

PRELIMINARY OFFICIAL STATEMENT DATED OCTOBER 10, 2019

In the opinion of Malamut and Associates, LLC, Cherry Hill, New Jersey, Bond Counsel, assuming continuing compliance by the Township with the provisions of the Internal Revenue Code of 1986, as amended (the "Code") pertaining to the issuance of the Refunding Bonds, and subject to certain provisions of the Code which are described herein, interest on the Refunding Bonds is excludable from gross income of the owners thereof for federal income tax purposes, and will not be treated as an item of tax preference for purposes of calculating the alternative minimum tax imposed on individuals and corporations. For certain corporate holders, interest on the Refunding Bonds is includable in adjusted current earnings for purposes of computing such holders' alternative minimum tax liability. In the opinion of Bond Counsel, interest on the Refunding Bonds and gain on the sale thereof are excludable from gross income of the owners thereof under the New Jersey Gross Income Tax Act. See "TAX MATTERS" herein.

\$2,355,000*
TOWNSHIP OF MEDFORD
County of Burlington, New Jersey
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2019
(Non-Callable)

Dated: Date of Delivery

Due: July 15, as shown below

The \$2,355,000* General Obligation Refunding Bonds, Series 2019 (the "Refunding Bonds") of the Township of Medford, County of Burlington, New Jersey (the "Township") will be issued in the form of one certificate for the aggregate principal amount of each maturity of the Refunding Bonds and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as Securities Depository. See "BOOK-ENTRY-ONLY SYSTEM" herein.

Interest on the Refunding Bonds will be payable semiannually on January 15th and July 15th in each year until maturity, commencing on January 15, 2020. Principal and interest on the Refunding Bonds will be paid to DTC by the Township, as paying agent for the Refunding Bonds. Interest on the Refunding Bonds will be credited to the participants of DTC as listed on the records of DTC as of each immediately preceding January 1st and July 1st (the "Record Dates" for the payment of interest on the Refunding Bonds). The Refunding Bonds are not subject to redemption prior to their stated maturities on the terms and conditions stated therein. See "DESCRIPTION OF THE REFUNDING BONDS – Redemption Provisions" herein.

The proceeds of the Refunding Bonds will be used to: (i) currently refund and redeem up to all of the \$2,500,000 aggregate principal amount of General Obligation Bonds, Series 2008, maturing on July 15 in the years 2020 through and including 2028 (the "Bonds to be Refunded"); and (ii) pay certain costs and expenses incidental to the issuance and delivery of the Refunding Bonds.

The Refunding Bonds are issued pursuant to: (i) the Local Bond Law, N.J.S.A. 40A:2-1 et seq., as amended and supplemented ("Local Bond Law"); (ii) a refunding bond ordinance duly and finally adopted by the Township on September 3, 2019; and (iii) a resolution adopted by the Township on September 3, 2019.

The full faith and credit of the Township are irrevocably pledged for the payment of the principal of and interest on the Refunding Bonds. The Refunding Bonds are general obligations of the Township payable as to principal and interest from ad valorem taxes to be levied upon all taxable property in the Township without limitation as to rate or amount.

MATURITY SCHEDULE, PRINCIPAL AMOUNTS, INTEREST RATES AND YIELDS

<u>Maturity Date</u>	<u>Principal Amount*</u>	<u>Interest Rate</u>	<u>Yield</u>
2020	\$260,000	%	%
2021	235,000		
2022	235,000		
2023	235,000		
2024	280,000		
2025	280,000		
2026	280,000		
2027	275,000		
2028	275,000		

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

The Refunding Bonds are offered when, as and if issued, and delivered to the Underwriter (as hereinafter defined), subject to withdrawal or modification of the offer without notice, to the prior approval of legality by the law firm of Malamut and Associates, LLC, Cherry Hill, New Jersey, Bond Counsel, and certain other conditions described herein. Certain legal matters will be passed upon for the Township by its counsel, Timothy Prime, Esq., Mount Laurel, New Jersey. Acacia Financial Group, Inc., Mount Laurel, New Jersey served as Municipal Advisor to the Township in connection with the Refunding Bonds. It is expected that delivery of the Refunding Bonds in book-entry only form will be made at DTC in New York, New York on or about October 30, 2019.



* Preliminary, subject to change

This Preliminary Official Statement and the information contained herein are subject to completion or amendment or other change without notice. The Township has authorized the distribution of this Preliminary Official Statement for informational purposes only. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Refunding Bonds in any jurisdiction in which such offer, solicitation or sale would be unlawful under the laws of such jurisdiction.

**TOWNSHIP OF MEDFORD
COUNTY OF BURLINGTON, NEW JERSEY**

**Mayor and Township Council
Charles "Chuck" Watson, Mayor
Frank Czekay, Deputy Mayor
Bradley Denn
Lauren Kochan
Erik Rebstock**

**Chief Financial Officer
Robin Sarlo**

**Township Manager/Municipal Clerk
Katherine Burger**

**Solicitor
Timothy Prime, Esq.
Mount Laurel, New Jersey**

**Auditor
Bowman & Company LLP
Voorhees, New Jersey**

**Bond Counsel
Malamut and Associates, LLC
Cherry Hill, New Jersey**

**Municipal Advisor
Acacia Financial Group, Inc.
Mount Laurel, New Jersey**

**Underwriter
PNC Capital Markets LLC
Philadelphia, Pennsylvania**

The information which is set forth herein has been provided by the Township of Medford, County of Burlington, New Jersey ("Township"), the Depository Trust Company and by other sources which are believed to be reliable by the Township, but the information provided by such sources is not guaranteed as to accuracy or completeness by the Township. Certain general and financial information concerning the Township is contained in Appendix "A" to this Official Statement. Such information has been furnished by the Township.

References in this Official Statement to laws, rules, regulations, resolutions, agreements, reports and documents do not purport to be comprehensive or definitive. All references to such documents are qualified in their entirety by reference to the particular document, the full text of which may contain qualifications of and exceptions to statements made herein, and copies of which may be inspected at the office of the Township Clerk 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 Refunding Bonds 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 Township or the Underwriter. The Underwriter has reviewed the information in this official statement pursuant to their responsibilities to investors under the federal securities laws, but the Underwriter does not guarantee the accuracy or completeness of such information.

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

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE REFUNDING BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME WITHOUT PRIOR NOTICE. THE PUBLIC OFFERING PRICES STATED ON THE COVER HEREOF MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER WITHOUT PRIOR NOTICE.

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

THIS OFFICIAL STATEMENT IS SUBMITTED IN CONNECTION WITH THE SALE OF THE SECURITIES REFERRED TO HEREIN, AND MAY NOT BE REPRODUCED OR BE USED, IN WHOLE OR IN PART, FOR ANY OTHER PURPOSE.

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OFFICIAL STATEMENT
RELATING TO
\$2,355,000*
TOWNSHIP OF MEDFORD
COUNTY OF BURLINGTON, NEW JERSEY
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2019
(NON-CALLABLE) (BOOK-ENTRY-ONLY ISSUE)

INTRODUCTION

The purpose of this Official Statement, including the cover page hereof and the Appendices attached hereto, is to provide certain information relating to the \$2,355,000* aggregate principal amount of General Obligation Refunding Bonds, Series 2019 (the "Refunding Bonds"), to be issued by the Township of Medford (the "Township"), County of Burlington (the "County"), State of New Jersey (the "State").

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

DESCRIPTION OF THE REFUNDING BONDS

The following is a summary of certain provisions of the Refunding Bonds. Reference is made to the Refunding Bonds themselves for the complete text thereof, and the discussion herein is qualified in its entirety by such reference.

Terms and Interest Payment Dates

The Refunding Bonds will be issued in the aggregate principal amount of \$2,355,000*, will be dated their date of delivery and bear interest from that date at the rates set forth on the front cover page hereof. Interest on the Refunding Bonds will be payable initially on January 15, 2020 and semiannually thereafter on January 15 and July 15 (the "Interest Payment Dates") in each year until maturity by check mailed by the Township, as paying agent for the Refunding Bonds, to the registered owners of the Refunding Bonds as of the January 1 and July 1 immediately preceding the respective Interest Payment Dates (the "Record Dates"). The Refunding Bonds will mature on July 15 in the years and in the principal amounts, all as shown on the front cover of this Official Statement. The Refunding Bonds may be purchased in book-entry only form in the amount of \$5,000 or any integral multiple thereof, except where necessary, also in the amount of \$1,000, through book-entries made on the books and the records of The Depository Trust Company, New York, New York ("DTC") and its participants. See "BOOK-ENTRY SYSTEM ONLY".

Authorization and Purpose

The Refunding Bonds have been authorized and are issued pursuant to the laws of the State of New Jersey, including Chapter 2 of Title 40A of the Revised Statutes of the State of New Jersey (the "Local Bond Law"), a refunding bond ordinance 2019-13 of the Township duly and finally adopted on September 3, 2019 and by Resolution 2019-177 duly adopted by the Township on September 3, 2019 authorizing the sale of the Refunding Bonds (the "Resolution").

The proceeds of the Refunding Bonds will be used to: (i) currently refund and redeem up to all of the \$2,500,000 aggregate principal amount of General Obligation Bonds, Series 2008, maturing on July 1 in the years 2020 through and including 2028 (the "Refunded Bonds"); and (ii) pay certain costs and expenses incidental to the issuance and delivery of the Refunding Bonds.

* Preliminary, subject to change

Refunding Plan

Pursuant to an Escrow Deposit Agreement, dated the date of issuance of the Refunding Bonds, between the Township and TD Bank, National Association, Cherry Hill, New Jersey (the "Escrow Agent"), the Township will irrevocably deposit cash and direct non-callable obligations, the principal of and interest on which are unconditionally guaranteed by the United States of America (the "Government Obligations") with the Escrow Agent, which Government Obligations will bear interest at such rates and will mature at such times and in such amounts so that, when paid in accordance with their terms, sufficient moneys will be available to make full and timely payments of the interest on and the redemption price (the "Redemption Price") of the Refunded Bonds on November 29, 2019, with respect to the Refunded Bonds (the "Redemption Date").

At the time of closing, the Municipal Advisor, Acacia Financial Group, Inc. will execute a certificate stating that the proceeds of the Bond Sale will be sufficient to pay the Redemption Price on the Redemption Date.

ESTIMATED SOURCES AND USES OF FUNDS

The following table sets forth the estimated sources and uses of funds with respect to the Refunding Bonds.

Sources of Funds:

Par Amount of Refunding Bonds	\$
Original Issue Premium	

Total Sources of Funds:	<u>\$</u>
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Uses of Funds:

Deposit to Escrow Fund	\$
Costs of Issuance ⁽¹⁾	
Underwriter's Discount	

Total Uses of Funds	<u>\$</u>
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⁽¹⁾ Includes, legal fees, municipal advisor fees, printing costs, rating agency's fees, escrow agent, additional proceeds and miscellaneous expenses incurred in connection with the issuance of the Refunding Bonds.

BOOK-ENTRY ONLY SYSTEM*

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

*Source: The Depository Trust Company

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

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

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

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

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

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

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

Redemption proceeds and distributions on the Refunding Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Township, 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, or the Township, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and distributions to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Township, 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 Refunding Bonds at any time by giving reasonable notice to the Township. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Township believes to be reliable, but neither the Township, the Municipal Advisor (as hereinafter defined), nor the Underwriter (as hereinafter defined) take any responsibility for the accuracy or completeness thereof.

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

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

Discontinuation of Book-Entry Only System

If the Township, in its sole discretion, determines at any time that DTC is not capable of discharging its duties, or if DTC discontinues providing its services with respect to the Refunding Bonds at any time, the Township will attempt to locate another qualified Securities Depository. If the Township

fails to find such a Securities Depository, or if the Township determines, in its sole discretion, that it is in the best interest of the Township to discontinue use of the system of book-entry-only transfers through DTC, or determines, in its sole discretion, that the interest of the Beneficial Owners might be adversely affected if the book-entry only system of transfer is continued (the Township undertakes no obligation to make an investigation to determine the occurrence of any events that would permit it to make such determination), the Township shall notify DTC of the termination of the book-entry only system.

SECURITY AND SOURCES OF PAYMENT FOR THE REFUNDING BONDS

Taxing Power

The Refunding Bonds are valid and binding general obligations of the Township, and the Township has pledged its full faith and credit for the payment of the principal of and the interest on the Refunding Bonds. The Refunding Bonds are direct obligations of the Township and, unless paid from other sources, the Township is required by law to levy ad valorem taxes upon all the real property taxable within the Township for the payment of the principal of and the interest on the Refunding Bonds, without limitation as to rate or amount. Enforcement of a claim for the payment of principal of or interest on bonds of the Township is subject to applicable provisions of Federal bankruptcy law and to the provisions of statutes, if any, hereafter enacted by the Congress of the United States or the Legislature of the State of New Jersey, providing extension with respect to the payment of principal of or interest on the Refunding Bonds or imposing other constraints upon enforcement of such contracts insofar as any such constraints may be constitutionally applied. Under State law, a county, municipality or other political subdivision may file a petition under Federal bankruptcy laws and a plan for readjustment of its debt, but only after first receiving the approval of the State Municipal Finance Commission.

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

Local Bond Law

General – New Jersey Statute 40A: 2-1 et seq., as amended and supplemented (“Local Bond Law”) governs the issuance of bonds and notes by counties and municipalities (including the Township) for the financing of capital improvements. Among its provisions are the following: (i) the power and obligation of the county or municipality to pay any and all bonds and notes issued pursuant to the Local Bond Law shall be unlimited; (ii) the county or municipality shall levy ad valorem taxes upon all taxable property therein for the payment of the principal of and interest on such bonds and notes without limitation as to rate or amount; (iii) generally, a down payment that is not less than five percent (5%) of the amount of debt obligations authorized must be appropriated in addition to the amount of debt obligations authorized; (iv) all non-special-assessment bonds shall mature within the period of usefulness or average period of usefulness of the improvements being financed; and (v) after issuance, all bonds and notes shall be conclusively presumed to be fully authorized and issued by all of the laws of the State, and all persons shall be estopped from questioning their sale, execution or delivery.

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

The calculation of the Township's debt limitation is set forth in Appendix A.

Exceptions to Debt Limits – Extensions of Credit - The Township may exceed its statutory debt limit with the approval of the Local Finance Board, a State regulatory agency, and as permitted by other statutory exceptions. If all or any part of the Township's proposed debt authorization would exceed its debt limit, the Township may apply to the Local Finance Board for an extension of credit. If the Local Finance Board determines that a proposed debt authorization would not materially impair the credit of the Township or substantially reduce the ability of the Township to meet its obligations or to provide essential public improvements and services, or make certain other statutory determinations, approval may be granted.

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

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

Local Fiscal Affairs Law

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

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

The audit, conforming to the Division's "Requirements of Audit", includes recommendations for improvement of the municipality's financial procedures and must be filed with the annual audit report, together with all recommendations made. A summary of audit, together with recommendations, must be published in a local newspaper within 30 days of its submission. Once completed, the entire annual audit report for the fiscal year most recently ended is on file with the Township Clerk and is available for review during business hours.

The Local Fiscal Affairs Law also requires that the chief financial officer of the municipality file annually with the Director a verified statement of the financial condition of the municipality as of the close of the fiscal year to be made not later than February 10 for December 31 calendar year end municipalities and August 10 for June 30 fiscal year end municipalities. Once completed, the Annual Compiled Financial Statement for the fiscal year most recently ended is on file with the Township Clerk and is available for review during business hours.

Local Budget Law

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

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

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

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

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

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

Exclusions from the two percent (2%) tax levy cap include: (i) increases required to be raised by taxation for capital expenditures, including debt service as defined by law; (ii) increases in pension contributions and accrued liability for pension contributions in excess of 2.0%; (iii) increases in health care costs equal to that portion of the actual increase in total health care costs for the budget year that is in excess of 2.0% of the total health care costs in the prior year, but is not in excess of the product of the total health care costs in the prior year and the average percentage increase of the State Health Benefits Program, P.L.1961, c.49 (C.52:14-17.25 et seq.), as annually determined by the Division of Pensions and Benefits in the Department of the Treasury; and (iv) extraordinary costs incurred by a local unit directly related to a declared emergency, as defined by regulation promulgated by the Commissioner of the Department of Community Affairs, in consultation with the Commissioner of Education, as appropriate. The 2012 amendments to the tax levy sections of the Cap Law (specifically, N.J.S.A. 40A:4-45 and 46) no longer permit municipalities, counties, fire districts and solid waste collection districts to request approval from the Local Finance Board for a waiver to increase the amount to be raised by taxation in excess of the two percent (2%) cap. However, counties,

municipalities, fire districts and solid waste collection districts may request, through a public question submitted to the voters, an increase in the amount to be raised by taxes above the two percent (2%) tax levy cap. Such approval must be achieved by an affirmative vote in excess of fifty percent (50%) of those voting on such public question.

Neither the two percent (2%) tax levy limitation nor the Cap Law limits the obligation of the Township to levy ad valorem taxes upon all taxable real property within the Township to pay debt service on its bonds, including the Refunding Bonds.

Miscellaneous Revenues

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

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

Real Estate Taxes

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

Current Year Tax Levy and Reserve for Uncollected Taxes - The current year's taxes to be levied are determined by adding the sums of the cash required from taxes to support the municipal, school, county and special district budgets, if any, together with the amount of an appropriation required to be included in the annual municipal budget entitled "Reserve for Uncollected Taxes", less the total of anticipated revenues. The "Reserve for Uncollected Taxes" is required to be, at a minimum, an amount sufficient to provide for the same percentage of uncollected taxes in the current year as was experienced in the immediately preceding year. For municipalities that have lost tax appeals in the previous year, the governing body may elect, prior to the introduction for its budget, to calculate its Reserve for Uncollected Taxes using either (i) the average of the previous three years in accordance with P.L. 2000, c. 126, or (ii) the previous year collection percentage after reducing the previous year levy by tax appeal judgments of the county tax board pursuant to R.S.54:3-21 et seq., or the State tax court pursuant to R.S.54:48-1 et seq. in accordance with Chapter 56 of P.L. 2010.

Deferral of Current Expenses

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

The exceptions to the general requirement that the full amount of emergency appropriations be included in the following fiscal year's budget are as follows: (a) certain enumerated projects to cover the cost of the extraordinary expense for the repair or reconstruction of streets, roads or bridges or other public property damaged by snow, ice, frost or flood, where such expense was not foreseen at the time of the adoption of the budget, may be amortized over three years; and (b) costs for tax map

preparations, revision of ordinances, revaluations, master plan preparation, studies and planning necessary for the installation and construction of a sanitary sewer system, and payments of accumulated sick and vacation time may be amortized over five years.

Budget Transfers

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

Capital Budget

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

Related Constitutional and Statutory Provisions

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

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

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

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

Rights and Remedies of Owners of Bonds

The State Municipal Finance Commission Act, Chapter 27 of Title 52 of the State Statutes, as amended and supplemented (the "Act"), provides that when it has been established, by court proceedings, that a municipality has defaulted for over sixty (60) days in the payment of the principal of or interest on any of its outstanding bonds or notes, the Local Finance Board of the State Department of Community Affairs (which, pursuant to the Act, is constituted the Municipal Finance Commission and shall hereinafter be referred to as the "Commission") shall take control of the fiscal affairs of the defaulting municipality.

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

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

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

Limitation of Remedies Under Federal Bankruptcy Code

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

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

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

THE SUMMARIES OF AND REFERENCES TO THE STATE CONSTITUTION AND OTHER STATUTORY PROVISIONS ABOVE ARE NOT AND SHOULD NOT BE CONSTRUED AS COMPREHENSIVE OR DEFINITIVE. ALL REFERENCES TO SUCH STATUTORY OR CONSTITUTIONAL PROVISIONS ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO THE PARTICULAR STATUE OR CONSTITUTION, THE FULL TEXT OF WHICH MAY CONTAIN QUALIFICATIONS OF AND EXCEPTIONS TO STATEMENTS MADE HEREIN.

TAXATION

Procedure for Assessment and Collection of Taxes

Property valuations (assessments) are determined on true values as arrived at by a cost approach, market data approach and capitalization of net income where appropriate. Current assessments are the results of maintaining new assessments on a like basis with established comparable properties for newly

assessed or purchased properties resulting in a decrease of the assessment ratio to its present level of 90.75%. This method assures equitable treatment to like property owners. Because of the escalation of property resale values, annual adjustments could not keep pace with rising values. The last complete revaluation of property within the Township was for the year 2012.

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

Tax bills are due quarterly on February 1, May 1, August 1 and November 1. Installments not paid on or before the due date are subject to interest penalties of 8% per annum on the first \$1,500.00 of the delinquency and 18% per annum on any amounts in excess of \$1,500.00. These interest penalties are the maximum permitted under New Jersey Statutes. Additionally, a 6% penalty is charged on any delinquencies in excess of \$10,000.00 if not paid by the end of each year. Delinquent taxes open for one year or more are annually included in a tax sale in accordance with New Jersey Statutes. Tax liens retained by the Township are periodically assigned to the Township Solicitor for "in rem foreclosures" in order to acquire title to these properties.

Tax Appeals

The State Statutes provide a taxpayer with remedial procedures for appealing an assessment deemed excessive. The taxpayer has a right to petition the New Jersey Board of Taxation ("Tax Board") on or before the first day of April of the current tax year for review. The Tax Board has the authority, after a hearing, to decrease, increase or reject the appeal petition. These adjustments are usually concluded within the current tax year and reductions are shown as canceled or remitted taxes for that year. If the taxpayer feels his petition was unsatisfactorily reviewed by the Tax Board, appeal may be made to the State Tax Court. State Tax Court appeals tend to take several years prior to settlement and any losses in tax collection from prior years are charged directly to operations.

