PRELIMINARY OFFICIAL STATEMENT DATED JUNE 12, 2013

NEW ISSUE **UNRATED**

In the opinion of GluckWalrath LLP, Bond Counsel, assuming continuing compliance with the provisions of the Internal Revenue Code of 1986, as amended (the "Code"), applicable to the Notes (as defined herein) and subject to certain provisions of the Code which are described herein, under laws, regulations, rulings and judicial decisions existing on the date of original delivery of the Notes, interest received by holders of the Notes will be excludable from gross income for federal income tax purposes and will not be treated as a tax preference item for purposes of the alternative minimum tax imposed on individuals or corporations; however, such interest is included in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax on such corporations. However, interest on the Notes may become taxable retroactively if certain requirements under the Code are not complied with. Under the laws of the State of New Jersey, as enacted and construed on the date of original delivery of the Notes, interest on the Notes and any gain from the sale thereof is excludable from gross income under the New Jersey Gross Income Tax Act. See "TAX MATTERS" herein for a description of certain other provisions of the Code that may affect the federal tax treatment of interest on the Notes.

CITY OF NEWARK
in the County of Essex, New Jersey

$20,412,000* GENERAL OBLIGATION NOTES
consisting of
$15,238,000* General Improvement Bond Anticipation Notes, Series 2013B
$5,174,000* School Promissory Notes, Series 2013C

Dated: Date of Delivery **Due: June 26, 2014**

The $20,412,000* aggregate principal amount of General Obligation Notes consisting of (i) $15,238,000* aggregate principal amount of General Improvement Bond Anticipation Notes, Series 2013B (the "Series 2013B Notes") and (ii) $5,174,000* aggregate principal amount of School Promissory Notes, Series 2013C (the "Series 2013C Notes" and, collectively, with the Series 2013B Notes, the "Notes") will be issued as fully registered Notes and, when issued, will be registered in the name of, and held by, Cede & Co., as nominee for the Depository Trust Company, New York, New York ("DTC"). Purchases of the Notes will be made in book-entry-only form (without certificates) in denominations of $5,000 or multiples of $1,000 in excess thereof. So long as DTC, or its nominee Cede & Co., is the registered owner of the Notes, payments of the principal of and interest on the Notes are to be made directly to Cede & Co., which is to remit such payments to DTC participants, which in turn is to remit such payments to the beneficial owners of the Notes (see "BOOK-ENTRY ONLY SYSTEM" herein). Interest on the Notes is payable at maturity. Interest shall be computed on the basis of a three hundred sixty (360) day year consisting of twelve (12) months of thirty (30) days each.

The Notes are not subject to optional redemption prior to their maturity.

$15,238,000*_____% Series 2013B Notes, Due June 26, 2014 – Price _______%
$5,174,000*_____% Series 2013C Notes, Due June 26, 2014 – Price _______%

The Notes constitute general obligations of the City of Newark, in the County of Essex, New Jersey (the "City"), and the full faith and credit and unlimited taxing power of the City are pledged to the payment of the principal of and interest on the Notes.

The Notes are not a debt or obligation, legal, moral, or otherwise, of the State, or any county, municipality or political subdivision thereof, other than the City.

The Notes are offered when, as and if issued by the City and delivered to the purchasers, subject to the approval of legality thereof by GluckWalrath LLP, Trenton and Newark, New Jersey, Bond Counsel, and other conditions described herein. Certain legal matters will be passed on for the City by Anna P. Pereira, Esq., Corporation Counsel, and for Loop Capital Markets LLC and TD Securities (USA) LLC (the "Underwriters") by their counsel, Wilentz, Goldman & Spitzer, P.A., Woodbridge, New Jersey. It is expected that the Notes will be available for delivery on or about June 27, 2013. The Notes are to be delivered through the facilities of DTC in New York, New York.

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

Loop Capital Markets **TD Securities**

Dated: June ___, 2013

*Preliminary, subject to change

CITY OF NEWARK,
IN THE COUNTY OF ESSEX, NEW JERSEY

MAYOR

Cory A. Booker

CITY COUNCIL MEMBERS

Anibal Ramos, Jr., Vice President
Augusto Amador, East Ward
Ras J. Baraka, South Ward
Mildred C. Crump, At-Large
Carlos M. Gonzalez, At-Large
Luis A. Quintana, At-Large
Ronald C. Rice, West Ward
Darrin S. Sharif, Central Ward

BUSINESS ADMINISTRATOR

Julien X. Neals, Esq.

DIRECTOR OF FINANCE AND CHIEF FINANCIAL OFFICER

Susan Jacobucci

CITY CLERK

Robert P. Marasco

CORPORATION COUNSEL

Anna P. Pereira, Esq.

AUDITORS

Samuel Klein and Company
Certified Public Accountants
Newark, New Jersey

BOND COUNSEL

GluckWalrath LLP
Trenton, New Jersey

FINANCIAL ADVISOR

NW Financial Group, LLC
Hoboken, New Jersey

No dealer, broker, salesperson or any other person has been authorized by the City of Newark, in the County of Essex, New Jersey (the "City") or Loop Capital Markets LLC and TD Securities (USA) LLC (the "Underwriters") to give any information or to make any representations, other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the foregoing. The information contained herein has been provided by the City and other sources deemed reliable; however, no representation or warranty is made as to its accuracy or completeness and such information is not to be construed as a representation or warranty by the Underwriters or, as to information from sources other than the Underwriters, by the City. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in any of the information herein since the date hereof, or the date as of which such information is given, if earlier.

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 be inspected at the offices of the City during normal business hours.

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

In connection with this offering, the Underwriters for the Notes may over allot or effect transactions that stabilize or maintain the market price of the Notes at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

The Underwriters for the Notes may offer and sell the Notes to certain dealers, dealer banks, and banks acting as agents at prices lower than the public offering price or higher than the yield, as applicable, stated on the cover hereof. Such public offering prices or yields, as applicable, may be changed from time to time by the Underwriters.

Certain statements included or incorporated by reference in this Official Statement, including specifically (but not limited to) the statements contained under the headings "INTRODUCTION - Future Financing Plans", "RISK FACTORS" and "APPENDIX A – CITY FINANCIAL SCHEDULES – 2010 Budget and Fiscal Initiatives of the City," "-2011 Budget", "-2012 Budget", "-2013 Budget and Proposed Fiscal Initiatives of the City" constitute projections or estimates of future events, generally known as forward-looking statements. These statements are generally identifiable by the terminology used, such as "plan", "expect", "estimate", "budget" or similar words. These forward-looking statements are based on the beliefs of, and assumptions made by, City officials and on information currently available to City officials. The achievement of certain results or other expectations contained in such forward-looking statements involves known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, but are not limited to, items described under the above-referenced headings. Other than as may be required by law, the City does not plan to issue any updates or revisions to these forward-looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based, occur.

IN MAKING ANY INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE CITY AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

TABLE OF CONTENTS

OFFICIAL STATEMENT
OF THE
CITY OF NEWARK
IN THE COUNTY OF ESSEX, NEW JERSEY

$20,412,000* GENERAL OBLIGATION NOTES
CONSISTING OF

$15,238,000* GENERAL IMPROVEMENT BOND ANTICIPATION NOTES, SERIES 2013B
$5,174,000* SCHOOL PROMISSORY NOTES, SERIES 2013C

INTRODUCTION

This Official Statement, which includes the cover page hereof and appendices attached hereto, has been prepared by the City of Newark, in the County of Essex, New Jersey (the "City") in connection with the sale and issuance of $20,412,000* aggregate principal amount of General Obligation Notes consisting of (i) $15,238,000* aggregate principal amount General Improvement Bond Anticipation Notes, Series 2013B (the "Series 2013B Notes") and (ii) $5,174,000* aggregate principal amount of School Promissory Notes, Series 2013C (the "Series 2013C Notes" and, collectively, with the Series 2013B Notes, the "Notes"). This Official Statement has been authorized by the Municipal Council of the City, and executed by and on behalf of the City, by the Director of Finance of the City and may be distributed in connection with the sale of the Notes.

This Official Statement contains specific information relating to the Notes including their general description, certain matters affecting the financing, certain legal matters, historical financial information and other information pertinent to this issue. This Official Statement should be read in its entirety.

All financial and other information presented herein has been provided by the City from its records, except for information expressly attributed to other sources. The presentation of information, including tables of receipts and disbursements, is intended to show recent historical information and, but only to the extent specifically provided herein, certain projections of the immediate future, and is not necessarily indicative of future or continuing trends in the financial position or other affairs of the City.

Authorization and Purpose for the Notes

The Notes are authorized and are to be issued pursuant to the Local Bond Law of the State of New Jersey, N.J.S.A. 40A:2-1 et seq., as amended and supplemented (the "Local Bond Law"), and, in the case of the Series 2013C Notes, the provisions of Title 18A, Education, of the New Jersey Statutes, including specifically N.J.S.A. 18A:7A-46.3 and N.J.S.A. 18A:7A-46.4, and the bond ordinances of the City set forth on the table on the following page (collectively, the "Bond Ordinances"). The Bond Ordinances have been approved and published as required by law, and have been approved by the Local Finance Board, Division of Local Government Services, New Jersey Department of Community Affairs (the "Local Finance Board"). The City will apply the proceeds from the sale of the Series 2013B Notes to (i) refund the City's $13,929,000 General Improvement Bond Anticipation Notes, Series 2012B, which were issued on June 29, 2012 to finance various capital improvements of the City and mature on June 28, 2013 and (ii) pay or reimburse the costs of various additional capital improvements of the City. The City will apply the proceeds from the sale of the Series 2013C Notes to refund the City's $5,174,000 School Promissory Notes, Series 2012C, which were issued on June 29, 2012 to finance various capital improvements on behalf of the Newark Public Schools and mature on June 28, 2013. The capital projects to be financed or refinanced by the Notes are set forth in the following table, or as may otherwise be allocated to other capital projects for Federal tax purposes.

*Preliminary, subject to change

Ordinance and Adoption Date	Purpose(s)	Amount to be Issued*
Series 2013B Notes		
6S+FC 111405 adopted November 14, 2005, as amended by 6PSFa 090209, adopted September 2, 2009	Various Capital Improvements	$1,349,528
6S+FA, adopted May 17, 2006	Military Park Restoration	$1,989,857
6S+FA(S-2) 102307, adopted October 23, 2007, as amended by 6PSFa 090209, adopted September 2, 2009	Various Capital Improvements	$11,898,615
Total for Series 2013B Notes		**$15,238,000**
Series 2013C Notes		
6S+FA 040605, adopted April 6, 2005, as amended by 6S+FN 041906, adopted April 19, 2006 and by 6S+Fh 091907, adopted September 19, 2007 and by 6PhS&Fj 060408, adopted June 4, 2008	Various School Improvements	$5,174,000
Total for Series 2013C Notes		**$5,174,000**

Various matters in connection with the Notes were authorized by a resolution adopted by the Municipal Council of the City on June 11, 2013.

Upon maturity of the Notes on June 26, 2014, the City presently expects to refund all of the Notes with other note issues.

Future Financing Plans

The New Jersey Environmental Infrastructure Trust (the "NJEIT") has approved several City project applications for water and sewer projects, which may be included in future NJEIT financing programs. The City has adopted bond ordinances authorizing certain eligible projects, and has received conditional approval from the Local Finance Board in July 2011 for the issuance of up to $11 million in general obligation water bonds and up to $10.35 million in general obligation sewer bonds. However, the City may not issue such bonds until water and sewer rate increases acceptable to the Local Finance Board have been approved by the Municipal Council.

The City has applied to the NJEIT for participation in its 2013 financing program, by which the City would issue approximately $40 million in bonds for water and sewer purposes. Such borrowing will require the adoption of bond ordinances, which would likely be subject to the constraints noted in the preceding paragraph.

The City also expects to issue a total of approximately $36 to $50 million in bond anticipation notes during the third or fourth quarter of 2013 to finance various additional capital projects. Such borrowing will require the adoption of both a bond ordinance (for new debt authorization) and a reappropriation ordinance (to reprogram prior unfunded debt authorizations), as well as approval by the Local Finance Board.

In April 2013, the City issued $54,950,000 in Tax Anticipation Notes, Series 2013A (the "2013 TANs"), which mature on February 20, 2014. It is anticipated that the 2013 TANs will, upon maturity or sooner redemption, be retired from appropriations to be budgeted.

In December 2012, the City issued $45,970,000 General Obligation Notes, consisting of (i) $33,440,000 General Improvement Bond Anticipation Notes, Series 2012D (the "Series 2012D Notes"), (ii) $6,955,000 Tax Appeal Refunding Notes, Series 2012E Notes (the "Series 2012E Notes"), and (iii) $5,575,000 Special Emergency Notes, Series 2012F (the "Series 2012F Notes"). Upon maturity of the Series 2012D Notes, the Series 2012E Notes and the Series 2012F Notes on December 11, 2013, the City presently expects to refund all of the Series 2012D Notes, together with approximately $5,145,000 of the Series 2012E Notes and approximately $4,175,000 of the Series 2012F Notes, with other note issues. The City expects to retire the remaining $1,810,000 of the Series 2012E Notes and the remaining $1,400,000 of the Series 2012F Notes from appropriations to be budgeted.

In December 2012, the City issued $6,470,000 Emergency Notes, Series 2012G (the "Series 2012G Notes) to pay or reimburse various extraordinary expenses incurred as a result of Hurricane Sandy. The City expects to apply to the Local Finance Board during the second or third quarter of 2013 for authorization to retire the Series 2012G Notes over a five-year term, through the issuance of refunding notes under the Local Bond Law, N.J.S.A. 40A:2-1 et seq., to refund up to $5,176,000 of the Notes at maturity, with the remaining $1,294,000 (or greater amount depending on the amount of reimbursement from the Federal Emergency Management Agency ("FEMA")) of the Series 2012G Notes to be retired from appropriations to be budgeted in 2013 and/or other reimbursements. Such refunding will require the adoption of a refunding bond ordinance and the consent of the Local Finance Board. In the absence of such ordinance and consent, the full amount of the Series 2012G Notes would need to be retired from budgetary appropriations in 2013 subject to any retirement from federal or state grants.

The City may, from time to time, issue revenue bonds with respect to redevelopment projects to be undertaken within the City. Certain of such bonds may be issued as "redevelopment area bonds", whereby certain service charges collected by the City in lieu of property taxes would be pledged as security for the payment of such bonds. Absent a separate municipal guaranty, such bonds would not be considered to be debt of the City, but would be payable solely from such pledged service charges. In addition, the City may authorize certain "economic redevelopment and growth grants" with respect to certain redevelopment projects to be undertaken within the City, whereby certain incremental receipts of taxes and other revenues would be pledged to the payment of revenue bonds, which may be issued by the City or another eligible issuer.

The City's adopted 2012 budget anticipated the receipt of $10 million in financial assistance from the State through the State's Transitional Aid program for the State's 2013 fiscal year. Such assistance was provided in the form of a grant, but with the condition that the City be required to appropriate as a repayment to the State in the City's 2013 budget all funds above $10 million that are available to be used as revenue in support of the 2013 budget according to the City's 2012 annual financial statement. No such repayment is expected to be required. See "RISK FACTORS" herein for a discussion of certain requirements of the State's Transitional Aid program. See "RISK FACTORS" and "CITY FINANCIAL SCHEDULES" in APPENDIX A herein for a discussion of the City's 2013 budget.

The Mayor's proposed 2013 budget anticipates the receipt of various funds from Federal and State sources, but does not include participation in the State's Transitional Aid program. The timing of receipt of such funds, including State aid, has not yet been finalized. In the event such payments are delayed or reduced, the City may determine to issue tax anticipation notes to offset such unrealized revenues. It is presently expected that any such borrowing (if required) would not exceed $26 million.

Finally, the City plans to issue additional general obligation bonds and/or notes from time to time to finance capital needs of the City and the Newark Public Schools.

THERE CAN BE NO ASSURANCE THAT THESE FUTURE FINANCING PLANS WILL BE FINALIZED.

DESCRIPTION OF THE NOTES

General

The Notes are dated the date of delivery and will mature on June 26, 2014. The Notes will bear interest at the rate set forth on the front cover hereof, payable at maturity. So long as the Notes are registered to the Depository Trust Company, New York, New York (the "DTC"), or its nominee, Cede & Co., payments of the principal of and interest on the Notes will be made directly to DTC. Interest on the Notes will be credited to the participants of DTC as listed on the records of the DTC. The City will serve as Paying Agent for the Notes.

Redemption

The Notes are not subject to redemption prior to their stated maturity

BOOK-ENTRY ONLY SYSTEM

The description which follows of the procedures and recordkeeping with respect to beneficial ownership interest in the Notes, payment of principal and interest and other payments on the Notes to Direct and Indirect Participants (defined below) or Beneficial Owners (defined below), confirmation and transfer of beneficial ownership interests in the Notes and other related transactions by and between DTC, Direct 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.

DTC will act as securities depository for the Notes. The Notes 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 series and maturity of the Notes, each in the aggregate principal amount of such series and maturity, and will be deposited with DTC.

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

Purchases of the Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes 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 Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of

Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes 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 Notes 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 Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

Redemption notices shall be sent to DTC. If less than all of the Notes, within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest in 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 Notes 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 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 Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, any 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, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or any 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 Notes at any time by giving reasonable notice to the City and/or its Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Note certificates are required to be printed and delivered.

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

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

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

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

Discontinuation of Book-Entry Only System

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

SECURITY FOR THE NOTES

General Obligation Pledge

The Notes constitute general obligations of the City and the full faith and credit of the City are pledged to the payment of the principal of and the interest thereon. The Notes will be valid and binding general obligations of the City and, unless paid from other sources, the City is authorized and required by law to levy *ad valorem* taxes, if necessary, on all real property taxable within the City for the payment of the principal of and interest on the Notes without limitation as to rate or amount. The City is required to include the total amount of interest and principal due on all of its general obligation indebtedness for the then-current year in each annual municipal budget unless a provision has been made for payment from other sources.

In addition to being secured by the pledge of the City's full faith and credit, the City may (at some future date) permanently finance the Series 2013B Notes with bonds that will be entitled to the benefits of the Municipal Qualified Bond Act, Title 40A of the New Jersey Statutes, Section 40A:3-1, *et seq.*, as amended (the "Municipal Qualified Bond Act", such bonds being called "Qualified Bonds"). Pursuant to the Municipal Qualified Bond Act, a portion of certain State aid (the "Municipal Qualified Revenues") allocated to the City in amounts sufficient to pay debt service on Qualified Bonds, is to be withheld by the State Treasurer and forwarded to the Paying Agent for such Qualified Bonds on or before the principal and interest payment dates for such Qualified Bonds for deposit into accounts established for the purpose of paying debt service on such Qualified Bonds. Those funds are further deposited into accounts established for the purpose of paying debt service on such bonds. See "APPENDIX A – CITY INDEBTEDNESS AND DEBT LIMITS – Municipal Qualified Bond Act" herein.

With respect to any Qualified Bonds issued to refund the Series 2013B Notes, 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 revenue available to the City.

THE NOTES ARE NOT ENTITLED TO THE BENEFITS OF THE MUNICIPAL QUALIFIED BOND ACT.

In addition to being secured by the pledge of the City's full faith and credit, the City intends (at some future date) to permanently finance the Series 2013C Notes with bonds that will be entitled to the benefits of the School Qualified Bond Act, P.L. 1976, c. 39 (N.J.S.A. 18A:24-85 et seq., as amended (the "School Qualified Bond Act", such bonds being called "School Qualified Bonds"). Pursuant to the School Qualified Bond Act, a portion of certain State aid (the "School Qualified Revenues") allocated to the City in amounts sufficient to pay debt service on School Qualified Bonds, is to be withheld by the State Treasurer and forwarded to the Paying Agent for such bonds 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 School

Qualified Bonds. Those funds are further deposited into accounts established for the purpose of paying debt service on such bonds. See "APPENDIX A – CITY INDEBTEDNESS AND DEBT LIMITS – School Qualified Bond Act" herein.

With respect to Qualified School Bonds issued to refund the Series 2013C Notes, the School 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 revenue available to the City.

RISK FACTORS

The following description summarizes some of the risk factors associated with the Notes and does not purport to be complete. This Official Statement should be read in its entirety. The downturn in the national economy and state economies and the resulting State fiscal emergency have created substantial fiscal challenges for both the City and the State of New Jersey (which has historically has been a significant source of City operating revenues). Actual and projected reductions in State aid, combined with structural issues, will require the implementation of various additional actions by the City in order to achieve a balanced cash basis budget for the 2013 fiscal year and beyond.

The City adopted its annual budget for 2011 on September 29, 2011. Such budget anticipated the receipt of approximately $32 million in financial assistance from the State of New Jersey (the “State”). Such assistance was provided in the form of a forgivable loan, the repayment of which has since been forgiven. The City adopted its annual budget for 2012 on October 16, 2012. Such budget anticipated the receipt of approximately $10 million in financial assistance from the State under its Transitional Aid program, which the City received in December 2012. Such assistance was provided in the form of a grant, but with the condition that the City be required to appropriate as a repayment to the State in the City’s 2013 budget all funds above $10 million that are available to be used as a revenue in support of the 2013 budget according to the City’s 2012 annual financial statement. No such repayment is expected to be required. The City has entered into a Memorandum of Understanding (the “MOU”) with the State to reflect the requirements binding upon the City in connection with the 2012 State award of Transitional Aid. See “CITY FINANCIAL SCHEDULES – 2012 Budget” in APPENDIX A herein. Failure to comply with the requirements of the MOU may subject the City to penalties. The City intends to comply with all such requirements.

Although the City successfully adopted a balanced budget for each of 2011 and 2012, it continues to face significant challenges to the adoption of balanced cash basis budgets for its 2013 fiscal year and beyond. Continuing access to the State’s Transitional Aid program (and loan forgiveness for past awards) is not assured, and attempts to generate funds through the creation of a Municipal Utilities Authority (the “MUA”) have not come to fruition. It is likely that the City will need to explore additional actions in 2013, including, among other things, additional property tax increases, additional reductions in labor force, additional land sales, potential asset monetization plans, revisiting the creation of the MUA and/or consolidation or regionalization of City services. Additional actions may also be required in subsequent fiscal years. Certain of the actions may require approvals of third parties (such as the Local Finance Board). No representation is made regarding whether such actions will be taken or such third-party approvals obtained. See, generally, “CITY FINANCIAL SCHEDULES” in APPENDIX A herein.

In addition, the financial condition of the City as well as the market for the Notes could be affected by a variety of factors, some of which are beyond the City’s control. There can be no assurance that adverse events in the State and in other jurisdictions of the country, including, for example, the seeking by a municipality or large taxable property owner of remedies pursuant to the federal Bankruptcy Code or otherwise, will not occur which might affect the market price of and the market for the Notes. If a significant default or other financial crisis should occur in the affairs of the State or any of its agencies or political subdivisions or in other jurisdictions of the country thereby further impacting the acceptability of obligations issued by borrowers within the State, both the ability of the City to arrange for additional borrowings, and the market for and market value of outstanding debt obligations, including the Notes, could be adversely affected. The City is dependent in part on financial assistance from the State. However, if the State should experience difficulty in borrowing funds in anticipation of the receipt of State taxes in order to pay State aid to municipalities and school districts in the State, including the City, in any year, the City may be affected by a delay, until sufficient taxes have been received by the State to make State aid payments to the City. In several recent years, payments of State aid to the City have been delayed which resulted from the State's delay in adopting its budget and appropriating State aid to municipalities and school districts, and consequent delay in State borrowing to finance such appropriations. See "STATE AID PROGRAMS - State Aid" in APPENDIX A herein.

Hurricane Sandy

On October 29, 2012, Hurricane Sandy, then a Category 1 post-tropical cyclone, struck the coast of New Jersey. The resulting storm surge and winds caused catastrophic damage to many coastal and riverfront communities, as well as widespread physical damage (including downed trees and branches and loss of electrical power and other utilities) throughout the State. In the days following the storm, most schools and businesses – and many roads, bridges and public transportation systems – were closed. The full extent of the damage caused by Hurricane Sandy has yet to be ascertained, but some preliminary estimates released by Governor Christie forecasted total economic cost to New Jersey in excess of $36 billion.

Portions of the City, particularly in neighborhoods abutting the Passaic River and in the City's East Ward, sustained substantial flooding during and after the storm. Substantial portions of the City lost electrical power, and public transportation was disrupted. The heavy rain and flood surge also disrupted the operations of the City's sewerage system, particularly the combined sewer outfalls, and also affected operations of the treatment facilities operated by the Passaic County Sewerage Commission and the Joint Meeting of Essex and Union Counties.

It is not yet possible to estimate the full economic impact of Hurricane Sandy. Certain expenses relating to debris removal, emergency protective measures, repairs and reconstruction of roads, bridges, utility systems and governmental buildings, and restoration of parks may be eligible for financial assistance from FEMA. FEMA has established a presence in the area, and it is expected that sufficient federal funding will be available to meet all valid claims. New Jersey law also permits governmental entities to borrow to pay for certain extraordinary expenses caused by natural disasters such as Hurricane Sandy. As reflected above, on December 29, 2012, the City issued the Series 2012G Notes to provide for such expenses. The property damage inflicted by the storm may also lead to an increase in property tax appeals, potentially resulting in reduced tax assessments and an increase in tax refunds payable.

LITIGATION

As of the date hereof, to the best of the knowledge of the City's Corporation Counsel, there is no litigation now pending or threatened, restraining or enjoining the issuance or delivery of the Notes, or the levy or the collection of any taxes to pay the principal of or the interest on the Notes, or contesting the corporate existence or the boundaries of the City or the title of any of its present officers.

The City and, in some instances, its officers and/or employees, in their official capacity, are defendants in certain lawsuits which may be categorized as follows:

Negligence Actions: There are presently lawsuits alleging tortious conduct and claiming damages against the City and defended by the Office of the Corporation Counsel or contracted outside counsel. In all cases, the City is self-insured and there are appropriate reserves sufficient to cover losses based on experience. To the knowledge of the Corporation Counsel, there is no threat of exposure outside of the self-insurance program.

Contract Actions: There are presently lawsuits based upon breach of contractual obligations against the City and defended by the Office of the Corporation Counsel or contracted outside counsel. In all cases, the City is self-insured and there are appropriate reserves sufficient to cover losses based on experience. To the knowledge of the Corporation Counsel, there is no threat of exposure outside of the self-insurance program.

Prerogative Writ Actions: There are presently several prerogative writ cases challenging municipal actions against the City and defended by the Office of Corporation Counsel or contracted outside counsel. At this time, it does not appear that any of these actions will have a materially adverse impact on the City.

Land Use Actions: The City is not a defendant in any suit concerning requirements for installation or the financing or operation of sewer or water utilities or other improvements with respect to any land use questions whereby the outcome would have a material adverse effect upon the financial status of the City.

Tax Appeals: There are Property Tax Appeals pending in the Tax Court of New Jersey against the City involving commercial, industrial and residential properties. It is impracticable for the City to describe in detail each of the appeals that are currently pending against the City. The City vigorously defends each of these appeals through extensive discovery, settlement negotiations and, if necessary, trial. At this time it is impossible to specifically quantify the extent of any potential exposure to the City relating to these appeals. To the knowledge of the Corporation Counsel, the outcome of the Property Tax Appeals will not have a materially adverse impact upon the financial status of the City.

Condemnations: The City is presently the defendant in a few condemnation actions initiated by the State of New Jersey for highway projects. In all of the cases, the City has no overriding public need for the property.

Motor Vehicle Rental Tax: In 2010, the City implemented, pursuant to State statute, a tax on the rental of certain motor vehicles in designated industrial zones within the City. Several rental agencies have challenged the validity of such tax. On February 22, 2011, the Superior Court of New Jersey (Essex County) upheld the City ordinance imposing such tax. The Superior Court judgment was affirmed by the Appellate Division of the Superior Court on August 1, 2012. The plaintiffs' petition for certification to the New Jersey Supreme Court was denied on January 14, 2013. No writ for certiorari was filed with the United State Supreme Court prior to the statutory 90 day deadline.

Labor and Employment Matters: There are various labor and employment matters against the City and defended by the Office of Corporation Counsel or contracted outside counsel. In all cases, the City is self-insured and there are appropriate reserves sufficient to cover losses based on experience. To the knowledge of Corporation Counsel, there is no threat of exposure outside of the self-insurance program.

See, also, “CITY FINANCIAL SCHEDULES – Continued Water/Sewer Utility” in APPENDIX A herein for a description of potential City exposure for penalties under an Administrative Consent Order relative to the City's combined sewer outfall system.

TAX MATTERS

In the opinion of Bond Counsel, assuming continuing compliance with the provisions of the Internal Revenue Code of 1986, as amended (the “Code”), applicable to the Notes and subject to certain provisions of the Code which are described below, under laws, regulations, rulings and judicial decisions existing on the date of the original delivery of the Notes, interest received by a holder of the Notes will be excludable from gross income for federal income tax purposes, and will not be treated as a tax preference item for individuals or corporations. Interest on the Notes is included in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax on such corporations. However, interest on the Notes may become taxable retroactively if certain requirements of the Code are not complied with.

The Code contains a number of provisions that apply to the Notes, including restrictions relating to the use or investment of the proceeds of the Notes (or facilities financed by such proceeds) and the payment of certain arbitrage earnings in excess of the "yield" on the Notes to the Treasury of the United States. Non-compliance with such provisions may result in interest on the Notes not being excludable from gross income for federal income tax purposes retroactive to the date of issuance of the Notes. The City has covenanted to comply with these requirements.

Section 55 of the Code provides that an alternative minimum tax is imposed on corporations. For purposes of the corporate alternative minimum tax, the Code includes an increase adjustment for computation of the alternative minimum tax consisting generally of 75% of the amount by which "adjusted current earnings" exceeds alternative minimum taxable income (computed without regard to this adjustment and the alternative tax net operating loss deduction). Thus, to the extent that interest on the Notes is a component of a corporate holder's "adjusted current earnings", such interest may be subject to an alternative minimum tax.

Section 265(b) of the Code generally denies to institutions any deduction for that portion of interest expense incurred to purchase or carry tax-exempt obligations. An exception is provided certain small issuers who designate the obligations as "qualified tax-exempt obligations" under Section 265(b)(3) of the Code and, provided certain conditions are met, for obligations the proceeds of which refund obligations which were designated as qualified tax-exempt obligations. Such obligations will be subject to a reduced disallowance rule. The Notes will NOT be designated by the City as qualified tax exempt obligations under Section 265(b) of the Code.

In addition, prospective purchasers of the Notes should be aware that Section 6049 of the Code provides that interest paid on tax-exempt obligations will be subject to information reporting in a manner similar to interest paid on taxable obligations. Under certain circumstances, under Federal law, payments may be subject to "backup withholding." Owners of the Notes should consult their own tax advisors as to their qualification for backup withholding and the procedures for exemption. The new reporting requirement does not in and of itself affect or alter the excludability of such interest from gross income for federal tax purposes or any other federal tax consequence of purchasing, holding or selling tax-exempt obligations.

Ownership of tax-exempt obligations may also result in collateral federal income tax consequences to certain taxpayers including, without limitation, certain foreign corporations doing business in the United States, certain S corporations with excess passive income, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations.

In addition, the Internal Revenue Service ("IRS") has established an expanded audit program for tax-exempt bonds. There can be no assurance that an audit initiated or concluded by the IRS after the issue date of the Notes involving either the Notes or other tax-exempt bonds will not have an adverse effect on the tax-exempt status or market price of the Notes.

Original Issue Premium

The Notes have been sold to the public at a premium. Section 171 of the Code provides rules under which a bond premium may be amortized and a deduction allowed for the amount of the amortizable bond premium for a taxable year. Under, Section 171(a)(2) of the Code, however, no deduction is allowable for the amortizable bond premium in the case of obligations, like the Notes, the interest on which is excludable from gross income. Under Section 1016(a)(5) of the Code, the purchaser's basis in a Note will be reduced by the amount of the amortizable bond premium disallowable as a deduction under Section 171(a)(2) of the Code. Proceeds received from the sale, exchange, redemption or payment of a Note in excess of the owner's adjusted basis (as reduced pursuant to Section 1016(a)(5) of the Code), will be treated as a gain from the sale or exchange of such Notes and not as interest.

General

The federal income tax consequences from the purchase, ownership and redemption, sale or other disposition of the Notes which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. Holders of the Notes should consult their own tax advisors with respect to the consequences or owning the Notes, including the effect of such ownership under applicable state and local laws.

From time to time, there are legislative proposals in Congress that, if enacted, could alter or amend the federal tax matters referred to above or adversely affect the market value of the Notes. President Obama has submitted to Congress various legislative proposals, which if enacted, would limit for certain individual taxpayers the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. If enacted into law, such proposals may cause interest on the Notes to be subject, directly or indirectly, to federal income taxation or otherwise prevent owners of the Notes from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals may also affect the market price for, or marketability of, the Notes. No prediction is made whether these provisions will be enacted as proposed or concerning other future legislation which if passed might have the effect on the tax treatment of interest on the Notes. Bond Counsel expresses no opinion regarding any pending or proposed federal tax legislation. Bond Counsel will render its opinion as of the issue date, and will assume no obligation to update its opinion after the issue date to reflect any future facts or circumstances, or any future changes in law or interpretation, or otherwise.

