (GASB) is the accepted standards-setting body for establishing governmental accounting and financial reporting principles. GASB's Codification of Governmental Accounting and Financial Reporting Standards and subsequent GASB pronouncements are recognized as U.S. generally accepted accounting principles (GAAP) for state and local governments. GAAP provides for the issuance of entity-wide financial statements along with the presentation of separate fund financial statements that differ from the organization of funds prescribed under the regulatory basis of accounting utilized by Princeton. The resultant presentation of financial position and results of operations in the form of financial statements is not intended to present the basic financial statement presentation required by GAAP.

C. Basis of Accounting and Measurement Focus

The basis of accounting as prescribed by the Division of Local Government Services for its operating funds is generally a modified cash basis for revenue recognition and a modified accrual basis for expenditures. The operating funds utilize a "current financial resources" measurement focus. The accounting principles and practices prescribed for municipalities by the Division differ in certain respects from generally accepted accounting principles (GAAP) applicable to local government units. The most significant is the GAAP basis reporting of consolidated entity-wide financial statements on a full accrual basis, which are not presented in the accounting principles prescribed by the Division. The other more significant differences are as follows:

Revenues – Revenues are recorded as received in cash except for statutory reimbursements and grant funds that are due from other governmental units. State and Federal grants, entitlements and shared revenues received for operating purposes are realized as revenues when anticipated in the budget. Receivables for property taxes and affordable housing charges and parking fees are recorded with offsetting reserves within the Current Fund, Affordable Housing Utility Fund, and Parking Utility Fund respectively. Other amounts that are due to Princeton, which are susceptible to accrual are recorded as receivables with offsetting reserves. These reserves are liquidated and revenues are recorded as realized upon receipt of cash. GAAP requires the recognition of revenues for general operations in the accounting period in which they become available and measurable.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

C. Basis of Accounting and Measurement Focus (Cont'd.)

Expenditures - For purposes of financial reporting, expenditures are recorded as "paid or charged" or "appropriation reserves". Paid or charged refers to Princeton's "budgetary" basis of accounting. Generally, these expenditures are recorded when an amount is encumbered for goods or services through the issuance of a purchase order in conjunction with the encumbrance accounting system. Reserves for un-liquidated encumbrances at the close of the year are reported as a cash liability. Encumbrances do not constitute expenditures under GAAP. Appropriation reserves refer to unexpended appropriation balances at the close of the year. Appropriation reserves are automatically created and recorded as a cash liability, 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 and not recorded in the preceding fiscal year. Lapsed appropriation reserves are recorded as income. Generally, unexpended balances of budget appropriations are not recorded as expenditures under GAAP. Expenditures for the costs of post-employment benefits other than pensions (other post-employment benefits or "OPEB") are recorded in the accounting period in which the payments are made. GAAP requires recognition of the actuarially determined estimated OPEB cost during the employment period of each employee, during which any OPEB benefit is earned. See Note 11 for OPEB disclosure required by GASB 45.

For the purpose of calculating the results of Current Fund operations, the regulatory basis of accounting utilized by Princeton requires that certain expenditures be deferred, and raised as items of appropriation in budgets of succeeding years. These deferred charges include the two general categories of over-expenditures and emergency appropriations. Over-expenditures occur when expenditures recorded as "paid or charged" exceed available appropriation balances. Emergency appropriations occur when, subsequent to the adoption of a balanced budget, the governing body authorizes the establishment of additional appropriations based on unforeseen circumstances or for other special purposes as defined by statute. Over-expenditures and emergency appropriations are deducted from total expenditures in the calculation of operating results and are established as assets for Deferred Charges on the Current Fund balance sheet. GAAP does not permit the deferral of over-expenditures to succeeding budgets. In addition, GAAP does not recognize expenditures based on the authorization of an appropriation. Instead, the authorization of special purpose expenditures, such as the preparation of tax maps or revaluation of assessable real property, would represent the designation of fund balance.

The Local Budget Law (N.J.S.A. 40A:4-1 et seq.) requires that certain operating transfers between funds, transfers of anticipated operating surpluses among the Current Fund, Affordable Housing Utility and Parking Utility Fund transfers from utility operating funds to capital funds (to finance capital projects) and transfers from the Current Fund to the Trust Funds or General Capital Fund are required to be included in Princeton's annual budgets as budget appropriations. Expenditures are recorded upon the adoption of the budget for legally required transfers, and upon the determination of availability of funds for any discretionary transfers. Under GAAP, operating transfers are not recognized as expenditures.

New Jersey statutes require municipalities to provide annual funding to Free Public Libraries through the Current Fund Budget. Amounts paid on behalf of the Free Public Library or transferred to the custody of the Library's management are recorded as budgetary expenditures of Princeton, notwithstanding the fact that the Library is recognized as a separate entity for financial reporting purposes. Under GAAP, the Library would be recognized, as a "component unit" of Princeton, and discrete reporting of the Library's financial position and operating results would be incorporated in Princeton's financial statements.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

C. Basis of Accounting and Measurement Focus (Cont'd.)

Compensated Absences - Princeton records expenditures for payments of earned and unused vacation and sick leave in the accounting period in which the payments are made. GAAP requires that expenditures be recorded in the governmental (Current) fund in an amount that would normally be liquidated with available financial resources, and that expenditures be recorded in the enterprise (Affordable Housing Utility and Parking Utility Fund) fund on a full accrual basis. New Jersey statutes permit the establishment of a dedicated trust fund to accumulate resources for future payments of earned and unused sick and vacation pay. The use of this funding vehicle is discretionary. Note 13 provides additional disclosures relating to accrued and unrecorded compensated absence liabilities and current reserve funding status.

Other Post Employment Benefits (OPEB) – The Local Finance Board has promulgated rules for minimum financial statement disclosures for OPEB that follow the requirements of GASB Statement No 45. The requirements include: 1) A tracking of the Net OPEB Obligation, including the annual Required Contribution (ARC) less any contributions made; 2) The Actuarial Accrued Liability (AAL), the Unfunded Actuarial Accrued Liability (UAAL), and UAAL as a percentage of current period payrolls for employees eligible to receive benefits upon attaining the requisite age and service requirements; and 3) A summary of the significant actuarial assumptions, including the discount rate used. Princeton implemented this new disclosure standard for December 31, 2009. As this reporting standard does not require the recognition of an expenditure and/or liability on the face of the financial statements, the disclosures included in Note 11 do not impact the amounts reported in the accompanying financial statements.

Property Acquired for Taxes - Foreclosed property is recorded in the Current Fund at the assessed valuation when such property was acquired and is fully reserved. GAAP requires such property to be recorded in the general fixed asset account group at the lower of cost or fair market value.

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

Sale of Municipal Assets - Cash proceeds from the sale of Princeton owned property may be realized as revenue or reserved until utilized as an item of revenue in a subsequent year budget. Year-end balances of reserved proceeds are reported as a cash liability in the Current Fund. GAAP requires that revenue be recognized in the accounting period that the terms of the sales contracts become legally enforceable.

Governmental Fixed Assets – Property and equipment purchased by the Current and the General Capital Funds are recorded within the respective funds as expenditures at the time of purchase and are not capitalized. Contributions in aid of construction are not capitalized within the various funds of the municipality. Depreciation on general fixed assets is not recorded as an operating expense within the funds or in the combined financial statements. GAAP does not require recognition of depreciation of these assets as an operating expense of the funds, but does require the recognition of depreciation of governmental fixed assets as a governmental operating expense in the entity-wide financial statements. New Jersey Administrative Code 5:30-5.6 established a mandate for fixed asset accounting by municipalities, effective December 31, 1985. All non-infrastructure fixed assets acquired by Princeton are recorded at cost, if available or by other acceptable methods when historical cost data was not available.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

C. Basis of Accounting and Measurement Focus (Cont'd.)

Utility Fixed Assets - Property and equipment purchased by the Parking Utility Fund and Affordable Housing Utility Fund are recorded as expenditures and are also capitalized within the utility capital fund at cost with an offsetting reserve for amortization, and are adjusted for disposition and abandonment. The amounts shown as utility fixed capital do not purport to represent reproduction costs or current value. Contributions in aid of construction are not capitalized. The balance in the Reserve for Amortization and Deferred Reserve for Amortization accounts in the utility capital fund represent charges to operations for the costs of acquisitions of property, equipment and improvements. GAAP does not require the establishment of a reserve for amortization for utility fixed assets, but does require the recognition of depreciation of these assets as an operating expense of the utility. The provisions of New Jersey Administrative Code 5:30-5.6 also established a mandate for utility fund fixed asset accounting by municipalities. All non-infrastructure utility fixed assets acquired or constructed with utility financial resources are recorded at cost, if available or by other acceptable methods when historical cost data was not available.