TAX EXEMPTION AND CERTAIN OTHER TAX MATTERS

Federal Income Tax Matters

On the date of delivery of the Refunding Bonds, Malamut and Associates, LLC ("Bond Counsel") will issue an opinion to the effect that under existing statutes and court decisions as of the date of initial delivery of the Refunding Bonds, interest on the Refunding Bonds is excluded from gross income of the owners thereof for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, although interest on the Refunding Bonds is taken into account for purposes of computing alternative minimum tax that may be imposed by the Code on certain corporations. The opinion of Bond Counsel will assume the accuracy of certifications made by the Township and will be subject to the condition that the Township comply with all requirements of the Code. Failure to comply with such requirements could cause the interest on the Refunding Bonds to be included in gross income prospectively and/or retroactively to the date of issuance of the Refunding Bonds.

Notwithstanding the general exclusion of interest on the Refunding Bonds from gross income and the exemption of the Refunding Bonds and the interest thereon from certain taxes, ownership of the Refunding Bonds may result in certain other federal income tax consequences to certain taxpayers, including, without limitation, certain foreign corporations doing business in the United States that are subject to the branch profits tax imposed by the Code, financial institutions, property and casualty insurance companies, certain subchapter S corporations with substantial passive income and Subchapter

C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers otherwise eligible for the earned income credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry the Refunding Bonds. Bond Counsel will express no opinion as to such other tax consequences, and prospective purchasers of the Refunding Bonds should consult their tax advisors as to all matters relating to the acquisition, ownership and disposition of the Refunding Bonds.

Certain New Jersey Tax Matters

On the date of delivery of the Refunding Bonds, Bond Counsel will issue an opinion to the effect that, under the laws of the State of New Jersey as enacted and construed as of the date of initial delivery of the Refunding Bonds, interest on the Refunding Bonds and the income derived from the sale thereof is excludable from gross income of the owner of the Refunding Bonds under the New Jersey Gross Income Tax Act.

Changes in Federal and State Tax Law

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Refunding Bonds or otherwise prevent holders of the Refunding Bonds from realizing the full benefit of the tax exemption of interest on the Refunding Bonds.

Further, such proposals may impact the marketability or market value of the Refunding Bonds simply by being proposed. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Refunding Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Refunding Bonds would be impacted thereby.

Purchasers of the Refunding Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Refunding Bonds, and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any proposed or pending legislation, regulatory initiatives or litigation.

THE ABOVE SUMMARY OF POSSIBLE TAX CONSEQUENCES IS NOT EXHAUSTIVE OR COMPLETE. ALL PURCHASERS OF THE REFUNDING BONDS SHOULD CONSULT THEIR TAX ADVISORS REGARDING THE POSSIBLE FEDERAL, STATE AND LOCAL INCOME TAX CONSEQUENCES OF OWNERSHIP OF THE REFUNDING BONDS AND ANY CHANGES IN THE STATUS OF PENDING OR PROPOSED FEDERAL TAX LEGISLATION. ANY STATEMENTS REGARDING TAX MATTERS HEREIN CANNOT BE RELIED UPON BY ANY PERSON TO AVOID TAX PENALTIES.

INFORMATION REGARDING THE TOWNSHIP

General

The Township is located in the Northwestern section of the County and comprises approximately 22.15 square miles. General information concerning the Township, including economic, financial, demographic and other relevant data, is set forth in Appendix A to this Official Statement.

Financial

Appendix "B" to this Official Statement contains audited financial statements of the Township for the years ended December 31, 2018, 2017, 2016, 2015 and 2014. Copies of the entire completed Reports of Audit may be obtained upon request to the office of the Township Clerk or EMMA Platform.

LITIGATION

Upon delivery of the Refunding Bonds, the Township shall furnish an opinion of its counsel, Timothy Prime, Esq., Mount Laurel, New Jersey (the "Township Counsel"), dated the date of delivery of the Refunding Bonds, to the effect that to his knowledge there is no litigation of any nature, pending or threatened, to restrain or enjoin the issuance, sale, execution or delivery of the Refunding Bonds, or in any way contesting or affecting the validity of the Refunding Bonds or any of the proceedings taken with respect to the issuance and sale thereof or the application of moneys to the payment of the Refunding Bonds. In addition such opinion shall state that, to the Township Counsel's knowledge and information, there is no litigation of any nature now pending or threatened by or against the Township wherein an adverse judgment or ruling could have a material and adverse impact on the Township's ability to meet its obligations for the payment of the Refunding Bonds.

SECONDARY MARKET DISCLOSURE

The Township, pursuant to the Resolution, has covenanted for the benefit of the Bondholders and the beneficial owners of the Refunding Bonds to provide certain secondary market disclosure information pursuant to the Securities and Exchange Commission Rule 15c2-12 (the "Rule"). Prior to the issuance of the Bonds, the Township will execute a continuing disclosure certificate substantially in the form set forth in Appendix "D" hereto.

The Township has bonds outstanding issued in 2008, 2011, 2013 and 2015 (the "Township Bonds"). For each series of Township Bonds, the Township executed an undertaking providing for an Annual Report (as defined in the respective undertaking) consisting of audited financial statements and annual financial information.

The Township has identified the following instances in the past five years in which it failed to comply, in all materials respects, with its prior written undertakings under Rule 15c2-12 to provide ongoing disclosures of annual financial information and notice of material events affecting its securities:

(1) In each of the past five years, from year ending December 31, 2014 through year ending December 31, 2018, the Township failed to file all required annual financial information (audited financial statement and certain supplementary information) by the earliest date required by an applicable continuing disclosure certificate or agreement (in some instances, as early as 180 days after the end of the prior year). The chart below identifies the date the Township filed its audit and supplementary financial information for the relevant years.

<u>Filing Year Ending</u>	<u>Date Audit Filed</u>	<u>Date Supplementary Financial Information Filed</u>
2018	7/20/2018	8/15/2018
2017	6/21/2017	8/15/2018
2016	6/24/2016	8/15/2018
2015	12/3/2015	12/3/2015
2014	11/10/2014	11/10/2014

(2) In the past five years, the Township failed to file its budget in a timely manner as required under certain applicable continuing disclosure agreements and certificates.

(3) In the past five years, the Township failed to provide notice of rating changes on its bonds (whether based on the Township's rating or the rating of a bond insurer) in a timely manner

(4) In some instances, when information was filed with the Electronic Municipal Market Access System, the information was not associated with all required CUSIPs of outstanding bond issues of the Township.

The Township believes it has now filed all information required under its applicable continuing disclosure agreements. The Township's Chief Financial Officer plans to thoroughly review the Township's policies and practices with respect to its continuing disclosure requirements in order to ensure future compliance with its written undertakings related to Rule 15c2-12.

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

If all or any part of the Rule ceases to be in effect for any reason, then the information required to be provided under the Resolution, insofar as the provisions of the Rule no longer in effect required the provision of such information, shall no longer be required to be provided.

The Chief Financial Officer shall determine, in consultation with Bond Counsel, the application of the Rule or the exemption from the Rule for each issue of obligations of the Township prior to their offering. Such officer is authorized to enter into additional written contracts or undertakings to implement the Rule and is further authorized to amend such contracts or undertakings or the undertakings set forth in the Resolution, provided such amendment is, in the opinion of nationally recognized bond counsel, in compliance with the Rule.

APPROVAL OF LEGAL PROCEEDINGS

All legal matters incident to the authorization, the issuance, sale and delivery of the Refunding Bonds are subject to the approval of Malamut and Associates, LLC, Cherry Hill, New Jersey, Bond Counsel to the Township, whose approving legal opinion will be delivered with the Refunding Bonds substantially in the form set forth as Appendix C hereto. Certain legal matters will be passed on for the Township by the Township Counsel.

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

NO DEFAULT

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

RATING

Moody's Investors Service (the "Rating Agency") has assigned the Refunding Bonds a rating of "Aa2".

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

UNDERWRITING

The Refunding Bonds are being purchased from the Township by PNC Capital Markets LLC, Philadelphia, Pennsylvania (the "Underwriter"), pursuant to a purchase contract (the "Purchase Contract"), dated the date of this Official Statement, at a purchase price of \$_____ (the "Purchase Price"). The Purchase Price of the Refunding Bonds reflects the par amount of the Refunding Bonds, less an Underwriter's discount of \$_____, [plus/less] original issue [premium/discount] of \$_____. The Underwriter is obligated to purchase all of the Refunding Bonds if any of the Refunding Bonds are purchased. The obligation of the Underwriter to accept delivery of and pay for the Refunding Bonds is subject to various conditions contained in the Purchase Contract.

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

LEGALITY FOR INVESTMENT

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

MUNICIPAL ADVISOR

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

PREPARATION OF OFFICIAL STATEMENT

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

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

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

The Municipal Advisor has not participated in the preparation of this Official Statement, nor has such firm verified the accuracy, completeness or fairness of the information contained herein. Information has been obtained from Township management and other various sources they consider to be reliable and makes no warranty, guaranty or other representation with respect to the accuracy and completeness of such information.

Bowman & Company LLP, Voorhees, New Jersey, (the "Independent Auditor") has compiled this Official Statement from information obtained from Township management and other various sources they consider to be reliable and makes no warranty, guaranty or other representation with respect to the accuracy and completeness of such information, except for the audited financial statements contained in Appendix B, hereto, to the extent specified in the Independent Auditor's Report.

FINANCIAL STATEMENTS

Appendix B to this Official Statement contains audited financial statements of the Township for the years ended December 31, 2018, 2017, 2016, 2015 and 2014. The audited financial statements have been prepared by the Independent Auditor as stated in their Independent Auditor's Report appearing in Appendix B.

ADDITIONAL INFORMATION

Inquiries regarding this Official Statement, including any information additional to that contained herein, may be directed to Robin Sarlo, Chief Financial Officer, Township of Medford, 17 N. Main Street, Medford, New Jersey, (609) 654-2608 x 337.

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

MISCELLANEOUS

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

**TOWNSHIP OF MEDFORD,
COUNTY OF BURLINGTON, NEW JERSEY**

By: _____
**ROBIN SARLO,
Chief Financial Officer**

Dated: October __, 2019

APPENDIX A

**CERTAIN ECONOMIC, FINANCIAL AND DEMOGRAPHIC INFORMATION REGARDING
THE TOWNSHIP**

GENERAL INFORMATION ON THE TOWNSHIP

History, Location and Area

The Township is a 42 square mile municipality located in southern Burlington County ("County") approximately 18 miles east of Philadelphia, 35 miles west of the Atlantic Ocean and located at the edge of the Pine Barrens.

In January, 1980, following the adoption, by referendum, of a Charter Study recommendation, the Township switched to Council-Manager Plan E of the optional Municipal Charter Law of the State. The new Township Council embarked on the task of organization and with the help of the Township Manager established three (3) major goals: (i) the creation of a governmental environment which will encourage broad citizen participation, attract competent personnel and produce a policy which is goal and result oriented; (ii) place a focus on the downtown village with planning decisions and physical improvements aimed at providing a diversification of uses which attract people and help recover some of the economic vitality and historical significance; and (iii) the improvement of a service delivery system through modernization of facilities and equipment, restructuring of the organization and the use of modern methods and techniques aimed at maximizing productivity and minimizing cost and improving personalized service to the citizens.

In the years that have followed, these goals have been the backbone of decision making which has improved the Township's financial position, developed a comprehensive planning document consistent with State and regional objectives and opened the channels of communication with the citizens of the community and business and government leaders at all levels.

Of particular significance is the development of the unified utility system which places the Township in a position to: (i) provide the infrastructure required to serve the current population and to attract the expected growth predicted for the Township; (ii) provide the existing users with quality service; and (iii) provide a more stabilized rate structure.

Continuing improvements have been made to both the water and sewer systems, including a modern tertiary level sewerage treatment facility completed in 1986, major water transmission line interconnections finished in 1992 and construction of three elevated water storage tanks in 1974, 1989 and 1998.

The Township is a community which will continue to build on its strong foundation by implementing its Master Plan which reflects the Pineland Regional Commission's goals of continued controlled growth.

Form of Government

The Township is governed by a Township Council composed of five members, all of whom are elected at large. The Township employs a Township Manager who has the responsibility of operating the Township government efficiently under the guidelines and provisions of the Township Council and the Township Administrative Code.

The general administration of the Township business, tax assessment and collection, zoning and planning, elections and court is provided, utilizing a full time staff of approximately 92 persons.

Planning and Development

The Township Master Plan provides for a well-planned development of the remaining vacant land within the Township. The Master Plan was adopted on September 25, 1990 and re-examined and updated in 1996, 2002, 2008 and 2012.

The Township presently has 8,410 residential units including farm properties. The Township's real estate values have stabilized or declined in recent years.

Public Services

The Township has a 37-person police force and 48 police vehicles. A 24-hour police dispatching network through Burlington County Central Communication, located in Westampton, N.J. and numerous school traffic guards contribute to the safety of the Township. The Township is also protected by five full time firefighters, as well as, by two volunteer fire companies. Emergency medical services have paid daytime coverage to augment the volunteers.

Improvements and maintenance of the Township streets and equipment utilizes a 15 person Public Works Department. Once-a-week garbage and trash collection and Fall only leaf collection, which is every day for two months during the Fall, financed through Township tax dollars is also provided.

Public Service Electric and Gas Company, Conectiv Energy and South Jersey Gas Company provide electric and gas to the Township. Water service for approximately 5,080 customers and sewer service for approximately 5,283 customers is provided by the Township.

Over 488 acres of parks and playgrounds are maintained with 801 acres preserved as natural woodland parks and 438 acres under Farmland Preservation. A supervised summer recreation program for over 500 children is run each year.

Library

The Township is part of the County library system. While the Township owns the building the library operates in, the staff of the library is under the County's system.

Health Care Facilities

Two retirement and long term health care facilities are located in the Township; Medford Convalescent and Nursing Center and Medford Leas. The Medford Medical Building is a public health care center, located in the Township, which houses doctors practicing various specialized medicine. In addition, Virtua-Memorial Hospital Burlington County is located within 10 miles of the Township.

Transportation

The Township is intersected by State Highway Route 70; Route 70 intersects State Highway Route 73. Both Routes 70 and 73 allow access to Interstate Highway Route 295 for travel to Philadelphia. Also accessible from Route 73 is the New Jersey Turnpike for travel north to New York or south to Delaware. Public transportation in the Township is provided by New Jersey Transit bus lines.

Compensated Absences

The Township does not have a policy for compensating all employees for unused sick, vacation or personal leave days upon retirement. However, policies negotiated in the union contracts of the public works, utility, fire and police departments exist. Per the Township handbook non-aligned employees will be compensated in the same manner as employees in the public works union.

In accordance with all union negotiated contracts of the Township employees are entitled to be paid for vacation and comp time upon termination at their current hourly rates.

Additionally, in accordance with the Township's Officer's Association, up to 45 days of accumulated sick time will be compensated at current hourly rates upon termination, and in accordance with Township's Police Superior Officers Association contract, sick time will be compensated upon termination as follows:

- Hours 1 -1,040 – 55% of the Officer's Hourly Rate
- Hours 1,041 – 1,500 50% of the Officer's Hourly Rate
- Hours 1,501+ 45% of the Officer's Hourly Rate

The Township does not record accrued expenses related to compensated absences. The Township has established a compensated absences trust fund to set aside funds for future payments of compensated

absences. For additional information regarding compensated absences, see Appendix B: Audited Financial Statements of the Township, Note 10.

Pension Plans

The Township, on behalf of most of its employees, is enrolled in the New Jersey Public Employees Retirement System, a pension actuarial system administered by the Division of Pensions within the Treasury Department of the State. The members of the Police Department and Fire Department, however, are enrolled in the Police and Firemen's Retirement System. For additional information regarding pension plans, see Appendix B: Audited Financial Statements of the Township, Note 8.

Township Employees

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Full-time	85	83	79	80	75
Part-time	<u>27</u>	<u>32</u>	<u>29</u>	<u>21</u>	<u>22</u>
	<u>112</u>	<u>115</u>	<u>108</u>	<u>101</u>	<u>97</u>

Employee Collective Bargaining Units

There are 8 Township employees represented by the Medford Township Superior Officers Association which includes police superior officers. The agreement with the Superior Officers Association expires December 31, 2020. The Medford Police Officers Association is represented by 29 police officers. The agreement with the Police Officers Association expires on December 31, 2020. The Burlington County Professional Firefighters Association, a member of the International Association of Firefighters Local 4091 represents 5 Township employees. The agreement with the International Association of Firefighters Local 4091 is a four year agreement, which expires on December 31, 2021. There is also a public works department Public Utilities union of 18 members affiliated with the UAW – International Union, United Automobile, Aerospace Agricultural Implement Workers of America which expires December 31, 2021.

Township Population(1)

2010 Federal Census	23,033
2000 Federal Census	22,253
1990 Federal Census	20,526
1980 Federal Census	17,471
1970 Federal Census	8,292

Selected Census 2017 Data on the Township(1)

Median Household Income	\$113,469
Median Family Income	\$128,990
Per Capita Income	\$53,434

Business and Industry

There are several shopping centers throughout the Township, including Medford Plaza, Medford Center, Sharps Run Plaza, Taunton Forge and Ironstone Village, as well as, numerous smaller strip centers.

(1) Source: U.S. Department of Commerce, Bureau of Census

Building Permits (1)

The Township records of building permits issued by the Township Construction Code Officer illustrate the following growth patterns within the Township for the years 2014 through 2019.

<u>Year</u>	<u>Number of Permits</u>	<u>Value of Construction</u>
2019	748	\$17,563,763 (2)
2018	1,249	29,187,713
2017	1,522	40,016,204
2016	1,444	31,964,258
2015	1,241	31,333,300
2014	1,286	29,194,000

Labor Force(3)

The following table discloses current labor force data for the Township, County and State.

<u>Year</u>	<u>Labor Force</u>	<u>Employed Persons</u>	<u>Unemployed Persons</u>	<u>Unemployment Rate</u>
Township				
2018	12,080	11,734	346	2.9%
2017	12,226	11,835	391	3.2
2016	12,180	11,759	421	3.5
2015	12,100	11,601	499	4.1
2014	11,989	11,366	623	5.2
County				
2018	227,445	218,877	8,568	3.8%
2017	230,174	220,764	9,410	4.1
2016	230,271	219,995	10,276	4.5
2015	230,059	217,756	12,303	5.3
2014	228,530	213,837	14,693	6.4
State				
2018	4,422,900	4,239,600	183,400	4.1%
2017	4,453,500	4,247,500	206,000	4.6
2016	4,474,700	4,252,100	222,600	5.0
2015	4,545,083	4,291,650	253,417	5.6
2014	4,518,715	4,218,423	300,277	6.6

(1) Source: Township Construction Office

(2) As of August 1, 2019

(3) Source: New Jersey Department of Labor

TEN LARGEST NON-GOVERNMENTAL EMPLOYERS(1)

The following table outlines the largest private employers in the Township.

<u>Company</u>	<u>Type of Business</u>	<u>Approximate Number of Employees</u>
The Estaugh	Retirement/Medical Community	390
Shop Rite	Food Retail	230
Medford Convalescent/Nursing Home	Health Care	180
Acme Markets	Food Retail	180
McDonald's Corporation	Food Retail	90
Murphy's Market	Food Retail	80
Jantek Industries	Home Product Retail	75
J&S Precision Products	Tool Manufacturing	70
MTG	Auto Parts/Van Conversion Distributors	42
Medford Ford	Auto Sales and Service	34

EDUCATION(2)

Primary and Secondary Education

The Township of Medford School District ("School District") functions independently through a nine-member board, elected by the citizens in alternate three-year terms. There are presently seven schools for grades kindergarten through eight. In addition to its public schools, the Township has one parochial elementary school, and the Burlington County Institute of Technology High School. The School District issued \$37,926,000 in School Bonds in 2002 for the construction of two new schools and other capital improvements.

Township high school students attend the Lenape Regional High School District ("Regional School District") which presently operates four high schools for grades 9 through 12. The Regional School District comprises the Townships of Medford, Evesham, Mount Laurel, Southampton, Shamong, Tabernacle and Woodland and the Borough of Medford Lakes.

The Regional School District functions through a ten member board, elected by the citizens in alternate three-year terms.

Taxes for the support of the Regional School District, as approved by the voters in the Regional School District, are levied on the valuations in the eight municipalities as equalized by the County.

(1) Source: Township officials

(2) Source: School District officials

**TOWNSHIP OF MEDFORD SCHOOL DISTRICT
SCHOOL ENROLLMENTS(1)**

<u>Grade</u>	<u>2018</u>	<u>2017</u>	<u>October 15, 2016</u>	<u>2015</u>	<u>2014</u>
Pre-School	29	34	26	27	22
K	237	247	222	221	198
1	240	230	238	226	264
2	223	239	220	248	221
3	230	220	255	228	244
4	207	251	230	241	263
5	255	216	245	264	286
6	222	249	272	290	289
7	263	279	299	295	277
8	283	306	305	277	304
Special Education	<u>470</u>	<u>440</u>	<u>426</u>	<u>398</u>	<u>360</u>
Totals	<u>2,659</u>	<u>2,711</u>	<u>2,738</u>	<u>2,715</u>	<u>2,728</u>

PRESENT SCHOOL FACILITIES, ENROLLMENT AND CAPACITY(1)

<u>Name of School</u>	<u>Date Constructed</u>	<u>Renovations/ Additions</u>	<u>Grades</u>	<u>Enrollment Oct. 15, 2018</u>	<u>Functional Capacity</u>
Cranberry Pines	1979	1996	K-5	399	511
Maurice & Everett Haines 6 th Grade Center	1960	1985	Grade 6	281	522
Milton H. Allen	1922	1954, 1985	K-5	333	555
Taunton Forge	1977	1996	K-5	289	500
Medford Twp. Memorial	1968	1985, 1996	7-8	672	1,018
Chairville School	2004	---	K-5	324	500
Kirby's Mill School	2004	---	K-5	<u>361</u>	<u>500</u>
				<u>2,659</u>	<u>4,106</u>

**LENAPE REGIONAL HIGH SCHOOL DISTRICT
ENROLLMENTS(2)(3)**

	<u>2018</u>	<u>2017</u>	<u>October 15, 2016</u>	<u>2015</u>	<u>2014</u>
Totals	<u>6,878</u>	<u>6,849</u>	<u>6,888</u>	<u>6,880</u>	<u>6,969</u>

- (1) Source: School District officials
 (2) Source: Regional District officials
 (3) Township students only

HIGHER EDUCATION FACILITIES

Rowan College at Burlington County (Formerly Burlington County College)

Rowan College at Burlington County (formerly Burlington County College) ("RCBC" or the "County College") is a comprehensive, publicly supported, coeducational, two-year institution developed by the County and the State and accredited by the Middle States Association of Colleges and Schools. The County College was founded in October 1965 and opened in September 1969. The 225-acre main campus is located on Pemberton-Browns Mills Road in Pemberton Township, while the Mount Laurel campus opened in July 1995. The Freeholder Board sponsors the College, appointing nine of the twelve Trustees.