Moreover, the opinion of Bond Counsel is only an opinion and not a warranty or guaranty of the matters discussed. The City does not have any obligation to provide updated information concerning pending or future legislation. Each purchaser of the Notes should consult his or her own tax advisor regarding any pending or proposed federal tax legislation.

ALL POTENTIAL PURCHASERS OF THE NOTES SHOULD CONSULT WITH THEIR TAX ADVISORS IN ORDER TO UNDERSTAND THE IMPLICATION OF THE TAX CONSEQUENCES UNDER THE CODE.

State Taxation

Bond Counsel is of the opinion, based upon existing statutes and judicial decisions, that interest on the Notes and net gains from the sale of the Notes are not included as gross income under the New Jersey Gross Income Tax Act. Potential purchasers of the Notes should consult with their tax advisors in order to understand the tax consequences of ownership of the Notes under the laws of other states.

THE FOREGOING IS NOT INTENDED AS AN EXHAUSTIVE RECITAL OF THE POTENTIAL TAX CONSEQUENCES OF HOLDING THE NOTES. PROSPECTIVE PURCHASERS OF THE NOTES SHOULD CONSULT THEIR TAX ADVISORS WITH RESPECT TO THE FEDERAL, STATE AND LOCAL TAX CONSEQUENCES OF OWNERSHIP OF THE NOTES.

CLOSING CERTIFICATES

The Underwriters will be furnished, at the time the Notes are delivered, certificates in form satisfactory to Bond Counsel evidencing (a) the proper execution and delivery of the Notes, (b) receipt and payment therefore, and (c) the absence of litigation now pending, or to the knowledge of the officers signing the Notes, threatened to restrain or enjoin the issuance and delivery of the Notes and the payment of principal and interest thereon.

OFFICIAL STATEMENT

The City hereby states that the descriptions and statements herein, including financial statements, are true and correct in all material facts and it will confirm to the purchasers of the Notes that such descriptions and statements, as of the date of this Official Statement, were true and correct in all material facts and do not omit to state a material fact necessary to make the statements herein, in light of the circumstances under which they were made, not misleading.

All other information has been obtained from sources which 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.

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 institutional, building and loan associations, investment companies, and other persons carrying on banking business, all insurance companies, and all executors, administrators, guardians, trustees, and other fiduciaries may legally invest any sinking funds, moneys or other funds belonging to them or within their control in any debt obligations of the City, including the Notes, and such debt obligations are authorized security for any and all public deposits.

MUNICIPAL BANKRUPTCY

The Federal Bankruptcy Act (Chapter IX of the Bankruptcy Code, 11 U.S.C. 901 *et seq.*) (the "Federal Bankruptcy Act") permits a municipality or agency that is unable to meet its debt to file a petition for bankruptcy for the purpose of filing a plan to adjust its debts. The petition stays the judicial or other proceedings against the public body. The plan must be approved by creditors holding at least two-thirds of the amount of debts, and more than one-half of the creditors of the bankrupt municipality or agency.

The State of New Jersey has authorized political subdivisions thereof to file such petitions for relief under the Code pursuant to and subject to Article 8 of the New Jersey Municipal Finance Commission Act (the "Act"). That Act provides such petitions may not be filed without the prior approval of the Municipal Finance Commission and that no plan of adjustment of the debt of a municipality may be filed or accepted by the petitioner without express authority from the Municipal Finance Commission to do so. It is unclear whether or not the provision of the Act requiring that the plan of adjustment be approved by the Municipal Finance Commission is enforceable.

Reference should also be made to N.J.S.A. 52:27-40 *et seq*., which provides that a municipality has the power to file a petition in bankruptcy, provided the approval of the Municipal Finance Commission has been obtained. The powers of the Municipal Finance Commission have been vested in the Local Finance Board. The Federal Bankruptcy Act specifically provides that Chapter IX does not limit or impair the power of a state to control, by legislation or otherwise, the procedures that a municipality must follow in order to take advantage of the provisions of the Federal Bankruptcy Act.

The above references to the Federal Bankruptcy Code are not to be construed as an indication that the City expects to resort to the provisions of the Federal Bankruptcy Code or that, if it did, such action would be approved by the Local Finance Board, or how any proposed plan would affect the source of payment of and security for the Notes.

APPROVAL OF LEGALITY

All legal matters incident to the authorization, issuance, sale and delivery of the Notes are subject to the approval of the law firm of GluckWalrath LLP, Trenton and Newark, New Jersey, Bond Counsel to the City, whose approving legal opinion will be delivered with the Notes substantially in the form set forth as APPENDIX C hereto. Certain legal matters will be passed on for the City by its Corporation Counsel, Anna P. Pereira, Esq. and for the Underwriters by their counsel, Wilentz, Goldman & Spitzer, P.A., Woodbridge, New Jersey.

CONTINUING DISCLOSURE

The City has agreed to comply with the terms of the Securities and Exchange Commission (the "SEC") Rule 15c2-12, as amended (the "Rule"), as it relates to the Notes. The Notes do not qualify for the short-term maturity exemption from the Rule, and, as such, the City will agree in the Certificate to provide in a timely manner not in excess of ten business days after the occurrence of the event, to the Municipal Securities Rulemaking Board (the "MSRB") in an electronic format, notice of occurrence of certain events with respect to the Notes. The specific nature of the information to be contained in the notice of material events is specified in "APPENDIX D — FORM OF CONTINUING DISCLOSURE CERTIFICATE."

The Local Fiscal Affairs Law requires that every municipality have an annual audit of its books and accounts to be completed within six months after the close of its fiscal year. The audit has historically been completed approximately 12 months after the close of the fiscal year. The most recent audit (for the fiscal year ended December 31, 2011) was completed in March, 2013. The City has previously entered into a number of continuing disclosure undertakings in respect of various bond and note issues. The City has, on several occasions, completed a late filing with the MSRB and/or the Nationally Recognized Municipal Securities Repositories formerly designated by the SEC in accordance with the Rule (the "NRMSIRs"), and in several instances it appears that the City may not have filed its unaudited statements (in lieu of audited financial statements) by the required times. The City has retained Digital Assurance Certification L.L.C. ("DAC") to assist it in complying with its continuing disclosure undertakings under the Rule.

For the fiscal year ended December 31, 2008, the City filed its unaudited financial statements with the NRMSIRs on October 13, 2009, and filed its 2008 audited financial statements with the MSRB on March 2, 2010. The unaudited financial statements were not accompanied by updated annual financial information as required by the terms of such undertakings; the City cured such omission by filing its updated financial information with the MSRB on May 25, 2010.

For the fiscal year ended December 31, 2009, the City filed its unaudited financial statements with the MSRB on June 23, 2010, and filed its audited financial statements on December 7, 2010.

For the fiscal year ended December 31, 2010, the City filed its unaudited financial statements with the MSRB on June 30, 2011, and filed its audited financials in November 2011.

For the fiscal year ended December 31, 2011 (the most recent fiscal year for which annual financial information was required to filed pursuant to the prior continuing disclosure undertakings of the City), the City filed its unaudited financial statements with the MSRB on June 28, 2012, and its audited financial statements on March 21, 2013.

For the fiscal year ended December 31, 2012, the City plans to file its unaudited financial statements with the MSRB on or before June 28, 2013, and to file its audited financial statements when available.

Certain of the City's bond issues were additionally secured by bond insurance policies. During the past several years, each of the major bond insurance companies has been downgraded by the major credit rating services, and certain of such companies have been downgraded a number of times. While the City has filed material event notices in accordance with such undertakings with respect to certain of such downgrades, it has not promptly filed notices in respect of all such downgrades. However, the City has subsequently filed various material event notices, which identifies the current credit ratings of such previous City bond issues where such ratings are based upon the ratings of such bond insurance companies.

Except as aforesaid, the City has never failed to comply in all material respects with any previous continuing disclosure undertakings entered into under Rule 15c2-12 to provide annual reports or notices of material events.

FINANCIAL STATEMENTS

The audited financial statements of the City for the years ended December 31, 2011, 2010, 2009, 2008 and 2007 are presented in APPENDIX B to this Official Statement (the "Audited Financial Statements"). The Audited Financial Statements have been audited by Samuel Klein and Company, Certified Public Accountants, Newark, New Jersey, an independent auditor (the "Auditor"), as stated in their report appearing in APPENDIX B to this Official Statement. *See* "APPENDIX B – City of Newark Auditor's Report and Financial Statements."

FINANCIAL ADVISOR

NW Financial Group, LLC, Hoboken, New Jersey has served as Financial Advisor to the City with respect to the issuance of the Notes (the "Financial Advisor"). The Financial Advisor is not obligated to undertake, and has not undertaken, either to make an independent verification of, or to assume responsibility, for the accuracy, completeness, or fairness of the information contained in this Official Statement and the Appendices hereto. The Financial Advisor is an independent firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

UNDERWRITING

The Notes are being purchased from the City by Loop Capital Markets LLC and TD Securities (USA) LLC (the "Underwriters") at a price of $_________. The purchase price of the Notes reflects the par amount of the Notes plus an original issue premium of $________, less the Underwriters' discount of $_________. The Underwriters are obligated to purchase all of the Notes.

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

Loop Capital Markets LLC has entered into distribution agreements (each a "Distribution Agreement") with each of UBS Financial Services Inc. ("UBSFS") and Deutsche Bank Securities Inc. ("DBS") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Distribution Agreement (if applicable to this transaction), each of UBSFS and DBS will purchase the Notes from Loop Capital Markets LLC at the original issue prices less a negotiated portion of the selling concession applicable to any Notes that such firm sells.

TD Securities (USA) LLC has entered into a negotiated dealer agreement (the "Dealer Agreement") with TD Ameritrade for the retail distribution of certain securities offerings, including the Notes, at the original issue price. Pursuant to the Dealer Agreement, TD Ameritrade may purchase Notes from TD Securities (USA) LLC at the original issue prices less a negotiated portion of the selling concession applicable to any of the Notes that TD Ameritrade sells.

MISCELLANEOUS

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 the statements will be realized. Neither this Official Statement nor any statement that may have been made verbally or in writing is to be construed as a contract with the holders of the Notes.

CITY OF NEWARK, IN THE COUNTY OF ESSEX, NEW JERSEY

By: /s/________________________________
Susan Jacobucci
Director of Finance

Dated: June __, 2013

APPENDIX A
CERTAIN GENERAL INFORMATION CONCERNING THE CITY OF NEWARK

[THIS PAGE INTENTIONALLY LEFT BLANK]

THE CITY OF NEWARK

The City of Newark, New Jersey (the "City" or "Newark") is a municipal corporation having the largest population in the State of New Jersey (the "State" or "New Jersey"). The City covers a land area of 24.14 square miles in the southeastern section of the County of Essex (the "County") in the State and is located eight miles west of the City of New York and 80 miles northeast of the City of Philadelphia. Newark's 2010 census population was 277,140, an increase of 15,520 since the 2000 census.

The City is serviced by the area's major commercial and commuter transportation systems. It is connected to New York City by PATH railroad tubes and Amtrak's Northeast Coast Corridor tracks and is served by Newark Liberty International Airport as well as the major container and cargo facilities of Port Newark/Elizabeth. Newark is the transportation capital of the State and is headquarters for New Jersey Transit ("NJT"), the State's rail and bus transportation operating agency that manages the operations of Newark's Pennsylvania Station ("Penn Station").

The City is the insurance, finance, and banking capital of the State. Among its largest employers are the Prudential Insurance Company, New Jersey's largest public utility, Public Service Electric and Gas Company, Anheuser Busch Brewing Company, Verizon, and Horizon Blue Cross/Blue Shield of New Jersey. In addition, banking institutions with an ongoing presence in Newark include: Wells Fargo Bank, N.A., TD Bank, N.A., Bank of America, JP Morgan Chase Bank, PNC Bank, and City National Bank. Newark continues to be one of the State's major corporate centers.

The City also serves as the county seat for Essex County, with County, State, and Federal courts and governmental offices attracting large numbers of law firms to the City's central business district (the "Central Business District").

Newark is a large, vibrant City at the hub of New Jersey industry, transportation, education and commerce for the State of New Jersey. The City continues to grow and embrace the innovation and forward-thinking leadership needed as dictated by the current national and state economic climate.

CITY GOVERNMENT STRUCTURE

Newark is a Mayor-Council form of government organized pursuant to the "Faulkner Act" (N.J.S.A. 40:69A-1 et seq.). Incorporated in 1836, the City adopted its present Mayor-Council form of government in November 1954. Under this system, the Mayor functions as the chief executive officer and a nine-member Municipal Council functions as the legislative body.

The Executive power of the City is exercised by the Mayor. The Mayor is elected at the regular municipal election for a term of four years. As the chief executive officer of the City, he supervises the administration of the charter and ordinances of the City. Included among his powers are the right to veto ordinances passed by the Municipal Council; appointment of the directors of the ten operating departments with the approval of the Municipal Council; supervision, through the Business Administrator, of the operating departments and agencies of the City government; establishment of salaries, wages, and other compensation for all administrative employees; and various other powers of appointment and removal as provided by the charter and general laws. In addition to the duties and powers outlined above, it is the responsibility of the Mayor in conjunction with the Business Administrator to prepare an annual operating budget and to submit it to the Municipal Council for approval.

The legislative power of the City is vested in the Municipal Council, which is comprised of nine council members elected at the regular municipal election for a term of four years. One council member is elected from each of the City's five wards and four council members are elected at large. In addition, the Municipal Council is responsible for the approval of the municipal budget, the establishment of financial controls, and the setting of salaries for all employees of the Municipal Council and the City Clerk. The Municipal Council is empowered to review and approve the Mayor's annual budget, reduce or increase municipal appropriations requested by the Mayor, override the Mayor's veto of any ordinance approved by the Municipal Council, remove any City officer, other than the Mayor or a member of the Municipal Council, for cause and investigate the conduct of any department, office, or agency. Additionally, mayoral appointments of department heads are subject to the advice and consent of the Municipal Council. The City Clerk serves as the clerk of the Municipal Council and maintains the minutes and records of its proceedings in the appropriate form.

The last general election was held on May 11, 2010. The Mayor and Council members all serve four year non-staggered terms (July 1, 2010-July 1, 2014). The next municipal election will be in May 2014. The current Mayor and Members of the Municipal Council are as follows:

Name	Title
Cory A. Booker	Mayor
Augusto Amador	East Ward Councilperson
Ras J. Baraka	South Ward Councilperson
Mildred C. Crump	Councilperson-at-Large
Carlos M. Gonzalez	Councilperson-at-Large
Luis A. Quintana	Councilperson-at-Large
Anibal Ramos Jr.	Council Vice President North Ward Councilperson
Ronald C. Rice	West Ward Councilperson
Darrin S. Sharif	Central Ward Councilperson

There is currently one vacancy on Council following the resignation of Council President Donald M. Payne, Jr. on November 14, 2012. A special election to fill this seat will be held in November 2013, for the remainder of Mr. Payne's term as a Councilperson-at-Large. The seat will remain vacant until such special election.

ADMINISTRATION

The City conducts daily operations under ten Departments: Office of the Business Administrator; Administration; Economic and Housing Development; Engineering; Child and Family Well-Being; Neighborhood Services; Finance; Water and Sewer Utility; Police; and Fire. In addition to the listed Departments, the City administers the operations of various Boards and Offices including but not limited to: the Boards of Adjustment, Planning, Alcoholic Beverage Control, Office of Affirmative Action, and Rent Control Board that perform certain special functions.

The following are brief biographical sketches of the City officials with major responsibility for financial management:

Cory A. Booker was sworn in as Mayor on July 1, 2010 and has served in that role since July 1, 2006. From 1998 through 2000, he served as Central Ward Councilman for the City. He has a BA and an MA from Stanford University. A former Rhodes Scholar, he also earned his law degree from Yale

University. He served as a staff attorney for the Urban Justice Center and as a Program Coordinator for the Newark Youth Project. He was also a partner at the Law Firm of Booker, Trenk, DiPasquale, Webster, Della Ferra & Sodono, P.C.

Julien X. Neals, Esq. assumed the position of Business Administrator for the City of Newark on November 15, 2010. From February 2008 to November 2010 he served as the City's Corporation Counsel. Prior to this, he was appointed Chief Judge of the Newark Municipal Court on September 5, 2006 and served the City in this role. Prior to that appointment, he was a partner at the law firm of Chasan, Leyner and Lamparello, P.C., in Secaucus, New Jersey, where he handled general litigation matters. Judge Neals has a bachelor's degree from Morehouse College and law degree from Emory University Law School.

Susan Jacobucci was named the Director of Finance and Chief Finance Officer on July 1, 2010. From 2004 to March 2010, she was the Director of the Division of Local Government Services for the Department of Community Affairs, State of New Jersey. As such, she was also Chair of the Local Finance Board. Prior to her employment at the State, she was the Municipal Attorney for the Township of Cherry Hill, New Jersey (1993-2004). Ms. Jacobucci graduated from the University of Pennsylvania with a Bachelor of Arts degree in Biology. She also holds a Masters and Doctorate from Temple University and her Juris Doctorate from Villanova University. She is admitted to the New Jersey and Pennsylvania bars.

Anna P. Pereira, Esq. assumed the position of Corporation Counsel for the City of Newark on November 15, 2010. From September 2008 to November 2010, Pereira served as First Assistant Corporation Counsel to the City. From December 2006 to September 2008 she served as a Judge of the Newark Municipal Court. Prior to this, she was a partner at the general practice firm of Bross, Cummings, Pereira and Moore, LLC located in Newark. While at her firm, Ms. Pereira focused on civil litigation. She advised clients in the areas of tort law, corporate law, criminal law, family law and municipal law. Ms. Pereira received her B.S in Business Administration with a minor in Finance from Adelphi University and her J.D. from Hofstra University School of Law.

Administration – Auxiliary

The following are operations of Newark that are not directly operated by the City's administration, but are fiscally budgeted or processed through the City's budget.

Municipal Court

The Municipal Court of the City of Newark has three main divisions: the Criminal Division; the Traffic Violations Bureau; and the Administrative Support Unit that includes Finance and Data Processing. There are seven full-time judges sitting in the Municipal Court and approximately 93 other employees.

Free Public Library

The Newark Public Library system, comprising the Main Library, the Business Information Center, and 11 neighborhood branches, serves the citizens of Newark as an information center, a learning resource for those in school and those engaged in independent learning, a research center, and a preschoolers' door to learning. Through its NEON project (NEwark ONline), it offers all residents access to the Internet and other on-line resources. Under state and federal grants it also serves as a statewide reference and research center.

Newark Museum Association

The Newark Museum Association (the "Museum"), located near the intersection of Central Avenue and Washington Street, operates a museum which contains 60,000 square feet of exhibition space and 30,000 square feet of direct arts and sciences educational program space, including classrooms and a 300-seat auditorium. Founded in 1909, the Museum is New Jersey's preeminent cultural institution. Its distinguished collections are international in scope and include American painting and sculpture, decorative art, classical arts, the arts of Asia, Africa, the Americas and the Pacific, numismatics, and the natural sciences. The Museum also includes a restored Victorian mansion, the Ballantine House (circa 1885), designated a national historic landmark, the Newark Fire Museum, and a restored 18th-century schoolhouse. The Museum has 95 full-time and 100 part-time employees.

Newark Public Schools

The Newark School District, with 75 schools, 7,000 employees and a student population of 37,443, is the largest and one of the oldest school systems in New Jersey. The system employs professional and non-professional personnel, including teacher's aides. The student population is provided with a comprehensive school program including college preparatory programs, vocational training and special education classes housed in regular elementary and secondary schools. The school system currently includes 61 elementary, 1 regional day and 13 high schools.

Since 1995, the school system has been operated by the State of New Jersey pursuant to the New Jersey Public School Education Act of 1975, as amended, <u>N.J.S.A.</u> 18A:7A-1 *et seq*. The Commissioner of Education appointed a State Superintendent to manage the district.

The State-operated school district enabling legislation, <u>N.J.S.A.</u> 18A:7A-34 *et seq*., makes provision for the City to provide moneys to the State-operated school district for the payment of operating expenditures. Chapter 139 of the Pamphlet Laws of 1991 provided a mechanism similar to the pre-existing one for the authorization and issuance of school promissory Bonds and school serial bonds by the City secured by the power and authority of the City to levy *ad valorem* real property taxes. The Capital Project Control Board of the Newark Public Schools (the "Capital Project Control Board") has the authority to review and recommend the necessity for capital projects proposed by the Superintendent. Following the adoption of a resolution by the Capital Project Control Board, the Municipal Council of the City shall consider a school bond ordinance. The State, by the takeover of the school system in the City, has not affected, modified or impaired the authority or the obligation of the City for the levy and collection of sufficient real property taxes to pay the principal of and interest on outstanding school debt.

The School District has commenced litigation against the State, seeking to terminate the State-operated status. In oral arguments before the New Jersey Superior Court, Appellate Division on June 3, 2013, counsel for the State advised the court that the Commissioner of Education intends to issue a letter within 30 days outlining the process for transition back to local fiscal control.

<u>Public School Budgeting Process</u>. Under the provisions of the New Jersey Public Education Act of 1975, as amended, the Superintendent of a State-operated school district, after preparation of and hearing on a proposed budget, is required to fix and determine the amount of money necessary to be appropriated for the school year and is required to certify the amounts to be raised by taxes. The City may appeal to the Commissioner of Education the amount determined necessary. The Commissioner of Education, upon receipt of such appeal and completion of the hearing process, shall determine the amount necessary for the district to provide a thorough and efficient educational program including the implementation of the plan to correct deficiencies. The City may apply to the Director of the Division for a determination that the local share of revenues needed to support the district's budget results in an unreasonable tax burden. Based upon this review, the Director of the Division certifies the amount of revenues which can be raised locally to support the budget of the State-operated district. Any difference

between the amount which the Director of the Division certifies and the total amount of local revenues required by the budget approved by the Commissioner of Education is paid by the State in the fiscal year in which the expenditures are made, subject to the availability of appropriations. Since Fiscal Year 2000, the State has not supplemented the City's school tax revenues.

ECONOMIC AND HOUSING DEVELOPMENT

The City is pursuing a comprehensive economic development strategy. The City's economic development efforts will enable Newark to take full advantage of its strategic assets, including its location and transportation infrastructure; port and airport; a diverse and underutilized workforce; a large amount of developable land; a concentration of corporate and business service firms; several major universities; and a wealth of arts and cultural institutions. The Department of Economic and Housing Development centralizes the City's divisions responsible for a wide array of activities – including housing production, business development and attraction, sustainability, prisoner reentry, city planning, and workforce development – in order to ensure that economic development strategies and activities have a comprehensive, unified approach. The City is also committed to developing a variety of green economic initiatives, including promoting energy efficiency, green energy production, and urban agriculture.

The City continues to concentrate such efforts on the following areas:

- Newark has strengthened its status as a global transportation and logistics center by building on growing trade at Port Newark, improving its competitiveness in the expanding logistics industry, and creating greater access to port and airport employment opportunities for city residents. The City has made use of environmentally sound development practices at port, airport and rail hubs. In addition, the City is actively engaged in attracting businesses and industry to the area around Port Newark.

- The establishment of the Newark Port Career and Business Development Center, which has served 1,700 clients since its launch in 2008, and has placed 450 clients in transportation/logistics/distribution jobs.

- Newark has worked to reposition the downtown area as a mixed-use Central Business/Residential District. A new downtown living initiative is at the core of this ongoing effort to transform the City's Downtown area into a vibrant destination and place to live. The ongoing transformation is already evidenced by the 550+ units of market-rate residential housing under development or construction downtown.

- Newark's 150,000 jobs represent the largest concentration of jobs in New Jersey. In order to more effectively meet the employment and training needs of Newarkers, the City has undertaken a restructuring of NewarkWorks (formerly the Mayor's Office of Employment and Training). The agency is now positioned to take the lead in local workforce development as the operator of the Newark One Stop System as well as a One Stop partner agency delivering Workforce Investment Act, Work First New Jersey, and Workforce Learning Link employment and training services to Newark residents.

- The Brick City Development Corporation ("BCDC") was formed in 2007. BCDC is a non-profit 501(c)(3) public benefit corporation, which was formed and funded to be the City's catalyst for economic development, real estate transactions, business attraction, and retention. BCDC initiatives have included the Grow Newark Fund, the agency's small business loan program, which has deployed over $6 million in loan funding to 13 small businesses in Newark; a bond assistance program that has resulted in over $8 million in successful bond bids; and small business technical assistance sessions that have served over 75 clients.

- To ensure optimal value and interconnectedness of the City's assets, Newark established a new City planning department, the Department of Planning and Community Development, to coordinate comprehensive, planned development of the City's neighborhoods and key growth areas such as the port.

Current Economic and Housing Development Projects

Among the developers with projects currently in progress are the following:

- RBH Group has received various approvals, including Local Finance Board approval, for a Revenue Allocation Bond (RAB) for "Teachers Village at Four Corners," which will consist of 221 residential units and three charter schools. The project received approval from the City's Landmarks and Preservation Commission and Central Planning Board. The project broke ground in February of 2012 and is scheduled to be completed in 2013.

- In 2010 Pitney-Bowes announced its opening of a major mail services facility in the AMB building. The operation will process 50 million pieces of international mail per year, and consolidate 180 jobs from the region into Newark. Pitney-Bowes joins Mimeo.com in the AMB facility, which had its ribbon cutting in March 2008.

- Marriot International in conjunction with Tucker Development Corporation, the City of Newark, and other partners has received various approvals, including Local Finance Board approval for a Revenue Allocation Bond (RAB), to build a Courtyard by Marriott hotel adjacent to the Prudential Center stadium. The 150 room hotel opened its doors in November 2012, becoming Newark's first new downtown hotel in three decades. This development was necessitated by a growing demand in Newark for hotel rooms. Current hotel occupancy rates are approximately 90%.

- Dranoff Properties is developing One Theater Square, a New Jersey Performing Arts Center-area $190 million 44 story high-rise residential development with 300+ units and 20,000 square feet of retail space. The project has been awarded $38 million from the state's Urban Transit Hub Tax Credit program.

- The Newark Office of the Urban Enterprise Zone has committed $17 million to modernize the streetscapes, and business facades of each of Newark's five wards' main commercial corridors. The East Ward, which began first, will be completed shortly while the project within the other four wards are currently ongoing.

- In 2005, FIDELCO Newark, a real estate development organization, acquired the vacant 400,000+ square foot office building located at One Washington Park and has repositioned it, with a major lobby and infrastructure upgrade. The building is the new home of Rutgers Business School and Audible.com. Across the street, 494 Broad Street is home to the Genova Burns law firm headquarters.

- David Dubrow, a local developer and founder of Dubrow Management, is creating new residential and commercial development called Packard Lofts at 1002 Broad Street. This development is nearing completion, and will include 30+ residential units and ground level retail space.

- RPM Development Group, as part of a joint venture with Rock Properties, is developing the Studebaker Lofts project, at 386 Broad St. on the northern edge of downtown Newark. The development was built in a former service center for the Studebaker car company. The $20.1 million project includes 68 units, of which 50 percent are allocated for affordable housing and 50 percent are market rate. The project is LEED certified and was completed in 2011.

Affordable Housing and Neighborhood Revitalization

The City of Newark has completed over 900 units of affordable housing projects since 2006, of which 466 units were new construction. The Newark Housing Authority has built 398 units of housing over the same timeframe.

Land Disposition and Tax Abatement Policies – The City has created new land disposition and tax abatement initiatives that provide incentives for such community benefits as creating job opportunities for Newark residents, committing to minority contracting, incorporating union labor, and using environmentally sound building techniques. The City has put 104 parcels up for sale that will be governed by the new Land Disposition Policy.

West Ward Initiative – Piloting the land disposition policy and drawing upon the City's new abandoned property ordinance, this initiative will reactivate City-owned vacant and privately owned abandoned properties within a 20-block area in the West Ward. A team of thirteen developers, led by Newark native Tate George and the Newark Housing Partnership, includes eleven minority-owned developers and ten Newark-based firms. The development will be guided by partners including the Urban League of Essex County, and Habitat for Humanity.

- A number of the 233 units to be rehabilitated by 17 small, local contractors have been completed.
- In addition, the Greater Newark Conservancy's (the "GNC") Clean and Green crew has addressed over 50 lots in the area and planted over 200 trees.
- The GNC is building a community garden for use by the 13th Avenue School Community in addition to constructing traffic bump-outs and crosswalks along 12th Avenue.

Working with Brick City Development Corporation, the City has supported new businesses, expanded cultural opportunities, and installed streetscape and lighting improvements along Halsey Street, a corridor with great potential to be the thriving link between the University Heights neighborhood and downtown.

With more than $40 million dollars committed, the City is in the midst of the largest open space expansion and rehabilitation in over a century, and has already doubled City parkland.

Economic Development Activity Since 2000

At the end of 2002, the New Newark Foundation sold its real estate portfolio of nearly 17 acres including the former Hahnes Department Store Building, to the Cogswell Realty Group ("Cogswell"), developers of the successful rehabilitation of the landmark 744 Broad Street office building, which has converted the Art Deco office tower at 1180 Raymond Boulevard to market rate apartments.

Complementing a resurgent Central Business District, many of Newark's residential neighborhoods have seen increases in population. Newark's neighborhoods are anticipating a resurgence in retailing as many retailers occupy vacant land and begin to create local employment and to provide convenient shopping and long-absent consumer goods and services. For example, the City and the New Jersey Economic Development Authority assembled a 13-acre site in the Central Ward with Home Depot for its first Newark store along with three-neighborhood retail outlet parcels, including a Dunkin Donuts, on the southwest corner of Springfield Avenue and Bergen Street. Meanwhile, a private developer has acquired the 14-acre former Pabst Brewery site on South Orange Avenue and Grove Street and has largely demolished and replaced the abandoned brewery with neighborhood retailers and over 200 new market rate residences.

Completion of the $60 million International Center for Public Health Research at University Heights Science Park in 2001 marked the relocation from Manhattan of the world renowned Public Health Research Institute ("PHRI"). Anchoring the 50-acre Science Park, PHRI was joined in 2002 by the latest new structure, the NJIT Enterprise Development Center II, a 50,000 square foot small business incubator housing space for high tech university-related small business enterprises.

Over the past decade, the City has experienced a surge of small and large-scale economic development projects initiated by the private sector. This private sector investment is a result of a coordinated effort by the Department of Economic and Housing Development, the Newark Housing Authority, and other municipal planning and development agencies. The Central Business District has been the site for a number of these projects.

Newark has continued to grow in the difficult economic environment. Industrial development and leasing remain strong in Newark, with strong continuing demand for warehouse, transportation, and distribution facilities.

Summary of Projects under Construction:

Projects currently under construction include:

Project	Estimated Value of Investment
Teacher's Village at Four Corners	$150,000,000
Newark City Hall Restoration	45,000,000
Newark Police Precincts	10,000,000
Market Rate Housing	90,000,000
US Army Corp of Engineers Riverfront Restoration	75,000,000
NJDOT Route 21 Improvements (Green Street to Passaic Street)	57,000,000
Campus Communities' Village at Newark	35,000,000
UMDNJ Graduate Student Project	42,000,000
Rutgers Newark University Square	50,700,000
Scattered Site Market Rate Housing	75,000,000
Street Reconstruction, Downtown Core	10,000,000
Market Street Streetscaping	5,000,000
Lister Avenue Warehouse	50,000,000

Newark Liberty International Airport and Port Newark

Newark Liberty International Airport, located in the City is approximately 16 miles west of midtown Manhattan. It is the fastest growing domestic and international airport in the region. In 2011, over 33 million passengers travelled through the airport, along with 811,989 tons of air cargo and 84,603 tons of air mail. A shuttle service provides access to the airport for passengers of the PATH system and Amtrak commuter trains. NJT buses connect the City's two train stations and bus terminals with Terminals A, B, and C of the airport. Over the past decade, the airport has completed over $1 billion in infrastructure improvements, including a $400 million Airport Railroad Station at Waverly Yards that connects the on-airport passenger monorail tram system with the Northeast Corridor and NJT passenger train service. The airport is the first metro region airport offering passenger rail services from the Northeast Corridor directly to air passenger terminals. In addition, NJT completed construction of the first two-mile operable segment of the Newark Elizabeth Rail Link, a light rail transit system linking NJT's Newark Broad Street Station to Penn Station.

Port Newark-Elizabeth Marine Terminal ("Port Newark") is a waterfront terminal development located on Newark Bay adjacent to Newark Liberty International Airport. The marine terminal contains approximately 2,230 acres of maritime property, including wharves, berthing space (about 41,000 lineal feet), container cranes, transit sheds, open storage areas, buildings, roadways, and railroad trackage. The terminal is served by Conrail which offers direct ship-to-rail transfer at the vessel berths. Port Newark handles over 2.5 million containers annually and rising, making it the third busiest port in the United States. Port Newark is currently undergoing a $650 million expansion, which will generate as much as 6,9000 jobs a year throughout the region.

The City has leased Newark Liberty International Airport and Port Newark to the Port Authority of New York and New Jersey (the "Port Authority") since March 22, 1948.