Disclosures About Pension Liabilities – Princeton has included information relating to its allocated shares of net pension liabilities of the state sponsored, cost-sharing, multiple employer defined benefit pension plans in which it participates in Note 10 and the accompanying required supplementary information. As Princeton does present entity-wide financial statements, it does not present on the face of its financial statements its proportionate share of the net pension liability of the defined benefit plans in which its employees are enrolled. It is excluded based upon the regulatory basis followed by the municipality. GAAP requires the recognition of the net pension liability and associated deferred inflows and deferred outflows of financial resources in the entity-wide financial statements.

Cash and cash equivalents and short-term investments - The carrying amount approximates fair value because of the short maturity of those instruments.

Long-term debt - Princeton's long-term debt is stated at face value. The debt is not traded and it is not practicable to determine its fair value without incurring excessive cost. Additional information pertinent to Princeton's long-term debt is disclosed in Note 3 to the financial statements.

Recent Accounting Standards

GASB issued Statement No. 73, "Accounting and Financial Reporting for Pensions and Related Assets that are not within the scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements 67 and 68" in June 2015. The objective of this statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability.

GASB issued Statement No. 74, "Financial Reporting for Postemployment Benefit Plans Other than Pension Plans" in June 2015. The statement is to improve the usefulness of information about post employment benefits other than pensions included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability.

GASB issued Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" in June 2015. The objective of this statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions.

GASB issued Statement No. 76, "the Hierarchy of Generally Accepted Accounting Principles for State and Local Governments" in June 2015. The objective is to identify – in context of the current governmental financial reporting environment- the hierarchy of generally accepted accounting principles (GAAP). This Statement supersedes GASB Statement No. 55.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

C. Basis of Accounting and Measurement Focus (Cont'd.)

Recent Accounting Standards (cont'd):

GASB issued Statement No. 77, "Tax Abatement Disclosures" in August 2015. Financial statements prepared by state and local governments in conformity with generally accepted accounting principles provide citizens and taxpayers, legislative and oversight bodies, municipal bond analysts and others with information they need to evaluate the financial health of governments, make decisions and assess accountability.

GASB issued Statement No. 78, "Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans" in December 2015. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to the state or local governmental employers whose employees are provided with such pensions.

GASB issued Statement No. 79, "Certain External Investment Pools and Pool Participants" in December 2015. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. It establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes.

GASB issued Statement No. 80, "Blending Requirements for Certain Component Units – an Amendment of GASB Statement No. 14" in January 2016. The objective of this statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units.

GASB issued Statement No. 81, "Irrevocable Split-Interest Agreements" in March 2016. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

GASB issued Statement No. 82, "Pension Issues- an amendment of GASB Statements No. 67, No. 68 and No. 73" in March 2016. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

GASB issued Statement No. 83, "Certain Asset Retirement Obligations" in November 2016. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

GASB issued Statement No. 84, "Fiduciary Activities" in January 2017. This Statement improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

GASB issued Statement No. 85 "Omnibus 2017" in March 2017 The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]).

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

C. Basis of Accounting and Measurement Focus (Cont'd.)

Recent Accounting Standards (cont'd):

Princeton does not prepare its financial statements in accordance with generally accepted accounting principles in the United States of America. A statistical section, which incorporates much of the reporting required by GASB 44, accompanies Princeton's financial statements. For the purpose of providing disclosures relating to Pension, Princeton has adopted certain provisions of GASB statements No. 73 and 77, which amend and clarify the provisions of GASB statement No. 68. Princeton has not adopted the provisions of any of the GASB statements listed above for financial reporting on the face of its financial statements. The effect of the adoption of the GASB standards cannot be determined.

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

Note 3: DEBT, DEBT SERVICE AND STATUTORY DEBT CONDITION

The Local Bond Law, Chapter 40A:2 et seq, governs the issuance of bonds to finance municipal capital expenditures. Princeton's debt is summarized as follows:

A. Summary of Municipal Debt for Capital Projects

	2016
Issued:	
General:	
Bonds and Notes	$78,415,671.47
Green Trust Program Loans	309,641.78
Infrastructure Loan	7,182,457.81
Assessment Fund:	
Bonds and Notes	94,328.52
Parking Utility Fund:	
Bonds and Notes	9,180,000.00
Total Issued	95,182,099.58
Authorized But Not Issued:	
General:	
Bonds and Notes	22,685,936.34
Parking Utility:	
Bonds and Notes	498,000.00
Total Authorized But Not Issued	23,183,936.34
Total Bonds and Notes Issued and Authorized but not Issued	118,366,035.92

Note 3: DEBT, DEBT SERVICE AND STATUTORY DEBT CONDITION (CONT'D.)

A. Summary of Municipal Debt for Capital Projects (Cont'd.)

Summarized below are Princeton's individual bond and loan issues which were outstanding at December 31, 2016:

General Debt:

	2016
$8,000,000, General Improvement Bonds Series 2009, due in annual installments of $300,000 to $600,000 through January 1, 2024, interest at 2.50% to 4.555% (2018 thru 2024 Maturities Refunded and Defeased in 2016)	$600,000.00
$8,500,000, General Improvement Refunding Bonds Series 2009, due in annual installments of $750,000 to $1,495,000 through September 1 2019, interest at 4.00%	2,165,000.00
$6,185,000, General Improvement Refunding Bonds Series 2010, due in annual installments of $785,000 to $950,000 through May 1, 2019, interest at 2.00% to 4.00%	950,000.00
$5,230,000, General Improvement Refunding Bonds Series 2010, due in annual installments of $15,000 to $770,000 through May 1, 2019, interest at 2.00% to 4.00%	2,325,000.00
$6,600,000, General Improvement Bonds Series 2011, due in annual installments of $450,000 to $650,000 through September 2022, interest at 3.00% to 4.00%	3,900,000.00
$8,000,000, General Improvement Bonds Series 2011, due in annual installments of $325,000 to $650,000 through December 2026, interest at 3.00% to 4.00%	6,215,000.00
$9,833,059, General Improvement Bonds Series 2007, due in annual installments of $788,537.18 to $1,060,582.50 through June 2019, interest at 4.00% (2018 and 2019 Maturities Refunded and Defeased in 2016)	985,671.47
$12,589,000, General Improvement Bonds Series 2010, due in annual installments of $600,000 to $1,019,000 through June 2026, interest at 3.00% to 5.00%. (2019 thru 2026 Maturities Refunded and Defeased in 2016)	3,140,000.00

Note 3: DEBT, DEBT SERVICE AND STATUTORY DEBT CONDITION (CONT'D.)

A. Summary of Municipal Debt for Capital Projects (Cont'd.)

	2016
General Debt (cont'd.):	
$1,910,000, General Improvement Refunding Bonds Series 2011, due in annual installments of $380,000 to $375,000 through June 2018, interest at 3.00% to 4.00%.	755,000.00
$19,195,000, General Improvement Refunding Bonds Series 2013, due in annual installments of $785,000 to $1,935,000 through June 2018, interest at 1.00% to 3.00%.	16,625,000.00
$9,950,000, General Improvemen Bonds Series 2014, due in annual installments of $500,000 to $1,000,000 throughSeptember 2026, interest at 1.00% to 3.00%.	8,950,000.00
$12,305,000 General Improvement Refunding Bonds Series 2016, due in annual installments of $160000 to $1,650,000 through January 2026, interest at 2.0% to 3.0%	12,305,000.00
Program Loans:	
$1,125,000, Weller Property, due in semi-annual installments of $34,978.05 through July 16, 2018, interest at 2.00%	136,483.14
$5,625,000.00, Institute Woods, due in semi-annual installments of $174,890.21 through Jan. 8, 2017, interest at 2.00%	173,158.64
$1,810,000, Infrastructure Water Loan, due in annual installments of $80,000 to $140,000 through Nov. 1, 2027, interest at 4.25% to 5.00%	1,051,810.81
$1,778,284, Infrastructure Water Loan - Principal Only, due in semi-annual installments of $90,000 to 94,000 through Oct. 23, 2026	583,505.64
$1,740,000, Infrastructure Water Loan, due in annual installments of $70,000 to $130,000 through Aug. 1, 2027, interest at 4.25% to 5.00%	584,000.00
$1,696,442, Infrastructure Water Loan - Principal Only, due in semi-annual installments of $84,510 to 91,490 through Aug. 1, 2027	459,343.08
$2,070,000, Infrastructure Water Loan, due in annual installments of $80,000 to $160,000 through Aug. 1, 2028, interest at 5.00%	670,000.00

Note 3: DEBT, DEBT SERVICE AND STATUTORY DEBT CONDITION (CONT'D.)

