

This Preliminary Official Statement and the information contained herein are subject to change, completion or amendment without notice. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration, qualification or exemption under the securities laws of any such jurisdiction.

**NEW ISSUE
(Book-Entry Only)**

RATINGS: (See "RATINGS" herein)

PRELIMINARY OFFICIAL STATEMENT DATED OCTOBER 4, 2016

In the opinion of Parker McCay P.A., Mount Laurel, New Jersey, Bond Counsel, to the City (as hereinafter defined), assuming continuing compliance by the City with certain tax covenants described herein, under existing law, interest on the Bonds (as hereinafter defined) is not included for federal income tax purposes in the gross income of the owners thereof pursuant to Section 103 of the Internal Revenue Code of 1986, as amended ("Code"), and is not a specific item of tax preference under Section 57 of the Code for purposes of calculating the alternative minimum tax imposed on individuals and corporations pursuant to Section 55 of the Code. In the case of certain corporations that own the Bonds, the interest thereon is not excludable in computing the alternative minimum tax as a result of the inclusion of interest on the Bonds in "adjusted current earnings". In addition, interest on the Bonds may be subject to the branch profits tax imposed on certain foreign corporations and to the tax on "excess net passive income" imposed on S corporations. Interest on the Bonds and any gain from the sale thereof is not included in the gross income of the owners thereof under the New Jersey Gross Income Tax Act as presently enacted and construed. See "TAX MATTERS" herein.

**\$10,300,000
CITY OF UNION CITY
COUNTY OF HUDSON, NEW JERSEY
GENERAL OBLIGATION BONDS, SERIES 2016
(Qualified Pursuant to the Provisions of the Municipal
Qualified Bond Act, P.L. 1976, c.38, as amended)
(Callable) (Book-Entry Only)**

Dated: Date of Delivery

Due: July 15, as shown on inside front cover

The \$10,300,000 aggregate principal amount of General Obligation Bonds, Series 2016 (Qualified pursuant to the provisions of the Municipal Qualified Bond Act, constituting P.L. 1978 c.38, as amended ("Municipal Qualified Bond Act")) ("Bonds"), of the City of Union City, County of Hudson, New Jersey ("City") shall be issued in fully registered book-entry-only form without coupons. The principal of the Bonds shall be paid on the respective maturity dates thereof upon presentation and surrender of the Bonds at the principal corporate trust office of _____, as bond registrar and paying agent ("Paying Agent"). Interest on the Bonds is payable semiannually on January 15 and July 15 ("Interest Payment Dates"), commencing July 15, 2017, in each year until maturity or earlier redemption thereof. The Bonds are subject to redemption prior to their stated maturity dates on the terms and conditions set forth herein.

Upon initial issuance, the Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"), which will act as securities depository for the Bonds. So long as Cede & Co. is the registered owner of the Bonds, payments of principal of and interest on the Bonds will be made by the Paying Agent directly to DTC or its nominee, Cede & Co., which will remit such payments to the DTC Participants (as herein defined) which will, in turn, remit such payments to the Beneficial Owners (as herein defined) of the Bonds. Purchasers will not receive certificates representing their ownership interest in the Bonds purchased. For so long as any purchaser is a Beneficial Owner of a Bond, such purchaser must maintain an account with a broker or dealer who is, or acts through, a DTC participant to receive payment of the principal of and interest on such Bond.

The City is issuing the Bonds pursuant to: (i) the Local Bond Law, Chapter 169 of the Laws of 1960 of the State of New Jersey, as amended and supplemented ("Local Bond Law"); (ii) the Municipal Qualified Bond Act; (iii) bond ordinances 6-2006, 18-2006, 40-2006, 19-2012 and 1-2014, each duly and finally adopted by the Board of Commissioners and published in accordance with the requirements of the Local Bond Law; (iv) a resolution adopted by the Board of Commissioners on September 20, 2016; and (v) a Certificate of Determination and Award executed by the Chief Financial Officer of the City on October __, 2016.

The Bonds are being issued by the City to provide funds which will be used to: (i) permanently finance the costs of various capital improvements by the repayment, at maturity, of the principal of certain bond anticipation notes heretofore issued by the City; (ii) permanently finance the costs of various capital improvements for which obligations have been authorized, but not issued; and (iii) pay certain costs and expenses incidental to the issuance and delivery of the Bonds.

The full faith and credit of the City are irrevocably pledged for the payment of the principal of and interest on the Bonds. The Bonds are general obligations of the City payable as to principal and interest from ad valorem taxes to be levied upon all taxable property in the City without limitation as to rate or amount. The Bonds are also entitled to the benefits of the Municipal Qualified Bond Act.

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 purchaser, subject to the prior sale, withdrawal or modification of the offer without notice and approval of legality by Bond Counsel to the City, Parker McCay P.A., Mount Laurel, New Jersey. Certain legal matters will be passed upon for the City by the law firm Scarinci Hollenbeck, LLC, Lyndhurst, New Jersey. NW Financial Group, LLC, Hoboken, New Jersey, has acted as financial advisor to the City in connection with the issuance of the Bonds. Delivery of the Bonds is further subject to certain other conditions set forth herein. It is anticipated that the Bonds in definitive form will be available for delivery through DTC on or about October 27, 2016.

\$10,300,000
CITY OF UNION CITY
County of Hudson, New Jersey
GENERAL OBLIGATION BONDS, SERIES 2016
(Qualified Pursuant to the Provisions of the
Municipal Qualified Bond Act, P.L. 1976, c.38, as amended)

MATURITIES, AMOUNTS, INTEREST RATES, YIELDS AND CUSIPS*

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u> %	<u>Yield</u> %	<u>CUSIP*</u>
2017	\$540,000			
2018	625,000			
2019	645,000			
2020	660,000			
2021	680,000			
2022	705,000			
2023	725,000			
2024	745,000			
2025	770,000			
2026	795,000			
2027	815,000			
2028	840,000			
2029	865,000			
2030	890,000			

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

**CITY OF UNION CITY
COUNTY OF HUDSON, NEW JERSEY**

Mayor and Board of Commissioners

Brian P. Stack	Mayor
Tilo E. Rivas	Commissioner
Lucio P. Fernandez	Commissioner
Maryury A. Martinetti	Commissioner
Celin J. Valdivia	Commissioner

Chief Financial Officer

Susan Colditz

Acting Municipal Clerk

Erin Knoedler

Solicitor

Scarinci Hollenbeck, LLC
Lyndhurst, New Jersey

Auditor

Donohue, Gironda, Doria & Tomkins, LLC Bayonne, New Jersey

Bond Counsel

Parker McCay P.A.
Mount Laurel, New Jersey

Financial Advisor

NW Financial Group, LLC
Hoboken, New Jersey

No dealer, broker, salesperson or other person has been authorized by the City to give any information or to make any representations, 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 City. This Official Statement does not constitute an offer to sell or the solicitation of any offer to buy, nor shall there be any sale of the Bonds by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information and expression of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof.

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

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 office of the Clerk of the City during normal business hours.

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

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

The order and placement of the 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.

TABLE OF CONTENTS

	PAGE
INTRODUCTION	1
AUTHORIZATION FOR THE BONDS.....	1
PURPOSE OF THE BONDS.....	1
THE BONDS	2
General Description.....	2
Redemption Provisions.....	3
Book-Entry Only System.....	3
Discontinuance of Book-Entry Only System	6
SECURITY AND SOURCES OF PAYMENT FOR THE BONDS	6
Taxing Power.....	6
Municipal Qualified Bond Act	6
CERTAIN PROVISIONS OF THE LAWS OF THE STATE OF NEW JERSEY AND THE UNITED STATES RELATING TO GENERAL OBLIGATION DEBT	8
Local Bond Law	8
Local Fiscal Affairs Law	9
Local Budget Law	10
Miscellaneous Revenues.....	11
Real Estate Taxes.....	11
Deferral of Current Expenses	12
Budget Transfers.....	12
Capital Budget	13
Related Constitutional and Statutory Provisions	13
Rights and Remedies of Owners of Bonds.....	13
Limitation of Remedies Under Federal Bankruptcy Code	14
TAXATION.....	15
Procedure for Assessment and Collection of Taxes	15
Tax Appeals.....	15
INFORMATION REGARDING THE CITY OF UNION CITY	15
General	15
Financial	16
LITIGATION.....	16
LEGAL MATTERS.....	16
TAX MATTERS.....	16
Federal	16
New Jersey.....	18
Changes in Federal and State Tax Law	18
RATINGS	19
UNDERWRITING	19
PREPARATION OF OFFICIAL STATEMENT	19
LEGALITY FOR INVESTMENT.....	20
CONTINUING DISCLOSURE.....	20
FINANCIAL ADVISOR	20
NO DEFAULT.....	20
ADDITIONAL INFORMATION.....	21
APPENDIX A: CERTAIN ECONOMIC, FINANCIAL AND DEMOGRAPHIC INFORMATION REGARDING THE CITY OF UNION CITY	
APPENDIX B: AUDITED FINANCIAL STATEMENTS OF THE CITY OF UNION CITY	
APPENDIX C: FORM OF BOND COUNSEL OPINION	
APPENDIX D: FORM OF CONTINUING DISCLOSURE AGREEMENT	

[THIS PAGE INTENTIONALLY LEFT BLANK]

OFFICIAL STATEMENT

RELATING TO

**\$10,300,000
CITY OF UNION CITY
County of Hudson, New Jersey
GENERAL OBLIGATION BONDS, SERIES 2016
(Qualified Pursuant to the Provisions of the
Municipal Qualified Bond Act, P.L. 1976, c.38, as amended)**

INTRODUCTION

The purpose of this Official Statement, including the cover page hereof, inside front cover page and the appendices attached hereto, is to provide certain information relating to the issuance by the City of Union City, County of Hudson, New Jersey ("City"), of its \$10,300,000 aggregate principal amount of General Obligation Bonds, Series 2016 (Qualified pursuant to the provisions of the Municipal Qualified Bond Act, constituting P.L. 1976, c.38, as amended ("Municipal Qualified Bond Act")) ("Bonds").

The information contained herein relating to the City was furnished by the City unless otherwise indicated.

AUTHORIZATION FOR THE BONDS

The City is issuing the Bonds pursuant to: (i) the Local Bond Law, Chapter 169 of the Laws of 1960 of the State of New Jersey, as amended and supplemented ("Local Bond Law"); (ii) the Municipal Qualified Bond Act; (iii) bond ordinances 6-2006, 18-2006, 40-2006, 19-2012 and 1-2014, each duly and finally adopted by the Board of Commissioners and published in accordance with the requirements of the Local Bond Law; (iv) a resolution adopted by the Board of Commissioners on September 20, 2016 ("Resolution"); and (v) a Certificate of Determination and Award executed by the Chief Financial Officer of the City on October __, 2016.

PURPOSE OF THE BONDS

The Bonds are being issued by the City to provide funds which will be used to: (i) permanently finance the costs of various capital improvements by the repayment, at maturity, of the principal of certain bond anticipation notes heretofore issued by the City; (ii) permanently finance the costs of various capital improvements for which obligations have been authorized, but not issued; and (iii) pay certain costs and expenses incidental to the issuance and delivery of the Bonds.

The improvements to be permanently financed with the proceeds of the Bonds include the following:

Bond Ordinance	Purpose/Improvement	Amount Authorized	Notes Outstanding	Bonds to be Issued
001-2014	Various Capital Improvements	\$35,000,000	\$0	\$118,000
19-2012	Supp. Funding for Amphitheater Water Park	627,000	605,000	605,000
40-2006	Various Capital Improvements	11,012,000	8,602,815	8,602,815
18-2006	Improvements to 24 th Street Park	475,000	371,080	371,080
006-2006	Traffic Signalization	772,000	603,105	603,105
TOTAL		\$47,886,000	\$10,182,000	\$10,300,000

THE BONDS

General Description

The Bonds will be issued in the aggregate principal amount of \$10,300,000, will be dated their date of issuance and bear interest from that date at the rates set forth on the inside front cover page hereof. Interest on the Bonds will be payable semiannually on January 15 and July 15 ("Interest Payment Dates"), commencing on July 15, 2017, in each year until maturity or earlier redemption. The Bonds will mature on July 15 in the years and in the principal amounts shown on the inside front cover page of this Official Statement.

The Bonds will be issued in fully registered book-entry only form without coupons in the principal denominations of \$5,000 or any integral multiple thereof. The principal of the Bonds will be payable to the registered owners thereof at maturity upon presentation and surrender of the Bonds at the principal corporate trust offices of _____, as bond registrar and paying agent ("Paying Agent"). Interest on each Bond shall be payable on each Interest Payment Date of such Bond to the registered owner of record thereof appearing on the registration books kept by the City for such purpose at the City as of the close of business on the first (1st) day of the calendar month containing an Interest Payment Date ("Record Date").

So long as The Depository Trust Company, New York, New York ("DTC"), or its nominee, Cede & Co., is the registered owner of the Bonds, payments of the principal of and interest on the Bonds will be made directly to Cede & Co., as nominee for DTC. Disbursements of such payments to the DTC Participants ("DTC Participants") is the responsibility of DTC and disbursements of such payments to the Beneficial Owners (as herein defined) of the Bonds is the responsibility of the DTC Participants and not the City. See "THE BONDS - Book-Entry Only System" herein.

Redemption Provisions

The Bonds maturing on and after July 15, 2027 are subject to redemption prior to their stated maturity dates at the option of the City, upon notice as set forth below, as a whole or in part (and, if in part, such maturities as the City shall determine and within any such maturity by lot) on any date on or after July 15, 2026, at a redemption price equal to 100% of the principal amount of Bonds to be redeemed, plus accrued interest to the redemption date.

Notice of redemption shall be given by mailing first class mail in a sealed envelope with postage pre-paid not less than thirty (30) days nor more than sixty (60) days prior to the redemption date to the owner of every Bond of which all or a portion is to be redeemed at his or her last address, if any, appearing on the registration books of the Paying Agent. So long as the Bonds are issued in book-entry-only form, all notices of redemption will be sent only to DTC, the securities depository for the Bonds or any successor, and will not be sent to the beneficial owners of the Bonds. Failure of an owner of the Bonds to receive such notice or of DTC to advise any participant or any failure of a participant to notify any beneficial owner of the Bonds shall not affect the validity of any proceedings for the redemption of Bonds. Such notice shall specify: (i) the series and maturity of the Bonds to be redeemed; (ii) the redemption date and the place or places where amounts that are due and payable upon such redemption will be payable; (iii) if less than all of the Bonds are to be redeemed, the letters and numbers or other distinguishing marks of the Bonds to be redeemed; (iv) in the case of a Bond to be redeemed in part only, the portion of the principal amount thereof to be redeemed; (v) that on the redemption date there shall become due and payable with respect to each Bond or portion thereof to be redeemed the redemption price; and (vi) that from and after the redemption date interest on such Bond or portion thereof to be redeemed shall cease to accrue and be payable.

Book-Entry Only System*

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

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, respectively, each in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency"

* Source: The Depository Trust Company

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

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

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

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

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

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

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

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but neither the City nor the Underwriter takes any responsibility for the accuracy thereof.

NEITHER THE CITY NOR THE PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH DTC PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS TO OR PROVIDING OF NOTICE FOR THE DTC PARTICIPANTS, OR THE INDIRECT PARTICIPANTS, OR BENEFICIAL OWNERS.

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

Discontinuance of Book-Entry Only System

In the event that the book-entry only system is discontinued and the Beneficial Owners become registered owners of the Bonds, the following provisions would apply: (i) the Bonds may be exchanged for an equal aggregate principal amount of Bonds in other authorized denominations, of the same maturity, upon surrender thereof at the principal corporate trust office of the Paying Agent; (ii) the transfer of any Bonds may be registered on the books maintained by the Paying Agent for such purpose only upon the surrender thereof to the Paying Agent together with the duly executed assignment in form satisfactory to the City and Paying Agent; and (iii) for every exchange or registration of transfer of Bonds, the Paying Agent may make a charge sufficient to reimburse for any tax or other governmental charge required to be paid with respect to such exchange or registration of transfer of the Bonds. Interest on the Bonds will be payable by check or draft, mailed on each Interest Payment Date to the registered owners thereof as of the close of business on the Record Date, whether or not a business day.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

Taxing Power

The Bonds are general obligations of the City and the full faith, credit and taxing power of the City are irrevocably pledged for the payment of the principal of and interest thereon.

The Bonds are legal, valid and binding general obligations of the City payable, as to principal and interest, from ad valorem taxes to be levied upon all taxable real property located within the City without limitation as to rate or amount, except to the extent that enforcement of such payment may be limited by bankruptcy, insolvency or other similar laws or equitable principles affecting the enforcement of creditors' rights generally ("Creditors' Rights Limitations"). See "CERTAIN PROVISIONS OF THE LAWS OF THE STATE OF NEW JERSEY AND THE UNITED STATES RELATING TO GENERAL OBLIGATION DEBT-local bond law" herein.

The City may pledge only its own credit and taxing power in respect of the Bonds, and has no power to pledge the credit or taxing power of the State of New Jersey ("State") or any other political subdivision thereof, nor shall the Bonds be deemed to be obligations of said State or any other political subdivision thereof, nor shall said State or any other political subdivision thereof be liable for the payment of principal of, redemption price for, or interest on the Bonds.

Municipal Qualified Bond Act

In addition to being secured by the pledge of the City's full faith and credit, the Bonds are entitled to the benefits of the Municipal Qualified Bond Act. Pursuant to the Municipal Qualified Bond Act, a portion of certain State aid allocated to the City, in amounts sufficient to pay debt service on such bonds, is to be withheld by the State Treasurer and forwarded to the Paying Agent on or before the principal and interest payment dates for such bonds for deposit into accounts established for the purpose of paying debt service on such bonds.

Pursuant to the provisions of the Municipal Qualified Bond Act, the City shall certify to the State Treasurer the name and address of the Paying Agent, maturity schedule, interest rate or rates and dates of payment of debt service on any Qualified Bonds within ten days after the issuance thereof. After receipt of such certificate, the State Treasurer is required to withhold with respect to such bonds from the amount of business and personal property tax replacement revenues, State urban aid, State revenue sharing, gross receipts tax revenues (now known as "energy receipts" tax revenues), municipal purposes tax assistance fund distributions and certain other funds appropriated as State aid payable to the City and not dedicated to a specific purpose by the State (the "municipal qualified revenues") an amount which will be sufficient to pay debt service on such bonds as it becomes due. Municipal qualified revenues do not include Aid to Distressed Cities.

The Municipal Qualified Bond Act provides that the municipal qualified revenues so withheld and paid or to be paid to and held by the Paying Agent are deemed to be held in trust and exempt from being levied upon, taken, sequestered or applied toward paying the debts of the City other than the payment of debt service on any such Qualified Bonds of the City issued for municipal purposes (including fiscal year adjustment or pension obligation purposes) or water utility purposes and entitled to the benefits of the Municipal Qualified Bond Act.

The Municipal Qualified Bond Act does not relieve the City of its obligation to include in its annual budget amounts necessary to pay, in each year, the principal of and interest becoming due on any such Qualified Bonds. However, such budgeted amounts may be applied to the payment of operating expenses of the City for the then current year to the extent that appropriated amounts have been withheld from the municipal qualified revenues payable to the City and have been forwarded to the Paying Agent. Such budgeted amounts must be used to pay debt service becoming due on any such Qualified Bonds of the City issued for municipal purposes (including fiscal year adjustment or pension obligation purposes) or water utility purposes and entitled to the benefits of the Municipal Qualified Bond Act in any year in which sufficient municipal qualified revenues are not appropriated.

The State has covenanted in the Municipal Qualified Bond Act with the holders of bonds entitled to the benefits of such act, that it will not repeal, revoke, rescind, modify or amend the provisions of such act providing for the withholding of municipal qualified revenues and payment of such revenues to the Paying Agent for such bonds so as to create any lien or charge on or pledge, assignment, diversion, withholding payment or other use of or deduction from such revenues which is prior in time or superior in right to the payment of debt service on such bonds.

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

The City received a total of \$5,444,206.28 municipal qualified revenues appropriated by the State to the City in the fiscal year ending June 30, 2015. This amount consisted of \$3,918,907.00 in Consolidated Municipal Property Tax Relief Act ("CMPTRA") revenue and

\$1,525,299.28 of Energy Receipt ("ERT") revenue. For the fiscal year ending June 30, 2016, the City has received \$14,618,907.00 in CMPTRA revenue and \$9,831,255.00 in ERT revenue.

Prior to the issuance of the Bonds, the City had \$39,048,533.00 in outstanding bonds issued subject to the terms of the Municipal Qualified Bond Act.

The City has outstanding notes and loans for municipal purposes which are not entitled to benefits of the Municipal Qualified Bond Act. The debt service for fiscal year ending June 30, 2016 is \$1,144,000.00 for such notes, \$180,325.98 for such loans and for fiscal year ending June 30, 2015 was \$973,000.00 for such notes and \$190,129.97 for such loans.

CERTAIN PROVISIONS OF THE LAWS OF THE STATE OF NEW JERSEY AND THE UNITED STATES RELATING TO GENERAL OBLIGATION DEBT

Local Bond Law

General - The Local Bond Law governs the issuance of bonds and notes by counties and municipalities for the financing of capital improvements. Among its provisions are the following: (i) the power and obligation to pay any and all bonds and notes issued pursuant to the Local Bond Law shall be unlimited; (ii) the county or municipality shall levy ad valorem taxes upon all taxable property therein for the payment of the principal of and interest on such bonds and notes without limitation as to rate or amount; (iii) generally, a down payment that is not less than five percent (5%) of the amount of debt obligations authorized must be appropriated in addition to the amount of debt obligations authorized; (iv) all non-special-assessment bonds shall mature within the period of usefulness or average period of usefulness of the improvements being financed; and (v) after issuance, all bonds and notes shall be conclusively presumed to be fully authorized and issued by all of the laws of the State, and all persons shall be estopped from questioning their sale, execution or delivery.

Debt Limits - The authorized bonded indebtedness of the City is limited by statute, subject to the exceptions noted below, to an amount equal to three and one-half percent (3.5%) of its equalized valuation basis. The equalized valuation basis of the City is set by statute as the average for the last three years of the equalized value of all taxable real property and improvements as annually determined by the New Jersey State Board of Taxation. Certain categories of debt are permitted by statute to be deducted for purposes of computing the statutory debt limit.

Bonds, notes and long-term loans are included in the computation of debt for the statutory debt limit. The City, including the issuance of the Bonds, will not exceed its three and one-half percent (3.5%) debt limit.

Exceptions to Debt Limits – Extensions of Credit - The City may exceed its debt limit with the approval of the New Jersey Department of Community Affairs, Division of Local Government Services, Local Finance Board ("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, the City 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 the City or substantially reduce the ability of the City to meet its obligations or to provide essential public improvements and services, or make certain other statutory determinations, approval may be granted.

In addition, debt in excess of the statutory limit may be issued by the City to fund certain notes, to provide for purposes in an amount not exceeding two-thirds (2/3) of the amount budgeted in such fiscal year for the retirement of outstanding obligations (exclusive of utility and assessment obligations).

Short-Term Financing – When approved by bond ordinance, the City may issue bond anticipation notes to temporarily finance capital improvements. Such notes may not be issued in an aggregate amount exceeding that specified by the ordinance. The notes may not be issued for periods of more than one year, renewable with the final maturity occurring no later than the first day of the fifth month following the close of the tenth fiscal year next following the date of the original note. After the third year, the amount of the notes that may be renewed annually must be decreased by the minimum amount required for the first year's principal payment for the bond issue in anticipation of which the notes are issued.

Refunding Bonds – Refunding bonds may be issued pursuant to the Local Bond Law for the purpose of paying, funding outstanding bonds, including emergency appropriations, the actuarial liabilities of a non-state administered public employee pension system and amounts owing to others for taxes levied in the local unit, or any renewals or extensions thereof, and for paying the cost of issuance of refunding bonds.

Local Fiscal Affairs Law

The Local Fiscal Affairs Law, Chapter 5 of Title 40A of the New Jersey State Statutes, as amended and supplemented ("Local Fiscal Affairs Law"), governs audits, auditors, public moneys and financial statements of local governmental units, including the City.

Each municipality is required to cause an annual audit of its books, accounts and financial transactions to be made and completed within six months after the close of its fiscal year by either a Registered Municipal Accountant or, by agreement with the Director ("Director") of the Division of Local Government Services ("Division") in the Department of Community Affairs, by qualified employees of the Division.

An independent examination of the City's books, accounts and financial transactions must be performed annually by a Registered Municipal Accountant who is licensed by the State Board of Public Accountants. The audit, conforming to the Division's "Requirements of Audit", includes recommendations for improvement of the municipality's financial procedures and must be filed with the report, together with all recommendations made. A Summary of Audit, together with recommendations, must be published in a local newspaper within 30 days of its submission. The entire annual audit report for the year ended June 30, 2015 is on file with the City Clerk and is available for review during business hours.

The Local Fiscal Affairs Law also requires that the Chief Financial Officer of the municipality file annually with the Director a verified statement of the financial condition of the municipality as of the close of the fiscal year to be made not later than February 10 for December 31 fiscal year end municipalities and August 10 for June 30 fiscal year end municipalities.

Local Budget Law

The Local Budget Law, Chapter 4 of Title 40A of the State, as amended and supplemented ("Local Budget Law"), governs the budgeting and appropriation of funds by local governmental units.

The Local Budget Law requires local governmental units to adopt a "cash basis" budget in such form that there will be sufficient cash collected to meet all debt service requirements, necessary operations of the local governmental units for the fiscal year and any mandatory payments required to be met during the fiscal year.

No budget shall be adopted unless the Director shall have previously certified his approval thereof.

Each local governmental unit must include in its budget an appropriation for the payment of debt service. The Director is required to examine such appropriation to determine whether it is properly set forth, in addition to determining whether all estimates of revenue contained in the budget are reasonable, accurate and correctly stated.

A statute passed in 1976, as amended (N.J.S.A. 40A:4-45.1 et seq.), commonly known as the "Cap Law", imposed limitations on increases in municipal appropriations subject to various exceptions. On August 20, 1990, the Governor signed into law P.L. 1990, c. 89, which revised and made permanent the "Cap Law". Since its inception, the "Cap Law" has been amended and modified several times, most recently on July 13, 2010. While the revised "Cap Law" is more restrictive on the ability of a municipality to increase its overall appropriations, it does not limit the obligation of the City to levy ad valorem taxes upon all taxable real property within the City to pay debt service on the Bonds. The Cap Law provides that a municipality shall limit any increase of its budget to 2.5% or the index rate, whichever is less, over the previous year's final appropriations subject to certain exceptions. The "index rate" is the rate of annual percentage increase in the Implicit Price Deflator for State and Local Government Purchases of Goods and Services computed by the United States, Department of Commerce. Among the exceptions to the limitations imposed by the Cap Law are capital expenditures; debt service; 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.