Lease Between City and Port Authority

In 2002, the City reached agreement with the Port Authority on an extension of the Port Authority's lease of the land on which Newark Liberty International Airport and Port Newark are located. Pursuant to this agreement, the lease was extended through 2065 and the annual rent will be a minimum of $68 million beginning in 2002, with higher rent should certain gross revenue levels be reached; the minimum annual rent may increase every five years based on Port Authority average gross revenues from the two facilities. From 2007-2011, the City received a minimum of $71.6 million per annum. The City and the Port Authority entered into discussions regarding the additional rent payments that the City will receive. As a result of these discussions, the City will receive a minimum of $84.7 million in annual rent from 2012-2016. The next round of negotiations between the City and Port Authority will be in 2017. There are separate payments to the Newark Housing Authority (as the City's assignee) by the Port Authority of $12.5 million per year for 35 years that have been earmarked for economic development projects within the City, including the Newark Downtown Core Redevelopment District Project. *See* "Newark Downtown Core District Redevelopment Plan" below.

Additionally, the agreements provide that, if the Port Authority enters into a new lease with the City of New York relating to John F. Kennedy International Airport and LaGuardia Airport, or amends the existing lease with respect to those airports, Newark will have the right to amend the provisions of its lease with the Port Authority with respect to Newark Liberty International Airport to conform to the terms agreed upon with New York City. Furthermore, if there is a binding award to the New York City pursuant to the ongoing arbitration proceeding with New York City, or any other dispute between New York City and the Port Authority relating to John F. Kennedy International Airport or LaGuardia Airport, or a settlement thereof, Newark has the right to a proportionate award from the Port Authority, except where this would result in a double recovery to Newark or where amounts are awarded to New York City with respect to an issue unrelated to the leases with Newark. Finally, the agreements provide that the proportion of total Passenger Facility Charges received by the Port Authority from the three major airports that is attributable to Newark Liberty International Airport shall be used for projects at that airport.

The Port Authority has negotiated the terms of a new lease with New York City relating to John F. Kennedy International Airport and LaGuardia Airport. As a result, the City and the Port Authority thereafter entered negotiations as to the City's right to have its lease with the Port Authority amended under the "most favored nation" clause in its lease with the Port Authority. The City and the Port Authority reached an agreement that called for the Port Authority to pay to the City a lump sum of $200 million and an additional $40 million per year for each year from 2006-2010.

Other Public Transportation

The City is serviced by the Garden State Parkway, the New Jersey Turnpike and a system of interconnecting highways, which provide access to the major commercial, industrial and residential areas of Newark and the County. The State recently committed monies for improvements and changes in access ramps into the City from Routes 78 and 280.

The City is connected to New York City and cities in New Jersey by PATH and Amtrak. In addition, rail lines connect the City directly with Newark Liberty International Airport linking the two major transportation hubs.

NJT provides citywide bus service. NJT and Newark share oversight of bus lanes for the Central Business District. During peak traffic hours in the morning (6:30 a.m. - 9:30 a.m.) and afternoon (4:30 p.m. - 6:30 p.m.) the curb lanes on both sides of Broad and Market Streets are dedicated for buses only. This program has dramatically improved the flow of traffic and has improved the timeliness of bus service. In addition, the City is served by the New Jersey Transit Light Rail (the "Light Rail"), an aboveground rail system, which was completed in 2001. The Light Rail connects the City's residents and visitors with many destinations throughout the City, including Newark Penn Station, Newark Broad Street Station and the Downtown Business District.

Cultural Arts, Entertainment and Sports in Newark

Cultural activities continue to grow within the City. Newark has seen an increase in programs and events attended by Newarkers, New Jerseyans and those from other states as well.

The New Jersey Performing Arts Center ("NJPAC") opened in October 1997. The NJPAC is home to the Garden State Ballet, the New Jersey Symphony, and the New Jersey State Opera. In 2010, the New Jersey Symphony welcomed internationally respected Jacques Lacombe as its Music Director. NJPAC also hosted the Dodge Poetry Festival in 2010 and 2012. This event alone brought thousands of poets, scholars and students to Newark. Over $100 million of public and private (donated) funds were invested to create the NJPAC on a 12-acre tract in the Central Business District. The first phase of this project consists of a building which houses a 2,700 seat multi-purpose theater, a 500 seat studio theater, a restaurant, banquet facilities, and a gift shop.

Newark's historic 3,000-seat Symphony Hall is one of the largest theaters of its type in the world. In addition, the Cathedral Concert Series is held in Sacred Heart Cathedral, the fifth largest Gothic cathedral in the country.

In addition to NJPAC and Symphony Hall, Newark is home to the Bears & Eagles Riverfront Stadium (home to the Newark Bears minor league baseball team) and the Prudential Center, an 18,000 seat multi-purpose arena that opened in October 2007. The Prudential Center is home to the New Jersey Devils, a professional indoor hockey team, the New Jersey Ironmen, a professional indoor soccer team, Seton Hall University Men's Basketball and various collegiate hockey teams. In 2010, the Prudential Center also became the temporary home of the WNBA professional women's basketball team, the Liberty.

The Prudential Center hosts over 200 events a year including the above-referenced sports events; major concerts such as Black Eyed Peas, Carrie Underwood, Andrea Bocelli, Usher, Bruce Springsteen, The Who and The Rolling Stones; and major attractions such as Disney on Ice and professional boxing. Along with major events, the Prudential Center is ushering in a new era in sports and entertainment in Newark and the entire Northern New Jersey area. The success of the Prudential Center brings direct and collateral revenue to the City.

Newark Downtown Core District Redevelopment Plan

On October 6, 2004, the Newark Municipal Council adopted an ordinance authorizing creation of the Newark Downtown Core District Redevelopment Plan & Amendment to the Newark Plaza Urban Renewal Plan (the "Newark Downtown Core District"). Concurrently, the Newark Municipal Council adopted a resolution designating the Newark Housing Authority as the Redevelopment Entity under the New Jersey Housing and Redevelopment Act, to implement the Newark Downtown Core District Redevelopment Plan.

In October 2005, the $310 million Newark Downtown Core Redevelopment District Project was approved by the Newark Municipal Council. The Newark Downtown Core District's keystone was the construction and opening of the Prudential Center. Plans for the Newark Downtown Core District also include structured parking, retail and entertainment and a headquarters building for the Newark Public Schools, to be constructed by others, for a projected total of 1,800,000 square feet at an estimated combined public and private investment of $588 million. The Tucker/Marriott hotel project mentioned previously along with new arena-area restaurants such as Brick City Bar & Grille (which received a small business loan from BCDC for a second floor expansion) and Brick City Coffee add new street life to the Arena area

Passaic Waterfront Park Mixed-Use Development Project

The U.S. Corps of Engineers is completing plans and designs for a $75 million Passaic Riverfront restoration in the Central Business District. Riverbank Park runs from Bridge Street to Brill Street featuring a pedestrian walkway with active and passive recreational amenities. It includes 6,000 linear feet of new bulkhead, 3,200 linear feet of riverbank restoration and 9,200 linear feet of pedestrian waterfront walkway. Presently, 1,800 linear feet of new bulkhead has been constructed, with the pedestrian walkway still to be constructed between Newark Penn Station and the New Jersey Performing Arts Center. Newark Riverfront Park will be the city's first true waterfront park, covering 3.5 acres and including a 1/3 mile riverfront walk, a public access floating boat dock, native plantings, and lawns for informal gatherings and performances.

The principal property owners are proposing three mixed-use office-residential-retail developments within the Passaic Riverfront Park Area. Participating property owners include Hartz Mountain Industries, the Matrix and Edison Properties. Combined, they are proposing to develop over one million square feet of commercial office space within walking distance of Newark Penn Station, including 600 rental residential units and up to 50,000 square feet of retail along the proposed Passaic Riverfront pedestrian walkway.

As an interim waterfront improvement, the City is building a public access floating boat dock with $139,000 from the New Jersey Department of Transportation. This will be the first public dock in Newark in over a century. Future plans for the riverfront site include residential, structured parking, open space and retail along the Passaic Riverfront connecting to the Minish Passaic Riverfront Park pedestrian walkway.

Health Care and Hospitals

Newark's health care facilities represent a growing source of financial strength, investment, and employment. The following are descriptions of the three major hospitals located in Newark:

Newark Beth Israel Medical Center
Newark Beth Israel Medical Center ("Newark Beth Israel") is a 673-bed, regional care, teaching hospital in Newark with more than 800 physicians, 3,200 employees and 150 volunteers. Newark Beth Israel has over 300,000 outpatient visits and 25,000 admissions annually and is one of only

two hospitals in New Jersey where heart transplants are performed, and the only hospital in New Jersey certified to perform lung transplants. Newark Beth Israel is also home to Children's Hospital of New Jersey, the State's premier children's hospital, which provides state-of-the-art care in nearly 30 subspecialties.

St. Michael's Medical Center

Saint Michael's Medical Center is a 357-bed regional tertiary care, teaching, and research center in the heart of Newark's business and educational district. In January 2008, Cathedral Healthcare System announced its approval of its sale to Catholic Health East of three hospitals located in the City – Saint James Hospital, Columbus Hospital and Saint Michael's Medical Center. In July 2008, St. Michael's Medical Center issued bonds to fund Catholic Health East's acquisition of Saint Michael's Medical Center, and to fund the termination of acute care services at Saint James Hospital and Columbus Hospital and transfer their acute care services to Saint Michael's Medical Center, in an effort to consolidate inpatient acute care services in the City.

The University Hospital

The University Hospital is the core teaching facility of the University of Medicine and Dentistry of New Jersey ("UMDNJ") Medical School, and is the center of referral for many of the state's most advanced medical services and specialty care programs. The hospital is staffed by 300 full-time attending physicians who are also faculty members of the New Jersey Medical School. The University Hospital includes 529 beds and 2,999 full-time employees and has more than 19,000 admissions, 1,700 births, and 220,000 outpatient visits annually. Effective July 1, 2013 University Hospital will be a separate public entity, independent of UMDNJ. However, it is expected that all existing clinical affiliations will continue.

Higher Education

The City is the site of the University of Medicine and Dentistry of New Jersey ("UMDNJ"), the New Jersey Institute of Technology ("NJIT"), the State University of New Jersey ("Rutgers-Newark"), Seton Hall Law School, Essex County College ("ECC"), and Berkeley College. These six colleges and universities are spread out over 320 acres and serve a population of 35,000 students and faculty. UMDNJ is the State's largest health care professional education center with more than 2,500 students and has a 530-bed acute care hospital. NJIT offers undergraduate and graduate degrees in engineering, architecture, and computer science. Rutgers-Newark offers undergraduate degrees and graduate degrees in law, nursing, business administration, public administration, chemistry, and economics. In 2009, Rutgers-Newark opened its flagship business school in 1 Washington Park, occupying 11 of 17 floors of this refurbished building, and anchoring its presence as a key partner in Newark – both through the increasing size of its footprint and through a variety of Newark programs, including a small business loan fund administered with the Brick City Development Corporation. Seton Hall Law School is the third largest Catholic law school in the United States. ECC offers Associate degrees and one-year certificates. In addition, Berkeley College recently opened a campus in Newark, beginning with more than 150 students.

Newark has promoted and enhanced its status as regional knowledge center by making its several higher education institutions the focal point for the expansion of new academic and research activities, new industries, and housing and cultural opportunities that more closely integrate these institutions with Newark's neighborhoods. The Council on Higher Education in Newark ("CHEN"), composed of ECC, NJIT, UMDNJ and Rutgers University-Newark, is developing a 50-acre, $200 million University Heights Science Park to attract science and technology-based businesses to benefit from its proximity to university research, students, faculty, and facilities

RELATED PUBLIC AUTHORITIES

In addition to the agencies described under "CITY INDEBTEDNESS AND DEBT LIMITS – Overlapping Debt" herein, certain regional and City agencies have cooperated with the City in the provision of services to the residents of the City. A description of these agencies and the relationship of each to the City follow.

Joint Meeting of Essex and Union Counties

The Joint Meeting of Essex and Union Counties (the "Joint Meeting") was organized in accordance with legislation passed in 1899 and operates a joint sewer to control sewage collection and treatment. The City is one of fifteen participating municipalities. As a participant, the City assumes a portion of the capital construction and operating costs of the Joint Meeting. The City has occasionally satisfied capital obligations of the Joint Meeting through the issuance of City bonds, and the City intends to do so from time to time in the future. The City's share of operating costs of the Joint Meeting is based on a user charge system and is provided annually in the City's Current Fund budget.

Second River Joint Meeting

The Second River Joint Meeting (the "SRJM") was organized in 1928. The SRJM operates a joint sewer for seven municipalities to control overflow of sewage into the Second River. Under contractual agreement, the City's share of operating expenses for the SRJM is 3.19%. There are no construction projects at present for which the City may be proportionately responsible. Each participating municipality authorizes and issues its own debt to finance any construction projects. There is currently no debt for the SRJM that is authorized and unissued.

Newark Parking Authority

The Newark Parking Authority (the "Parking Authority") was created in 1956. Its seven-member board is appointed by the Mayor with the advice and consent of the Municipal Council.

Pursuant to a Resolution of the Municipal Council adopted on August 6, 2008 and an Interlocal Agreement between the City and the Parking Authority dated August 8, 2008 (the "Interlocal Agreement"), the City has transferred to the Parking Authority all existing parking assets owned, controlled or operated by the City to become part of the Parking Authority's parking system (the "Parking System"). The term of the Interlocal Agreement is 40 years, with an option to the Parking Authority to renew for two additional 10 year terms. During the term of the Interlocal Agreement, the Parking Authority is responsible for all costs of operating, constructing, and maintaining the parking assets of the Parking System. The parking assets transferred include parking meter operation and other conveyances, structures and equipment and other real and personal property and rights therein and appurtenances necessary or useful and convenient to the operation of the Parking System.

Under the Interlocal Agreement, the Parking Authority is entitled to share in the City's ticket revenues. The Parking Authority is required to pay to the City certain amounts to allow the City to pay debt service on debt issued for certain upgrades to the Parking System.

Under the Interlocal Agreement, the Parking Authority is obligated to operate and maintain, and to the extent the Parking Authority deems feasible, enlarge the Parking System. To allow the Authority to effectively and efficiently operate the Parking System, the Parking Authority's duties include, among others, bus lane enforcement, the establishment of a billing system, control over on-street parking spaces and meters, and the operation of towing and vehicle storage facilities.

Newark Watershed Conservation and Development Corporation

This agency was responsible for the protection, coordination, review, and planning of limited development of the 35,000 acres in the Pequannock Watershed which the City owns in northwestern New Jersey. This watershed contains five reservoirs from which the City obtains 80 mgd. The storage capacity of the five reservoirs is 14.4 billion gallons. The watershed is 35 miles from the City and is one of the region's largest open spaces. Limited economic development is being planned on a small portion of the watershed for the purpose of relieving the City of the tax burden of this property resulting from the obligation of the City to pay taxes to various municipalities included in the watershed. Such funds are raised annually in the City's Water Utility operating budget.

On March 26, 2013, the City was informed that the Newark Watershed Conservation and Development Corporation would be dissolving as of May 31, 2013. As a result, the City has reassumed control of its water utility as of such date, and has hired certain former employees of the Corporation to assist in such operation. The City expects to appoint a full-time Director of Water and Sewer Utilities to oversee such operation in the near future.

Newark Housing Authority

The Housing Authority of the City of Newark (the "Housing Authority") is operated by a seven-member Board of Commissioners, five of whom are appointed by the Mayor with the concurrence of the Municipal Council; one of whom is appointed by the Governor; and one of whom is appointed by the Mayor without the concurrence of the Municipal Council. Operations of the Housing Authority are centered in two divisions, Public Housing and Urban Renewal. The responsibilities of the Urban Renewal Division include the redevelopment of residential, industrial, and commercial properties, relocation of affected residents, and acquisition and disposal of properties.

The Housing Authority has a total of 1,200 employees and currently operates 9,000 public housing units which house over 30,000 people in public housing, plus 5,000 Section 8 units.

In July 2009, the Housing Authority issued $68,000,000 of its City Secured Police Facility Revenue Bonds (South Ward Police Facility), Series 2009A (the "Police Facility Bonds"), the payment of which is secured by semiannual capital grant payments required to be made by the City in an amount sufficient to pay all debt service on the Police Facility Bonds.

With the exception of the Police Facility Bonds, none of the Housing Authority's debt is a liability of the City, but is accrued solely from Housing Authority revenues and federal sources.

CITY INDEBTEDNESS AND DEBT LIMITS

General

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

The City may sell short-term "bond anticipation notes" to temporarily finance a capital improvement or project in anticipation of the issue of bonds, if the bond ordinance so provides. Under the Local Bond Law, bond anticipation notes, which are full faith and credit obligations of the issuer, may be issued for a period not exceeding one year and may be renewed from time to time, again for a period that does not exceed one year. All bond anticipation notes, including all renewals, must be paid not later than three years from their original date, unless the issuer begins to amortize such notes beginning in the third year. If the appropriate amortization is commenced in the third year, such notes must finally mature and be paid not later than the first day of the fifth month following the close of the tenth fiscal year next following the date of the original notes.

To ensure the continuing tax exemption of its various outstanding bond and note issues, the City is required to periodically determine its liability, if any, relating to arbitrage rebate. The City cannot estimate at this time the amount of any such liability, which could also include liability for interest and penalties.

Tax Anticipation Notes

The City may issue tax anticipation notes in any fiscal year in anticipation of the collection of taxes for such year whether levied or to be levied in such year or in anticipation of certain other revenues for such year, subject to the limits described below. The proceeds of the sale of such notes, unless used to redeem outstanding notes, must be applied to purposes provided for in the City budget or for which taxes are levied or to be levied for such year and may not be applied for any other purpose. Under State law, tax anticipation notes and any renewals thereof shall mature not later than 120 days after the close of the fiscal year.

The City is limited in the amount of tax anticipation notes of any fiscal year that can be outstanding at any time. Such amount shall not exceed an amount certified as the gross borrowing power of the City and no such notes shall be authorized in excess of an amount certified as the net borrowing power of the City. The gross borrowing power of the City with respect to tax anticipation notes for any fiscal year is 30% of the tax levy of the preceding fiscal year for all purposes plus 30% of the amount of the miscellaneous revenues realized in cash during the preceding fiscal year. The net borrowing power of the City for tax anticipation notes is determined by subtracting from the gross borrowing power the amount of tax anticipation notes outstanding for the current fiscal year except such notes as will be renewed by or paid from the proceeds of the bonds to be issued.

Debt Limits

State statutes set forth debt limits for counties and municipalities. The City's net debt is limited by the Local Bond Law to an amount equal to 3 1/2% of its equalized valuation basis. The equalized valuation basis of the City is set by statute as the average value of all taxable real property within its boundaries as annually certified in the valuation of all taxable real property in the table of equalized valuation by the Director of Taxation, Department of Treasury, State of New Jersey (the "Division of Taxation"). Certain categories of debt are permitted by statute to be deducted for purposes of computing the statutory debt limit. As of October 3, 2012 the City has statutory net debt of $297,868,733, which equals 1.784% of its equalized valuation basis as of December 31, 2011.

Exceptions to Debt Limit - Extensions of Credit

The debt limit of the City may be exceeded only with the approval of the Local Finance Board. If all or any part of a proposed debt authorization would exceed its debt limit, the City must apply to the Local Finance Board for an extension of credit. In considering the request, the Local Finance Board concentrates its review on the effect of the proposed authorization on outstanding obligations. If the Local Finance Board determines pursuant to statute and regulation that a proposed debt authorization would materially impair the ability of the City to meet its obligations or to provide essential services, approval would be denied.

Municipal Qualified Bond Act

Pursuant to the Municipal Qualified Bond Act, Title 40A of the New Jersey Statutes, N.J.S.A. 40A:3-1, *et seq.*, as amended (the "Municipal Qualified Bond Act", such bonds being called "Qualified Bonds"), a portion of certain State aid (the "Municipal Qualified Revenues") allocated to the City in amounts sufficient to pay debt service on Qualified Bonds, is to be withheld by the State Treasurer and forwarded to the paying agent for such bonds on or before the principal and interest payment dates for such Qualified Bonds for deposit into accounts established for the purpose of paying debt service on such Qualified Bonds.

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 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 on any such Qualified Bonds. Such budgeted amounts must be used to pay debt service on such Qualified Bonds of the City 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 Qualified Bonds 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 Qualified 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 Qualified Bonds.

The Municipal Qualified Bond Act does not contain a pledge or guarantee that any amounts payable to the paying agent for such Qualified Bonds 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 for such Qualified Bonds does not constitute an additional source of revenue available to the City.

School Qualified Bond Act

In addition to being secured by the pledge of the City's full faith and credit, certain bonds of the City are entitled to the benefits of the School Qualified Bond Act, Title 18A of the New Jersey Statutes, N.J.S.A. 18A:24-85 et seq., as amended (the "School Qualified Bond Act"). Pursuant to the School Qualified Bond Act, a portion of the amount of State school aid payable to the school district, in amounts sufficient to pay debt service on such bonds, is to be withheld by the State Treasurer and forwarded directly to the paying agent on or before the principal and interest payment dates for such bonds. Those funds are further deposited into accounts established for the purpose of paying debt service on such bonds.

Pursuant to the provisions of the School 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 such 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 State school aid payable to the school district an amount which will be sufficient to pay debt service on such bonds as it becomes due. For purposes of the School Qualified Bond Act, "State school aid" means funds made available to local school districts pursuant to the Quality Education Act of 1990, N.J.S.A. 18A:7D-4.

The School Qualified Bond Act provides that the State school aid so withheld and paid or to be paid to and held by the paying agent for such bonds 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 such bonds and other bonds of the City issued for school purposes and entitled to the benefits of the School Qualified Bond Act.

The School 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 such bonds. However, such budgeted amounts will be forwarded by the City to the school district, to the extent that appropriated amounts have been withheld from the State school aid payable to the school district and have been forwarded to the paying agent for such bonds. Such budgeted amounts must be used to pay debt service becoming due on such bonds and other bonds of the City issued for school purposes and entitled to the benefits of the School Qualified Bond Act in any year in which sufficient State school aid is not appropriated.

The State has covenanted in the School 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 State school aid and payment of such monies 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 monies which is prior in time or superior in right to the payment of debt service on such bonds.

The School Qualified Bond Act does not contain a pledge or guarantee that any amounts payable to the paying agent for such bonds 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 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.

Debt Statements

The City must report all new authorizations of debt or changes in previously authorized debt to the Division through the filing of Annual and Supplemental Debt Statements. The Supplemental Debt Statement must be submitted to the Division of Taxation before final passage of any debt authorization. Before January 31 of each year the City must file an Annual Debt Statement with the Division. This report is made under oath and states the authorized, issued, and unissued debt of the City as of the previous December 31. Through the Annual and Supplemental Debt Statements, the Division monitors all local borrowing.

Overlapping Debt

Several regional and City agencies have issued debt for the payment of which the City and its taxpayers is responsible in varying degrees. A description of those agencies and the relationship of each to the City follow.

County of Essex

The County of Essex, directly and via the Essex County Improvement Authority, has issued various bonds, notes and other obligations payable ultimately from taxes levied upon all taxable properties within the County of Essex, a portion of which is allocated to properties within the City of Newark. Accordingly, such debt constitutes overlapping debt with respect to properties within the City of Newark. As of December 31, 2011, the County had $1,087,304,236.25 in outstanding debt and $322,424,236.25 in outstanding net debt. The City's percentage of County debt of 17.48% is based on the equalized valuation of City properties as a percentage of the total county equalized valuation (see table on page A-22 for more information on the City's overlapping debt).

Board of Education of the City of Newark

Prior to the takeover of operations by the State, the Board of Education of the City of Newark has issued various bonds, notes and other obligations payable ultimately from taxes levied upon all taxable properties within the school district, which is coextensive with the City of Newark. Accordingly, such debt constitutes overlapping debt with respect to properties within the City of Newark. As of the date of this Official Statement, the Board of Education of the City of Newark has no debt outstanding.

Passaic Valley Sewerage Commission

The Passaic Valley Sewerage Commission (the "PVSC") was created on March 27, 1902 by legislative action of the State of New Jersey as a corporate body politic established for the purpose of developing a plan for eliminating pollution from the streams and rivers within the Passaic River valley drainage area extending from the Great Falls in Paterson to Newark Bay. The boundaries of the sewerage district known as the Passaic Valley Sewerage District includes portions of Essex, Passaic, Bergen, and Hudson Counties. Nine Commissioners are appointed by the Governor with the advice and consent of the State Senate. Of the nine Commissioners, each County within the Passaic Valley Sewerage District is represented by two Commissioners, both of whom reside in the sewerage district and in the County they represent. At least one of the two Commissioners from each County must reside in a Contracting Municipality or in a leasing municipality. Not more than five of the nine members of the Commission shall be from the same political party. The ninth member shall be an at-large member who shall serve during the term of office of the Governor of the State of New Jersey. Each Commissioner serves for a term of five years or until his successor is appointed, except for the at-large member.

State law provides that municipalities may enter into agreements with the PVSC for the construction, maintenance, and operation of sewerage plants and works, in addition to trunk or main sewage lines. The actual construction and operation of these facilities remain within the jurisdiction of the Commission. The cost of construction and operation of the system is apportioned annually to the respective contracting municipalities and other users of the system according to their total flow and wastewater quality.

The original Passaic Valley Sewerage System (the "System") consisted of a primary treatment plant and steam powered pumping station located near Newark Bay, an interceptor sewer running parallel to the Passaic River between Paterson and Newark Bay, and an outfall into New York Harbor. Since completion of these original facilities in 1924, the Commission has made numerous modifications to improve treatment and increase capacity. Construction of the secondary treatment facility, which is the principal component of the System, was initiated in 1977 and completed in 1985. The interim sludge handling facilities constructed in 1990 are the most recent addition to the System. In the 1990's, various capital improvements and upgrades were completed. The outstanding principal amount of senior debt issued by the PVSC as of December 31, 2011 is $192,185,000 and $147,421,486 in subordinated debt (see table on page A-22 for more information on the City's overlapping debt).

North Jersey District Water Supply Commission

The City is a member by contract of the North Jersey District Water Supply Commission (the "Commission") that is authorized to supply and distribute water to twelve member municipalities comprising the Commission. The Commission is empowered to finance, construct, and operate facilities necessary for the treatment, filtration, transmission, and distribution of water to municipalities that may desire to participate in a water supply project. The Commission consists of a board of seven members appointed by the Governor with the advice and consent of the State Senate for terms of four years. The Commission developed the Wanaque North Project, the operation of which is governed by an agreement executed on December 28, 1940 between the Commission and the participating municipalities. Newark's allotment of water from the Wanaque North Project is approximately 38.07 million gallons per day, or 40.5 percent of the daily yield of the Wanaque Reservoir System.

The Wanaque South Project is a joint undertaking of the Commission and United Water New Jersey, formerly the Hackensack Water Company. This project was designed to increase substantially the water supply available to the co-owners and to relieve the threat of a water crisis in northeastern New Jersey. Fifty percent of the additional water supply is available to the Commission for distribution to the Wanaque South participants, including the City. As of December 31, 2011, the Commission had $30,265,232.28 in outstanding bonds for the Wanaque North Project and as of December 31, 2011 the Commission had $34,952,606.55 in outstanding bonds for the Wanaque South Project (see table on page A-22 for more information on the City's overlapping debt).

Essex County Improvement Authority

Other than the several occasions where the City has participated in financing programs through the Essex County Improvement Authority (the "Improvement Authority" or "ECIA") as a direct borrower, the additional overlapping debt of the Improvement Authority, if guaranteed by the County, is covered in the gross debt of the County as noted in this section. For the City's direct debt under the ECIA see "Total Debt Service Schedule for City General Obligation Bonds" herein.

In December 2010, the City entered into a sale-leaseback transaction with the ECIA, whereby the City sold 16 City buildings to the ECIA, and the ECIA undertook to make certain capital improvements to such buildings and to lease such improved buildings back to the City. To finance the cost of such acquisition and improvements, the ECIA issued $74,080,000 in lease revenue bonds, which are payable solely from lease-purchase payments to be made by the City over a 20-year period. This transaction resulted in the economic defeasance of approximately $8 million in City obligations and inclusion into the City's 2010 fiscal year budget of approximately $39.6 million in net sale proceeds, with a resulting annual lease payment obligation of approximately $6 million per year through 2030.

Newark Downtown District

The Newark Downtown District (the "NDD") is a special improvement district which was formed by the City as a means of providing additional services to be funded by annual assessments against properties located within the NDD. The NDD is managed by the Newark Downtown District Management Corp. (the "NDDMC"), a nonprofit corporation. In 2007, the New Jersey Economic Development Authority (the "NJEDA") issued $10 million in bonds for the purpose of financing various improvement projects of the NDDMC secured by annual assessments generated within the NDD, but such NJEDA bonds are not otherwise secured by the City. As of December 31, 2012, the NDD has $9,175,000 in outstanding bonds.

Statutory Debt

The following chart shows the net statutory debt for the City as of December 31, 2012:

STATUTORY DEBT
AS OF DECEMBER 31, 2012

	Gross Debt	Deductions(1)	Net Debt
School Purposes	$ 96,912,000	$ 96,912,000	$ 0
Combining Water/Sewer Utility	177,275,319	177,275,318	0
Municipal Purposes	429,897,091	119,157,035	310,740,056
Total	$ 704,084,410	$ 415,616,416	$ 310,740,056
Avg. Equalized Valuation of Real Property (Years 2010-2012)			$15,472,729,139
Statutory Net Debt Percentage			2.008%

(1) Deductions from gross debt are allowed in accordance with the Local Bond Law which allows a deduction from gross school purposes of an amount equal to 8% of average equalized valuations and for any Additional State School Building Aid Bonds authorized. The deduction from municipal gross debt represents bonds issued to meet cash grants-in-aid for a housing authority, redevelopment agency, or municipality acting as its local public agency, and cash on hand to pay refunded bonds.

State law also provides for deduction from gross debt of the bonds outstanding of a "self-liquidating" utility. Section 40A:2-45 of the New Jersey statutes defines a self-liquidating utility as having receipts in a fiscal year sufficient to meet operating and maintenance costs and debt service, without drawing on fund balances carried forward from prior years.

Certain other obligations of the City, such as its obligation to make periodic lease or capital grant payments under authority bond issues (such as the $64,535,000 of outstanding Housing Authority of the City of Newark City-Secured Police Facility Revenue Bonds (South Ward Police Facility), Series 2009A) and $54,582,035 in Pension Refunding Bonds of 2003 and 2008 are currently either excluded or deducted from the statutory debt calculations.

Debt Incurring Capacity

The following chart shows the debt incurring capacity of the City as of December 31, 2012:

Municipal:	
1. Average Equalized Valuation of Real Property (Years 2010-2012)	$15,472,729,139
2. 3.5% Borrowing Margin (3-year average of Equalized Valuations)	$541,545,520
3. Net Debt Issued and Outstanding and Authorized and Unissued (including refunding bonds)	$310,740,056
4. Available Borrowing (Line 2 minus Line 3)	$230,805,464
School:	
5. 8% Borrowing Margin (3-year average of Equalized Valuations)	$1,237,818,331
6. Debt Issued and Outstanding and Authorized and Unissued	$96,912,000
7. Available Borrowing Margin - School (Line 5 minus Line 6)	$1,140,906,331

Source: 2012 Annual Debt Statement

Overlapping Debt of the City of Newark
as of 12/31/2011

	Outstanding Net Debt	Percentage allocated to the City[(2)]	Dollar amount allocated to the City
County of Essex	$ 322,424,236.25	17.48%	$ 56,359,756.50
Passaic Valley Sewerage Commission[(1)]			
Senior Bonds	192,185,000.00	34.00%	65,342,900.00
Subordinated Bonds	147,421,486.00	34.00%	50,123,305.24
North Jersey District Water Supply Commission			
Wanaque South Project	34,952,606.55	28.68%	10,025,646.39
Wanaque North Project	30,265,232.28	40.50%	12,257,419.07
TOTAL	$ 727,248,561.08		$ 194,109,027.20

[(1)]Newark's percentage includes flow to East Orange and Hillside
[(2)]The City's allocation is subject to change based on actual usage

Total Debt Service Schedule for City General Obligation Bonds[1 2]

The following table sets forth the total debt service (principal and interest) payable on General Obligation Bonds of the City that are paid through annual budget appropriations as of the date of this Official Statement.