A. Summary of Municipal Debt for Capital Projects (Cont'd.)

	2016
$2,068,454, Infrastructure Water Loan - Principal Only, due in semi-annual installments of $105,102 to 160,000 through Aug. 1, 2028	313,019.70
$1,400,000, Infrastructure Water Loan - annual installments of $55,000 to $105,000 through Aug. 1, 2028, interest from 3.00% to 5.00%	835,000.00
$4,293,898, Infrastructure Water Loan - Principal Only, due in semi-annual installments of $218,334 through Aug. 1, 2029	1,478,916.18
$1,170,000, Infrastructure Water Loan - due in semi-annual installments of $40,000to 85,000 through Aug. 1, 2031	471,862.40
$1,273,893, Infrastructure Water Loan - Principal Only, due in semi-annual installments of $64,774 through Aug. 1, 2031	735,000.00
$19,500,000, Bond Anticipation Notes issued December 28, 2016, due Sept. 15, 2017 at interst of 2.5%. The notes were originally issued on December 28, 2015	19,500,000.00
Total General Debt	85,907,771.06
Assessment Trust Debt	
$142,941.36, Assessment Bonds Series 2007, due in annual installments of $11,462.82 to $15,417.89 through June 1, 2019, interest at 4.00%	14,328.52
$212,000, Assessment Bonds Series 2010, due in annual installments of $20,000.00 through June 1, 2020, interest at 4.00%	80,000.00
Total Assessment Debt	94,328.52
Parking Utility Debt	
$10,905,000, Parking Utility Refunding Bonds Series 2011, due in annual installments of $20,000 to $865,000 through August 1, 2028, interest at 2.00% to 5.00%	9,180,000.00
Total Parking Utility Debt	9,180,000.00
Total Debt Issued and Outstanding	$ 95,182,099.58

Note 3: DEBT, DEBT SERVICE AND STATUTORY DEBT CONDITION (CONT'D.)

B. 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:

2016	Gross Debt	Deductions	Net Debt
Regional School District Debt	$31,635,000.00	$31,635,000.00	
Parking Utility Debt	9,678,000.00	9,678,000.00	
General Debt	107,946,384.67	1,880,083.57	106,066,301.10
	$149,259,384.67	$43,193,083.57	$106,066,301.10

Net Debt $106,869,780.76 Divided by Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended $7,595,931,122.00 = 1.40%

Princeton's Borrowing Power Under N.J.S.A. 40A:2-6 as Amended, at December 31,was as follows:

	2015
3 1/2% of Equalized Valuation Basis Municipal	$265,857,589.27
Net Debt	106,066,301.10
Remaining Borrowing Power	$159,791,288.17

Note 3: DEBT, DEBT SERVICE AND STATUTORY DEBT CONDITION

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

The calculation of "Self-Liquidating Purpose" for the Affordable Housing Utility, per N.J.S.A. 40A: 2-45 is as follows:

	2016
Cash Receipts from Fees, Rents or Other Charges for Year	$482,570.66
Deductions:	
Operating and Maintenance Costs	419,050.48
Excess in Revenues	$63,520.18

Deduction of Self-Liquidating Utility Debt for
Statutory Net Debt – Affordable Housing Utility per N.J.S.A. 40A: 2-45

The differences between the excess in revenues for debt statement purposes and the statutory cash basis for the Affordable Housing Utility Fund is as follows:

	2015
Excess in Revenues - Cash Basis (D-1)	$81,936.10
Less: Other Credits To Income	18,415.92
Excess in Revenue	$63,520.18

Note 3: DEBT, DEBT SERVICE AND STATUTORY DEBT CONDITION (CONT'D.)

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

The calculation of "Self-Liquidating Purpose" for the Parking Utility, per N.J.S.A. 40A: 2-45 is as follows:

	2016
Cash Receipts from Fees, Rents or Other Charges for Year	$4,345,953.92
Deductions:	
Operating and Maintenance Costs	1,658,751.00
Debt Service	945,129.17
Total Deductions	2,603,880.17
Excess in Revenues	$1,742,073.75

Deduction of Self-Liquidating Utility Debt for
Statutory Net Debt – Parking Utility per N.J.S.A. 40A: 2-45

The differences between the excess in revenues for debt statement purposes and the statutory cash basis for the Parking Utility Fund is as follows:

		2016
Excess in Revenues - Cash Basis (D-1)		$224,213.26
Add: Deferred Charges	200,000.00	
Surplus Transfer to General Budget	1,400,000.00	
		1,600,000.00
Less : Other Credits to Income		(82,139.51)
Excess in Revenue		$1,742,073.75

NOTE 3: DEBT, DEBT SERVICE AND STATUTORY DEBT CONDITION (CONT'D)

C. Schedule of Annual Debt Service for Principal and Interest for the Bonded Debt Issued and Outstanding

SFY	GENERAL*		PARKING UTILITY		TOTAL	
Year	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
2017	8,620,671.47	1,718,663.43	580,000.00	381,275.00	9,200,671.47	2,099,938.43
2018	7,975,000.00	1,442,750.00	605,000.00	358,075.00	8,580,000.00	1,800,825.00
2019	7,690,000.00	1,186,512.50	625,000.00	327,175.00	8,315,000.00	1,513,687.50
2020	5,335,000.00	964,162.50	725,000.00	294,475.00	6,060,000.00	1,258,637.50
2021	5,380,000.00	805,937.50	720,000.00	273,675.00	6,100,000.00	1,079,612.50
	35,000,671.47	6,118,025.93	3,255,000.00	1,634,675.00	38,255,671.47	7,752,700.93
2022	5,435,000.00	648,487.50	770,000.00	241,875.00	6,205,000.00	890,362.50
2023	4,825,000.00	481,337.50	825,000.00	203,375.00	5,650,000.00	684,712.50
2024	4,885,000.00	341,375.00	875,000.00	152,000.00	5,760,000.00	493,375.00
2025	4,365,000.00	217,500.00	860,000.00	133,875.00	5,225,000.00	351,375.00
2026	4,405,000.00	89,200.00	865,000.00	99,475.00	5,270,000.00	188,675.00
	23,915,000.00	1,777,900.00	4,195,000.00	830,600.00	28,110,000.00	2,608,500.00
2027			865,000.00	64,875.00	865,000.00	64,875.00
2028			865,000.00	30,275.00	865,000.00	30,275.00
2028						
			1,730,000.00	95,150.00	1,730,000.00	95,150.00
TOTAL	$58,915,671.47	$7,895,925.93	$9,180,000.00	$2,560,425.00	$68,095,671.47	$10,456,350.93

*The general debt includes the debt of the trust assessment fund.

Note 3: DEBT, DEBT SERVICE AND STATUTORY DEBT CONDITION (CONT'D.)

D. Loan Agreements

1. Department of Environmental Protection
Green Trust Program Loans

Princeton has contracted with the State of New Jersey, Department of Environmental Protection to fund a portion of the costs incurred in the acquisition of the Larson Tract, Institute Woods, Poe Property and the Weller Property. Information relating to these loans is as follows:

	Loan #1	Loan #2	Loan #3
Drawn down Date	7/8/97	4/24/97	1/16/99
Loan Amount	$1,406,200.00	$631,050.00	$1,125,000.00
Interest Rates	2.00%	2.00%	2.00%
Due Dates	Jan. 8 & July 8	Apr. 24 & Oct. 24	Jan. 16 & Jul. 16
Number of Payments	39	39	39
Final Payment Date	January 1, 2017	Fully Paid	July 16, 2018
Semi-Annual Payments	$43,720.80	$19,620.35	$34,978.04

Debt service on the outstanding balance of Green Trust Program Loans at December 31, 2016 is as follows:

Year	Principal	Interest
2017	$240,728.64	$4,125.59
2018	68,917.80	1,036.00
Totals	$309,641.78	$5,165.59

2. Department of Environmental Protection
Environmental Infrastructure Loans

Princeton, during 2007 entered into a loan agreement with the State of New Jersey, Department of Environmental Protection, pursuant to the 2006 New Jersey Environmental Infrastructure Trust Financing Program. The loan consists of two agreements, a Trust Loan Agreement of $1,810,000 to be repaid over a twenty-year period at interest rates ranging from 4.00% to 5.00%, and a Fund Loan Agreement of 1,778,284 to be repaid over a twenty-year period at no interest. During 2016, $168,189.19 of the prior Trust Loan balance was deobligated/defeased, resulting in a year-end balance of $1,051,810.81.