In June 2015, the Rowan University Board of Trustees approved a resolution to partner with the County College thereby allowing students to obtain a bachelor's degree from Rowan University on the County College's Mount Laurel Campus. The unique partnership provides students the opportunity to seamlessly transition from the community college to the university. RCBC is the first community college in the region to offer junior-level courses as part of the "3+1" program in which students complete 75 percent of a Rowan University degree with the community college before completing their senior year at the university.

In July 2015, RCBC announced a transition from its original Pemberton Campus to the more accessible and modern Mount Laurel Campus. All of the academic programs have been moved to Mount Laurel, leaving only athletics and aquatic classes in Pemberton. An athletic facility is in the plans for Mount Laurel. Located at the intersection of Route 38 and I-295, the 100-acre Mount Laurel campus is already home to the Technology and Engineering Center. Joining it as part of the transformed Mount Laurel campus is a new Health Sciences Center as well as a new Student Success Center - a 78,000 square foot, \$25.4 million state-of-the-art building that will feature a one-stop shop for student services from enrollment to academic planning, knowledge commons library, bookstore, dining area and state-of-the-art technology. This building will serve as the gateway to the newly transformed Mount Laurel campus with a total investment of \$55 million and renovation of 240,000 square feet.

RCBC's enrollment as of Spring 2019 consisted of 7,626 students. In addition, the County College serves thousands of other County residents each semester through youth programs, Learning is for Everyone, workforce development, theatrical productions, guest speakers, and art exhibitions.

The Board of Trustees governs the County College and certain fiscal matters are subject to review by the Board of School Estimate. The County College is not permitted to borrow for capital expenditures. Instead, the Board of Trustees and the Board of School Estimate certify the need for funding to the Board, which either currently appropriates the amount certified or authorizes the issuance of County debt, generally in accordance with the provisions of the Local Bond Law.

Burlington County Institute of Technology

The Burlington County Board of Vocational Education was created by the Board in 1962 after a favorable referendum. The enrollment for the two campuses, Westampton and Medford, is 1,972 students as of June 30, 2018.

The Burlington County Institute of Technology ("BCIT") is governed by a consolidated Board of Education of the Special Services School District and the Vocational School District of the County of Burlington and certain fiscal matters are subject to the review of the Board of School Estimate. BCIT is not permitted to borrow for capital expenditures. Instead, the Board of Education and the Board of School Estimate certify the need for funding to the Board which either currently appropriates the amount certified or authorizes the issuance of County debt, generally in accordance with the provisions of the Local Bond Law except that no down payment is required.

BCIT contributes to the County workforce each year an average of 462 high school seniors certified in one of thirty-three career and technical programs and, through its Adult School Division, approximately 760 adults who have completed either a certification or licensing program in one of the thirty-five career programs offered. The Superintendent of BCIT is the liaison between the education community of the County and business and industry.

Burlington County Special Services School District

The Burlington County Special Services School District (“Special Services School District”) was created by the Board in June 1972. The Special Services School District is comprised of state-of-the-art facilities located in the Townships of Westampton, Lumberton, Medford, and Mount Laurel and programs are provided for: (1) the orthopedically handicapped, the multiple handicapped, autistic and deaf and hard of hearing; (2) elementary school students with severe emotional and social problems; (3) students ages fourteen (14) through twenty-one (21) with educational needs which are beyond the capabilities of existing local school boards and regions; and (4) trainable mentally retarded young people from ages fourteen (14) to twenty-one (21). The enrollment for the Special Services School District for the 2017-18 academic year is 607 students.

CERTAIN TAX INFORMATION

TEN LARGEST TAXPAYERS(1)

The following table outlines the assessed value of the ten (10) largest commercial properties within the Township.

<u>Name of Taxpayer</u>	<u>Nature of Business</u>	<u>2019 Assessed Valuation</u>
The Estaugh T/A Medford Leas	Continuing Care Facility	\$ 26,441,000
Medford Associates, L.P.	Apartments	16,927,900
Sharp Run, LLC	Retail Shopping Center	15,344,900
New Albany Partners	Apartments	11,322,000
Depetris Family, LLC	Retail Shopping Center	10,369,200
Medford Supermarket Properties	Supermarket	9,401,500
Medford Convalescent & Nursing	Continuing Care Facility	8,010,600
Medford Center Associates	Retail Shopping Center	7,200,000
Medford Investor Assoc GB LTD	Retail Shopping Center	8,653,400
Verizon - New Jersey	Telecommunications	5,896,479

(1) Source: Township Tax Assessor

CURRENT TAX COLLECTIONS (1)

<u>Year</u>	<u>Total Levy</u>	<u>Outstanding Dec. 31</u>		<u>Collected in Year of Levy</u>	
		<u>Amount</u>	<u>Percentage</u>	<u>Amount</u>	<u>Percentage</u>
2018	\$ 95,098,773	\$ 705,037	0.74%	\$ 94,291,578	99.15%
2017	94,028,113	784,700	0.83%	93,126,658	99.04%
2016	93,069,111	952,249	1.02%	92,054,528	98.91%
2015	91,626,530	898,256	0.98%	90,516,057	98.79%
2014	88,484,212	1,021,763	1.15%	87,367,500	98.74%

DELINQUENT TAXES (1)

<u>Year</u>	<u>Outstanding</u>		<u>Collected</u>		<u>Transferred to Liens</u>	<u>Other Credits</u>	<u>Outstanding Dec. 31</u>
	<u>Jan. 1</u>	<u>Added</u>	<u>Amount</u>	<u>Percentage</u>			
2018	\$ 825,592	\$ 1,020	\$ 774,057	93.64%	\$ 11,151	\$ 4,829	\$ 36,575
2017	1,001,198	2,028	954,841	95.18%	5,390	2,102	40,893
2016	898,511	68,945	891,493	92.15%	8,346	18,668	48,949
2015	1,021,763	3,250	981,065	95.71%	2,466	41,227	255
2014	813,231	-	763,316	93.86%	5	49,910	-

TAX TITLE LIENS (1)

<u>Year</u>	<u>Balance Jan. 1</u>	<u>Added by</u>		<u>Cancellations/ Foreclosures</u>	<u>Balance Dec. 31</u>
		<u>Sales and Transfers</u>	<u>Collected</u>		
2018	\$ 95,091	\$ 53,935	\$ 39,173	-	\$ 109,853
2017	82,621	22,962	10,492	-	95,091
2016	275,481	30,596	3,364	\$ 220,092	82,621 (3)
2015	441,535	66,882	24,735	208,201	275,481
2014	-	74,617	48,051	-	441,535

FORECLOSED PROPERTY(1)(2)

<u>Year</u>	<u>Balance Jan. 1</u>	<u>Added By Transfer</u>	<u>Adjustment to Assessed Valuation</u>	<u>Balance Dec. 31</u>
2017	1,071,200	-	-	1,071,200
2016	962,500	\$ 220,092	\$ 111,392	1,071,200 (3)
2015	371,400	208,201	382,899	962,500
2014	371,400	-	-	371,400

(1) Source: Township Reports of Audits.

(2) These amounts are reflected on the basis of assessed value in the year of acquisition in accordance with the regulation of the Division of Local Government Services.

(3) As Restated

CURRENT WATER AND SEWER COLLECTIONS(1)

<u>Year</u>	<u>Beginning</u>		<u>Collected in Year of Levy</u>		<u>Outstanding Dec. 31</u>	
	<u>Balance</u>	<u>Total Levy</u>	<u>Amount</u>	<u>Percentage</u>	<u>Amount</u>	<u>Percentage</u>
2018	\$ 190,542	\$ 6,492,046	\$ 6,491,009	97.13%	\$ 191,579	2.87%
2017	214,036	6,042,468	6,062,704	96.90%	190,542	3.05%
2016	198,754	6,493,484	6,473,180	96.73%	214,036	3.20%
2015	226,610	5,819,922	5,847,778	96.71%	198,754	3.29%
2014	227,322	6,369,967	6,370,679	96.57%	226,610	3.43%

NET ASSESSED VALUATIONS AND ANNUAL TAX RATES (2)

<u>Year</u>	<u>Net Valuation Taxable</u>	<u>Tax Rate (3)</u>					
		<u>Total Rate</u>	<u>Regional</u>			<u>Municipal</u>	
			<u>County</u>	<u>High School</u>	<u>Local School</u>	<u>Municipal</u>	<u>Open Space</u>
2019	\$ 3,038,010,579	\$ 3.171	\$ 0.441	\$ 0.761	\$ 1.539	\$ 0.406	\$ 0.024
2018	3,027,058,244	3.125	0.442	0.742	1.511	0.406	0.024
2017	3,008,189,389	3.102	0.446	0.738	1.488	0.406	0.024
2016	2,985,099,633	3.092	0.447	0.740	1.465	0.410	0.030
2015	2,972,790,205	3.046	0.435	0.720	1.450	0.411	0.030

RATIO OF ASSESSED VALUATION TO TRUE VALUE AND TRUE VALUE PER CAPITA(4)

<u>Year</u>	<u>Real Property Assessed Valuation</u>	<u>Percentage of True Value</u>	<u>True Value</u>	<u>True Value per Capita</u>
	2019	\$ 3,032,114,100	90.75%	\$ 3,341,172,562
2018	3,021,466,600	90.82%	3,326,873,596	144,439 (5)
2017	3,002,686,300	91.10%	3,296,033,260	143,100 (5)
2016	2,979,649,200	91.11%	3,270,386,566	141,987 (5)
2015	2,967,248,800	95.10%	3,120,135,436	135,464 (5)

(1) Source: Township Reports of Audits.

(2) Source: Township Tax Collector

(3) Per \$100 of assessed valuation

(4) Source: State of New Jersey, Department of Treasury, Division of Taxation

(5) Based on 2010 Census of 23,033

REAL PROPERTY CLASSIFICATION(1)

Year	Assessed Value of Land and						
	Improvements	Vacant Land	Residential	Commercial	Industrial	Apartments	Farmland
2019	\$ 3,032,114,100	\$ 18,157,900	\$ 2,660,960,100	\$ 249,062,300	\$ 13,323,100	\$ 54,658,000	\$ 35,952,700
2018	3,021,466,600	19,058,600	2,645,137,300	249,161,500	16,099,700	55,530,100	36,479,400
2017	3,002,686,300	18,152,400	2,628,474,600	249,120,600	16,368,800	52,814,900	37,755,000
2016	2,979,649,200	20,976,500	2,603,839,000	249,910,900	16,368,800	49,704,300	38,849,700
2015	2,967,248,800	22,987,200	2,580,361,200	256,944,800	16,368,800	50,204,300	40,382,500

TOWNSHIP OF MEDFORD STATEMENT OF INDEBTEDNESS (2) (3)

The following table summarizes the direct debt of the Township of Medford in accordance with the requirements of the Local Bond Law of the State (N.J.S.A. 40A:2-2 et seq.). The gross debt is comprised of short and long-term debt issued, and debt authorized but not issued, including General, Water and Sewer Utility, and debt of the Local and Regional School Districts. Deductions from gross debt to arrive at net debt include deductible school debt, reserve for payment of debt, as well as debt considered to be self-liquidating. The resulting net debt of \$29,245,943 represents .89% of the average of equalized valuations for the Township for the last three years, of \$3,302,126,778 within the 3.5% limit imposed by N.J.S.A. 40A:2-6.

	Debt Issued			Gross Debt	Deductions			Net Debt
	Bonds	Loans	Notes		School Debt	Reserve for Payment of Debt	Self- Liquidating	
General	\$ 26,368,600	\$ 31,465	\$ 3,200,837	\$ 29,600,902		\$ 354,959		\$ 29,245,943
School - Local	18,878,306			18,878,306	\$ 18,878,306			
School - Regional	9,207,292			9,207,292	9,207,292			
Water - Sewer Utility	9,447,400	12,664,152	466,798	22,578,350			\$ 22,578,350	
	<u>\$ 63,901,598</u>	<u>\$ 12,695,617</u>	<u>\$ 3,667,635</u>	<u>\$ 80,264,850</u>	<u>\$ 28,085,598</u>	<u>\$ 354,959</u>	<u>\$ 22,578,350</u>	<u>\$ 29,245,943</u>

- (1) Source: Township Tax Assessor
(2) As of December 31, 2018
(3) Source: Township Auditor

DEBT RATIOS AND VALUATIONS(1)

Average of Equalized Valuations of Real Property with Improvements for 2016, 2017 and 2018	\$ 3,302,126,778
Statutory Net debt as a Percentage of the Average of Equalized Valuations of Real Property with Improvements for 2016, 2017 and 2018	0.89%
2019 Net Valuation Taxable	\$ 3,038,010,579
2019 Equalized Valuation of Real Property and Taxable Personal Property Used in Communications	\$ 3,347,069,041
Gross Debt (2)	
As a Percentage of 2019 Net Valuation Taxable	2.64%
As a Percentage of 2019 Equalized Valuation of Real Property and Taxable Personal Property Used in Communications	2.40%
Net Debt (2)	
As a Percentage of 2019 Net Valuation Taxable	0.96%
As a Percentage of 2019 Equalized Valuation of Real Property and Taxable Personal Property Used in Communications	0.87%
Gross Debt per Capita(3)	\$ 3,485
Net Debt per Capita(3)	\$ 1,270

TOWNSHIP BORROWING CAPACITY(1)

3.5% of Average (2016-18) Equalized Valuation of Real Property with Improvements and Second Class Railroad Property (\$3,302,126,778)	\$ 115,574,437
Net Debt	<u>(29,245,943)</u>
Remaining Borrowing Capacity	<u><u>\$ 86,328,494</u></u>

(1) As of December 31, 2018
(2) Excluding overlapping debt
(3) Based on 2010 population of 23,033

LOCAL SCHOOL BORROWING CAPACITY(1)

3% of Average (2016-18) Equalized Valuation of Real Property with Improvements and Second Class Railroad Property (\$3,302,126,778)	\$ 99,063,803
Local School Debt	<u>(18,878,306)</u>
Remaining Borrowing Capacity	<u>\$ 80,185,497</u>

REGIONAL HIGH SCHOOL DISTRICT(1)

3% of Averaged (2016-18) Equalized Valuation of Real Property Including Improvements (\$18,197,522,570)	\$ 545,925,677
Regional High School Debt(2)	<u>(55,675,000)</u>
Remaining Borrowing Capacity	<u>\$ 490,250,677</u>

(1) As of December 31, 2018

(2) Debt portion allocated to the Township is \$9,207,292

**TOWNSHIP OF MEDFORD
OVERLAPPING DEBT
AS OF DECEMBER 31, 2018**

	<u>DEBT ISSUED</u>				Debt Auth. but not Issued
	<u>Debt Outstanding</u>	<u>Deductions</u>	<u>Net Debt Outstanding</u>	<u>Net Debt Outstanding Allocated to the Issuer</u>	
County of Burlington:					
General:					
Bonds	\$ 184,476,000	\$ 22,040,827 (1)	\$ 162,435,173	\$ 11,432,543 (2)	
Notes	63,165,000		63,165,000	4,445,691 (2)	\$ 23,628,813
Loans	4,232,328		4,232,328	297,881 (2)	
Bonds Issued by Other Public Bodies					
Guaranteed by the County	353,917,000	353,917,000 (3)			
Solid Waste Utility	49,810,000	49,810,000			3,209,310
	<u>\$ 655,600,328</u>	<u>\$ 425,767,827</u>	<u>\$ 229,832,501</u>	<u>\$ 16,176,115</u>	<u>\$ 26,838,123</u>

- (1) Includes cash on hand, accounts receivable and County College Bonds paid with State Aid.
(2) Such debt is allocated as a proportion of the Issuer's share of the total 2018 Net Valuations on which County taxes are apportioned, which is 7.04% .
(3) Deductible in accordance with N.J.S. 40:37A-80.

TOWNSHIP OF MEDFORD
SCHEDULE OF TOWNSHIP DEBT SERVICE (1)
(BONDS AND LOANS ONLY)

Existing Debt							
Year	General Debt			Water & Sewer Debt			Grand Total
	Interest	Principal	Total	Interest	Principal	Total	
2019	\$ 905,840	\$ 2,050,065	\$ 2,955,905	\$ 630,119	\$ 2,234,850	\$ 2,864,968	\$ 5,820,873
2020	914,319	1,920,000	2,834,319	576,516	2,192,376	2,768,892	5,603,211
2021	855,619	1,570,000	2,425,619	519,386	2,102,874	2,622,260	5,047,879
2022	802,819	1,645,000	2,447,819	461,983	2,119,378	2,581,361	5,029,180
2023	747,319	1,735,000	2,482,319	403,395	1,962,614	2,366,009	4,848,328
2024	686,269	1,820,000	2,506,269	347,225	2,048,988	2,396,213	4,902,482
2025	619,106	1,880,000	2,499,106	287,070	2,083,518	2,370,588	4,869,694
2026	553,919	1,485,000	2,038,919	222,036	1,843,594	2,065,630	4,104,549
2027	491,344	1,545,000	2,036,344	165,651	1,779,599	1,945,250	3,981,594
2028	425,994	1,615,000	2,040,994	109,538	1,667,256	1,776,794	3,817,788
2029	357,544	1,685,000	2,042,544	55,438	837,051	892,489	2,935,033
2030	296,344	1,745,000	2,041,344	33,713	514,453	548,166	2,589,510
2031	222,119	1,820,000	2,042,119	19,513	170,000	189,513	2,231,632
2032	144,272	1,900,000	2,044,272	14,363	170,000	184,363	2,228,635
2033	61,825	1,985,000	2,046,825	9,031	175,000	184,031	2,230,856
2034				4,800	100,000	104,800	104,800
2035				1,650	110,000	111,650	111,650
	<u>\$ 8,084,652</u>	<u>\$ 26,400,065</u>	<u>\$ 34,484,717</u>	<u>\$ 3,861,424</u>	<u>\$ 22,111,552</u>	<u>\$ 25,972,976</u>	<u>\$ 60,457,693</u>

(1) As of December 31, 2018
Source: Township Debt Schedules

**TOWNSHIP OF MEDFORD
2019 MUNICIPAL BUDGET (1)**

CURRENT FUND

Anticipated Revenues:		
Fund Balance	\$	2,385,000
Miscellaneous Revenues:		
Local Revenues		1,694,578
State Aid without Offsetting Appropriations		1,991,135
Dedicated Uniform Construction Code Fees		551,000
Interlocal Municipal Service Agreements		655,690
Public and Private Programs Offset with Appropriations		23,963
Other Special Items of Revenue		69,500
Receipts from Delinquent Taxes		650,000
Amount to be Raised by Taxation for Municipal Purposes		<u>12,333,695</u>
Total Appropriated Revenues	<u>\$</u>	<u>20,354,561</u>

Appropriations:		
Within CAPS:		
Operations	\$	13,689,897
Deferred Charges and Statutory Expenditures		1,780,308
Excluded from CAPS:		
Other Operations		101,000
Interlocal Municipal Service Agreements		655,690
Public and Private Programs		23,963
Capital Improvements		329,125
Debt Service		2,688,950
Deferred Charges		96,000
Reserve for Uncollected Taxes		<u>989,628</u>
Total Appropriations	<u>\$</u>	<u>20,354,561</u>

WATER AND SEWER UTILITY FUND

Anticipated Revenues:		
Surplus Anticipated	\$	750,000
Rents		6,300,000
Miscellaneous		646,089
Reserve for Payment of Debt Service		<u>300,000</u>
Total Anticipated Revenues	<u>\$</u>	<u>7,996,089</u>
Appropriations:		
Operating	\$	3,904,478
Capital Improvements		1,094,000
Debt Service		2,786,142
Pension, Social Security, Unemployment Compensation		<u>211,469</u>
Total Appropriations	<u>\$</u>	<u>7,996,089</u>

(1) 2019 Adopted Budget.

**TOWNSHIP OF MEDFORD
CAPITAL PROGRAM
PROJECTS SCHEDULED FOR THE YEARS 2019 - 2024 (1)**

	<u>Estimated Total Cost</u>	<u>Capital Improvement Fund</u>	<u>Grants-In Aid and Other Funds</u>	<u>Bonds and Notes</u>	
				<u>General</u>	<u>Self Liquidating</u>
General Improvements:					
Purchase of Computer Equipment for Mun Offices	\$ 35,000	\$ 1,750		\$ 33,250	
Purchase of Court Security Systems & Equipment	16,000	800		15,200	
Purchase Vehicle - Admin/Construction Department	60,000	3,000		57,000	
Purchase of Police Communications/Gen Equipment	408,000	20,400		387,600	
Purchase of Public Safety Vehicles & Equipment	435,000	21,750		413,250	
Purchase of Public Safety Fire Equipment	260,000	13,000		247,000	
Acquisition of Fire Vehicles/Apparatus	1,050,000	52,500		997,500	
Acquisition of Emergency Response Vehicle	585,000	29,250		555,750	
Purchase of Public Safety EMS Equipment	30,000	1,500		28,500	
Purchase of Uniform Fire Vehicles & Equipment	80,000	4,000		76,000	
Improvements to Municipal Buildings	4,076,000	203,800		3,872,200	
Road and Bikeway Improvement Program	12,500,000	625,000		11,875,000	
Purchase of Public Works Vehicles & Equipment	1,265,000	63,250		1,201,750	
Parks and Recreational Improvements	712,500	35,625		676,875	
Total General Improvements	21,512,500	1,075,625	-	20,436,875	
Water and Sewer Utility Improvements:					
Imp to Water Distribution and Storage System	\$ 2,525,000	\$ 126,250			\$ 2,398,750
Imp to Wastewater Treatment Plant	1,350,000	67,500			1,282,500
Imp to Wastewater Collection System	2,589,000	129,450			2,459,550
Utility Road Improvement Program	500,000	25,000			475,000
Imp to Water & Wastewater Telemetry & Controls	350,000	17,500			332,500
Improvements to Water Treatment/Wells	1,234,500	61,725			1,172,775
Total Water and Sewer Utility Improvements	8,548,500	427,425			8,121,075
Totals--All Projects	\$ 30,061,000	\$ 1,503,050	\$ -	\$ 20,436,875	\$ 8,121,075

(1) 2019 Adopted Budget

APPENDIX B

AUDITED FINANCIAL STATEMENTS OF THE TOWNSHIP

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and
Members of the Township Council
Township of Medford
Medford, New Jersey 08055

Report on the Financial Statements

We have audited the accompanying statements of assets, liabilities, reserves and fund balance - regulatory basis of the various funds of the Township of Medford, in the County of Burlington, State of New Jersey, as of December 31, 2018 and 2017, and the related statements of operations and changes in fund balance - regulatory basis for the years then ended, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; and in compliance with 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 from material misstatement.