Additionally, legislation constituting P.L. 2010, c. 44, was adopted on July 13, 2010 (S-29R1), which, among other things, imposes a two percent (2%) cap on the tax levy that municipalities, counties, fire districts and solid waste collection districts may impose, with very limited exceptions and subject to certain adjustments.

Exclusions from the two percent (2%) tax levy cap include: (i) increases required to be raised by taxation for capital expenditures, including debt service as defined by law; (ii) increases in pension contributions and accrued liability for pension contributions in excess of 2.0%; (iii) increases in health care costs equal to that portion of the actual increase in total health care costs for the budget year that is in excess of 2.0% of the total health care costs in the prior year, but is not in excess of the product of the total health care costs in the prior year and the

average percentage increase of the State Health Benefits Program, P.L.1961, c.49 (C.52:14-17.25 et seq.), as annually determined by the Division of Pensions and Benefits in the Department of the Treasury; and (iv) and extraordinary costs incurred by a local unit directly related to a declared emergency, as defined by regulation promulgated by the Commissioner of the Department of Community Affairs, in consultation with the Commissioner of Education, as appropriate. The amendments to the tax levy sections of the "Cap Law" (specifically, N.J.S.A. 40A:4-45-46) in 2010 no longer permit municipalities, counties, fire districts and solid waste collection districts to request approval from the Local Finance Board for a waiver to increase the amount to be raised by taxation in excess of the two percent (2%) cap. However, counties, municipalities, fire districts and solid waste collection districts may request, through a public question submitted to the voters, an increase in the amount to be raised by taxes above the two percent (2%) tax levy cap. Such approval must be achieved by an affirmative vote in excess of fifty percent (50%) of those voting on such public question.

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

Miscellaneous Revenues

N.J.S.A. 40A:4-26 provides that: "No miscellaneous revenues from any source shall be included as an anticipated revenue in the budget in an amount in excess of the amount actually realized in cash from the same source during the next preceding fiscal year, unless the Director shall determine upon application by the governing body that the facts clearly warrant the expectation that such excess amount will actually be realized in cash during the fiscal year and shall certify such determination, in writing, to the local unit." Such determination may be made by the governing body and the Chief Financial Officer in any year during which the municipality is subject to local examination.

No budget or amendment shall be adopted unless the Director has previously certified the approval of such anticipated revenues.

Real Estate Taxes

Receipts from Delinquent Taxes - Revenues are permitted by N.J.S.A. 40A:4-29 to be anticipated in the annual budget for collection of delinquent taxes of prior years. The maximum amount permitted to be anticipated is determined by applying the collection rate of the prior year's delinquent taxes to the total amount of delinquent taxes outstanding at the beginning of the current year.

Current Year Tax Levy and Reserve for Uncollected Taxes - The current year's taxes to be levied are determined by adding the sums of the cash required from taxes to support the municipal, school, county and special district budgets, if any, together with the amount of an appropriation required to be included in the annual municipal budget entitled "Reserve for Uncollected Taxes", less the total of anticipated revenues. The inclusion of the "Reserve for Uncollected Taxes" appropriation in the current year's budget protects the municipality from taxes currently unpaid. The "Reserve for Uncollected Taxes" is required to be, at a minimum, an amount sufficient to provide for the same percentage of uncollected taxes in the current year as

was experienced in the immediately preceding 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 of P.L. 2010.

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

Another provision requires that an additional amount (the "reserve for uncollected taxes") be added to the tax levy required for all current budget appropriations and school and county taxes of the current fiscal year. The reserve requirement is calculated as follows:

$$\frac{\text{Levy Required for Current Budget,} \\ \text{School and County Taxes}}{\text{Prior Year's Percentage of Current} \\ \text{Tax Collections (or Lesser \%)}} = \text{Total Taxes to be Levied}$$

Deferral of Current Expenses

Emergency appropriations (i.e., those made after the adoption of the budget and determination of the tax rate for an unforeseen event or purpose) may be authorized by the governing body of the local governmental units. With minor exceptions, however, such appropriations must be included in full in the following year's budget. When such appropriations exceed three percent (3%) of the adopted operating budget, consent of the Director of Local Government Services must be obtained.

The exceptions are certain enumerated projects to cover the cost of the extraordinary expense for the repair, or reconstruction of streets, roads or bridges, or other public property damaged by snow, ice, frost or flood, where such expense was not foreseen at the time of the adoption of the budget, which may be amortized over three years; and tax map preparations, revision of ordinances, revaluations, master plan preparation, studies and planning necessary for the installation and construction of a sanitary sewer system, and payments of accumulated sick and vacation time which may be amortized over five years.

Budget Transfers

Budget transfers provide a degree of flexibility and afford a control mechanism. Transfers between major appropriation accounts are prohibited until the last two months of the year, during the first 3 months of the succeeding year and, although subaccounts within an appropriation are not subject to the same year-end transfer restriction, they are subject to internal review and approval.

Capital Budget

In accordance with the Local Budget Law, each local unit shall prepare and adopt a capital budget, in conjunction with its annual operating budget, for any year in which it proposes to undertake a capital project. Every local unit which adopts a capital budget must also adopt a three (3) year capital program unless the local unit's population exceeds 10,000 where a six (6) year capital program is required.

Related Constitutional and Statutory Provisions

In the general election of January 2, 1976, as amended by the general election of January 6, 1984, the following Article 8, Section 1, Paragraph 7, with respect to a state income tax, was added to the State Constitution:

No tax shall be levied on personal incomes of individuals, estates and trusts of this State unless the entire net receipts therefrom shall be received into the treasury, placed in a perpetual fund and be annually appropriated, pursuant to formulas established from time to time by the Legislature, to the several counties, municipalities and school districts of this State exclusively for the purpose of reducing or offsetting property taxes. In no event, however, shall a tax so levied on personal income be levied on payments received under the Federal Social Security Act, the Federal Railroad Retirement Act, or any federal law which substantially reenacts the provisions of either of those laws.

A progressive state income tax is currently in effect in the State.

The State Constitution may only be amended after: (i) approval of a proposed amendment by three-fifths (3/5) of all of the members of each house of the State Legislature and approval by a majority vote in a statewide referendum; or (ii) approval in two successive legislative years by a majority of all of the members of each house and approval by a majority vote in a statewide referendum. Amendments failing to receive voter approval may not be resubmitted for voter approval before the third succeeding general election after such disaffirmance.

Rights and Remedies of Owners of Bonds

The State Municipal Finance Commission Act, Chapter 27 of Title 52 of the State Statutes, as amended and supplemented ("Act"), provides that when it has been established, by court proceedings, that a municipality has defaulted for over sixty days in the payment of the principal or interest on any of its outstanding bonds or notes, the Local Finance Board (which, pursuant to the Act, is constituted the Municipal Finance Commission and shall hereinafter be referred to as the "Commission") shall take control of the fiscal affairs of the defaulting municipality.

The Act provides that the Commission shall remain in control of the municipality until all bonds or notes of the municipality that have fallen due and all bonds or notes that will fall due within one year, and the interest thereon, have been paid, funded or refunded, or the payment thereof in cash shall have been adequately provided for by a cash reserve.

The Act empowers the Commission to direct the municipality to provide for the funding or refunding of notes or bonds of the municipality and the interest thereon, which the Commission shall have found to be outstanding and unpaid and to be due or become due. The Act further authorizes the Commission to bring and maintain an appropriate proceeding for the assessment, levy or collection of taxes by the municipality for the payment of principal or of interest on such indebtedness.

Under Article 6 of the Act, while the Commission functions in the municipality, no judgment, levy, or execution against the municipality or its property for the recovery of the amount due on any bonds, notes or other obligations of the municipality in the payment of which it has defaulted, shall be enforced unless otherwise directed by Court Order. However, Article 6 of the Act also provides that upon application of any creditor made upon notice to the municipality and the Commission, a court may vacate, modify or restrict any such statutory stay contained therein.

Limitation of Remedies Under Federal Bankruptcy Code

The rights and remedies of the registered owners of the Bonds are subject to the provisions of Chapter 9 of the Federal Bankruptcy Code of the United States ("Bankruptcy Code"). In general, Chapter 9 permits, under prescribed circumstances, but only after an authorization by the applicable state legislature or by a governmental officer or organization empowered by state law to give such authorization, a political subdivision of a state to file a petition for relief in a bankruptcy court of the United States if it is insolvent or unable to meet its debts as they mature and desires to effect a plan to adjust its debts.

The State has authorized the political subdivisions thereof to file such petitions for relief under the Bankruptcy Code pursuant to and subject to Article 8 of the Act. The Act provides that such petitions may not be filed without the prior approval of the Commission and that no plan of readjustment of the municipality's debts may be filed or accepted by the petitioner without express authority from the Commission to do so.

THE ABOVE REFERENCES TO THE BANKRUPTCY CODE ARE NOT TO BE CONSTRUED AS AN INDICATION THAT THE CITY EXPECTS TO RESORT TO THE PROVISIONS OF SUCH BANKRUPTCY CODE OR THAT, IF IT DID, SUCH ACTION WOULD BE APPROVED BY THE COMMISSION, OR THAT ANY PROPOSED PLAN WOULD INCLUDE A DILUTION OF THE SOURCE OF PAYMENT OF AND SECURITY OF THE BONDS.

THE SUMMARIES OF AND REFERENCES TO THE STATE CONSTITUTION AND OTHER STATUTORY PROVISIONS ABOVE ARE NOT AND SHOULD NOT BE CONSTRUED AS 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.

TAXATION

Procedure for Assessment and Collection of Taxes

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 maintaining new assessments on a like basis with established comparable properties for newly assessed or purchased properties resulting in an increase of the assessment ratio to its present level of 43.47%. This method assures equitable treatment to like property owners. Because of the escalation of property resale values, annual adjustments could not keep pace with rising values. The last complete revaluation of property within the City was in 1991, effective for the 1992 tax year.

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

Tax bills are due quarterly on February 1, May 1, August 1 and November 1. 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 amounts in excess of \$1,500.00. These interest penalties are the maximum permitted under New Jersey Statutes. Additionally, a 6% penalty is charged on any delinquencies in excess of \$10,000.00 if not paid by the end of each year. Delinquent taxes open for one year or more are annually included in a tax sale in accordance with New Jersey Statutes. Tax liens retained by the City are periodically assigned to the Solicitor for "in rem foreclosures" in order to acquire title to these properties.

Tax Appeals

The State Statutes provide a taxpayer with remedial procedures for appealing an assessment deemed excessive. The taxpayer has a right to petition the New Jersey Board of Taxation ("Tax Board") on or before the first day of April of the current tax year for review. The Tax Board has the authority, after a hearing, to decrease, increase 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 Tax Board, appeal may be made to the State Tax Court. State Tax Court appeals tend to take several years prior to settlement and any losses in tax collection from prior years are charged directly to operations.

INFORMATION REGARDING THE CITY OF UNION CITY

General

General information concerning the City, including economic, financial, demographic and other relevant data, is set forth in Appendix "A" to this Official Statement.

Financial

Appendix "B" to this Official Statement contains audited financial statements of the City for the year ended June 30, 2015. Copies of the complete Reports of Audit may be obtained upon request to the office of the Chief Financial Officer of the City.

LITIGATION

Upon delivery of the Bonds, the City shall furnish an opinion of its Solicitor, Scarinci Hollenbeck, LLC, Lyndhurst, New Jersey ("Solicitor"), dated the date of delivery of the Bonds, to the effect that there is no litigation of any nature, pending or threatened, to restrain or enjoin the issuance, sale, execution or delivery of the Bonds, or in any way contesting or affecting the validity of the Bonds or any of the proceedings taken with respect to the issuance and sale thereof or the application of moneys to the payment of the Bonds. In addition, such opinion shall state that there is no litigation of any nature now pending or threatened by or against the City wherein an adverse judgment or ruling could have a material and adverse impact on the financial condition of the City or adversely affect the power to levy, collect and enforce the collection of taxes and other revenues for the payment of the Bonds, which has not been otherwise disclosed in this Official Statement.

LEGAL MATTERS

All legal matters incident to the authorization, the issuance, sale and delivery of the Bonds are subject to the approval of Parker McCay P.A., Mount Laurel, New Jersey, Bond Counsel to the City, whose approving legal opinion will be delivered with the Bonds substantially in the form set forth in Appendix "C" hereto. Certain legal matters will be passed upon for the City by its Solicitor.

Bond Counsel has not verified the accuracy, completeness or fairness of the statements contained in this Official Statement (except to the extent if any, as stated herein) and will express no opinion relating thereto.

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or the future performance of parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

TAX MATTERS

Federal

In the opinion of Parker McCay P.A., Mount Laurel, New Jersey, Bond Counsel to the City, assuming continuing compliance by the City with the tax covenants described below, under existing law, interest on the Bonds is not included for federal income tax purposes in the gross income of the owners thereof pursuant to Section 103 of the Internal Revenue Code of 1986, as

amended ("Code"), and is not a specific item of tax preference under Section 57 of the Code for purposes of calculating the alternative minimum tax imposed on individuals and corporations pursuant to Section 55 of the Code.

The adjustment for "adjusted current earnings" set forth in Section 56(g) of the Code is required in determining a corporation's alternative minimum taxable income. Alternative minimum taxable income is increased by seventy-five percent (75%) of the excess, if any, of the "adjusted current earnings" of a corporation over the alternative minimum taxable income (determined without regard to this adjustment or the alternative tax net operating loss deduction).

Interest on the Bonds is included in computing a corporation's "adjusted current earnings." Accordingly, a portion of the interest on the Bonds is included in computing such corporation's alternative minimum taxable income for such year.

Section 884 of the Code imposes on certain foreign corporations a branch profits tax equal to thirty percent (30%) of the "dividend equivalent amount" for the taxable year. Interest on the Bonds received or accrued by a foreign corporation subject to the branch profits tax may be included in computing the "dividend equivalent amount" of such corporation.

In addition, passive investment income, including interest on the Bonds, may be subject to federal income taxation under Section 1375 of the Code for any S corporation that has Subchapter C earnings and profits at the close of the taxable year, if more than twenty-five percent (25%) of the gross receipts of such S corporation is passive investment income.

In rendering its opinion, Bond Counsel has relied on the City's covenants contained in the Resolution and in the Certificate as to Non-Arbitrage and Other Tax Matters, that it will comply with the applicable requirements of the Code, relating to, inter alia, the use and investment of proceeds of the Bonds and rebate to the United States Treasury of specified arbitrage earnings, if any, under Section 148(f) of the Code. Failure of the City to comply with such covenants could result in the interest on the Bonds being subject to federal income tax from the date of issue. Bond Counsel has not undertaken to monitor compliance with such covenants or to advise any party as to changes in the law after the date of issuance of the Bonds that may affect the tax-exempt status of the interest on the Bonds.

Ownership of the Bonds may result in collateral federal income tax consequences to certain taxpayers including, without limitation, certain holders of an interest in a financial asset securitization investment trust, controlled foreign corporations, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals who otherwise qualify for the earned income credit, and to individuals and families that qualify for a premium assistance credit amount under Section 36B of the Code. The Code denies the earned income credit to an individual who is otherwise eligible if the aggregate amount of disqualified income of the taxpayer for the taxable year exceeds certain limits set forth in Sections 32(i) and (j) of the Code. Interest on the Bonds will constitute disqualified income for this purpose. The Code also provides that the earned income credit is phased out if the modified adjusted gross income of the taxpayer exceeds certain amounts. Interest on the Bonds is included in determining the modified adjusted gross income of the taxpayer. Section 36B of the Code provides that the amount of the premium assistance credit amount is in part determined by the household income. Section 36B(d) of the Code provides that household income consists of the

"modified adjusted gross income" of the taxpayer and certain other individuals. "Modified adjusted gross income" means adjusted gross income increased by certain amounts, including interest received or accrued by the taxpayer which is exempt from tax, such as the interest on the Bonds.

In addition, attention is called to the fact that Section 265(b)(1) of the Code eliminates the interest deduction otherwise allowable with respect to indebtedness deemed incurred by banks, thrift institutions and other financial institutions to purchase or to carry tax-exempt obligations acquired after August 7, 1986 other than "qualified tax-exempt obligations" as defined in Section 265(b)(3) of the Code. The City has not designated the Bonds as "qualified tax-exempt obligations" for the purposes of Section 265(b)(1) of the Code.

Owners of the Bonds should consult their own tax advisors as to the applicability and effect on their federal income taxes of the alternative minimum tax, the branch profits tax and the tax on passive investment income of S corporations, as well as the applicability and effect of any other collateral federal income tax consequences.

New Jersey

Bond Counsel is also of the opinion that interest on the Bonds and any gain from the sale thereof is not included in the gross income of the owners thereof under the New Jersey Gross Income Tax Act, as presently enacted and construed.

Changes in Federal and State Tax Law

From time to time, there are legislative proposals in the United States Congress and in the states that, if enacted, could alter or amend the Federal and State tax matters referred to above or adversely affect the market value of the Bonds. It cannot be predicted whether or in what form any such proposals might be enacted or whether, if enacted, it would apply to bonds or notes issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Bonds.

PROSPECTIVE PURCHASERS OF THE BONDS SHOULD CONSULT WITH THEIR OWN TAX ADVISORS REGARDING ANY FEDERAL AND STATE INCOME TAX LEGISLATION, WHETHER CURRENTLY PENDING OR PROPOSED, REGULATORY INITIATIVES OR LITIGATION. THE OPINIONS EXPRESSED BY BOND COUNSEL ARE BASED UPON EXISTING LEGISLATION AND REGULATIONS AS INTERPRETED BY RELEVANT JUDICIAL AND REGULATORY AUTHORITIES AS OF THE DATE OF ISSUANCE AND DELIVERY OF THE BONDS AND BOND COUNSEL HAS EXPRESSED NO OPINION AS OF ANY DATE SUBSEQUENT THERETO OR WITH RESPECT TO ANY PENDING LEGISLATION, REGULATORY INITIATIVES OR LITIGATION.

RATINGS

Moody's Investors Service ("Rating Agency") has assigned its rating of "Baa1" to the Bonds based on the credit worthiness of the City. The Rating Agency has also assigned an enhanced rating of "A3" to the Bonds recognizing their qualification pursuant to the Municipal Qualified Bond Act.

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

UNDERWRITING

The Bonds have been purchased from the City at a public sale by _____, as underwriter ("Underwriter"), pursuant to a Certificate of Determination and Award, dated October __, 2016. The Underwriter has purchased the Bonds in accordance with the Notice of Sale. The Bonds are being offered for sale at the yields set forth on the inside front cover of this Official Statement. The Underwriter is obligated to purchase all of the Bonds if any of the Bonds are purchased.

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

PREPARATION OF OFFICIAL STATEMENT

The City hereby states that the descriptions and statements herein, including financial statements, are true and correct in all material respects and it will confirm the same, by certificates signed by various City officials.

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

NW Financial Group, LLC, Hoboken, New Jersey, compiled Appendix A from information obtained from the City and other various sources they consider to be reliable and makes no warranty, guaranty or other representation with respect to the accuracy and completeness or fairness of the information contained herein and, accordingly, will express no opinion with respect thereto.

Parker McCay P.A. has not participated in the preparation of this Official Statement, nor has such firm verified the accuracy, completeness or fairness of the information contained herein (except under the heading "TAX MATTERS") and, accordingly, will express no opinion with respect thereto.

Donohue, Gironde, Doria & Tomkins, LLC, Bayonne, New Jersey, only takes responsibility for the financial statements, appearing in Appendix "B" hereto.

LEGALITY FOR INVESTMENT

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

CONTINUING DISCLOSURE

In accordance with the provisions of Rule 15c2-12, as amended and promulgated by the Securities and Exchange Commission ("SEC"), pursuant to the Securities Exchange Act of 1934, as amended, the City will, prior to the issuance of the Bonds, enter into a continuing disclosure agreement, substantially in the form set forth in Appendix "D" hereto.

The City failed to timely file annual financial information and operating data for the years ending June 30, 2011 through June 30, 2015. In addition, the City did not promptly file material event notices with respect to certain underlying rating changes and insured rating changes. The City has subsequently made these filings and has taken the necessary steps to ensure future compliance with Rule 15c2-12.

FINANCIAL ADVISOR

NW Financial Group, LLC, Hoboken, New Jersey, has served as Financial Advisor to the City with respect to the issuance of the Bonds ("Financial Advisor"). This Official Statement has been prepared with the assistance of the Financial Advisor. Certain information set forth herein has been obtained from the City and other sources, which are deemed reliable, but no warranty, guaranty or other representation as to the accuracy or completeness is made as to such information contained herein. There is no assurance that any of the assumptions or estimates contained herein will be realized.

NO DEFAULT

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

ADDITIONAL INFORMATION

Inquiries regarding this Official Statement may be directed to Susan Colditz, Chief Financial Officer, City of Union City, (201) 348-5846 or the City’s Financial Advisor, NW Financial Group, LLC, (201) 656-0115.

So far as any statements made in this Official Statement involve matters of opinion or estimates, whether or not expressly stated, they are set forth as such and not as representations of fact, and no representation is made that any of such statements will be realized. Neither this Official Statement nor any statement which may have been made verbally or in writing is to be construed as a contract or agreement with the owners of the Bonds.

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

**CITY OF UNION CITY, COUNTY OF HUDSON,
NEW JERSEY**

**By: _____
SUSAN COLDITZ, Chief Financial Officer**

Dated: October __, 2016

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX A

**CERTAIN ECONOMIC, FINANCIAL AND DEMOGRAPHIC INFORMATION
REGARDING THE CITY OF UNION CITY**

[THIS PAGE INTENTIONALLY LEFT BLANK]

GENERAL INFORMATION REGARDING
THE CITY OF UNION CITY
COUNTY OF HUDSON, NEW JERSEY

General Information

The City of Union City (the “City” or “Union City”), located in Hudson County, New Jersey, has a total land area of 1.4 square miles and a population of 66,455 persons. It is the second most densely populated community in the nation.

Located only twelve minutes from Time Square in New York City via the Lincoln Tunnel, and fifteen minutes from New Jersey’s Meadowlands Sport Complex, the City is at the hub of one of the major arteries of the nation.

The City was incorporated in 1925 as result of a merger of the Town of West Hoboken and Union Hill. The current format of the City’s government is a Board of Commissioners (the “Board”), under the Walsh Act, N.J.S.A. 40:71-1 et seq. The five Commissioners are elected at large, for terms of four years. The Commissioners serve in administrative capacities, as the Directors of the five major Departments in the City (Department of Public Affairs, Revenue and Finance, Public Safety, Public Works and Parks and Public Property).

The Board of Commissioners exercises executive, administrative, and legislative powers of the City through each Department by adoption of ordinances and resolutions. Additionally, the Board adopts the City’s budget.

Township officials include the following individuals:

Brian P. Stack	Mayor and Commissioner of Public Safety
Maryury A. Martinetti	Commissioner of Revenue and Finance
Lucio P. Fernandez	Commissioner of Public Affairs
Tilo E. Rivas	Commissioner of Public Works
Celin Valdivia	Commissioner of Recreation, Parks and Public Property

The City

The City’s existing commercial areas are more vibrant and active than ever before. New shopping malls and office complexes are beginning to change the face of this urban community.

Additional efforts to improve the City's appearance and upgrade the overall quality of life in the City's neighborhoods include obtaining grants to revitalize the City's two main shopping districts, the Bergenline Avenue district and the Summit Avenue district. The projects include the installation of new sidewalks with decorative paving stones, new curbing including curb cuts to accommodate the handicapped, repaving of the streets, the planting of trees along the curb line, and the installation of new trash recycling containers.

The current number of police officers, including rank and file is 162. The police department has 1 precinct with 2 mini-precincts located on 7th Street and 27th Street. Union City follows a community policing model by creating a partnership between the residents and the department for problem solving and enhancement of quality of life.

The City Fire Department was abolished in 1999 and the North Hudson Regional Fire Department (the "NHRFD") was created instead. The NHRFD is a joint fire department consisting of 5 Hudson County Municipalities – Union City, North Bergen, West New York, Guttenberg, and Weehawken. There are a combined 320 members working out of 18 firehouses throughout the 5 municipalities. The NHRFD headquarters is located at 6102 Tonnelle Avenue in North Bergen.

The Board has committed itself to a continuing effort to reorganize its Departments and provide updated, state-of-the-art equipment and facilities in order to provide more efficient and cost-effective service to the City's taxpayers and residents.

GOVERNMENT SERVICES

Department of Public Affairs

The Department of Public Affairs encompasses the following City services and agencies: the Municipal Court, the Office of Senior Citizen Affairs and Veterans Affairs (which includes business licensing and the City Registrar).

Department of Revenue and Finance

The Department of Revenue and Finance is charged with the maintenance of the City's fiscal records. Within the Department are the functions of the Treasurer, the Tax Assessor, City Clerk, Purchasing and Rent Control.

Department of Public Safety

The Department of Public Safety consists of the police force of approximately 150 members. In addition, the Department supervises the Union City Emergency Medical Service, the Youth Administration, the Office of Emergency Management, the Office of the Construction Code Official, the Legal Department and Board of Health, and the Public Information Office.

Department of Public Works

The Department of Public Works (“DPW”) has the responsibility of maintaining, improving, and cleaning streets and roads in the City. In addition, the DPW is charged with sewer maintenance and snow removal. Trash and recyclable removal is contracted to private haulers, however, the DPW picks up and removes items which are not picked up by the private haulers for various reasons.

Department of Parks and Public Property

The Department of Parks and Public Property is responsible for the maintenance of all public buildings and grounds and recreation programs in the City.

OTHER SERVICES

Recreation

Union City has a full and varied schedule of recreation for City residents.

The Union City Swimming Pool and Recreation Center, located adjacent to the Edison School at 507 West Street, opened in June of 1993 and the second pool on 47th Street opened in August 2004. With programs for everyone from toddlers to senior citizens, the pool has become one of Union City’s most popular recreation outlets. The Multipurpose Room of the Recreation Center is used on a daily basis by both the schools and by various community groups.