Debt service on the outstanding balance of the 2006 NJ Environmental Infrastructure Trust Loan at December 31, 2016 is as follows:

Year	Principal	Interest
2017	$85,773.50	$36,828.72
2018	95,226.84	35,113.56
2019	95,268.58	31,304.94
2020	104,730.58	27,494.62
2021	104,782.78	23,305.84
2022-2026	566,028.53	59,929.78
Totals	$1,051,810.81	$213,977.46

Note 3: DEBT, DEBT SERVICE AND STATUTORY DEBT CONDITION (CONT'D.)

D. Loan Agreements (cont'd)

2. Department of Environmental Protection
Environmental Infrastructure Loans (cont'd)

Debt service on the outstanding balance of the 2006 NJ Environmental Infrastructure Fund Loan at December 31, 2016 is as follows:

Year	Principal
2017	$88,564
2018	92,682
2019	90,108
2020	93,968
2021	91,137
2021-2023	127,047
Totals	$583,506

In addition, Princeton, during 2007 entered into a loan agreement with the State of New Jersey, Department of Environmental Protection, pursuant to the 2007 New Jersey Environmental Infrastructure Trust Financing Program. The loan consists of two agreements, a Trust Loan Agreement of $1,740,000 to be repaid over a twenty-year period at interest rates ranging from 3.40% to 5.00% and a zero interest Fund Loan Agreement in the amount of $1,696,442 to be repaid over a twenty-year period. The proceeds of this loan are to refurbish the sewer system. During 2016, $596,000 of the prior Trust Loan balance was deobligated/defeased, resulting in a year-end balance of $584,000.

Debt service on the outstanding balance of the 2007 NJ Environmental Infrastructure Trust Loan at December 31, 2016 is as follows:

Year	Principal	Interest
2017	$38,000	$29,200
2018	44,000	27,300
2019	44,000	25,100
2020	48,000	22,900
2021	50,000	20,500
2022-2026	294,000	62,100
2027	66,000	3,300
Totals	$584,000	$190,400

Note 3: DEBT, DEBT SERVICE AND STATUTORY DEBT CONDITION (CONT'D.)

D. Loan Agreements (cont'd)

2. Department of Environmental Protection
Environmental Infrastructure Loans (cont'd)

Debt service on the outstanding balance of the 2007 NJ Environmental Infrastructure Fund Loan at December 31, 2016 is as follows:

Year	Principal
2017	$84,182
2018	87,966
2019	85,128
2020	89,165
2021	88,889
2022-2023	24,013
Totals	$459,343

Princeton entered into a loan agreement in November 2008 with the State of New Jersey, Department of Environmental Protection, pursuant to the 2008 New Jersey Environmental Infrastructure Trust Financing Program. The loan consists of two agreements, a Trust Loan Agreement of $2,070,000 to be repaid over a twenty year period at interest rates ranging from 5.00% to 5.50%, and a zero interest Fund Loan Agreement of $2,068,454 to be repaid over a twenty year period. During 2016, $850,000 of the prior Trust Loan balance was deobligated/defeased, resulting in a year-end balance of $670,000.

Debt service on the outstanding balance of the 2008 NJ Environmental Infrastructure Trust Loan at December 31, 2016 is as follows:

Year	Principal	Interest
2017	$90,000	$32,200
2018	100,000	27,700
2019	100,000	22,700
2020	110,000	17,900
2021	120,000	12,700
2022-2023	150,000	8,400
Totals	$670,000	$121,600

Note 3: DEBT, DEBT SERVICE AND STATUTORY DEBT CONDITION (CONT'D.)

D. Loan Agreements (cont'd)

2. Department of Environmental Protection
Environmental Infrastructure Loans (cont'd)

Debt service on the outstanding balance of the 2008 NJ Environmental Infrastructure Fund Loan at December 31, 2016 is as follows:

Year	Principal
2017	$103,266
2018	106,634
2019	103,121
Totals	$313,021

Princeton entered into a loan agreement in 2010 with the State of New Jersey, Department of Environmental Protection, pursuant to the 2010 New Jersey Environmental Infrastructure Trust Financing Program. The loan consists of two agreements, a Trust Loan Agreement of $1,400,000 to be repaid over a twenty year period at interest rates ranging from 3.00% to 5.50%, and a zero interest Fund Loan Agreement of $4,293,898 to be repaid over a twenty year period. During 2016, $750,000 of the prior Trust Loan balance was deobligated/defeased, resulting in a year-end balance of $835,000.

Debt service on the outstanding balance of the 2010 NJ Environmental Infrastructure Trust Loan at December 31, 2016 is as follows:

Year	Principal	Interest
2017	$65,000	$34,475
2018	65,000	31,225
2019	70,000	27,975
2020	75,000	25,175
2021	75,000	21,425
2022-2026	345,000	64,675
2027-2029	140,000	11,400
Totals	$835,000	$216,350

Note 3: DEBT, DEBT SERVICE AND STATUTORY DEBT CONDITION (CONT'D.)

D. Loan Agreements (cont'd)

2. Department of Environmental Protection
Environmental Infrastructure Loans (cont'd)

Debt service on the outstanding balance of the 2010 NJ Environmental Infrastructure Fund Loan at December 31, 2016 is as follows:

Year	Principal
2017	218,334
2018	218,334
2019	218,334
2020	218,334
2021	218,334
2022-2024	386,946
Totals	$1,478,916

Princeton entered into a loan agreement in 2012 with the State of New Jersey, Department of Environmental Protection, pursuant to the 2012 New Jersey Environmental Infrastructure Trust Financing Program. The loan consists of two agreements, a Trust Loan Agreement of $1,170,000 to be repaid over a twenty year period at interest rates ranging from 3.00% to 5.50%, and a zero interest Fund Loan Agreement of $1,273,893 to be repaid over a twenty year period. During 2016, $366,165.40 of the prior Trust Loan balance was deobligated/defeased, resulting in a year-end balance of $735,000. In addition, during 2016, $528,137 of the Fund Loan balance was deobligated/defeased, resulting in a year-end balance of $471,862.

Debt service on the outstanding balance of the 2012 NJ Environmental Infrastructure Trust Loan at December 31, 2016 is as follows:

Year	Principal	Interest
2017	$50,000	$20,335
2018	50,000	31,450
2019	50,000	28,950
2020	55,000	26,500
2021	55,000	23,700
2022-2026	335,000	73,050
2027-2028	140,000	6,150
Totals	$735,000	$210,135

Note 3: DEBT, DEBT SERVICE AND STATUTORY DEBT CONDITION (CONT'D.)

D. Loan Agreements (cont'd)

2. Department of Environmental Protection
Environmental Infrastructure Loans (cont'd)

Debt service on the outstanding balance of the 2012 NJ Environmental Infrastructure Fund Loan at December 31, 2016 is as follows:

Year	Principal
2017	64,774
2018	64,774
2019	64,774
2020	64,774
2021	64,775
2022-2025	147,991
Totals	$471,862

Pursuant to the provisions of N.J.S.A. 40A: 2-1 et seq. the combined outstanding principle of these loans has been included in the calculation of Princeton's statutory debt condition.

Note 4: FUND BALANCES APPROPRIATED

Fund balances at December 31, which were appropriated and included as anticipated revenue in their own respective funds for the succeeding years were as follows:

	Balance December 31, 2016	Utilized in 2017 Budget
Current Fund	$17,282,864.37	$6,230,000
Affordable Housing Operating Fund	428,650.56	0.00
Parking Operating Fund	963,754.99	181,881

Note 5: DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2016, the following deferred charges are shown on the balance sheets of the various funds.