City of Newark Debt Obligation

Debt Service[1 2]

Fiscal Year Ending 12/31	General Obligation Bonds[3]	Water Utility Bonds[4]	School Bonds[5]	Sewer Utility Bonds (NJEIT)[6]	ECIA Bonds	Total Outstanding Debt
2013	$27,213,206.86	$5,033,215.93	$11,501,617.50	$6,658,146.54	$8,128,797.65	$58,534,984.48
2014	29,454,588.93	4,927,417.04	10,763,880.00	6,633,376.34	8,625,437.00	60,404,699.31
2015	29,218,680.00	4,520,353.22	10,654,817.50	6,167,362.00	8,268,674.63	58,829,887.35
2016	30,141,926.40	4,425,413.72	8,472,130.00	5,573,062.69	8,270,535.63	56,883,068.44
2017	31,766,683.45	4,338,927.22	8,374,630.00	5,572,254.57	8,272,130.63	58,324,625.87
2018	32,325,733.85	4,278,865.61	6,227,630.00	5,557,198.46	8,270,960.63	56,660,388.55
2019	31,484,906.45	4,206,828.88	6,233,030.00	5,530,905.44	8,267,735.63	55,723,406.40
2020	29,582,753.78	3,644,351.74	6,246,030.00	5,538,844.30	8,266,260.63	53,278,240.44
2021	27,256,371.63	3,587,628.90	6,263,030.00	5,491,193.71	7,975,485.63	50,573,709.86
2022	25,269,610.05	2,909,655.71	6,287,550.00	5,462,681.10	7,953,840.00	47,883,336.86
2023	23,517,735.90	2,899,572.00	6,319,950.00	5,455,001.29	7,962,816.88	46,155,076.07
2024	23,279,212.85	2,878,798.26	6,357,550.00	5,449,405.40	7,955,589.38	45,920,555.89
2025	21,354,116.20	2,861,309.30	6,399,750.00	5,387,348.37	8,271,850.00	44,274,373.87
2026	21,674,943.60	2,854,774.60	-	3,872,080.39	8,316,574.38	36,718,372.97
2027	22,021,665.65	2,829,331.28	-	3,838,075.22	8,315,820.63	37,004,892.78
2028	22,378,189.35	2,287,545.70	-	1,599,551.05	7,613,506.25	33,878,792.35
2029	13,934,494.55	1,573,101.36	-	1,600,351.34	7,607,521.88	24,715,469.13
2030	14,099,723.50	857,438.85	-	731,232.52	6,718,850.00	22,407,244.87
2031	11,502,893.30	367,100.00	-	-	-	11,869,993.30
2032	11,829,139.80	365,350.00	-	-	-	12,194,489.80
2033	12,171,629.00	368,100.00	-	-	-	12,539,729.00
2034	5,060,075.00	370,100.00	-	-	-	5,430,175.00
2035	5,063,700.00	371,350.00	-	-	-	5,435,050.00
2036	5,060,450.00	373,850.00	-	-	-	5,434,300.00
2037	5,059,650.00	375,500.00	-	-	-	5,435,150.00
2038	5,059,950.00	378,300.00	-	-	-	5,438,250.00
2039	-	381,150.00	-	-	-	381,150.00
	$516,782,030.08	$64,265,329.32	$100,101,595.00	$86,118,070.73	$145,062,387.40	$912,329,412.53

[1] Includes Type I and State-operated school district bonds paid through City budget appropriation
[2] The above schedule does not include any Bond Anticipation Notes
[3] All General Obligation Bonds and are covered under the Municipal Qualified Bond Act, Title 40A of the New Jersey Statutes, N.J.S.A. 40A:3-1, *et seq.*, with the exception of the Housing Authority of the City of Newark City-Secured Police Facility Revenue Bonds (South Ward Police Facility) Series 2009A and two State loans
[4] All Water Utility Bonds are covered under the Municipal Qualified Bond Act, Title 40A of the New Jersey Statutes, N.J.S.A. 40A:3-1, *et seq.*
[5] All School Bonds are covered under the School Qualified Bond Act, School Qualified Bond Act, Title 18A of the New Jersey Statutes, N.J.S.A. 18A:24-85 et seq.
[6] A portion of the Sewer Utility Bonds (NJEIT) are covered under the Municipal Qualified Bond Act, Title 40A of the New Jersey Statutes, N.J.S.A. 40A:3-1, *et seq.*

CITY FINANCIAL PROCEDURES

The Municipal Budget Process

The municipal operating budget process includes submission of the budget by the Mayor to the Municipal Council, its approval and adoption by the Municipal Council, and its certification by the Director of Local Government Services and subsequent certification of tax rate by the County of Essex. This process is governed by City charter and State statute. According to the City charter, the Mayor is to prepare his budget for submission to the Municipal Council on or before January 15. The Department of Administration under the direction of the Business Administrator is charged by the Mayor with responsibility for the initial formulation of the budget. This work is carried out by the Office of Management and Budget under the supervision of the Budget Director, who is responsible for compiling the budget document in accordance with policies established by the Mayor. The statute requires the budget to be in line-item format.

The budgetary process consists primarily of modification and review by the Office of Management and Budget of appropriation requests of the City's various departments and agencies. Revenue estimates are provided by the Department of Finance and are based on the previous year's receipts and instructions from the State as to what level of revenue may be anticipated.

The Municipal Council must initially introduce the budget by February 10 after which it is advertised and reviewed at public hearings held by the Municipal Council. After the close of the public hearings, and, provided certification of the Director of Local Government Services approving the budget has been received, the Municipal Council may adopt the budget, provided there are no amendments that statutorily require advertisement and a public hearing

In order to provide for expenditures to be made in the period commencing January 1 and ending with the adoption of the regular budget, temporary appropriations must be made by the Municipal Council by resolution adopted prior to January 31 and are generally limited to 26.25% of the total appropriations made for all purposes during the preceding year. The 26.25% limit may be waived by the Director of Local Government Services for specific items falling due during the temporary budget period. Debt service, capital improvements, and public assistance payments are exempt from such limits. Appropriations for interest and principal payments coming due during this period in time must be made in full.

The 2008 Budget was adopted on September 25, 2008 and was the recipient of the Government Finance Officers Association ("GFOA") Budget Award. The 2009 Budget was adopted on October 19, 2009. The 2010 Budget was adopted on October 28, 2010. The 2011 Budget was adopted on September 29, 2011. The 2012 Budget was adopted on October 16, 2012.

Limitations on Expenditures (The Cap Law)

Section 40A:4-45.3 of the Local Budget Law, commonly referred to as the "CAP" law, provides that municipalities are prohibited by law from increasing their final appropriations (the budget) over the previous year's final appropriations by more than 2.5% or the "cost-of-living" adjustment (the rate of annual percentage increase in the Implicit Price Deflator for State and Local Government Purchases of Goods and Services), whichever is less, subject to certain exceptions, including all debt service requirements of a municipality.

The current exceptions to the CAP law, which has been amended from time to time, are as follows:

1) Capital expenditures, including appropriations for current capital expenditures, whether in the capital improvement fund or as a component of a line item elsewhere in the budget, provided that any such current capital expenditure would otherwise be bondable under the Local Bond Law

2) An increase based upon an emergency temporary appropriation to meet an urgent situation or an emergency appropriation made pursuant to the Local Budget Law

3) All debt service requirements

4) Cash deficits of prior years, subject to the approval of the Local Finance Board in the Division of Local Government Services

5) Amounts reserved for uncollected taxes

6) Appropriations related to new or increased service fees imposed by municipal ordinances

7) When approved by referendum

8) Amounts required to be paid pursuant to any contract with respect to use, service, or provision of any project facility or public improvement for water, sewer, solid waste, parking, senior citizen housing or similar purpose or payments on account of debt service therefor between other political subdivisions of the State

9) Programs funded in whole or in part by Federal or State funds and amounts received or to be received from Federal, State, or other funds in reimbursement for local expenditure

10) Amounts expended to fund a free public library established pursuant to a provision of law

11) Amounts expended in preparing and implementing a housing element and fair share plan pursuant to the provisions of P.L. 1985, C. 222 and any amounts received by a municipality under a regional contribution agreement pursuant to Section 12 of that act

12) Amounts expended to aid privately owned libraries and reading rooms

13) Extraordinary expenses, approved by the Local Finance Board, required for the implementation of an interlocal service agreement

14) Any expenditure mandated as a result of a natural disaster, civil disturbance, or other emergency that is specifically authorized pursuant to a declaration of an emergency by the President of the United State or the Governor of the State

15) Expenditures for the cost of services mandated by any order of court, by any Federal or State statute, or by administrative rule, directive, order or other legally binding device issued by a State Agency

16) Expenditures of amounts actually realized in the Local Budget Year from the sale of municipal assets in extraordinary cases and with the permission of the Local Finance Board

17) Any Local Unit which is determined to be experiencing fiscal distress pursuant to the provisions of P.L. 1987, C. 75 and which has available surplus pursuant to the spending limitations imposed by P.L. 1976, C. 68, may appropriate and expend an amount of that surplus approved by the Director and the Local Finance Board

18) Newly authorized operating appropriations expended for the staffing and operations of the municipal court when approved by the vicinage Presiding Judge of the Municipal Court

19) Expenditures related to the cost of conducting and implementing a total property tax levy sale, subject to the approval of the Local Finance Board

20) Amounts expended for a length of service award program

21) Amounts expended to provide municipal services or reimbursement amounts to multifamily dwellings with respect to solid waste collections

22) Amounts expended under an interlocal services agreement

23) Amounts expended under a joint municipal contract

24) Amounts required to be paid by a municipality in connection with the recycling tax imposed on owners and operators of solid waste facilities.

Under the Cap Law, any emergency appropriation as defined in Section 40A:4-46 of the Local Budget Law, must be set forth by resolution and must be approved by at least two-thirds of the governing body and must be approved by the Director of the Division. Supplemental appropriations made after the adoption of the budget and determination of the tax rate may be authorized by the governing body of the municipality. However, with minor exceptions, such appropriations must be included in full in the following year's budget.

For budget years beginning before July 1, 2012, N.J.S.A 40A:4-45.3e permits increases in appropriations for increased health insurance costs in excess of 4% (but not more than the average percentage increase of the State Health Benefits Program). The "Cap Law" is subject to amendment by the Legislature.

See, also, "ASSESSMENT AND COLLECTION OF TAXES - Property Tax Reform" below for a description of the separate tax levy cap which was enacted in 2007 and substantially amended in 2010.

Anticipation of Real Estate Taxes

In regard to current taxes, "receipts from the collection of taxes levied or to be levied by the municipality, or in 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." (Section 40A:4-41 of the Local Budget Law)

This provision requires that an additional amount (the "Reserve for Uncollected Taxes") be added to the tax levy required to balance the budget so that when the percentage of the prior year's tax collection is applied to the combined total the product will at least equal the tax levy required to balance the budget.

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

The City school district and the County receive 100% of their tax levies, which are collected and paid to them by the City.

Anticipation of Miscellaneous Revenues

Section 40A:4-25 of the Local Budget Law provides that "No miscellaneous revenues from any sources shall be included in the 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."

Deferral of Current Expenses

Supplemental appropriations made after the adoption of the budget and determination of the tax rate may be authorized by the governing body of the City. However, with minor exceptions, such appropriations must be included in full in the following year's budget. Under the Cap Law, Section 40A:4-45.3a of the Local Budget Law, any emergency appropriation must be declared by resolution according to the definition provided in Section 40A:4-46 of the Local Budget Law, must be approved by at least two- thirds of the governing body and must be approved by the Director of the State Division of Local Government Services.

Audit Requirement

The Local Fiscal Affairs Law requires that every municipality have an annual audit of its books and accounts to be completed within six months after the close of its fiscal year. The audit has historically been completed approximately 12 months after the close of the fiscal year. The 2010 audit was completed in November of 2011. The audit must be conducted by a registered municipal accountant and the audit report must be filed with the municipal clerk and with the Director of the Division of Local Government Services. (N.J.S.A. 40A:5-4 through 40A:5-10).

The City's accounting methods conform to practices prescribed by the Division, which practices differ in some respects from generally accepted accounting principles. *See* Appendix B "City of Newark Auditor's Report and Financial Statements" and the notes thereto for a description of the City's accounting policies.

In addition, as a condition to receiving Special Municipal Aid, the Division of Local Government Services required that the City undergo a performance audit that focused on the City's internal controls and statutory/regulatory compliance. Bowman & Company, LLP issued such performance audit on August 27, 2009. The City has reviewed such performance audit and has implemented certain of the suggestions contained therein.

STATE AID PROGRAMS

The State of New Jersey provides financial support to local governments through various programs aimed at reducing reliance on the local property tax base.

Aid for School Debt Service

Based on the then-existing foundation aid formulas, the State has provided a percentage of the City's annual debt service requirement for Type I and for Type II State-Controlled school district bonds as follows:

City Fiscal Year	Debt Service Requirements Not Including Ch. 177, Ch. 10 and Ch. 74 Bonds	State Assistance Under P.L. 1975, c. 212	State Assistance as Percentage of Debt Service
2012	$14,179,455	$7,515,706	53.0%
2011	14,890,602	7,258,368	48.7
2010	14,086,045	7,705,192	54.7
2009	14,199,469	8,691,390	61.2
2008	12,722,667	9,145,201	71.9
2007	13,029,632	9,446,601	72.5

On January 7, 2008, the New Jersey Legislature passed a comprehensive revision to the school funding formula applicable to local school districts. Such legislation was approved by the Governor on January 13, 2008, and first applied to the 2008-2009 school year.

The new funding formula provides a more streamlined approach, consolidating 23 aid categories into 8. The formula calculates aid based on the student population rather than district location, in order to distribute aid equitably during periods of changing demographics and enrollment shifts. The formula also allocates additional resources to support students who live in districts with high concentrations of poverty, regardless of the school district location. The adequacy budget is determined by enrollment data. Once the adequacy budget is identified, the portion of the adequacy budget that will be paid for by the State and the portion paid for by the local taxpayers is determined using a calculation that is part of the funding formula, giving consideration to the districts' ability to pay. The new funding formula also includes a revised calculation for special education services that will provide increases in aid for special education students and include reforms to Extraordinary Special Education Costs Aid.

Distributed Taxes

The State collects various taxes for distribution to local governments. The proceeds are apportioned and distributed each year, according to a formula based upon the location, value of utility property, and sales. The State also collects certain taxes on financial businesses, banking corporations, and insurance companies for appropriation and distribution to the municipalities in which they do business.

State Aid

Beginning with State fiscal year 1996, the State has consolidated many of the municipal aid programs into a single program called the "Consolidated Municipal Property Tax Relief Act" ("COMPTRA"). The amount received by the City under COMPTRA has been approximately the same as the total received from the component aid and grant programs in the year preceding COMPTRA. The State's 2010 Budget for the City's fiscal year 2009 included an approximately $118.7 million allocation to the City, which included $12 million in Special Municipal Aid, a 4.65% decrease from the prior fiscal year. The State's 2011 Budget for the City's fiscal year 2010 included an approximately $91.3 million allocation to the City, an approximately 2.3% decrease from the City's fiscal year 2009. The State's 2012 Budget for the City's fiscal year 2011 included an approximately $91.3 million allocation to the City (level with the preceding year), and an additional $32 million in State assistance was provided under the MOU. See “CITY FINANCIAL SCHEDULES – 2011 Budget” herein. The State’s 2013 Budget for the City’s fiscal year 2012 included an approximately $91.3 million allocation to the City (level with the preceding year), and an additional $10 million in State assistance was provided under the Transitional Aid program. See “CITY FINANCIAL SCHEDULES – 2012 Budget” herein. Projected State Aid for the State’s 2013 Budget for the City’s fiscal year 2013, as released by the Department of Community Affairs on February 27, 2013, reflected an approximately $101.3 million allocation to the City (level with the combined State Aid and Transitional Aid received by the City in the preceding year). The City has not applied for Transitional Aid for the City’s fiscal year 2013.

The State has announced that, as in previous years, five percent (5%) of State assistance will be withheld from municipalities which fail to achieve a sufficient score on a best practices inventory promulgated by the State. No State assistance has previously been withheld to the City on this basis, and the City believes that no such withholding shall apply to the projected State assistance for the City’s 2013 fiscal year.

Tax Exemption Reimbursement

The State reimburses municipalities for the full cost of mandated property tax deductions and exemptions for certain categories of taxpayers ($100 per year for veterans and/or disabled citizens and $250 per year for senior citizens).

Welfare

The State pays the entire non-federal share of Medicaid. New Jersey municipalities have no financial responsibility to fund these programs. The State also makes aid payments to counties with above-average welfare burdens. Effective July 1, 2008, the General Assistance administrative component was transferred to the County of Essex. The City now bears no cost for the Program.

Transit

The subsidization of mass transit is the responsibility of the State. The municipalities are not required to make financial contributions.

College Aid

The State subsidizes the system of State colleges and universities, with no obligation for municipal financial assistance. County colleges are supported by county governments with State assistance. Municipalities have no financial responsibility for the county college system.

Other

The State mandates a variety of smaller programs of grants-in-aid to municipalities in such areas as housing, neighborhood preservation, health, recreation, and social services.

CITY FINANCIAL SCHEDULES

Financial Statements

The City’s audited financial statements for the fiscal years ending December 31, 2011, 2010, 2009, 2008 and 2007 are set forth in APPENDIX B.

2010 Budget and Fiscal Initiatives of the City

The City's 2010 budget contained municipal purpose appropriations of $599,475,075. In preparing the City's budget for fiscal year 2010, the City faced a large structural budget gap. The City has taken a number of steps toward closing the structural gap for 2010 and beyond. The City has worked to increase existing revenue sources by evaluating its fee structures and improving collection rates. In addition, the City has aggressively pursued additional revenue sources and recurring grant revenues to support current programming. Also, the City has reduced appropriations and positions while maintaining service levels and has continued to explore shared and cooperative services to achieve cost savings. Although these initiatives were instrumental in balancing the 2010 budget, their significant recurring benefits helped to diminish the City's budget pressures in 2011 and 2012 and will continue to do so in years beyond.

Over the years, the City has had the benefit of significant Port Authority settlement payments (2010 was the last payment) along with Municipal State Aid and the benefits of improving economic conditions. As the economy worsened in 2008, the City's revenues declined as a result of decreased spending in the City (i.e. special taxes, including hotel taxes, parking taxes, and payroll taxes) and a significant decline in property values. The City was further impacted by the reduction of State Aid and a change in policy at the State level that eliminated the deferral of one-half of its annual pension liability ($52 million in 2010).

As a result, the City contemplated initiatives that would both increase revenues in the current year and look towards the future to close the structural deficit, including the issuance of approximately $75 million in tax anticipation notes payable in the subsequent fiscal year, a sale-leaseback transaction associated with certain City-owned properties with the ECIA, the sale of a City-owned garage to a private entity and a restructuring of the City's long-term debt obligations. These one-time revenue-generating projects, along with the final settlement payment from the Port Authority of $40 million and many other cost saving measures and ongoing revenue enhancements of the City, allowed the City to close the 2010 Budget gap. The significant measures that the City has taken on an ongoing basis to create recurring revenues and long-term cost savings have begun to be seen in 2011 and will be seen even more significantly in years beyond. Some of the initiatives implemented by the City are as follows:

Long-Term Initiatives

Organizational Restructuring. The City implemented an organizational restructuring plan that included a sizable reduction of the City's work force, a reduction of provisional employees and further vacancies, as well as the implementation of furlough days. The implementation of these staff reductions and other measures reduced the amount of operating expenses otherwise payable by the City during the 2010 Fiscal Year by approximately $21.7 million. In 2011, when the City began to realize the full effect of the organizational restructuring (approximately $40 million), departmental appropriations were reduced to 2006 levels. The effect of the restructuring will be even greater in 2012 and beyond, as the City has begun to make payments (i.e. severance, other) in 2011 as a result of the layoffs.

Municipal Property Tax Rate Increase. In setting its municipal tax rate for the 2010 Fiscal Year, the City established a tax rate that incorporated a 16% overall increase (7% in the third quarter tax bills and 9% in the fourth quarter) from the 2009 tax rate. This tax increase resulted in approximately $34.6 million in additional municipal tax revenues during the 2010 Fiscal Year.

Enhanced Motor Vehicle Violations Fines. The City recently installed red-light cameras, and has increased its schedule of motor vehicle related fines. Such initiatives resulted in approximately $1.4 million in additional municipal revenues during the 2010 Fiscal Year, which have continued in 2011-2012 and are expected to continue in years beyond.

Other Revenue/Cost Savings Initiatives For 2011 And Beyond

Revenue Sharing From Parking Authority. The City expects to receive additional revenues generated by the Parking Authority and shared with the City as result of increased meter rates, increased number of meters and the elimination of the holiday moratorium.

Additional Revenue From Payroll Tax. As a result of an increase in the number of sports and entertainment events (i.e. the New Jersey Nets, New York Liberty, concerts) at the Prudential Center and the NJPAC, the City expects to receive an increase in revenue from its payroll tax. Such additional receipts are expected to decline in 2012 following the relocation of the New York Liberty and the New Jersey Nets to Madison Square Garden and the Barclays Center, respectively.

Additional Port Authority Revenues. As noted herein, the City and the Port Authority entered into discussions regarding the additional rent payments that the City will receive in 2012. As a result of these discussions, the City will receive a minimum of $84.7 million in annual rent from 2012-2016. This figure is an approximately $13.1 million increase from the previous annual rent of $71.6 million

Employee Contributions to Benefits. In addition to the organizational restructuring that the City has implemented, employee contributions to benefits will result in additional cost savings for the City.

The City expects to realize significant savings from reductions in force and the other initiatives noted above. If necessary, unpaid furlough days may be considered. However, the City faces continuing, significant structural budget challenges beyond the 2010 fiscal year. While tax increases in 2010 have raised the City's tax levy cap base by approximately $33 million, implementation of the stricter tax levy cap in 2011 have restricted and will continue to restrict future property tax increases.

2011 Budget

The City adopted its annual budget for 2011 on September 29, 2011. The 2011 budget contained municipal purpose appropriations of $571,011,223.47, representing a 4.74% decrease from 2010 appropriations. The 2011 budget included an overall 9.98% increase in the municipal purpose tax levy, producing additional annual revenues of approximately $18 million. Total formula State aid to the City was $91,290,117, which was identical to the amount received by the City in 2010, and approximately 14% less than the approximately $106,707,547 received in 2009. The City continued the fiscal initiatives described above under the subheading “2010 Budget and Fiscal Initiatives of the City”, including the issuance of approximately $70 million in tax anticipation notes payable in the subsequent fiscal year (representing a reduction of approximately $5 million from the tax anticipation note balance carried into 2011 from the previous fiscal year).

In preparing the City’s budget for fiscal year 2011, the City again faced a large structural budget gap. The adopted budget anticipated the receipt of $32 million in financial assistance from the State of New Jersey (the “State”) during the fourth quarter of 2011. Such assistance was provided in the form of a forgivable loan, the repayment of which has since been forgiven.

2012 Budget

The City adopted its annual budget for 2012 on October 16, 2012. The 2012 budget contained municipal purpose appropriations of $569,680,000, representing a 0.24% decrease from 2011 appropriations. The 2012 budget included an overall 5.17% increase in the municipal purpose tax levy, producing additional annual revenues of approximately $10 million. Total formula State aid to the City was $91,290,117, which was identical to the amount received by the City in 2011. The City continued the fiscal initiatives described above under the heading "2010 Budget and Fiscal Initiatives of the City", including the issuance of $60 million in tax anticipation notes payable in the subsequent fiscal year (representing a reduction of approximately $10 million from the amount of tax anticipation notes that were issued in 2011).

In preparing the City's budget for fiscal year 2012, the City again faced a large structural budget gap. The adopted budget anticipated the receipt of $10 million in financial assistance from the State during the fourth quarter of 2012, through the State's Transitional Aid program for the State's 2013 fiscal year. Such assistance was provided in the form of a grant, but with the condition that the City be required to appropriate as a repayment to the State in the City's 2013 budget all funds above $10 million that are available to be used as a revenue in support of the 2013 budget according to the City's 2012 annual financial statement. No such repayment is expected to be required.

The City entered into a Memorandum of Understanding (the "MOU") with the State in connection the receipt of Transitional Aid in 2012. The MOU requires the City to obtain the prior consent of the Director of the Division of Local Government Services (the "Division") before taking certain fiscal actions, including (but not limited to) new hiring, expansion of municipal services, certain contracts and bond authorizations, and granting of tax abatements. The City must also adhere to certain contracting procedures, and present a transition plan detailing how the City intends to eliminate its reliance on special State assistance. The MOU will remain in effect until December 31, 2013, unless sooner terminated with the consent of the State. Failure to comply with any such requirements may subject the City to penalties. The City intends to comply with all such requirements.

See "RISK FACTORS" herein for a discussion of certain risks relating to the appropriation, authorization and receipt of Transitional Aid in connection with the City's 2012 Budget.

2013 Budget and Proposed Fiscal Initiatives of the City

As of the date hereof, the Mayor has not yet submitted his proposed 2013 City budget to the Municipal Council. The delay was primarily caused by the recent dissolution of the NWCDC (bringing all sewer and water operations in-house), while still maintaining the self-liquidating status of the City's water and sewer utilities. Also, the occurrence of Hurricane Sandy caused a delay in holding a year-end accelerated tax sale, which in turn complicated the closing of the 2012 books. It is anticipated that the Mayor's proposed budget will be presented to the Municipal Council during the week of June 17, 2013. Once presented, the Municipal Council must act to introduce the budget. Under the current MOU with the State, the Municipal Council will then have a limited time to consider and adopt the 2013 City budget.

Although the City successfully adopted a balanced budget for each of 2011 and 2012, it continues to face significant challenges to the adoption of balanced cash basis budgets for its 2013 fiscal year and beyond. The City does not expect to participate in the State's Transitional Aid program in 2013. Continuing access to the State's Transitional Aid program (and loan forgiveness for past awards) is not assured, and attempts to generate funds through the creation of a Municipal Utilities Authority (an "MUA") have not come to fruition. It is likely that the City will need to explore additional actions in 2013, including, among other things, additional property tax increases, additional reductions in labor force, additional land sales, potential asset monetization plans, revisiting the creation of an MUA and/or consolidation or regionalization of City services. Additional actions may also be required in subsequent fiscal years. Certain of the actions may require approvals of third parties (such as the Local Finance Board). No representation is made regarding whether such actions will be taken or such third-party approvals obtained.

As in each of the three previous years, the City intends to issue a substantial amount of tax anticipation notes, payable in a subsequent fiscal year, during the second quarter of 2013. Although the

City presently enjoys market access to sell its short-term notes (such as the Notes), there can be no assurance that the City will be successful in any such future sale of its tax anticipation notes. The current State budget (which expires on June 30, 2013 and therefore will not be in effect at the time the Notes mature) contains certain provisions which may provide relief for issuers of maturing bond anticipation notes and tax anticipation notes. One such provision authorizes a municipality (with the approval of the New Jersey Local Finance Board) to pledge funds appropriated as State Aid and payable to the municipality, as a guarantee for payment of principal of and interest on any of its bond anticipation notes or tax anticipation notes. The City has not applied for such treatment in connection with the Notes. Another provision authorizes the State Treasurer, in consultation with the Commissioner of the Department of Community Affairs, to direct the Director of the Division of Budget and Accounting to provide a loan for a term not to exceed 30 days to a municipality faced with a fiscal crisis, including but not limited to a potential default on tax anticipation notes. No assurance can be given that these or similar provisions of the current State budget will be included in the State budget for the fiscal year ending June 30, 2014 (i.e., the budget that will be applicable when the Notes mature).

As noted above, in 2010, 2011 and 2012 the City implemented a number of initiatives that created both one-time revenue enhancements and various enhancements that resulted in recurring annual revenues. These initiatives, along with the significant appropriations reductions, have resulted in a significantly smaller structural budget deficit. As the City prepares for the introduction of its 2013 budget, additional initiatives are being considered that will result in a balanced 2013 budget, and which upon implementation would further reduce the City's structural deficit.

The most significant recurring revenue initiative continues to be the increase in the annual municipal property tax rate. In 2010, the City increased its municipal property tax rate by 16%, producing additional annual revenues of approximately $34.6 million. In 2011, the City increased its municipal property tax rate by 9.98%, producing additional revenues of approximately $18 million. In 2012, the City increased its municipal property tax rate by 5.17%, producing additional revenues of approximately $10 million.

Over the past several years, the City has explored the possibility of forming an MUA, which would assume responsibility for the operation of the City's water and sewer systems. The City received approval from the Local Finance Board for authorization to form the MUA in August 2012 (having received similar approval also in July 2010). However, the Municipal Council tabled the proposed formation ordinance, and passed a citizens' initiative (since judicially invalidated) that would have required that any proposed formation to be submitted to a vote of the electorate. Although formation of an MUA is not likely in the near future, a successful formation could result in the payment of certain periodic franchise fees by the MUA to the City, potentially providing some degree of budgetary relief to the City.

Current Fund Balances, Revenues and Expenditures

The Current Fund is used to account for the resources and expenditures for governmental operations of a general nature, including debt service on general purpose bonds and notes. The fund balance in the Current Fund as of December 31 of each year is comprised of cash, investments, and certain receivables. Under State law, only the amount of the Current Fund balance held in cash or quick assets may be included as anticipated surplus in the succeeding fiscal year's budget, unless the Director of the Division of Local Government Services gives written consent to an exception.

The City's Current Fund balances as of December 31, 2006-2011 and the surplus included in the budget for each succeeding year are as follows:

Year	Current Fund Balance, December 31[(1)]	Surplus Used in Succeeding Year Budget
2011	$17,872,230	$17,825,000
2010	25,756,767	25,750,000
2009	10,130,901	10,130,901
2008	50,662,083	50,662,083
2007	58,913,427	56,111,892
2006	32,927,053	26,100,000

(1) In accordance with the accounting principles prescribed by the State of New Jersey, Department of Community Affairs, Division of Local Government Services, the City realizes revenue on a cash basis except as described in notes to the financial statements in Appendix B. Expenditures are accrued based upon the budget when it is adopted and any unexpended balances are credited to fund balance at the end of the year succeeding the budget period. See Note 1 to the annual financial statements in Appendix B for a further discussion of the City's method of accounting.

Deferred Charges

Under State law, emergency appropriations and cash deficits must be provided for in the subsequent year's budget. Emergency appropriations, those made after the adoption of the budget and determination of the tax rate, may be authorized by the governing body of the municipality. However, with minor exceptions, such appropriations which are not funded in the current fiscal year must be included in full in the following year's budget as deferred charges. When such appropriations exceed 3% of the adopted operating budget, consent of the Director of Local Government Services must be obtained before such appropriation can be made. In response to the ongoing recovery from Hurricane Sandy, the Local Finance Board issued Local Finance Board Notice 2012-22, which granted blanket approval of emergency resolutions that exceed the 3% expenditure limit. The exceptions are certain enumerated quasi-capital projects such as ice, snow, and flood damage to streets, roads, and bridges which may be financed over three years, and tax map preparation, the costs related to the revision of ordinances, master plan preparations, and revaluations which may be financed over five years.

Emergency Appropriations Deferred to Subsequent Years 2007-2011

Year	Deferred to Following Year	Deferred to Subsequent Years
2011	$2,200,000	$7,200,000
2010	1,596,000	2,400,000
2009	1,200,000	4,000,000
2008	400,000	1,200,000
2007	-0-	-0-

In addition to emergency appropriations, there are other classes of expenditures which are treated in the same manner as emergency appropriations. This category consists almost entirely of over expenditures of appropriations.

Water Utility Balances, Revenues and Expenditures

The City has, by provisions contained in duly adopted ordinances, covenanted with the holders of a portion of its Water System Improvement Bonds (see "Total Debt Service Schedule of City General Obligation Bonds" herein) that (1) the City shall fix and collect rates, rentals, or other charges for connection with use of, and for water furnished by, the water supply system established, maintained, and operated by the City, including any improvements thereto and extensions thereof hereafter constructed or acquired, and (2) such rates, rentals, and other charges shall be sufficient to produce in each fiscal year of the City the revenues necessary to provide for the payment of (a) all expenses of operation, maintenance, and repair of such water supply system, incurred or payable during such fiscal year, and (b) 110% of all principal and interest payable during such fiscal year with respect to all of such bonds and also all other bonds heretofore issued to finance such water supply system, and (3) if a deficiency with respect to the covenants nevertheless results, the City shall forthwith revise its rates as necessary to make up such deficiency.

The City has further covenanted that it shall establish a "Maintenance Reserve and Replacement Fund" for repair and improvements of the Water Supply System. No money shall be transferred from the water supply system's accounts to any other City account unless all operations, maintenance, and debt service have been provided for and there remains in the Maintenance Reserve and Replacement Fund the lesser of \$10 million or 50% of the system's most recent annual operations budget. Nothing in the covenants, however, prohibit the use of money from the Maintenance Reserve and Replacement Fund for the payment of debt service or the expenses of operation and maintenance of the water supply system.

The City's Water Utility Fund is used to account for the receipts and expenditures arising from operations of the water utility and the assets and liabilities relative to these activities. The balance in the Water Utility Fund as of December 31 of each year is comprised of cash, investments, and certain receivables. Under State law, only the amount of Water Utility Fund balance held in cash or quick assets may be included as anticipated surplus in the succeeding fiscal year's Water Utility budget, unless the Director of the Division of Local Government Services gives written consent to an exception.

The Water Utility Fund balances as of December 31, 2007-2011 and the surplus included in the budget for each succeeding year are shown below:

Surplus

Year	Water Fund Balance, December 31[1]	Used in Succeeding Year Budget
2011	\$3,704,946	\$3,705,000
2010	1,405,657	1,405,000
2009	4,597,486	4,597,486
2008	4,936,190	4,564,000
2007	6,525,119	2,000,000

(1) In accordance with the accounting principles prescribed by the State of New Jersey, Department of Community Affairs, Division of Local Government Services, the City realizes revenue on a cash basis except as described in notes to the financial statements in Appendix B. Expenditures are accrued based upon the budget when it is adopted and any unexpended balances are credited to fund balance at the end of the year succeeding the budget period. See Note 1 to the annual financial statements in Appendix B for a further discussion of the City's method of accounting.

The following schedules of the Water Utility Fund operations for the years ended the years ended December 31, 2007-2011 have been prepared by the City in conformity with accounting principles and practices prescribed by the Division of Local Government Services in the Department of Community Affairs, State of New Jersey, which principles and practices differ in certain respects and which in some instances may differ materially, from generally accepted accounting principles applicable to local government units. The following schedules should be read in conjunction with the financial statements and related notes.