A Midnight Basketball League exists and has become very popular with those residents age 19 and over.

All of Union City’s parks and playgrounds are being renovated as funds allow and a wide spectrum of recreation programs are available to City youngsters throughout the year.

Water, Electric and Gas

Water is obtained from SUEZ. Electricity and gas are supplied by the Public Service Electric and Gas Company. Both companies are investor-owned utilities. The supply of water, gas and electricity is deemed to be adequate for all present and projected future requirements.

Sewerage

The City has entered into a Service Agreement (the “Agreement”) with the North Hudson Sewerage Authority (the “Authority”) for the treatment of wastewater in the City. The Authority was established pursuant to the Sewerage Authorities Laws of New Jersey, Chapter 138, P.L. 1946, N.J.S.A. 40:14A-1 et seq. (the “Act”) and approved by the New

Jersey Local Finance Board. As part of the Agreement, the Authority must establish rates estimated to be sufficient to pay for the operation and maintenance of the system and for the principal and interest on its bonds as they become due, to maintain the amount required to be held on deposit in the sinking fund and the bond reserve fund held and maintained pursuant to that certain bond resolution of the Authority authorizing the issuance and sale of its bonds (the "Resolution") and to comply fully with the provision of the Resolution and the Act.

The City, under the Agreement, and as a result of a resolution of the Authority to enter into a rebuilding program, has pledged its full faith and credit to the payments of the Service and Annual Charges (as defined in the Resolution), as determined in accordance with the Agreement. Additionally, the City is responsible for its proportionate share based upon the Agreement for any deficiencies arising from the result of operations of the Authority. The payments from the member municipalities, if any, shall be assessed and payable in the same percentage as set forth in the Agreement, or as the most recent determination by the Authority of the allocation of annual flow among the Members.

On or before January 1 of each fiscal year, the Authority will make an estimate of the amount of Annual Charges which will become payable by the municipalities for such fiscal year. Pursuant to the Agreement and based upon the projected flow, the City's share in the Authority is currently approximately 32%. There were no amounts due to the Authority for the periods ended June 30, 2012 and 2011.

THE UNION CITY HOUSING AUTHORITY

The Housing Authority is a separate autonomous body whose major goal is to provide affordable housing for low income or moderate families. To this end, the Housing Authority provides rental assistance in three types of housing for the residents of the City.

The Housing Authority has 455 units of low cost housing in the housing project which is owned and operated by the Housing Authority.

The Housing Authority also has 112 units of housing dedicated to military veterans who served the United States during war time. The Housing Authority also provides 510 units, in private homes and apartments, under the U.S. Housing Laws of 1937, commonly known as the Section 8 housing law.

THE UNION CITY PARKING AUTHORITY

The Union City Parking Authority is a separate autonomous body, which operates eight parking lots in the City.

SCHOOL DISTRICT GENERAL INFORMATION

Background of the School System

The City of Union City School District, following a general referendum of the City's voters in April 1991, became an appointed Board of Education (a Type I School District under New Jersey Law). Currently, the school district serves approximately 9,444 students through eleven facilities, consisting of two high schools and nine grammar schools.

The School System

In recent years, the City's Board of Education has undertaken a major overhaul of the physical condition of its nine existing school buildings. A tenth facility purchased from the Archdiocese of Newark was renovated and opened as an elementary school in September 1993. The Board of Education has also upgraded the curriculum.

The City of Union City and the Board of Education are pleased that the State of New Jersey, the New Jersey School Construction Corporation, and the New Jersey Economic Development Authority are engaged in several new school construction projects that will have a positive impact on education and the neighborhood community and will serve as a catalyst for urban development in our community. The New Jersey School Development Agency has provided the Union City Board of Education with the Jose Marti Middle School in 2004, and the Eugenio Maria de Hostos Early Childhood Center in 2007, and the new Union City High School in 2009. The recent funding that has been appropriated by the New Jersey State Legislature has placed the construction of the new Columbus School back into focus. A continuous effort is underway to seek a balance between the education needs of the district and fiscal responsibility. The Long Range Facilities Plan (the "LRFP") that has been submitted to the New Jersey Department of Education has received approval. Since the LRFP is a living document it will be modified to best reflect the district needs.

Today, over 65% of the City's high school graduates are advancing to institutions of higher education. A continuing and conscious effort has been made to join innovative teachers with programs such as the Gifted and Talented School, and intensive bilingual program, and a pre-school educational program.

DEMOGRAPHIC INFORMATION

Resident Population

	<u>1970</u>	<u>1980</u>	<u>1990</u>	<u>2000</u>	<u>2010</u>
Union City	57,305	55,593	58,012	67,088	66,455
County of Hudson	609,266	556,972	553,099	608,975	634,266
State of New Jersey	7,168,164	7,364,823	7,747,750	8,414,350	8,791,894

Source: U.S. Census Bureau, 2010 Census

Employment Information

	Labor Force	Employment	Unemployment	Unemployment Rate
Union City	35,043	32,247	1,902	5.4%
County of Hudson	362,352	345,074	17,278	4.8%
State of New Jersey	4,557,900	4,330,900	227,079	5.0%

Source: U.S. Bureau of Labor Statistics, 2015

Largest Taxpayers

Taxpayer	Assessed Valuation	% of Total District Net Assessed Value
Hudson Troy Towers	\$ 25,172,000	1.70%
Doric Apt Corp.	23,196,000	1.57%
Orlando Limited	7,122,892	0.48%
NJ Bell Telephone Co.	6,744,400	0.46%
Union Kennedy Assoc, LP C/O McDonald's	5,025,000	0.34%
2210-12 Kerrigan Ave LLC	4,364,700	0.30%
Castle Hill Holding, LLC	4,117,000	0.28%
Yardley PPI-I, LLC/Panepinto Property	3,980,000	0.27%
3501 Bergenline Ave Realty/ACHS Mgmt	3,546,800	0.24%
3312 Hudson LLC/ Jasco Mgmt Part.	3,132,800	0.21%

Source: Union City Municipal Tax Assessor, 2015

Largest Private Employers

Address	Employer Name	Business Type	Number of Employees
3133 Central Avenue	Interim Healthcare Inc.	Business Services	250
535 41 st Street	Head Start North Hudson Community	Social Services	105
615 23 rd Street	Castle Hill Health Care Center	Healthcare Services	100
5601 Westside Avenue	EMCO	Wholesale Trades	100
586 32 nd Street	Labor Ready Inc.	Business Services	100
3200 Hudson Avenue	Manhattanview Healthcare Center	Healthcare Services	100
1617 Bergenline Avenue	Rocha Contractors	Construction Contractors	100

Source: Hudson County Economic Development Corporation, January 2015

**Trend of Net Assessed Valuations
By Classifications of Real Estate**

Classification	2016	2015	2014	2013	2012
Residential	\$ 759,975,899	\$ 758,691,700	\$ 761,714,500	\$ 763,527,400	\$ 761,990,600
Commercial	399,793,900	400,067,500	402,563,100	405,748,700	410,430,200
Industrial	28,871,900	30,183,500	30,684,500	31,566,200	32,369,200
Apartments	260,413,500	260,248,500	260,162,300	257,649,500	257,496,940
Vacant/Undeveloped	22,439,400	21,730,300	22,562,500	22,230,900	23,496,100
Total	1,471,494,599	1,470,921,500	1,477,686,900	1,480,722,700	1,485,783,040
Personal Property	6,641,616	6,869,333	6,319,974	6,530,214	7,576,029
Other	-	-	-	-	-
Total Assessed Valuation	\$ 1,478,136,215	\$ 1,477,790,833	\$ 1,484,006,874	\$ 1,487,252,914	\$ 1,493,359,069

Source: Office of the Tax Collector, Union City

TAX LEVY AND TAX COLLECTION

General Tax Rate (Per \$100 of Assessed Valuation)

Fiscal Year	2016	2015	2014	2013	2012
Tax Rate:					
County	\$ 1.212	\$ 1.071	\$ 1.082	\$ 1.122	\$ 1.144
School	1.043	1.044	1.039	1.101	1.097
Municipal	4.535	4.437	4.503	4.320	4.137
Open Space	0.024	0.011	0.000	0.002	0.023
Total General Tax Rate	\$ 6.814	\$ 6.562	\$ 6.624	\$ 6.545	\$ 6.401

Source: Hudson County Board of Taxation

Tax Levy and Tax Collection

Year	Tax Levy	Cash Collection	Percentage
2016*	\$ 100,683,267	\$ 100,460,209	99.77%
2015	97,132,708	\$ 97,003,832	99.86%
2014	98,180,964	98,178,007	99.99%
2013	97,092,453	95,670,978	98.53%
2012	94,990,147	94,893,500	98.91%
2011	90,217,685	88,452,521	98.04%
2010	86,938,593	86,065,314	99.00%

Source: Audited Financial Statements of the City

*Unaudited Financial Statements of the City

Delinquent Taxes and Tax Title Liens Experience

Year	Tax Title Liens	Delinquent Taxes	Total Delinquent	% of Tax Levy
2016*	\$ 38,554	\$ 213,790	\$ 252,344	0.25%
2015	104,293	301,915	406,208	0.42%
2014	81,018	187,172	268,190	0.27%
2013	56,989	110,490	167,479	0.17%
2012	64,515	118,036	182,551	0.19%
2011	633,478	53,582	687,060	0.76%
2010	40,520	80,913	121,433	0.14%

Source: Audited Financial Statements of the City
*Unaudited Financial Statements of the City

ASSESSMENT AND COLLECTION OF TAXES

Tax Collection Procedure

Property taxes are based on the assessor's valuation of real property. The taxes for the City, local school district, and county purposes are combined into one levy which is apportioned on the tax bill by rate and amount for taxpayer information only. Taxes are payable in four quarterly installments on February 1, May 1, August 1, and November 1. For those municipalities that adopt the State fiscal year, including the City, two annual tax bills are required to be delivered (i) one bill on or before June 14 of the tax year for the quarterly installments due August 1 and November 1, and (ii) one bill on or before December 10, of the tax year for the quarterly installments due February 1 and May 1. Turnover of tax monies by the City to the Board of Education is generally made on a periodic basis throughout the year in the amount of 100% of the school levy. The City remits 100% of the County taxes levied quarterly, on the 15th day of February, May, August and November.

Delinquent payments are subject to an interest penalty of 8% on the first \$1,500 of delinquency and 18% on amounts exceeding \$1,500. Unpaid taxes are subject to tax sale as of May 11 of the current fiscal year, in accordance with statutes of the State of New Jersey. Municipality tax liens are subsequently subject to foreclosure proceedings in order to enforce tax collections or acquire title to the property.

DEBT INFORMATION

General Information

The State has enacted certain laws and statutes regulating the authorization and issuance of debt by tax levying local governmental units of the State. The statutory gross debt must include all debt authorized plus all debt issued which remains outstanding. Debt, bonds or notes, which has been refunded and payment for which is made from escrowed U.S. Treasury securities or other permitted investments, is considered outstanding under State statutes until such outstanding debt has matured or has been called for redemption.

However, any debt which is self-supporting or which is payable from other sources or debt issued for refunding purposes may be deducted from the statutory gross debt to arrive at the amount of statutory net debt. The statutory net debt figure is the amount to determine if a local governmental unit is within the limit of its statutory borrowing power.

A municipality's debt incurring power is limited by State statute to 3.5% of the equalized valuation, determined annually by the State, of all taxable real property within a local governmental unit. A local governmental unit's general purpose bonds must be issued in serial form, with the first principal payment to occur within one year of an issue's date and the final maturity not to exceed the useful life of a capital improvement.

Notes may be sold on a period of one year, and may be renewed annually but the final maturity may not exceed the first day of the fifth month immediately following the end of the tenth fiscal year following the original date of issuance.

Appropriation Not Required for Payments on Debt

It is not necessary to have an appropriation in order to release money for debt service on obligations. N.J.S.A. 40A:4-57 states "No officer, board, body or commission shall, during any fiscal year expend money (except for pay notes, bonds or interest thereon), incur any liability, or enter into any contract which by its terms involves the expenditure of money for any purpose for which no appropriation is provided, or in excess of the amount appropriated for such purposes." N.J.S.A. 40A:2-4 states "The power and obligation of a local governmental unit to pay any and all bonds and notes issued by it pursuant to this Chapter is a revision, shall be unlimited..."

Schedule of Annual Debt Service
For Bonded Debt Issued and Outstanding
As of June 30, 2016

Fiscal Year	<u>General Bonds</u>		<u>HCIA Lease</u>		Total	<u>Total</u>		
	Ending	Principal	Interest	Principal		Interest	Principal	Interest
2017		2,455,109	2,940,129	924,893	551,902	6,872,032	3,380,001	3,492,031
2018		2,088,425	3,299,569	995,138	495,607	6,878,738	3,083,562	3,795,176
2019		3,760,000	1,645,906	1,050,330	434,960	6,891,197	4,810,330	2,080,867
2020		3,945,000	1,454,656	1,125,593	370,740	6,895,989	5,070,593	1,825,397
2021		4,150,000	1,252,656	1,184,130	301,607	6,888,393	5,334,130	1,554,263
2022		4,350,000	1,060,219	1,264,410	228,228	6,902,857	5,614,410	1,288,447
2023		4,540,000	876,516	1,348,035	149,723	6,914,274	5,888,035	1,026,239
2024		4,625,000	682,031	1,451,730	65,803	6,824,564	6,076,730	747,834
2025		475,000	570,938			1,045,938	475,000	570,938
2026		575,000	541,250			1,116,250	575,000	541,250
2027		690,000	505,313			1,195,313	690,000	505,313
2028		825,000	462,188			1,287,188	825,000	462,188
2029		975,000	410,625			1,385,625	975,000	410,625
2030		1,125,000	349,688			1,474,688	1,125,000	349,688
2031		1,300,000	279,375			1,579,375	1,300,000	279,375
2032		1,475,000	198,125			1,673,125	1,475,000	198,125
2033		1,695,000	105,938			1,800,938	1,695,000	105,938
Total		39,048,533	16,635,120	9,344,258	2,598,570	67,626,481	48,392,791	19,233,690

Source: Audited Financial Statements of the City

Debt Statement
As of June 30, 2016

Gross Debt

Municipal Debt

Issued and Outstanding	
General Capital Bonds	\$ 39,048,533
Bonds Issued by Another Public Body and Guaranteed by Municipalities	1,405,700
Loan Payable - Green Acres	1,329,141
Bond Anticipation Notes	43,014,000
Authorized but Not Issued	18,484,542
	103,281,916

Type I Local School District Debt (Obligation of Municipality)

Issued and Outstanding	
Serial Bonds	-

<u>Total Gross Debt</u>	103,281,916
--------------------------------	--------------------

Less:

Applicable Deductions	11,185,000
Type I School District Bonds	-
Total Deductions	11,185,000

<u>Total Statutory Net Debt</u>	\$ 92,096,916
--	----------------------

Statutory Net Debt

Average Equalized Valuation of Real Property for 2014-2016	\$ 3,166,509,827
Net Debt Percentage (Statutory Limit – 3.5%)	2.908%

Source: Annual Debt Statement 2016

Current Fund
June 30, 2016 and 2015
Comparative Balance Sheets

<u>ASSETS</u>	<u>2016*</u>	<u>2015</u>
Cash and Cash Equivalents	7,807,399	\$ 18,617,392
Change Fund	830	830
	<hr/>	<hr/>
	7,808,229	18,618,222
Other Assets:		
Revenue Accounts Receivable	1,389,025	549,735
Grants Receivable	7,899,231	9,293,062
	<hr/>	<hr/>
	9,288,256	9,842,979
Deferred Charges:	4,544,114	3,268,720
	<hr/>	<hr/>
	4,544,114	3,268,720
Receivables and Other Assets with Full Reserves:		
Delinquent Taxes Receivable	213,790	301,915
Property Acquired for Taxes at Assessed Valuation	171,900	171,900
Tax Title Liens Receivable	38,554	104,293
Other Receivables	402,248	16,931
Interfunds Receivable:		
Due from Other Trust Fund	3,811	612,137
Due from Capital Fund	1,021,868	-
Due from Dog License Trust	4,737	7,862
Due from Public Defender Trust Fund	514	6,200
Due from CDA Trust	-	-
	<hr/>	<hr/>
	1,857,422	1,221,238
Total Assets	<hr/> <hr/>	<hr/> <hr/>
	\$ 23,398,021	\$ 32,950,977

Source: Audited Financial Statements of the City

*Unaudited Financial Statements of the City

	<u>2016*</u>	<u>2015</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Appropriation Reserves	\$ 680,087	\$ 2,580,315
Tax Overpayments	18,944	27,212
Prepaid Taxes	233,260	170,629
Accounts Payable	276,167	103,408
Reserve for Encumbrances	1,901,538	1,739,995
Reserve for Unappropriated Grants	6,406	89,883
Reserve for Appropriated Grants	2,255,633	2,107,015
Reserve for Neighborhood Housing	1,824	1,824
Other Reserves	240,003	235,541
Local School District Taxes Payable	1,541,864	9,251,182
Intergovernmental Payables:		
Due to State of NJ – Sr. Citizens’ & Veterans’	39,373	34,894
Other	1,788,301	1,776,774
Interfunds Payable:		
Due to Capital Fund	766,480	4,932,860
Due to CDA Trust	-	294,459
Due to Public Defender Trust Fund	-	-
Note Payable	1,280,000	1,920,000
	<u>11,029,880</u>	<u>25,265,991</u>
Reserve for Receivables	<u>1,757,422</u>	<u>1,221,238</u>
Total Liabilities	<u>12,787,302</u>	<u>26,487,229</u>
Fund Balance	10,610,719	6,463,748
Total Liabilities, Reserves and Fund Balance	<u><u>23,398,021</u></u>	<u><u>\$ 32,950,977</u></u>

Source: Audited Financial Statements of the City
*Unaudited Financial Statements of the City

Current Fund
June 30, 2016 and 2015
Comparative Statements of Operations and Change in Fund Balance

	<u>2016*</u>	<u>2015</u>
<u>REVENUE AND OTHER INCOME REALIZED</u>		
Fund Balance Utilized	\$ 1,633,800	-
Miscellaneous Revenue Anticipated	45,528,307	42,230,313
Receipts from Delinquent Taxes	298,758	110,090
Receipts from Current Taxes	100,460,210	98,343,777
Non-Budget Revenues	1,903,678	258,822
Unexpected Balances of Appropriations Cancelled	-	-
Other Credits to Income:		
Unexpected Balance of Appropriation Reserves	339,024	374,538
Accounts Payable Cancelled	1,748,302	5,800
Grants Appropriated Reprogrammed	-	716,892
Grants Receivable Adjustments	-	-
Reimbursement of Prior Years' Library Expenditures	-	725,823
Interfunds Returned	141,429	3,389,557
Cancellation of Other Reserves	-	43,640
Dog License Fund – Statutory Excess	-	4,802
	<u>152,053,508</u>	<u>145,478,231</u>
<u>EXPENDITURES</u>		
Budget Appropriations	114,480,591	109,760,981
Local School District Taxes	15,418,637	15,418,637
County Taxes	17,693,344	15,771,847
Interest on Late County Tax Payments	-	-
Expenditures without Appropriations	1,580,493	232,845
Overexpenditure of Appropriation Reserves	772,960	-
Overexpenditures	286,007	-
Interfund Overexpenditures	-	-
Refunds of Prior Year Taxes	90,948	29,713
Tax Judgments on Prior Years Taxes	-	47,385
Interfund Advances Originating in Current Year	218,801	626,199
Other Receivable Cancelled	-	167,606
Grants Receivable Cancelled	4,216	747,508
	<u>150,545,997</u>	<u>142,802,721</u>
(Deficit) Excess in Operations	1,507,511	2,675,510

Adjustments:

Expenditures Included Above Which are by Statute
Deferred Charges to Budget of Succeeding Year

Special Emergency – 1 Year	-	232,845
Special Emergency – 5 Year	-	470,372
Change in Appropriation Reserve Balance	-	-
Deficit:		
Expenditures without Appropriations	1,580,493	-
Overexpenditures of Appropriation Reserves	772,960	-
Overexpenditures	286,007	-
Interfund Overexpenditures	-	-
	<u>2,639,460</u>	<u>703,217</u>
Statutory Excess to Fund Balance	<u>4,146,971</u>	<u>3,378,727</u>
Fund Balance, Beginning of Year	<u>6,463,748</u>	<u>3,085,021</u>
Fund Balance, End of Year	<u>\$10,610,719</u>	<u>\$6,463,748</u>

Source: Audited Financial Statements of the City

*Unaudited Financial Statements of the City

APPENDIX B

**AUDITED FINANCIAL STATEMENTS
OF THE CITY OF UNION CITY**

[THIS PAGE INTENTIONALLY LEFT BLANK]

**CITY OF UNION CITY
NEW JERSEY**

REPORT OF AUDIT

**FOR THE YEARS ENDED
JUNE 30, 2015 AND 2014**



**DONOHUE, GIRONDA,
DORIA & TOMKINS, LLC**

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

CITY OF UNION CITY

TABLE OF CONTENTS

JUNE 30, 2015

	<u>EXHIBIT</u>	<u>PAGE</u>
FINANCIAL SECTION		
Independent Auditor's Report		1 - 3
Current Fund		
Comparative Balance Sheets - Regulatory Basis	A	4 - 5
Comparative Statements of Operations and Changes in Fund Balance - Regulatory Basis	A-1	6
Statement of Revenues - Regulatory Basis	A-2	7 - 8
Statement of Expenditures - Regulatory Basis	A-3	9 - 14
Trust Funds		
Comparative Balance Sheets - Regulatory Basis	B	15 - 16
General Capital Fund		
Comparative Balance Sheets - Regulatory Basis	C	17
Statement of Change in Fund Balance - Regulatory Basis	C-1	18
Fixed Assets		
Comparative Balance Sheets - Regulatory Basis	D	19
Notes to the Financial Statements		20 - 65

DONOHUE, GIRONDA, DORIA & TOMKINS, LLC

Certified Public Accountants

Matthew A. Donohue, CPA
Robert A. Gironda, CPA
Robert G. Doria, CPA (N.J. & N.Y.)
Frederick J. Tomkins, CPA, RMA

310 Broadway
Bayonne, NJ 07002
(201) 437-9000
Fax: (201) 437-1432
E-Mail: dgd@dgdcpas.com

Linda P. Kish, CPA, RMA
Mark W. Bednarz, CPA, RMA
Jason R. Gironda, CPA

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and
Members of the Board of Commissioners
City of Union City, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements – regulatory basis of the City of Union City, New Jersey (the “City”), which comprise the comparative balance sheet – regulatory basis, of each fund and account group as of June 30, 2015 and 2014, and the related comparative statement of operations and changes in fund balance – regulatory basis, statement of revenues – regulatory basis and statement of appropriations – regulatory basis, of the Current Fund, and the related statement of change in fund balance – regulatory basis, of the General Capital Fund, for the years then ended, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements as listed in the table of contents.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the “Division”). 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, audit requirements prescribed by the Division and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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

As described in Note 1, the financial statements are prepared by the City on the basis of the financial reporting provisions of the Division, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the requirements of the Division. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statements referred to in the first paragraph do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the City as of June 30, 2015 and 2014, or the changes in its financial position for the years then ended.

Opinion on Regulatory Basis Accounting

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the comparative financial position – regulatory basis, of each fund and account group of the City as of June 30, 2015 and 2014, the Current Fund's respective operations and changes in fund balance – regulatory basis, revenues – regulatory basis and appropriations – regulatory basis, and the General Capital Fund's changes in fund balance – regulatory basis, for the years then ended, on the basis of the financial reporting provisions of the Division as described in Note 1.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by the missing information.

Emphasis of Matter

As described in Note 10, the City is the recipient of State Aid that is material to the City as appropriated in the City's fiscal year 2016 budget. Minimum conditions on receipt of this aid are set forth in a Memorandum of Understanding with the Director of the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

Donohue, Gironde, Doria & Tomkins, LLC
DONOHUE, GIRONDA, DORIA & TOMKINS, LLC
Certified Public Accountants



FREDERICK J. TOMKINS
Registered Municipal Accountant #327

Bayonne, New Jersey
March 15, 2016

EXHIBIT A

**THE CITY OF UNION CITY
CURRENT FUND
JUNE 30, 2015 AND 2014**

COMPARATIVE BALANCE SHEETS - REGULATORY BASIS

	<u>Ref.</u>	<u>2015</u>	<u>2014</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	A-4	\$ 18,617,392	\$ 10,034,962
Change Fund	Unchanged	830	830
		<u>18,618,222</u>	<u>10,035,792</u>
Other Assets:			
Revenue Accounts Receivable	A-10	549,735	6,777,364
Grants Receivable	A-25	9,293,062	9,104,876
		<u>9,842,797</u>	<u>15,882,240</u>
Deferred Charges	A-23	3,268,720	3,571,384
		<u>3,268,720</u>	<u>3,571,384</u>
Receivables and Other Assets with Full Reserves:			
Delinquent Taxes Receivable	A-7	301,915	187,172
Property Acquired for Taxes at Assessed Valuation	A-9	171,900	171,900
Tax Title Liens Receivable	A-13	104,293	81,018
Other Receivables	A-14	16,931	18,361
Interfunds Receivable:			
Due from General Capital Fund	A-11	-	2,352,471
Due from Other Trust Fund	A-11	612,137	332,267
Due from Public Defender Trust Fund	A-11	6,200	-
Due from Dog License Trust	A-11	7,862	172
	A	<u>1,221,238</u>	<u>3,143,361</u>
Total Assets		<u>\$ 32,950,977</u>	<u>\$ 32,632,777</u>

See Accompanying Notes to the Financial Statements.