	Balance Dec. 31, 2015	Raised in 2016 Budget	Balance Dec. 31, 2016	Raised in 2017 Budget
Current Fund:				
Special Emer. Approp	$967,032.00	483,516.00	$483,516.00	$483,516.00
Total	$967,032.00	$483,516.00	$483,516.00	$483,516.00

Note 6: GENERAL FIXED ASSETS

Changes in the carrying values of Princeton's general fixed assets for the year ended December 31, 2016 were as follows:

	Balance December 31, 2015	Increases	Decreases	Balance December 31, 2016
Land/Buildings	$179,241,200.00			$179,241,200.00
Equipment	7,697,742.77	873,128.00	2,281,971.77	6,270,899.00
Vehicles	10,679,988.35	2,114,305.00	1,754,251.35	11,040,042.00
	$195,702,908.00	$2,987,433.00	$4,036,223.12	$196,552,141.00

The General Fixed Asset Account Group is used to account for fixed assets used in municipal operations for control purposes. Infrastructure assets such as roads, sidewalks, wastewater collection and transmission systems, etc. are not capitalized. General fixed assets acquired prior to 1985 are valued at historical cost or estimated historical cost if actual historical cost was not available. Assets acquired or constructed subsequent to 1985 are valued at historical cost. Contributed capital is valued at the estimated fair market value of the asset at the date of the contribution. No depreciation is recorded on general fixed assets.

Note 7: UTILITY FIXED ASSETS

Changes in the carrying values of Princeton's Parking Utility fixed assets for the year ended December 31, 2016 were as follows:

	Balance December 31, 2015	Increases	Balance December 31, 2016
Land/Buildings	$13,475,611.66	885,899.96	$14,361,511.62
Equipment	200,000.00	23,919.64	223,919.64
	$13,675,611.66	$909,819.60	$14,585,431.26

Parking Utility assets acquired or constructed are valued at cost. The amounts shown as utility fixed capital do not purport to represent reproduction costs or current value. Contributions in aid of construction are not capitalized. No depreciation is recorded on general fixed assets.

Note 8: DEPOSITS AND INVESTMENTS

State statutes set forth deposit requirements and investments that may be purchased by local units and Princeton deposits and invests its funds pursuant to its policies and an adopted cash management plan.

Deposits

New Jersey statutes permit the deposit of public funds in institutions located in New Jersey, which are insured by the Federal Deposit Insurance Corporation (FDIC) or by any other agencies of the United States that insures deposits or the State of New Jersey Cash Management Fund. New Jersey statutes require public depositories to maintain collateral for deposit of public funds that exceed insurance limits to protect deposits from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey.

N.J.S.A. 17:9-41 et. seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Act. Public depositories include Savings and Loan institutions, banks (both state and national banks) and savings banks the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five (5) percent of the average daily balance of collected public funds; or if the public funds deposited exceed 75 percent of the capital funds of the depository, the depository must provide collateral having a market value equal to 100 percent of the amount exceeding 75 percent, to secure the deposits of governmental units.

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 that $25,000,000. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the Governmental Units.

At December 31, 2016, the cash and cash equivalents and investments of Princeton on deposit and on-hand consisted of the following:

	2016
Cash (Demand Accts.)	$51,374,354.76
Certificate of Deposits	290,317.87
Change Fund (On-Hand)	1,615.00
	$51,666,287.63

Based upon GASB criteria, Princeton considers change funds, cash in banks, investments in short-term certificates of deposit and State of New Jersey Cash Management Fund as cash and cash equivalents. At year-end, the carrying amount of Princeton's deposits was $51,664,672.63 and the book balance was $51,720,692.53. Of the bank balance, $1,250,000.00 was covered by Federal depository insurance and $50,414,672.63 was covered under the provisions of NJGUDPA.

Note 8: DEPOSITS AND INVESTMENTS (CONT'D.

At December 31, 2016, Princeton has implemented the disclosure requirements of Governmental Accounting Standards Board Statement No. 40 "Deposits and Investment Risk Disclosures" (GASB 40) and accordingly Princeton has assessed the Custodial Risk, the Concentration of Credit Risk and Interest Rate Risk of its cash and investments.

(a) Custodial Credit Risk – Princeton's deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are: uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor-governments name. The deposit risk is that, in the event of the failure of a depository financial institution, Princeton will not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. Princeton's investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of Princeton and are held by either: the counterparty or the counterparty's trust department or agent but not in Princeton's name. The investment risk is that, in the event of the failure of the counterparty to a transaction, Princeton will not be able to recover the value of the investment or collateral securities that are in possession of an outside party.

(b) Concentration of Credit Risk – This is the risk associated with the amount of investments that Princeton has with any one issuer that exceeds 5 percent or more of its total investments. Investment issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement.

(c) Credit Risk – GASB 40 requires that disclosure be made as to the credit rating of all debt security investments except for obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government. This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. In general, Princeton does not have an investment policy regarding Credit Risk except to the extent outlined under Princeton's investment policy. The New Jersey Cash Management Fund is not rated.

(d) Interest Rate Risk - This is the risk that changes in interest rates will adversely affect the fair value of an investment. Princeton does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from interest rate fluctuations.

As of December 31, 2016, based upon the insured balances provided by the FDIC and NJGUDPA coverage, no amounts of Princeton's bank balance was considered exposed to custodial credit risk.

Investments

New Jersey statutes establish the following securities as eligible for the investment Princeton's funds:

1. Bonds or other obligations of the United States of America or obligations guaranteed by the United States;

2. Government money market mutual funds;

3. Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided such obligation bear a fixed rate of interest not dependent on any index or other external factor;

Note 8: DEPOSITS AND INVESTMENTS (CONT'D.

Investments (cont'd)

4. Bonds or other obligations of Princeton or bonds or other obligations of school districts of which Princeton is a part and within which the school district is located;

5. Bonds or other obligations having a maturity date of not more than 397 days from the date of purchase that are approved by the Division of Investment of the Department of Treasury 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. 1997, 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);
    b. the custody of collateral is transferred to a third party;
    c. the maturity of the agreement is more than 30 days; and
    d. the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c.236 (C.19:9-41) and for which a master repurchase agreement providing for the custody and security of the collateral is executed.

New Jersey Cash Management Fund – All investments in the Fund are governed by the regulations of the Investment Council, which prescribe specific standards designed to insure the quality of investments and to minimize the risks related to investments. In all the years of the Division of Investment's existence, the Division has never suffered a default of principal or interest on any short-term security held by it due to the bankruptcy of a securities issuer; nevertheless, the possibility always exists, and for this reason a reserve is being accumulated as additional protection for the "Other Than State" participants. In addition to the Council regulations, the Division sets further standards for specific investments and monitors the credit of all eligible securities issuers on a regular basis. As of December 31, 2015, Princeton had $0.00 on deposit with the New Jersey Cash Management Fund. Based upon the existing deposit and investment practices, Princeton is generally not exposed to credit risks, custodial credit risks, concentration of credit risks and interest rate risks for its investments nor is it exposed to foreign currency risks for its deposits and investments.

Note 9: ASSESSMENT AND COLLECTION OF PROPERTY TAXES

New Jersey statutes require that taxable valuation of real property be prepared by the Princeton Tax Assessor as of October 1 in each year and filed with the County Board of Taxation by January 10 of the following year. Upon the filing of certified adopted budgets by Princeton, County and School District, the tax rate is struck by the board based on the certified amounts in each of the taxing districts for collection to fund the budgets. Pursuant to statute, this process is to be completed on or before May 3, with a completed duplicate of the tax rolls to be delivered to Princeton's Tax Collector on or before May 13th.

Tax bills are prepared and mailed by the Collector of Taxes of Princeton annually and set forth the final tax for the tax year. The bills contains a credit for preliminary amounts billed previously with the balance payable in equal installments on August 1st and November 1st of the tax year. In addition, the property owner receives a preliminary bill for the succeeding year based on one half of the prior year's tax. The preliminary payments are due and payable on February 1st and May 1st. The New Jersey statutes allow a grace period of 10 days for each payment period and Princeton granted this option to taxpayers. Taxes become delinquent if not paid on the installment dates and become subject to interest penalties of 8% to 18% of the amount delinquent, and if a delinquency (including interest) is in excess of $10,000.00 and remains in arrears after December 31, an additional flat penalty of 6% may be charged against the delinquency. If taxes are delinquent on or after April 1st of the succeeding year, the delinquent amount is subject to "Tax Sale" which places a tax lien on the property allowing the holder to enforce the tax lien by collection or foreclosure. New Jersey property tax laws establish a tax lien on real estate as of January 1st of the current tax year even though the amount due is not known.