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

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

Opinions

Basis for Adverse Opinion on Accounting Principles Generally Accepted in the United States of America

As described in note 1 to the financial statements, the financial statements are prepared by the Township on the basis of the financial reporting provisions of the Division of Local Government Services, Department of Community

Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the State of New Jersey.

The effects on the financial statements of the variances between the regulatory basis of accounting described in note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on Accounting Principles Generally Accepted in the United States of America

In our opinion, because of the significance of the matter discussed in the “*Basis for Adverse Opinion on Accounting Principles Generally Accepted in the United States of America*” paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township of Medford, in the County of Burlington, State of New Jersey, as of December 31, 2018 and 2017, or the results of its operations and changes in fund balance for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to previously present fairly, in all material respects, the assets, liabilities, reserves and fund balance - regulatory basis of the various funds of the Township of Medford, in the County of Burlington, State of New Jersey, as of December 31, 2018 and 2017, and the results of its operations and changes in fund balance - regulatory basis of such funds for the years then ended, in conformity with accounting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, as described in note 1.

Emphasis of Matter

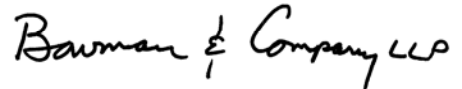
Adoption of New Accounting Principles

As discussed in note 1 to the financial statements, during the year ended December 31, 2018, the Township adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. The adoption of this new accounting principle resulted in a material note disclosure (see note 23). As a result of the regulatory basis of accounting, described in the previous paragraph, the implementation of this Statement only required financial statement disclosures. Our opinions are not modified with respect to this matter.

Prior Period Financial Statements

The financial statements of the Township of Medford, in the County of Burlington, State of New Jersey, as of and for the years ended December 31, 2016, 2015, and 2014 were audited by other auditors whose most recent report (December 31, 2016) dated May 16, 2017, expressed an adverse opinion under accounting principles generally accepted in the United States of America and an unmodified opinion under the regulatory basis of accounting.

Respectfully submitted,



BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants



Robert P. Nehila, Jr.
Certified Public Accountant
Registered Municipal Accountant

Voorhees, New Jersey
August 2, 2019

TOWNSHIP OF MEDFORD
CURRENT FUND
Statements of Assets, Liabilities, Reserves
and Fund Balance--Regulatory Basis

	As of December 31,				
	<u>2018</u>	<u>2017</u>	<u>2016(1)</u>	<u>2015</u>	<u>2014</u>
ASSETS					
Cash and Investments	\$ 12,715,876	\$ 19,032,877	\$ 11,888,250	\$ 10,025,935	\$ 8,898,220
Federal and State Grants Receivable	600,513	893,082	929,441	643,937	718,972
Receivables and other Assets with Full Reserves:					
Delinquent Property Taxes Receivable	741,611	825,592	1,001,198	898,511	1,021,763
Tax Title Liens Receivable	109,853	95,091	82,621	275,481	441,535
Property Acquired for Taxes-- Assessed Valuation	1,071,200	1,071,200	1,071,200	962,500	371,400
Revenue Accounts Receivable	17,988	18,652	10,374	14,419	15,016
Deferred Charges	96,000		36,856	534,949	280,000
Prepaid County Taxes					
Interfunds Receivable	14,417	8,808	180,163	1,583,313	1,419,584
	<u>\$ 15,367,458</u>	<u>\$ 21,945,302</u>	<u>\$ 15,200,103</u>	<u>\$ 14,939,045</u>	<u>\$ 13,166,490</u>
LIABILITIES, RESERVES AND FUND BALANCE					
Appropriation Reserves	\$ 621,368	\$ 1,079,058	\$ 943,081	\$ 1,033,648	\$ 695,418
Accounts Payable	65,412	43,808	39,565	28,478	13,622
Due State of New Jersey	112,909	112,395	106,917	104,918	103,932
Reserve for Encumbrances	858,632	1,006,048	1,137,728	1,400,047	534,674
Interfunds Payable	81,156	12,888	474,705	287,982	60,524
County Taxes Payable	68,887	99,235	111,137	148,338	103,442
Local District School Taxes Payable	3,310,771	2,807,967	2,298,146	1,990,063	1,552,744
Regional High School Taxes Payable	2,723,793	2,573,170	2,519,051	2,192,494	1,689,049
Prepaid Taxes	805,822	6,940,724	602,947	624,435	602,992
Tax Overpayments	10,308	35,186	66,682	22,028	11,615
Special Emergency - Note Payable			140,000	280,000	420,000
Other Liabilities and Special Funds	61,876	57,581	157,189	216,757	440,890
Reserve for Receivables and Other Assets	1,955,069	2,012,105	2,345,555	3,682,974	3,269,237
Reserve for Federal and State Grants	743,899	909,764	649,712	661,108	1,228,037
Fund Balance	3,947,556	4,255,373	3,607,688	2,265,775	2,440,314
	<u>\$ 15,367,458</u>	<u>\$ 21,945,302</u>	<u>\$ 15,200,103</u>	<u>\$ 14,939,045</u>	<u>\$ 13,166,490</u>

(1) Restated

The accompanying Notes to Financial Statements are an integral part of these statements.

**TOWNSHIP OF MEDFORD
CURRENT FUND**

Statements of Operations and Changes in Fund Balance--Regulatory Basis

	Years Ended December 31,				
	<u>2018</u>	<u>2017</u>	<u>2016(1)</u>	<u>2015</u>	<u>2014</u>
Revenue Realized:					
Current Tax Collections	\$ 94,291,578	\$ 93,126,658	\$ 92,054,528	\$ 90,516,057	\$ 87,367,500
Delinquent Tax and Tax Title Liens	813,231	965,333	892,357	1,002,549	811,367
Total Taxes	95,104,809	94,091,991	92,946,885	91,518,606	88,178,867
Miscellaneous Revenues Anticipated	5,848,344	6,425,082	6,654,501	6,380,429	6,145,761
Other Income	1,256,202	1,502,744	2,001,444	775,589	1,290,379
Fund Balance Utilized	2,498,500	1,944,000	1,017,604	1,169,582	1,100,000
Total Income	104,707,855	103,963,817	102,620,434	99,844,206	96,715,007
Expenditures and Encumbrances:					
Operating	14,853,005	14,775,261	14,191,939	14,739,361	12,832,750
Capital Improvements	534,055	169,000	217,432		
Debt Service	3,241,264	3,651,454	3,665,858	3,777,605	3,969,410
Deferred Charges			534,949	160,000	560,000
Pension, Social Security and Unemployment Compensation	1,612,908	1,507,400	1,485,205	1,412,912	1,415,935
County Taxes	13,388,389	13,501,413	13,420,969	13,038,754	12,038,707
Municipal Open Space Trust Fund Tax	730,233	751,925	903,007	902,354	898,936
Local District School Tax	45,751,539	44,745,931	43,726,288	43,110,124	42,235,486
Regional High School Tax	22,481,543	22,180,297	22,072,060	21,418,946	20,412,055
Creation of Reserve for Interfunds and Other Assets	20,236	89,451	43,210	704,056	766,846
Total Expenditures and Encumbrances	102,613,172	101,372,132	100,260,917	99,264,112	95,130,125
Excess in Revenues	2,094,683	2,591,685	2,359,517	580,094	1,584,882
Adjustments to Income Before Fund Balance:					
Expenditures included above which are by Statute Deferred Charges to Budget of Succeeding Year	96,000			414,949	
Statutory Excess to Fund Balance	2,190,683	2,591,685	2,359,517	995,043	1,584,882
Fund Balance Beginning of Year	4,255,373	3,607,688	2,265,775	2,440,314	1,955,432
	6,446,056	6,199,373	4,625,292	3,435,357	3,540,314
Decreased by:					
Utilized as Revenue	2,498,500	1,944,000	1,017,604	1,169,582	1,100,000
Fund Balance Ending of Year	\$ 3,947,556	\$ 4,255,373	\$ 3,607,688	\$ 2,265,775	\$ 2,440,314

(1) Restated

The accompanying Notes to Financial Statements are an integral part of these statements.

TOWNSHIP OF MEDFORD
GENERAL CAPITAL FUND
Statements of Assets, Liabilities, Reserves
and Fund Balance--Regulatory Basis

	As of December 31,				
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
ASSETS					
Cash	\$ 11,953,308	\$ 2,107,694	\$ 2,120,334	\$ 1,515,716	\$ 221,010
Accounts Receivable--Other	787,147	550,147	222,147	263,147	263,700
Interfunds Receivable	63,000	33,750			32,389
Deferred Charges to Future Taxation:					
Funded	26,400,065	15,982,864	19,317,217	22,831,382	23,160,600
Unfunded	3,200,837	8,901,586	5,926,852	3,309,838	4,857,443
	<u>\$ 42,404,357</u>	<u>\$ 27,576,041</u>	<u>\$ 27,586,550</u>	<u>\$27,920,083</u>	<u>\$28,535,142</u>
LIABILITIES, RESERVES AND FUND BALANCE					
Serial Bonds	\$ 26,368,600	\$ 15,889,400	\$ 19,102,400	\$22,497,600	\$22,710,200
Bond Anticipation Notes	3,200,837	5,821,742	2,657,150		216,518
Loans Payable	31,465	93,464	214,817	333,782	450,400
Improvement Authorizations:					
Funded	9,989,646	783,961	1,360,814	2,257,920	1,162,934
Unfunded	123,833	2,700,041	2,747,887	450,564	1,493,390
Reserve for Encumbrances	1,927,965	1,491,144	858,425	1,094,248	814,428
Capital Improvement Fund	70,024	70,024	77,582		96,475
Reserve for Payment of Debt Service	354,960	153,966	140,968		
Interfunds Payable				850,727	1,417,663
Other Liabilities and Special Funds	222,147	222,147	222,147	205,000	
Fund Balance	114,880	350,152	204,360	230,242	173,134
	<u>\$ 42,404,357</u>	<u>\$ 27,576,041</u>	<u>\$ 27,586,550</u>	<u>\$27,920,083</u>	<u>\$28,535,142</u>

The accompanying Notes to Financial Statements are an integral part of these statements.

TOWNSHIP OF MEDFORD
WATER AND SEWER UTILITY FUND
Statements of Assets, Liabilities, Reserves
and Fund Balance--Regulatory Basis

	As of December 31,				
	<u>2018</u>	<u>2017</u>	<u>2016 (1)</u>	<u>2015</u>	<u>2014</u>
ASSETS					
Operating Fund:					
Cash and Investments	\$ 2,924,050	\$ 2,812,646	\$ 5,819,429	\$ 4,571,693	\$ 3,456,343
Interfund Receivables		585,392	229,199	462,847	400,200
Deferred Charges		19,767			
Receivables with Full Reserves:					
Insurance Claims	33,218	12,232	11,077	11,077	11,077
Water and Sewer Rents Receivable	194,837	193,800	214,036	198,754	226,610
Total Operating Fund	3,152,105	3,623,837	6,273,741	5,244,371	4,094,230
Assessment Trust Fund:					
Cash		666	666	666	666
Total Assessment Trust Fund		666	666	666	666
Sewer Connection Trust Fund:					
Cash		195,453	210,453	610,951	580,260
Interfund Receivable					30,390
Total Sewer Connection Trust Fund		195,453	210,453	610,951	610,650
Capital Fund:					
Cash	4,548,555	3,415,867	1,401,706	2,220,005	1,097,540
Interfund Receivables			1,571,485		91,208
Fixed Capital	68,213,487	29,354,913	29,234,879	29,185,937	29,184,607
Fixed Capital Authorized and Uncompleted	15,851,406	52,485,257	49,465,457	49,465,457	48,743,476
Total Capital Fund	88,613,448	85,256,037	81,673,527	80,871,399	79,116,831
	\$ 91,765,553	\$ 89,075,993	\$ 88,158,387	\$ 86,727,387	\$ 83,822,377

(Continued)

TOWNSHIP OF MEDFORD
WATER AND SEWER UTILITY FUND
Statements of Assets, Liabilities, Reserves
and Fund Balance--Regulatory Basis

	As of December 31,				
	<u>2018</u>	<u>2017</u>	<u>2016(1)</u>	<u>2015</u>	<u>2014</u>
LIABILITIES, RESERVES AND FUND BALANCE					
Operating Fund:					
Reserve for Encumbrances	\$ 279,254	\$ 291,580	\$ 358,087	\$ 377,805	\$ 181,780
Appropriation Reserves	318,209	317,226	96,845	232,123	108,356
Prepaid Rents	719,873	818,038	587,459	609,291	774,692
Accounts Payable	70,775	22,412	17,172	7,503	15,757
Overpayments	4,163	4,058	2,871	8,077	
Accrued Interest on Bonds and Notes	231,622	238,328	266,165	285,844	303,082
Interfunds Payable			1,571,485		91,208
Reserve for Payment of Debt			1		
Reserve for Receivables	194,837	193,800	214,036	198,754	226,610
Fund Balance	1,333,372	1,738,395	3,159,620	3,524,974	2,392,745
Total Operating Fund	3,152,105	3,623,837	6,273,741	5,244,371	4,094,230
Assessment Trust Fund:					
Fund Balance		666	666	666	666
Total Assessment Trust Fund		666	666	666	666
Sewer Connection Trust Fund:					
Interfunds Payable		195,453	210,453	400,501	400,200
Accounts Payable				210,450	210,450
Reserve for Sewer Connection Fees				210,450	210,450
Total Sewer Connection Trust Fund		195,453	210,453	610,951	610,650
Capital Fund:					
Serial Bonds	9,447,400	9,584,600	10,603,600	11,637,400	11,284,800
Water Loan Payable	12,664,152	13,753,433	14,824,771	15,865,232	16,879,370
Bond Anticipation Notes	466,798				
Improvement Authorizations:					
Funded	2,040,815	70,439	301,655	1,021,323	1,359,205
Unfunded	1,243,537	2,094,339	1,043,691	1,260,527	583,956
Capital Improvement Fund	506,399	506,399	1,848,749	261,399	261,399
Interfunds Payable		389,939		65	7,389
Reserve for Encumbrances	391,310	457,271	209,922	107,515	155,642
Reserve for Payment of Debt Service	355,489	355,489	355,489	355,488	355,488
Reserve for:					
Amortization	54,701,354	52,792,459	50,254,546	48,131,343	45,998,475
Deferred Reserve for Amortization	6,785,189	5,242,880	2,223,080	2,223,080	2,223,080
Fund Balance	11,005	8,789	8,024	8,027	8,027
Total Capital Fund	88,613,448	85,256,037	81,673,527	80,871,399	79,116,831
	\$ 91,765,553	\$ 89,075,993	\$ 88,158,387	\$ 86,727,387	\$ 83,822,377

(1) Restated

The accompanying Notes to Financial Statements are an integral part of these statements.

TOWNSHIP OF MEDFORD
WATER AND SEWER UTILITY FUND

Statements of Operations and Changes in Operating Fund Balance--Regulatory Basis

	For the Years Ended December 31,				
	<u>2018</u>	<u>2017</u>	<u>2016(1)</u>	<u>2015</u>	<u>2014</u>
Revenue Realized:					
Fund Balance Utilized	\$ 1,000,000	\$ 1,421,225	\$ 901,173	\$ 700,693	\$ 40,206
Rents	6,491,009	6,062,704	6,473,180	6,378,957	6,370,679
Miscellaneous	704,742	970,138	1,072,589	1,468,965	871,229
Other Credits to Income	345,827	163,915	252,710	70,774	255,951
Total Income	8,541,578	8,617,982	8,699,652	8,619,389	7,538,065
Expenditures and Encumbrances:					
Operating	3,767,484	3,674,399	3,691,104	3,599,582	3,507,050
Capital Improvements	1,273,568	1,771,450	1,671,350	53,500	128,500
Debt Service	2,650,582	2,611,899	2,784,546	2,868,067	3,045,487
Other		9,450			
Pension, Social Security and Unemployment Contributions	254,967	570,551	226,619	265,318	202,656
Total Expenditures and Encumbrances	7,946,601	8,637,749	8,373,619	6,786,467	6,883,693
Operating Deficit		\$ (19,767)			
Statutory Excess to Fund Balance	594,977		326,033	1,832,922	654,372
Fund Balance Beginning of Year	1,738,395	\$ 3,159,620	3,734,760	2,392,745	1,778,579
	2,333,372		4,060,793	4,225,667	2,432,951
Decreased by:					
Prior Year Fund Balance Anticipated by Current Fund Utilized as Revenue	1,000,000	1,421,225	901,173	700,693	40,206
	\$ 1,333,372	\$ 1,738,395	\$ 3,159,620	\$ 3,524,974	\$ 2,392,745

(1) Restated

The accompanying Notes to Financial Statements are an integral part of these statements.

**TOWNSHIP OF MEDFORD
TRUST FUND**
Statements of Assets, Liabilities and Reserves--Regulatory Basis

	As of December 31,				
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
ASSETS					
Cash	\$ 7,461,487	\$ 7,493,045	\$ 6,369,441	\$ 5,996,479	\$ 5,520,474
Interfunds Receivable	3,739	5,650	283,775		30,073
Investments	1,161,533	1,219,134	1,040,532		
	\$ 8,626,759	\$ 8,717,829	\$ 7,693,748	\$ 5,996,479	\$ 5,550,547
LIABILITIES AND RESERVES					
Interfunds Payable		\$ 35,320	\$ 7,976	\$ 506,885	\$ 60,848
Other Liabilities and Special Funds	\$ 8,626,759	8,682,509	7,685,772	5,489,594	5,489,699
	\$ 8,626,759	\$ 8,717,829	\$ 7,693,748	\$ 5,996,479	\$ 5,550,547

The accompanying Notes to Financial Statements are an integral part of these statements.

TOWNSHIP OF MEDFORD
Notes to Financial Statements
For the Year Ended December 31, 2018

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Financial Reporting Entity - The Township of Medford (hereafter referred to as the "Township") was incorporated as a township by an act of the New Jersey legislature on February 4, 1847 from portions of Evesham Township. The Township, located in Burlington County, New Jersey, has a total area of approximately forty square miles, and is located approximately twenty miles from the City of Philadelphia. The Township borders Evesham Township, Tabernacle Township, Mount Laurel Township, Southampton Township, Shamong Township, and Lumberton Township. According to the 2010 census, the population is 23,033.

The Township has a Council - Manager form of government known as the Council - Manager Plan E under the Optional Municipal Charter Law of 1960, popularly known as the Faulkner Act. There are four Township Council Members who are elected to four-year terms. The Mayor is elected at large to a four-year term. Administrative responsibilities fall under the Township Manager, who is appointed by Council. Executive responsibilities rest with the Township Council.

Component Units - The Township had no component units as defined by Governmental Accounting Standards Board Statement No. 14, as amended by GASB Statements No. 39, No. 61 and No. 80.

Measurement Focus, Basis of Accounting and Financial Statement Presentation - The financial statements of the Township contain all funds in accordance with the *Requirements of Audit* (the "Requirements") as promulgated by the State of New Jersey, Department of Community Affairs, Division of Local Government Services. The principles and practices established by the *Requirements* 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. Generally, the financial statements are presented using the flow of current financial resources measurement focus and modified accrual basis of accounting with minor exceptions as mandated by these *Requirements*. In addition, the prescribed accounting principles previously referred to differ in certain respects from accounting principles generally accepted in the United States of America applicable to local government units. The more significant differences are explained in this note.

In accordance with the *Requirements*, the Township accounts for its financial transactions through the use of separate funds and an account group which are described as follows:

Current Fund - The current fund accounts for resources and expenditures for governmental operations of a general nature, including federal and state grant funds.

Trust Funds - The various trust funds account for receipts, custodianship, and disbursement of funds in accordance with the purpose for which each reserve was created.

General Capital Fund - The general capital fund accounts for receipt and disbursement of funds for the acquisition of general capital facilities, other than those acquired in the current fund.

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

General Fixed Asset Group of Accounts - The general fixed asset group of accounts is utilized to account for property, land, buildings, and equipment that have been acquired by other governmental funds.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Budgets and Budgetary Accounting - The Township must adopt an annual budget for its current, municipal open space, and water and sewer utility funds in accordance with N.J.S.A. 40A:4 et seq. N.J.S.A. 40A:4-5 requires the governing body to introduce and approve the annual municipal budget no later than February 10 of each year. At introduction, the governing body shall fix the time and place for a public hearing on the budget and must advertise the time and place at least ten days prior to the hearing in a newspaper published and circulating in the municipality. The public hearing must not be held less than twenty-eight days after the date the budget was introduced. After the hearing has been held, the governing body may, by majority vote, adopt the budget or may amend the budget in accordance with N.J.S.A. 40A:4-9. Amendments to adopted budgets, if any, are detailed in the statements of revenues and expenditures.