EXHIBIT A

**THE CITY OF UNION CITY
CURRENT FUND
JUNE 30, 2015 AND 2014**

COMPARATIVE BALANCE SHEETS - REGULATORY BASIS

	<u>Ref.</u>	<u>2015</u>	<u>2014</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Appropriation Reserves	A-3, A-15	\$ 2,580,315	\$ 1,846,123
Tax Overpayments	A-8	27,212	36,155
Prepaid Taxes	A-18	170,629	93,263
Accounts Payable	A-21	103,408	543,504
Reserve for Encumbrances	A-22	1,739,995	3,996,417
Reserve for Unappropriated Grants	A-26	89,883	15,803
Reserve for Appropriated Grants	A-27	2,107,015	2,163,470
Reserve for Neighborhood Housing	A-28	1,824	1,824
Other Reserves	A-17	235,541	227,180
Local School District Taxes Payable	A-19	9,251,182	12,334,910
Intergovernmental Payables:			
Due to State of NJ - Sr. Citizens' & Veterans'	A-12	34,894	33,346
Other	A-16	1,776,774	2,428,867
Note Payable	A-24	1,920,000	2,560,000
Interfunds Payable:			
Due to Capital Fund	A-11	4,932,860	-
Due to CDA Trust Fund	A-11	294,459	123,533
		<u>25,265,991</u>	<u>26,404,395</u>
Reserve for Receivables	Above	<u>1,221,238</u>	<u>3,143,361</u>
Total Liabilities		26,487,229	29,547,756
Fund Balance	A-1	<u>6,463,748</u>	<u>3,085,021</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 32,950,977</u>	<u>\$ 32,632,777</u>

See Accompanying Notes to the Financial Statements.

**THE CITY OF UNION CITY
CURRENT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015 AND 2014**

**COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE -
REGULATORY BASIS**

	Ref.	2015	2014
<u>REVENUE AND OTHER INCOME REALIZED</u>			
Miscellaneous Revenue Anticipated	A-2	\$ 42,230,313	\$ 45,268,974
Receipts from Delinquent Taxes	A-2	110,090	74,121
Receipts from Current Taxes	A-2	98,343,777	99,643,523
Non-Budget Revenues	A-2	258,822	396,762
Unexpended Balances of Appropriations Cancelled	A-3	-	421,624
Other Credits to Income:			
Dog License Fund - Statutory Excess	A-11	4,802	2,755
Public Defender Trust Fund - Accounts Payable Cancelled	A-11	5,800	-
Unexpended Balance of Appropriation Reserves	A-15	374,538	706,448
Cancellation of Other Reserves	A-17	43,640	-
Grants Receivable Adjustments	A-25	-	479,552
Grants Appropriated Reprogrammed	A-27	716,892	13,800
Interfunds Returned	A-11	3,389,557	123,533
Total Income		<u>145,478,231</u>	<u>147,131,092</u>
<u>EXPENDITURES</u>			
Budget Appropriations	A-3	109,760,981	111,626,821
Local School District Taxes	A-2, A-19	15,418,637	15,418,637
County Taxes	A-2, A-20	15,771,847	16,413,178
Expenditures without Appropriations - 1 Year	A-23	232,845	14,000
Expenditures without Appropriations - 5 Year	A-23	-	208,214
Overexpenditures of Grants	A-4	-	17,477
Refunds of Prior Year Taxes	A-7	29,713	171,875
Tax Judgements on Prior Year Taxes	A-8	47,385	16,349
Interfund Advances Originating in Current Year	A-11	626,199	2,659,657
Other Receivable Cancelled	A-10	167,606	85,841
Grants Receivable Cancelled	A-25	747,508	-
Total Expenditures		<u>142,802,721</u>	<u>146,632,049</u>
Excess in Revenue		<u>2,675,510</u>	<u>499,043</u>
Adjustments to Income before Fund Balance:			
Expenditures Included Above Which are by Statute			
Deferred Charges to Budget of Succeeding Year:			
Special Emergency - 1 Year	A-23	232,845	14,000
Special Emergency - 5 Year	A-23	470,372	208,214
Change in Appropriation Reserve Balance	A-23	-	17,477
		<u>703,217</u>	<u>239,691</u>
Statutory Excess to Fund Balance		3,378,727	738,734
Fund Balance, Beginning of Year	A	<u>3,085,021</u>	<u>2,346,287</u>
Fund Balance, End of Year	A	<u>\$ 6,463,748</u>	<u>\$ 3,085,021</u>

See Accompanying Notes to the Financial Statements.

EXHIBIT A-2

**THE CITY OF UNION CITY
CURRENT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

STATEMENT OF REVENUES - REGULATORY BASIS

	Ref.	Budget	Realized	Excess or (Deficit)
Miscellaneous Revenues:				
Local Revenues:				
Licenses:				
Alcoholic Beverage	A-10	\$ 222,750	\$ 195,065	\$ (27,685)
Other	A-10	134,900	116,780	(18,120)
Fees and Permits	A-10	169,245	205,872	36,627
Fines and Costs:				
Municipal Court	A-10	2,612,000	2,578,134	(33,866)
Interest and Costs on Taxes	A-10	440,690	478,836	38,146
Interest on Investments and Deposits	A-10	34,600	20,390	(14,210)
Wedding Fees	A-10	31,800	36,545	4,745
Cable Franchise Fees	A-10	230,400	128,404	(101,996)
Payment in Lieu of Taxes				
Union Plaza Apartments	A-10	249,660	281,913	32,253
Union City Renaissance Urban Renewal	A-10	8,444	19,255	10,811
Palisade Urban Renewal Assoc.	A-10	31,636	23,418	(8,218)
Holy Rosary	A-10	28,904	28,903	(1)
Horizon Heights	A-10	12,787	12,787	-
Serv Properties	A-10	4,554	3,147	(1,407)
Suede Promotions	A-10	20,000	20,000	-
Total Local Revenues		<u>4,232,370</u>	<u>4,149,449</u>	<u>(82,921)</u>
State Aid Without Offsetting Appropriations				
Consolidated Municipal Property Tax Relief Aid	A-10	4,208,405	4,208,405	-
Energy Receipts Taxes	A-10	9,541,757	9,541,757	-
Transitional Aid	A-10	17,900,000	17,900,000	-
Total State Aid Without Offsetting Appropriations		<u>31,650,162</u>	<u>31,650,162</u>	<u>-</u>
Dedicated Uniform Construction Code Fees Offset with Appropriations				
Uniform Construction Code Fees	A-10	1,222,359	1,040,343	(182,016)
Special Items of Revenue - Interlocal Service Agreements				
Union City Board of Education:				
Lease Recreational Center	A-10	300,000	300,000	-
Solid Waste Removal	A-10	360,000	360,000	-
47th Street Pool	A-10	136,000	136,000	-
Off Duty Police Officers	A-10	100,000	107,814	7,814
Police Services	A-10	655,000	655,000	-
Snow Removal	A-10	100,000	100,000	-
School Crossing Guards	A-10	951,971	951,971	-
Total Special Items of Revenue - Interlocal Service Agreements		<u>2,602,971</u>	<u>2,610,785</u>	<u>7,814</u>
Special Items of Revenue - Public and Private Revenues				
Summer Food Program		173,311	173,311	-
Drug Free Community		26,000	26,000	-
Emergency Management Performance Grant		5,000	5,000	-
Reserve for Grants Unappropriated:				
Hudson County Open Space -Washington Park Improvements		12,435	12,435	-
Alcohol Education		3,368	3,368	-
Alcohol Education-Jr. Police Academy		6,000	6,000	-
Byrne Justice Assistance Grant		27,769	27,769	-
New Jersey Department of Transportation -				
Summit Avenue Section 4		599,815	599,815	-
Summit Avenue Section 3 (Discretionary Aid)		350,000	350,000	-
Summit Avenue Section 3 (Municipal Aid)		98,470	98,470	-
Total Special Items of Revenue - Public and Private Revenues	A-25	<u>1,302,168</u>	<u>1,302,168</u>	<u>-</u>

See Accompanying Notes to the Financial Statements.

EXHIBIT A-2

**THE CITY OF UNION CITY
CURRENT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

STATEMENT OF REVENUES - REGULATORY BASIS

	Ref.	Budget	Realized	Excess or (Deficit)
Special Items of Revenue - Other				
North Hudson Community Action Health Center Lease	A-10	\$ 106,560	\$ 106,560	\$ -
Emergency Medical Services	A-10	750,000	877,660	127,660
Prior Year Grant-Deferred Charge Pedestrian Safety FY14	A-10	14,000	14,000	-
Five Year Abatement Program	A-10	454,985	479,186	24,201
Total Special Items of Revenue - Other		<u>1,325,545</u>	<u>1,477,406</u>	<u>151,861</u>
Total Miscellaneous Revenues	A-1	42,335,575	42,230,313	(105,262)
Receipts From Delinquent Taxes	A-1, A-7	<u>117,021</u>	<u>110,090</u>	<u>(6,931)</u>
Subtotal General Revenues and Fund Balance Anticipated		<u>42,452,596</u>	<u>42,340,403</u>	<u>(112,193)</u>
Amount to Be Raised by Taxes for Support of Municipal Budget				
Local Tax for Municipal Purposes		\$ 65,853,795	\$ 66,169,075	\$ 315,280
Addition to Local District School Tax		-	-	-
Minimum Library Tax		984,218	984,218	-
Total Amount to Be Raised by Taxes for Support of Municipal Budget	Below, A-7	<u>66,838,013</u>	<u>67,153,293</u>	<u>315,280</u>
Non-Budget Revenues	Below, A-1, A-4	-	258,822	258,822
Total General Revenues	A-3	<u>\$ 109,290,609</u>	<u>\$ 109,752,518</u>	<u>\$ 461,909</u>
			Below	
ANALYSIS OF REALIZED REVENUE				
Allocation of Current Taxes				
Revenue from Collections	A-7	\$ 96,914,313		
Add: Reserve for Uncollected Taxes	A-3	<u>1,429,464</u>		
	A-1	98,343,777		
Less:				
Allocated to School Taxes	A-1, A-19	15,418,637		
Allocated to County Taxes	A-1, A-20	<u>15,771,847</u>		
Amount for Support of Municipal Budget	Above		\$ 67,153,293	
Receipts from Delinquent Taxes				
Delinquent Tax Collections	A-1, A-7		110,090	
Miscellaneous Revenues Anticipated				
Public and Private Revenues	A-10	40,928,145		
Revenues Appropriated 40A:4-87	A-25	676,353		
	A-25	<u>625,815</u>		
	A-1		42,230,313	
ANALYSIS OF NON-BUDGET REVENUE				
Miscellaneous Refunds		36,536		
31st Street Parking Lot		5,820		
Election Fees		1,150		
Police Administrative Fees		5,197		
State Aid - Local Enforcement Agency Rebates		51,484		
Motor Vehicle Inspection Fines		3,089		
Copy of Reports		12,328		
Fire Reports		38,275		
Senior Citizens' and Veterans' Deduction Administration Fee		1,241		
Prior Year Grant Receivables Cancelled		40,520		
Non-budgeted Interlocal Receipts		10,531		
Non-budgeted PILOTS		101		
Bus Shelter Rent		2,500		
Other Miscellaneous Receipts-Housing Authority		<u>50,050</u>		
	Above, A-1		<u>258,822</u>	
	Above		<u>\$ 109,752,518</u>	

See Accompanying Notes to the Financial Statements.

**THE CITY OF UNION CITY
CURRENT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

STATEMENT OF EXPENDITURES - REGULATORY BASIS

Expenditures	Ref.	SFY 2015	Total for SFY 2015 as Modified by all Transfers	Expended SFY 2015		
				Paid or Charged	Cancelled	Reserved
Operations within "CAPS"						
DEPARTMENT OF PUBLIC AFFAIRS						
Director's Office						
Salaries and Wages		\$ 99,800	\$ 110,086	\$ 110,082	\$ -	\$ 4
Other Expenses		4,000	3,910	3,910	-	-
Municipal Court						
Salaries and Wages		1,054,250	1,123,219	1,123,219	-	-
Other Expenses		222,000	230,147	222,450	-	7,697
Public Defender						
Salaries and Wages		50,000	50,000	50,000	-	-
Senior Citizens						
Salaries and Wages		100,000	100,173	100,173	-	-
Other Expenses		35,000	25,000	22,721	-	2,279
Hispanic/Cultural Affairs						
Other Expenses		97,000	80,253	77,664	-	2,589
North Hudson Council of Mayors						
Other Expenses		88,676	88,676	52,865	-	35,811
Municipal Land Use Law (NJS 40:55D-1)						
Regional Planning Board						
Salaries and Wages		13,500	12,501	12,500	-	1
Other Expenses		20,000	24,277	23,594	-	683
Continuous Planning Program		29,000	33,500	28,872	-	4,628
Veterans Affairs						
Salaries and Wages		3,500	-	-	-	-
Other Expenses		500	-	-	-	-
Celebration of Public Events						
Other Expenses		86,000	86,000	85,971	-	29
Total Department of Public Affairs		<u>1,903,226</u>	<u>1,967,742</u>	<u>1,914,021</u>	<u>-</u>	<u>53,721</u>
Detail:						
Salaries and Wages		1,321,050	1,395,979	1,395,974	-	5
Other Expenses		582,176	571,763	518,047	-	53,716
DEPARTMENT OF REVENUE AND FINANCE						
Director's Office						
Salaries and Wages		115,000	124,283	124,283	-	-
Other Expenses		5,000	5,040	5,040	-	-
City Clerk's Office						
Salaries and Wages		305,000	298,520	298,518	-	2
Other Expenses		93,000	99,015	96,311	-	2,704
Treasurer's Office						
Salaries and Wages		552,310	649,645	649,642	-	3
Other Expenses		380,000	466,500	437,434	-	29,066
Assessment of Taxes						
Salaries and Wages		232,100	226,100	225,958	-	142
Other Expenses		67,000	47,865	47,865	-	-
Collection of Taxes						
Salaries and Wages		308,000	320,808	320,807	-	1
Other Expenses		35,000	19,905	19,904	-	1
Central Purchasing						
Salaries and Wages		92,000	104,219	104,219	-	-
Other Expenses		8,000	9,228	8,349	-	879
Rent Control Board						
Salaries and Wages		199,000	203,651	203,651	-	-
Other Expenses		35,000	8,489	8,488	-	1
Insurance						
General Liability		1,875,000	1,811,953	1,811,952	-	1
Workers Compensation		1,629,480	1,629,480	1,612,146	-	17,334
Employee Group Health		17,265,000	16,653,657	16,331,461	-	322,196

See Accompanying Notes to the Financial Statements.

**THE CITY OF UNION CITY
CURRENT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

STATEMENT OF EXPENDITURES - REGULATORY BASIS

Expenditures	Ref.	SFY 2015	Total for SFY 2015 as Modified by all Transfers	Expended SFY 2015		
				Paid or Charged	Cancelled	Reserved
DEPARTMENT OF REVENUE AND FINANCE						
(Continued)						
Tax Searches						
Salaries and Wages		\$ 5,000	\$ 5,001	\$ 5,000	\$ -	\$ 1
Other Expenses		1,000	-	-	-	-
Elections						
Salaries and Wages		29,000	3,250	3,250	-	-
Other Expenses		117,000	49,708	49,708	-	-
Membership NJ League of Municipalities						
Other Expenses		4,000	4,000	3,953	-	47
Annual Audit						
Other Expenses		70,000	70,000	19,199	-	50,801
Tax Sale Costs						
Other Expenses		15,000	3,000	3,000	-	-
Postage-All Departments						
Other Expenses		204,000	202,888	202,888	-	-
Data Processing						
Other Expenses		50,000	53,950	50,749	-	3,201
Day Care Center						
Other Expenses		260,000	260,000	260,000	-	-
CDA Operations						
Salaries and Wages		375,000	171,270	171,270	-	-
Total Department of Revenue and Finance		<u>24,325,890</u>	<u>23,501,425</u>	<u>23,075,045</u>	<u>-</u>	<u>426,380</u>
Detail:						
Salaries and Wages		2,212,410	2,106,747	2,106,598	-	149
Other Expenses		22,113,480	21,394,678	20,968,447	-	426,231
DEPARTMENT OF PUBLIC SAFETY						
Director's Office						
Salaries and Wages		197,700	214,891	214,890	-	1
Other Expenses		55,000	52,185	52,185	-	-
Weddings						
Salaries and Wages		35,000	37,200	37,200	-	-
Legal Department						
Salaries and Wages		10,000	10,001	10,000	-	1
Other Expenses		1,357,000	1,257,000	1,227,468	-	29,532
Police Department						
Salaries and Wages		17,298,616	18,074,794	18,074,594	-	200
Overtime		916,000	912,476	912,475	-	1
Other Expenses		475,000	495,300	477,625	-	17,675
Traffic Signs and Signal Maintenance						
Other Expenses		121,000	24,500	24,491	-	9
Emergency Management Services						
Salaries and Wages		30,240	28,040	28,000	-	40
Other Expenses		5,000	2,823	2,822	-	1
Emergency Medical Services						
Salaries and Wages		1,148,000	1,269,063	1,269,063	-	-
Other Expenses		90,000	71,314	71,313	-	1
Life Hazard Use Fee-Uniform Fire Safety						
Salaries and Wages		161,200	158,455	158,454	-	1
Other Expenses		10,000	8,760	8,759	-	1
Contribution to Union City Redevelopment Agency		121,000	121,000	121,000	-	-
Board of Health						
Salaries and Wages		254,000	259,176	259,176	-	-
Other Expenses		110,000	84,069	84,069	-	-
Divisions of Inspections						
Other Expenses		3,500	-	-	-	-
Welfare						
Relocation Assistance		60,000	58,375	50,045	-	8,330

See Accompanying Notes to the Financial Statements.

**THE CITY OF UNION CITY
CURRENT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

STATEMENT OF EXPENDITURES - REGULATORY BASIS

Expenditures	Ref.	SFY 2015	Total for SFY 2015 as Modified by all Transfers	Expended SFY 2015		
				Paid or Charged	Cancelled	Reserved
DEPARTMENT OF PUBLIC SAFETY						
(Continued)						
School Crossing Guards						
Salaries and Wages		\$ 960,000	\$ 1,060,610	\$ 1,060,609	\$ -	\$ 1
Other Expenses		13,000	1,900	1,891	-	9
Total Department of Public Safety		<u>23,431,256</u>	<u>24,201,932</u>	<u>24,146,129</u>	<u>-</u>	<u>55,803</u>
Detail:						
Salaries and Wages		21,010,756	22,024,706	22,024,461	-	245
Other Expenses		2,420,500	2,177,226	2,121,668	-	55,558
DEPARTMENT OF PUBLIC WORKS						
Director's Office						
Salaries and Wages		109,000	106,540	106,539	-	1
Other Expenses		3,000	13,571	13,570	-	1
Street Cleaning						
Salaries and Wages		2,525,000	2,836,056	2,836,055	-	1
Other Expenses		265,000	320,436	320,435	-	1
Streets Repairs and Maintenance						
Other Expenses		95,000	66,841	66,841	-	-
Snow Removal						
Salaries and Wages		146,000	76,337	76,337	-	-
Other Expenses		221,700	128,906	128,906	-	-
Board of Adjustment						
Salaries and Wages		13,265	12,501	12,500	-	1
Other Expenses		50,000	54,300	47,940	-	6,360
Solid Waste Disposal						
Salaries and Wages		1,250,000	1,323,503	1,323,502	-	1
Other Expenses		4,035,000	4,035,000	4,032,475	-	2,525
Recycling Program						
Other Expenses		45,000	80,200	5,911	-	74,289
Public Assistance						
Other Expenses		75,000	75,000	74,960	-	40
Engineering Services						
Other Expenses		300,000	377,519	312,111	-	65,408
Total Department of Public Works		<u>9,132,965</u>	<u>9,506,710</u>	<u>9,358,082</u>	<u>-</u>	<u>148,628</u>
Detail:						
Salaries and Wages		4,043,265	4,354,937	4,354,933	-	4
Other Expenses		5,089,700	5,151,773	5,003,149	-	148,624
DEPARTMENT OF PARKS AND PUBLIC PROPERTY						
Director's Office						
Salaries and Wages		86,000	54,789	54,788	-	1
Other Expenses		4,000	4,750	4,644	-	106
Parks and Playgrounds						
Salaries and Wages		259,000	229,200	220,857	-	8,343
Other Expenses		255,000	258,960	220,484	-	38,476
Public Buildings and Grounds						
Salaries and Wages		975,000	901,081	901,080	-	1
Other Expenses		490,000	538,712	538,712	-	-
Recreation						
Salaries and Wages		450,000	653,962	653,961	-	1
Other Expenses		340,000	248,416	248,416	-	-

See Accompanying Notes to the Financial Statements.

**THE CITY OF UNION CITY
CURRENT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

STATEMENT OF EXPENDITURES - REGULATORY BASIS

Expenditures	Ref.	SFY 2015	Total for SFY 2015 as Modified by all Transfers	Expended SFY 2015		
				Paid or Charged	Cancelled	Reserved
DEPARTMENT OF PARKS AND PUBLIC PROPERTY						
(Continued)						
Interlocal Municipal Service Agreements						
47th Street Pool		\$ 136,000	\$ 136,000	\$ 136,000	\$ -	\$ -
Recreation Center Lease		300,000	300,000	300,000	-	-
Total Department of Parks and Public Property		<u>3,295,000</u>	<u>3,325,870</u>	<u>3,278,942</u>	<u>-</u>	<u>46,928</u>
Detail:						
Salaries and Wages		1,770,000	1,839,032	1,830,686	-	8,346
Other Expenses		<u>1,525,000</u>	<u>1,486,838</u>	<u>1,448,256</u>	<u>-</u>	<u>38,582</u>
UNIFORM CONSTRUCTION CODE						
State Uniform Construction Code Officials:						
Salaries and Wages		793,639	795,016	795,016	-	-
Other Expenses		269,720	297,598	282,917	-	14,681
Sub-Code Officials:						
Plumbing Inspector						
Salaries and Wages		15,000	-	-	-	-
Other Expenses		1,000	-	-	-	-
Electrical Inspector						
Salaries and Wages		45,000	36,250	36,250	-	-
Other Expenses		1,500	-	-	-	-
Elevator Inspector						
Other Expenses		60,000	31,569	31,569	-	-
Fire Inspector						
Salaries and Wages		35,000	32,626	32,626	-	-
Other Expenses		1,500	-	-	-	-
Total Uniform Construction Code		<u>1,222,359</u>	<u>1,193,059</u>	<u>1,178,378</u>	<u>-</u>	<u>14,681</u>
Detail:						
Salaries and Wages		888,639	863,892	863,892	-	-
Other Expenses		<u>333,720</u>	<u>329,167</u>	<u>314,486</u>	<u>-</u>	<u>14,681</u>
UNCLASSIFIED						
Retirement Benefits		225,000	-	-	-	-
Gasoline		415,000	415,000	390,157	-	24,843
Telephone		200,000	51,517	51,516	-	1
Electricity		705,000	705,000	702,762	-	2,238
Water		96,000	86,000	80,963	-	5,037
Natural Gas		250,000	225,000	222,309	-	2,691
Street Lighting		870,000	825,000	823,619	-	1,381
Salary Adjustment		1,806,345	1,806,345	1,806,343	-	2
Sewer		65,000	67,500	54,771	-	12,729
Fire Hydrants		255,000	303,000	240,162	-	62,838
Printing-All Departments		300,000	353,000	292,860	-	60,140
Photocopying		45,000	45,000	39,742	-	5,258
Fleet Maintenance & Repairs		600,000	765,000	732,087	-	32,913
Total Unclassified		<u>5,832,345</u>	<u>5,647,362</u>	<u>5,437,291</u>	<u>-</u>	<u>210,071</u>
Detail:						
Salaries and Wages		1,806,345	1,806,345	1,806,343	-	2
Other Expenses		<u>4,026,000</u>	<u>3,841,017</u>	<u>3,630,948</u>	<u>-</u>	<u>210,069</u>
TOTAL OPERATIONS WITHIN "CAPS"		<u>69,143,041</u>	<u>69,344,100</u>	<u>68,387,888</u>	<u>-</u>	<u>956,212</u>
Detail:						
Salaries and Wages		33,052,465	34,391,638	34,382,887	-	8,751
Other Expenses		<u>36,090,576</u>	<u>34,952,462</u>	<u>34,005,001</u>	<u>-</u>	<u>947,461</u>

See Accompanying Notes to the Financial Statements.

**THE CITY OF UNION CITY
CURRENT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

STATEMENT OF EXPENDITURES - REGULATORY BASIS

Expenditures	Ref.	SFY 2015	Total for SFY 2015 as Modified by all Transfers	Expended SFY 2015		
				Paid or Charged	Cancelled	Reserved
DEFERRED CHARGES AND STATUTORY EXPENDITURES - MUNICIPAL WITHIN "CAPS"						
Prior Year Bills		\$ 341,685	\$ 341,685	\$ 341,685	\$ -	\$ -
Overexpenditures		45,727	45,727	45,727	-	-
Grant receivable write-off		252,000	252,000	252,000	-	-
Expenditures without Appropriations	A-10	14,000	14,000	14,000	-	-
Statutory Expenditures - Contributions to:						
Social Security System (O.A.S.I.)		1,500,000	1,603,487	1,603,487	-	-
Police and Fire Retirement System		4,200,000	4,193,655	4,193,654	-	1
Public Employees Retirement System		1,305,000	1,305,000	1,305,000	-	-
Consolidated Police and Firemen's Pension Fund		84,579	78,924	78,711	-	213
Unemployment Insurance		130,000	(12,000)	(12,213)	-	213
PERS Delayed Enrollment		88,357	78,657	78,586	-	71
PFRS Delayed Enrollment-Parking Authority		178,004	-	-	-	-
Defined Contribution Retirement Plan		105,000	142,158	142,158	-	-
Total Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"		8,244,352	8,043,293	8,042,795	-	498
Total General Appropriations for Municipal Purposes Within "CAPS"		77,387,393	77,387,393	76,430,683	-	956,710
OTHER OPERATIONS EXCLUDED FROM "CAPS"						
Maintenance of Free Public Library		984,218	984,218	815,668	-	168,550
Contribution to North Hudson Fire & Rescue Joint Meeting		17,500,000	17,500,000	16,134,791	-	1,365,209
Total Other Operations Excluded from "CAPS"		18,484,218	18,484,218	16,950,459	-	1,533,759
INTERLOCAL MUNICIPAL SERVICE AGREEMENTS						
Union City Board of Education						
Solid Waste Removal		360,000	360,000	360,000	-	-
Off Duty Police Officers		100,000	100,000	100,000	-	-
Snow Removal		100,000	100,000	10,154	-	89,846
Police Services		655,000	655,000	655,000	-	-
Total Interlocal Municipal Service Agreements		1,215,000	1,215,000	1,125,154	-	89,846
PUBLIC AND PRIVATE PROGRAMS OFFSET BY REVENUES						
Summer Food Program		173,311	173,311	173,311	-	-
Emergency Management Performance Grant Reserve for Grants Unappropriated:		10,000	10,000	10,000	-	-
Hudson County Open Space-						
Washington St. Park Improvements		12,435	12,435	12,435	-	-
Alcohol Education		3,368	3,368	3,368	-	-
Drug Free Community		26,000	26,000	26,000	-	-
Byrne Justice Assistance Grant		27,769	27,769	27,769	-	-
Municipal Alliance		14,353	14,353	14,353	-	-
Municipal Alliance-Jr. Police Academy		6,000	6,000	6,000	-	-
New Jersey Department of Transportation -						
Summit Avenue Section 3 (Discretionary Aid)		350,000	350,000	350,000	-	-
Summit Avenue Section 3 (Urban Aid)		98,470	98,470	98,470	-	-
Summit Avenue Section 4 (Urban Aid)		599,815	599,815	599,815	-	-
Total Public and Private Programs Offset by Revenue		1,321,521	1,321,521	1,321,521	-	-
Total Operations Excluded from "CAPS"		21,020,739	21,020,739	19,397,134	-	1,623,605
Detail						
Salaries and Wages		-	-	-	-	-
Other Expenses		21,020,739	21,020,739	19,397,134	-	1,623,605

See Accompanying Notes to the Financial Statements.