Note 10: PENSION AND RETIREMENT PLANS

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

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

Note 10: PENSION AND RETIREMENT PLANS (CONT'D)

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

Plan Membership and Contributing Employers- Substantially all full-time employees of the State of New Jersey or any county, municipality, school district or public agency are enrolled in PERS, provided the employee is not required to be a member of another state-administered retirement system or other state pension fund or other jurisdiction's pension fund. Membership and contributing employers of the defined benefit pension plans consisted of the following at June 30, 2016:

Inactive plan members or beneficiaries currently receiving benefits	171,422
Inactive plan members entitled to but not yet receiving benefits	703
Active plan members	261,171
Total	433,296

Contributing Employers – 1,713

Significant Legislation:

Chapter 19, P.L. 2009, effective March 17, 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 an employer 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 PERS, 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.

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

For the year ended December 31, 2016 the Princeton's total payroll for all employees was $19,809,464. Total PERS covered payroll was $10,812,029. Covered payroll refers to pensionable compensation, rather than total compensation, paid by Princeton to active employees covered by the Plan. Employee payroll deductions for PERS contributions, net of life insurance premiums and pension loan repayments, were $772,632 for 2016.

Note 10: PENSION AND RETIREMENT PLANS (CONT'D)

Specific Contribution Requirements and benefit provisions – The contribution policy is set by N.J.S.A 43:15 and requires contributions by active members and contributing employers. Members contribute at a uniform rate. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years beginning in July 2012. The member contribution rate was 6.92% in State fiscal year 2015 and increased to 7.06 for State fiscal year 2016, commencing July 1, 2016. The phase-in of the additional incremental member contribution rate will take place in July of each subsequent State fiscal year. Employer contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Princeton's cash basis contributions to the Plan for the years ended December 31, 2015 and 2016 were $1,190,584 and $1,199,840, respectively. Princeton's contributions are due and payable on April 1st in the second fiscal period subsequent to plan year for which the contributions requirements were calculated. Princeton's payments to PERS for the years ending December 31, 2016 and 2015 consisted of the following:

	2016	2015
Normal Cost	$ 203,128	$ 198,206
Amortization of Accrued Liability	935,736	916,855
Total Pension	1,138,864	1,115,061
NCGI Premiums	60,976	75,523
Total Regular Billing	1,199,840	1,190,584
Total PERS Payment	$1,199,840	$1,190,584

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

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

The following represents the membership tiers for PERS:

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

Note 10: PENSION AND RETIREMENT PLANS (CONT'D)

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

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

At June 30, 2016, the PERS reported a net pension liability of $29,617,131,759 for its Non-State Employer Member Group. Princeton's proportionate share of the net pension liability for the Non-State Employer Member Group that is attributable to Princeton was $45,511,602 or 0.15366473%. At June 30, 2015, the PERS reported a net pension liability of $22,447,996,119 for its Non-State Employer Member Group. The proportionate share of the State of New Jersey's the net pension liability for the Non-State Employer Member Group that is attributable to Princeton was $31,328,379 or 0.139558%.

Actuarial Assumptions- The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.08%
Salary Increases (2012-2021)	1.65-4.15% Based on age
Thereafter	2.65-5.15% Based on age
Investment rate of return	7.65%

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

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 experiences 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.

Note 10: PENSION AND RETIREMENT PLANS (CONT'D)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans 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 the pension plans' target asset allocation as of June 30, 2016 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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 US 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 US	5.00%	-0.25%
REIT	5.25%	5.63%

Discount Rate – The discount rate used to measure the pension liabilities of PERS was 3.98%

Sensitivity of Collective Net Pension Liability to Changes in the Discount Rate – the following presents the collective net pension liability of PERS participating employers as of June 30, 2016, calculated using the discount rates 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 rate higher than the current rate:

	At 1% Decrease (2.98%)	At current discount rate (3.98%)	At 1% increase (4.98%)
State	$34,422,851,197	$29,390,685,705	$25,246,574,457
Local	36,292,338,055	29,617,131,759	24,106,170,190
PERS Plan Total	$70,715,189,252	$59,007,817,464	$49,352,744,647

Components of Net Pension Liability – The components of the collective net pension liability for PERS, including the State of New Jersey, at June 30, 2016 is as follows:

	State	Local	Total
Total Pension Liability	$36,295,189,928	$49,474,698,146	$85,769,888,074
Plan Fiduciary Net Position	6,904,504,223	19,857,566,387	26,762,070,610
Net Pension Liability	$29,390,685,705	$29,617,131,759	$59,007,817,464

NOTE 10. PENSION AND RETIREMENT PLANS (CONT'D.)

Collective Deferred Outflows of Resources and Deferred Inflows of Resources – Amounts reported as deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) related to pensions will be recognized in pension expense as follows:

Year Ending June 30:	Amount
2017	$5,955,522
2018	5,955,522
2019	5,955,522
2020	5,955,522
2021	3,758,390
2022	862,992
Total	$28,443,470

Changes in Proportion

The previous amounts do not include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) by each employer over the average of the expected remaining service lives of all plan members, which is 5.57, 5.72 and 6.44 years for the 2016, 2015, and 2014 amounts, respectively.

B. POLICE AND FIREMEN'S RETIREMENT SYSTEM

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

Plan Membership and Contributing Employers- Substantially all full-time county and municipal police and firemen and state firemen or officer employees with police powers appointed after June 30, 1944 are enrolled in PFRS Membership and contributing employers of the defined benefit pension plans consisted of the following at June 30, 2016:

Inactive plan members or beneficiaries currently receiving benefits	44,423
Inactive plan members entitled to but not yet receiving benefits	51
Active plan members	42,036
Total	87,510

Contributing Employers – 586

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

For the year ended December 31, 2016 Princeton's total payroll for all employees was $19,809,464. Total PFRS covered payroll was $5,915,321. Covered payroll refers to pensionable compensation, rather than total compensation, paid by Princeton to active employees covered by the Plan. Employee payroll deductions for PFRS contributions, net of life insurance premiums and pension loan repayments, were $600,478 for 2016.

NOTE 10. PENSION PLANS (CONT'D.):

B. POLICE AND FIREMEN'S RETIREMENT SYSTEM (CONT'D.)

Specific Contribution Requirements and benefit provisions – The contribution policy is set by N.J.S.A. 43:16A and requires contributions by active members and contributing employers. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contributions rate increased from 8.5% of annual compensation to 10.0% in October 2011. Employer contribution amounts are based on an actuarially determined rate. The annual employer contributions include funding for basic retirement allowances and noncontributory death benefits. Princeton's cash basis contributions to the Plan for the years ended December 31, 2016 and 2015 were $1,577,970 and $1,440,953, respectively. Princeton's contributions are due and payable on April 1st in the second fiscal period subsequent to plan year for which the contributions requirements were calculated. Princeton's payments to PFRS made in the years ending December 31, 2016 and 2015 consisted of the following:

	2016	2015
Normal Cost	$529,030	$ 494,281
Amortization of Accrued Liability	978,596	882,036
Total Pension	1,507,626	1,376,317
NCGI Premiums	70,344	64,636
Total Regular Billing	1,577,970	1,440,953
Total PFRS Payment	$1,577,970	$1,440,953

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

The following represents the membership tiers for PFRS:

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

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

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

NOTE 10. PENSION PLANS (CONT'D.):

B. POLICE AND FIREMEN'S RETIREMENT SYSTEM (CONT'D.)

At June 30, 2016, the PFRS reported a net pension liability of $19,102,557,969 for its Non-State, Non-Special Funding Situation Employer Member Group. Princeton's proportionate share of the net pension liability for the Non-State Non-Special Funding Situation Employer Member Group was $37,054,587, or 0.19398%. At June 30, 2015, the PFRS reported a net pension liability of $16,656,514,197 for its Non-State, Non-Special Funding Situation Employer Member Group. Princeton's proportionate share of the net pension liability for the Non-State Non-Special Funding Situation Employer Member Group was $32,334,936, or 0.19412%.

Actuarial Assumptions- The collective 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	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 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 were based 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 mortality rates were based on 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.

The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

NOTE 10. PENSION AND RETIREMENT PLANS (CONT'D.):

B. POLICE AND FIREMEN'S RETIREMENT SYSTEM (CONT'D.)

Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2016 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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 US 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 US	5.00%	-0.25%
REIT	5.25%	5.63%

Discount Rate – The discount rate used to measure the pension liabilities of PFRS was 5.55%.

Sensitivity of Net Pension Liability – The following presents the collective net pension liability of the participating employers 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 was calculated using a discount rate that is 1-percentage point lower or 1-percentage-point higher than the current rate:

	At 1% Decrease (4.55%)	At current discount rate (5.55%)*	At 1% increase (6.55%)
State	$ 5,612,325,178	$ 4,710,744,193	$ 3,977,817,225
Local	26,699,770,118	20,706,699,056	15,819,710,095
PFRS Plan Total	$32,312,095,296	$25,417,443,249	$19,797,527,320

*- Local Share includes $1,604,141,087 of Special Funding Situation allocated to the State of NJ as a non-employer.