SCHEDULE OF REVENUES
WATER UTILITY FUND

	2011	2010	2009	2008	2007
Surplus	$ 1,405,000	$ 4,597,486	$ 4,564,000	$ 2,000,000	$ 0
Water Rents	47,757,169	43,091,382	47,343,653	44,066,980	43,252,453
Misc. Revenue Anticipated (incl. interest on Investments)					
Investments Held by Trustee					
Settlement					
Capital Surplus					
Other State Aid					
Other Credits to Income:					
Non-Budgeted Revenue	13,005	5,872	2,737,694	29,771.92	924,143
Unexpended Balance of Appropriate Reserves	3,929,299	4,049,401	600,804	2,082,222	1,130,810
Accounts Payable Cancelled					
Accrued Interest on Bonds Cancelled		12,627	10,825	12,982	10,870
Grants		1,000,000			
Miscellaneous	93,186	434,776	52,315	76,681	
	$53,197,659	$53,191,543	$55,309,291	$48,268,637	$45,318,276

SCHEDULE OF EXPENDITURES
WATER UTILITY FUND

	2011	2010	2009	2008	2007
Operating	$39,945,198	$41,353,206	$40,267,036	$38,301,094	$36,145,430
Debt Service	4,634,399	3,751,836	3,176,657	3,098,562	3,309,750
Deferred Charge and Statutory Expenditures	825,357	1,425,000	1,425,000	928,596.53	1,506,189
State and Federal Grants		1,000,000			
Capital Improvements/Incl. Equipment Lease	4,085,000	4,243,684	6,139,587	5,342,354	1,200,000
	$49,489,954	$51,773,727	$51,008,280	$47,670,607	$42,161,369
Reserve for Petty Cash					
Reserve for Checks Pending Distribution Voids					
Prior Year Revenue Applied					77,769
Reserve for Protested Checks		7,637			164,122
Prior Years Refunds – Voucher		4,523		186,959	

	2011	2010	2009	2008	2007
Miscellaneous – Budget Operations	3,416		75,715		
	$49,493,251	$51,785,886	$ 51,083,995	$47,857,566	$42,403,260
Statutory Excess in Revenue	3,704,289	1,405,657	4,225,296	411,071	2,915,016
Fund Balance January 1	1,405,657	4,597,486	4,936,190	6,525,119	3,610,103
	$5,109,946	$6,003,143	$9,161,486	$ 6,936,190	$ 6,525,119
Decreased by:					
Utilized by Water Operating Budget	1,405,000	4,597,486	4,564,000	2,000,000	
Balance December 31	$3,704,946	$ 1,405,657	4,597,486	$ 4,936,190	$ 6,525,119

Sewer Utility Balances, Revenues and Expenditures

The Sewer Utility Fund was established on August 31, 1994. It is used to account for the receipts and expenditures arising from the operations of the sewer utility and the assets and liabilities pertaining to these activities. Prior to 1994, these receipts and expenditures were accounted for in the City's Current Fund. The balance in the Sewer Utility Fund as of December 31 of each year is comprised of cash, investments, and certain receivables. Under State law, only the amount of the Sewer Utility Fund balance held in cash or quick assets may be included as anticipated surplus in the succeeding fiscal year's Sewer Utility budget, unless the Director of the Division of Local Government Services gives written consent to an exception.

The Sewer Utility Fund balances as of December 31, 2007-2011 and the surplus included in the budget for each succeeding year are shown below:

Surplus

Year	Sewer Fund Balance, December 31[(1)]	Used in Succeeding Year Budget
2011	$1,782,541	$1,780,000
2010	1,199,391	385,842
2009	2,020,491	569,783
2008	982,648	750,000
2007	1,733,875	1,584,500

(1) In accordance with the accounting principles prescribed by the State of New Jersey, Department of Community Affairs, Division of Local Government Services, the City realizes revenue on a cash basis except as described in notes to the financial statements in Appendix B. Expenditures are accrued based upon the budget when it is adopted and any unexpended balances are credited to fund balance at the end of the year succeeding the budget period. See Note 1 to the annual financial statements in Appendix B for a further discussion of the City's method of accounting.

The following schedules of Sewer Utility Fund operations for the years ended December 31, 2007-2011 have been prepared by the City in conformity with accounting principles and practices prescribed by the Division of Local Government Services in the Department of Community Affairs, State of New Jersey, which principles and practices differ in certain respects and which in some instances may differ materially, from generally accepted accounting principles applicable to local government units. The following schedules should be read in conjunction with the financial statements and related notes.

SCHEDULE OF REVENUES
SEWER UTILITY FUND

	2011	2010	2009	2008	2007
Surplus	$ 385,842	$ 569,783	$ 750,000	$ 1,584,500	$ 0
Sewer Rents	53,727,961	53,082,383	55,196,966	51,242,070	46,814,774
Budget Operations			664,798		
Settlement					
Sewer Bidding Fees					
East Orange PVSC	2,540,657	1,922,642	2,646,859	3,182,724	3,581,922
Southside Interceptor Lease					909,408
New Jersey Waste Water Treatment				1,837,512	
Sales	387,940				
Storm Water Regulations Program				20,619	
Non-Budgeted Revenue	45,772	72,543	14,934	68,910	341,302
Refund of Prior Years' Expenses					
Grants					
Commitments Payable Cancelled					23,527
Deficit (General Budget)		315,913			
Unexpended Balance of Appropriation Reserves	1,098,691	1,615,682	232,083	803,826	
Total Revenues	$58,186,863	$ 57,578,941	$59,505,640	$58,740,161	$51,670,933

SCHEDULE OF EXPENDITURES
SEWER UTILITY FUND

	2011	**2010**	**2009**	**2008**	**2007**
Operating	$49,983,073	$49,955,740	$ 50,359,579	$53,972,844	$45,297,258
Capital Improvements	1,050,000	2,777,334	3,448,869		650,000
Debt Service	5,628,799	3,096,481	3,359,349	3,407,783	3,439,800
Deferred Charge and Statutory Expenditures	556,000	550,000	550,000	526,261.18	550,000
Prior Years Refunds					
Judgments					
Total Expenditures	$57,217,871	$56,379,551	$57,717,797	$57,906,888	$49,937,058
Deficit in Operations					
Statutory Excess to Operating Fund Balance	968,992	1,199,390	1,787,843	833,273	1,733,875
Fund Balance					
Balance January 1	1,199,391	2,020,491	982,648	1,733,875	1,733,875
Increased by:					
Operating Fund Excess	968,992	1,199,390	1,987,843	833,273	
Deficit in Operations to Balance Sheet					
Subtotal	$2,168,383	$ 3,219,881	$ 2,770,491	$ 2,567,148	
Decreased by:					
Appropriated in the 2011 Municipal Budget		1,450,707			
Utilized by Sewer Operating Budget	385,842	569,783	750,000	1,584,500	
Balance December 31	$1,782,541	$1,199,391	$ 2,020,491	$ 982,648	$ 1,733,875

On May 21, 2001, the City entered into an Administrative Consent Order (the "ACO") with the New Jersey Department of Environmental Protection (the "NJDEP") relating to certain alleged violations by the City of the permits by which the City operates its combined sewer outfall system (the "CSO system"). Under the ACO, the City has committed to undertake various improvements to the CSO system and to achieve certain milestone dates in connection therewith, subject to permitted delays by reason of, among other things, force majeure. The City has failed to achieve a number of such milestone dates, and has obtained extensions from NJDEP based on force majeure. The current extension calls for completion of the construction and commencement of operation of these CSO facilities at various dates from October 31, 2012 until December 31, 2014 dependent upon the Facility. The City intends to complete the required improvements to the CSO system, and has authorized and/or issued bonds in an amount it deems to be sufficient to do so. However, because of the delays experienced to date, and in view of the time needed to complete the required improvements, the City is at risk for payment of substantial penalties to the NJDEP under the ACO. While these fines could be substantial, up to $500 per day per facility not completed, it is currently believed that the requirements of the ACO will be satisfied if the needed properties are acquired from the private owners where the facilities must be constructed.

ASSESSMENT AND COLLECTION OF TAXES

Property Valuation and Tax Rates

The City derives its power to levy direct real and personal property taxes from Article VIII, Section I of the Constitution of the State. The City serves as the taxing district for the assessment and collection of the local property tax.

Real property must be assessed at the percentage of true value established by the Essex County Board of Taxation (the "Board"). The Board has established such percentage at 100% of real value, and has normally required revaluation by cities within the County when assessed valuations reach a level of 80% of true value. *See* "Revaluation" herein.

The County apportions its taxes among its constituent taxing districts according to its own calculation of equalized valuation. In turn, the State annually develops its own equalized valuation for each of its taxing districts, such State equalized valuation being used in the calculation and distribution of school Equalization Support as well as the valuation basis for purposes of computation of the City's statutory borrowing capacity.

The only personal property subject to local assessment is the machinery, implements, and equipment of telephone companies. These companies annually submit a listing and valuation of all such equipment to the City Assessor. Through application of the State-supplied ratio, the City fixes the assessed valuation of such property.

The following table indicates municipal, County equalized, and State equalized valuations for recent years:

Year	Municipal(1)	County Equalized	State Equalized October 1	Municipal to State Ratio October 1
2003*	$10,790,782,068	$ 8,556,860,409	$10,790,782,068	100.00%
2004	10,796,617,893	10,645,890,709	10,796,617,893	100.00
2005	10,900,573,643	12,290,626,130	11,511,853,039	94.69
2006	10,913,478,239	13,294,293,258	13,402,282,008	81.43
2007	11,001,867,400	16,479,325,288	15,387,227,133	71.50
2008	10,858,108,700	17,919,971,676	16,870,896,053	64.36
2009	11,001,329,400	19,450,553,513	18,347,780,854	59.96
2010	10,763,710,300	19,166,383,151	18,041,753,771	59.66
2011	10,768,452,500	17,120,880,697	16,038,803,246	67.14
2012	10,871,953,866	16,805,296,955	15,875,096,525	68.03

Source: City of Newark, Division of Assessments
(1) Includes Personal Property
* Revaluation

Property Tax Reform

In recent years, the New Jersey Legislature has considered various proposals to lessen the dependence of local governments on property taxes and to find alternative means to fund vital governmental services.

On July 13, 2010 the Governor approved legislation which, in addition to the "Cap Law" described under "THE CITY OF NEWARK – Limitation on Expenditures" above, amends the property tax levy cap that was enacted in 2007. This law puts a limitation of 2% on the property tax levy set in the annual budget. The law allows for exclusions for capital expenditure, debt service, increase in pension contributions and accrued liability for pension contributions in excess of 2% and increases in health care costs in excess of 2%. This limitation may be exceeded by approval of an affirmation vote in excess of 50% of the people voting at a special referendum held for such purpose.

Any legislation or constitutional amendments which alter the existing system of real property taxation in New Jersey may adversely affect the security and/or market value of bonds, notes and other obligations of counties and municipalities (such as the City).

Property Classification and Valuation

The following table indicates assessed valuation by property classification and number of assessments since 2007.

Year	Real Personal	Vacant Land	Real Residential	Real Commercial	Real Industrial	Real Apartment	Total Valuation
2007							
No. of Assessments	1	4,889	28,770	5,432	457	1,243	40,792
Municipal Valuation	77,176,300	451,084,700	4,931,192,800	3,758,937,100	1,065,273,000	718,203,500	11,001,867,400
2008							
No. of Assessments	1	4,668	29,256	6,388	911	1,248	41,432
Municipal Valuation	72,848,700	476,884,300	5,114,917,500	3,545,307,500	887,442,500	750,708,200	10,858,108,700
2009							
No. of Assessments	1	4,384	29,550	5,373	899	1,244	41,450
Municipal Valuation	85,060,400	455,561,500	5,271,457,100	3,605,486,900	878,639,300	725,124,200	11,001,329,400
2010							
No. of Assessments	1	4,210	29,735	5,326	901	1,243	41,416
Municipal Valuation	63,320,000	429,539,100	5,353,607,000	3,304,639,300	889,454,400	723,150,500	10,763,710,300
2011							
No of Assessments	1	4,151	29,807	5,314	908	1,245	41,426
Municipal Valuation	71,477,209	417,669,600	5,430,378,500	3,309,787,300	884,892,400	725,724,700	10,839,929,709
2012							
No. of Assessments	1	4,112	29,883	5,291	903	1,251	41,440
Municipal Valuation	72,125,700	414,280,900	5,604,504,000	3,275,435,766	872,839,600	732,767,900	10,871,953,866

Source: City of Newark, Division of Assessments

Tax-Exempt Properties

The previous chart only includes the taxable assessed valuations within the City. Tax-exempt property includes that owned by the Port Authority of New York and New Jersey, which comprises more than 20.5% of the total land area of the City. It also includes property of the Newark Housing Authority, as well as County buildings and parks. Other categories of tax-exempt property include State property, public schools, Federal property, charitable and church property, hospitals, municipal property, and higher education institutions.

The City derives revenue from many of these "tax-exempt" properties. The State makes in lieu of tax payments for State owned property in an amount equal to the equalized Municipal Tax Rate times the assessed value of the property. The Port Authority makes a payment to the City under a long-term lease agreement for Newark Liberty International Airport and Port Newark. The City also realizes significant monies from Fox-Lance and Limited Dividend properties, which have property taxes abated according to a statutory formula. In addition, tax abatement and exemptions for up to 5 years can be made available for industrial, commercial, and residential rehabilitation and new construction projects.

Therefore, City officials believe that analytical ratios based upon traditional measurements of property value, either assessed or full, fail to portray the true nature of urban redevelopment in Newark.

Whether they are intended to measure the City's economic or financial base, they do not reflect the extent of development in the City where older properties leave the assessment rolls and are replaced by new developments which provide revenues and economic activity but which frequently do not enter the traditional tax base because they are built under alternative tax formulas.

The following table compares taxable municipal valuation with the valuation of all tax-exempt property, including Port Authority, County, State, school, municipal, and charitable holdings as well as tax-abated development properties.

Assessed and Tax-Exempt Valuation

Year	Taxable Municipal Valuation	Tax-Exempt Valuation
2012	$10,871,953,866	$7,724,862,399
2011	10,768,452,500	7,708,351,399
2010	10,763,710,300	7,783,769,799
2009	11,001,329,400	7,504,694,999
2008	10,858,108,700	7,425,403,899
2007	11,001,867,400	7,128,232,099

Source: City of Newark, Division of Assessments

Tax Appeals

Taxpayers may appeal assessments to the Board prior to April 1 of the tax year. The Board sits as an appeals body to consider such claims. The Board's decision may be appealed to the State Tax Court. Certain appeals are made directly to the State Tax Court. Successful appeals often result in a payment due from the City to the taxpayer for prior overpayments (while the appeal was pending).

Revaluation

In 2002, the City revaluation was completed by Certified Valuations, Inc. and the new valuations appeared on the 2003 Tax List. The next revaluation for the City is scheduled to occur in early 2013 by Appraisal Systems, Inc. and will take effect in 2013.

Tax Levy

The amount to be raised by taxation includes the City's share of the County tax, apportioned by the Board among its taxing districts, and the amounts to be raised for school and municipal purposes as set forth in the City budget. The amount required to be collected is the amount to provide the sums needed to balance the municipal and school budgets and the City's share of the amount needed to balance the County's budget after other revenue sources have been taken into account. State law requires that the amount of the levy be equal to amounts necessary to balance the respective budgets with certain adjustments plus an additional amount as a reserve for uncollected taxes based on the preceding year's collection experience. The City must pay its share of the County budget levy on the 15th of each month in which quarterly tax payments are due. School district taxes are paid by a 20% initial payment and thereafter as requested by the custodian of school funds.

The burden of a shortfall in tax collections exceeding the reserve for uncollected taxes must be assumed by the municipal portion of the City budget. *See* "CITY FINANCIAL PROCEDURES - The Municipal Budget Process". The City is authorized to borrow for the purpose of making required payments to the County and City School district.

The following table presents the property tax levies for fiscal years 2007-2011. Certain deductions are given to veterans and senior citizens. These adjustments are made pursuant to the Constitution of the State, which provides for annual reductions of property taxes of veterans or their widows and qualifying senior citizens. The State provides 100% for these deductions.

Analysis of Tax Levy

	2007	**2008**	**2009**	**2010**	**2011**
Municipal	$ 88,267,180	$ 86,540,829	$ 96,975,672	$ 130,686,176	$158,693,970
School	94,774,264	100,277,219	104,192,628	102,217,531	112,010,666
County	61,895,365	67,113,708	71,720,076	74,859,921	74,477,510
Total Amount Required to Balance	$ 244,936,809	$ 253,931,756	$ 272,888,376	$ 307,763,628	345,182,146
Reserve for Uncollected	28,000,000	28,200,000	33,275,000	29,375,000	15,527,000
Total Required General Tax Levy	$ 272,936,809	$ 282,131,756	$ 306,163,376	$337,138,628	$360,709,146
Less: Veteran's and Senior Citizens	437,000	413,500	392,750	382,750	365,750
Required Property Tax Levy Billed	$ 272,499,809	$ 281,718,076	$ 305,770,626	336,755,878	$360,343,396

City Special Taxes

The total value of all revenue collected from special taxes in 2011 was $75,257,202 ($44,259,442 from payroll taxes, $25,363,596 from parking taxes, and $5,634,164 from hotel taxes). These taxes are imposed and collected by the City under authority granted by the State Legislature.

The enacted 2007 New Jersey State bill S2891, which increased the parking tax from 15% to 22% for special events, increased the annual revenue collected from the parking tax. The economic activity generated by the Prudential Center and other local attractions should increase the number of vehicles utilizing local paid parking facilities for special events. The more businesses that pay taxes, the more revenue the City can generate to improve the quality of living and working in Newark.

The City's authority to impose special taxes has been renewed by the Legislature several times in the past upon its expiration. On December 22, 2004, the Governor signed a bill that eliminated the sunset provision (expiration date) in the City's authorization to impose and collect parking and payroll taxes.

Collections

For collection comparison purposes, several adjustments are made to the amount of the current levy to reflect adjustment due to rounding of the tax rate and to additional assessments.

CURRENT GENERAL TAX LEVY

	2007	2008	2009	2010	2011
Municipal	$ 88,267,180	$ 86,540,829	$ 96,975,672	$130,686,175	$160,013,050
School	94,774,264	100,277,219	104,192,628	107,325,890	112,010,666
County	61,895,365	67,113,708	71,720,076	74,859,921	74,809,272
Reserve for Uncollected Taxes	28,000,000	28,200,000	33,275,000	29,375,000	15,527,000
Total	$ 272,936,809	$ 282,131,756	$ 306,163,376	$342,246,987	$362,359,988
TOTAL CURRENT COLLECTIONS	$ 249,688,269	$ 261,286,453	$ 275,442,740	$313,978,928	346,826,506
Percent Collected of Current Levy	88.97%	89.10%	91.95%	91.74%	95.71%
Percent Collected of Current Levy Minus Reserve for Uncollected Taxes	101.94%	102.90%	103.4%	100.3%	100%

Delinquent Taxes and Tax Title Liens

The local property tax is due in quarterly installments on February 1, May 1, August 1, and November 1. The first two installments are billed and collected at the previous year's rate and valuation with necessary adjustments made in the final installments.

Delinquent taxes are enforced and collected by the City through the sale of the tax liens against the property. Tax Certificates are offered at the maximum rate of interest (18%) for holding the lien during the redemption period. If the lien is not purchased, it is acquired by the City. The redemption period is the time during which the property owner may pay the taxes, penalties, and costs required to remove the lien. This is a two-year period for privately-held liens and six months for municipally held liens. At the expiration of the redemption period, the lien holder may move to acquire a tax deed for the property. When the lien is held by the City, it may move to foreclose, In Rem, at the end of six months from the time the City became lien holder.

	2007	2008	2009	2010	2011
Delinquent Tax Collected	$28,178,542	$28,733,292	$22,463,377	$16,738,008	$24,979,913
Delinquent Tax Balance December 31	28,545,129	32,347,688	24,998,532	24,899,957	3,412,750
Tax Title Liens Collected	7,531,976	2,240,276	1,594,960	3,386,407	6,326,779
Tax Title Liens Balance December 31	9,589,413	9,032,431	23,941,190	27,844,219	38,862,258
Foreclosed Prop. Balance December 31	79,119,298	81,491,738	81,491,738	81,491,738	81,491,738

CITY EMPLOYEES

Under the laws of the State, municipal employees have certain organizational and representational rights, which include the right to organize, to bargain collectively by representatives of their choosing, and to engage in lawful concerted activities for bargaining. The law prohibits strikes by municipal employees.

Approximately 3,000 regular employees of the City are covered by collective bargaining agreements, which have been negotiated with twenty different collective bargaining units. The right of most public employees to organize for collective bargaining is guaranteed by New Jersey law.

A general distinction is made between uniformed employees and non-uniformed employees. The uniformed employees – police and fire – are organized into four major bargaining units: Police, Police Superior Officers, Firemen, and Fire Officers, although some superior officers bargain in a much smaller unit. While the New Jersey Constitution prohibits strikes by all public employees, the Legislature has given uniformed employees the right to interest arbitration, which is a binding process resulting in a settled agreement. No other bargaining units have the right to binding interest arbitration. Interest arbitrators are appointed by the New Jersey Public Employment Relations Commission.

When the present Administration took office on July 1, 2006, some of the collective bargaining agreements were in mid-term, and others were expired. The City has been proactive in its approach to resolve all open contracts, stabilize the negotiating process, pursue voluntary, rather than arbitrated settlements, and bring consistency to the many terms of employment. Two major focuses of the City's negotiations are a reduction in soaring health insurance costs and operational changes to reduce overtime.

Successor agreements with all uniform unions were reached and have been formally adopted by Council. Negotiations with all uniformed personnel provided for an average annual increase of 2.625% over four years (all contracts are for the term: January 1, 2009 - December 31, 2012 and the increases are as follows: '09 – 2.25%, '10 – 2.50%, '11 – 2.75% and '12 – 3.00%). All parties recognized the national financial crisis and the need for all employees to assist the City in cost saving measures. This concession is Herculean since interest arbitration would have reduced saving to the City dramatically. In addition, the City implemented caps in the manner that compensatory time is banked and paid out. Specifically, effective January 1, 2010, any compensatory time earned or accrued must be paid or utilized within the 24 month period in which it was accrued. Payouts would be at the current rate of pay as opposed to the previous practice of paying it all out on a lump sum basis at the time of separation (or a higher rate of pay). In each case, the goal of achieving out-of-pocket savings, where possible, and operational changes, to reduce overtime and compensatory time remain consistent. The City has begun preliminary negotiations with uniform unions over new successor agreements.

The City already has contracts in place with the vast majority of its non-uniformed personnel, and three of those units are engaged in negotiations for successor contracts. The approach taken with both uniformed and non-uniformed employee groups, however, as well as the City's goals, are the same.

Recognizing the significant role that personnel costs play in the City's budget, the negotiation of mutually acceptable collective bargaining agreements is a major priority.

Public Employees' Retirement System

The Public Employees' Retirement System ("PERS") includes all temporary non-uniformed employees and all non-uniformed permanent employees who because of physical condition are not eligible for the City's Employee Retirement System. The system is evaluated every year and the required rate of contribution of participating municipalities is determined at that time. Contributions for normal service are generally set for municipalities at 1.50% of employee contribution. At the present time, such contributions approximate 5.0% of gross salaries. In addition, the City is required to pay its share of unfunded past service liability in order to amortize this liability over the next 35 years.

INSURANCE

Since 1996, the City has purchased property insurance, which protects the City from loss to properties by fire and other perils in excess of $100,000 with a total insurance coverage of $299,060,229.

The City also purchases insurance coverage for Pollution Liability for its water treatment facility, a Blanket Public Employee's Dishonesty Bond as well as Statutory Public Officials Bonds. Effective June 1, 2010, the City will no longer carry Air Craft Hull and Liability insurance as the helicopter(s) is being decommissioned.

Responsibility for insurance and risk management including purchase of insurance and maintenance of insurance trust funds (including Worker's Compensation) lies with the Insurance Fund Commission, a statutory commission consisting of three commissioners appointed by the Mayor and Council. The City Business Administrator is currently Chairman of the Insurance Fund Commission with the Director of Finance and the Corporation Counsel serving as the other two members. The Commission's efforts are supported by the City's Risk Manager, a role credited in 2007 to augment the City's insurance and risk management efforts.

The Worker's Compensation Trust Fund is administered by the City Law Department. Worker's Compensation Claims are handled by the City Law Department who coordinates the administration process with the Insurance Fund Commission and a Third Party Administrator. Tort claims are handled in house by the Law Department. Claims for property losses are handled directly by the Insurance Fund Commission and the City's Risk Manager. Claims are paid by the City Treasurer after approval by Mayor and Council and/or the Law Department, City Comptroller, or Insurance Fund Commission.

In 1977, the City established a comprehensive Self-Insurance and Risk Management Program including the creation of separate dedicated trust funds for each of the City's insurance needs. Year-end balances for the past five years were as follows:

	2006	**2007**	**2008**	**2009**	**2010**	**2011**
Worker's Compensation	$ 3,244,311	$ 2,278,252	$ 3,976,443	$2,955,033	$1,729,527	$178,868
Liability	12,200,989	12,460,932	11,000,720	4,779,403	1,235,012	2,390,526
State Unemployment	2,875,215	3,267,475	3,658,755	3,380,49	3,823,761	289,713
TOTAL	$18,320,515	$18,060,809	$ 18,635,918	$11,114,927	$6,788,300	$2,859,107

PENSION SYSTEMS

City employees who are eligible for pension coverage are enrolled, depending on their employment status, in one of four pension systems. All four pension systems were established by acts of the State Legislature. Benefits, contributions, means of funding, and the manner of administration are determined by State legislation. Three of the pension systems are directly administered by the State; the fourth system is administered by the City. City public school teachers are enrolled in the State Teachers Pension and Annuity Fund.

State Administered Pension Funds

Three primary State Administered pension funds include the Consolidated Police and Firemen's Pension Fund, the Police and Firemen's Retirement System, and the Public Employees' Retirement System. The Division of Pensions within the Treasury Department of the State is the administrator of the funds with benefit and contribution levels set by the State.

Consolidated Police and Firemen's Pension Fund

The Consolidated Police and Firemen's Pension Fund is a closed system with no active members and was established in January 1952 to provide coverage to municipal police and firemen who were appointed prior to July 1, 1944.

Police and Firemen's Retirement System

All uniformed employees of the City who began employment after 1944 are enrolled in this system. At the present time the State's requirement for municipal contribution is equal to 8.5% of gross employee salaries. Employee contributions depend on age at date of entry and range from 6.73% to 9.32% of salary. In addition, the City is required to pay its share of unfunded past service liability in order to amortize this liability over the next 35 years.

Public Employees' Retirement System

The Public Employees' Retirement System ("PERS") includes all temporary non-uniformed employees and all non-uniformed permanent employees who because of physical condition are not eligible for the City's Employee Retirement System. The system is evaluated every year and the required rate of contribution of participating municipalities is determined at that time. Contributions for normal service are generally set for municipalities at 150% of employee contribution. At the present time, such contributions approximate 5.0% of gross salaries. In addition, the City is required to pay its share of unfunded past service liability in order to amortize this liability over the next 35 years.

Defined Contribution Retirement Program

The Defined Contribution Retirement Program ("DCRP") was established on July 1, 2007 for eligible public employees, with a minimum base salary of $1,500 or more, with a tax-sheltered, defined contribution retirement benefit, in addition to life insurance and disability coverage. With the DCRP the value of the pension is based on the amount of the contribution made by the employee and employer and through investment earnings. Contributions made by employees for DCRP are currently at 5.5% of gross wages. Member contributions are matched by a 3.0% employer contribution. The DCRP is jointly administered by the Division of Pensions and Benefits and Prudential Financial.

SOCIOECONOMIC AND DEMOGRAPHIC INFORMATION OF THE CITY

LARGEST TAXPAYERS

	2011 Assessed Valuation
Prudential Insurance Co. of America	$144,516,000
Anheuser Busch	121,669,300
Wells REIT II	85,314,000
Three Penn Plaza (Horizon)	79,145,696
Bell Atlantic/Verizon	72,125,700
707 Broad St. Assoc. LLC	56,952,600
2 Gateway Center Partners	54,910,300
Centre Market Building LLC	52,006,500
TPE Gateway II LLC	42,998,500
Heritage Gateway LLC	42,000,000

POPULATION

Year	City	County	State
1960	405,220	923,545	6,066,782
1970	381,930	929,986	7,192,805
1980	329,248	851,116	7,364,823
1990	275,221	778,206	7,730,188
2000	261,620	793,633	8,414,350
2010	277,140	783,969	8,791,894

Source: US Department of Commerce, Bureau of the Census, General Social and Economic Characteristics

LABOR FORCE - CITY OF NEWARK

				Unemployment Rate		
Year	Labor Force (000)	Employed (000)	Percent Employed	City	County	State
2007	105.3	97.0	92.1	7.9	5.3	4.3
2008	107.6	97.3	90.4	9.6	5.9	5.5
2009	109.5	93.8	85.7	14.3	10.5	9.2
2010	108.1	91.8	84.9	15.0	9.5	9.6
2011	107.9	91.5	84.8	15.2	9.3	9.3

Source: New Jersey Department of Labor and Industry

LARGEST EMPLOYERS IN THE CITY - 2009

Employer	Industry	Approximate Number of Employees
Newark Hospitals	Medicine	9,000
Continental Airlines	Travel	7,800
Newark Board of Education	Government	7,711
UMDNJ	Education	6,000
U.S. Government	Government	6,000
NJ Transit	Transportation	4,000
Essex County	Government	3,900
Prudential Financial	Insurance	3,500
City of Newark	Government	3,500
Blue Cross/Blue Shield	Insurance	3,200
Wachovia Bank, N.A.	Banking	1,500

Sources: Regional Business Partnership (private employees), Newark Economic Development Corporation

APPENDIX B
CITY OF NEWARK
AUDITOR'S REPORT AND FINANCIAL STATEMENTS

[THIS PAGE INTENTIONALLY LEFT BLANK]

SAMUEL KLEIN AND COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

550 Broad Street
Newark, New Jersey 07102-4517
Phone (973) 624-6100
Fax (973) 624-6101

36 West Main Street, Suite 301
Freehold, New Jersey 07728-2291
Phone (732) 780-2600
Fax (732) 780-1030

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying statutory basis financial statements of the various funds of the

CITY OF NEWARK
COUNTY OF ESSEX

as of and for the years ended December 31, 2011, 2010, 2009, 2008 and 2007. These statutory basis financial statements are the responsibility of the management of the City of Newark, County of Essex. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Municipality's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

These statutory basis financial statements have been prepared in conformity with accounting practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which 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. These practices differ in certain respects, which in some instances may be material, from generally accepted accounting principles applicable to local government units. The more significant of these practices are described in Note 1 to the financial statements.

These financial statements of the City of Newark were prepared for the purpose of inclusion in an official statement for the issuance of General Obligation Notes consisting of General Improvement Bond Anticipation Notes, Series 2013B and School Promissory Notes, Series 2013C and were abstracted from audit reports issued under the periods referred to above as dated January 18, 2013, November 29, 2011, October 5, 2010, November 18, 2009 and September 10, 2008, respectively.

The statutory basis financial statements referred to above do not include the financial activities of the following funds, which should be included in order to conform with the accounting practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey:

Public Assistance Trust Fund
Capital Fixed Assets

The omission of these funds and account groups from the statements presented herein, do not materially affect the financial position of the City.

In our opinion, because of the City's policy to prepare its financial statements on the basis of accounting discussed in the third paragraph of this report, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the City of Newark, as of December 31, 2011, 2010, 2009, 2008 and 2007 or the results of its operations for the years then ended.

However, in our opinion, the statutory basis financial statements referred to above present fairly, in all material respects, the financial position of the City of Newark in the County of Essex, as of December 31, 2011, 2010, 2009, 2008 and 2007, and the results of operations of such funds for the years then ended, in accordance with accounting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey and described in Note 1 to the financial statements.