**THE CITY OF UNION CITY
CURRENT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

STATEMENT OF EXPENDITURES - REGULATORY BASIS

Expenditures	Ref.	SFY 2015	Total for SFY 2015 as Modified by all Transfers	Expended SFY 2015		
				Paid or Charged	Cancelled	Reserved
CAPITAL IMPROVEMENTS EXCLUDED FROM "CAPS"						
Capital Improvement Fund		\$ 100,000	\$ 100,000	\$ 100,000	\$ -	\$ -
Total Capital Improvements Excluded from "CAPS"		<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>-</u>	<u>-</u>
MUNICIPAL DEBT SERVICE EXCLUDED FROM "CAPS"						
Payment of Bond Principal		2,582,108	2,582,108	2,582,108	-	-
Payment of Bond Anticipation Notes & Capital Notes		1,207,918	1,207,918	1,207,918	-	-
Interest on Bonds		2,857,842	2,857,842	2,857,842	-	-
Interest on Notes		228,703	228,703	228,703	-	-
Parking Authority Debt		270,200	270,200	270,200	-	-
Hudson County Improvement Authority:						
Fire Dept Assets - Principal		744,263	744,263	744,263	-	-
Fire Dept Assets - Interest		647,245	647,245	647,245	-	-
Green Trust Loan Program:						
Swimming Pool Improvements		49,747	49,747	49,747	-	-
17th Street Park Improvements		4,352	4,352	4,352	-	-
44th Street Playground		9,740	9,740	9,740	-	-
Ellsworth and 23rd Street		78,674	78,674	78,674	-	-
38th Street Park		10,856	10,856	10,856	-	-
Leggerio Park		21,365	21,365	21,365	-	-
Total Municipal Debt Service Excluded from "CAPS"		<u>8,713,013</u>	<u>8,713,013</u>	<u>8,713,013</u>	<u>-</u>	<u>-</u>
DEFERRED CHARGES-MUNICIPAL-EXCLUDED FROM "CAPS"						
Special Emergency Authorizations - 5 years (N.J.S. 40A:4-55)		640,000	640,000	640,000	-	-
Special Emergency Authorizations - 5 years (N.J.S. 40A:4-55)		-	470,372	470,372	-	-
Total Deferred Charges-Municipal-Excluded from "CAPS"		<u>640,000</u>	<u>1,110,372</u>	<u>1,110,372</u>	<u>-</u>	<u>-</u>
Total General Appropriations for Municipal Purposes Excluded from "CAPS"						
		<u>30,473,752</u>	<u>30,944,124</u>	<u>29,320,519</u>	<u>-</u>	<u>1,623,605</u>
Total General Appropriations Excluded from "CAPS"						
		<u>30,473,752</u>	<u>30,944,124</u>	<u>29,320,519</u>	<u>-</u>	<u>1,623,605</u>
Subtotal General Appropriations		107,861,145	108,331,517	105,751,202	-	2,580,315
Reserve for Uncollected Taxes		<u>1,429,464</u>	<u>1,429,464</u>	<u>1,429,464</u>	<u>-</u>	<u>-</u>
TOTAL GENERAL APPROPRIATIONS		<u>\$ 109,290,609</u>	<u>\$ 109,760,981</u>	<u>\$ 107,180,666</u>	<u>\$ -</u>	<u>\$ 2,580,315</u>
	Ref.	A-2	A-1	Below	A-1	A
Reserve for Uncollected Taxes	A-2			\$ 1,429,464		
Cash Disbursements	A-4			101,248,815		
Capital Improvement Fund	A-11			100,000		
Grants Appropriated	A-27			1,302,168		
Grants Appropriated - City Match	A-27			19,353		
Transfer to Reserve for Encumbrances	A-22			1,317,082		
Special Emergency Authorizations - 5 years (N.J.S. 40A:4-55)	A-23			470,372		
Deferred Charges	A-23			1,293,412		
	Above			<u>\$ 107,180,666</u>		

See Accompanying Notes to the Financial Statements.

EXHIBIT B

**THE CITY OF UNION CITY
TRUST FUNDS
JUNE 30, 2015 AND 2014**

COMPARATIVE BALANCE SHEETS - REGULATORY BASIS

	<u>Ref.</u>	<u>2015</u>	<u>2014</u>
<u>ASSETS</u>			
Dog License Fund			
Cash and Cash Equivalents	B-1	\$ 18,786	\$ 12,652
Total Dog License Fund		<u>18,786</u>	<u>12,652</u>
Other Trust Fund			
Cash and Cash Equivalents	B-5	8,607,450	6,663,334
Due from Property Owners	B-6	69,797	51,029
Due from General Capital Fund	B-7	218,090	18,090
Total Other Trust Fund		<u>8,895,337</u>	<u>6,732,453</u>
Community Development Agency Fund			
Cash and Cash Equivalents	B-11	1,014	519
Due from HUD CDA Grant	B-12	81,623	47,237
Due from Current Fund	B-15	294,459	123,533
Total Community Development Agency Fund		<u>377,096</u>	<u>171,289</u>
Public Defender Trust Fund			
Cash and Cash Equivalents	B-16	27,343	20,270
Total Public Defender Trust Fund		<u>27,343</u>	<u>20,270</u>
Total Assets		<u>\$ 9,318,562</u>	<u>\$ 6,936,664</u>

See Accompanying Notes to the Financial Statements.

EXHIBIT B

**THE CITY OF UNION CITY
TRUST FUNDS
JUNE 30, 2015 AND 2014**

COMPARATIVE BALANCE SHEETS - REGULATORY BASIS

	<u>Ref.</u>	<u>2015</u>	<u>2014</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Dog License Fund			
Due to State of New Jersey	B-2	\$ 3,554	\$ 4,019
Reserve for Dog License Expenditures	B-3	7,370	8,461
Due to Current Fund	B-4	7,862	172
Total Dog License Fund		<u>18,786</u>	<u>12,652</u>
Other Trust Fund			
Reserve for Other Trust Activities	B-8	7,077,508	5,638,210
Due to Current fund	B-9	612,137	332,228
Reserve for Encumbrances Payable	B-10	1,205,692	762,015
Total Other Trust Fund		<u>8,895,337</u>	<u>6,732,453</u>
Community Development Agency Fund			
Reserve for Community Development Block Grant	B-14	377,096	171,289
Total Community Development Agency Fund		<u>377,096</u>	<u>171,289</u>
Public Defender Trust Fund			
Reserve for Public Defender Trust Expenditures	B-17	21,143	14,470
Do to Current Fund	B-18	6,200	-
Accounts Payable	B-19	-	5,800
Total Public Defender Trust Fund		<u>27,343</u>	<u>20,270</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 9,318,562</u>	<u>\$ 6,936,664</u>

See Accompanying Notes to the Financial Statements.

**THE CITY OF UNION CITY
GENERAL CAPITAL FUND
JUNE 30, 2015 AND 2014**

COMPARATIVE BALANCE SHEETS - REGULATORY BASIS

	<u>Ref.</u>	<u>2015</u>	<u>2014</u>
ASSETS AND DEFERRED CHARGES			
Cash and Cash Equivalents	C-2, C-3	\$ 84	\$ 84
Due from State of New Jersey - Green Acres Trust Grant	C-15	780,000	780,000
Due from County of Hudson	C-16	25,000	25,000
Due from Current Fund	C-13	4,932,860	-
Deferred Charges to Future Taxation:			
Funded	C-5	53,195,345	56,667,280
Unfunded	C-4	<u>62,480,824</u>	<u>28,681,824</u>
 Total Assets and Deferred Charges		 <u>\$ 121,414,113</u>	 <u>\$ 86,154,188</u>
 LIABILITIES, RESERVES AND FUND BALANCE			
Capital Improvement Fund	C-6	\$ 111,763	\$ 311,763
Improvement Authorizations:			
Funded	C-7	607,298	322,877
Unfunded	C-7	18,129,855	2,086,471
General Serial Bonds	C-8	41,569,784	44,151,892
Capital Lease Payable - HCIA	C-9	10,135,356	10,879,619
Green Acres Loan	C-10	1,490,205	1,635,769
Bond Anticipation Notes	C-11	36,987,000	20,828,000
Encumbrances Payable	C-12	12,009,423	3,513,496
Due to Current Fund	C-13	-	2,388,970
Due to Other Trust Fund	C-17	218,090	18,090
Fund Balance	C-1	<u>155,339</u>	<u>17,241</u>
 Total Liabilities, Reserves and Fund Balance		 <u>\$ 121,414,113</u>	 <u>\$ 86,154,188</u>
 Bonds and Notes Authorized But Not Issued	C-14	 <u>\$ 25,493,824</u>	 <u>\$ 7,853,824</u>

See Accompanying Notes to the Financial Statements.

**THE CITY OF UNION CITY
GENERAL CAPITAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

STATEMENT OF CHANGE IN FUND BALANCE - REGULATORY BASIS

	<u>Ref.</u>	
Balance, June 30, 2014	C	\$ 17,241
Increased by:		
Premium on Note Sale	C-13	<u>138,098</u>
Balance, June 30, 2015	C	<u><u>\$ 155,339</u></u>

See Accompanying Notes to the Financial Statements.

**THE CITY OF UNION CITY
FIXED ASSET GROUP OF ACCOUNTS
JUNE 30, 2015 AND 2014**

COMPARATIVE BALANCE SHEETS - REGULATORY BASIS

	<u>Ref.</u>	<u>2015</u>	<u>2014</u>
<u>FIXED ASSETS</u>			
Land		\$ 11,228,900	\$ 11,228,900
Buildings and Improvements		52,142,817	49,374,852
Furniture and Fixtures		69,871	69,871
Machinery, Equipment and Other		<u>8,084,996</u>	<u>7,734,596</u>
	D-1	<u>\$ 71,526,584</u>	<u>\$ 68,408,219</u>
<u>RESERVE</u>			
Reserve for Fixed Assets	D-2	<u>\$ 71,526,584</u>	<u>\$ 68,408,219</u>

See Accompanying Notes to the Financial Statements.

**THE CITY OF UNION CITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

The City of Union City (the “City”) is organized as a Commission under the provisions of N.J.S.A. 40:70-1. Five members comprise the City Board of Commissioners and serve in both administrative and legislative capacities. The Commissioners are elected at-large by voters of the City and serve four year concurrent terms beginning the third Tuesday of May following their election. The Mayor is elected by Board of Commissioners for a four year term. The Mayor presides over the Board of Commissioners, but has no veto power. Each commissioner acts as the director of one of the five major departments of the City. There is no single chief executive.

The financial statements of the City include every board, body, officer or commission supported and maintained wholly or in part by funds appropriated by the City, as required by N.J.S.A. 40A:5-5. Accordingly, the financial statements of the City do not include the operations of the Municipal Library, the not-for-profit Union City Day Care Center, the Union City Housing Authority, the Union City Board of Education, Union City Redevelopment Agency, and the Union City Parking Authority.

Governmental Accounting Standards Board (“GASB”) Statement 14 establishes criteria to be used to determine which component units should be included in the financial statements of the primary government (the City). The State of New Jersey, Department of Community Affairs, Division of Local Government Services (the “Division”) requires the financial statements of the City to be reported separately from its component units. If the provisions of GASB No. 14 had been complied with, the following financial statements of the component units would have been discretely presented with the financial statements of the City, the primary government:

Union City Board of Education

Union City Parking Authority

Union City Public Library

Union City Redevelopment Agency

Union City Housing Authority

Audit reports of the component units are available at the offices of each of the respective component units.

**THE CITY OF UNION CITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

BASIS OF PRESENTATION

GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. GASB codification establishes three fund categories to be used by general purpose governmental units when reporting financial position and results of operations in accordance with accounting principles generally accepted in the United States of America (GAAP).

The financial statements of the City have been prepared in conformity with accounting principles and practices prescribed by the Division, which differ from GAAP. The principles and practices prescribed by the Division are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. Under this method of accounting, the City accounts for its financial transactions through the following separate funds and account group, which differ from the fund structure required by GAAP.

DESCRIPTION OF FUNDS

The accounts of the City are maintained in accordance with the Division's principles of fund accounting. The Division's principles of fund accounting require that resources be classified for accounting and reporting purposes into funds in accordance with activities or objectives specified for the resources. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The General Fixed Assets account group, on the other hand, is a financial reporting device designed to provide accountability for certain fixed assets and the investment in those fixed assets that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Current Fund – is used to account for all resources and expenditures for governmental operations of a general nature, including federal and state grant funds.

Trust Fund – is used to account for receipts, custodianship and disbursements of dedicated revenues in accordance with the purpose for which each reserve was created.

General Capital Fund – is used to account for receipts and disbursements of funds for the acquisition of general capital facilities, other than those acquired in the Current Fund or other funds. Bonds, notes and loans payable are recorded in this fund, offset by deferred charges to future taxation.

**THE CITY OF UNION CITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

DESCRIPTION OF FUNDS (Continued)

General Fixed Assets – is not a separate fund type, but is used to account for fixed assets required in general governmental operations.

BASIS OF ACCOUNTING

The City prepares its financial statements on a basis of accounting prescribed by the Division that demonstrates compliance with a modified accrual basis and the budget laws of the State of New Jersey, which is a comprehensive basis of accounting other than GAAP. The current financial resources focus and modified accrual basis of accounting is generally followed with significant exceptions which are explained as follows:

Revenues – Revenues are realized when received in cash except for certain amounts which are due from other governmental units. Receipts from Federal revenue sharing funds and other Federal and State grants are realized as revenue when anticipated in the budget. Receivables for property taxes and other amounts that are due to the City are recorded with offsetting reserves on the balance sheet of the Current Fund. Such amounts are not recorded as revenue until collected. Accordingly, no provision has been made to estimate that portion of receivables that are uncollectible. Taxes and payments in lieu of taxes collected in advance are recorded as cash liabilities in the financial statements. GAAP requires revenues to be recognized in the accounting period when they become measurable and available and in certain instances reduced by an allowance for doubtful accounts.

Reserve for Uncollected Taxes – Reserve for Uncollected Taxes is required to provide assurance that cash collected for taxes in the current year will provide sufficient cash flow to meet expected obligations. The minimum amount of Reserve for Uncollected Taxes is determined on the percentage of collections experienced in the immediate preceding year, unless allowable alternative methods are utilized. A Reserve for Uncollected Taxes is not established under GAAP.

Expenditures – Expenditures are recorded on the “budgetary” basis of accounting. Generally, expenditures are recorded when an amount is encumbered for goods or services through the issuance of a purchase order in conjunction with the encumbrance accounting system. Appropriation reserves covering unexpended appropriation balances are automatically created at the end of each year and recorded as liabilities, except for amounts which may be canceled by the governing body. Appropriations for principal and interest payments on general capital indebtedness are provided on the cash basis. GAAP requires expenditures in the current (or general) fund, to be recognized in the accounting period in which the fund liability is incurred, if measurable, except for un-matured interest on general long-term debt, which should be recognized when due.

**THE CITY OF UNION CITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

BASIS OF ACCOUNTING (Continued)

Encumbrances – Encumbrances are contractual orders outstanding at year end reported as expenditures through the establishment of an encumbrance payable. Outstanding encumbrances at year end are reported as a cash liability in the financial statements. Encumbrances do not constitute expenditures under GAAP.

Appropriation Reserves – Appropriations are available until lapsed at the close of the succeeding year to meet specific claims, commitments or contracts incurred during the preceding fiscal year. Transfers are allowed between certain line items during the first three months of the fiscal year. Lapsed appropriation reserves are recorded as other credits to income. Appropriation Reserves do not exist under GAAP.

Interfunds - Advances from the current fund are reported as interfunds receivable with offsetting reserves which are created by charges to operations. Income is recognized in the year the receivables are liquidated. Interfunds receivable in the other funds are not offset by reserves. GAAP does not require the establishment of an offsetting reserve.

Inventories of Supplies - The costs of inventories of supplies for all funds are recorded as expenditures at the time the individual items are purchased. The costs of inventories are not included on the various balance sheets. GAAP requires the cost of inventories to be reported as a current asset and equally offset by a fund balance reserve.

Property Acquired for Taxes – Property Acquired for Taxes is recorded in the current fund at the assessed valuation when the property was acquired and is subsequently updated for revaluations. The value of the property is fully reserved. GAAP requires such property to be recorded as a fixed asset at market value on the date of acquisition.

Deferred Charges to Future Taxation (Funded and Unfunded) - Upon the authorization of general capital projects, the City establishes deferred charges for the costs of the capital projects to be raised by future taxation. Funded deferred charges relate to permanent debt issued, whereas unfunded deferred charges relate to temporary or non-funding of the authorized costs of capital projects. The City may levy taxes on all taxable property within the City to repay the debt. Annually, the City raises the debt requirements for that particular year in the current budget. As the funds are raised by taxation, the deferred charges are reduced. GAAP does not require the establishment of deferred charges to future taxation.

Improvement Authorizations – Improvement Authorizations in the general capital fund represent the unexpended balance of an ordinance appropriation and is similar to the unexpended portion of the budget in the current fund. GAAP does not recognize these amounts as liabilities.

**THE CITY OF UNION CITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

BASIS OF ACCOUNTING (Continued)

Compensated Absences and Post-Employment Benefits - Compensated absences for vacation, sick leave and other compensated absences are recorded and provided for in the annual budget in the year in which they are paid, on a pay-as-you-go basis. Likewise, no accrual is made for post-employment benefits, if any, which are also funded on a pay-as-you-go basis. GAAP requires that the amount that would normally be liquidated with expendable financial resources to be recorded as an expenditure in the operating funds and the remaining obligations be recorded as long-term obligations.

General Fixed Assets - Accounting for Governmental Fixed Assets as promulgated by the Division differs in certain respects from GAAP, and requires the inclusion of a statement of general fixed assets as part of the City's basic financial statements.

Fixed assets used in governmental operations (general fixed assets) are accounted for in an account group identified as "General Fixed Assets" and are not included within the records of any fund types. Purchases from these funds for fixed assets are recorded as expenditures within the fund. Public domain (infrastructure) general fixed assets consisting of certain improvements, other than improvements to buildings, such as improvements to roads, bridges, curbs and gutters, streets and sidewalks and drainage systems, are not capitalized. All fixed assets, except land, are valued at historical cost or estimated historical cost if actual historical cost is not available. Expenditures for construction in progress are recorded in the Capital Fund against authorizations under which the project was approved until such time as the construction is completed and put into operation.

The City is required to maintain a subsidiary ledger of detailed records of fixed assets and to provide property management standards to control fixed assets. General fixed assets are defined as non-expendable personal property having a physical existence, a useful life of more than five years and an acquisition cost of \$5,000 or more per unit. The City has developed a fixed assets accounting and reporting system based on an inspection and appraisal prepared by an independent appraisal firm.

Fixed assets acquired through grants in aid or contributed capital have not been accounted for separately.

No depreciation has been provided in the financial statements.

GAAP requires the recording of infrastructure assets and requires capital assets be depreciated over their estimated useful life unless they are either inexhaustible or are infrastructure assets reported using the modified approach.

**THE CITY OF UNION CITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

BASIS OF ACCOUNTING (Continued)

Long-Term Obligations - General long-term debt is recognized as a liability of the General Capital Fund for the full principal amount.

Reserves (Other than Reserve for Receivables) - Reserves, other than reserve for receivables, are considered liabilities, and not as a reservation of fund balance.

Reserves for Receivables – Receivables of the City, with the exception of certain intergovernmental receivables, are offset on the balance sheet with a credit that is created to preserve the revenue recognition basis required by the Division’s accounting policies. The reserve delays the recognition of these revenues until they are received in cash.

Advertising Costs - Advertising costs are charged against the appropriate budget line as they occur. The City does not engage in direct-response advertising.

Sale of Municipal Assets - The proceeds of the sale of municipal assets can be held until made available through a future budget appropriation. GAAP requires such proceeds to be recorded as revenue in the year of sale.

Fund Balance - Fund equity represented on the financial statements consists solely of Fund Balance, which is not further categorized with respect to reservations (portions of fund equity not available for appropriation for expenditure or legally segregated for a specific future use) or designations (plans for future use of financial resources).

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

Cash and Investments - New Jersey governmental units are required to deposit public funds in a public depository. Public depositories are defined by statutes as any state or federally chartered bank, savings bank or an association located in New Jersey or a state or federally chartered bank, savings bank or an association located in another state with a branch office in New Jersey, the deposits of which are insured by the Federal Deposit Insurance Corporation (“FDIC”) and which receives or holds public funds on deposit, but does not include deposits held by the State of New Jersey Cash Management Fund. N.J.S.A. 40A:5-15.1 provides a list of securities which may be purchased by New Jersey municipal units.

**THE CITY OF UNION CITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

BASIS OF ACCOUNTING (Continued)

Cash and Investments (Continued)

The City is also required to annually adopt a cash management plan and to deposit or invest its funds pursuant to the cash management plan. The cash management plan adopted by the City requires it to deposit funds as permitted in N.J.S.A 40:5-15.1, so long as the funds are deposited in public depositories protected 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 and requires all public depositories pledge collateral, having a market value of five percent of the average daily balance of collected public funds, to secure the deposits of governmental units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories in the collateral pool, is available to pay the full amount of their deposits to the governmental units.

Cash Equivalents include certificate of deposits with a maturity date of less than three (3) months.

Also see Note 2 - Cash and Cash Equivalents and Investments.

Budgets and Budgetary Accounting - An annual budget is required to be adopted and integrated into the accounting system to provide budgetary control over revenues and expenditures. Budget amounts presented in the accompanying financial statements represent amounts adopted by the City and approved by the Division in accordance with the Local Budget Law. Budgets are adopted on the same basis of accounting utilized for the preparation of the City's financial statements. The budgetary requirements herein outlined are applicable to only the Current Fund, and not the Trust Fund, Capital Fund or the General Fixed Assets account group. However, statutes require the City to adopt annually a six-year capital plan. This plan allows the governing body to expend or incur obligations for capital purposes only. Such projects under the plan must be adopted through capital ordinance.

The City must adhere to procedures for adoption of its annual budget as established by the Division. These procedures include statutory deadlines of: August 20 for introduction and approval and September 20 for adoption. These dates are subject to extension by the Division by approval of the Local Finance Board. Appropriations within the adopted budget cannot be modified until the final two months of the year at which time transfers between certain line items are allowed. Transfers from appropriations excluded from "CAPS" are prohibited unless they are between debt service appropriations. Under certain circumstances emergency authorizations and insertions of items of revenue and appropriation are allowed by authorization of the governing body, subject to approval of the Division.

**THE CITY OF UNION CITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

BASIS OF ACCOUNTING (Continued)

Budgets and Budgetary Accounting (Continued)

The City must prepare its budgets in compliance with applicable laws capping the amounts by which both the budgeted appropriations and tax levy can be increased. A description of both “CAPS” follows:

1977 Appropriation "CAP": The 1977 Appropriation Cap is calculated using the formulas and provisions of N.J.S.A. 40A:4-45.1 through 4-45.43a. The law was originally adopted in 1976 and was most recently amended in 2003. Under this law, the City is permitted to increase its overall appropriations (with certain exceptions) by 2.5% or the “cost of living adjustment” (COLA), whichever is less. The COLA is calculated based on the traditional Federal government inflation calculation. The City can, when the COLA is less than or equal to 2.5%, increase its allowable inside-the-cap spending to 3.5%, upon passage of a COLA Rate Ordinance.

2010 Levy "CAP": The 2010 Levy Cap is calculated using the formulas and provisions of N.J.S.A 40A:4-45.44 through 45.47. It establishes limits on the increase in the total City amount to be raised by taxation (tax levy). The core of the levy cap formula is a 2% increase to the previous year’s amount to be raised by taxation, net of any applicable cap base adjustments and emergency or special emergency appropriations.

Financial Statements - The GASB Codification also requires the financial statements of a governmental unit presented in the general purpose financial statements to be in accordance with GAAP. The City presents financial statements which are required by the Division and which differ from the financial statements required by GAAP. These financial statements are listed in the table of contents.

Comparative Data - Comparative data for the prior year has been presented in the accompanying balance sheets and statements of operations in order to provide an understanding of changes in the City’s financial position and operations. Comparative data is not presented in all statements because their inclusion would make certain statements unduly complex and difficult to understand.

Reclassifications – Certain reclassifications have been made to the prior year financial statement presentation to correspond to the current year’s format. These reclassifications had no effect on fund balance and changes in fund balance.

Reconciliation of Accounting Basis – As described throughout Note A, substantial differences exist between GAAP and the budgetary basis prescribed by the Division. Reconciliation between the two would not be meaningful or informative and therefore is not provided herein.

**THE CITY OF UNION CITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014**

NOTE 2. CASH AND CASH EQUIVALENTS AND INVESTMENTS

DEPOSITS

All bank deposits and investments as of the balance sheet date are classified as to credit risk. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are:

- (a) Uncollateralized.
- (b) Collateralized with securities held by the pledging financial institution.
- (c) Collateralized with securities held by the pledging financial institution’s trust department or agent but not in the City’s name.

All bank deposits as of the balance sheet date are entirely insured or collateralized by a collateral pool maintained by public depositories as required by the Governmental Unit Deposit Protection Act (“GUDPA”) or are on deposit with the New Jersey Cash Management Fund or the New Jersey Asset & Rebate Management Program (“NJARM”).