An extension of the statutory dates for introduction, approval, and adoption of the municipal budget may be granted by the Director of the Division of Local Government Services, with the permission of the Local Finance Board.

Budgets are adopted on the same basis of accounting utilized for the preparation of the Township's financial statements.

Cash, Cash Equivalents and Investments - Cash and cash equivalents include petty cash, change funds and cash on deposit with public depositories. All certificates of deposit are recorded as cash regardless of the date of maturity. Investments are stated at cost; therefore, unrealized gains or losses on investments have not been recorded. Investments recorded in the trust fund for the Township's length of service awards program, however, are stated at fair value.

New Jersey municipal units are required by N.J.S.A. 40A:5-14 to deposit public funds in a bank or trust company having its place of business in the State of New Jersey and organized under the laws of the United States or of the State of New Jersey or in the New Jersey Cash Management Fund. N.J.S.A. 40A:5-15.1 provides a list of investments which may be purchased by New Jersey municipal units. In addition, other State statutes permit investments in obligations issued by local authorities and other state agencies.

N.J.S.A. 17:9-41 et seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Governmental Unit Deposit Protection Act ("GUDPA"), a multiple financial institutional collateral pool, which was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. Public depositories include State or federally chartered banks, savings banks or associations located in or having a branch office in the State of New Jersey, the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of governmental units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the amount of their deposits to the governmental units.

The cash management plan adopted by the Township requires it to deposit funds in public depositories protected from loss under the provisions of the Act.

Interfunds - Interfund receivables and payables that arise from transactions between funds are recorded by all funds affected by such transactions in the period in which the transaction is executed. Interfund receivables in the current fund are recorded with offsetting reserves which are created by charges to operations. Income is recognized in the year the receivables are liquidated. Interfund receivables in the other funds are not offset by reserves.

Inventories of Supplies - The costs of inventories of supplies for all funds are recorded as expenditures at the time individual items are purchased. The costs of inventories are not included on the various statements of assets, liabilities, reserves and fund balance.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

General Fixed Assets - Accounting for governmental fixed assets, as required by N.J.A.C. 5:30-5.6, differs in certain respects from accounting principles generally accepted in the United States of America. In accordance with the regulations, all local units, including municipalities, must maintain a general fixed assets reporting system that establishes and maintains a physical inventory of nonexpendable, tangible property as defined and limited by the U.S. Office of Management and *Budget's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Part 200, §200.12), except that the useful life of such property is at least five years. The Township has adopted a capitalization threshold of \$1,000.00. Generally, assets are valued at historical cost; however, assets acquired prior to December 31, 1985 are valued at actual historical cost or estimated historical cost. No depreciation of general fixed assets is recorded. Donated general fixed assets are recorded at acquisition value as of the date of the transaction. Interest costs relative to the acquisition of general fixed assets are recorded as expenditures when paid. Public domain ("infrastructure") general fixed assets consisting of certain improvements such as roads, bridges, curbs and gutters, streets and sidewalks and drainage systems are not capitalized. Expenditures for construction in progress are recorded in the capital funds until such time as the construction is completed and put into operation. The Township is required to maintain a subsidiary ledger detailing fixed assets records to control additions, retirements, and transfers of fixed assets. In addition, a statement of general fixed asset group of accounts, reflecting the activity for the year, must be included in the Township's basic financial statements.

The regulations require that general fixed assets, whether constructed or acquired through purchase, grant or gift be included in the aforementioned inventory. In addition, property management standards must be maintained that include accurate records indicating asset description, source, ownership, acquisition cost and date, the percentage of Federal participation (if any), and the location, use, and condition of the asset. Periodically, physical inventories must be taken and reconciled with these records. Lastly, all fixed assets must be adequately controlled to safeguard against loss, damage, or theft.

Utility Fixed Assets - Property and equipment purchased by a utility fund are recorded in the utility capital account at cost and are adjusted for disposition and abandonment. The amounts shown do not represent replacement cost or current value. The reserve for amortization and deferred reserve for amortization accounts in the utility capital fund represent charges to operations for the cost of acquisition of property and equipment, improvements, and contributed capital.

Foreclosed Property - Foreclosed property is recorded in the current fund at the assessed valuation when such property was acquired and is fully reserved. Ordinarily it is the intention of the municipality to resell foreclosed property in order to recover all or a portion of the delinquent taxes or assessments and to return the property to a taxpaying basis. For this reason the value of foreclosed property has not been included in the general fixed asset group of accounts. If such property is converted to a municipal use, it will be recorded in the general fixed asset group of accounts.

Deferred Charges - The recognition of certain expenditures is deferred to future periods. These expenditures, or deferred charges, are generally overexpenditures of legally adopted budget appropriations or emergency appropriations made in accordance with N.J.S.A. 40A:4-46 et seq. Deferred charges are subsequently raised as items of appropriation in budgets of succeeding years.

Liens Sold for Other Governmental Units - Liens sold on behalf of other governmental units are not recorded on the records of the tax collector until such liens are collected. Upon their collection, such liens are recorded as a liability due to the governmental unit net of the costs of the initial sale. The related costs of sale are recognized as revenue when received.

Fund Balance - Fund balances included in the current fund and water and sewer utility operating fund represent amounts available for anticipation as revenue in future years' budgets, with certain restrictions.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Revenues - Revenues are recorded when received in cash except for certain amounts which are due from other governmental units. Revenue from federal and state grants is realized when anticipated as such in the Township's budget. Receivables for property taxes are recorded with offsetting reserves on the statement of assets, liabilities, reserves and fund balance of the Township's current fund; accordingly, such amounts are not recorded as revenue until collected. Other amounts that are due to the Township which are susceptible to accrual are also recorded as receivables with offsetting reserves and recorded as revenue when received.

Property Tax Revenues - Property tax revenues are collected in quarterly installments due February 1, May 1, August 1, and November 1. The amount of tax levied includes not only the amount required in support of the Township's annual budget, but also the amounts required in support of the budgets of the County of Burlington, the Township of Medford School District and the Lenape Regional High School District.

School Taxes - The Township is responsible for levying, collecting, and remitting school taxes for the Township of Medford School District and the Lenape Regional High School District. For both school districts, operations is charged for the Township's share of the amount required to be raised by taxation for the period from July 1 to June 30, increased by the amount deferred at December 31, 2017 and decreased by the amount deferred at December 31, 2018.

County Taxes - The municipality is responsible for levying, collecting, and remitting county taxes for the County of Burlington. County taxes are determined on a calendar year by the County Board of Taxation based upon the ratables required to be certified to them on January 10 of each year. Operations is charged for the amount due to the County for the year, based upon the ratables required to be certified to the County Board of Taxation by January 10 of the current year. In addition, operations is charged for the County share of added and omitted taxes certified to the County Board of Taxation by October 10 of the current year, and due to be paid to the County by February 15 of the following year.

Reserve for Uncollected Taxes - The inclusion of the "reserve for uncollected taxes" appropriation in the Township's annual budget protects the Township from taxes not paid currently. The reserve, the minimum amount of which is determined on the percentage of collections experienced in the immediate preceding year, with certain exceptions, is required to provide assurance that cash collected in the current year will provide sufficient cash flow to meet expected obligations.

Expenditures - Expenditures are recorded on the "budgetary" basis of accounting. Generally, expenditures are recorded when paid. However, for charges to amounts appropriated for "other expenses", an amount is encumbered through the issuance of a numerically controlled purchase order or when a contract is executed in accordance with N.J.A.C. 5:30-5.2. When encumbered charges are paid, the amount encumbered is simultaneously liquidated in its original amount. Encumbrances are offset by an account entitled reserve for encumbrances. The reserve is classified as a cash liability under New Jersey municipal accounting. At December 31, this reserve represents the portion of appropriation reserves that has been encumbered and is subject to the same statutory provisions as appropriation reserves.

Appropriations for principal payments on outstanding general capital and utility bonds and notes are provided on the cash basis; interest on general capital indebtedness is on the cash basis; whereas interest on utility indebtedness is on the accrual basis.

Appropriation Reserves - Appropriation reserves covering unexpended appropriation balances are automatically created at year-end and recorded as liabilities, except for amounts which may be canceled by the governing body. Appropriation reserves are available, until lapsed at the close of the succeeding year, to meet specific claims, commitments, or contracts incurred during the preceding year. Lapsed appropriation reserves are recorded as income.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Long-Term Debt - Long-term debt, relative to the acquisition of capital assets, is recorded as a liability in the general capital and utility capital funds. Where an improvement is a "local improvement", i.e. assessable upon completion, long-term debt associated with that portion of the cost of the improvement to be funded by assessments is transferred to the trust fund upon the confirmation of the assessments or when the improvement is fully and permanently funded.

Compensated Absences and Postemployment Benefits - Compensated absences for vacation, sick leave and other compensated absences are recorded and provided for in the annual budget in the year in which they are paid, on a pay-as-you-go basis. Likewise, no accrual is made for postemployment benefits, if any, which are also funded on a pay-as-you-go basis.

Impact of Recently Issued Accounting Principles

Recently Issued and Adopted Accounting Pronouncements

For the year ended December 31, 2018, the Township adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. As a result of adopting Statement No. 75, the Township was required to measure and disclose liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to their postemployment benefits plan. As a result of the regulatory basis of accounting previously described in note 1, the implementation of this Statement only required financial statement disclosures. There exists no impact on the financial statements of the Township.

Note 2: CASH AND CASH EQUIVALENTS

Custodial Credit Risk Related to Deposits - Custodial credit risk is the risk that, in the event of a bank failure, the Township's deposits might not be recovered. Although the Township does not have a formal policy regarding custodial credit risk, N.J.S.A. 17:9-41 et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). Under the Act, the first \$250,000.00 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the municipality in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled agency funds such as salary withholdings, bail funds, or funds that may pass to the municipality relative to the happening of a future condition. Such funds are classified as uninsured and uncollateralized.

As of December 31, 2018, the Township's bank balances of \$39,541,472.58 were exposed to custodial credit risk as follows:

Insured by FDIC and GUDPA	\$ 37,907,971.92
Uninsured and Uncollateralized	<u>1,633,500.66</u>
Total	<u>\$ 39,541,472.58</u>

Note 3: PROPERTY TAXES

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 calendar years:

	<u>Year Ended</u>				
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Tax Rate	<u>\$ 3.125</u>	<u>\$ 3.102</u>	<u>\$ 3.092</u>	<u>\$ 3.046</u>	<u>\$ 2.953</u>
Apportionment of Tax Rate:					
Municipal	\$.406	\$.406	\$.410	\$.411	\$.411
Municipal Open Space	.024	.024	.030	.030	.030
County	.442	.446	.447	.435	.403
Regional High School	.742	.738	.740	.720	.687
Local School	1.511	1.488	1.465	1.450	1.422

Assessed Valuation

<u>Year</u>	<u>Amount</u>
2018	\$ 3,027,058,244.00
2017	3,008,189,389.00
2016	2,985,099,633.00
2015	2,972,790,205.00
2014	2,970,853,153.00

Comparison of Tax Levies and Collections

<u>Year</u>	<u>Tax Levy</u>	<u>Collections</u>	<u>Percentage of Collections</u>
2018	\$ 95,098,772.83	\$ 94,291,578.17	99.15%
2017	94,027,113.02	93,126,657.72	99.04%
2016	93,069,111.00	92,054,528.00	98.91%
2015	91,626,530.00	90,516,057.00	98.79%
2014	88,484,212.00	87,367,500.00	98.74%

Note 3: PROPERTY TAXES (CONT'D)

Five-year comparison of certain statistical information relative to property taxes and property tax collections for the current and previous four calendar years (cont'd):

Delinquent Taxes and Tax Title Liens

<u>Year</u>	<u>Tax Title Liens</u>	<u>Delinquent Taxes</u>	<u>Total Delinquent</u>	<u>Percentage of Tax Levy</u>
2018	\$ 109,852.85	\$ 741,611.43	\$ 851,464.28	0.90%
2017	95,091.06	825,592.16	920,683.22	0.98%
2016	82,620.80	1,001,198.00	1,083,818.80	1.16%
2015	275,481.00	898,511.00	1,173,992.00	1.28%
2014	441,535.00	1,021,763.00	1,463,298.00	1.65%

The following comparison is made of the number of tax title liens receivable on December 31 for the current and previous four calendar years:

<u>Year</u>	<u>Number</u>
2018	37
2017	41
2016	64
2015	41
2014	20

Note 4: PROPERTY ACQUIRED BY TAX TITLE LIEN LIQUIDATION

The value of property acquired by liquidation of tax title liens on December 31, on the basis of the last assessed valuation of such properties, for the current and previous four years was as follows:

<u>Year</u>	<u>Amount</u>
2018	\$ 1,071,200.00
2017	1,071,200.00
2016	1,071,200.00
2015	962,500.00
2014	371,400.00

Note 5: WATER AND SEWER UTILITY SERVICE CHARGES

The following is a five-year comparison of water and sewer utility service charges (rents) for the current and previous four years:

<u>Year</u>	<u>Balance Beginning of Year Receivable</u>	<u>Levy</u>	<u>Total</u>	<u>Cash Collections</u>
2018	\$ 190,541.59	\$ 6,492,046.02	\$ 6,682,587.61	\$ 6,491,008.62
2017	214,036.23	6,042,467.79	6,256,504.02	6,062,704.07
2016	198,754.00	6,493,484.00	6,692,238.00	6,478,202.00
2015	226,610.00	5,819,922.00	6,046,532.00	5,847,778.00
2014	227,322.00	6,369,967.00	6,597,289.00	6,370,679.00

Note 6: FUND BALANCES APPROPRIATED

The following schedules detail the amount of fund balances available at the end of the current year and four previous years and the amounts utilized in the subsequent year's budgets:

Current Fund

<u>Year</u>	<u>Balance December 31,</u>	<u>Utilized in Budget of Succeeding Year</u>	<u>Percentage of Fund Balance Used</u>
2018	\$ 3,947,555.54	\$ 2,385,000.00	60.42%
2017	4,255,373.21	2,498,500.00	58.71%
2016	3,607,687.80	1,944,000.00	53.88%
2015	2,265,775.00	1,017,604.00	44.91%
2014	2,440,314.00	1,169,582.00	47.93%

Water and Sewer Utility Fund

<u>Year</u>	<u>Balance December 31,</u>	<u>Utilized in Budget of Succeeding Year</u>	<u>Percentage of Fund Balance Used</u>
2018	\$ 1,333,371.67	\$ 750,000.00	56.25%
2017	1,738,395.11	1,000,000.00	57.52%
2016	3,159,620.11	1,421,225.00	44.98%
2015	3,524,974.00	901,173.00	25.57%
2014	2,392,745.00	700,693.00	29.28%

Note 7: INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances were recorded on the various statements of assets, liabilities, reserves and fund balance as of December 31, 2018:

<u>Fund</u>	<u>Interfunds Receivable</u>	<u>Interfunds Payable</u>
Current	\$ 14,416.78	\$ 3,739.04
Federal and State Grant		77,416.78
Municipal Open Space	3,739.04	
General Capital	63,000.00	
Totals	<u>\$ 81,155.82</u>	<u>\$ 81,155.82</u>

The interfund receivables and payables above predominately resulted from collections and payments made by certain funds on behalf of other funds. During the year 2019, the Township expects to liquidate such interfunds, depending upon the availability of cash flow.

Note 8: PENSION PLANS

A substantial number of the Township's employees participate in one of the following defined benefit pension plans: the Public Employees' Retirement System ("PERS") and the Police and Firemen's Retirement System ("PFRS"), which are administered by the New Jersey Division of Pensions and Benefits. In addition, several Township employees participate in the Defined Contribution Retirement Program ("DCRP"), which is a defined contribution pension plan. This Plan is administered by Prudential Financial for the New Jersey Division of Pensions and Benefits. Each Plan has a Board of Trustees that is primarily responsible for its administration. The Division issues a publicly available financial report that includes financial statements, required supplementary information and detailed information about the PERS and PFRS plan's fiduciary net position which can be obtained by writing to or at the following website:

State of New Jersey
Division of Pensions and Benefits
P.O. Box 295
Trenton, New Jersey 08625-0295
<https://www.nj.gov/treasury/pensions/financial-reports.shtml>

General Information about the Pension Plans

Plan Descriptions

Public Employees' Retirement System - The Public Employees' Retirement System is a cost-sharing multiple-employer defined benefit pension plan which was established as of January 1, 1955, under the provisions of N.J.S.A. 43:15A. The PERS' designated purpose is to provide retirement, death, disability and medical benefits to certain qualified members. Membership in the PERS is mandatory for substantially all full-time employees of the Township, provided the employee is not required to be a member of another state-administered retirement system or other state pensions fund or local jurisdiction's pension fund. The PERS' Board of Trustees is primarily responsible for the administration of the PERS.

Note 8: PENSION PLANS (CONT'D)

General Information about the Pension Plans (Cont'd)

Plan Descriptions (Cont'd)

Police and Firemen's Retirement System - The Police and Firemen's Retirement System is a cost-sharing multiple-employer defined benefit pension plan which was established as of July 1, 1944, under the provisions of N.J.S.A. 43:16A. The PFRS' designated purpose is to provide retirement, death, disability and medical benefits to certain qualified members. Membership in the PFRS is mandatory for substantially all full-time police and firemen of the Township. The PFRS' Board of Trustees is primarily responsible for the administration of the PFRS.

Defined Contribution Retirement Program - The Defined Contribution Retirement Program is a multiple-employer defined contribution pension fund established on July 1, 2007 under the provisions of Chapter 92, P.L. 2007, and Chapter 103, P.L. 2007 (N.J.S.A. 43:15C-1 et. seq.). The DCRP is a tax-qualified defined contribution money purchase pension plan under Internal Revenue Code (IRC) § 401(a) et seq., and is a "governmental plan" within the meaning of IRC § 414(d). The DCRP provides retirement benefits for eligible employees and their beneficiaries. Individuals covered under DCRP are employees enrolled in PERS on or after July 1, 2007, who earn salary in excess of established "maximum compensation" limits; employees enrolled in New Jersey State Police Retirement System (SPRS) or the Police and Firemen's Retirement System (PFRS) after May 21, 2010, who earn salary in excess of established "maximum compensation" limits; employees otherwise eligible to enroll in PERS on or after November 2, 2008, who do not earn the minimum annual salary for tier 3 enrollment but who earn salary of at least \$5,000.00 annually; and employees otherwise eligible to enroll in PERS after May 21, 2010 who do not work the minimum number of hours per week required for tiers 4 or 5 enrollment, but who earn salary of at least \$5,000.00 annually.

Vesting and Benefit Provisions

Public Employees' Retirement System - The vesting and benefit provisions are set by N.J.S.A. 43:15A. The PERS provides retirement, death and disability benefits. All benefits vest after 10 years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of the PERS.

The following represents the membership tiers for PERS:

Tier Definition

- 1 Members who were enrolled prior to July 1, 2007
- 2 Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
- 3 Members who were eligible to enroll on or after November 2, 2008 and prior to May 21, 2010
- 4 Members who were eligible to enroll after May 21, 2010 and prior to June 28, 2011
- 5 Members who were eligible to enroll on or after June 28, 2011

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

Note 8: PENSION PLANS (CONT'D)

General Information about the Pension Plans (Cont'd)

Vesting and Benefit Provisions (Cont'd)

Police and Firemen's Retirement System - The vesting and benefit provisions are set by N.J.S.A. 43:16A. The PFRS provides retirement, death and disability benefits. All benefits vest after 10 years of service, except disability benefits, which vest after four years of service.

The following represents the membership tiers for PFRS:

Tier Definition

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

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

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

Contributions

Public Employees' Retirement System - The contribution policy is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years beginning in July 2012. The member contribution rate was 7.34% in State fiscal year 2018. The phase-in of the additional incremental member contribution rate takes place in July of each subsequent State fiscal year. The rate for members who are eligible for the Prosecutors Part of PERS (P.L. 2001, C. 366) was 10% in State fiscal year 2018. Employers' contribution are based on an actuarially determined amount, which includes the normal cost and unfunded accrued liability.

The Township's contractually required contribution rate for the year ended December 31, 2018 was 13.73% of the Township's covered payroll. This amount was actuarially determined as the amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, including an additional amount to finance any unfunded accrued liability.

Note 8: PENSION PLANS (CONT'D)

General Information about the Pension Plans (Cont'd)

Contributions (Cont'd)

Public Employees' Retirement System (Cont'd) - Based on the most recent PERS measurement date of June 30, 2018, the Township's contractually required contribution to the pension plan for the year ended December 31, 2018 is \$339,056.00, and was payable by April 1, 2019. Due to the basis of accounting described in note 1, no liability has been recorded in the financial statements for this amount. Based on the PERS measurement date of June 30, 2017, the Township's contractually required contribution to the pension plan for the year ended December 31, 2017 was \$287,794.00, which was paid on April 1, 2018. Employee contributions to the Plan during the year ended December 31, 2018 were \$189,035.32.

Police and Firemen's Retirement System - The contribution policy is set by N.J.S.A. 43:16A and requires contributions by active members and contributing employers. Pursuant to the provisions of P.L. 2011, C. 78, the active member contribution rate was 10% in State fiscal year 2018. Employers' contributions are based on an actuarially determined amount, which includes the normal cost and unfunded accrued liability.

Special Funding Situation Component - Under N.J.S.A. 43:16A-15, local participating employers are responsible for their own contributions based on actuarially determined amounts, except where legislation was passed which legally obligated the State if certain circumstances occurred. The legislation, which legally obligates the State, is as follows: Chapter 8, P.L. 2000, Chapter 318, P.L. 2001, Chapter 86, P.L. 2001, Chapter 511, P.L. 1991, Chapter 109, P.L. 1979, Chapter 247, P.L. 1993 and Chapter 201, P.L. 2001. The amounts contributed on behalf of the local participating employers under this legislation is considered to be a *special funding situation* as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute under this legislation directly to the Plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to disclose in the notes to the financial statements of the local participating employers related to this legislation.