Samuel Klein and Company
SAMUEL KLEIN AND COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

Newark, New Jersey
January 18, 2013

CITY OF NEWARK

CURRENT FUND - COMPARATIVE BALANCE SHEET

Sheet #1

ASSETS	Balance Dec. 31, 2011	Balance Dec. 31, 2010	Balance Dec. 31, 2009	Balance Dec. 31, 2008	Balance Dec. 31, 2007
Regular Fund					
Cash	$ 52,446,038	$124,120,352	$ 66,573,226	$122,138,130	$ 59,257,436
Cash - Deposit with State	9,605,597	11,258,481	6,756,404	6,747,121	4,211,113
Cash - Change Fund	2,440	2,440	2,440	2,440	2,440
Investments:					
Government Obligations and Certificates of Deposit					77,191,716
	62,054,075	135,381,273	73,332,070	128,887,691	140,662,705
Delinquent Property Taxes Receivable	3,412,750	24,879,957	24,998,532	32,347,688	28,545,129
Tax Title Liens Receivable	38,862,258	27,844,215	23,941,190	9,032,431	9,589,413
Protested Checks	1,772,309	1,787,304	1,885,334	1,397,608	1,404,518
Revenue Accounts Receivable	1,280,918	1,459,403		1,205,461	
Deposits with County Registrar	2,231	2,231	2,231	2,231	2,231
Property Acquired for Taxes:					
Assessed Valuations	81,491,738	81,491,738	81,491,738	81,491,738	79,119,298
Sales Contracts Receivable	12,544,477	12,544,478	12,544,478	12,544,478	12,544,478
Petty Cash Fund		1,200			
Tax Abatements Receivable	1,875,290	4,198,575	4,400,745	2,379,569	2,236,742
Interfunds Receivable	5,230,748	697,857	291,007	35,099	942,378
Due from Housing for Senior Citizens	14,906	14,906	14,906	14,906	14,906
	146,487,625	154,921,864	149,570,161	140,451,210	134,399,094
Deferred Charges:					
Emergency Authorizations	9,400,000	3,996,000	5,200,000	1,600,000	2,000,000
	217,941,700	294,299,137	228,102,231	270,938,901	277,061,799
State and Federal Grants					
Cash	32,272,995	5,524,616	1,113,981	3,620,711	5,448,411
State and Federal Grants Receivable	237,077,587	249,296,032	204,579,950	172,548,887	164,708,168
Prepaid Grant Expenditures	898,560	506,641	367,108	647,504	601,399
Accounts Receivable	47,875	47,875	47,875	47,875	47,875
SLEPA Receivable - Due from State of N.J.	103	103	103	103	103
Interfunds Receivable	48,248	1,414	1,556,008		
Payroll Transfer Account	587,260	587,261	587,262	572,343	571,965
	270,932,628	255,963,942	208,252,287	177,437,423	171,377,921
	$488,874,328	$550,263,079	$436,354,518	$448,376,324	$448,439,720

CITY OF NEWARK

CURRENT FUND - COMPARATIVE BALANCE SHEET

Sheet #2

LIABILITIES AND FUND BALANCE	Balance Dec. 31, 2011	Balance Dec. 31, 2010	Balance Dec. 31, 2009	Balance Dec. 31, 2008	Balance Dec. 31, 2007
Regular Fund					
Appropriation Reserves, Commitments					
and Encumbrances	$ 31,115,705	$ 22,398,007	$ 51,368,779	$ 47,236,401	$ 52,095,196
Commitments Payable	547,670	1,477,719	1,679,576	1,277,632	3,704,062
Due to N.J. - Senior Citizens	50,351	34,312	7,893	17,740	21,626
Reserve for Void Checks Pending Distribution	66,430	56,730	48,223	42,264	42,218
Unallocated Receipts/Tax Overpayments	1,261,028	830,575	830,575	1,634,537	8,112,485
Prepaid Taxes	1,382,233	1,029,619	1,293,323	1,837,652	1,373,936
Prepaid Tax Abatements	204,576	53,698	32,969	144,731	113,318
Due to Special Improvement District	509,704	62,500		62,500	
Reserve for Judgments	19,948	19,948	19,948	19,948	19,948
Prepaid Special Improvement District Taxes	34,130	12,415	39,038	33,787	29,167
Due to Employee	86,228	86,228	86,228	86,228	86,228
Due to N.J. - Marriage Licenses	202,841	183,687	179,555	174,355	167,821
Due to State of New Jersey - Revaluation Expense	2,346,000	4,000,000	4,000,000	1,616,723	1,318,056
Interfunds Payable	122,821	492,790	769,939	8,797,001	178,692
Accrued Payroll		12,023	673		
County Taxes Payable	1,110,549	111,222	614,382	2,892,654	2,301,673
Reserve for Tax Appeals Pending	3,099,460	1,000,000		9,867,446	12,073,334
Due to Redflex Traffic Systems	204,374	538,390			
Due to Parking Authority for Municipal Court Fees	386,774	193,949			
Due to State of New Jersey	242,366	250,088	236,436	57,464	27,264
Premium on Sale of Emergency Notes Payable		848			
Premium on Sale of Tax Anticipation Notes Payable		968			
Tax Overpayments		184,135			
Vouchers Payable	25,000			26,345	26,345
Accrued Payroll - Net					52,992
Police Overtime Reimbursement					4,918
Tax Anticipation Notes Payable		75,000,000			
Reserve for Master Plan	1,201,657	1,594,656	1,593,432	2,000,000	2,000,000
	44,219,845	109,624,507	62,800,969	77,825,407	83,749,278
Emergency Note Revaluation	2,400,000	3,200,000	4,000,000		
Emergency Notes Payable	6,962,000	796,000	1,600,200	2,000,200	
Reserve for Receivables	146,487,625	154,921,864	149,570,161	140,451,210	134,399,094
Fund Balance	17,872,230	25,756,766	10,130,901	50,662,083	58,913,427
	217,941,700	294,299,137	228,102,231	270,938,901	277,061,799
Federal and State Grant Funds					
Expenditure Reserves:					
SLEPA Administration Grant	227,444	227,444	227,444	227,444	227,444
Grants Appropriated	231,028,883	243,233,374	196,880,773	163,691,096	156,706,443
Reserve for Elderly Nutrition	2,407,719	2,387,078	2,262,760	2,132,354	1,857,527
Reserve for Safe Housing	1,579,833	1,529,262	1,529,262	1,881,273	1,788,114
Interfunds Payable	61,030	91,085	56,790	54,576	117,938
UEZ Loan Repayment	135,534	28,150	21,151		
Due to Federal Government	724,718	724,718	724,718	724,718	724,718
Unappropriated Grants	34,501,458	7,476,822	6,441,076	8,596,033	9,812,122
Unallocated Receipts	266,009	266,009	3,145	3,146	3,146
Fund Balance			105,168	126,783	140,471
	270,932,628	255,963,942	208,252,287	177,437,423	171,377,921
	$488,874,328	$550,263,079	$436,354,518	$448,376,324	$448,439,720

See accompanying notes to financial statements.

CITY OF NEWARK

CURRENT FUND - COMPARATIVE STATEMENT OF OPERATIONS
AND CHANGES IN FUND BALANCE

	2011	2010	2009	2008	2007
Revenue and Other Income					
Surplus Revenue (Fund Balance)	$ 25,750,000	$ 10,130,901	$ 50,662,048	$ 56,111,892	$ 26,100,000
Miscellaneous Revenue Anticipated	406,899,010	516,876,568	478,074,367	489,752,940	516,175,030
Receipts from Delinquent Taxes	31,307,125	20,124,416	24,058,336	28,733,292	28,178,542
Receipts from Current Taxes	348,166,901	313,978,928	275,442,780	259,414,408	249,688,269
Nonbudget Revenue	1,254,312	669,622	1,935,904	1,236,965	697,500
Other Credits to Income:					
Appropriation Reserves Cancelled	564,919	11,937,364	16,612,536	29,281,066	26,370,820
Commitments Payable Cancelled	4,310,728	5,550,345	5,230,091	8,000,000	6,975,000
Tax Overpayments Cancelled				15,023	47,464
Interfund Reserve Liquidated				911,755	2,161,217
Reserve for Petty Cash Realized	1,200				
Reserve for Tax Appeals Pending				290,129	
Reserve for Protested Checks Realized	14,995	98,030			
Excess in Payroll Deduction Fund	607,881				
Excess Animal Control Fund	4,691				
Budget Operations			4,503,377		
Miscellaneous	416,737	161,709	406,201	1,100,853	878,672
	819,298,499	879,527,883	856,925,640	874,848,324	857,272,514
Expenditures					
Budget and Emergency Appropriations:					
Operations:					
Salaries and Wages	244,460,564	274,213,568	277,801,646	288,264,657	286,995,484
Other Expenses	254,441,914	320,855,442	313,853,885	312,309,481	295,961,203
Capital Improvements	100,000	100,000	100,000	2,830,000	4,000,000
Municipal Debt Service	50,002,335	40,348,504	27,023,407	21,473,408	16,627,896
Local District School Debt Service			14,199,467	12,722,666	13,029,632
Deferred Charges and Statutory Expenditures - Municipal	70,789,155	35,614,227	37,946,924	16,102,628	18,979,968
Judgments	449,551	450,000	450,000	450,000	450,000
Local District School Tax	104,378,431	100,945,038	98,684,549	96,699,573	90,795,865
County Taxes	75,588,059	74,971,143	72,334,458	70,006,361	64,197,038
Special District Taxes	2,887,806	2,649,220	2,546,995	2,461,300	2,399,019
Interfund Reserve Established	5,199,781	663,894	255,909		
Reserve for Tax Appeals Pending		1,000,000		3,000,000	10,600,000
Reserve for Protested Checks			487,726		
Reserve for Petty Cash Fund		1,200			
Prior Years Revenue Refunded	116,207	362,483	367,424	660,680	3,126,745
Applied to Operations		1,596,398	4,742,384		
Miscellaneous	19,233			7,020	23,291
	808,433,036	853,771,117	850,794,774	826,987,775	807,186,140
Excess in Revenue	10,865,463	25,756,766	6,130,866	47,860,548	50,086,374
Adjustments to Income:					
Expenditures Included Above Which Are By Statute Deferred Charges to Budget of Succeeding Year	7,000,000		4,000,000		2,000,000
Statutory Excess in Revenue	17,865,463	25,756,766	10,130,866	47,860,548	52,086,374
Fund Balance - January 1	25,756,767	10,130,901	50,662,083	58,913,427	32,927,053
	43,622,230	35,887,667	60,792,949	106,773,975	85,013,427
Decreased by:					
Utilized as Anticipated Revenue	25,750,000	10,130,901	50,662,048	56,111,892	26,100,000
Fund Balance - December 31	$ 17,872,230	$ 25,756,766	$ 10,130,901	$ 50,662,083	$ 58,913,427

ANALYSIS OF FUND BALANCE

	2011	2010	2009	2008	2007
Cash	$ 62,054,075	$ 135,381,273	$ 73,332,070	$ 128,887,691	$ 63,470,989
Investments					77,191,716
Total	62,054,075	135,381,273	73,332,070	128,887,691	140,662,705
Less: Liabilities	44,219,845	109,624,507	63,201,169	78,225,608	83,749,278
Cash Surplus (Deficit)	17,834,230	25,756,766	10,130,901	50,662,083	56,913,427
Add: Noncash Assets Pledged to Surplus:					
Deferred Charges	38,000				2,000,000
Fund Balance	$ 17,872,230	$ 25,756,766	$ 10,130,901	$ 50,662,083	$ 58,913,427

See accompanying notes to financial statements.

CITY OF NEWARK

CURRENT FUND - COMPARATIVE STATEMENT OF REALIZED REVENUE

	2011	2010	2009	2008	2007
Taxes for Municipal Purposes	$181,618,401	$163,899,749	$135,151,738	$116,010,889	$111,033,589
Less: Reserve for Uncollected Taxes	15,527,000	29,375,000	33,275,000	28,200,000	28,000,000
Taxes Collected for Municipal Purposes	166,091,401	134,524,749	101,876,738	87,810,889	83,033,589
General Revenue					
Municipal Court	12,978,327	13,858,109	14,618,217	14,205,877	13,377,377
Construction Fees	2,650,210	2,105,014	2,803,155	2,943,168	3,226,754
Host Fees	5,255,563	5,824,804	5,646,614	6,612,420	5,520,815
Interest on Investment and Deposits		34,692	2,019,890	4,697,303	12,712,161
Fox Lance Limited Dividend Receipts	17,374,117	23,059,334	20,494,900	23,420,972	21,058,386
Reimbursement for In-Kind, Administrative and Fringe Benefits	1,721,538	10,189,539	5,000,000	5,000,000	1,500,000
Revenue from New Taxes:					
Payroll Tax	44,259,442	37,243,038	35,053,760	36,944,586	36,057,792
Hotel Occupancy Tax	5,634,164	5,719,877	4,596,862	5,345,159	2,622,979
Parking Lot Receipts	25,363,596	19,215,943	18,524,319	20,583,399	19,826,387
Port Newark Lease - Port Authority of New York and New Jersey	71,625,219	111,625,219	111,625,119	111,625,219	186,845,294
Receipts from Delinquent Taxes	23,269,962	20,013,194	24,058,336	28,733,292	28,178,542
Interest and Costs on Taxes	6,114,308	4,171,187	4,249,578	5,388,430	6,342,588
Rents and Sale of Municipal Property	583,447	436,330	542,036	557,595	613,874
Other	28,906,461	96,915,977	18,285,435	50,756,156	15,569,089
Fund Balance Anticipated	25,750,000	10,130,901	50,662,048	56,111,892	26,100,000
Other Revenue					
State Aid Without Offsetting Appropriations	123,290,117	91,290,117	118,707,547	153,472,535	113,626,374
State Aid for School Debt	7,258,368	7,705,192	8,691,390	9,145,021	9,209,669
Revenues from Public and Private Sources with Offsetting Appropriations	62,396,813	117,526,817	107,215,583	68,492,065	68,065,491
	$630,523,052	$711,590,033	$654,671,527	$691,845,978	$653,487,161

See accompanying notes to financial statements.

CITY OF NEWARK

CURRENT FUND - COMPARATIVE STATEMENT OF EXPENDITURES

GENERAL APPROPRIATIONS - APPROPRIATIONS WITHIN "CAPS"	2011 Expended	2010 Expended	2009 Expended	2008 Expended	2007 Expended
Office of the Mayor and Agencies	$ 15,500,627	$ 15,305,564	$ 18,984,528	$ 19,159,132	$ 18,878,983
City Clerk and Municipal Council	10,965,026	10,745,305	13,432,284	12,239,336	10,805,008
Department of Administration	16,040,289	15,895,013	19,857,687	21,129,463	21,747,422
Department of Law	3,771,237	5,898,884	6,838,538	8,128,821	8,320,601
Department of Finance	4,849,000	5,226,570	10,824,921	7,002,231	7,347,207
Department of Police	129,599,123	144,885,296	148,949,436	152,094,060	150,916,335
Department of Fire	64,332,183	69,735,215	68,242,788	67,852,586	66,177,791
Department of Engineering	34,428,283	33,719,953	40,795,955	38,426,378	36,487,740
Department of Child and Family Well-Being	8,282,123	8,793,749	10,628,977	11,999,557	13,333,271
Department of Economic and Housing Development	2,289,977	2,454,875	3,188,347	3,634,318	6,336,114
Department of Neighborhood and Recreational Services	30,621,871	31,951,353	36,568,313	38,479,938	40,938,077
Unclassified Purposes	99,124,839	88,362,407	88,390,128	90,734,134	83,444,208
Deferred Charges	512,034	100,723	479,005	129,228	868,245
Statutory Expenditures	68,681,121	34,313,504	37,067,919	15,973,400	18,111,723
Judgments	449,551	450,000	450,000	450,000	450,000
Total Appropriations Within "CAPS"	489,447,284	467,838,411	504,698,826	487,432,582	484,162,725
GENERAL APPROPRIATIONS - APPROPRIATIONS EXCLUDED FROM "CAPS"					
Other Operations	14,977,759	44,516,685	17,004,717	59,780,852	49,380,939
Public and Private Programs	64,120,141	117,578,141	107,948,913	69,513,332	68,842,991
Capital Improvements	100,000	100,000	100,000	2,830,000	4,000,000
Municipal Debt Service	35,111,734	26,262,460	27,023,407	21,473,408	16,627,896
Deferred Charges	1,596,000	1,200,000	400,000	400,000	
Type I District School Debt Service	14,890,601	14,086,043	14,199,467	12,722,667	13,029,632
Total Appropriations Excluded from "CAPS"	130,796,235	203,743,329	166,676,504	166,720,259	151,881,458
Total Appropriations	$ 620,243,519	$ 671,581,740	$ 671,375,330	$ 654,152,841	$ 636,044,183

See accompanying notes to financial statements.

CITY OF NEWARK

GENERAL TRUST FUND - COMPARATIVE BALANCE SHEET

Sheet #1

ASSETS	Balance Dec. 31, 2011	Balance Dec. 31, 2010	Balance Dec. 31, 2009	Balance Dec. 31, 2008	Balance Dec. 31, 2007
Assessment Fund					
Cash	$ 7,254	$ 6,378	$ 556,804	$ 556,804	$ 693,273
Assessments Receivable	171,511	288,946	476,273	518,978	307,465
Assessment Liens	779,598	710,569	365,675	217,379	568,700
Assessment Lien Interest and Cost	59,946	59,946	59,946	29,520	36,774
Interfunds Receivable	95,062	128,876	550,788	334,755	197,019
	1,113,371	1,194,715	2,009,486	1,657,436	1,803,230
Animal Control Trust Fund					
Cash	25,482	22,661	23,176	20,675	17,490
Other Funds					
Cash	26,997,602	21,420,041	3,607,893	5,487,204	3,751,632
Investments		1,137,795	33,731,851	42,398,087	51,354,890
Interfunds Receivable	615	615	247,710	55,914	11,697
Overpayments Receivable	19,539	19,539	19,539	19,539	
Other Receivables	20,151	20,151	20,151	20,241	39,781
Protested Checks	427,139	427,139	427,139	984,414	984,414
	27,465,046	23,025,280	38,054,283	48,965,399	56,142,414
Insurance Fund					
Cash and Investments	2,775,361	6,704,555	11,031,182	10,437,945	18,020,763
Interfunds Receivable	83,440	83,440	83,440	8,247,674	29,342
Vouchers Payable					10,400
Protested Checks	305	305	305	305	305
	2,859,106	6,788,300	11,114,927	18,685,924	18,060,809
Grant Fund					
Cash and Investments	10,499,343	8,633,791	11,580,724	7,463,431	6,800,462
Interfunds Receivable		47,466			
Accounts Receivable	944,951	120,000	120,000	120,000	120,000
Protested Checks	25,238	25,238	25,238	25,238	25,238
	11,469,532	8,826,495	11,725,962	7,608,669	6,945,700
Payroll Agency Fund					
Cash	5,508,340	3,837,073	2,148,432	1,901,609	12,022,937
Interfund Receivable	10,326	10,326	10,326	133,961	21,996
Unallocated	219,040			22,865	
Protested Checks	7,920	7,920	7,920	7,920	7,920
	5,745,626	3,855,319	2,166,678	2,066,355	12,052,853
	$ 48,678,163	$ 43,712,770	$ 65,094,512	$ 79,004,459	$ 95,022,496

CITY OF NEWARK

GENERAL TRUST FUND - COMPARATIVE BALANCE SHEET

Sheet #2

LIABILITIES, RESERVES AND FUND BALANCES	Balance Dec. 31, 2011	Balance Dec. 31, 2010	Balance Dec. 31, 2009	Balance Dec. 31, 2008	Balance Dec. 31, 2007
Assessment Fund					
Overpayments	$ 5,348	$ 5,348	$ 5,349	$ 5,349	$ 5,349
Prepaid Assessments	1,029	1,029	1,029	1,029	1,029
Reserves for Assessments and Liens	951,109	999,516	841,948	736,357	876,165
Reserves for Assessment Lien:					
Interest and Costs	59,946	59,946	59,946	29,520	36,774
Fund Balance	95,939	128,876	1,101,214	885,181	883,914
	1,113,371	1,194,715	2,009,486	1,657,436	1,803,230
Animal Control Trust Fund					
Interfunds Payable	4,691	2,643	5,394	241	241
Due to State of New Jersey	7,057	6,645	6,750	6,739	7,643
Reserve for Expenditures	13,734	13,373	11,032	13,695	9,606
	25,482	22,661	23,176	20,675	17,490
Other Funds					
Interfunds Payable	65,036	475,651	1,739,481	79,482	655,281
Reserve for Other Funds	27,376,055	22,525,674	29,628,862	48,861,962	55,464,550
Other Liabilities	23,954	23,954	23,954	23,954	22,581
Fund Balance	1	1	6,661,986	2	2
	27,465,046	23,025,280	38,054,283	48,965,400	56,142,414
Insurance Fund					
Interfunds Payable					4,144
Due to Municipal Court				50,006	50,006
Reserves for:					
Worker's Compensation	178,868	1,729,527	2,955,033	3,976,443	2,278,252
State Unemployment Fund	289,712	3,823,761	3,380,491	3,658,755	3,267,475
Liability Fund	2,390,526	1,235,012	4,779,403	11,000,720	12,460,932
	2,859,106	6,788,300	11,114,927	18,685,924	18,060,809
Grant Fund					
Reserves for:					
Municipal Tonnage Grant	2,624,277	2,279,740	1,979,984	1,753,246	1,192,564
Community Development Block Grant	432,865	(1,768,912)	1,535,616	692,010	692,010
Other Grants	3,057,816	3,037,203	2,949,820		
Demolition Liens	502,632	502,632	502,632	502,632	502,632
Interfunds Payable	46,833		21,007		
Balanced Housing Grant	4,805,109	4,775,832	4,736,903	4,660,781	4,558,494
	11,469,532	8,826,495	11,725,962	7,608,669	6,945,700
Payroll Agency Fund					
Payroll Deductions Payable	2,178,692	3,798,863	1,911,106	2,055,466	12,023,887
Vouchers Payable	147	147	147	8,680	8,686
Interfunds Payable	3,564,577	54,099	253,215		18,070
Reserve for Homestead Rebate	2,210	2,210	2,210	2,210	2,210
	5,745,626	3,855,319	2,166,678	2,066,356	12,052,853
	$ 48,678,163	$ 43,712,770	$ 65,094,512	$ 79,004,459	$ 95,022,496

See accompanying notes to financial statements.

CITY OF NEWARK

GENERAL CAPITAL FUND - COMPARATIVE BALANCE SHEET

ASSETS AND DEFERRED CHARGES	Balance Dec. 31, 2011	Balance Dec. 31, 2010	Balance Dec. 31, 2009	Balance Dec. 31, 2008	Balance Dec. 31, 2007
Cash	$ 25,331,430	$ 16,662,268	$ 31,673,716	$ 46,673,077	$ 14,722,430
Investments and Certificate of Deposits	2,400,000	3,200,000	4,000,000		8,500,000
Deferred Charges to Future Taxation:					
Funded	347,243,388	362,394,064	215,565,512	235,136,960	230,646,408
Unfunded	114,674,380	110,120,980	282,450,180	268,219,798	259,303,014
Interfunds	106,554	104,877	46,000		
Deferred Charge:					
Newark Housing Authority - Guarantee	65,770,000	66,885,000	68,000,000		
Due from State of New Jersey	2,500,000	2,500,000	2,500,000	2,500,000	
Due from Board of Education - Cost of Issue	228,863	228,863	228,863	355,522	355,522
Due from ECIA	24,608,175	24,608,176	2,908,176	4,886,787	3,538,519
	$ 582,862,790	$ 586,704,228	$ 607,372,447	$ 557,772,144	$ 517,065,893

LIABILITIES, RESERVES AND FUND BALANCE					
General Serial Bonds	$ 256,640,035	$ 261,745,035	$ 149,077,035	$ 159,387,035	$ 146,297,035
School Serial Bonds	88,142,000	97,957,000	63,275,000	72,140,000	82,843,000
Bond Anticipation Notes	42,403,000	6,735,600	179,064,800	168,662,000	99,465,000
Reserve for Refunds	266,776	266,776	266,776	266,776	266,776
Improvement Authorizations:					
Funded	21,194,520	23,748,228	9,164,719	10,085,743	12,218,409
Unfunded	79,020,466	94,922,654	102,762,009	106,091,755	147,038,968
Commitments Payable			28,754,852	24,251,505	21,697,387
Capital Improvement Fund	1,225,544	1,125,544	1,025,544	2,097,962	1,637,462
Reserve for Improvements Funded by ECIA	24,173,539	24,173,539	2,473,539	2,473,539	2,865,408
Guarantee - Newark Housing Authority	65,770,000	66,885,000	68,000,000		
Interfunds Payable	1,359,560	3,200,000			229,714
State Trust Loan Payable	2,461,352	2,692,029	3,213,477	3,609,925	1,506,373
Fund Balance	205,998	3,252,823	294,696	8,705,904	1,000,360
	$ 582,862,790	$ 586,704,228	$ 607,372,447	$ 557,772,144	$ 517,065,893

Bonds and Notes Authorized and Issued:					
General	$ 72,271,380	$ 103,385,380	$ 103,385,380	$ 99,557,798	$ 159,838,014

See accompanying notes to financial statements.

CITY OF NEWARK

WATER UTILITY FUND - COMPARATIVE BALANCE SHEETS

Sheet #1

ASSETS	Balance Dec. 31, 2011	Balance Dec. 31, 2010	Balance Dec. 31, 2009	Balance Dec. 31, 2008	Balance Dec. 31, 2007
Operating Section					
Cash	$ 10,949,123	$ 13,391,829	$ 10,455,375	$ 16,853,867	$ 10,731,513
Consumer Accounts Receivable	10,809,176	12,757,802	11,342,777	12,577,949	10,193,296
Sundry Accounts Receivable	224,398	156,131	165,458	165,458	89,052
Delinquent Water Rents Receivable	3,795	3,795	31,400	18,203	13,191
Water Liens Receivable	1,163,552	690,851	426,774	204,369	277,967
Inventory	607,957	607,958	607,958	607,958	607,958
Protested Checks	142,678	141,525	133,887	186,202	262,882
Other Receivables	86,000	86,000	86,000	86,000	86,000
Interfunds Receivable		3,701,472	4,719,946	41,029	2,063,418
Petty Cash	950	950	950	950	950
	23,987,629	31,538,313	27,970,525	30,741,985	24,326,227
Capital Section					
Cash	1,231,738	2,079,647	1,432,949	(443,226)	(606,445)
Due from State of New Jersey	2,673,200	4,645,373	4,933,138		
Interfunds Receivable	2,634	2,634			
Cost of Bond Issue	57,363	57,363	57,363	50,000	50,000
Due from State of New Jersey	968,019	968,019	968,019	968,019	968,019
Deferred Charge - Capitalization of Interest	1,442,883	1,590,871	1,738,859	1,886,847	2,034,834
Fixed Capital	138,386,609	135,909,813	133,019,051	126,882,510	121,540,510
Due from State of New Jersey - Waste Water Loan	4,368,155	11,440,210	11,424,028	19,202,500	8,292,500
Fixed Capital Authorized and Uncompleted	160,623,436	149,623,436	145,113,186	124,313,186	113,313,186
	309,754,037	306,317,366	298,686,593	272,859,836	245,592,604
	$ 333,741,666	$ 337,855,679	$ 326,657,118	$ 303,601,821	$ 269,918,831

CITY OF NEWARK

WATER UTILITY FUND - COMPARATIVE BALANCE SHEETS

Sheet #2

LIABILITIES, RESERVES AND FUND BALANCE	Balance Dec. 31, 2011	Balance Dec. 31, 2010	Balance Dec. 31, 2009	Balance Dec. 31, 2008	Balance Dec. 31, 2007
Operating Section					
Appropriation Reserves and Commitments	$ 4,995,818	$ 7,231,265	$ 9,009,883	$ 7,943,791	$ 4,813,479
Accounts Payable	1,533,767	1,449,411	1,021,400	1,249,370	826,064
Accrued Interest on Bonds and Notes	158,757	158,757	171,384	182,209	195,191
Belleville Flood Control	994	994	994	994	994
Reserve for Overpayments and Credits	187,822	205,595	224,055	238,567	283,965
Reserve for Water Easement	236,000	236,000	236,000	236,000	236,000
Interfunds Payable	217,018	6,491,622	119	2,193,775	119
Reserves for:					
Petty Cash	950	950	950	950	950
Consumer Accounts Receivable	10,809,176	12,757,802	11,342,777	12,577,949	10,193,296
Sundry Accounts	224,398	156,131	165,458	165,458	89,052
Inventory	607,958	607,958	607,958	607,958	607,958
Protested Checks	142,678	141,525	133,887	186,202	262,882
Water Liens	1,163,552	690,851	426,774	204,369	277,967
Delinquent Water Rents	3,795	3,795	31,400	18,203	13,191
Fund Balance	3,704,946	1,405,657	4,597,486	4,936,190	6,525,119
	23,987,629	31,538,313	27,970,525	30,741,985	24,326,227
Capital Section					
State Water Supply Loan Payable	29,268,337	30,417,654	7,955,732	5,523,188	
Serial Bonds	23,657,000	25,622,000	22,120,000	23,985,000	25,840,000
Bond Anticipation Notes Payable			5,490,000	5,600,000	3,800,000
Improvement Authorizations:					
Funded	9,392,221	5,949,428	5,347,458	5,404,374	1,643,108
Unfunded	17,201,199	12,719,517	10,009,089	3,898,424	4,375,924
Encumbered	4,529,669	11,346,283	18,254,271	14,785,974	8,736,201
Accounts Payable			334,087		
Interfunds Payable	46,000	46,000	46,000		
Reserve for Refunds Not Applied	85,966	85,966	85,966	85,966	85,966
Capital Improvement Fund	2	1	2	2	2
Reserve for Deferred Amortization	30,576,667	30,576,667	30,573,668	30,509,667	30,509,667
Reserve for Amortization	188,195,242	182,752,117	170,327,747	162,331,738	155,153,233
Reserve for Due from State of New Jersey	968,019	968,019	968,019	968,019	968,019
Reserve for Amortization - Revaluation of Watershed	5,780,431	5,780,430	5,780,431	5,780,431	5,780,432
State Water Loans Payable			21,342,207	13,942,500	8,685,180
Fund Balance	53,284	53,284	51,916	44,553	14,873
	309,754,037	306,317,366	298,686,593	272,859,836	245,592,604
	$ 333,741,666	$ 337,855,679	$ 326,657,118	$ 303,601,821	$ 269,918,831
Bonds and Notes Authorized	$ 22,929,251	$ 16,862,389	$ 21,168,450	$ 5,410,019	$ 7,120,019

See accompanying notes to financial statements.

CITY OF NEWARK

WATER UTILITY OPERATING FUND - COMPARATIVE STATEMENT
OF OPERATIONS AND CHANGES IN FUND BALANCE

	Balance Dec. 31, 2011	Balance Dec. 31, 2010	Balance Dec. 31, 2009	Balance Dec. 31, 2008	Balance Dec. 31, 2007
Revenue and Other Income					
Surplus Anticipated	$ 1,405,000	$ 4,597,486	$ 4,564,000	$ 2,000,000	$
Water Rents	47,757,169	43,091,382	47,343,653	44,066,980	43,252,453
Pequannock River Restoration Project		1,000,000			
Lien Sale Proceeds	93,186				
Other Credits to Income:					
Appropriation Reserves Lapsed	3,929,299	4,049,401	600,804	2,082,222	1,130,810
Accounts Payable Cancelled		434,775			
Interest on Bonds Cancelled		12,627	10,825	12,982	10,870
Nonbudgeted Revenue	13,005	5,872	2,737,694	29,772	924,143
Miscellaneous			52,315	76,681	
	53,197,659	53,191,543	55,309,291	48,268,637	45,318,276
Expenditures					
Operating	39,945,198	41,353,206	40,267,036	38,301,094	36,145,430
Debt Service	4,634,399	3,751,836	3,176,657	3,098,562	3,309,750
Deferred Changes and Statutory Expenditures	825,357	1,425,000	1,425,000	928,597	1,506,189
Special Items		1,000,000			
Capital Improvements	4,085,000	4,243,684	6,139,587	5,342,354	1,200,000
	49,489,954	51,773,726	51,008,280	47,670,607	42,161,369
Prior Years Revenue Refunded	2,262	4,523		186,959	77,769
Reserve for Protested Checks	1,154	7,637			164,122
Miscellaneous			75,715		
	49,493,370	51,785,886	51,083,995	47,857,566	42,403,260
Excess in Revenue	3,704,289	1,405,657	4,225,296	411,071	2,915,016
Statutory Excess to Operating Fund Balance	3,704,289	1,405,657	4,225,296	411,071	2,915,016
Fund Balance January 1	1,405,657	4,597,486	4,936,190	6,525,119	3,610,103
	5,109,946	6,003,143	9,161,486	6,936,190	6,525,119
Decreased by:					
Utilized as Anticipated Revenue	1,405,000	4,597,486	4,564,000	2,000,000	
Fund Balance December 31	$ 3,704,946	$ 1,405,657	$ 4,597,486	$ 4,936,190	$ 6,525,119

See accompanying notes to financial statements.