Custodial credit risk is the risk that, in the event of a bank failure, the City’s deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. As of June 30, 2015 and 2014, none of the City’s bank balances of \$29,560,425 and \$18,322,032, respectively, was exposed to custodial credit risk.

As of June 30, 2015 and 2014, the City’s deposits and investments are summarized as follows:

	<u>2015</u>	<u>2014</u>
Insured - FDIC	\$ 621,161	\$ 839,847
Insured - GUDPA	27,614,475	16,157,828
NJARM	867,569	867,429
NJ Cash Management Fund	<u>457,220</u>	<u>456,928</u>
Total	<u>\$ 29,560,425</u>	<u>\$ 18,322,032</u>

**THE CITY OF UNION CITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014**

NOTE 2. CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

INVESTMENTS

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

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

As of June 30, 2015 and 2014, the City's investments are recorded in the financial statements and have been recorded at the carrying amount. The difference between the carrying amount and market value is not material to the financial statements.

Interest Rate Risk

The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentration of Credit Risk

The City places no limit on the amount the City may invest in any one issuer. The City only deposits funds in money market funds, the NJ Cash Management Fund, or the NJARM Program.

**THE CITY OF UNION CITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014**

NOTE 2. CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

INVESTMENTS (Continued)

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if they are uninsured, are not registered in the City's name, and are held by either:

- a. The counterparty or
- b. The counterparty's trust department or agent but not in the City's name

Foreign currency risk is the risk that changes in exchange rates will adversely affect investments. The City does not have investments denominated in foreign currency.

At June 30, 2015 the City's investments were not exposed to custodial credit risk or foreign currency risk.

GASB Statement No. 40 requires that the City disclose the credit rating of all debt security investments except for obligations of the U.S. government or investments guaranteed by the U.S. government. The City is exempt from this requirement because all its investments at June 30, 2015 are invested in money market funds, the NJ Cash Management Fund, or the NJARM Program.

New Jersey Cash Management Fund

All investments in the New Jersey Cash Management 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. The City does not own specific identifiable securities, but instead has a net realizable interest in the joint value of the fund. As of June 30, 2015 and 2014, the City had a balance of \$457,220 and \$456,928, respectively, in the New Jersey Cash Management Fund.

**THE CITY OF UNION CITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014**

NOTE 2. CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

INVESTMENTS (Continued)

NJARM Program

The NJARM Program is a financial services organization created and run exclusively for New Jersey municipalities, authorities, schools and other local and regional governmental type entities. The Program was designed to help achieve excellence in the governmental unit's investment program. Created as a joint trust investment under the Interlocal Services Act, NJARM provides participants with investment and arbitrage rebate compliance services for both bond proceeds and general operating funds. The program is a means for local governments in the State to invest collectively the proceeds of taxable and tax-exempt borrowings and other funds on hand. As of June 30, 2015 and 2014, the City has a balance of \$867,569 and \$867,429, respectively, in the NJARM Program.

NOTE 3. TAXES RECEIVABLE, TAX TITLE LIENS

In accordance with the accounting principles prescribed by the State of New Jersey, taxes receivable and tax title liens are realized as revenue when collected. Since delinquent taxes and liens are fully reserved, no provision has been made to estimate that portion of the taxes receivable and tax title liens that are uncollectible.

During fiscal year ended June 30, 2015 the City collected \$89,519 from delinquent taxes which represented 47.83% of the delinquent balances at June 30, 2014. For the fiscal year ended June 30, 2014, the City collected \$268,190 from delinquent taxes which represented 44.26% of the delinquent balances at June 30, 2013.

NOTE 4. PROPERTY TAX CALENDAR

Property tax revenues are collected in quarterly installments due August 1, November 1, February 1, and May 1. Property taxes unpaid on October 1 of the fiscal year following their final due date are subject to tax sale in accordance with the statutes. The amount of tax levied includes not only the amount required in support of the City's annual budget, but also the amounts required in support of the budget of the entities that follow. Receivables for property taxes are recorded with offsetting reserves on the balance sheet of the City's Current Fund; accordingly, such amounts are not recorded as revenue until collected. GAAP requires such revenue to be recognized when they are available and measurable, reduced by an allowance for doubtful accounts.

**THE CITY OF UNION CITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014**

NOTE 4. PROPERTY TAX CALENDAR (Continued)

School Taxes

The City is responsible for levying, collecting and remitting school taxes for the Union City Board of Education. Operations are charged for the full amount required to be raised from taxation to operate the local school district for the period from July 1 to June 30.

County Taxes

The City is responsible for levying, collecting and remitting county taxes for the County of Hudson. Operations is charged for the amount due the County for the year, based upon the ratables required to be certified to the County Board of Taxation by January 10 of the current year. In addition, Operations is charged for the County share of Added and Omitted Taxes certified to the County Board of Taxation by October 10 of the current year and due to be paid to the County by February 15 of the following year.

Prepaid Taxes

Taxes collected in advance are recorded as cash liabilities in the financial statements. As of June 30, 2015 and 2014, the City's prepaid taxes were \$170,629 and \$93,263, respectively.

NOTE 5. LONG-TERM DEBT

SUMMARY OF MUNICIPAL DEBT

The Local Bond Law, N.J.S.A. 40A:2, governs the issuance of bonds to finance general municipal capital expenditures. All bonds are retired in annual installments within the statutory period of usefulness. All bonds issued by the City are general obligation bonds, backed by the full faith and credit of the City. Bond Anticipation Notes, which are issued to temporarily finance capital projects, shall mature and be paid off within ten years of original date financed by the issuance of bonds.

**THE CITY OF UNION CITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014**

NOTE 5. LONG-TERM DEBT (Continued)

SUMMARY OF MUNICIPAL DEBT (Continued)

The following is a summary of changes in long-term debt for the year ended June 30, 2015:

	Balance June 30, 2014	Bonds and Notes			Balance June 30, 2015
		Authorized	Issued/ (Unissued)	Paid	
General Bonds and Notes	\$ 64,979,892	\$ -	\$ 36,987,000	\$23,410,108	\$ 78,556,784
Bonds Issued by Another					
Public Body and Guaranteed					
by Municipalities	1,793,700	-	-	189,590	1,604,110
Green Acres Loans	1,635,769	-	-	145,564	1,490,205
HCIA Capital Leases	10,879,619	-	-	744,263	10,135,356
Authorized but Not Issued	7,853,824	35,000,000	(17,360,000)	-	25,493,824
Total	<u>\$ 87,142,804</u>	<u>\$35,000,000</u>	<u>\$ 19,627,000</u>	<u>\$24,489,525</u>	<u>\$117,280,279</u>

The repayment schedule of annual debt service principal and interest for the next five years, and five-year increments there-after, for bonded debt issued and outstanding as of June 30, 2015 is as follows:

Fiscal Year Ending	General Bonds		HCIA Lease		Green Acres Trust Fund Loans	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 2,521,251	\$ 2,922,956	\$ 791,092	\$ 596,659	\$ 161,064	\$ 29,003
2017	2,455,108	2,940,130	924,893	548,558	154,513	25,813
2018	2,088,425	3,299,569	995,138	493,075	78,550	23,101
2019	3,760,000	1,645,907	1,050,329	433,283	69,218	21,577
2020	3,945,000	1,454,657	1,125,593	369,879	70,610	20,186
2021-2025	18,140,000	4,442,360	5,248,308	744,396	374,924	79,061
2026-2030	4,190,000	2,269,063	-	-	414,147	39,836
2031-2034	4,470,000	583,437	-	-	167,179	6,659

**THE CITY OF UNION CITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014**

NOTE 5. LONG-TERM DEBT (Continued)

SUMMARY OF STATUTORY DEBT CONDITION - ANNUAL DEBT STATEMENT

This summarized statement of debt condition which is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of 3.11%. The Equalized Valuation Basis of the City at June 30, 2015 is \$3,062,490,245.

	Gross Debt	Deductions	Net Debt
General Debt	\$ 107,144,923	\$ 11,910,000	\$ 95,234,923

BORROWING POWER UNDER N.J.S.A. 40A:2-6 AS AMENDED

3-1/2% of Equalized Valuation Basis	\$ 107,187,159
Net Debt	95,234,923
Remaining Borrowing Power	\$ 11,952,236

**THE CITY OF UNION CITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014**

NOTE 5. LONG-TERM DEBT (Continued)

GENERAL SERIAL BONDS PAYABLE

The city issues bonds to fund various capital projects. Bonds Payable consists of the following:

<u>Fiscal Year Ending</u>	<u>Total Payments</u>	<u>ERI Pension Bonds Principal</u>	<u>2007 Refunding Issue Principal</u>
2016	\$ 2,521,250	\$ 725,000	\$ 1,796,250
2017	2,455,109	825,000	1,630,109
2018	2,088,425	15,000	2,073,425
2019	3,760,000	30,000	3,730,000
2020	3,945,000	100,000	3,845,000
2021	4,150,000	165,000	3,985,000
2022	4,350,000	225,000	4,125,000
2023	4,540,000	315,000	4,225,000
2024	4,625,000	375,000	4,250,000
2025	475,000	475,000	-
2026	575,000	575,000	-
2027	690,000	690,000	-
2028	825,000	825,000	-
2029	975,000	975,000	-
2030	1,125,000	1,125,000	-
2031	1,300,000	1,300,000	-
2032	1,475,000	1,475,000	-
2033	1,695,000	1,695,000	-
	<u>\$ 41,569,784</u>	<u>\$ 11,910,000</u>	<u>\$ 29,659,784</u>

The 2007 Refunding Issue Bonds refunded \$8,690,000 of the City's outstanding obligations securing bonds issued by the Hudson County Improvement Authority; \$15,506,000 of the 2006 General Improvement Bonds; \$3,510,000 of the 1997 Refunding Issue; and \$1,430,000 of the ERI Pension Bonds.

**THE CITY OF UNION CITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014**

NOTE 5. LONG-TERM DEBT (Continued)

LOANS AND CAPITAL LEASES PAYABLE

The city receives loans and capital leases in order to fund various capital projects. Loans and Capital Leases Payable consisted of the following:

Fiscal Year Ending	Green Acres Loans Principal	Hudson County Improvement Authority Lease Payments			
		Total Payments	Cost of Facilities NHRFR Series 2004 Principal	2011 A&B Fire Dept. Assets Principal	N. Hudson Reg. Fire & Rescue Series 2006A&B Principal
2016	\$ 161,064	\$ 791,093	\$ 267,600	\$ 165,578	\$ 357,915
2017	154,513	924,893	367,950	173,940	383,003
2018	78,550	995,138	401,400	182,303	411,435
2019	69,218	1,050,330	418,125	190,665	441,540
2020	70,610	1,125,593	451,575	200,700	473,318
2021	72,030	1,184,131	468,300	209,063	506,768
2022	73,479	1,264,410	501,750	219,097	543,563
2023	74,955	1,348,036	535,200	229,133	583,703
2024	76,462	1,451,732	585,375	240,841	625,516
2025	77,997	-	-	-	-
2026	79,566	-	-	-	-
2027	81,165	-	-	-	-
2028	82,797	-	-	-	-
2029	84,461	-	-	-	-
2030	86,158	-	-	-	-
2031	60,840	-	-	-	-
2032	34,743	-	-	-	-
2033	35,441	-	-	-	-
2034	36,155	-	-	-	-
	<u>\$1,490,204</u>	<u>\$10,135,356</u>	<u>\$ 3,997,275</u>	<u>\$1,811,320</u>	<u>\$ 4,326,761</u>

**THE CITY OF UNION CITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014**

NOTE 5. LONG-TERM DEBT (Continued)

NOTES PAYABLE

The term of bond anticipation notes cannot exceed one year, but the notes may be renewed from time to time for a period not exceeding one year. All such notes must be paid or permanently financed no later than the tenth anniversary of the date of the original note. The State of New Jersey also prescribes that on or before the third anniversary date of the original note and through to the tenth anniversary date, a payment of an amount at least equal to the first legally payable installment of the bonds in anticipation of which such notes were issued, be paid or retired.

SCHOOL DISTRICT

At June 30, 2015 and 2014, the amount of authorized and unissued school indebtedness was \$0 each year.

NOTE 6. FUND BALANCE APPROPRIATED

Fund balances at June 30, 2014 and 2013, respectively, which were appropriated and included as anticipated revenue in their own respective funds for the years ending June 30, 2015 and 2014 budgets, respectively, were \$0 and \$0. Fund balance at June 30, 2015 of \$1,357,173 is included as anticipated revenue in the June 30, 2016 budget.

NOTE 7. RETIREMENT SYSTEMS AND DEFERRED COMPENSATION

STATE-MANAGED PENSION PLANS

Substantially all full-time City employees participate in the Public Employees Retirement System (PERS) and the Police and Firemen's Retirement System of NJ (PFRS). The PERS and PFRS systems are cost-sharing multiple-employer contributory defined benefit retirement systems sponsored and administered by the State of New Jersey, Department of Treasury, Division of Pensions and Benefits.

The PERS was established in January 1955 under provisions of N.J.S.A. 43:15A and provides coverage to substantially all full time employees of the City provided the employee is not a member of another State administered retirement system. Membership is mandatory for such employees and vesting occurs after 8 to 10 years of service

The PFRS was established in July 1944, under the provisions of N.J.S.A. 43:16A to provide coverage to substantially all full time county and municipal police or firemen and state firemen appointed after June 30, 1944. Membership is mandatory for such employees with vesting occurring after 10 years of membership.

**THE CITY OF UNION CITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014**

NOTE 7. RETIREMENT SYSTEMS AND DEFERRED COMPENSATION (Continued)

STATE-MANAGED PENSION PLANS (Continued)

The cost of living increase for PERS and PFRS are funded directly by each of the respective systems, but are currently suspended as a result of reform legislation.

According to state law, all obligations of PERS and PFRS will be assumed by the State of New Jersey should the PERS and PFRS be terminated. The State of New Jersey, Department of Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of the PERS and PFRS. The financial reports may be accessed via the New Jersey Division of Pensions and Benefits website at www.state.nj.us/treasury/pensions.

Significant Legislation

P.L. 2011, c. 78, effective June 28, 2011, made various changes to the manner in which PERS and PFRS operate and to the benefit provisions of those systems.

Chapter 78's provisions impacting employee pension and health benefits include:

- For new members of PERS hired on or after June 28, 2011 (Tier 5 members), the years of creditable service needed for early retirement benefits increased from 25 to 30 years and the early retirement age from age 55 to 65 for Tier 5 members.
- The eligible age to qualify for a service retirement in the PERS increased from age 62 to 65 for Tier 5 members.
- The annual benefit under special retirement for new PFRS members enrolled after June 28, 2011 (Tier 3 members), decreased from 65 percent of final compensation to 60 percent of final compensation after 25 years of service and from 70 percent of final compensation to 65 percent final compensation after 30 or more years of service.
- It increases in active member contribution rates for PERS active members from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years; For fiscal year 2012, the member contribution rates will increase in October 2011. The phase-in of the additional incremental member contribution rates for PERS members will take place in July of each subsequent fiscal year.
- The payment of automatic cost-of-living adjustment (COLA) additional increases to current and future retirees and beneficiaries is suspended until reactivated as permitted by this law.

**THE CITY OF UNION CITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014**

NOTE 7. RETIREMENT SYSTEMS AND DEFERRED COMPENSATION (Continued)

STATE-MANAGED PENSION PLANS (Continued)

- New employee contribution requirements towards the cost of employer-provided health benefit coverage. Employees are required to contribute a certain percentage of the cost of coverage. The rate of contribution is determined based on the employee's annual salary and the selected level of coverage. The increased employee contributions will be phased in over a 4-year period for those employed prior to Chapter 78's effective date with a minimum contribution required to be at least 1.5% of salary.
- In addition, this new legislation changes the method for amortizing the pension systems' unfunded accrued liability (from a level percent of pay method to a level dollar of pay).

Contribution Requirements – PERS

The contribution policy is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. Members contribute at a uniform rate. The full normal employee contribution rate became 5.5% of annual compensation, effective July 1, 2007 for most PERS state employees and effective July 1, 2008 for PERS local employees, based on Chapter 103, P.L. 2007. The rate for members who are eligible for the Prosecutors Part of PERS (Chapter 366, P.L. 2001) is 8.5% of base salary effective July 1, 2008. 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 fiscal year 2013. The rate for members who are eligible for the Prosecutors Part of PERS (Chapter 366, P.L. 2001) increased from 8.5% of base salary to 10%. For fiscal year 2012, the member contribution rate increased in October 2011. The phase-in of the additional incremental member contribution rate will take place in July of each subsequent fiscal year. Employers' contribution amounts are based on an actuarially determined rate. The annual employer contributions include funding for basic retirement allowances, cost-of-living adjustments, and non-contributory death benefits.

Chapter 19, P.L. 2009, effective March 17, 2009, provided an option for local employers to contribute 50% of the normal and accrued liability contribution amounts certified by PERS for payments due in State fiscal year 2009. This law also provided that a local employer may pay 100% of the required contribution. Such an employer will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries for PERS will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the State fiscal year ending June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets.

**THE CITY OF UNION CITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014**

NOTE 7. RETIREMENT SYSTEMS AND DEFERRED COMPENSATION (Continued)

STATE-MANAGED PENSION PLANS (Continued)

Contribution Requirements – PERS (Continued)

The City and employees' contributions to PERS normal pension, non-contributory group life insurance (NCGI) and early retirement incentive (ERI) for the past three years were as follows:

Three-Year Trend Information

Public Employees Retirement System (PERS)						
City Contribution						
Year Ended June 30,	Pension			Non- Contributory	Early Retirement	Employee Contributions
	Amount	Percentage of Covered Payroll	Deferral	Life Insurane	Incentive	
2015	\$ 1,304,210	13.01%	\$ 64,275	\$ 69,802	\$ 139,545	\$ 693,888
2014	1,249,089	13.20%	62,831	17,503	139,545	646,434
2013	1,145,652	9.95%	61,009	68,186	139,768	638,848

PERS Pension Liabilities and Pension Expense Related to Pensions:

At June 30, 2015 the City's net pension liability for PERS was \$26,895,416.

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2014, the City's PERS proportion was .1436511061%, which was an increase of .00473387% from its proportion measured as of June 30, 2013.

**THE CITY OF UNION CITY
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014**

NOTE 7. RETIREMENT SYSTEMS AND DEFERRED COMPENSATION (Continued)

STATE-MANAGED PENSION PLANS (Continued)

PERS Pension Liabilities and Pension Expense Related to Pensions: (Continued)

Actuarial Assumptions

The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of July 1, 2013, which was rolled forward to June 30, 2014. The total pension liability for the June 30, 2013 measurement date was determined by an actuarial valuation as of July 1, 2013. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation rate	3.01%
Salary increases: 2012-2021	2.15 – 4.40%
Thereafter	3.15 5.40% Based on age
Investment rate of return	7.90%

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for females) with adjustments for mortality improvements from the base year of 2012 based on Projections Scale AA. The actuarial assumptions used in the July 1, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011.

Long-Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in PERS’s target asset allocation as of June 30, 2014 are summarized in the following table:

**THE CITY OF UNION CITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014**

NOTE 7. RETIREMENT SYSTEMS AND DEFERRED COMPENSATION (Continued)

STATE-MANAGED PENSION PLANS (Continued)

PERS Pension Liabilities and Pension Expense Related to Pensions: (Continued)

Long-Term Expected Rate of Return (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	6.00%	0.80%
Core Bonds	1.00%	2.49%
Intermediate-Term Bonds	11.20%	2.26%
Mortgages	2.50%	2.17%
High Yield Bonds	5.50%	4.82%
Inflation-Indexed Bonds	2.5%	3.51%
Broad US Equities	25.90%	8.22%
Developed Foreign Equities	12.70%	8.12%
Emerging Market Equities	6.50%	9.91%
Private Equity	8.25%	13.02%
Hedge Funds / Absolute Return	12.25%	4.92%
Real Estate (Property)	3.20%	5.80%
Commodities	2.50%	5.35%

Discount Rate

The discount rate used to measure the total pension liability was 5.39% and 5.55% as of June 30, 2014 and 2013, respectively. This single blend discount rate was based on the long-term expected rate of return on pension plan investments of 7.9%, and a municipal bond rate of 4.29% and 4.63% as of June 30, 2014 and 2013, respectively, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made based on the average of the last five years of condition made in relation to the last five years of recommended contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

**THE CITY OF UNION CITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014**

NOTE 7. RETIREMENT SYSTEMS AND DEFERRED COMPENSATION (Continued)

STATE-MANAGED PENSION PLANS (Continued)

PERS Pension Liabilities and Pension Expense Related to Pensions: (Continued)

Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate.

The following presents the City's proportionate share of the net pension liability as of June 30, 2014, 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:

	<u>1% Decrease (4.39%)</u>	<u>Current Discount Rate (5.39%)</u>	<u>1% Increase (6.39%)</u>
City's proportionate share of PERS net pension liability	\$ 31,766,615	\$ 26,895,416	\$ 22,810,168

Pension Plan fiduciary net position

Detailed information about the pension plans' fiduciary net position are available in the separately issued financial reports. These reports may be accessed via the New Jersey Division of Pension and Benefits website at www.state.nj.us/treasury/pensions.

Contribution Requirements – PFRS

The contribution policy is set by N.J.S.A. 43:16A and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. Employers' contribution amounts are based on an actuarially determined rate. The annual employer contributions include funding for basic retirement allowances, cost-of-living adjustments, and non-contributory death benefits. Members contribute at a uniform rate of 8.5% of base salary. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased from 8.5% to 10% in October 2011.

**THE CITY OF UNION CITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014**

NOTE 7. RETIREMENT SYSTEMS AND DEFERRED COMPENSATION (Continued)

STATE-MANAGED PENSION PLANS (Continued)

Contribution Requirements – PFRS (Continued)

Chapter 19, P.L. 2009, effective March 17, 2009, provided an option for local employers to contribute 50% of the normal and accrued liability contribution amounts certified by PFRS for payments due in State fiscal year 2009. This law also provided that a local employer may pay 100% of the required contribution. Such an employer will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries for PFRS will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the State fiscal year ending June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets.

The City and employees' contributions to PFRS normal pension, NCGI and ERI for the past three years were as follows:

Three-Year Trend Information

Police and Firemen's Retirement System (PFRS)						
City Contribution						
Year Ended June 30,	Pension			Non-	Early	Employee
	Amount	Percentage of Covered Payroll	Deferral	Contributory Life Insurance	Retirement Incentive	Contributions
2015	\$ 4,161,543	25.70%	\$ 291,178	\$ 172,132	\$ 32,953	\$ 1,619,408
2014	4,460,504	28.20%	285,489	152,303	31,994	1,644,713
2013	4,159,235	23.00%	278,086	171,772	30,789	1,537,230

PFRS Pension Liabilities and Pension Expense Related to Pensions:

At June 30, 2015 the City's net pension liability for PFRS was \$62,847,322.

**THE CITY OF UNION CITY
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014**

NOTE 7. RETIREMENT SYSTEMS AND DEFERRED COMPENSATION (Continued)

STATE-MANAGED PENSION PLANS (Continued)

PFRS Pension Liabilities and Pension Expense Related to Pensions: (Continued)

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2014, the City's PFRS proportion was .4996180897%, which was an decrease of .0682475042% from its proportion measured as of June 30, 2013.

Actuarial Assumptions

The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of July 1, 2013, which was rolled forward to June 30, 2014. The total pension liability for the June 30, 2013 measurement date was determined by an actuarial valuation as of July 1, 2013. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation rate	3.01%
Salary increases: 2012-2021	3.95 – 8.62%
Thereafter	4.95 – 9.62% Based on age
Investment rate of return	7.90%

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables with adjustments for mortality improvements from the base year of 2011 based on Projections Scale AA. The actuarial assumptions used in the July 1, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2007 to June 30, 2010.

**THE CITY OF UNION CITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014**

NOTE 7. RETIREMENT SYSTEMS AND DEFERRED COMPENSATION (Continued)

STATE-MANAGED PENSION PLANS (Continued)

PFRS Pension Liabilities and Pension Expense Related to Pensions: (Continued)

Long-Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2014 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	6.00%	0.80%
Core Bonds	1.00%	2.49%
Intermediate-Term Bonds	11.20%	2.26%
Mortgages	2.50%	2.17%
High Yield Bonds	5.50%	4.82%
Inflation-Indexed Bonds	2.5%	3.51%
Broad US Equities	25.90%	8.22%
Developed Foreign Equities	12.70%	8.12%
Emerging Market Equities	6.50%	9.91%
Private Equity	8.25%	13.02%
Hedge Funds / Absolute Return	12.25%	4.92%
Real Estate (Property)	3.20%	5.80%
Commodities	2.50%	5.35%

Discount Rate

The discount rate used to measure the total pension liability was 6.32% and 6.45% as of June 30, 2014 and 2013, respectively. This single blend discount rate was based on the long-term expected rate of return on pension plan investments of 7.9%, and a municipal bond rate of 4.29% and 4.63% as of June 30, 2014 and 2013, respectively, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made

**THE CITY OF UNION CITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014**

NOTE 7. RETIREMENT SYSTEMS AND DEFERRED COMPENSATION (Continued)

STATE-MANAGED PENSION PLANS (Continued)

PFRS Pension Liabilities and Pension Expense Related to Pensions: (Continued)

Discount Rate (Continued)

based on the average of the last five years of contributions made in relation to the last five years of actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2045. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2045, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate.

The following presents the City's proportionate share of the net pension liability as of June 30, 2014, 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:

	<u>1% Decrease (5.32%)</u>	<u>Current Discount Rate (6.32%)</u>	<u>1% Increase (7.32%)</u>
City's proportionate share of PERS net pension liability	\$82,924,106	\$62,847,322	\$46,262,432

Pension Plan fiduciary net position

Detailed information about the pension plans' fiduciary net position are available in the separately issued financial reports. These reports may be accessed via the New Jersey Division of Pension and Benefits website at www.state.nj.us/treasury/pensions.

**THE CITY OF UNION CITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014**

NOTE 7. RETIREMENT SYSTEMS AND DEFERRED COMPENSATION (Continued)

STATE-MANAGED PENSION PLANS (Continued)

Vesting and Benefit Provisions – PERS

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

For Tier 1 members, retirement benefits for age and service are available at age 60 and are generally determined to be 1/55 of final average salary for each year of service credit, as defined. Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek early retirement after achieving 25 years of service credit, as defined, or they may elect deferred retirement after achieving eight to ten years of service credit, in which case benefits would begin the first day of the month after the member attains normal retirement age.