The Township's contractually required contribution rate for the year ended December 31, 2018 was 48.27% of the Township's covered payroll. This amount was actuarially determined as the amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Based on the most recent PFRS measurement date of June 30, 2018, the Township's contractually required contribution to the pension plan for the year ended December 31, 2018 is \$1,033,556.00, and was payable by April 1, 2019. Due to the basis of accounting described in note 1, no liability has been recorded in the financial statements for this amount. Based on the PFRS measurement date of June 30, 2017, the Township's contractually required contribution to the pension plan for the year ended December 31, 2017 was \$949,656.00, which was paid on April 1, 2018. Employee contributions to the Plan during the year ended December 31, 2018 were \$384,766.40.

The amount of contractually required contribution for the State of New Jersey's proportionate share, associated with the Township, for the year ended December 31, 2018 was 3.06% of the Township's covered payroll.

Note 8: PENSION PLANS (CONT'D)

General Information about the Pension Plans (Cont'd)

Contributions (Cont'd)

Police and Firemen's Retirement System (Cont'd) - Based on the most recent PFRS measurement date of June 30, 2018, the State's contractually required contribution, on-behalf of the Township, to the pension plan for the year ended December 31, 2018 is \$115,082.00, and was payable by April 1, 2019. Based on the PFRS measurement date of June 30, 2017, the State's contractually required contribution, on-behalf of the Township, to the pension plan for the year ended December 31, 2017 was \$92,782.00, which was paid on April 1, 2018.

Defined Contribution Retirement Program - The contribution policy is set by N.J.S.A. 43:15C-3 and requires contributions by active members and contributing employers. In accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, Plan members are required to contribute 5.5% of their annual covered salary. In addition to the employee contributions, the Township contributes 3% of the employees' base salary, for each pay period, to Prudential Financial not later than the fifth business day after the date on which the employee is paid for that pay period.

For the year ended December 31, 2018, employee contributions totaled \$8,829.26, and the Township's contributions were \$3,103.38. There were no forfeitures during the year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Public Employees' Retirement System - At December 31, 2018, the Township's proportionate share of the PERS net pension liability was \$6,711,570.00. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2018. The Township's proportion of the net pension liability was based on a projection of the Township's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. For the June 30, 2018 measurement date, the Township's proportion was .0340870481%, which was an increase of .003029738% from its proportion measured as of June 30, 2017.

At December 31, 2018, the Township's proportionate share of the PERS pension expense, calculated by the Plan as of the June 30, 2018 measurement date is \$368,682.00. This expense is not recognized by the Township because of the regulatory basis of accounting as described in note 1; however, as previously mentioned, for the year ended December 31, 2018, the Township's contribution to PERS was \$287,794.00, and was paid on April 1, 2018.

Police and Firemen's Retirement System - At December 31, 2018, the Township's and State of New Jersey's proportionate share of the PFRS net pension liability were as follows:

Township's Proportionate Share of Net Pension Liability	\$ 14,305,482.00
State of New Jersey's Proportionate Share of Net Pension Liability Associated with the Township	<u>1,943,163.00</u>
	<u>\$ 16,248,645.00</u>

Note 8: PENSION PLANS (CONT'D)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)

Police and Firemen's Retirement System (Cont'd) - The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2018. The Township's proportion of the net pension liability was based on a projection of the Township's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers and the State of New Jersey, actuarially determined. For the June 30, 2018 measurement date, the Township's proportion was .1057186948%, which was a decrease of .0015848299% from its proportion measured as of June 30, 2017. Likewise, at June 30, 2018, the State of New Jersey's proportion, on-behalf of the Township, was .1057186948%, which was a decrease of .0015848299% from its proportion, on-behalf of the Township, measured as of June 30, 2017.

At December 31, 2018, the Township's proportionate share of the PFRS pension expense, calculated by the Plan as of the June 30, 2018 measurement date is \$1,292,876.00. This expense is not recognized by the Township because of the regulatory basis of accounting as described in note 1; however, as previously mentioned, for the year ended December 31, 2018, the Township's contribution to PFRS was \$949,656.00, and was paid on April 1, 2018.

At December 31, 2018, the State's proportionate share of the PFRS pension expense, associated with the Township, calculated by the Plan as of the June 30, 2018 measurement date is \$230,165.00. This on-behalf expense is not recognized by the Township because of the regulatory basis of accounting as described in note 1.

Deferred Outflows of Resources and Deferred Inflows of Resources - At December 31, 2018, the Township had deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources			Deferred Inflows of Resources		
	PERS	PFRS	Total	PERS	PFRS	Total
Differences between Expected and Actual Experience	\$ 127,991.00	\$ 145,540.00	\$ 273,531.00	\$ 34,607.00	\$ 59,199.00	\$ 93,806.00
Changes of Assumptions	1,105,956.00	1,227,933.00	2,333,889.00	2,146,003.00	3,666,248.00	5,812,251.00
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	-	-	62,955.00	78,264.00	141,219.00
Changes in Proportion and Differences between Township Contributions and Proportionate Share of Contributions	841,950.00	710,903.00	1,552,853.00	454,121.00	216,413.00	670,534.00
Township Contributions Subsequent to the Measurement Date	169,528.00	516,778.00	686,306.00	-	-	-
	<u>\$ 2,245,425.00</u>	<u>\$ 2,601,154.00</u>	<u>\$ 4,846,579.00</u>	<u>\$ 2,697,686.00</u>	<u>\$ 4,020,124.00</u>	<u>\$ 6,717,810.00</u>

\$169,528.00 and \$516,778.00 for PERS and PFRS, respectively, included in deferred outflows of resources, will be included as a reduction of the net pension liability in the year ending December 31, 2019. These amounts were based on an estimated April 1, 2020 contractually required contribution, prorated from the pension plans' measurement date of June 30, 2018 to the Township's year end of December 31, 2018.

Note 8: PENSION PLANS (CONT'D)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)

Deferred Outflows of Resources and Deferred Inflows of Resources (Cont'd) - The Township will amortize the above other deferred outflow of resources and deferred inflows of resources related to pensions over the following number of years:

	<u>PERS</u>		<u>PFRS</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Experience				
Year of Pension Plan Deferral:				
June 30, 2014	-	-	-	-
June 30, 2015	5.72	-	-	5.53
June 30, 2016	5.57	-	-	5.58
June 30, 2017	5.48	-	5.59	-
June 30, 2018	-	5.63	5.73	-
Changes of Assumptions				
Year of Pension Plan Deferral:				
June 30, 2014	6.44	-	6.17	-
June 30, 2015	5.72	-	5.53	-
June 30, 2016	5.57	-	5.58	-
June 30, 2017	-	5.48	-	5.59
June 30, 2018	-	5.63	-	5.73
Net Difference between Projected and Actual Earnings on Pension Plan Investments				
Year of Pension Plan Deferral:				
June 30, 2014	-	5.00	-	5.00
June 30, 2015	5.00	-	5.00	-
June 30, 2016	5.00	-	5.00	-
June 30, 2017	-	5.00	-	5.00
June 30, 2018	-	5.00	-	5.00
Changes in Proportion and Differences between Township Contributions and Proportionate Share of Contributions				
Year of Pension Plan Deferral:				
June 30, 2014	6.44	6.44	6.17	6.17
June 30, 2015	5.72	5.72	5.53	5.53
June 30, 2016	5.57	5.57	5.58	5.58
June 30, 2017	5.48	5.48	5.59	5.59
June 30, 2018	5.63	5.63	5.73	5.73

Note 8: PENSION PLANS (CONT'D)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)

Deferred Outflows of Resources and Deferred Inflows of Resources (Cont'd) - Other amounts included as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in future periods as follows:

<u>Year Ending Dec 31,</u>	<u>PERS</u>	<u>PFRS</u>	<u>Total</u>
2019	\$ 43,207.00	\$ 306,369.00	\$ 349,576.00
2020	(29,095.00)	(265,421.00)	(294,516.00)
2021	(341,262.00)	(1,028,058.00)	(1,369,320.00)
2022	(242,521.00)	(683,321.00)	(925,842.00)
2023	(52,118.00)	(265,317.00)	(317,435.00)
	<u>\$ (621,789.00)</u>	<u>\$ (1,935,748.00)</u>	<u>\$ (2,557,537.00)</u>

Actuarial Assumptions

The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2018. This actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

	<u>PERS</u>	<u>PFRS</u>
Inflation Rate	2.25%	2.25%
Salary Increases:		
Through 2026	1.65% - 4.15% Based on Age	2.10% - 8.98% Based on Age
Thereafter	2.65% - 5.15% Based on Age	3.10% - 9.98% Based on Age
Investment Rate of Return	7.00%	7.00%
Period of Actuarial Experience		
Study upon which Actuarial		
Assumptions were Based	July 1, 2011 - June 30, 2014	July 1, 2010 - June 30, 2013

Note 8: PENSION PLANS (CONT'D)

Actuarial Assumptions (Cont'd)

For PERS, preretirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the Conduent modified 2014 projection scale. Postretirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from 2012 to 2013 using Projection Scale AA and using a generational approach based on the Conduent modified 2014 projection scale thereafter. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

For PFRS, preretirement mortality rates were based on the RP-2000 Combined Healthy Mortality tables projected on a generational basis from the base year of 2000 to 2013 using Projection Scale BB and the Conduent modified 2014 projection scale thereafter. For preretirement accidental mortality, a custom table with representative rates was used and there is no mortality improvements assumed. Post-retirement mortality rates for male service retirements are based the RP-2000 Combined Healthy Mortality Tables projected on a generational basis using Projection Scale AA from the base year of 2012 to 2013 and the Conduent modified 2014 projection scale thereafter. Postretirement mortality rates for female service retirements and beneficiaries were based on the RP-2000 Combined Healthy Mortality Tables projected on a generational basis from the base year 2000 to 2013 using Projection Scale BB and the Conduent modified 2014 projection scale thereafter. Disability mortality rates were based on a custom table with representative rates and no mortality improvements assumed.

For PERS and PFRS, in accordance with State statute, the long-term expected rate of return on Plan investments (7.00% at June 30, 2018) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension Plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PERS' and PFRS' target asset allocation as of June 30, 2018 are summarized in the following table:

Note 8: PENSION PLANS (CONT'D)

Actuarial Assumptions (Cont'd)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Mitigation Strategies	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
High Yield	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%
Private Real Asset	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. Developed Markets Equity	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%
Buyouts/Venture Capital	8.25%	13.08%
	<u>100.00%</u>	

Discount Rate - The discount rate used to measure the total pension liability at June 30, 2018 was 5.66% for PERS and 6.51% for PFRS. For both PERS and PFRS, the respective single blended discount rates were based on the long-term expected rate of return on pension Plan investments of 7.00%, and a municipal bond rate of 3.87% as of June 30, 2018, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rates assumed that contributions from Plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 50% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make projected future benefit payments of current Plan members through 2046 for PERS and through 2062 for PFRS; therefore, the long-term expected rate of return on Plan investments was applied to projected benefit payments through 2046 for PERS and through 2062 for PFRS, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liabilities.

Note 8: PENSION PLANS (CONT'D)

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

Public Employees' Retirement System (PERS) - The following presents the Township's proportionate share of the net pension liability at June 30, 2018, the Plan's measurement date, calculated using a discount rate of 5.66%, as well as what the Township's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rates used:

	PERS		
	1% Decrease (4.66%)	Current Discount Rate (5.66%)	1% Increase (6.66%)
Township's Proportionate Share of the Net Pension Liability	<u>\$ 8,439,026.00</u>	<u>\$ 6,711,570.00</u>	<u>\$ 5,262,345.00</u>

Police and Firemen's Retirement System (PFRS) - As previously mentioned, PFRS has a special funding situation, where the State of New Jersey pays a portion of the Township's annual required contribution. As such, the net pension liability as of June 30, 2018, the Plan's measurement date, for the Township and the State of New Jersey, calculated using a discount rate of 6.51%, as well as using a discount rate that is 1% lower or 1% higher than the current rates used is as follows:

	PFRS		
	1% Decrease (5.51%)	Current Discount Rate (6.51%)	1% Increase (7.51%)
Township's Proportionate Share of the Net Pension Liability	\$ 19,146,112.00	\$ 14,305,482.00	\$ 10,312,844.00
State of New Jersey's Proportionate Share of Net Pension Liability associated with the Township	<u>2,600,682.54</u>	<u>1,943,163.00</u>	<u>1,400,829.15</u>
	<u>\$ 21,746,794.54</u>	<u>\$ 16,248,645.00</u>	<u>\$ 11,713,673.15</u>

Pension Plan Fiduciary Net Position

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the respective fiduciary net position of the PERS and PFRS and additions to/deductions from PERS and PFRS' respective fiduciary net position have been determined on the same basis as they are reported by PERS and PFRS. Accordingly, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. For additional information about PERS and PFRS, please refer to the Plan's Comprehensive Annual Financial Report (CAFR) which can be found at <https://www.nj.gov/treasury/pensions/financial-reports.shtml>.

Note 8: PENSION PLANS (CONT'D)

Supplementary Pension Information

In accordance with GASBS 68, the following information is also presented for the PERS and PFRS Pension Plans. These schedules are presented to illustrate the requirements to show information for 10 years; however, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available.

Schedule of the Township's Proportionate Share of the Net Pension Liability - Public Employees' Retirement System (PERS) (Last Six Years)

	<u>Measurement Date Ended June 30,</u>		
	<u>2018</u>	<u>2017</u>	<u>2016</u>
Township's Proportion of the Net Pension Liability	0.0340870481%	0.0310660743%	0.0291113415%
Township's Proportionate Share of the Net Pension Liability	\$ 6,711,570.00	\$ 7,231,686.00	\$ 8,621,944.00
Township's Covered Payroll (Plan Measurement Period)	\$ 2,379,840.00	\$ 2,242,464.00	\$ 2,028,732.00
Township's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	282.02%	322.49%	424.99%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	53.60%	48.10%	40.14%
	<u>Measurement Date Ended June 30,</u>		
	<u>2015</u>	<u>2014</u>	<u>2013</u>
Township's Proportion of the Net Pension Liability	0.0329284085%	0.0327388066%	0.0351794539%
Township's Proportionate Share of the Net Pension Liability	\$ 7,391,768.00	\$ 6,129,600.00	\$ 6,723,493.00
Township's Covered Payroll (Plan Measurement Period)	\$ 2,227,412.00	\$ 2,258,416.00	\$ 2,513,128.00
Township's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	331.85%	271.41%	267.53%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	47.93%	52.08%	48.72%

Note 8: PENSION PLANS (CONT'D)

Supplementary Pension Information (Cont'd)

Schedule of the Township's Contributions - Public Employees' Retirement System (PERS) (Last Six Years)

	<u>Year Ended December 31,</u>		
	<u>2018</u>	<u>2017</u>	<u>2016</u>
Township's Contractually Required Contribution	\$ 339,056.00	\$ 287,794.00	\$ 258,621.00
Township's Contribution in Relation to the Contractually Required Contribution	<u>(339,056.00)</u>	<u>(287,794.00)</u>	<u>(258,621.00)</u>
Township's Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Township's Covered Payroll (Calendar Year)	\$ 2,469,467.00	\$ 2,348,900.00	\$ 2,218,222.00
Township's Contributions as a Percentage of Covered Payroll	13.73%	12.25%	11.66%
	<u>Year Ended December 31,</u>		
	<u>2015</u>	<u>2014</u>	<u>2013</u>
Township's Contractually Required Contribution	\$ 283,096.00	\$ 269,894.00	\$ 265,070.00
Township's Contribution in Relation to the Contractually Required Contribution	<u>(283,096.00)</u>	<u>(269,894.00)</u>	<u>(265,070.00)</u>
Township's Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Township's Covered Payroll (Calendar Year)	\$ 2,008,847.00	\$ 2,162,377.00	\$ 2,215,793.00
Township's Contributions as a Percentage of Covered Payroll	14.09%	12.48%	11.96%

Note 8: PENSION PLANS (CONT'D)

Supplementary Pension Information (Cont'd)

Schedule of the Township's Proportionate Share of the Net Pension Liability - Police and Firemen's Retirement System (PFRS) (Last Six Years)

	<u>Measurement Date Ended June 30,</u>		
	<u>2018</u>	<u>2017</u>	<u>2016</u>
Township's Proportion of the Net Pension Liability	0.1057186948%	0.1073035247%	0.1007732337%
Township's Proportionate Share of the Net Pension Liability	\$ 14,305,482.00	\$ 16,565,590.00	\$ 19,250,263.00
State's Proportionate Share of the Net Pension Liability associated with the Township	<u>1,943,163.00</u>	<u>1,855,486.00</u>	<u>1,616,545.00</u>
Total	<u>\$ 16,248,645.00</u>	<u>\$ 18,421,076.00</u>	<u>\$ 20,866,808.00</u>
Township's Covered Payroll (Plan Measurement Period)	\$ 3,491,336.00	\$ 3,443,384.00	\$ 3,175,960.00
Township's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	409.74%	481.08%	606.12%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62.48%	58.60%	52.01%
	<u>Measurement Date Ended June 30,</u>		
	<u>2015</u>	<u>2014</u>	<u>2013</u>
Township's Proportion of the Net Pension Liability	0.1009314324%	0.0998063889%	0.0986190991%
Township's Proportionate Share of the Net Pension Liability	\$ 16,811,658.00	\$ 12,554,718.00	\$ 13,110,519.00
State's Proportionate Share of the Net Pension Liability associated with the Township	<u>1,474,326.00</u>	<u>1,351,932.00</u>	<u>1,222,060.00</u>
Total	<u>\$ 18,285,984.00</u>	<u>\$ 13,906,650.00</u>	<u>\$ 14,332,579.00</u>
Township's Covered Payroll (Plan Measurement Period)	\$ 3,196,312.00	\$ 3,152,368.00	\$ 3,093,556.00
Township's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	525.97%	398.26%	423.80%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	56.31%	62.41%	58.70%

Note 8: PENSION PLANS (CONT'D)

Supplementary Pension Information (Cont'd)

***Schedule of the Township's Contributions - Police and Firemen's Retirement System (PFRS)
(Last Six Years)***

	<u>Year Ended December 31,</u>		
	<u>2018</u>	<u>2017</u>	<u>2016</u>
Township's Contractually Required Contribution	\$ 1,033,556.00	\$ 949,656.00	\$ 821,645.00
Township's Contribution in Relation to the Contractually Required Contribution	<u>(1,033,556.00)</u>	<u>(949,656.00)</u>	<u>(821,645.00)</u>
Township's Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Township's Covered Payroll (Calendar Year)	\$ 3,763,312.00	\$ 3,522,176.00	\$ 3,416,079.00
Township's Contributions as a Percentage of Covered Payroll	27.46%	26.96%	24.05%
	<u>Year Ended December 31,</u>		
	<u>2015</u>	<u>2014</u>	<u>2013</u>
Township's Contractually Required Contribution	\$ 820,422.00	\$ 766,582.00	\$ 719,503.00
Township's Contribution in Relation to the Contractually Required Contribution	<u>(820,422.00)</u>	<u>(766,582.00)</u>	<u>(719,503.00)</u>
Township's Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Township's Covered Payroll (Calendar Year)	\$ 3,244,888.00	\$ 3,203,629.00	\$ 3,152,433.00
Township's Contributions as a Percentage of Covered Payroll	25.28%	23.93%	22.82%

Note 8: PENSION PLANS (CONT'D)

Other Notes to Supplementary Pension Information

Public Employees' Retirement System (PERS)

Changes in Benefit Terms

None

Changes in Assumptions

The Discount Rate changed at June 30th over the following years, 5.39% 2014, 4.90% 2015, 3.98% 2016, 5.00% 2017 and 5.66% 2018.

The Long-term Expected Rate of Return changed at June 30th over the following years, 7.90% 2014 and 2015, 7.65% 2016, 7.00% 2017 and 2018.

For 2016, demographic assumptions were revised in accordance with the results of the July 1, 2011 - June 30, 2014 experience study and the mortality improvement scale incorporated the Plan actuary's modified MP-2014 projection scale. Further, salary increases were assumed to increase between 1.65% and 4.15% (based on age) through fiscal year 2026 and 2.65% and 5.15% (based on age) for each fiscal year thereafter.

For 2015, the social security wage base was set at \$118,500.00 for 2015, increasing 4.00% per annum, compounded annually and the 401(a)(17) pay limit was set at \$265,000.00 for 2015, increasing 3.00% per annum, compounded annually.

Police and Firemen's Retirement System (PFRS)

Changes in Benefit Terms

In 2017, Chapter 26, P.L. 2016 increased the accidental death benefit payable to children if there is no surviving spouse to 70% of final compensation.

Changes in Assumptions

The Discount Rate changed at June 30th over the following years, 6.32% 2014, 5.79% 2015, 5.55% 2016, 6.14% 2017 and 6.51% 2018.

The Long-term Expected Rate of Return changed at June 30th over the following years, 7.90% 2014 and 2015, 7.65% 2016, 7.00% 2017 and 2018.

For 2016, the mortality improvement scale incorporated the Plan actuary's modified 2014 projection scale. Further, salary increases were assumed to increase between 2.10% and 8.98% (based on age) through fiscal year 2026 and 3.10% and 9.98% (based on age) for each fiscal year thereafter.

For 2015, demographic assumptions were revised in accordance with the results of the July 1, 2010 - June 30, 2013 experience study.

Note 9: LENGTH OF SERVICE AWARDS PROGRAM

Plan Description - The Township's length of service awards program (the "Plan"), which is a defined contribution plan reported in the Township's trust fund, was created by a Township Ordinance adopted on August 27, 2002 pursuant to Section 457(e)(11)(B) of the Internal Service Code of 1986, as amended, except for provisions added by reason of the length of service award program as enacted into federal law in 1997. The accumulated assets of the Plan are not administered through a trust that meets the criteria of paragraph 4 of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*.