CITY OF NEWARK

SEWER UTILITY FUND - COMPARATIVE BALANCE SHEET

ASSETS AND DEFERRED CHARGES	Balance Dec. 31, 2011	Balance Dec. 31, 2010	Balance Dec. 31, 2009	Balance Dec. 31, 2008	Balance Dec. 31, 2007
Operating Section					
Cash	$ 2,242,537	$ (10,994,174)	$ 355,026	$ 1,368,022	$ 5,316,867
Consumer Accounts Receivable	10,338,004	12,344,096	11,170,670	12,252,054	11,271,433
Sewer Connection Arrears	4,940	4,940	4,940	4,940	4,940
Delinquent Sewer Receivable	4,969	4,969	852,796	36,057	30,224
Sewer Liens Receivable	2,876,604	2,168,852	720,769	1,338,237	880,887
Interfunds Receivable	1,916,403	15,685,654	9,900,000	2,311,383	4,312
	17,383,457	19,214,337	23,004,201	17,310,693	17,508,663
Capital Section					
Cash	(2,566,414)	3,218,841	33,429		
Fixed Capital Authorized and Uncompleted	144,876,750	144,876,750	141,003,500	110,753,500	102,061,530
State Grant Receivable	1,397,960	4,183,940	6,742,196	9,585,842	9,585,842
Waste Water Treatment Funds - Due from State	42,044,794	53,084,755	62,171,304	55,626,003	59,935,383
	185,753,090	205,364,286	209,950,429	175,965,345	171,582,755
	$ 203,136,547	$ 224,578,623	$ 232,954,630	$ 193,276,038	$ 189,091,418
LIABILITIES, RESERVES AND FUND BALANCE					
Operating Section					
Appropriation Reserves	$ 286,921	$ 946,720	$ 325,668	$ 934,729	$ 803,579
Appropriation Reserves - Encumbered	1,428,865	1,681,220	2,299,503	1,096,315	473,355
Interfunds Payable	102,813		4,719,946		2,035,700
Commitments Payable	140,060	64,981	542,049	338,365	16,637
Sewer Overpayments	388,995	362,368	318,624	298,603	229,289
Accrued Payroll	28,737	28,737	28,737	28,737	28,737
Due to Tax Collector	8	8	8	8	8
Reserve for:					
Consumers' Accounts Receivable	10,338,004	12,344,096	11,170,670	12,252,054	11,271,433
Delinquent Sewer Receivable	4,969	4,969	852,796	36,057	30,224
Sewer Liens Receivable	2,876,604	2,168,852	720,769	1,338,237	880,887
Sewer Connection Arrears	4,940	4,940	4,940	4,940	4,940
East Orange-Passaic Valley Sewerage Commission		408,055			
Fund Balance	1,782,541	1,199,391	2,020,491	982,648	1,733,875
	17,383,457	19,214,337	23,004,201	17,310,693	17,508,663
Capital Section					
Due to Sewer Operating Fund	1,895,971		9,900,000	13,520,804	5,865,391
Waste Water Treatment Trust Loan Payable	30,005,000	31,995,000	26,924,401	23,418,941	39,359,089
Waste Water Treatment Fund Loan Payable	52,720,724	56,013,213	52,240,651	45,171,654	32,267,187
Improvement Authorizations:					
Funded	17,051,247	24,737,082	24,249,889	39,579,811	49,252,047
Unfunded	21,218,142	28,471,565	42,649,762	17,196,232	9,196,232
Encumbered	21,566,497	19,465,635	20,458,982	10,140,513	8,708,349
Vouchers Payable	1	1	1	1	1
Reserve for State Grant Sewer Improvement		1,377,689	1,386,151	2,554,835	5,587,587
Interfunds Payable	2,635	8,652,634			
Deferred Reserve for Amortization	39,933,956	34,651,467	32,140,592	24,382,554	21,346,873
Reserve for Sewer Construction Grant	1,358,917				
	185,753,090	205,364,286	209,950,429	175,965,345	171,582,755
	$ 203,136,547	$ 224,578,623	$ 232,954,630	$ 193,276,038	$ 189,091,418
Bonds and Notes Authorized but Not Issued	$ 27,217,070	$ 27,217,070	$ 34,697,856	$ 17,780,351	$ 9,780,351

See accompanying notes to financial statements.

CITY OF NEWARK

SEWER UTILITY OPERATING FUND - COMPARATIVE STATEMENT OF OPERATIONS
AND CHANGES IN FUND BALANCE

	Balance Dec. 31, 2011	Balance Dec. 31, 2010	Balance Dec. 31, 2009	Balance Dec. 31, 2008	Balance Dec. 31, 2007
Revenue and Other Income					
Surplus	$ 385,842	$ 569,783	$ 750,000	$ 1,584,500	$
Sewer Rentals	53,727,961	53,082,382	55,196,966	51,242,070	46,814,774
East Orange - Passaic Valley Sewer Commission	2,540,657	1,922,642	2,646,859	3,182,724	3,581,922
Lien Sales - Proceeds	387,940				909,408
Nonbudget Revenue	45,772	72,543	15,512	68,909	341,302
Appropriation Reserves Lapsed	1,098,691	1,615,682	232,083	803,826	
Grants				1,858,131	
Commitments Payable Cancelled		315,913			23,527
Budget Operations			664,220		
	58,186,863	57,578,945	59,505,640	58,740,160	51,670,933
Expenditures					
Operating	49,427,072	49,955,740	50,359,579	52,186,287	45,297,258
Capital Outlay	1,050,000	2,777,334			
Debt Service	5,628,799	3,096,481	3,359,349	3,407,783	3,439,800
Deferred Charges and Statutory Expenditures	1,112,000	550,000	550,000	256,666	550,000
Capital Improvements			3,448,869	2,056,151	650,000
	57,217,871	56,379,555	57,717,797	57,906,887	49,937,058
Excess in Operations	968,992	1,199,390	1,787,843	833,273	1,733,875
Fund Balance					
Balance January 1	1,199,391	2,020,491	982,648	1,733,875	
	2,168,383	3,219,881	2,770,491	2,567,148	1,733,875
Decreased by:					
Utilized As Anticipated Revenue	385,842	569,783	750,000	1,584,500	
Transferred to Current Fund as Anticipated Revenue		1,450,707			
	385,842	2,020,490	750,000	1,584,500	
Balance December 31	$ 1,782,541	$ 1,199,391	$ 2,020,491	$ 982,648	$ 1,733,875

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Newark is organized as a Mayor-Council form of government pursuant to the Optional Municipal Charter Law Plan C under the provisions of N.J.S. 40:69A-1 et seq., commonly known as the Faulkner Act. Under this system, the Mayor functions as the chief executive and the nine member Municipal Council functions as the legislative body. The Mayor and Council are elected at the regular municipal election for a term of four years. One council member is elected from each of the City's five wards and four council members are elected at large.

Governmental Accounting Standards Board (GASB) Statement 14 establishes certain standards for defining and reporting on the financial reporting entity. In accordance with these standards, the reporting entity should include the primary government and those component units which are fiscally accountable to the primary government. The financial statements of the City of Newark include every board, body, officer or commission supported and maintained wholly or in part by funds appropriated by the City, as required by the provisions of N.J.S. 40A:5-5. The financial statements, however, do not include the operations of the Newark Board of Education, Library, Museum, Technical Schools, Newark Housing Authority and Newark Parking Authority, which are separate entities subject to separate examinations.

B. Description of Funds

The Governmental Accounting Standards Board (GASB) is the recognized standard setting body for establishing governmental accounting and financial reporting principles. The GASB establishes seven fund types and two account groups to be used by governmental units when reporting financial position and results of operations in accordance with generally accepted accounting principles (GAAP).

The accounting policies of the City of Newark conform to the accounting principles applicable to municipalities which have been prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. Under this method of accounting, the City of Newark accounts for its financial transactions through the following separate funds which differ from the fund structure required by generally accepted accounting principles.

Current Fund - Encompasses resources and expenditures for basic governmental operations. Fiscal activity of Federal and State grant programs are reflected in a segregated section of the Current Fund.

Trust Funds - The records of receipts, disbursements and custodianship of monies in accordance with the purpose for which each account was created are maintained in Trust Funds. These include the Assessment Trust Fund, Animal Control Trust Fund, Other Trust Funds, Insurance Trust Fund, Grant Fund and Payroll Agency Trust Fund.

General Capital Fund - The receipts and expenditure records for the acquisition of general infrastructure and other capital facilities, other than those acquired in the Current Fund, are maintained in this Fund, as well as, related long-term debt accounts.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Description of Funds (Continued)

Utilities Funds - Water and Sewer Utilities are treated as separate entities. Each maintains its own Operating and Capital Funds which reflect revenue, expenditures, stewardship, acquisitions of utility infrastructure and other capital facilities, debt service, long-term debt and other related activity.

Public Assistance Trust Fund - Receipts and disbursements of funds that provide assistance to certain residents of the City of Newark pursuant to the provisions of Title 44 of the New Jersey Statutes are maintained in the Public Assistance Trust Fund. These records have not been currently posted and accordingly the Public Assistance Trust Fund is not included herein.

Bond and Coupon Group of Accounts - Debt Service for principal and interest obligations of outstanding registered bonds are accounted for in this fund.

Capital Fixed Assets - These accounts reflect estimated valuations of land, buildings and certain movable fixed assets of the City as discussed under the caption of “Basis of Accounting”.

C. Basis of Accounting

The accounting principles and practices prescribed for municipalities by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, differ in certain respects from generally accepted accounting principles. The accounting system is maintained on the modified accrual basis with certain exceptions. Significant accounting policies in New Jersey are summarized as follows:

Property Taxes and Other Revenue

Property taxes and other revenue are realized when collected in cash or approved by regulation for accrual from certain sources of the State of New Jersey and the Federal Government. Accruals of taxes and other revenue are otherwise deferred as to realization by the establishment of offsetting reserve accounts. GAAP requires such revenue to be recognized in the accounting period when they become susceptible to accrual, reduced by an allowance for doubtful accounts.

Grant Revenue

Federal and State grants, entitlements or shared revenue received for purposes normally financed through the Current Fund are recognized when anticipated in the City of Newark. GAAP requires such revenue to be recognized in the accounting period when they become susceptible to accrual.

Expenditures

Expenditures for general and utility operations are generally recorded on the accrual basis. Unexpended appropriation balances, except for amounts which may have been cancelled by the governing body or by statutory regulation, are automatically recorded as liabilities at December 31st of each year, under the title of “Appropriation Reserves”. Amounts unexpended at the end of the second year are lapsed and are recorded as income.

Grant appropriations are charged upon budget adoption to create separate spending reserves.

Budgeted transfers to the Capital Improvement Fund are recorded as expenditures to the extent permitted by law.

Expenditures from Trust and Capital Funds are recorded upon occurrence and charged to accounts statutorily established for specific purposes.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting (Continued)

Expenditures (Continued)

Budget Appropriations for interest on General Capital Long-Term Debt is raised on the cash basis and is not accrued on the records; interest on Utility Debt is raised on the accrual basis and so recorded.

GAAP requires expenditures to be recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt, which should be recognized when due.

Encumbrances

As of January 1, 1986 all local units were required by Technical Accounting Directive No. 85-1, as promulgated by the Division of Local Government Services, to maintain an encumbrance accounting system. The directive states that contractual orders outstanding at December 31, are reported as expenditures through the establishment of an encumbrance payable. Encumbrances do not constitute expenditures under GAAP.

Appropriation Reserves

Appropriation reserves are available, until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred during the preceding year. Lapsed appropriation reserves are recorded as additions to income. Appropriation reserves do not exist under GAAP.

Compensated Absences

Expenditures relating to obligations for unused vested accumulated sick, vacation and compensatory pay are not recorded until paid. GAAP requires that the amount that would normally be liquidated with expendable available financial resources be recorded as an expenditure in the operating funds and the remaining obligations be recorded as a long-term obligation.

Property Acquired for Taxes

Property Acquired for Taxes (Foreclosed Property) should be recorded in the Current Fund at the assessed valuation during the year when such property was acquired by deed or foreclosure and is offset by a corresponding reserve account. GAAP requires such property to be recorded in the capital fixed assets at market value on the date of acquisition.

Self-Insurance Contributions

Contributions to self-insurance funds are charged to budget appropriations. GAAP requires that payments be accounted for as an operating transfer and not as an expenditure.

Interfunds Receivable

Interfunds Receivable in the Current Fund are generally recorded with offsetting reserves which are established by charges to operations. Collections are recognized as income in the year that the receivables are realized. Interfunds Receivable of all other funds are recorded as accrued and are not offset with reserve accounts. Interfunds Receivable of one fund are offset with Interfunds Payable of the corresponding fund. GAAP does not require the establishment of an offsetting reserve.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting (Continued)

Inventories of Supplies

Materials and supplies purchased by all funds are recorded as expenditures.

An annual inventory of materials and supplies for the Combined Water/Sewer Utility is required, by regulation, to be prepared by City personnel for inclusion on the Water and Sewer Operating Fund balance sheets. Annual changes in valuations, offset with a Reserve Account, are not considered as affecting results of operations. Materials and supplies of other funds are not inventoried nor included on their respective balance sheets.

Capital Fixed Assets

General:

In accordance with Technical Accounting Directive No. 85-2, Accounting for Governmental Capital Fixed Assets, as promulgated by the Division of Local Government Services, which differs in certain respects from generally accepted accounting principles, the City of Newark has developed a capital fixed asset accounting and reporting system.

GAAP requires that capital fixed assets be capitalized at historical or estimated historical cost if actual historical cost is not available. Depreciation on utility capital fixed assets should also be recorded.

Capital Fixed Assets used in governmental operations (capital fixed assets) are accounted for in the Capital Fixed Assets. Public domain ("infrastructure") capital fixed assets consisting of certain improvements other than buildings, such as roads, bridges, curbs and gutters, streets and sidewalks and drainage systems are not capitalized.

Acquisitions of land, buildings, machinery, equipment and other capital assets are recorded on a perpetual fixed asset record.

Vehicles, furniture, equipment and other items are reflected at replacement values at time of inventory preparation. Additions to the established capital fixed assets are valued at cost.

Depreciation of assets is not recorded as an operating expense of the City.

Utilities:

Capital acquisitions, including utility infrastructure costs of the Combined Water/Sewer Utility, are recorded at cost upon purchase or project completion in the Fixed Capital Account of the utilities. The Fixed Capital Accounts are adjusted for dispositions or abandonments. The accounts include movable fixed assets of the Utility but are not specifically identified and are considered as duplicated in the Capital Fixed Assets. The duplication is considered as insignificant on its effect on the financial statements taken as a whole.

Utility improvements that may have been constructed by developers are not recorded as additions to Fixed Capital.

Fixed Capital of the Utility is offset by accumulations in Amortization Reserve Accounts. The accumulations represent costs of fixed assets purchased with budgeted funds or acquired by gift as well as grants, developer contributions or liquidations of related bonded debt and other liabilities incurred upon capital fixed asset acquisition.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting (Continued)

Capital Fixed Assets (Continued)

Utilities: (Continued)

The Fixed Capital Accounts reflected herein are as recorded in the records of the municipality and do not necessarily reflect the true condition of such Fixed Capital. The records consist of a control account only. Detailed records are not maintained.

D. Basic Financial Statements

The GASB Codification also defines the financial statements of a governmental unit to be presented in the general purpose financial statements to be in accordance with GAAP. The City of Newark presents the financial statements listed in the table of contents which are required by the Division of Local Government Services and which differ from the financial statements required by GAAP. In addition, the Division requires the financial statements listed in the table of contents to be referenced to the supplementary schedules. This practice differs from GAAP.

2. CASH, CASH EQUIVALENTS AND INVESTMENTS

A. Cash and Cash Equivalents

New Jersey statutes permit the deposit of public funds in institutions located in New Jersey, which are insured by the Federal Deposit Insurance Corporation (FDIC) or any other agencies of the United States that insures deposits or the State of New Jersey Cash Management Fund.

The State of New Jersey Cash Management Fund is authorized by statute and regulations of the State Investment Council to invest in fixed income and debt securities which mature or are redeemed within one year. Twenty-five percent of the Fund may be invested in eligible securities which mature within two years provided, however, the average maturity of all investments in the Fund shall not exceed one year. Collateralization of Fund investments is generally not required.

In addition, by regulation of the Division of Local Government Services, municipalities are allowed to deposit funds in the Municipal Bond Insurance Association (MBIA) through their investment management company, the Municipal Investors Service Corporation.

In accordance with the provisions of the Governmental Unit Deposit Protection Act of New Jersey, public depositories are required to maintain collateral for deposits of public funds that exceed insurance limits as follows:

The market value of the collateral must equal five percent of the average daily balance of public funds, or

If the public funds deposited exceed 75 percent of the capital funds of the depository, the depository must provide collateral having a market value equal to 100 percent of the amount exceeding 75 percent.

All collateral must be deposited with the Federal Reserve Bank, The Federal Home Loan Bank Board or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than $25,000,000.00.

2. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

B. 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. This includes instruments such as Treasury bills, notes and bonds.
- Government money market mutual funds.
- Any federal agency or instrumentality obligation authorized by Congress that matures within 397 days from the date of purchase, and has a fixed rate of interest not dependent on any index or external factors.
- Bonds or other obligations of the local unit or school districts of which the local unit is a part.
- Any other obligations with maturities not exceeding 397 days, as permitted by the Division of Investments.
- Local government investment pools, such as New Jersey CLASS, and the New Jersey Arbitrage Rebate Management Program.
- New Jersey State Cash Management Fund.
- Repurchase agreements of fully collateralized securities subject to special conditions.

In addition, a variety of State laws permit local governments to invest in a wide range of obligations issued by State Governments and its agencies.

As of December 31, 2011, the City had funds on deposit in checking and New Jersey Cash Management Accounts, Certificates of Deposit and Repurchase Agreements. These funds constitute “deposits with financial institutions” as defined by GASB Statement No. 3 and amended by GASB Statement No. 40. There were no securities categorized as investments as defined by GASB Statement No. 40.

3. TAXES AND TAX TITLE LIENS RECEIVABLE

Property assessments are determined on true values and taxes are assessed based upon these values. The residential tax bill includes the levies for the City, County and School purposes. Certified adopted budgets are submitted to the County Board of Taxation by each taxing district. The tax rate is determined by the board upon the filing of these budgets.

The tax bills are mailed by the Tax Collector annually in June and are payable in four quarterly installments due the first of August and November of the current year and a preliminary billing due the first of February and May of the subsequent year. The August and November billings represent the third and fourth quarter installments and are calculated by taking the total year tax levy less the preliminary first and second quarter installments due February and May. The preliminary levy is based on one-half of the current year’s total tax.

The Tax Collector’s balances include items which were not in the tax sale. The report includes taxes billed for added, omitted and added/omitted billed in October 2011, items in bankruptcy, installment agreements, appeals and other items which were not subject to be included in the tax sale.

The 2011 tax levy recorded in the Tax Collector’s computerized system was in agreement with the 2011 Extended Tax Duplicate.

3. TAXES AND TAX TITLE LIENS RECEIVABLE (Continued)

Tax installments not paid by the above due dates are subject to interest penalties determined by a resolution of the governing body. The rate of interest in accordance with the aforementioned resolution is 8% per annum on the first $1,500 of delinquency and 18% on any delinquency in excess of $1,500. The resolution also sets a grace period of ten days before interest is calculated. In addition, any delinquency in excess of $10,000 at the end of the calendar year is subject to a 6% penalty on the unpaid balance.

Taxes unpaid on the 11th day of the eleventh month in the fiscal year when the taxes became in arrears are subject to the tax sale provisions of the New Jersey statutes. The municipality may institute in rem foreclosure proceedings after six months from the date of the sale if the lien has not been redeemed.

The following is a five year comparison of certain statistical information relative to property taxes and property tax collections for the current and previous four years:

Comparative Tax Rate Information

Year	Valuation	Rate	Municipal	County	School
2011	$ 10,839,929,709.00	$3.328	$ 1.607	$ 1.688	$ 1.033
2010	10,763,710,300.00	3.180	1.487	0.696	0.997
2009	11,001,329,400.00	2.739	1.140	0.652	0.947
2008	10,858,108,700.00	2.599	1.560	0.619	0.924
2007	11,001,867,400.00	2.490	1.060	0.560	0.870

Comparison of Tax Levies

Year	Tax Levy		Cash Collections	Percentage of Collections
2011	$ 365,247,783.34		$ 348,166,900.86	95.32 %
2010	344,941,358.38		313,978,927.62	91.02
2009	299,254,875.45	*	275,442,779.05	92.04
2008	294,513,847.86		259,414,407.95	88.08
2007	280,645,048.78		249,688,268.59	88.97

*Adjusted for reductions due to tax appeals in accordance with R.S. 54:3-21.

Delinquent Taxes and Tax Title Liens

Year	Tax Title Liens	Amount of Delinquent Taxes	Total Delinquent Taxes	Percentage of Tax Levy
2011	$ 38,862,258.05	$ 3,412,749.61	$ 42,275,007.66	11.57 %
2010	27,844,215.19	24,879,957.42	52,724,172.61	15.28
2009	23,941,189.70	24,998,531.86	48,939,721.56	16.35
2008	9,032,430.64	32,347,688.46	41,380,119.10	14.05
2007	9,589,412.55	28,545,129.45	38,134,542.00	13.59

4. PROPERTY ACQUIRED BY TAX TITLE LIEN LIQUIDATION

The value of property acquired by purchase, gift, deed and liquidation of tax title liens, on the basis of the last assessed valuation of such properties in the year of acquisition, was as follows:

Year	Amount
2011	$ 81,491,737.97
2010	81,491,737.97
2009	81,491,737.97
2008	81,491,737.97
2007	79,119,298.19

5. WATER RENTS ACCOUNTS RECEIVABLE

The City of Newark maintains a Utility Fund for the billing and collection of water rents. A comparison of water rent billings and collections for the past five years are as follows:

Year	Billings	Collections
2011	$ 45,772,783.27	$ 47,119,480.02
2010	44,131,767.80	42,421,842.05
2009	45,679,722.06	46,377,040.70
2008	45,462,036.85	42,936,844.13
2007	43,946,536.89	41,769,580.07

The sums of billings and collections include interest penalties. Realization of prior year unpaid balances are also included in the collections above.

6. SEWER CHARGES ACCOUNTS RECEIVABLE

The City of Newark maintains a Utility Fund for the billing and collection of sewer rents. A comparison of sewer rent billings and collections for the past five years are as follows:

Year	Billings	Collections
2011	$ 52,861,705.54	$ 53,727,960.95
2010	54,942,128.40	53,082,382.33
2009	54,330,557.96	54,869,595.09
2008	52,237,051.01	51,096,123.58
2007	49,236,273.46	46,795,779.00

The sums of billings and collections include interest penalties. Realization of prior year unpaid balances are also included in the collections above.

7. FUND BALANCE APPROPRIATED

	Year	Balance December 31	Utilized in Budget of Succeeding Year
Current Fund:	2011	$ 17,872,229.76	$ 17,825,000.00
	2010	25,756,766.82	25,750,000.00
	2009	10,130,901.04	10,130,901.00
	2008	50,662,083.34	50,662,048.00
	2007	58,913,426.76	56,111,892.00
Water Utility Operating Fund:	2011	3,704,945.84	3,705,000.00
	2010	1,405,657.37	1,405,000.00
	2009	4,597,486.26	4,597,486.00
	2008	4,936,189.91	4,564,000.00
	2007	6,525,119.47	2,000,000.00
Sewer Utility Operating Fund:	2011	1,782,540.84	1,780,000.00
	2010	1,199,390.80	385,842.00
	2009	2,020,490.62	569,783.00
	2008	982,647.83	750,000.00
	2007	1,733,874.83	1,584,500.00

8. PENSION PLANS

Description of Systems

Substantially all of the City's employees participate in one of the following contributory defined benefit public employee retirement systems which have been established by State statute: the Public Employees' Retirement System (PERS) or the Police and Firemen's Retirement System (PFRS). In addition, the City contributes to the Consolidated Police and Firemen's Pension Fund (CPFPF). These systems are sponsored and administered by the New Jersey Division of Pensions and Benefits. The Public Employees' Retirement System and the Police and Firemen's Retirement System is considered a cost sharing multiple-employer plan.

Public Employees' Retirement System:

The Public Employees' Retirement System (PERS) was established in January, 1955 under the provisions of N.J.S.A. 43:15A to provide coverage including post-retirement health care to substantially all full-time employees of the State or any county, municipality, school district or public agency 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 and 25 years for health care coverage. Members are eligible for retirement at age 60 with an annual benefit generally determined to be 1/55th of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of creditable service. Early retirement is available to those under age 60 with 25 or more years of credited service. Anyone who retires early and is under age 55 receives retirement benefits as calculated in the above mentioned formula but at a reduced rate (one quarter of one percent for each month the member lacks of attaining age 55).

8. PENSION PLANS (Continued)

Description of Systems (Continued)

Police and Firemen's Retirement System:

The Police and Firemen's Retirement System (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. Members may opt for Service Retirement if over age 55 or Special Retirement at any age if they have a minimum of 25 years of service or 20 years of service if enrolled in the PFRS as of January 18, 2000. Retirement benefits vary depending on age and years of service.

Chapter 428, Public Law of 1999, effective January 18, 2000, allows a member, age 55 and older with 20 or more years of service, to retire with a benefit equaling 50% of final compensation, in lieu of the regular retirement allowance available to the member. Final compensation means the compensation received by the member in the last twelve months of creditable service preceding retirement.

In addition, a member of the system as of the effective date of this law may retire with 20 or more years of service with a retirement allowance of 50% of final compensation, regardless of age, and, if required to retire because of attaining the mandatory retirement age of 65, an additional 3% of final compensation for every additional year of creditable service up to 25 years.

Consolidated Police and Firemen's Pension Fund:

The Consolidated Police and Firemen's Pension System (CPFPF) is a closed system with no active members and was established in January 1952 to provide coverage to municipal police and firemen who were appointed prior to July 1, 1944.

Employees' Retirement System:

The Employees' Retirement System was created in November 1954 by Ch. 218, P.L. 1954 by the merger of the former Newark Municipal Employees' Pension Fund, Newark Board of Health Pension Fund and Newark Board of Workers' Pension Fund as at January 1, 1955.

Additional legislation effective August 26, 1966, provides that in the fiscal year 1979, "the City shall increase its contributions by 13% of the amount of the salaries paid to all members of the Pension Fund in 1978 and in each fiscal year thereafter the contribution of the City shall be increased over the previous percentage by an additional 1% of the salaries paid to all members of the Pension Fund in the immediate preceding year until the actuary shall certify to the City that the total of the contributions made by the City, together with the contributions of the members and all earnings, is sufficient to meet the liabilities of the fund on a fully funded, reserve basis".

The plan provides a method for a permanent employee of the City to receive credit for all or part of the time served prior to joining the Retirement System by payment into the fund of an amount computed in the manner prescribed by the statute. The payment may be made in one lump sum or payroll deductions over a maximum of ten years. In accordance with Senate Bill 332 effective February 21, 1969, the employer is required to match the employee's total prior service time purchase, without interest, as soon as the employee enters into the contract.

Effective January 1, 1972 (P.L. 1971, Ch. 277) a "cost of living" increase was granted to all retirees who were receiving a pension for at least three calendar years. The "ratio of increase", which will apply to the pension originally granted, is based on the Consumer Price Index for Urban Wage Earners and Clerical Workers of the United States Department of Labor. The "ratio of increase" will be reviewed annually by the Director of the Division of Pensions of the State Department of the Treasury to determine if there will be any changes to the "cost of living" increase originally granted. The employer shall bear the cost of the increase in the pensions payable to retirees who retired from the employ of such employer.

8. PENSION PLANS (Continued)

Description of Systems (Continued)

Employees' Retirement System: (Continued)

Additional legislation (P.L. 1981, Ch. 565), effective May 30, 1982, provided for the creation of a special account in the Pension Fund for all elected officials of the City of Newark. Elected officials must contribute at a rate of 5% of their salaries with the City contributing at a rate of 20% of their salaries.

The allocation of members' contributions between current and prior years' service payments is reflected on the basis of the allocations made by Administrators of the Fund.

The membership voted to join the State Pension Fund. The Commissioner approved the Social Security Referendum Certification number of 974 members who opted to go into the State Pension Fund on September 6, 1990.

To fund the future retirees we hereby quote N.J. Statute Section E of 43:13-22.29:

(E) All moneys required to meet the City contributions provided for under this and all other sections of this act shall be appropriated annually in the City budget of the Governing Body. If at any time there is not sufficient money to meet the requirements of this system and pay the pensions or other benefits provided for herein, the Governing Body shall, from time to time, include in any tax levy a sum sufficient to meet the said requirements and payments of the retirement system, provided, however that no insufficiency of funds shall be made up by the City unless and until the commission shall have required deductions from employees at the maximum rates set forth in subsection (A) of this section L. 1954, c. 218, p. 824,27.

Contributions Required and Made

In accordance with the provisions of chapter 78, P.L. 2011, employee pension contribution rates will be increased for PERS from 5.5% to 6.5% and for PFRS from 8.5% to 10% of their base wages, respectfully. These increases will be effective with the first payroll amount to be paid on or after October 1, 2011.

Employee Contributions for PERS employees will be increased from 6.5% to 7.5% to be phased in equally over a 7 year period beginning July 2012. The contribution rate will increase by 0.14% each year with the first payroll of July until the 7.5% contribution rate is reached in July 2018. Employer contributions are actuarially determined on an annual basis by the Division of Pensions. All other employees are enrolled in the Newark Municipal Employees' Pension Fund. Contributions to the plan for the past three (3) years are as follows:

	PERS		PFRS	
Year	City	Employees	City	Employees
2011	$ 9,899,847.34	$ *	$ 48,413,779.00	$ *
2010	8,092,710.42	*	42,464,509.00	*
2009	2,489,545.21	*	19,206,018.00	*

Year	CPFRS City	Newark Municipal Employees City
2011	$ 434,884.81	$ 460,000.00
2010	619,253.33	4,684,795.08
2009	703,128.74	4,362,336.75

*Not Available

9. DEFINED CONTRIBUTION RETIREMENT PROGRAM

Description of System

The Defined Contribution Retirement Program (DCRP) was established on July 1, 2007 for certain public employees under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007. The program provides eligible members, with a minimum base salary of $1,500.00 or more, with a tax-sheltered, defined contribution retirement benefit, in addition to life insurance and disability coverage. As of May 21, 2010, the municipal base salary required for eligibility in the DCRP was increased to $5,000.00. The DCRP is jointly administered by the Division of Pensions and Benefits and Prudential Financial.

If the eligible elected or appointed official will earn less than $5,000.00 annually, the official may choose to waive participation in the DCRP for that office or position. This waiver is irrevocable.

This retirement program is a new pension system where the value of the pension is based on the amount of the contribution made by the employee and employer and through investment earnings. It is similar to a Deferred Compensation Program where the employee has a portion of tax deferred salary placed into an account that the employee manages through investment options provided by the employer.

The law requires that three classes of employees enroll in the DCRP, detailed as follows:

- All elected officials taking office on or after July 1, 2007, except that a person who is reelected to an elected office held prior to that date without a break in service may remain in the Public Employee's Retirement System (PERS).

- A Governor appointee with the advice and consent of the Legislature or who serves at the pleasure of the Governor only during that Governor's term of office.

- Other employees commencing service after July 1, 2007, pursuant to an appointment by an elected official or elected governing body which include the statutory untenured chief administrative officer such as the Business Administrator, County Administrator or Municipal or County Manager, Department Heads, Legal Counsel, Municipal or County Engineer, Municipal Prosecutor and the Municipal Court Judge.

Notwithstanding the foregoing requirements other employees who hold a professional license or certificate or meet other exceptions are permitted to remain to join or remain in PERS.

Contributions Required and Made

Contributions made by employees for DCRP are currently at 5.5% of their base wages. Member contributions are matched by a 3.0% employer contribution.

During the year 2011, there were no officials or employees enrolled in the DCRP.

10. MUNICIPAL DEBT

The Local Bond Law governs the issuance of bonds and notes to finance general capital expenditures. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the City are general obligation bonds, backed by the full faith and credit of the City. Pursuant to N.J.S.A. 40A:2-8, bond anticipation notes, which are issued to temporarily finance capital projects, cannot be renewed past the third anniversary unless an amount equal to at least the first legal requirement is paid prior to each anniversary and must be paid off within ten years and five months or retired by the issuance of bonds. Bond anticipation notes, which are issued to temporarily finance capital projects, must be paid off within ten years and five months or retired by the issuance of bonds.

10. MUNICIPAL DEBT (Continued)

Summary of Municipal Debt (Excluding Current and Operating Debt) (and School if Applicable)

	Year 2011	Year 2010	Year 2009
Issued			
General:			
Bonds and Notes	$ 209,131,000.00	$ 173,463,600.00	$ 209,179,800.00
Guaranteed Bonds	65,770,000.00	66,885,000.00	68,000,000.00
Refunding:			
Bonds and Notes	89,912,035.25	95,017,035.25	74,982,035.25
State Loan	2,461,352.40	2,692,028.60	3,213,476.80
Water Utility:			
Bonds and Notes	11,682,000.00	11,997,000.00	12,295,000.00
Refunding Water Bonds	11,975,000.00	13,625,000.00	15,315,000.00
State Water Loan	29,268,336.62	30,417,653.64	24,364,800.53
Sewer Utility:			
State Sewer Loan	82,725,723.89	88,008,212.89	79,165,051.93
Total Issued	502,925,448.16	482,105,530.38	486,515,164.51
Authorized but Not Issued			
General:			
Bonds and Notes	53,371,379.89	84,485,379.89	84,485,379.89
Water Utility:			
Bonds and Notes	22,929,250.74	16,862,388.74	21,168,449.74
Sewer Utility:			
Bonds and Notes	27,217,070.00	27,217,070.00	34,697,856.00
Total Unauthorized but Not Issued	103,517,700.63	128,564,838.63	140,351,685.63
	$ 606,443,148.79	$ 610,670,369.01	$ 626,866,850.14

Summary of Statutory Debt Condition (Annual Debt Statement)

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of 1.784%.

	Gross Debt	Deductions	Net Debt
Local School District Debt	$ 107,042,000.00	$ 107,042,000.00	$
Combining Water/Sewer Utility Debt	185,797,381.25	185,797,381.25	
General Debt	420,645,767.54	122,777,035.25	297,868,732.29
	$ 713,485,148.79	$ 415,616,416.50	$ 297,868,732.29

Net Debt, $297,868,732.29 divided by Equalized Valuation Basis $16,699,132,166.00 per N.J.S. 40A:2-2, as amended, equals 1.784%.