Members are always fully vested for their own contributions and, after three years of service credit, become vested for earnings on their contributions at 2% per annum. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

Eligible retirees receiving monthly benefits are entitled to cost-of-living adjustment (COLA) increases equal to 60% of the change in the average consumer price index for the calendar year in which the pensioner retired, as compared to the average consumer price index for a 12-month period ending with each August 31st immediately preceding the year in which the adjustment becomes payable. The regular retirement allowance is multiplied by the 60% factor as developed and results in the dollar amount of the adjustment payable. Retired members become eligible for pension adjustment benefits after 24 months of retirement. The COLA increases are funded by the retirement system and are included in the annual actuarial calculations of the required state and state-related employer contributions. Pursuant to the provisions of Chapter 78, P.L. 2011, COLA increases are suspended for all current and future retirees of all retirement systems. No further COLA increases will be granted. The law does not reduce any COLA increases that have already been added to retiree benefits.

**THE CITY OF UNION CITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014**

NOTE 7. RETIREMENT SYSTEMS AND DEFERRED COMPENSATION (Continued)

STATE-MANAGED PENSION PLANS (Continued)

Vesting and Benefit Provisions – PERS (Continued)

Chapter 103, P.L. 2007 amended the early retirement reduction formula for members hired on or after July 1, 2007 and prior to November 2, 2008 (Tier 2 members) and retiring with 25 years of service to be reduced by 1% for every year between age 55 and 60, plus 3% for every year under age 55. Also, this law provided that the amount of compensation for Tier 2 members used for employer and member contributions and benefits under the PERS cannot exceed the annual maximum wage contribution base for Social Security, pursuant to the Federal Insurance Contributions Act.

Chapter 89, P.L. 2008 increased the PERS eligibility age for unreduced benefits from age 60 to age 62 for members hired on or after November 1, 2008 and on or before May 21, 2010 (Tier 3 members). It also increased the minimum annual compensation required for membership eligibility for new Tier 3 members from \$1,500 to \$7,500 in addition to amending the early retirement reduction formula for Tier 3 members retiring with 25 years of service to 1% for every year between age 55 and 62, plus 3% for every year under age 55.

Chapter 1, P.L. 2010, effective May 21, 2010, changed the membership eligibility criteria for new members of PERS hired after May 21, 2010 (Tier 4 and Tier 5 members) from the amount of annual compensation to the number of hours worked weekly. Also, it returned the benefit multiplier for these members of PERS to 1/60 from 1/55, and it provided that the retirement allowance for these members be calculated using the average annual compensation for the last five years of service instead of the last three years of service. Tier 4 and Tier 5 members of PERS no longer receive pension service credit from more than one employer. Pension service credit is earned for the highest paid position only. This law also closed the Prosecutors Part of the PERS to new members.

Chapter 3, P.L. 2010, effective May 21, 2010, replaced the accidental and ordinary disability retirement for Tier 4 and Tier 5 members of the PERS with disability insurance coverage similar to that provided by the State to individuals enrolled in the State's Defined Contribution Retirement Program.

Chapter 78, P.L. 2011, provides that new members of PERS hired on or after June 28, 2011 (Tier 5 members) need 30 years of creditable service and age 65 for receipt of the early retirement benefit without a reduction of $\frac{1}{4}$ of 1% for each month that the member is under age 65. Tier 5 members are eligible for a service retirement benefit at age 65.

**THE CITY OF UNION CITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014**

NOTE 7. RETIREMENT SYSTEMS AND DEFERRED COMPENSATION (Continued)

STATE-MANAGED PENSION PLANS (Continued)

Vesting and Benefit Provisions – PFRS

The vesting and benefit provisions are set by N.J.S.A. 43:16A and 43:3B. The PFRS provides retirement as well as death and disability benefits. All benefits vest after ten years of service, except disability benefits which vest after four years of service. Retirement benefits for age and service 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. Final compensation equals the compensation for the final year of service prior to retirement. Members may seek special retirement after achieving 25 years of creditable service or they may elect deferred retirement 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. The annual benefit under special retirement is 65% of the member's final compensation plus 1% for each year of creditable service over 25 years but not to exceed 30 years. The maximum allowance is therefore 70% of final compensation. Pursuant to the provisions of Chapter 78, P.L. 2011, the annual benefit under special retirement for members enrolled after June 28, 2011 (Tier 3 members), is 60% of the member's final compensation plus 1% for each year of creditable service over 25 years but not to exceed 30 years. The maximum allowance is therefore 65% of final compensation.

Widow/widowers of members retired since December 18, 1967 receive 50% of the retiree's final compensation. The minimum annual widow/widower's benefits of an accidental disability retiree prior to December 18, 1967 and of all retirees since December 18, 1967 is \$4,500.

Members are always fully vested for their own contributions. In the case of death before retirement, members' beneficiaries are entitled to full payment of members' contributions providing no survivor death benefits are payable.

Eligible retirees receiving monthly benefits are entitled to cost-of-living adjustment (COLA) increases equal to 60% of the change in the average consumer price index for the calendar year in which the pensioner retired, as compared to the average consumer price index for a 12-month period ending with each August 31st immediately preceding the year in which the adjustment becomes payable. The regular retirement allowance is multiplied by the 60% factor as developed and results in the dollar amount of the adjustment payable. Retired members become eligible for pension adjustment benefits after 24 months of retirement. The COLA increases are funded by the retirement system and are included in the annual actuarial calculations of the required state and state-related employer contributions. Pursuant to the provisions of Chapter 78, P.L. 2011, COLA increases are suspended for all current and future retirees of all retirement systems. No further COLA increases will be granted. The law does not reduce any COLA increases that have already been added to retiree benefits.

**THE CITY OF UNION CITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014**

NOTE 7. RETIREMENT SYSTEMS AND DEFERRED COMPENSATION (Continued)

STATE-MANAGED PENSION PLANS (Continued)

Vesting and Benefit Provisions – PFRS (Continued)

Pursuant to Chapter 1, P.L. 2010, for new members of PFRS hired after May 21, 2010 (Tier 2 members), this law capped the maximum compensation that can be used to calculate a pension from these plans at the annual wage contribution base for Social Security, and required the pension to be calculated using a three year average annual compensation instead of the last year's salary.

DEFINED CONTRIBUTION RETIREMENT PROGRAM

The Defined Contribution Retirement Program (the "DCRP"), was established July 1, 2007, under the provisions of Chapters 92 and 103, P.L. 2007. Individuals eligible for membership in the DCRP include local officials who are elected or appointed on or after July 1, 2007; and employees enrolled in the PERS on or after July 1, 2007 who earn in excess established "maximum compensation" limits.

A local elected official is any individual who holds elected public office. Officials elected on or after July 1, 2007 will only be enrolled in DCRP. Elected officials already enrolled in PERS prior to July 1, 2007 based on elected office will remain a PERS member while serving that same elected office. Any break in service or election to a different elected office will automatically enroll the elected official in DCRP. If a retired member of another State-administered retirement system is elected to office, that elected official can choose to either continue receiving retirement benefits from the former employment or suspend such benefits and participate in DCRP.

A local appointed official is any individual appointed by the governor, including those requiring advice and consent of the Senate, or an individual appointed in a similar manner by the governing body of a local public entity. On or after July 1, 2007, a newly appointed official who does not have an existing PERS account will only be enrolled in the DCRP. Appointed officials already enrolled in PERS prior to July 1, 2007 will remain a PERS member while serving that same appointed office.

An appointed official is permitted to join or remain in PERS if that appointed official holds a professional license or certificate to perform and is serving in any of the following capacities: Certified Health Officer, Tax Collector, Chief Financial Officer, Construction Code Official, Qualified Purchasing Agent, Tax Assessor, Municipal Planner, Registered Municipal Clerk, Licensed Uniform Subcode Inspector Principal/Certified Public Works Manager.

**THE CITY OF UNION CITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014**

NOTE 7. RETIREMENT SYSTEMS AND DEFERRED COMPENSATION (Continued)

DEFINED CONTRIBUTION RETIREMENT PROGRAM (Continued)

Additional minimum DCRP eligibility criteria for a newly elected or appointed official are the same as for a PERS position. However, in the case of DCRP, eligible officials can irrevocable waiver their participation when earning less than \$5,000 annually. Eligible PERS members are enrolled in the DCRP when annual salary exceeds the maximum compensation limit. This may occur upon enrollment into the PERS when an annual base salary is reported on the enrollment application that will exceed the maximum compensation; or when a PERS member's annual salary is increased to where it will exceed the maximum compensation and it is reported by the employer to the Division of Pensions and benefits.

Enrolled members contribute 5.5% of the base salary to a tax-deferred investment account established with Prudential Financial, which administers the DCRP for the Division of Pensions and Benefits. Members enrolled due to income levels in excess of maximum compensation limits only contribute based on that amount in excess. Member contributions are matched by a 3% employer contribution.

Newly eligible and enrolled members that have existing DCRP accounts or are active or vested members of another State-administered retirement system are immediately vested in DCRP. Conversely, those officials not qualifying for immediate vesting in DCRP will become fully vested upon commencement of their third year of membership. In such case there is no eligible third year of membership, all employee and employer contributions will be refunded to the appropriate contributing parties.

DCRP members may elect to receive all or a portion of the account in a lump-sum distribution, or as a fixed term or life annuity. There is no minimum retirement age under the DCRP. Any distributions of mandatory contributions will automatically render the member retired. Lump-sum cash distributions to members under the age of 55 are limited to the member's contributions and earnings. Employer matching contributions and earnings are only available after the age of 55. A member may begin collecting an annuity or take a cash distribution at any time after termination of employment, but will no longer be eligible to participate in any State-administered retirement system upon a return to public employment in New Jersey.

DCRP members are covered by employer-paid life insurance, payable to their designated beneficiaries, in the amount of 1½ times the annual base salary on which DCRP contributions were based. This benefit continues for up to two years if on an approved leave of absence without pay for personal illness. Life insurance may also be available to members upon retirement at an amount reduced to 3/16 of the annual base salary on which DCRP contributions were based who qualify by being 60 or older with 10 years of participation in DCRP or any age with 25 years of participation. In the case of members enrolled due to

**THE CITY OF UNION CITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014**

NOTE 7. RETIREMENT SYSTEMS AND DEFERRED COMPENSATION (Continued)

DEFINED CONTRIBUTION RETIREMENT PROGRAM (Continued)

income levels in excess of maximum compensation limits, years of participation in either scenario would also include participation in PERS.

DCRP members are eligible employer-paid long-term disability coverage after one year of participation. Eligibility occurs after six consecutive months of total disability. Members would receive a regular monthly income benefit up to 60% of the base salary on which DCRP contributions were based during the 12 months preceding the onset of the disability, offset by any other periodic benefit the member may be receiving. Benefits will be paid so long the member remains disabled or until the age of 70. Benefits terminate should the member begin receiving retirement annuity payments. As of June 30, 2015, the City has 238 employees who were DCRP Members.

NOTE 8. COMPENSATED ABSENCES

Under the existing union contracts and policy of the City, certain employees are allowed to accumulate unused vacation and sick pay over the life of their working careers. In addition, certain employees are also entitled to accrue 7.5 terminal leave days for every year of service. These compensated absences and terminal leave may be taken as time off or paid at a later date and at an agreed upon rate. The accumulated cost of such unpaid compensation is not required to be reported in the financial statements as presented. The City appropriates, annually, the amounts required to be paid in any fiscal year in that year's budget and no liability is accrued at June 30, 2015 and 2014.

As of June 30, 2015 and 2014 the total accumulated compensated absence liability was \$4,057,415 and \$6,154,336, respectively. In addition, as of June 30, 2015 and 2014 the terminal leave liability was \$2,652,068 and \$3,410,841.

NOTE 9. TAX APPEALS

There are several tax appeals filed with the State Tax Court of New Jersey and the Hudson County Board of Taxation requesting a reduction of assessments for various years. Any reduction in assessed valuation will result in a refund of prior years' taxes in the year of settlement, which may be funded from current tax revenues through the establishment of a reserve or by the issuance of refunding bonds per N.J.S.A. 40A:2-51.

**THE CITY OF UNION CITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014**

NOTE 10. TRANSITIONAL AID CONDITIONS

The City receives a substantial amount of financial support from the State of New Jersey in the form of Transitional Aid to Localities (Transitional Aid). P.L. 2013, c.77 and P.L. 2011, c.144 condition Transitional Aid on conditions, requirements, orders and oversight that the Director of the Division of Local Government Services (the "Director") deems necessary including, but not limited to, requiring approval by the Director of personnel action, professional services and related contracts, payment in lieu of tax agreements, acceptance of grants from State, federal or other organizations, and the creation of new or expanded public services. The minimum conditions on the receipt of the Transitional Aid are set forth by a Memorandum of Understanding with the Director.

The Transitional Aid to the City from the State is material to the total revenue the City needs for operations.

NOTE 11. CONTINGENT LIABILITIES

The City participates in several federal and state financial assistance grant programs. Entitlement to the funds is generally conditional upon compliance with terms and conditions of the grant agreements and applicable regulations, including the expenditures of funds for eligible purposes. The state and federal grants received and expended in fiscal year June 30, 2015 were subject to the Single Audit Act Amendments of 1996 and State of New Jersey OMB Circular 04-04 which mandates that grant revenues and expenditures be audited in conjunction with the City's annual audit.

In addition, these programs are also subject to compliance and financial audits by the grantors or their representatives. As of June 30, 2015, the City does not believe that any material liabilities will result from such audits.

NOTE 12. RISK MANAGEMENT

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

PROPERTY AND LIABILITY INSURANCE

The City maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the City. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

**THE CITY OF UNION CITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014**

NOTE 12. RISK MANAGEMENT (Continued)

SELF-INSURANCE PROGRAM

In 1984 the City established a self-insured workers' compensation obligation program in accordance with the New Jersey Statute Chapter 40:10. The City dissolved this self-insured workers' compensation obligation program in 2009 for a fully insured plan through the New Jersey Intergovernmental Insurance Fund. The City, however, still has exposure for claims from the prior self-insured worker's compensation obligation program. The latest available information states that at December 31, 2015 and 2014, the City's exposure for claims incurred under its obligation to provide workers' compensation insurance amounted to approximately \$177,425 and \$377,555, respectively (information is not available as of June 30, 2015 and 2014).

CONTINGENT LIABILITIES

The City is a party defendant in some lawsuits, none of which are unusual for a municipality of its size and scope of operation. In the opinion of the City's Attorney the potential claims against the City not covered by insurance policies would not materially affect the financial condition of the City.

FEDERAL AND STATE AWARDS

The City participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the City may be required to reimburse the grantor government. As of June 30, 2015, significant amounts of grant expenditures have not been audited by the various grantor agencies but the City believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the City.

NOTE 13. INTERFUND RECEIVABLES AND PAYABLES

Interfund balances remained on the balance sheets of the fund financial statements at June 30, 2015. The interfund balances are the result of revenues earned in one fund which are due to another fund and/or expenditures paid by one fund on behalf of another fund and/or to cover cash balances which were in a cash overdraft position. The City expects to liquidate all interfund balances within one year.

**THE CITY OF UNION CITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014**

NOTE 14. DEFERRED COMPENSATION

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 403(b) and 457(b). The plan, which is administered by Valic, permits participants to defer a portion of their salary until future years. Amounts deferred under the plans are not available to employees until termination, retirement, death or unforeseeable emergency.

NOTE 15. POST RETIREMENT BENEFITS

The City of Union City provides lifetime medical benefits to City employees who were hired prior to October 28, 2013 and who retire under the following conditions:

- After twenty-five years of membership in a state or locally administered retirement system.
- After fifteen years or more of service and are age 62 or older.
- Upon a disability retirement, if eligible.

For anyone hired after October 28, 2013, the City of Union City provides lifetime medical benefits to City employees who retire under the following conditions:

- After twenty-five years of membership in a state or locally administered retirement system.
- After fifteen years or more of service and are age 65 or older.
- Upon a disability retirement, if eligible.

Retiree Contributions

Current retirees, dependents and survivors are not required to contribute toward the cost of the postretirement medical and prescription drug coverage. All costs are paid 100% by the City. Any employee who retires after satisfying the eligibility requirements who had less than 20 years of PERS or PFRS as of June 28, 2011, shall be required to contribute toward the cost of postretirement healthcare benefits cost as set forth in P.L. 2011 c. 78 (Chapter 78). The retiree contributions are based on a percentage of the postretirement healthcare, phased-in over a four-year period, which vary based on healthcare coverage tier and amount of PERS or PFRS pension amounts.

As of June 30, 2015 and 2014, the City had 363 and 366 employees, respectively, who were eligible.

The City is self-insured and accounts for post-retirement health costs on a pay-as-you-go basis. Expenditures during the year ended June 30, 2015 and 2014 were \$7,026,933 and \$6,134,190, respectively.

**THE CITY OF UNION CITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014**

NOTE 15. POST RETIREMENT BENEFITS (Continued)

In accordance with GAAP and accrual accounting principles, the costs associated with post-employment healthcare benefits (“OPEB”), generally should be associated with the periods in which the cost occurs, rather than in future years when it will be paid. In adopting the requirements of GASB Statement No. 45 the cost of OPEB is recognized in the year when the employee services are received, the accumulated liability (as calculated on a triennial basis) is reported from prior years and provides information useful in assessing potential demands on cash flows. Recognition of the liability accumulated from prior years is phased in over 25 years, commencing with the current 2012 liability.

As of June 30, 2015, the Actuarial Accrued Liability is \$211,447,796 for retirees and \$83,974,862 for active employees for a total accrued liability of \$295,422,658. Under the GASB accounting standard, the Annual Required Contribution (“ARC”) is \$22,494,355 for the year ending June 30, 2015 assuming a 25 year amortization of the Unfunded Actuarial Accrued Liability. The Net OPEB Obligation is \$94,809,062 as of June 30, 2015.

NOTE 16. NEW JERSEY INTERGOVERNMENTAL INSURANCE FUND

The City entered into a three year agreement to participate in the New Jersey Intergovernmental Insurance Fund (“NJIIIF”) from January 1, 2016 through December 31, 2018. The NJIIIF was established in 1997 as a self-insured property and casualty insurance program for New Jersey Municipalities. Initially, it began with 14 members and currently has approximately 40.

The Commissioners of NJIIIF arrange through their insurance professionals the pooled purchase of insurance utilizing high deductibles and self-insured retentions. The participants share in each other’s losses through the funding of claims under these deductibles.

The program is administered by Governmental Risk Management Associates of Old Bridge, New Jersey. The Underwriting Manager is Arthur J. Gallagher Associates of Wayne, New Jersey. The City is represented by their Risk Management Consultant, Beckerman & Company of Colonia, New Jersey.

NOTE 17. NORTH HUDSON SEWERAGE AUTHORITY

During October, 1996, the West New York Municipal Utilities Authority (WNYMUA) was acquired by the Hoboken - Union City - Weehawken Sewerage Authority (HUCWSA), and together, these entities were consolidated to create the North Hudson Sewerage Authority (NHSA). The acquisition was executed through the issuance and sale of \$104,945,000 Sewer Revenue Bonds, Series 1996, issued by the NHSA on October 15, 1997.

**THE CITY OF UNION CITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014**

NOTE 17. NORTH HUDSON SEWERAGE AUTHORITY (Continued)

In connection with the creation of the NHSA, a service agreement between the City (together with the Hudson County municipalities of Hoboken, West New York and Weehawken) and the NHSA was executed. The related obligation of the City with respect to the current service agreement pertains to service charges and annual charges, as described below:

Service Charges

The NHSA will charge to users of its system, service charges, pursuant to the service agreement, with respect to all sewage treated or disposed of by the NHSA and for all use and services of its system, in accordance with the New Jersey Sewerage Authorities Law, Ch. 138, L. 1946, and in a manner consistent with the submission relied upon by the United States Environmental Protection Agency (EPA) and the New Jersey Department of Environmental Protection (NJDEP) in issuing a federal grant or in such other manner that the EPA and the NJDEP approve. Such service charges shall be established at rates estimated to be sufficient to provide for all amounts necessary to pay or provide for the expenses of operation and maintenance of the NHSA's system and the principal and interest on any and all bonds as they become due, to maintain the amounts required to be held on deposit in the sinking fund and the bond reserve fund and to comply in all respects with the terms and provisions of the general bond resolution, provided, however, that the NHSA may charge service charges which are less than sufficient to comply with the requirements referred to above if each of the municipalities gives its written consent to such lesser service charges.

Annual Charges

Annual charges are based upon application of a formula which is explained in the next two paragraphs. If, but only if, the application of the formula yields a positive dollar amount for any fiscal year during which the service agreement is in effect, the City shall be obligated to pay to the NHSA its allocable share of such positive dollar amount as an annual charge. Such annual charges shall be the excess, if any of the amount determined by the items in the first paragraph following, less the amount determined by the items in the second paragraph following to determine the excess, if any.

The sum of all of the amounts reasonably expected by the NHSA to be expended in the fiscal year of the NHSA (1) to pay or provide for the expenses of construction, acquisition, operation and maintenance of its system, as well as administrative and other expenses of the NHSA related to its system prior to placing the system in operation, and the principal of and interest on all bonds as the same become due; (2) to maintain such reserves or sinking funds as may be required by the terms of the contract of the NHSA or any bond resolution, or as may be deemed necessary by the NHSA; and (3) to comply in all respects with the terms of the general bond resolution adopted by the HUCWSA on April 24, 1989, as amended, and the New Jersey Sewerage Authorities Law.

**THE CITY OF UNION CITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014**

NOTE 17. NORTH HUDSON SEWERAGE AUTHORITY (Continued)

Annual Charges (Continued)

The sum of the following amounts to the extent available to be used to pay or provide for the amounts described in the preceding paragraph: (1) service charges collected by the NHSA; (2) the proceeds of bonds received by or for account of the NHSA with respect to its system; (3) the proceeds of insurance awards received by or for account of the NHSA with respect to its system; (4) contributions received by or for account of the NHSA with respect to its system and not under any circumstances repayable by the NHSA until after the payment in full of all other obligations of the NHSA including its bonds, original or refunding or both, or (5) any other funds on hand or available therefor.

Annual charges, if any, are assessed to and payable by the City in the same percentage as the most recent determination by the NHSA of the allocation of the annual flow among the municipalities. The most recent determination by the NHSA of the allocation of the annual flow is as follows: (i) Hoboken 27%, (ii) Union City 32%, (iii) Weehawken 10% and (iv) West New York 31%.

On or before January 1 of each fiscal year, the NHSA will make an estimate of the amount of the annual charges, if any, which will become payable by the City for such fiscal year. On or before February 15 of each fiscal year, the City will pay to the NHSA the amount of any annual charges not paid relating to any prior fiscal year. The City will pay to the NHSA that part of the estimated amount of the annual charges for the current fiscal year in four equal installments on March 1, June 1, September 1, and November 1 of such fiscal year. No amounts were due from the City for the fiscal years ended June 30, 2015 and 2014. The NHSA estimates that no amounts will be due from the City for fiscal year ending June 30, 2016.

NOTE 18. NORTH HUDSON REGIONAL FIRE AND RESCUE

Background of the Agreement

On October 1, 1998, the Hudson County municipalities of North Bergen, Union City, Weehawken and West New York had formed the Agreement in order to form a joint meeting pursuant to the Consolidated Municipal Services Act, N.J.S.A. 40:48B-1 et seq. (the "Act"). The entity created by the formation of this joint meeting is known as the North Hudson Regional Fire and Rescue (the "NHRFR"), which is a public body, corporate and politic, constituting a political subdivision of the State of New Jersey, having all powers and authorities permitted by the Act. The purpose of the NHRFR is to provide for the joint operation of fire protection, rescue and emergency services, and other related governmental services.

**THE CITY OF UNION CITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014**

NOTE 18. NORTH HUDSON REGIONAL FIRE AND RESCUE (Continued)

Background of the Agreement (Continued)

On December 30, 1998, another Hudson County municipality, the Town of Guttenberg, duly adopted a resolution approving it to officially enter into the Agreement, and Guttenberg was admitted to participate in the NHRFR.

The term of the Agreement expires September 30, 2023, but may be subject to earlier termination pursuant to the Act. The operations of the NHRFR commenced on January 1, 1999. The NHRFR is governed by a five member management committee, consisting of one representative from each municipality, and this committee may appoint one or two executive director(s), and other such officers, employees and counsel as it deems necessary. A municipality's admission to or withdrawal from the NHRFR requires four votes from the management committee.

Required Contributions by the City

The City adopted an ordinance on September 30, 1998, authorizing the sale, lease transfer, conveyance or other disposition of and improvement of real and personal property to the NHRFR, pursuant to New Jersey Statutes.

As of June 30, 2015 and 2014, the City contributed \$16,923,657 and \$17,800,000, respectively, to the NHRFR. This annual contribution is based on each of the four original participating municipalities' applicable share of the combined fiscal year 1998 fire budgets of those four municipalities. The combined fiscal year 1998 fire budgets of those four municipalities totaled \$29,121,874. Since Guttenberg entered after this allocation was decided on, it contributes an alternatively determined amount. This share is subject to an increase based on the percentage of increase of the total fire and rescue related appropriations over the base year (SFY 1998) of the four original participating municipalities. Guttenberg's allocation is subject to this rate increase, but is not subject to the matter described below regarding a redetermination of the allocation formula. The Agreement also contains provisions for a growth value adjustment to be made in calendar year 2001, in which the budget balance allocation formula described above is redetermined. This redetermined allocation is based upon a factor entitled "Growth Percentage". This factor is determined by expressing "Growth Value" as a percentage of the total of all equalized values of the four original participating municipalities. Growth value is determined by taking the aggregate assessed value of all new construction in the City from July 1, 1997 through June 30, 2000, and deducting from that the aggregate assessed value of all demolition. If the resulting amount is negative, the growth value is expressed as zero.

**THE CITY OF UNION CITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014**

NOTE 18. NORTH HUDSON REGIONAL FIRE AND RESCUE (Continued)

Required Contributions by the City (Continued)

With respect to the redetermined allocation formula, the Agreement expressly states:

“Starting with the NHRFR fiscal year budget for January 1, 2001 through December 31, 2001, allocations of the Budget Balance among the Original Parties shall be subject to two (2) separate calculations, as follows:

FIRST, the Budget Balance shall be multiplied by the Total Growth Percentage, and the product so determined shall be allocated among the Original Parties in ratio to their respective Individual Growth Percentages; and

SECOND, there shall be subtracted from the Budget Balance determined in FIRST above, and the remainder of the Budget Balance amount shall be allocated among the Original Parties based on their respective Base Year Percentages.”