The voters of the Township approved the adoption of the Plan at the general election held on November 6, 2001, and the first year of eligibility for entrance into the length of service awards program by qualified volunteers was calendar year 2002. The Plan provides tax deferred income benefits to active volunteer firefighters and emergency medical personnel, and is administered by Lincoln National Life Insurance Company ("Plan Administrator"), a State of New Jersey approved length of service awards program provider. The Township's practical involvement in administering the Plan is essentially limited to verifying the eligibility of each participant and remitting the funds to the Plan Administrator.

The tax deferred income benefits for emergency service volunteers of the Medford Fire Department and Township Emergency Squad, consisting of the volunteer fire department and the first aid organization, come from contributions made solely by the governing body of the Township, on behalf of those volunteers who meet the criteria of the Plan created by that governing body. Participants should refer to the Plan agreement for a more complete description of the Plan's provisions.

Plan Amendments - The Township may make minor amendments to the provisions of the Plan at any time, provided, however, that no amendment affects the rights of participants or their beneficiaries regarding vested accumulated deferrals at the time of the amendment. The Plan can only be amended by resolution of the governing body of the Township, and the following procedures must be followed: (a) any amendment to the Plan shall be submitted for review and approval by the Director of Local Government Services, State of New Jersey (the "Director") prior to implementation by the Township's governing body, provided, however, that any amendment required by the IRS, may be adopted by the Township's governing body without the advance approval of the Director (although such amendment shall be filed with the Director); (b) the documentation submitted to the Director shall identify the regulatory authority for the amendment and the specific language of the change; and (c) the Township shall adopt the amendment by resolution of the governing body, and a certified copy of the resolution shall be forwarded to the Director. The Township may amend the Plan agreement to accommodate changes in the Internal Revenue Code, Federal statutes, state laws or rules or operational experience. In cases of all amendments to the Plan, the Township shall notify all participants in writing prior to making any amendment to the Plan.

Contributions - If an active member meets the year of active service requirement, a length of service awards program must provide a benefit between the minimum contribution of \$100.00 and a maximum contribution of \$1,150.00 per year. While the maximum amount is established by statute, it is subject to periodic increases that are related to the consumer price index (N.J.S.A. 40A:14-185(f)). The Division of Local Government Services of the State of New Jersey will issue the permitted maximum annually.

The Township elected to contribute between \$300.00 and \$1,150.00 for the year ended December 31, 2018, per eligible volunteer, into the Plan, depending on how many years the volunteer has served. Participants direct the investment of the contributions into various investment options offered by the Plan. The Township has no authorization to direct investment contributions on behalf of eligible volunteers nor has the ability to purchase or sell investment options offered by the Plan. The types of investment options, and the administering of such investments, rests solely with the Plan Administrator.

For the year ended December 31, 2018, the Township's total expenditure to the Plan was \$46,000.00.

Note 9: LENGTH OF SERVICE AWARDS PROGRAM (CONT'D)

Participant Accounts - Each participant's account is credited with the Township's contribution and Plan earnings, and charged with administrative expenses. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account. The Township has placed the amounts deferred, including earnings, in a trust maintained by a third-party administrator for the exclusive benefit of the Plan participants and their beneficiaries. The contributions from the Township to the Plan, and the related earnings, are not irrevocable, and such funds are not legally protected from the creditors of the Township. These funds, however, are not available for funding the operations of the Township

Vesting - The Township, in accordance with N.J.S.A. 40A:14-188 and N.J.A.C. 5:30-11.63 may make a yearly contribution to the length of service awards program account in the deferred income program for an active volunteer who has satisfied the requirements for receipt of an award, but the volunteer shall not be able to receive a distribution of the funds until the completion of a five year vesting period or be in accordance with changes to vesting conveyed through the issuance of a Local Finance Notice and/or publication of a public notice in the New Jersey Register, with payment of that benefit only being as otherwise permitted by the Plan.

Payment of Benefits - Upon separation from volunteer service, retirement or disability, termination of the Plan, participants may select various payout options of vested accumulated deferrals, which include lump sum, periodic, or annuity payments. In the case of death, with certain exceptions, any amount invested under the participant's account is paid to the beneficiary or the participant's estate.

In the event of an unforeseeable emergency, as outlined in the Plan document, a participant or a beneficiary entitled to vested accumulated deferrals may request the local plan administrator to payout a portion of vested accumulated deferrals.

Forfeited Accounts - For the year ended December 31, 2018, no accounts were forfeited.

Investments - The investments of the length of service awards program reported in the trust - other funds on the statements of assets, liabilities, reserves, and fund balance - regulatory basis are recorded at fair value.

Plan Information - Additional information about the Township's length of service awards program can be obtained by contacting the Plan Administrator.

Note 10: COMPENSATED ABSENCES

The Township does not have a policy for compensating all employees for unused sick, vacation or personal leave days upon retirement. However, policies negotiated in the union contracts of the public works, utility, fire and police departments exist. Per the Township handbook non-aligned employees will be compensated in the same manner as employees in the public works union.

In accordance with all union negotiated contracts of the Township employees are entitled to be paid for vacation and comp time upon termination at their current hourly rates.

Additionally, in accordance with the Township's Officer's Association, up to 45 days of accumulated sick time will be compensated at current hourly rates upon termination, and in accordance with Township's Police Superior Officers Association contract, sick time will be compensated upon termination as follows:

- Hours 1 -1,040 – 55% of the Officer's Hourly Rate
- Hours 1,041 – 1,500 50% of the Officer's Hourly Rate
- Hours 1,501+ 45% of the Officer's Hourly Rate

Note 10: COMPENSATED ABSENCES (CONT'D)

The Township does not record accrued expenses related to compensated absences. However, it is estimated that, at December 31, 2018, accrued benefits for compensated absences are valued at \$1,105,148.17.

The Township has established a compensated absences trust fund to set aside funds for future payments of compensated absences. At December 31, 2018, the balance of the fund was \$42,140.57.

Note 11: DEFERRED COMPENSATION SALARY ACCOUNT

The Township offers its employees a deferred compensation plan in accordance with Internal Revenue Code Section 457, which has been approved by the Director of the Division of Local Government Services. The Plan, available to all full time employees at their option, permits employees to defer a portion of their salary to future years. The deferred compensation is not available to participants until termination, retirement, death, or unforeseeable emergency.

Amounts deferred under Section 457 plans must be held in trust for the exclusive benefit of participating employees and not be accessible by the Township or its creditors. Since the Township does not have a fiduciary relationship with the Plan, the balances and activities of the Plan are not reported in the Township's financial statements.

Note 12: SANITARY LANDFILL ESCROW CLOSURE FUND

The Township previously operated a municipal landfill located in the Township. The Sanitary Landfill Facility Closure and Contingency Fund Act of 1981 was enacted to provide funding, during the life of the landfill, of costs associated with the closure of sanitary landfills. The Act requires the owner or operator of every sanitary landfill to establish an escrow account for closure and deposit, on a monthly basis, an amount equal to \$1.00 per ton of solid waste accepted for disposal. No withdrawals may be made from the fund without written approval from the State Department of Environmental Protection and Energy.

Under the provisions of N.J.S.A.13:1E-1 et seq., known as the Solid Waste Management Act, approval was granted on November 2, 1995 by the State of New Jersey, Department of Environmental Protection (NJDEP) for a closure and post closure plan. On February 24, 2000, the NJDEP accepted the Township's As-Built Documents for the closure of the landfill as complete.

The Township presently holds funds in escrow in accordance with the post closure financial plan approved by the NJDEP on November 2, 1995.

Note 13: CAPITAL DEBT

General Improvement Bonds

Refunding Bonds, Series 2011 – November 21, 2011, the Township issued \$1,251,800.00 of refunding bonds, with interest rates ranging from 2.0% - 3.0%. The bonds were issued to refund \$755,000.00 of General Obligation Bonds, Series 1998 and to advance refund \$1,996,000.00 of principal of General Obligation Bonds, Series 2002. The final maturity of the bonds is July 1, 2019.

General Improvement Bonds, Series 2013 - On May 9, 2013, the Township issued \$11,470,000.00 of general improvement bonds, with interest rates ranging from 2.0% - 3.25%. The bonds were issued to fund ordinances 2008-11 and 2009-19. The final maturity of the bonds is May 1, 2033.

Note 13: CAPITAL DEBT (CONT'D)

General Improvement Bonds (Cont'd)

Refunding Bonds, Series 2013 - On May 9, 2013, the Township issued \$3,510,000.00 of refunding bonds, with interest rates ranging from 1.0% – 2.5%. The bonds were issued to refund \$796,000.00 of General Obligation Bonds, Series 2004. The final maturity of the bonds is August 1, 2020.

General Improvement Bonds, Series 2015 - On December 17, 2015, the Township issued \$3,420,000.00 of general improvement bonds, with interest rates ranging from 2.0% – 2.25%. The bonds were issued for the purpose of funding the following Ordinances 2010-15, 2013-16, 2014-1 and 2015-15. The final maturity of the bonds is June 1, 2025.

General Improvement Bonds, Bridge Commission Series 2018 - On September 6, 2018, the Bridge Commission issued \$15,508,787.00 of general improvement bonds, with interest rates ranging from 4.0% – 5.0% on behalf of the Township. The bonds were issued for the purpose of funding the following Ordinances 2016-08, 2017-06, 2018-03 and 2018-10. The final maturity of the bonds is August 1, 2033.

The following schedule represents the remaining debt service, through maturity, for the General Improvement Bonds:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 2,018,600.00	\$ 905,525.45	\$ 2,924,125.45
2020	1,920,000.00	914,318.76	2,834,318.76
2021	1,570,000.00	855,618.76	2,425,618.76
2022	1,645,000.00	802,818.76	2,447,818.76
2023	1,735,000.00	747,318.76	2,482,318.76
2024 - 2028	8,345,000.00	2,776,631.30	11,121,631.30
2029 - 2033	<u>9,135,000.00</u>	<u>1,082,103.16</u>	<u>10,217,103.16</u>
Totals	<u>\$ 26,368,600.00</u>	<u>\$ 8,084,334.95</u>	<u>\$ 34,452,934.95</u>

General Debt - New Jersey Green Acres Loans

On October 23, 1999, the Township entered into a loan agreement with the New Jersey Department of Environmental Protection at an interest rate of 2.0%. The proceeds were used to fund the redevelopment of the Distefano Tract. Semiannual debt payments are due through 2019.

On September 6, 2000, the Township entered into a loan agreement with the New Jersey Department of Environmental Protection at an interest rate of 2.0%. The proceeds were used to fund the redevelopment of the Distefano Tract Phase II. Semiannual debt payments are due through 2019.

The following schedule represents the remaining debt service, through maturity, for the New Jersey Green Acres loans:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	<u>\$ 31,465.17</u>	<u>\$ 314.65</u>	<u>\$ 31,779.82</u>

Note 13: CAPITAL DEBT (CONT'D)

Water and Sewer Improvement Bonds

General Improvement Bonds, Series 2008 - On July 15, 2008, the Township issued \$4,563,000.00 of general improvement bonds, with interest rates ranging from 4.0% - 4.5%. The bonds were issued for the purpose of funding the following Ordinances: 2007-09, 2007-15, 2007-14 and 2008-19. The final maturity of the bonds is July 15, 2028.

Refunding Bonds, Series 2011 – November 21, 2011, the Township issued \$1,593,200.00 of refunding bonds, with interest rates ranging from 2.0% - 3.0%. The bonds were issued to refund \$152,132.50 of Refunding Bonds, Series 1998 and to refund \$1,396,000.00 of principal of General Obligation Bonds, Series 2002. The final maturity of the bonds is July 1, 2019.

General Improvement Bonds, Series 2013 - On May 17, 2013, the Township issued \$1,305,000.00 of general improvement bonds, with interest rates ranging from 2.0% - 3.25%. The bonds were issued to fund ordinance 2009-20. The final maturity of the bonds is May 1, 2033.

Refunding Bonds, Series 2013 - On May 17, 2013, the Township issued \$5,140,000.00 of refunding bonds, with interest rates ranging from 1.0% – 2.5%. The bonds were issued to refund \$4,750,000.00 of General Obligation Bonds, Series 2004 and to advance refund \$2,963,000.00 of General Obligation Bonds, Series 2005. The final maturity of the bonds is August 1, 2025.

General Improvement Bonds, Series 2015 - On December 17, 2015, the Township issued \$1,470,000.00 of general improvement bonds, with interest rates ranging from 2.0% – 2.25%. The bonds were issued for the purpose of funding the following Ordinances 2008-20, 2010-16, 2010-21 and 2015-16. The final maturity of the bonds is June 1, 2035.

On March 28, 2017, the Burlington County Bridge Commission issued, on behalf of the Township, \$905,000.00 in county guaranteed pooled loan revenue refunding bonds with interest rates from 3.0% to 4.0% to advance refund \$946,000.00 of outstanding 2006 series bonds. The final maturity of the bonds is February 15, 2026.

On September 6, 2018, the Burlington County Bridge Commission issued, on behalf of the Township, \$946,932.00 in county guaranteed pooled loan revenue bonds with interest rates from 4.0% to 5.0%. The bonds were issued for the purpose of funding Ordinances 2018-11. The final maturity of the bonds is August 1, 2028.

The following schedule represents the remaining debt service, through maturity, for the Water and Sewer Improvement Bonds:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 1,120,400.00	\$ 304,781.22	\$ 1,425,181.22
2020	1,053,000.00	277,202.50	1,330,202.50
2021	931,000.00	248,222.50	1,179,222.50
2022	925,000.00	220,270.00	1,145,270.00
2023	843,000.00	192,095.00	1,035,095.00
2024 - 2028	3,535,000.00	526,117.50	4,061,117.50
2029 - 2033	830,000.00	96,556.25	926,556.25
2034 - 2035	<u>210,000.00</u>	<u>6,450.00</u>	<u>216,450.00</u>
Totals	<u>\$ 9,447,400.00</u>	<u>\$ 1,871,694.97</u>	<u>\$ 11,319,094.97</u>

Note 13: CAPITAL DEBT (CONT'D)

Water and Sewer Debt - New Jersey Environmental Infrastructure Loans

On October 30, 2002, the Township entered into a loan agreement with the New Jersey Environmental Infrastructure Trust to provide \$880,709.00, at no interest, from the fund loan, and \$835,000.00 at interest rates ranging from 3.0% to 5.0% from the trust loan. The proceeds were used to fund improvements to the water and sewer systems. Semiannual debt payments are due February 1st and August 1st through 2022.

On November 8, 2007, the Township entered into a loan agreement with the New Jersey Environmental Infrastructure Trust to provide \$1,106,200.00, at no interest, from the fund loan, and \$1,100,000.00 at interest rates ranging from 3.0% to 5.0% from the trust loan. The proceeds were used to fund improvements to the water and sewer systems. Semiannual debt payments are due February 1st and August 1st through 2027.

On November 6, 2008, the Township entered into a loan agreement with the New Jersey Environmental Infrastructure Trust to provide \$3,141,145.00, at no interest, from the fund loan, and \$3,785,000.00 at interest rates ranging from 3.0% to 5.0% from the trust loan. The proceeds were used to fund improvements to the water and sewer systems. Semiannual debt payments are due February 1st and August 1st through 2028.

On November 19, 2009, the Township entered into a loan agreement with the New Jersey Environmental Infrastructure Trust to provide \$1,857,000.00, at no interest, from the fund loan, and \$1,965,000.00 at interest rates ranging from 3.0% to 5.0% from the trust loan. The proceeds were used to fund improvements to the water and sewer systems. Semiannual debt payments are due February 1st and August 1st through 2029.

On March 10, 2010, the Township entered into a loan agreement with the New Jersey Environmental Infrastructure Trust to provide \$2,252,000.00, at no interest, from the fund loan, and \$735,000.00 at interest rates ranging from 3.0% to 5.0% from the trust loan. The proceeds were used to fund improvements to the water and sewer systems. Semiannual debt payments are due February 1st and August 1st through 2029.

On December 2, 2010, the Township entered into a loan agreement (Part A and Part B) with the New Jersey Environmental Infrastructure Trust to provide \$4,186,000.00, at no interest, from the fund loan, and \$2,370,000.00 at interest rates ranging from 3.0% to 5.0% from the trust loan. The proceeds were used to fund improvements to the water and sewer systems. Semiannual debt payments are due February 1st and August 1st through 2030.

The following schedule represents the remaining debt service, through maturity, for the Water and Sewer Infrastructure Loans:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 1,114,449.90	\$ 325,337.50	\$ 1,439,787.40
2020	1,139,376.21	299,312.50	1,438,688.71
2021	1,171,874.23	271,162.50	1,443,036.73
2022	1,194,378.46	241,712.50	1,436,090.96
2023	1,119,613.90	211,300.00	1,330,913.90
2024 - 2028	5,887,955.42	605,400.00	6,493,355.42
2029 - 2030	<u>1,036,503.64</u>	<u>35,500.00</u>	<u>1,072,003.64</u>
Totals	<u>\$ 12,664,151.76</u>	<u>\$ 1,989,725.00</u>	<u>\$ 14,653,876.76</u>

Note 13: CAPITAL DEBT (CONT'D)

The following schedule represents the Township's summary of debt for the current and two previous years:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
<u>Issued</u>			
General:			
Bonds, Loans and Notes	\$ 29,600,902.17	\$ 21,804,605.98	\$ 21,974,367.40
Water and Sewer Utility:			
Bonds, Loans and Notes	<u>22,578,349.76</u>	<u>23,338,032.59</u>	<u>25,428,370.93</u>
Total Issued	<u>52,179,251.93</u>	<u>45,142,638.57</u>	<u>47,402,738.33</u>
<u>Authorized but not Issued</u>			
General:			
Bonds, Loans and Notes	-	3,200,837.56	3,269,702.00
Water and Sewer Utility:			
Bonds, Loans and Notes	<u>-</u>	<u>466,798.57</u>	<u>794,338.57</u>
Total Authorized but not Issued	<u>-</u>	<u>3,667,636.13</u>	<u>4,064,040.57</u>
Total Issued and Authorized but not Issued	<u>52,179,251.93</u>	<u>48,810,274.70</u>	<u>51,466,778.90</u>
<u>Deductions</u>			
General:			
Reserve for Payment of Debt Service	354,959.44	153,966.20	140,968.03
Water and Sewer Utility:			
Self-Liquidating	<u>22,578,349.76</u>	<u>23,804,831.16</u>	<u>26,222,709.50</u>
Total Deductions	<u>22,933,309.20</u>	<u>23,958,797.36</u>	<u>26,363,677.53</u>
Net Debt	<u><u>\$ 29,245,942.73</u></u>	<u><u>\$ 24,851,477.34</u></u>	<u><u>\$ 25,103,101.37</u></u>

Summary of Statutory Debt Condition - Annual Debt Statement

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the annual debt statement and indicated a statutory net debt of .886%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School Purposes	\$ 18,878,306.00	\$ 18,878,306.00	
Regional School Purposes	9,207,292.48	9,207,292.48	
Self-Liquidating	22,578,349.76	22,578,349.76	
General	<u>29,600,902.17</u>	<u>354,959.44</u>	<u>\$ 29,245,942.73</u>
	<u><u>\$ 80,264,850.41</u></u>	<u><u>\$ 51,018,907.68</u></u>	<u><u>\$ 29,245,942.73</u></u>

Net debt \$29,245,942.73 divided by the equalized valuation basis per N.J.S.A.40A:2-2, as amended, \$3,302,126,778.33, equals .886%.

Note 13: CAPITAL DEBT (CONT'D)

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

3 1/2% of Equalized Valuation Basis (Municipal)		\$ 115,574,437.24
Less: Net Debt		<u>29,245,942.73</u>
Remaining Borrowing Power		<u>\$ 86,328,494.51</u>
Cash Receipts from Fees, Rents, Fund Balance Anticipated, Interest and Other Investment Income, and Other Charges for the Year		\$ 8,195,750.73
Deductions:		
Operating and Maintenance Costs	\$ 4,022,450.67	
Debt Service	<u>2,650,582.42</u>	
Total Deductions		<u>6,673,033.09</u>
Excess in Revenue		<u>\$ 1,522,717.64</u>

A revised annual debt statement should be filed by the Chief Financial Officer.

Note 14: DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2018, the following deferred charges are shown on the statement of assets, liabilities, reserves and fund balance of the following fund(s):

<u>Description</u>	<u>Balance December 31, 2018</u>	<u>2019 Budget Appropriation</u>
Current Fund:		
Emergency Appropriations	\$ 96,000.00	\$ 96,000.00

The appropriations in the 2019 Budget as adopted are not less than that required by the statutes.

Note 15: SCHOOL TAXES

The Township of Medford School District tax and Lenape Regional High School tax have been raised and the liabilities deferred by statutes, resulting in the school taxes payable set forth in the current fund liabilities as follows:

	Local School District		Regional School District	
	<u>Balance December 31,</u>		<u>Balance December 31,</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Balance of Tax	\$ 22,818,650.46	\$ 22,315,846.48	\$ 11,240,770.13	\$ 11,090,147.21
Deferred	<u>19,507,879.44</u>	<u>19,507,879.44</u>	<u>8,516,977.28</u>	<u>8,516,977.28</u>
Taxes Payable	<u>\$ 3,310,771.02</u>	<u>\$ 2,807,967.04</u>	<u>\$ 2,723,792.85</u>	<u>\$ 2,573,169.93</u>

Note 16: GUARANTOR OF DEBT

In 2006, the Township became co-borrower of various loans for the reconstruction of several dams located within the Township. All of the loans were made from the New Jersey Department of Environmental Protection, Dam Restoration Loan Program. In the event the original borrower defaults on a loan the Township will be required to make the remaining payments. The terms of the loans are as follows:

<u>Borrower</u>	<u>Agreement Date</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Term</u>
Old Tauton Colony Club	01/10/06	\$ 433,440.00	2.00%	20 Years
YMCA Camp Ockanickon Inc.	01/10/06	1,809,000.00	2.00%	20 Years
Birchwood Lake Colony Club	01/24/06	2,340,000.00	2.00%	20 Years
Jewish Federation of Southern NJ	01/24/06	227,500.00	2.00%	20 Years

In addition, the Township acts as a fiduciary for the Birchwood Lakes Colony Club with regards to collecting the annual billings of their association for the repayment of their loan and then pays their debt service payments with the collections.