Components of Net Pension Liability – The components of the collective net pension liability for PFRS, including the State of New Jersey, at June 30, 2016 is as follows:

	State	Local	Total
Total Pension Liability	$ 6,255,619,682	$43,146,550,231	$49,402,169,913
Plan Fiduciary Net Position	1,544,875,489	22,439,851,175	23,984,726,664
Net Pension Liability	$ 4,710,744,193	$20,706,699,056	$25,417,443,249

NOTE 10. PENSION AND RETIREMENT PLANS (CONT'D.):

Collective Deferred Outflows of Resources and Deferred Inflows of Resources – Amounts reported as deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) related to pensions will be recognized in pension expense as follows:

Year Ending June 30:	Amount
2017	$4,836,669
2018	4,836,669
2019	4,836,670
2020	4,836,669
2021	1,549,906
2022	(56,821)
Total	$20,839,762

Changes in Proportion

The previous amounts do not include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) by each employer over the average of the expected remaining service lives of all plan members, which is 5.58, 5.53, and 6.17 years for the 2016, 2015 and 2014 amounts, respectively.

C: DEFINED CONTRIBUTION RETIREMENT PLAN

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

Plan Membership and Contributing Employers- Enrollment in the DCRP is required for state or local officials, elected or appointed on or after July 1, 2007; employees enrolled in PFRS or PERS on or after July 1, 2007, who earn salary in excess of established "maximum compensation" limits; employees otherwise eligible to enroll in PFRS or PERS on or after November 2, 2008, who do not earn the minimum annual salary for tier 3 enrollment but who earn salary of at least $5,000 annually; and employees otherwise eligible to enroll in PFRS or PERS after May 21, 2010, who do not work the minimum number of hours per week required for tier 4 or tier 5 enrollment, but who earn salary of at least $5,000 annually. At June 30, 2016, the membership in the DCRP, based on the information within the Division's database, was 46,557.

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

Eligible members are provided with a defined contribution retirement plan intended to qualify for favorable Federal income tax treatment under IRC Section 401(a), a noncontributory group life insurance plan and a noncontributory group disability benefit plan. A participant's interest in that portion of his or her defined contribution retirement plan account attributable to employee contributions shall immediately become and shall at all times remain fully vested and non forfeitable. A participant's interest in that portion of his or her defined contribution retirement plan account attributable to employer contributions shall be vested and non forfeitable on the date the participant commences the second year of employment or upon his or her attainment of age 65, while employed by an employer, whichever occurs first.

NOTE 10. PENSION AND RETIREMENT PLANS (CONT'D.):

C: DEFINED CONTRIBUTION RETIREMENT PLAN (CONT'D.)

For the year ended December 31, 2016 Princeton's total payroll for all employees was $19,809,464. Total DCRP covered payroll was $254,413. Covered payroll refers to all compensation paid by Princeton to active employees covered by the Plan. Employee contributions to the DCRP for the year ended December 31, 2016 were $13,993 and employer contributions were $7,632.

D. COMBINED PENSION INFORMATION FOR PERS AND PFRS PENSION SYSTEMS:

	Net Pension Liability	Deferred Outflows	Deferred Inflows	Total Pension Expense
PERS	$ 45,511,602	$29,052,018	$608,548	$1,199,840
PFRS	37,054,587	21,100,002	260,240	1,577,970
Total	$ 82,566,187	$50,152,020	$868,788	$2,777,810

Note 11: POSTEMPLOYMENT BENEFIT PLANS OTHER THAN PENSION PLANS – HEALTH CARE BENEFITS

Plan Description

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

The SHBP was extended to employees, retirees, and dependents of participating local public employers in 1964. Local employers must adopt a resolution to participate in the SHBP. On September 10, 2012 Princeton authorized participation in the SHPB's post-retirement benefit program through a resolution approved by the Council. Princeton adopted Chapter 88, P.L. 1974 that provides medical benefits to any employee who has over 25 years of pension service credit.

The State Health Benefits Commission is the executive body established by statute to be responsible for the operations of the SHBP. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for the SHBP. The report may be obtained by writing to: State of New Jersey Division of Pensions and Benefits, P.O. Box 295, Trenton, N.J. 08625-0295 or by visiting their website at www.state.nj.us/treasury/pensions/gasb-43-sept2008.pdf.

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

Note 11: POSTEMPLOYMENT BENEFIT PLANS OTHER THAN PENSION PLANS – HEALTH CARE BENEFITS (CONT'D):

Cost sharing requirements for retirees are as follows:

1. Any eligible employee who was retired as of June 28, 2011 (the effective date of Ch. 78, P.L. 2011) is not required to contribute to the cost of benefits.
2. Active employees who had accrued 25 years of service at June 28, 2011 will not be required to contribute to the costs of benefits upon retirement.
3. Active employees who had accrued 20 years of service at June 28, 2011 will be required to contribute 1.5% of their retirement benefit towards the cost of post-retirement health benefits.
4. Active employees who had not accrued 20 years of service at June 28, 2011 will, upon retirement continue to pay the applicable percentage of health care costs as set forth in the law. However, retiree contributions will be based upon the retirement benefit rather than the final active salary.

Retiree Health Valuation

Princeton provides health benefits through its group insurance plan to certain retirees and their dependents for those retired from the Township as of December 31, 2012, as follows:

The former employer assumes the cost if the retired employee meets certain requirements. The Plan Sponsor has agreed to pay retiree coverage if:

1. He or she has 25 or more years of continuous service with Princeton; or
2. Princeton Police Officers qualify with 20 years of service if he or she has 25 years or more in PFRS.

At January 1, 2016 (the "Valuation Date"), approximately 36 retirees were receiving non-contributory health coverage benefits at an estimated annual cost to Princeton of $250,000 for the year..

The contribution requirements of plan members and the participating agencies are established and may be amended through the collective bargaining process or by action of the Mayor and/or Council. Princeton's annual postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of Princeton's annual OPEB cost for the year, any amounts contributed to the plan and the Princeton's net OPEB obligation.

	2015 Total
Net OPEB Obligation – beginning of year	($30,000)
Annual required contribution (ARC)	250,000
Interest on Net OPEB Obligation	0
Adjustment to the ARC	0
Annual OPEB Cost	250,000
Less: Contributions	280,000
Net OPEB obligation – end of year	$(40,000)

Note 11: POSTEMPLOYMENT BENEFIT PLANS OTHER THAN PENSION PLANS – HEALTH CARE BENEFITS (CONT'D):

Under the regulatory basis of accounting utilized by Princeton, financial statement recognition of the ARC and Net OPEB obligation is not required and these amounts are not reflected in the reported expenditures and liabilities for the year ended December 31, 2016.

The funded status of the plan for Princeton as of January 1, 2016, is as follows:

	Total
Actuarial accrued liability (AAL)	$2,710,000
Actuarial value of plan assets	- 0 -
Unfunded actuarial accrued liability (UAAL)	$2,710,000
Funded ratio (actuarial value of plan assets/AAL)	0.00%
Covered payroll (active plan members)	N/A
UAAL as a percentage of covered payroll	N/A

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

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

In the January 1, 2016 actuarial valuation, the projected unit credit method was used. A rate of 4.50% was utilized as the discount rate and the amount of increase in the normal cost amount. The unfunded accrued liability is being amortized as a level dollar amount using an open period of thirty (30) years.

Note 12: ACCRUED SICK AND VACATION BENEFITS

Princeton has adopted a written Policy and Procedure Manual that sets forth the terms under which an employee may accumulate unused benefits. General Policy is as follows:

Sick Leave – Sick leave for full-time permanent employees accumulates one sick day for each month of work completed. Any paid sick days advanced during the four-month probationary period mush be reimbursed if the employee leaves Princeton service. All regular part-time employees will be credited with paid sick leave on a pro-rated basis. A part-time employee's sick leave may be recalculated in the event of a schedule change. Unused portions of this annually renewed paid sick leave will not be carried over into subsequent calendar years. No additional days will be credited.

Employees are not compensated in any amount for unused sick leave upon separation and/or retirement.

Note 12: ACCRUED SICK AND VACATION BENEFITS (CONT'D.)