Guarantee of Debt

On January 25, 2005 the Hudson County Improvement Authority issued \$8,565,000 in Lease Revenue Bonds Series 2005, consisting of \$4,510,000 Tax-Exempt Lease Revenue Bonds, Series 2005A and \$4,055,000 Taxable Lease Revenue Bonds, Series 2005B. These Series 2005 Bonds were issued to finance certain costs associated with the facilities leased to and utilized by the NHRFR. The Series 2005 Bonds are payable and secured by revenues of the Authority, which are derived from the lease of the Facilities to NHRFR. The lease payments, which are allocated among the municipalities participating in the NHRFR are sufficient to pay the debt service on the Series 2005 Bonds. As additional security, each of the municipalities participating in the NHRFR unconditionally guaranteed their percentage share of debt service on each series of the Series 2005 Bonds. In the event that a municipalities’ percentage share of revenues is not sufficient to pay its percentage share of debt service, the municipality is obligated to levy *ad valorem* taxes upon all taxable property within its jurisdiction without limitation as to rate or amount in order to make such payments.

NOTE 19. CLEARING ACCOUNT

The City maintains a claims account, or a cash clearing account, from which bills are paid for all funds.

**THE CITY OF UNION CITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014**

NOTE 20. FIXED ASSETS

The City had the following investment balance and activity in general fixed assets as of and for the year ended June 30, 2015:

	Balance June 30, 2014	Additions	Deletions	Balance June 30, 2015
Land	\$ 11,228,900	\$ -	\$ -	\$ 11,228,900
Buildings and Improvements	49,374,852	2,767,965	-	52,142,817
Furniture and Fixtures	69,871	-	-	69,871
Machinery and Equipment	7,734,596	350,400	-	8,084,996
	<u>\$ 68,408,219</u>	<u>\$3,118,365</u>	<u>\$ -</u>	<u>\$ 71,526,584</u>

In accordance with accounting practices prescribed by the Division, and as further discussed in Note 1, no depreciation has been provided for, and fixed assets acquired through grants in aid or contributed capital have not been accounted for separately.

**THE CITY OF UNION CITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014**

NOTE 21. DEFERRED CHARGES

Certain expenditures are required to be deferred to budgets of succeeding years. As of June 30, 2015, the following deferred charges are shown on the balance sheets of the Current Fund:

	<u>Balance</u> <u>June 30, 2014</u>	<u>Increased by:</u> <u>Adjustments to</u> <u>Income before</u> <u>Fund Balance</u>	<u>Decreased by:</u> <u>Budget</u> <u>Appropriations</u>	<u>Balance</u> <u>June 30, 2015</u>
Expenditures without Appropriations:				
Current Fund				
Other Expenses	\$ 18,782	\$ -	\$ 18,782	\$ -
Salaries and Wages Balance Adjustment	554	-	554	-
Grant Fund				
Pedestrian Safety Grant	14,000	-	14,000	-
Overexpended Appropriation Reserve:				
Other Expenses	208,214	(54,154)	26,391	127,669
Overexpended Grant Fund:				
Municipal Alliance Grant	17,477	-	-	17,477
State of Emergency Relating to Snow Storms	-	232,845	-	232,845
Prior Year Bills	-	341,685	341,685	-
Cancelled Grants Receivable	752,357	-	252,000	500,357
Retirement Benefits (5 Years Future Taxation)	<u>2,560,000</u>	<u>470,372</u>	<u>640,000</u>	<u>2,390,372</u>
	<u>\$ 3,571,384</u>	<u>\$ 990,748</u>	<u>\$ 1,293,412</u>	<u>\$ 3,268,720</u>

NOTE 22. RELATED PARTY TRANSACTIONS

One of the City's CDBG grant subrecipients is a theater that was founded by one of the City's commissioners. The amount is not material to the financial statements.

**THE CITY OF UNION CITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014**

NOTE 22. RELATED PARTY TRANSACTIONS (Continued)

Other Shared Service Agreements

The City has agreements with the Union City Board of Education (the “Board”) in which the City is to receive reimbursement for the lease of the recreation center, snow removal, solid waste pick up, special resource officer, crossing guards, off duty police officers and pool expenses. During the year ended June 30, 2015 and 2014, the City received \$4,403,953 and \$209,772, respectively, for such reimbursements. As of June 30, 2015 and 2014, the City has receivables from the Board of \$316,590 and \$2,277,364, respectively, for prior year accrued budget revenues. This receivable is part of the revenue accounts receivable identified on the balance sheet and has been fully reserved. As described in Note 1, the Board of Ed is considered a component unit of the City.

Union City Board of Education

The Union City Board of Education is a Type I School District, therefore, bonds and notes authorized by the Board of Education are general obligations of the City and are reported on the balance sheet of the City’s General Capital Fund and are accordingly included in the summary of municipal debt. The City budgets the principal and interest payments of the Board of Education’s obligations as they become due. These obligations are funded by the City through an amount to be raised by taxation called “addition to local district school tax”, less any regular school debt service aid received from the State of New Jersey. For the year ended June 30, 2015 and 2014, the City’s budget included the following debt service requirements of the Board of Education and corresponding anticipated revenues (no amounts were required to be budgeted in the year ended June 30, 2015):

	Year Ended	
	June 30, 2015	June 30, 2014
Debt Service Requirements of the Board of Education:		
Payment of Bond Principal	\$ -	\$ 2,320,000
Interest on Bonds	-	74,240
	-	2,394,240
Less: Applicable Revenues Anticipated		
Regular School Debt Service Aid	-	1,427,475
Prior Year Board of Education Reimbursement	-	-
	-	1,427,475
Balance for Support of Board of Education:		
Addition to Local District School Tax	\$ -	\$ 966,765

**THE CITY OF UNION CITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014**

NOTE 23. SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 29, 2016, the date which the financial statements were available to be issued. The following material subsequent events have been noted:

Issuance of Notes

On July 6, 2015, the City sold a note through the HCIA pooled note financing program in the amount of \$7,000,000 at an interest rate of 2.00%.

On November 12, 2015, the City sold a note through the HCIA pooled note financing program in the amount of \$28,822,000 at an interest rate of 1.75%.

Capital Ordinances

On July 27, 2015, the City adopted bond ordinance 2015-7 appropriating funds for school additions and renovations in the amount of \$38,000,000, authorizing the issuance of school bonds or notes in the same amount. On October 20, 2015, the City adopted an ordinance cancelling certain unfunded appropriations balances provided for school district projects totaling \$28,000,000. The balance of Ordinance 2015-7 is now \$10,000,000.

On November 4, 2015, the City adopted a capital improvement ordinance to provide funding for police surveillance cameras in the amount of \$100,000.

Other

On September 15, 2015, the City entered into a five year lease agreement with the 400-38th Street Corp. for the use of the premises located at 400-38th Street, Suite 303, Union City, NJ. The City has the need to lease the premises as additional space for the Union City Police Department. The lease shall commence on October 1, 2015 and end on September 30, 2020. There is a five year option to renew.

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX C

FORM OF BOND COUNSEL OPINION

[THIS PAGE INTENTIONALLY LEFT BLANK]



October __, 2016

Board of Commissioners
of the City of Union City
3715 Palisade Avenue
Union City, New Jersey

RE: \$10,300,000 CITY OF UNION CITY, COUNTY OF HUDSON, NEW JERSEY, GENERAL OBLIGATION BONDS, SERIES 2016

Ladies and Gentlemen:

We have served as Bond Counsel in connection with the authorization, issuance, sale and delivery of the above-referenced obligations ("Bonds") by the City of Union City, County of Hudson, New Jersey ("City").

The Bonds are authorized to be issued pursuant to: (i) the Local Bond Law, constituting Chapter 169 of the Laws of 1960 of the State of New Jersey, as amended and supplemented ("Local Bond Law"); (ii) the Municipal Qualified Bond Act, constituting Chapter 38 of the Laws of 1976 of the State of New Jersey, as amended ("Municipal Qualified Bond Act"); (iii) the bond ordinances set forth in the Resolution (hereinafter defined), each duly and finally adopted by the Board of Commissioners and published in accordance with applicable law (collectively, the "Bond Ordinances"); (iv) a resolution adopted by the Board of Commissioners on September 20, 2016 ("Resolution"); and (v) a Certificate of Determination and Award executed by the Chief Financial Officer of the City on October 11, 2016 ("Award Certificate").

The Bonds are dated October 27, 2016, mature on July 15 in each of the years and in the respective principal amounts set opposite each such year in the table below and bear interest at the interest rates per annum below, payable initially on July 15, 2017 and semi-annually thereafter on January 15 and July 15 in each year until maturity or earlier redemption.

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2017	\$540,000	%	2024	\$745,000	%
2018	625,000		2025	770,000	
2019	645,000		2026	795,000	
2020	660,000		2027	815,000	
2021	680,000		2028	840,000	
2022	705,000		2029	865,000	
2023	725,000		2030	890,000	

COUNSEL WHEN IT MATTERS.SM



The Bonds are issued in fully registered book-entry-only form without coupons, and are subject to redemption prior to maturity at stated therein.

The full faith and credit of the City are irrevocably pledged for the payment of principal of and interest on the Bonds, including the power and obligation to levy *ad valorem* taxes on all taxable real property within the City without limitation as to rate or amount. The Bonds are further secured as "Qualified Bonds" under the Municipal Qualified Bond Act.

The Bonds are being issued to provide funds which will be used to: (i) permanently finance the cost of various capital improvements by the repayment at maturity of the principal of certain bond anticipation notes heretofore issued by the City; (ii) permanently finance the costs of various capital improvements for which obligations have been authorized, but not issued; and (iii) pay certain costs and expenses incidental to the issuance and delivery of the Bonds.

As the basis for the opinion set forth below, we have examined such matters of law as we have deemed necessary including, *inter alia*, the Constitution of the State of New Jersey, the Internal Revenue Code of 1986, as amended ("Code"), Local Bond Law and the Municipal Qualified Bond Act. We have also examined such documents, certifications and instruments as we have deemed necessary including, without limitation, the Bond Ordinances, the Resolution, the Award Certificate, the representations and covenants of the City given pursuant to the Code as set forth in the Certificate as to Nonarbitrage and Other Tax Matters ("Nonarbitrage Certificate"), and the other certifications, opinions and instruments listed in the closing agenda prepared in connection with the settlement for the Bonds.

In rendering the following opinion, we have relied upon the authenticity, truthfulness and completeness of all documents, instruments and certifications examined including, without limiting the generality of the foregoing, the Nonarbitrage Certificate.

Based upon and subject to the foregoing, we are of the following opinion:

1. The Bonds are legal, valid and binding obligations of the City enforceable in accordance with the terms thereof, except to the extent that enforcement thereof may be limited by bankruptcy, insolvency or other laws or equitable principles affecting the enforcement of creditors' rights generally ("Creditors' Rights Limitations").

2. For the payment of principal of and interest on the Bonds, the City has the power and is obligated, to the extent payment is not otherwise provided, to levy *ad valorem* taxes upon all taxable real property within the City without limitation as to rate or amount, except to the extent that enforcement thereof may be affected by Creditors' Rights Limitations.

3. Interest on the Bonds is not included for federal income tax purposes in the gross income of the owners thereof pursuant to Section 103 of the Code and is not a specific item of tax preference item under Section 57 of the Code for purposes of calculating the alternative minimum tax imposed on individuals and corporations pursuant to Section 55 of the Code.



The adjustment for "adjusted current earnings" set forth in Section 56(g) of the Code is required in determining a corporation's alternative minimum taxable income. Alternative minimum taxable income is increased by seventy-five percent (75%) of the excess, if any, of the "adjusted current earnings" of a corporation over the alternative minimum taxable income (determined without regard to this adjustment or the alternative tax net operating loss deduction).

Interest on tax-exempt obligations, including the Bonds, is not excludable in calculating certain corporation's "adjusted current earnings." Accordingly, a portion of the interest on the Bonds received or accrued by a corporation that owns the Bonds is included in computing such corporation's alternative minimum taxable income for such year.

Section 884 of the Code imposes on certain foreign corporations a branch profits tax equal to thirty percent (30%) of the "dividend equivalent amount" for the taxable year. Interest on the Bonds received or accrued by a foreign corporation subject to the branch profits tax may be included in computing the "dividend equivalent amount" of such corporation.

In addition, passive investment income, including interest on the Bonds, may be subject to federal income taxation under Section 1375 of the Code for any S corporation that has Subchapter C earnings and profits at the close of the taxable year if more than twenty-five percent (25%) of the gross receipts of such S corporation is passive investment income.

In rendering this opinion, we have assumed continuing compliance by the City that it will comply with the applicable requirements of the Code, including requirements relating to, inter alia, the use and investment of proceeds of the Bonds and rebate to the United States Treasury of specified arbitrage earnings, if any, under Section 148(f) of the Code. Failure of the City to comply with such covenants could result in the interest on the Bonds being subject to federal income tax from the date of issue. We have not undertaken to monitor compliance with such covenants or to advise any party as to changes in the law after the date hereof that may affect the tax-exempt status of the interest on the Bonds.

Ownership of the Bonds may result in collateral federal income tax consequences to certain taxpayers including, without limitation, certain holders of an interest in a financial asset securitization investment trust, property and casualty insurance companies, controlled foreign corporations, individual recipients of Social Security or Railroad Retirement benefits, individuals who otherwise qualify for the earned income credit, and to individuals and families that qualify for a premium assistance credit amount under Section 36B of the Code. The Code denies the earned income credit to an individual who is otherwise eligible if the aggregate amount of disqualified income of the taxpayer for the taxable year exceeds certain limits set forth in Sections 32(i) and (j) of the Code. Interest on the Bonds will constitute disqualified income for this purpose. The Code also provides that the earned income credit is phased out if the modified adjusted gross income of the taxpayer exceeds certain amounts. Interest on the Bonds is included in determining the modified adjusted gross income of the taxpayer. Section 36B of the Code provides that the amount of the premium assistance credit amount is in part determined by household income. Section 36B(d) of the Code provides that household income consists of the modified adjusted gross income of the taxpayer and certain other individuals. Modified adjusted gross income means adjusted



gross income increased by certain amounts, including interest received or accrued by the taxpayer which is exempt from tax, such as the interest on the Bonds.

In addition, attention is called to the fact that Section 265(b)(1) of the Code eliminates the interest deduction otherwise allowable with respect to indebtedness deemed incurred by banks, thrift institutions and other financial institutions to purchase or to carry tax-exempt obligations acquired after August 7, 1986 other than "qualified tax-exempt obligations" as defined in Section 265(b)(3) of the Code. The City has not designated the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code.

Owners of the Bonds should consult their own tax advisers as to the applicability and effect on their federal income taxes of the alternative minimum tax, the branch profits tax and the tax on passive investment income of S corporations, as well as the applicability and effect of any other collateral federal income tax consequences.

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

We express no opinion as to any matter not set forth in the numbered paragraphs above including, without limitation, any financial or other information which has been or may be supplied to purchasers of the Bonds.

The opinions expressed in the numbered paragraphs above are being rendered on the basis of federal law and the laws of the State of New Jersey, as presently enacted and construed, and we assume no responsibility to advise any party as to any changes in law or fact subsequent to the date hereof.

This is only an opinion letter and not a warranty or guaranty of the matters discussed above.

This letter is being provided solely for the benefit of the City and may not be relied upon by any other person, party, firm or organization without our prior written consent.

Very truly yours,

APPENDIX D

FORM OF CONTINUING DISCLOSURE AGREEMENT

[THIS PAGE INTENTIONALLY LEFT BLANK]

CONTINUING DISCLOSURE AGREEMENT

THIS CONTINUING DISCLOSURE AGREEMENT ("Disclosure Agreement") is made on this ___ day of October, 2016 between the City of Union City, County of Hudson, New Jersey ("City") and the Dissemination Agent (hereinafter defined). This Disclosure Agreement is entered into in connection with the issuance and sale by the City of its General Obligation Bonds, Series 2016, in the principal amount of \$10,300,000 ("Bonds").

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered for the benefit of the holders and beneficial owners of the Bonds (collectively, the "Bondholders") and in compliance with the provisions of Rule 15c2-12(b)(5), promulgated by the Securities and Exchange Commission ("Commission") pursuant to the Securities Exchange Act of 1934, as it may be amended from time to time, including administrative or judicial interpretations thereof, as it applies to the Bonds ("Rule").

SECTION 2. Definitions. Capitalized terms, not otherwise defined herein, shall, for purposes of this Disclosure Agreement, have the following meanings:

"Annual Report" shall mean, the City's Annual Report provided pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

"Commission" shall have the meaning set forth in Section 1 of this Disclosure Agreement

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

"Continuing Disclosure Information" shall mean: (i) the Annual Report; (ii) any notice required to be filed with the National Repository pursuant to Section 5 hereof; and (iii) any notice of an event required to be filed with the National Repository pursuant to Section 3(c) hereof.

"Dissemination Agent" shall mean _____, or any successor Dissemination Agent designated in writing by the City and which has filed with the City a written acceptance of such designation.

"EMMA" shall mean the Electronic Municipal Market Access System, an internet based filing system created and maintained by the MSRB in accordance with Release No. 34-59062 of the Commission, dated December 5, 2008, pursuant to which issuers of tax-exempt bonds, including the Bonds, and other filers on behalf of such issuers shall upload Continuing Disclosure Information to assist underwriters in complying with the Rule and to provide the general public with access to such Continuing Disclosure Information.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

"MSRB" shall mean the Municipal Securities Rulemaking Board.

"National Repository" shall mean the MSRB, through the internet facilities of EMMA, or any other public or private repository or entity that shall hereafter be designated by the Commission as a repository for purposes of the Rule.

"Official Statement" shall mean the Official Statement of the City dated October 11, 2016 relating to the Bonds.

"Opinion of Counsel" shall mean a written opinion of counsel expert in federal securities law acceptable to the City.

"Rule" shall have the meaning set forth in Section 1 of this Disclosure Agreement.

SECTION 3. Provision of Annual Report.

(a) The City shall not later than two hundred seventy (270) days after the end of its fiscal year (currently June 30) for each fiscal year until termination of the City's reporting obligations under this Disclosure Agreement pursuant to the provisions of Section 6 hereof provide to the Dissemination Agent the Annual Report prepared for the preceding fiscal year of the City (commencing for the fiscal year ending June 30, 2016). Each Annual Report provided to the Dissemination Agent by the City shall comply with the requirements of Section 4 of this Disclosure Agreement but may be submitted as a single document or as separate documents comprising a package and may cross-reference other information submitted to the National Repository. Any and all items that must be included in the Annual Report may be incorporated by reference from other information that is available to the public on EMMA, or that has been filed with the Commission.

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

(c) If the City fails to provide the Annual Report to the Dissemination Agent by the date required in subsection (a) of this Section 3, the Dissemination Agent shall send a notice to the City advising of such failure. Whether or not such notice is given or received, if the City thereafter fails to submit the Annual Report to the Dissemination Agent within fifteen (15) Business Days after the Annual Report was due pursuant to the provisions of subsection (a) of this Section 3, the Dissemination Agent shall promptly send a notice (with a copy of said notice to the City) to the National Repository in substantially the form attached as EXHIBIT "A" hereto.

SECTION 4. Contents of Annual Report. Annual Report shall mean: (i) the City's annual financial statements, substantially in the form set forth in Appendix B to the Official Statement, audited by an independent certified public accountant, provided that the annual audited financial statements of the City may be submitted separately from the balance of the Annual Report and later than the date required in Section 3(a) hereof for the filing of the Annual Report if the annual audited financial statements are not available by that date, but only if the unaudited financial statements of the City are included in the Annual Report; and (ii) the general financial information and operating data of the City consistent with the information set forth in Appendix A to the Official Statement. Each annual audited financial statements will conform to generally accepted accounting principles applicable to governmental units or will be prepared in accordance with the standards of the Governmental Accounting Standards Board and requirements of the Division of Local Government Services in the New Jersey Department of Community Affairs as such principles, standards and requirements exist at the time of the filing of the particular annual audited financial statements.

SECTION 5. Reporting of Significant Events.

(a) This Section 5 shall govern the giving of notices of the occurrence of any of the following listed events ("Listed 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 Bonds, or other material events affecting the tax status of the Bonds;
- (7) modifications to the rights of Bondholders, if material;
- (8) Bond calls (excluding mandatory sinking fund redemptions), if material, or tender offers;
- (9) defeasances;
- (10) release, substitution, or sale of property securing repayment of the Bonds, if material;
- (11) rating changes;
- (12) bankruptcy, insolvency, receivership or similar event of the 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; and
- (14) appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) The City shall within ten (10) Business Days of the occurrence of any of the Listed Events, notify the Dissemination Agent in writing to report the event pursuant to subsection (c) of this Section 5. In determining the materiality of a Listed Event specified clauses (2), (7), (8), (10), (13) or (14) of subsection (a) of this Section 5, the City may, but shall not be required to, rely conclusively on an Opinion of Counsel.

(c) If the Dissemination Agent has been instructed by the City to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the National Repository within five (5) Business Days of the receipt of such instruction, with a copy of such notice provided by the Dissemination Agent to the City.

SECTION 6. Termination of Reporting Obligations. The reporting obligations of the City under this Disclosure Agreement shall terminate upon the defeasance, prior redemption or payment in full of all of the Bonds or when the City is no longer an Obligated Person (as defined in the Rule) with respect to the Bonds.

SECTION 7. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the City may amend this Disclosure Agreement and any provision of this Disclosure Agreement may be waived, if such amendment or waiver is supported by an Opinion of Counsel to the effect that such amendment or waiver will not, in and of itself, cause the undertakings herein to violate the Rule. No amendment to this Disclosure Agreement shall change or modify the rights or obligations of the Dissemination Agent without its written assent thereto. The City shall give notice of such amendment or waiver to this Disclosure Agreement to the Dissemination Agent and the Dissemination Agent shall file such notice with the National Repository.

SECTION 8. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, it shall not have any obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 9. Prior Compliance With the Rule. Except as specifically set forth in the Official Statement, the City covenants that it has never failed to comply with any previous undertakings to provide secondary market disclosure pursuant to the Rule.

SECTION 10. Default and Remedies. In the event of a failure of the City to comply with any provision of this Disclosure Agreement, the Dissemination Agent may (and, at the request of the Bondholders of at least twenty-five percent (25%) in aggregate principal amount of the outstanding Bonds and provision of indemnity and security for expenses satisfactory to it, shall), or any beneficial owner of the Bonds may, take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the City to comply with its obligations under this Disclosure Agreement. A failure of the City to comply with any provision of this Disclosure Agreement shall not be deemed to be a default under the Bonds. The sole remedy under this Disclosure Agreement in the event of any failure of the City to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 11. Notices. All notices and other communications required or permitted under this Disclosure Agreement shall be in writing and shall be deemed to have been duly given, made and received only when delivered (personally, by recognized national or regional courier service, or by other messenger, for delivery to the intended addressee) or when deposited in the United States mail, registered or certified mail, postage prepaid, return receipt requested, addressed as set forth below:

(i) If to the City:

City of Union City, County of Hudson, New Jersey
3715 Palisade Avenue
Union City, New Jersey 07087
Attention: Susan Colditz, Chief Financial Officer

(ii) If to the Dissemination Agent:

Attention: _____

Any party may alter the address to which communications are to be sent by giving notice of such change of address in conformity with the provision of this Section 11 for the giving of notice.

SECTION 12. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the City, the Dissemination Agent and the Bondholders and nothing herein contained shall confer any right upon any other person.

SECTION 13. Submission of Information to MSRB. Any Continuing Disclosure Information filed with the MSRB in accordance with this Disclosure Agreement shall be in electronic format as shall be prescribed by the MSRB or such other format as the Rule may require or permit, and shall be accompanied by such identifying information as shall be prescribed by the MSRB or as may otherwise be required by the Rule.

SECTION 14. Compensation. The City shall pay the Dissemination Agent from time to time reasonable compensation for all services rendered under this Disclosure Agreement, and also all reasonable expenses, charges, counsel fees and other disbursements, including those of its attorneys, agents and employees, incurred in and about the performance of its powers and duties under this Disclosure Agreement.

SECTION 15. Successors and Assigns. All of the covenants, promises and agreements contained in this Disclosure Agreement by or on behalf of the City or by or on behalf of the Dissemination Agent shall bind and inure to the benefit of their respective successors and assigns, whether so expressed or not.

SECTION 16. Headings for Convenience Only. The descriptive headings in this Disclosure Agreement are inserted for convenience of reference only and shall not control or affect the meaning or construction of any of the provisions hereof.

SECTION 17. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 18. Severability. If any provision of this Disclosure Agreement, or the application of any such provision in any jurisdiction or to any person or circumstance, shall be held invalid or unenforceable, the remaining provisions of this Disclosure Agreement, or the application of such provision as is held invalid or unenforceable in jurisdictions or to persons or circumstances other than those in or as to which it is held invalid or unenforceable, shall not be affected thereby.

SECTION 19. Governing Law. This Disclosure Agreement shall be governed by and construed in accordance with the laws of the State of New Jersey.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties hereto have executed this Disclosure Agreement as of the date first above written.

CITY OF UNION CITY, NEW JERSEY

By: _____
SUSAN COLDITZ, Chief Financial Officer

_____,
as Dissemination Agent

By: _____
[NAME], [Title]

EXHIBIT A

NOTICE TO NATIONAL REPOSITORY OF FAILURE TO FILE AN ANNUAL REPORT

Name of Issuer: City of Union City, County of Hudson, New Jersey

Name of Bond Issues Affected: General Obligation Bonds, Series 2016

Date of Issuance of the Affected
Bond Issue: October 27, 2016

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report with respect to the above named Bond issue as required by Section 3 of the Continuing Disclosure Agreement, dated October 27, 2016, between the City and the Dissemination Agent. [TO BE INCLUDED ONLY IF THE DISSEMINATION AGENT HAS BEEN ADVISED OF THE EXPECTED FILING DATE - The Issuer anticipates that such Annual Report will be filed by _____.]

Dated: _____

_____,
as Dissemination Agent

cc: City of Union City, New Jersey

[THIS PAGE INTENTIONALLY LEFT BLANK]