10. MUNICIPAL DEBT (Continued)

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

3 1/2% of Equalized Valuation of Real Property	$ 584,469,625.81
Net Debt	297,868,732.29
Remaining Borrowing Power	$ 286,600,893.52

Calculation of "Self-Liquidating Purpose" Water Utility per N.J.S.A. 40A:2-4

Fund Balance and Cash Receipts from Fees, Rents or Other charges for Year Including Surplus and Interest on Investments (Per P.L. 1991, Ch. 196)		$ 49,268,360.34
Deductions:		
Operating and Maintenance Costs	$ 40,770,555.54	
Debt Service per Water Accounts	4,634,398.78	
		45,404,954.32
Excess in Revenue		$ 3,863,406.02

There being an excess in revenue, all Water Utility Debt is deductible for debt statement purposes.

Calculation of "Self-Liquidating Purpose" Sewer Utility per N.J.S.A. 40A:2-4

Fund Balance and Cash Receipts from Fees, Rents or Other charges for Year Including Surplus and Interest on Investments (Per P.L. 1991, Ch. 196)		$ 57,088,172.36
Deductions:		
Operating and Maintenance Costs	$ 50,539,072.73	
Debt Service per Water Accounts	5,628,798.59	
		56,167,871.32
Excess in Revenue		$ 920,301.04

There being an excess in revenue, all Sewer Utility Debt is deductible for debt statement purposes.

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

10. MUNICIPAL DEBT (Continued)

As of December 31, 2011, the City's long-term debt is as follows:

General Obligation Bonds

$40,747,035.25, 2003 Pension Refunding Bonds due in annual installments of $840,000 to $4,300,000 through October 2033, interest at 4.70% to 5.75%.	$ 36,882,035.25
$22,660,000, 2008 Pension Refunding Bonds due in annual installments of $1,025,000 to $2,575,000 through April 2022, interest at 4.304% to 5.853%.	20,125,000.00
$82,552,000, 2003 Bonds due in annual installments of $4,200,000 to $9,700,000 through October 2018, interest at 4.0% to 5.0%.	44,485,000.00
$4,450,000, 2005 Redevelopment Refunding Bonds due in annual installments of $165,000 to $450,000 through October 2022, interest at 5.00%	3,470,000.00
$120,670,000, 2010 General Improvement Bonds due in annual installments of $790,000 to $14,500,000 through June 2028, interest at 3.00% to 5.00%	116,960,000.00
$5,283,000, 2010 Taxable General Improvement Bonds due in annual installments of $2,560,000 to $2,723,000 through June 2030, interest at 6.20% to 6.30%	5,283,000.00
$24,890,000,General Refunding Bonds due in annual installments of $1,690,000 to $3,990,000 through October 2018, interest at 3.00% to 4.00%	23,580,000.00
$8,855,000, General Taxable Refunding Bonds due in annual installments of $1,895,000 to $2,795,000 through October 2014, interest at 2.405% to 3.933%	5,855,000.00
	$ 256,640,035.25

10. MUNICIPAL DEBT (Continued)

State Trust Loan

The City of Newark entered into a loan agreement for $1,056,762 with the State of New Jersey. The loan is repayable in 10 annual installments from 2004 to 2013. The loan has been provided as interest-free.	$ 211,352.40
The City of Newark entered into a loan agreement for $2,500,000 for a Demolition Loan with the State of New Jersey. The loan is repayable in 20 annual installments from 2009 to 2029.	2,250,000.00
	$ 2,461,352.40

A schedule of annual debt service for the repayment of the State Trust Loan is as follows:

Year	Total	State Demolition Loan	State Demolition Bond
2012	$ 230,676.20	$ 105,676.20	$ 125,000.00
2013	230,676.20	105,676.20	125,000.00
2014	125,000.00		125,000.00
2015	125,000.00		125,000.00
2016	125,000.00		125,000.00
2017	125,000.00		125,000.00
2018	125,000.00		125,000.00
2019	125,000.00		125,000.00
2020	125,000.00		125,000.00
2021	125,000.00		125,000.00
2022	125,000.00		125,000.00
2023	125,000.00		125,000.00
2024	125,000.00		125,000.00
2025	125,000.00		125,000.00
2026	125,000.00		125,000.00
2027	125,000.00		125,000.00
2028	125,000.00		125,000.00
2029	125,000.00		125,000.00
	$ 2,461,352.40	$ 211,352.40	$ 2,250,000.00

10. MUNICIPAL DEBT (Continued)

Water Utility Bonds

$23,160,000, 2005 Water Refunding Bonds due in annual installments of $635,000 to $1,650,000 through October 2021, interest at 3.00% to 5%.	$ 11,975,000.00
$7,737,000, 2005 General Water Bonds due in annual installments of $295,000 to $360,000 through December 2019, interest at 4.10% to 4.50%.	6,205,000.00
$5,487,000, 2010 General Water Bonds due in annual installments of $10,000 to $363,000 through June 2039, interest at 4.00% to 5.00%	5,477,000.00
	$ 23,657,000.00

Waste Water Treatment Loan Payable - Water Utility Fund

Loan agreements were entered into by the City of Newark with the Department of Environmental Protection for the purpose of improvements to the Water Treatment Plant. Loans outstanding at December 31, 2011 are detailed as follows:

Trust Loan	$11,840,000.00
Fund Loan	17,428,336.82

It is noted that the Fund Loan was issued interest-free.

10. MUNICIPAL DEBT (Continued)

General Capital and Water Utility Bonds

A schedule of annual debt service for principal and interest for bonded debt is as follows:

	General Capital		Water Utility	
Year	Principal	Interest	Principal	Interest
2012	$ 6,215,000.00	$ 10,829,641.38	$ 2,055,000.00	$ 979,748.75
2013	13,050,000.00	10,689,471.64	2,015,000.00	913,638.75
2014	15,050,000.00	10,183,344.56	1,985,000.00	844,728.75
2015	15,465,000.00	9,528,030.67	1,660,000.00	774,408.75
2016	17,085,000.00	8,841,118.32	1,640,000.00	713,808.75
2017	19,475,000.00	8,073,906.62	1,620,000.00	652,683.75
2018	20,880,000.00	7,227,860.26	1,615,000.00	591,665.00
2019	20,415,000.00	6,200,013.81	1,630,000.00	514,912.50
2020	19,580,000.00	5,117,001.81	1,140,000.00	437,627.50
2021	18,295,000.00	4,069,336.38	1,135,000.00	384,880.00
2022	13,438,217.30	5,652,606.70	510,000.00	332,420.00
2023	11,976,810.65	5,377,983.35	515,000.00	311,195.00
2024	11,967,831.35	5,156,962.65	525,000.00	289,487.50
2025	10,262,922.20	4,946,871.80	530,000.00	267,175.00
2026	10,722,049.60	4,815,544.40	540,000.00	244,470.00
2027	11,212,321.65	4,684,272.35	550,000.00	220,890.00
2028	11,743,532.85	4,516,373.65	560,000.00	195,640.00
2029	3,480,525.55	4,344,743.45	570,000.00	169,800.00
2030	3,635,112.00	4,489,437.00	220,000.00	143,100.00
2031	903,130.80	4,636,869.20	235,000.00	132,100.00
2032	896,877.30	4,973,122.70	245,000.00	120,350.00
2033	890,704.00	5,329,296.00	260,000.00	108,100.00
2034			275,000.00	95,100.00
2035			290,000.00	81,350.00
2036			307,000.00	66,850.00
2037			324,000.00	51,500.00
2038			343,000.00	35,300.00
2039			363,000.00	18,150.00
	$ 256,640,035.25	$ 139,683,808.70	$ 23,657,000.00	$ 9,691,080.00

The above schedule does not include interest on the Essex County Improvement Authority Pool Loan Program Bonds which is calculated by the Authority on a monthly basis.

Waste Water Treatment Loan Payable - Sewer Utility Fund

Loan agreements were entered into by the City of Newark with the Department of Environmental Protection for the purpose of improvements to the Waste Water Treatment Plant. Loans outstanding at December 31, 2011 are detailed as follows:

Trust Loan	$ 29,731,122.85
Fund Loan	52,720,723.89
	$ 82,451,846.74

It is noted that the fund loan was issued interest-free.

10. MUNICIPAL DEBT (Continued)

Waste Water Treatment Loan Payable - Sewer Utility Fund (Continued)

A schedule of principal and interest on the loans is as follows:

Year	Total	Principal	Interest	Fund Loan Principal
2012	$ 7,206,596.18	$ 2,201,244.34	$ 1,391,111.27	$ 3,614,240.57
2013	7,279,000.46	2,302,852.56	1,276,165.64	3,699,982.26
2014	7,272,275.19	2,422,025.95	1,150,975.01	3,699,274.23
2015	6,673,794.93	1,940,000.00	1,041,168.76	3,692,626.17
2016	5,500,263.30	1,325,000.00	945,687.52	3,229,575.78
2017	5,497,113.10	1,390,000.00	882,781.26	3,224,331.84
2018	5,492,194.81	1,450,000.00	816,768.76	3,225,426.05
2019	5,485,813.08	1,520,000.00	746,981.26	3,218,831.82
2020	5,502,822.51	1,590,000.00	681,756.26	3,231,066.25
2021	5,411,543.87	1,600,000.00	612,218.76	3,199,325.11
2022	5,431,198.67	1,690,000.00	537,993.75	3,203,204.92
2023	5,370,715.66	1,730,000.00	460,768.76	3,179,946.90
2024	5,369,184.40	1,805,000.00	385,075.00	3,179,109.40
2025	5,305,180.39	1,860,000.00	304,318.76	3,140,861.63
2026	3,816,083.83	1,430,000.00	221,837.50	2,164,246.33
2027	2,362,886.05	1,485,000.00	157,400.00	720,486.05
2028	1,567,736.05	755,000.00	92,250.00	720,486.05
2029	1,568,446.34	790,000.00	58,050.00	720,396.34
2030	714,342.52	445,000.00	22,250.00	247,092.52
	$ 92,827,191.34	$ 29,731,122.85	$ 11,785,558.27	$ 51,310,510.22

Capital Lease Program

The City has entered into various agreements with the Essex County Improvement Authority to be a participant in the Capital Equipment Lease Program and the Sportsplex Program. Funds were allocated to the City in the sum of $47,950,000.00 for the 1992, 1994, 1997, 1999 lease programs and Refunding Issues in 2006 which are detailed as follows:

Date	Description	Amount
March 15, 1994	Guarantee Lease Revenue Bond	$ 1,500,000.00
June 1, 1997	Sportsplex Revenue Bonds	11,000,000.00
May 15, 1999	Public Safety Communication Center	5,500,000.00
May 15, 1999	Lease Revenue Bond - Refunded	8,235,000.00
January 24, 2006	Sportsplex Revenue Bonds - Refunded - Series A	12,145,000.00
January 24, 2006	Sportsplex Revenue Bonds - Refunded - Series E	1,070,000.00
		$39,450,000.00

10. MUNICIPAL DEBT (Continued)

Capital Lease Program (Continued)

A schedule of principal and interest payments for the leases as of December 31, 2011 are as follows:

Year	Total Debt Service	Principal	Interest
2012	$ 2,511,168.50	$ 1,530,000.00	$ 981,168.50
2013	2,512,517.50	1,610,000.00	902,517.50
2014	2,504,660.50	1,685,000.00	819,660.50
2015	1,551,708.13	795,000.00	756,708.13
2016	1,549,623.13	835,000.00	714,623.13
2017	1,555,760.63	885,000.00	670,760.63
2018	1,554,285.63	930,000.00	624,285.63
2019	1,550,460.63	975,000.00	575,460.63
2020	1,549,285.63	1,025,000.00	524,285.63
2021	1,260,498.13	790,000.00	470,498.13
2022	1,238,377.50	810,000.00	428,377.50
2023	1,244,629.38	860,000.00	384,629.38
2024	1,238,326.88	900,000.00	338,326.88
2025	1,554,737.50	1,265,000.00	289,737.50
2026	1,599,686.88	1,375,000.00	224,686.88
2027	1,599,195.63	1,445,000.00	154,195.63
2028	895,043.75	815,000.00	80,043.75
2029	891,346.88	855,000.00	36,346.88
	$ 28,361,312.81	$ 19,385,000.00	$ 8,976,312.81

The above-mentioned leases are not reflected on the financial statements herein.

Bond Anticipation Notes

Outstanding Bond Anticipation Notes were issued at various rates and are summarized as follows:

	Original Issue	Amount
General Capital Fund:		
Tax Appeal Refunding Bond	12-03-08	$ 5,359,000.00
Various Capital Improvements	12-14-11	33,605,000.00
Tax Appeal Refunding Bond	12-29-11	3,439,000.00
		$ 42,403,000.00

Statutory requirements for providing sums equivalent to legally payable installments for the redemption of notes (Budget Appropriations) and permanent funding (Bond Issues) are summarized as follows:

Note Issued	Installment Due	Funding Required as of May 1
2008	2011 - 2018	2019
2011	2014 - 2022	2023

10. MUNICIPAL DEBT (Continued)

Bonds and Notes Authorized but Not Issued

There were Bonds and Notes Authorized but Not Issued in the following amounts:

	Balance Dec. 31, 2011
General Capital Fund:	
General Improvements	$ 53,371,379.89
Water Utility Capital Fund:	
General Improvements	$ 22,929,250.74
Sewer Utility Capital Fund:	
General Improvement	$ 27,217,070.00

11. SCHOOL DEBT

The Board of Education of the City of Newark was a Type I School District and the school debt, authorized by the Board of School Estimate, are obligations of the City and school debt service is raised as part of the school tax levy. School debt is reported on the balance sheet of the General Capital Fund and is detailed as follows:

$20,390,000, 2008 Refunding School Bonds due in annual installments of $105,000 to $5,340,000 through September 2017, interest at 4.00% to 5.00%	$ 20,285,000.00
$82,555,000, 2002 Refunding School Bonds due in annual installments of $3,030,000 to $10,010,000 through March 2015, interest at 5.125% to 5.375%	23,940,000.00
$43,917,000, 2010 General School Bonds due in annual installments of $1,000,000 to $6,095,000 through June 2025, interest at 3.00% to 5.00%	43,917,000.00
	$ 88,142,000.00

The Board of Education of the City of Newark is presently a Type II School District. The members of the Board of Education are elected by the voters of the school district on the third Tuesday in April. At each annual school election the Board of Education shall submit to the voters of the district the amount of money fixed and determined in its budget, excluding interest and debt redemption charges, to be voted upon for use of the public schools of the district for the ensuing school year.

School debt is deductible up to the extent of 8.0% of the Average Equalized Assessed Valuations of real property for the Local School Debt.

Bonds and Notes Authorized but Not Issued

There were Bonds and Notes Authorized but Not issued in the following amount:

	Balance Dec. 31, 2011
School	$ 18,900,000.00

11. SCHOOL DEBT (Continued)

Bond Anticipation Notes

There were no outstanding Bond Anticipation Notes as of December 31, 2011.

12. INTERFUND RECEIVABLES AND PAYABLES

As of December 31, 2011, interfund receivables and payables that resulted from various interfund transactions were as follows:

	Due from Other Funds	Due to Other Funds
Current Fund	$ 5,230,748.45	$ 96,476.77
Federal and State Grant Fund	48,247.75	61,029.35
Assessment Trust Fund	95,062.24	
Animal Control Trust Fund		4,671.48
Other Trust Funds	475.00	65,036.55
Insurance Trust Fund	83,440.06	
Trust Grant Fund		46,833.42
General Capital Fund	106,554.15	1,359,560.10
Water Operating Fund		217,018.29
Sewer Capital Fund		1,898,606.09
Water Capital Fund	2,634.69	46,000.00
Sewer Operating Fund	1,916,403.11	102,813.36
Payroll Agency Fund	10,326.00	3,564,578.88
Bond and Coupon Fund		31,267.16
	$ 7,493,891.45	$ 7,493,891.45

13. DEFERRED CHARGES TO BE RAISED IN SUCCEEDING YEARS BUDGETS

Certain expenditures are required to be deferred to budgets of succeeding years. The deferred charges as of December 31, 2011 are as follows:

	Balance Dec. 31, 2011	Required for 2012 Budget
Liability Payout	$ 7,000,000.00	$
Revaluation	2,400,000.00	800,000.00
	$ 9,400,000.00	$ 800,000.00

14. DEFERRED COMPENSATION PLAN

The City of Newark offers its employees a Deferred Compensation Plan created in accordance with the provisions of N.J.S. 43:15B-1 et seq., and the Internal Revenue Code, Section 457. The plan, available to all municipal employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

Statutory and regulatory requirements governing the establishment and operation of Deferred Compensation Plans have been codified in the New Jersey Administrative Code under the reference N.J.A.C. 5:37.

14. DEFERRED COMPENSATION PLAN (Continued)

The "Small Business Job Protective Act of 1996" revised several provisions of Section 457 of the Internal Revenue Code. A provision of the act required that all existing plans be modified to provide that the funds be held for the exclusive benefit of the participating employees and their beneficiaries. The City of Newark authorized such modifications to their plan by resolution of the City Council.

The Administrators for the City of Newark Deferred Compensation Plan is the Great-West Life Assurance Company and the Copeland Companies.

15. RISK MANAGEMENT

The City of Newark maintains self-insurance programs for General Liability, Automobile and Worker's Compensation. These programs are funded through budget appropriations from the Current, Water and Sewer Utility Funds.

In addition, the City is self-insured with respect to State Unemployment Compensation. A summary of activity is detailed as follows:

	Balance Dec. 31, 2010	Increase	Decrease	Balance Dec. 31, 2011
Worker's Compensation	$ 1,729,527.14	$ 4,758,927.72	$ 6,309,587.12	$ 178,867.74
Liability Fund	1,235,012.34	7,099,268.96	5,943,755.46	2,390,525.84
State Unemployment	3,823,760.73	2,799,671.31	6,333,719.36	289,712.68

16. CONTINGENT LIABILITIES

A. Arbitrage Rebate Calculation

In 1986, under the Tax Reform Act, the arbitrage rebate law went into effect requiring issuers of tax exempt debt obligations to rebate to the Federal Government all of the earnings in excess of the yield on investments of proceeds of such debt issuances (the "rebate arbitrage"). During 1989 the City issued tax exempt debt obligations subject to arbitrage rebate. The Rebate Regulations require the calculation of rebatable arbitrage by analyzing the cash flows of the proceeds of an issue and "future valuing" the investment cash flows at an interest rate equal to the yield on the issue. The Rebate Regulations apply to obligations issued after August 31, 1986. The arbitrage rebate liability must be calculated every installment computation date (last day of the fifth bond year) or earlier if the bonds are retired, defeased or refunded and pay at least 90% of the rebatable arbitrage (plus any earnings thereon) within 60 days after such date. The City does not calculate their arbitrage rebate liability each year. However, during 2008, the City authorized a contract with an outside consultant to perform arbitrage calculations and several reports have been filed during 2008.

B. Compensated Absences

The City's policy for accrued sick and vacation benefits is as follows:

Every permanent employee is granted a maximum of 23 vacation days per year based on years of service. An employee applying for retirement is entitled to vacation time in the current year and vacation accrued from the preceding year. Vacation time, with approval, may be carried over only one year. If not used, it is then lost.

Every permanent employee is granted one (1) day of sick leave for each month of service up to December 31st for the first year of employment, and fifteen (15) days per year after that. Unused sick leave can be accumulated and may be converted into cash upon retirement, depending upon labor contract provisions of the job title.

16. CONTINGENT LIABILITIES (Continued)

B. Compensated Absences (Continued)

A separate contract exists with the Police and Fire personnel for vacation and sick time.

Generally, the City requires employees with accumulated vacation, holiday, personal and compensatory leave credits to extend their separation dates beyond their last working day in order to exhaust all such accumulated time. Replacement personnel are hired only after position is no longer encumbered. Where circumstances warrant lump sum payment (for such accumulated credits) at time of separation, position remains unavailable for hiring until such time as that expenditure is amortized over the period had the employee remained on the payroll beyond his last working day as above. Sole general exception is payment for unused sick leave which is distributed to eligible nonuniformed employees only upon retirement.

City officials have determined that the sum of $47,106,621.19 has accumulated for unused sick and vacation pay and would be due to employees upon their retirements. This amount has not been verified by audit.

The sum, considered as a contingent liability, is not carried on the Financial Statements of the City.

C. Tax Appeals

As at December 31, 2011, there were tax appeals pending before the New Jersey Tax Court which are in an undetermined amount.

The Assessor estimates that over the past several years appeals have caused an annual decrease of approximately $1,000,000.00 in assessed valuation. Based upon the City's revaluation in 2003, the Assessor anticipates reduction in assessed valuations for subsequent years. There should be no substantial additional impact upon the financial status of the City.

Judgments, adverse to the City, would apply to the year of appeal plus at least two subsequent years. Refunds or tax credits, including statutory interest thereon, would be chargeable to operations or future budget appropriations.

County taxes paid on the reductions in assessed valuations are subject to credits against the County Tax Levy of the year subsequent to the year in which appeals were adjudicated.

D. Federal and State Awards

The City participates in several federal and state grant programs which are governed by various rules and regulations of the grantor agencies; therefore to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable at December 31, 2011 may be impaired.

The City adopted its annual budget for 2011 on September 29, 2011. Such budget anticipated the receipt of approximately $32 million in financial assistance from the State of New Jersey (the "State"). Such assistance was provided in the form of a forgivable loan, the repayment of which is expected to be forgiven. A memorandum of understanding (the "MOU") has been entered into with the State to implement certain fiscal and operational oversight by the State. Although certain compliance deadlines set forth in the MOU have not been met, the City is working with the State to ensure substantial compliance with the MOU. The impact of these or any future, missed deadlines upon the willingness of the State to forgive repayment of the $32 million loan is unclear. The State also reserves its right to require repayment of the loan, in whole or in part, notwithstanding substantial compliance with the MOU. However, the City believes that the $32 million loan will be forgiven.

A letter dated March 8, 2013 from the State of New Jersey Community Affairs indicated that the $32,000,000.00 loan repayment has been converted to a grant and no repayment of the loan is expected or required.

16. CONTINGENT LIABILITIES (Continued)

D. Federal and State Awards (Continued)

The City adopted it annual budget for 2012 on October 16, 2012. Such budget anticipates the receipt of approximately $10 million in financial assistance from the State under its Transitional Aid Program. It is expected that such assistance will be provided in the form of a grant, but with the condition that the City be required to appropriate as a repayment to the State in the City's 2013 budget all funds above $120 million that are available to be used as a revenue in support of the 2013 budget according to the City's 2012 annual financial statement. It is presently anticipated that the City will enter into an additional MOU with the State to reflect the requirements binding upon the City in connection with the 2012 State award of Transitional Aid.

Due to the uncertainty with respect to the aforementioned state grants/loans, no provisions have been recorded in the accompanying statutory basis financial statements for such contingencies.

E. Litigation

The following is based on the opinion of legal counsel (Corporation Counsel):

Negligence Actions:

There are presently lawsuits alleging tortuous conduct and claiming damages against the City.

Contract Actions/Public Bidding:

There are presently lawsuits based upon breach of contractual obligations against the City.

Labor and Employment Matters:

There are various labor and employment matters against the City.

For all cases above, the City is self-insured and there are appropriate reserves sufficient to cover losses based on experience and to the knowledge of the Corporation Counsel there is no threat of exposure outside of the self-insured program.

Prerogative Writ Cases:

There are prerogative writ cases challenging municipal action against the City.

Tax Foreclosures:

The City conducted an In Rem Tax Foreclosure in 2007 and 2011. The City is defending a few cases arising out of the 2007 and 2011 In Rem Tax Foreclosure.

At this time it does not appear that any of the above would have a materially adverse impact upon the City.

Water and Sewer Utility:

The City is not a defendant in any suit concerning requirements for the installation or financing or operating of the water and sewer utilities or other improvements or with respect to any land use questions whereby the outcome would have any materially adverse effect upon the financial status of the City.

16. CONTINGENT LIABILITIES (Continued)

Tax Appeals:

There are property tax appeals pending in the Tax Court of New Jersey against the City involving commercial, industrial and residential properties. At this point it is impossible to specifically quantify the extent of any potential exposure to the City relating to these appeals. There should be no substantial additional impact upon the financial status of the City.

The Office of Corporation Counsel is currently unaware of any litigation presently pending or threatened in any manner questioning the austerity or the proceedings for the levy or the collection of taxes and neither the corporate existence over the boundaries of the City nor the title of any of the present officers thereof to their respective officers is being contested.

APPENDIX C
FORM OF LEGAL OPINION

[THIS PAGE INTENTIONALLY LEFT BLANK]

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

_________________, 2013

Mayor and Council of the City of Newark,
in the County of Essex, New Jersey
920 Broad Street
Newark, New Jersey 07102

Re: City of Newark, in the County of Essex, New Jersey
$__________ General Obligation Notes consisting of
$__________ General Improvement Bond Anticipation Notes, Series 2013A
$__________ School Promissory Notes, Series 2013B

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance by the City of Newark, in the County of Essex, New Jersey (the "City") of its $__________ aggregate amount of General Obligation Notes consisting of $__________ General Improvement Bond Anticipation Notes, Series 2013A (the "Series 2013A Notes") and $__________ School Promissory Notes, Series 2013B (the "Series 2013B Notes" and, collectively with the Series 2013A Notes, the "Notes"). The Notes are general obligations of the City and the full faith, credit and taxing power of the City is available to pay the principal of and interest on the Notes. The Notes are issued in fully registered form, are dated _______, 2013, and mature on ___________, 2014. The Notes are not subject to redemption prior to maturity. The Notes bear interest at a rate of ___ percent (__%) per annum payable at maturity.

The Notes will be initially issued in fully registered book-entry form only in the form of one certificate in the aggregate amount of the Notes of each series, registered in the name of and held by Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Notes. DTC will be responsible for maintaining the book-entry system for recording the interests of its participants and transfers of such interests among such participants. Such participants shall be responsible for maintaining records regarding the beneficial ownership interests in the Notes on behalf of individual purchasers. Individual purchases may be made in the principal amount of $5,000 or more, through book-entries on the books and records of DTC and its participants.

Mayor and Council of the City of Newark,
in the County of Essex, New Jersey
____________, 2013

The Notes are issued under the provisions of the Local Bond Law, Chapter 169 of the Laws of 1960 of the State of New Jersey, effective January 1, 1962, and the acts amendatory thereof and supplemental thereto (the "Local Bond Law"), and in the case of the Series 2013B Notes, the provisions of Title 18A, Education, of the New Jersey Statutes, including specifically N.J.S.A. 18A:7A-46.3 and N.J.S.A. 18A:7A-46.4 (the "Education Law") and by the following bond ordinances of the City: Ordinance No. 6S&FC111405 finally adopted by the Municipal Council of the City on November 14, 2005, as amended by Ordinance No. 6PSF-a090209 finally adopted by the Municipal Council on September 2, 2009; Ordinance No. 6S&FAMay172006 finally adopted by the Municipal Council of the City on May 17, 2006; and Ordinance No. 6S&FA(S-2)102307 finally adopted by the Municipal Council of the City on October 23, 2007 as amended by Ordinance No. 6PSF-a090209 finally adopted by the Municipal Council on September 2, 2009 (collectively, the "BAN Ordinances") and Ordinance No. 6S&FA040605 finally adopted by the Municipal Council on April 6, 2005, as amended by Ordinance No. 6S&FN041906 finally adopted by the Municipal Council on April 19, 2006, as amended by Ordinance No. 6S&Fh091907 finally adopted by the Municipal Council on September 19, 2007 and amended by Ordinance No. 6PhS&Fj060408 finally adopted by the Municipal Council on June 4, 2008 (collectively, the "School Ordinance" and together with the BAN Ordinances, the "Ordinances") and a resolution adopted by the City Council of the City on June 11, 2013. The Series 2013A Notes are issued for the purpose of (i) refunding certain notes which provided funds for financing various capital purposes; (ii) financing various capital purposes; and (ii) paying a portion of the costs of issuance all as described in the BAN Ordinances (the "BAN Project"). The Series 2013B Notes are issued for the purpose of refunding certain notes which provided funds for financing various school projects on behalf of the State Operated School District of the City of Newark and to pay a portion of the costs of issuance as described in the School Ordinance (the "School Project" and collectively with the BAN Project, the "Projects"). The Projects were authorized by the Ordinances.

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

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

1. The Notes have been duly authorized, issued, executed and sold by the City; the Ordinances have been duly authorized and adopted by the City; and the Notes and the Ordinances are legal, valid and binding obligations of the City enforceable in accordance with their respective terms.

2. Assuming continuing compliance by the City with the provisions of the Code applicable to the Notes, and subject to certain provisions of the Code, under laws, regulations, rulings and judicial decisions existing on the date of original delivery of the Notes, interest received by a holder of the Notes will be excludable from gross income for federal income tax purposes and will not be treated as a tax preference item for purposes of the alternative minimum tax imposed on individuals or corporations. Interest on the Notes is included in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax on such corporations. However, interest on the Notes may become taxable retroactively if certain requirements under the Code are not complied with.

3. Under the laws of the State of New Jersey as enacted and construed on the date of original issuance of the Notes, interest on the Notes and gain from the sale thereof are excludable from gross income under the New Jersey Gross Income Tax Act.

4. The power and obligation of the City to pay the Notes is unlimited, and the City shall be required to levy *ad valorem* taxes upon all taxable real property within the City for the payment of the principal of and interest on the Notes without limitation as to rate or amount.

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

Other than as set forth in Paragraphs 2 and 3 hereof, we express no opinion regarding other federal and state tax consequences arising with respect to the Notes.

We express no opinion herein as to the adequacy or accuracy of any official statement, private placement memorandum or other offering material pertaining to the offering of the Notes.

GLUCKWALRATH LLP

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX D
FORM OF CONTINUING DISCLOSURE CERTIFICATE

[THIS PAGE INTENTIONALLY LEFT BLANK]

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the City of Newark, in the County of Essex, New Jersey (the "Issuer") in connection with the issuance by the Issuer of its $__________ General Improvement Bond Anticipation Notes, Series 2013A and $__________ School Promissory Notes, Series 2013B (collectively, the "Notes"). The Notes are being issued pursuant to a resolution duly adopted by the City Council of the City (the "Resolution") The Issuer covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the Noteholders and Beneficial Owners of the Notes and in order to assist the Participating Underwriter in complying with the provisions of Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission ("SEC") under the Securities Exchange Act of 1934, as the same may be amended from time to time ("Exchange Act").

SECTION 2. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

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

"Continuing Disclosure Information" shall mean: (i) any notice required to be filed with the MSRB pursuant to Section 4 hereof; and (ii) any notice of an event required to be filed with the MSRB pursuant to Section 3(c) hereof.

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

"Listed Events" shall mean any of the events listed in Section 3(a) of this Disclosure Certificate.

"MSRB" shall mean the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Exchange Act.

"Noteholder" shall mean any person who is the registered owner of any Note, including holders of beneficial interests in the Notes.

"Participating Underwriter" shall mean any of the original underwriters of the Notes required to comply with the Rule in connection with offering of the Notes.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Exchange Act.

"State" shall mean the State of New Jersey.

SECTION 3. Reporting of Significant Events.

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

1. principal and interest payment delinquencies;

2. non-payment related defaults, if material;

3. unscheduled draws on the debt service reserves reflecting financial difficulties;

4. unscheduled draws on the credit enhancements reflecting financial difficulties;

5. substitution of the 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 Notes, or other material events affecting the tax-exempt status of the Notes;

7. modifications to rights of Noteholders, if material;

8. Note calls, if material, and tender offers;

9. defeasances;

10. release, substitution or sale of property securing repayment of the Notes, if material;

11. rating changes;

12. bankruptcy, insolvency, receivership or similar events of the Issuer, which shall be considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed

jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer;

13. the consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

14. appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) Whenever the Issuer obtains knowledge of the occurrence of a Listed Event described in subsection (a) for which the disclosure obligation is dependent upon materiality, the Issuer shall as soon as possible determine if such event would be material under applicable federal securities laws.

(c) If disclosure of a Listed Event is required, the Issuer shall in a timely manner not in excess of ten business days after the occurrence of the event, file a notice of such occurrence with the MSRB in an electronic format as prescribed by the MSRB. All documents provided to the MSRB shall be accompanied by identifying information as prescribed by the MSRB.

SECTION 4. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Notes. If such termination occurs prior to the final maturity of the Notes, the Issuer shall give notice of such termination in the same manner as for a Listed Event under Section 3(c).

SECTION 5. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Issuer pursuant to this Disclosure Certificate. The initial Dissemination Agent shall be the Issuer.

SECTION 6. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Issuer may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

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

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

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

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the Issuer shall describe such amendment in the same manner as for a Listed Event under Section 3(a), and shall include a narrative explanation of the reason for the amendment or waiver.

SECTION 7. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to include any information in any notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Certificate to update such information or include it in any future notice of occurrence of a Listed Event.

SECTION 8. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate, any Noteholder or Beneficial Owner of the Notes may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Issuer to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default on the Notes, and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 9. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Issuer agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Notes.

SECTION 10. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriters and the Noteholders and Beneficial Owners from time to time of the Notes, and shall create no rights in any other person or entity.

Date: ____________, 2013

CITY OF NEWARK, IN THE COUNTY OF ESSEX, NEW JERSEY

By:____

Susan Jacobucci, Director of Finance

[THIS PAGE INTENTIONALLY LEFT BLANK]