Sick Leave for former Borough employees who retire on or before January 1, 2015:

Terminal Leave Pay - Employee members of the PBA are entitled to Terminal Leave Pay, as follows:

1. After 20 years of PFRS service, 240 hours of terminal pay, plus 12 hours for each additional year of service.
2. After 25 years of PFRS service, 300 hours of terminal pay, plus 12 hours for each additional year of service, with a maximum of 360 hours.
3. Terminal Leave Pay is due and payable upon separation.

Employees other than members of the PBA are not entitled to Terminal Leave Pay.

Vacations – Vacation pay for permanent employees is accumulated in accordance with the approved schedules for their respective units. Ordinarily, vacation leave shall be used during the year in which it accrues. However, under extraordinary circumstances employees may accrue unused vacation leave toward the next calendar year upon approval of the Administrator. Employees may carry unused vacation time up to one year's allocation of accrued time, with the approval of the Administrator. Accrued vacation pay in excess of such limits is forfeited.

The total balance of unused vacation and terminal leave time benefits for 2016 was $614,345.49. This represents a decrease in the amount of unused vacation and terminal leave time benefits from 2015 to 2016 in the amount of $118,353.36. Under the regulatory basis of accounting which Princeton follows, expenditures and liabilities are not recorded as paid time off is earned. Instead, it is recognized as it is paid. However, at December 31, 2016, Princeton had funded $71,490 of the estimated value of paid time off via transfers to a dedicated Trust Fund.

Note 13: RISK MANAGEMENT

Princeton, together with other governmental units, is a member of the Mid Jersey Joint Insurance Fund (the Fund). The Fund, which is organized and operated pursuant to the regulatory authority of the Department of Insurance and Community Affairs, State of New Jersey, provides for a pooling of risks, subject to established limits and deductibles. Payments to the Fund are calculated by the Fund's governing board based upon actuarial and budgetary requirements. Each participant in the Fund is jointly and severally obligated for any deficiency in the amount available to pay all claims. The Joint Insurance Fund insures against property damage, general liability, auto liability, equipment liability, public official liability, law enforcement liability and workers compensation. While additional assessments or premiums can be levied by the Fund to assure payment of the Fund's obligations, no such additional premiums have been necessary as of December 31, 2016. The Fund will be self-sustaining through member premiums, reported as an expenditure in Princeton's financial statements. The Fund contracts for excess liability insurance for property damage, general liability, auto liability, equipment liability, public official liability, law enforcement liability and worker's compensation. Princeton continues to carry commercial insurance for other risks of loss, principally employee health insurance.

The Mid Jersey Joint Insurance Fund (the Fund) issues publicly available financial reports that include the financial statements and required supplementary information for insurance coverage for participants in the Fund. These financial reports may be obtained by writing Mid Jersey Municipal JIF, c/o Risk and Loss Managers, 51 Everett Drive, Suite B-40, West Windsor, NJ 08550-5374.

Note 13: RISK MANAGEMENT (CONT'D.)

New Jersey Unemployment Compensation Insurance – Princeton has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method". Under this plan, Princeton 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. Princeton is billed quarterly for amounts due to the State. Following is a summary of Princeton's appropriations, interest earning and remittances to the State for the current and three prior years:

Year	Employee Contribution	Budget Contribution	Interest Earnings	Ending Balance
2016	27,213.71	57,219.34	3,069.96	503,076.85
2015	23,344.26	36,551.44	2,631.21	418,643.80
2014	24,848.85	47,407.69	18.78	356,116.49
2013	36,589.85	57,782.88	161.81	321,974.60

Note 14: DEFERRED COMPENSATION

Princeton has instituted a Deferred Compensation Plan pursuant to section 457 of the Internal Revenue Code and P.L. 1977, C. 381; P.L. 1978, C. 39; P.L. 1980, C. 78; and P.L. 1997, C. 116 of the Statutes of New Jersey. The plan, available to all employees, permits them to defer a portion of their salaries until future years. The deferred compensation is not available to employees until termination, retirement, disability or severe financial hardship.

Princeton, by resolution, amended its program for deferred compensation for sponsored employees. The assets of the plan shall be held in trust under the beneficial ownership of the trustee, with the members of Princeton council serving as trustee, for the exclusive benefit of the plan participants and their beneficiaries, and the assets shall not be diverted to any other purposes.

All investments for the plans are administered by the Lincoln National Life Insurance Company.

The plan administrator shall invest in one or more of the eligible investments under N.J.A.C. 5:37-9.2, which are as follows:

1. Interest-and dividend-bearing securities in which savings banks of New Jersey are authorized to invest their funds;
2. Interest-bearing accounts;
3. State of New Jersey Cash Management Fund;
4. Individual or group annuity programs, whether fixed or variable;
5. Mutual funds; and/or
6. Life insurance contracts, whether fixed or variable.

Note 15: INTERFUNDS

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

Fund:	Interfund Receivables	Interfund Payables
Current Fund	$234.34	$ .00
General Capital Fund	0.00	500.00
Open Space Trust	500.00	0.00
Other Trust Funds	0.00	234.34
Total	$734.34	$734.34

These interfund balances are not an indication that the respective fund cannot meet its obligation. The interfund amounts are reflective of year-end closing journals and adjustments. The balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. Transfers are used to (1) move revenues from the funds New Jersey Statute or budget requires to collect to fund the appropriation and the statute or budget to expend them.

Note 16: LONG TERM TAX EXEMPTIONS

Princeton provides for long-term tax exemptions, as authorized and permitted by New Jersey State Statutes. N.J.S.A. 40A:20-1 et seq. sets forth the criteria and mechanism by which property taxes can and are abated. The exemptions provided by the Princeton are for affordable housing projects and other permitted purposes. Taxes abated include municipal, local school and county taxes. Princeton's PILOT billings in 2016 were $1,454,580.91 and taxes in 2016 that otherwise would have been due on these long-term tax exemptions amounted to $5,863,900.12, based upon the assessed valuations of the long-term tax exemptions properties.

Note 17: COMMITMENTS AND CONTINGENCIES

Princeton participates in several federal and state financial assistance grant programs. Entitlement to the funds is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable regulations, including the expenditures of funds for eligible purposes. These programs are also subject to compliance and financial audits by the grantors or their representatives. As of December 31, 2016 Princeton does not believe that any material liabilities will result from such audits.

As of May 12, 2017, Princeton was not involved in any pending or threatened litigation nor any unasserted claims or assessments that would be of a material nature.

Note 18: SUBSEQUENT EVENTS

On April 3, 2017, Princeton adopted its 2017 Municipal Budget.

APPENDIX C

FORM OF APPROVING LEGAL OPINION OF BOND COUNSEL

__________, 2017

Council of Princeton
Princeton, in the
County of Mercer, New Jersey

Dear Council Members:

We have acted as bond counsel to Princeton, in the County of Mercer, New Jersey ("Princeton") in connection with the issuance by Princeton of $24,200,000 General Improvement Bonds, Series 2017 (the "Bonds"). In order to render the opinions herein, we have examined laws, documents and records of proceedings, or copies thereof, certified or otherwise identified to us, as we have deemed necessary.

The Bonds are issued pursuant to the Local Bond Law of the State of New Jersey, resolutions of the Township adopted August 21, 2017, pursuant to N.J.S.A. 40A:2-26(f), in all respects duly approved, and the various bond ordinances referred to therein, each in all respects duly approved and published as required by law**.**

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

On the date hereof, Princeton has covenanted in its Arbitrage and Tax Certificate (the "Certificate") to comply with certain continuing requirements that must be satisfied subsequent to the issuance of the Bonds in order to preserve the tax-exempt status of the Bonds pursuant to Section 103(a) of the Internal Revenue Code of 1986, as amended (the "Code"). Pursuant to Section 103(a) of the Code, failure to comply with these requirements could cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. In the event that Princeton continuously complies with its covenants and in reliance on representations, certifications of fact and statements of reasonable expectations made by Princeton in the Certificate, it is our opinion that, pursuant to Section 103(a) of the Code, interest on the Bonds is not included in gross income for purposes of federal income tax and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. It is also our opinion that interest on the Bonds held by a corporate taxpayer is included in "adjusted current earnings" in calculating alternative minimum taxable income for purposes of the federal alternative minimum tax imposed on corporations. We express no opinion regarding other federal tax consequences arising with respect to the Bonds. Further, in our opinion, interest on the Bonds and any gain on the sale thereof are not included in gross income under the New Jersey Gross Income Tax Act. These opinions are based on existing statutes, regulations, administrative pronouncements and judicial decisions.

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

Very truly yours,