Note 17: RISK MANAGEMENT

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

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

Note 17: RISK MANAGEMENT (CONT'D)

New Jersey Unemployment Compensation Insurance (Cont'd) - The following is a summary of Township contributions, reimbursements to the State for benefits paid and the ending balance of the Township's trust fund for the current and previous two years:

<u>Year</u>	<u>Township Contributions</u>	<u>Employee Contributions</u>	<u>Interest Earnings</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2018	\$ -	\$ 3,062.48	\$ 987.64	\$ 2,279.87	\$ 108,523.47
2017	10,000.00	3,297.27	491.50	2,848.36	106,753.22
2016	20,000.00	3,781.37	26.05	13,739.74	95,812.81

It is estimated that there are no unreimbursed payments on behalf of the Township at December 31, 2018.

Joint Insurance Pool - The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. Employee health and accident insurance and public officials bonds in amounts required by New Jersey statutes are provided through commercial insurance. Unemployment compensation benefits are provided by the State of New Jersey, supported by mandatory contributions by the Township. The Township is a member of the Burlington County Municipal Joint Insurance Fund (the "JIF") and the Municipal Excess Liability Joint Fund (the "MEL"), both public entity risk pools. Covered losses not provided by either the JIF or MEL are covered by reinsurance policies in varying amounts. The following coverage is provided by the JIF and MEL:

- Public Officials Bonds in excess of amounts statutorily required
- Public Employees Dishonesty Bonds
- Automobile Liability
- Workers' Compensation and Employer's Liability
- Commercial Property
- General Liability
- Public Officials Liability
- Employment Practices Liability
- Environmental Liability

Contributions to the JIF and MEL, including a reserve for contingencies, are payable in two installments and are based on actuarial assumptions determined by the each of the fund's actuaries. The Commissioner of Insurance may order additional assessments to supplement the Fund's claim, loss retention or administrative accounts to assure the payment of the Fund's obligations.

The Funds publish their own financial reports, which can be obtained from:

Burlington County Municipal Joint Insurance Fund
P.O. Box 325
Hammonton, New Jersey 08037

Municipal Excess Liability Joint Insurance Fund
Park 80 West Plaza I
Saddle Brook, New Jersey 07663

Note 18: OPEN SPACE, RECREATION AND FARMLAND PRESERVATION TRUST

On November 4, 1997, pursuant to P.L. 1997, c. 24 (N.J.S.A. 40:12-15.1 et seq.), the voters of the Township authorized the establishment of the Township of Medford Open Space, Recreation and Farmland Preservation Trust Fund effective July 1, 1998, for the purpose of raising revenue for the acquisition of lands and interests in lands for the conservation of farmland and open space. Overall, as a result of the two referendums, the Township levies a tax not to exceed three cents per one hundred dollars of equalized valuation. Amounts raised by taxation are assessed, levied and collected in the same manner and at the same time as other taxes. Future increases in the tax rate or to extend the authorization must be authorized by referendum. All revenue received is accounted for in a trust fund dedicated by rider (N.J.S.A. 40A:4-39) for the purposed stated. Interest earned on the investment of these funds is credited to the Township of Medford Open Space, Recreation and Farmland Preservation Trust Funds.

Note 19: CONTINGENCIES

Grantor Agencies - Amounts received or receivable from grantor agencies could be subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Township expects such amount, if any, to be immaterial.

Litigation - The Township is a defendant in several legal proceedings that are in various stages of litigation. It is believed that the outcome, or exposure to the Township, from such litigation is either unknown or potential losses, if any, would not be material to the financial statements.

Note 20: CONCENTRATIONS

The Township depends on financial resources flowing from, or associated with, both the federal government and the State of New Jersey. As a result of this dependency, the Township is subject to changes in specific flows of intergovernmental revenues based on modifications to federal and State laws and federal and State appropriations.

Note 21: CHANGE ORDERS

During the year 2018, the Township amended contracts by approving the following change orders that resulted in the total amount of change orders executed for these projects to exceed the originally awarded contract price by more than twenty percent (20%):

<u>Resolution Number</u>	<u>Project Description</u>
137-2018	Vegetative Debris Removal
209-2018	Medford Bicycle Network Improvement Project

N.J.A.C. 5:30-11.3 (a) 9 and 10 states that the total number of change orders executed for a particular contract shall not cause the originally awarded contract price to be exceeded by more than twenty percent (20%) unless otherwise authorized, and that if proposed change orders do exceed that twenty percent limitation, no work shall be performed or purchases made until the procedures of N.J.A.C. 5:30-11.9 have been completed.

N.J.A.C. 5:30-11.9 delineates the required procedures for change orders, which exceed the twenty percent (20%) limitation. The Township has complied with all provisions of N.J.A.C. 5:30-11.9.

Note 22: ARBITRAGE REBATE

The Tax Reform Act of 1986 placed restriction on investments of the proceeds of certain tax-exempt bonds issued after December 31, 1986. Specifically, investment earnings which are above arbitrage bond yield are required to be rebated to the United States Treasury Department within sixty days of the end of the fifth bond year. A bond year is defined, at the option of the issuing entity, as either the date of the first anniversary of bond settlement or the issuing entity's year end.

The Township has the following bond issue outstanding that requires a rebate calculation:

<u>Bonds Issued</u>	<u>General Capital Fund</u>	<u>Sewer Utility Capital Fund</u>	<u>Liability</u>
September 6, 2018	\$ 15,508,787.00	\$ 946,932.00	(1)

- (1) The rebate calculation on these bonds is required to be made at least once every five years. It is anticipated that when such calculation is made, the liability, if any, will be appropriated in that year's general budget.

Note 23: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

General Information about the OPEB Plan

Plan Description and Benefits Provided - The Township contributes to the State Health Benefits Local Government Retired Employees Plan (the "Plan"), which is a cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plan with a special funding situation. It covers employees of local government employers that have adopted a resolution to participate in the Plan. The Plan meets the definition of an equivalent arrangement as defined in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for the Postemployment Benefits Other Than Pensions* (GASB Statement No. 75); therefore, assets are accumulated to pay associated benefits. For additional information about the Plan, please refer to the State of New Jersey (the State), Division of Pensions and Benefits' (the Division) Comprehensive Annual Financial Report (CAFR), which can be found at <https://www.state.nj.us/treasury/pensions/financial-reports.shtml>.

The Plan provides medical and prescription drug benefit coverage to retirees and their covered dependents of the employers. Under the provisions of Chapter 88, P.L. 1974 and Chapter 48, P.L. 1999, local government employers electing to provide postretirement medical coverage to their employees must file a resolution with the Division. Under Chapter 88, local employers elect to provide benefit coverage based on the eligibility rules and regulations promulgated by the State Health Benefits Commission. Chapter 48 allows local employers to establish their own age and service eligibility for employer paid health benefits coverage for retired employees. Under Chapter 48, the employer may assume the cost of postretirement medical coverage for employees and their dependents who: 1) retired on a disability pension; or 2) retired with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 3) retired and reached the age of 65 with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 4) retired and reached age 62 with at least 15 years of service with the employer. Further, the law provides that the employer paid obligations for retiree coverage may be determined by means of a collective negotiations agreement.

Note 23: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONT'D)

General Information about the OPEB Plan (Cont'd)

In accordance with Chapter 330, P.L. 1997, which is codified in N.J.S.A 52:14-17.32i, the State provides medical and prescription coverage to local police officers and firefighters, who retire with 25 years of service or on a disability from an employer who does not provide postretirement medical coverage. Local employers were required to file a resolution with the Division in order for their employees to qualify for State-paid retiree health benefits coverage under Chapter 330. The State also provides funding for retiree health benefits to survivors of local police officers and firefighters who die in the line of duty under Chapter 271, P.L.1989.

Pursuant to Chapter 78, P.L. 2011, future retirees eligible for postretirement medical coverage who have less than 20 years of creditable service on June 28, 2011 will be required to pay a percentage of the cost of their health care coverage in retirement provided they retire with 25 or more years of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree's annual retirement benefit and level of coverage.

Contributions - The funding policy for the OPEB plan is pay-as-you-go; therefore, there is no prefunding of the liability. However, due to premium rates being set prior to each calendar year, there is a minimal amount of net position available to cover benefits in future years. Contributions to pay for the health benefit premiums of participating employees in the OPEB plan are collected from the State of New Jersey, participating local employers, and retired members.

The Township was billed monthly by the Plan and \$1,273,883.05 for the year ended December 31, 2018, representing 20.44% of the Township's covered payroll. During the year ended December 31, 2018, retirees were not required to contribute to the Plan.

Special Funding Situation Component - The State of New Jersey makes contributions to cover those employees eligible under Chapter 330, P.L. 1997, as disclosed below. Local employers remit employer contributions on a monthly basis. Retired member contributions are generally received on a monthly basis. Partially funded benefits are also available to local police officers and firefighters who retire with 25 years of service or on disability from an employer who does not provide coverage under the provisions of Chapter 330, P.L. 1997. Upon retirement, these individuals must enroll in the OPEB plan.

Under Chapter 330, P.L. 1997, the State shall pay the premium or periodic charges for the qualified local police and firefighter retirees and dependents equal to 80% of the premium or periodic charge for the category of coverage elected by the qualified retiree under the State managed care plan or a health maintenance organization participating in the program providing the lowest premium or periodic charge. The State also provides funding for retiree health benefits to survivors of local police officers and firefighters who die in the line of duty under Chapter 271, P.L.1989.

Therefore, these employers are considered to be in a special funding situation as defined by GASB Statement No. 75 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute under this legislation directly to the Plan, there is no net OPEB liability, deferred outflows of resources or deferred inflows of resources to report in the financial statements of the local participating employers related to this legislation. However, the notes to the financial statements of the local participating employers must disclose the portion of the nonemployer contributing entities' total proportionate share of the collective net OPEB liability that is associated with the local participating employer.

The Township does not have a Special Funding Situation within the Plan.

Note 23: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONT'D)

OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources

OPEB Liability - At December 31, 2018 the Township's proportionate share of the net OPEB liability was \$21,783,649.00.

The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017, which was rolled forward to June 30, 2018.

The Township's proportion of the net OPEB liability was based on the ratio of the plan members of an individual employer to the total members of the Plan's nonspecial funding situation during the measurement period July 1, 2017 through June 30, 2018. For the June 30, 2018 measurement date, the Township's proportion was .139045% which was an increase of .001793% from its proportion measured as of the June 30, 2017 measurement date.

OPEB Expense - At December 31, 2018, the Township's proportionate share of the OPEB expense, calculated by the Plan as of the June 30, 2018 measurement date is \$593,502.00. This expense is not recognized by the Township because of the regulatory basis of accounting as described in note 1; however, as previously mentioned, for the year ended December 31, 2018, the Township made contributions to the Plan totaling \$1,273,883.05.

Deferred Outflows of Resources and Deferred Inflows of Resources - At December 31, 2018, the Township had deferred outflows of resources and deferred inflows of resources related to the OPEB liability from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Experience	\$ -	\$ 4,422,858.00
Changes of Assumptions	-	5,525,708.00
Net Difference between Projected and Actual Earnings on OPEB Plan Investments	11,512.00	-
Changes in Proportion and Differences between Township Contributions and Proportionate Share of Contributions	356,668.00	1,837,734.00
Township Contributions Subsequent to the Measurement Date	<u>613,776.72</u>	<u>-</u>
	<u>\$ 981,956.72</u>	<u>\$ 11,786,300.00</u>

\$613,776.72 reported as deferred outflows of resources resulting from the Township's contributions subsequent to the measurement date will be included as a reduction of the Township's net OPEB liability during the year ending December 31, 2019.

Note 23: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONT'D)

OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources (Cont'd)

Deferred Outflows of Resources and Deferred Inflows of Resources (Cont'd) - The Township will amortize the above other deferred outflow of resources and deferred inflows of resources related to the OPEB liability over the following number of years:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of Assumptions		
Year of OPEB Plan Deferral:		
June 30, 2017	-	8.04
June 30, 2018	-	8.14
Net Difference between Projected and Actual Earnings on OPEB Plan Investments		
Year of OPEB Plan Deferral:		
June 30, 2017	5.00	-
June 30, 2018	5.00	-
Changes in Proportion and Differences between Township Contributions and Proportionate Share of Contributions		
Year of OPEB Plan Deferral:		
June 30, 2017	8.04	8.04
June 30, 2018	8.14	8.14

Other amounts included as deferred outflows of resources and deferred inflows of resources related to the OPEB liability will be recognized in future periods as follows:

Year Ending <u>Dec. 31,</u>	
2019	\$ (1,713,431.00)
2020	(1,713,431.00)
2021	(1,713,431.00)
2022	(1,714,648.00)
2023	(1,716,613.00)
Thereafter	<u>(2,846,566.00)</u>
	<u>\$ (11,418,120.00)</u>

Note 23: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONT'D)

Actuarial Assumptions

The actuarial assumptions vary for each plan member depending on the pension plan in which the member is enrolled. The actuarial valuation at June 30, 2018 used the following actuarial assumptions, applied to all periods in the measurement:

Inflation Rate	2.50%
Salary Increases *	
Through 2026	1.65% - 8.98%
Thereafter	2.65% - 9.98%

* Salary Increases are Based on the Defined Benefit Plan that the Member is Enrolled in and his or her Age.

Preretirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Employee Male/Female mortality table with fully generational mortality improvement projections from the central year using the MP-2017 scale. Postretirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Annuitant Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale. Disability mortality was based on the RP-2006 Headcount-Weighted Disabled Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale.

Certain actuarial assumptions used in the July 1, 2017 valuation were based on the results of the pension plans' experience studies for which the members are eligible for coverage under this Plan – the Police and Firemen Retirement System (PFRS) and the Public Employees' Retirement System (PERS). The PFRS and PERS experience studies were prepared for the periods July 1, 2010 to June 30, 2013 and July 1, 2011 to June 30, 2014, respectively.

100% of active members are considered to participate in the Plan upon retirement.

All of the Plan's investments are in the State of New Jersey Cash Management Fund ("CMF"). The New Jersey Division of Investments manages the CMF, which is available on a voluntary basis for investment by State and certain non-State participants. The CMF is considered to be an investment trust fund as defined in GASB Statement No. 31, *Certain Investments and External Investment Pools*. The CMF invests in U.S. Government and Agency Obligations, Commercial Paper, Corporate Obligations and Certificates of Deposit. Units of ownership in the CMF may be purchased or redeemed on any given business day (excluding State holidays) are the unit cost of value of \$1.00. Participant shares are valued on a fair value basis. The CMF pay interest to participants on a monthly basis.

Discount Rate - The discount rate used to measure the OPEB Liability at June 30, 2018 was 3.87%. This represents the municipal bond return rate as chosen by the State. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

Health Care Trend Assumptions - For pre-Medicare preferred provider organization (PPO) and health maintenance organization (HMO) medical benefits, the trend rate is initially 5.8% and decreases to a 5.0% long-term trend rate after eight years. For self-insured post-65 PPO and HMO medical benefits, the trend rate is 4.5%. For prescription drug benefits, the initial trend rate is 8.0% decreasing to a 5.0% long-term trend rate after seven years. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

Note 23: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONT'D)

Sensitivity of the net OPEB Liability to Changes in the Discount Rate

The Township's proportionate share of the net OPEB liability as of June 30, 2018, the Plans measurement date, calculated using a discount rate of 3.87%, as well as using a discount rate that is 1% lower or 1% higher than the current rates used, is as follows:

	1% Decrease <u>(2.87%)</u>	Current Discount Rate <u>(3.87%)</u>	1% Increase <u>(4.87%)</u>
Township's Proportionate Share of the Net OPEB Liability	<u>\$ 25,557,980.00</u>	<u>\$ 21,783,649.00</u>	<u>\$ 18,768,813.00</u>

Sensitivity of the net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The Township's proportionate share of the net OPEB Liability as of June 30, 2018, the Plans measurement date, using a healthcare cost trend rates that are 1% lower or 1% higher than the current healthcare cost trend rate used, is as follows:

	1% <u>Decrease</u>	Healthcare Cost Trend Rates	1% <u>Increase</u>
Township's Proportionate Share of the Net OPEB Liability	<u>\$ 18,171,056.00</u>	<u>\$ 21,783,649.00</u>	<u>\$ 26,458,881.00</u>

OPEB Plan Fiduciary Net Position

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the respective fiduciary net position of the State Health Benefits Local Government Retired Employees Plan and additions to/deductions from the Plan's respective fiduciary net position have been determined on the same basis as they are reported by the Plan. Accordingly, contributions (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. For additional information about the Plan, please refer to the Plan's Comprehensive Annual Financial Report (CAFR) which can be found at <https://www.state.nj.us/treasury/pensions/financial-reports.shtml>.

Supplementary OPEB Information

In accordance with GASB 75, the following information is also presented for the State Health Benefits Local Government Retired Employees Plan. These schedules are presented to illustrate the requirements to show information for 10 years; however, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available.

Note 23: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONT'D)

Supplementary OPEB Information (Cont'd)

Schedule of the Township's Proportionate Share of the net OPEB Liability (Last 2 Years) –

	<u>Measurement Date Ended June 30,</u>	
	<u>2018</u>	<u>2017</u>
Township's Proportion of the Net OPEB Liability	0.139045%	0.137252%
Township's Proportionate Share of the Net OPEB Liability	\$ 21,783,649.00	\$ 28,021,078.00
Township's Covered Payroll (Plan Measurement Period)	\$ 5,982,274.00	\$ 5,746,926.00
Township's Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	364.14%	487.58%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	1.97%	1.03%

Schedule of the Township's Contributions (Last 2 Years) –

	<u>Year Ended December 31,</u>	
	<u>2018</u>	<u>2017</u>
Township's Required Contributions	\$ 1,273,883.05	\$ 1,361,532.26
Township's Contributions in Relation to the Required Contribution	<u>(1,273,883.05)</u>	<u>(1,361,532.26)</u>
Township's Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
Township's Covered Payroll (Calendar Year)	\$ 6,232,779.00	\$ 5,871,076.00
Township's Contributions as a Percentage of Covered Payroll	20.44%	23.19%

Other Notes to Supplementary OPEB Information

Changes in Benefit Terms - None

Changes in Assumptions – In 2017, the discount rate changed to 3.58% from 2.85%. In 2018, the discount rate changed to 3.87% from 3.58%, there were changes in the census, claims and premiums experience and a decrease in the assumed health care cost trend and excise tax assumptions.

Note 24: SUBSEQUENT EVENTS

Authorization of Debt - Subsequent to December 31, the Township authorized additional bonds and notes as follows:

<u>Purpose</u>	<u>Adoption</u>	<u>Authorization</u>
General Improvements		
Various General Capital Improvements and Related Expenses	05/21/19	\$ 6,253,375.00
Water and Sewer Utility Improvements		
Various Utility Capital Improvements and Related Expenses	05/21/19	1,723,500.00

APPENDIX C

FORM OF BOND COUNSEL'S OPINION

October __, 2019

Mayor and Township Council
Township of Medford, in the
County of Burlington, New Jersey

Re: Township of Medford, in the County of Burlington, New Jersey
\$ _____ General Obligation Refunding Bonds, Series 2019

Ladies and Gentlemen:

We have served as Bond Counsel in connection with the authorization, issuance, sale and delivery of the \$ _____ General Obligation Refunding Bonds, Series 2019 (the "Bonds") by the Township of Medford (the "Township") in the County of Burlington, New Jersey (the "County").

The Bonds are authorized to be issued pursuant to: (i) the Local Bond Law, constituting Chapter 169 of the Laws of 1960 of the State of New Jersey, as amended and supplemented ("Local Bond Law"); (ii) Resolution 2019-177 of the Township adopted by the Township Council on September 3, 2019 ("Authorizing Resolution") and (iii) Refunding Bond Ordinance 2019-13 of the Township finally adopted September 3, 2019 (the "Bond Ordinance").

The Bonds are dated October __, 2019, and mature on July 15 in each of the years and in the respective principal amounts as set forth on the inside cover of an Official Statement dated October __, 2019 related to the Bonds, and bear interest at the respective interest rates per annum set forth in the Official Statement, payable semi-annually thereafter on July 15th and January 15th of each year, commencing January 15, 2020.

The Bonds are issued without coupons. The principal amounts of the Bonds are not subject to optional redemption prior to their respective maturity and principal payment dates as set forth therein.

Proceeds of the Bonds will be used (i) to currently refund the outstanding \$2,500,0000 portion of the Township's General Obligation Bonds, Series 2008 and (ii) to pay the costs to be incurred through the issuance of the Bonds.

As the basis for the opinion set forth below, we have examined such matters of law as we have deemed necessary including, *inter alia*, the Constitution of the State of New Jersey, the Internal Revenue Code of 1986, as amended ("Code"), and the Local Bond Law. We have also examined such documents, certifications and instruments as we have deemed necessary including, without limitation, the proceedings of the Township Council in connection with the adoption of the Ordinances and the Authorizing Resolution, and the other certifications, instruments, documents and opinions prepared in connection with the Bonds.

In rendering the following opinion, we have relied upon the authenticity, truthfulness and completeness of all documents, instruments and certifications examined.

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

1. The Bond Ordinance and the Authorizing Resolution have been duly adopted by the Township Council and are in full force and effect.

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

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

4. On the date hereof, the Township has covenanted in its Arbitrage and Tax Certificate (the "Certificate") to comply with certain continuing requirements that must be satisfied subsequent to the issuance of the Bonds in order to preserve the tax-exempt status of the Bonds pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Pursuant to Section 103 of the Code, failure to comply with these requirements could cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. In the event that the Township continuously complies with its covenants and in reliance on representations, certifications of fact and statements of reasonable expectations made by the Township in its Certificate, it is our opinion that, under existing law, interest on the Bonds is excluded from gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Code. Interest on the Bonds is not an item of tax preference under Section 57 of the Code for purposes of computing alternative minimum tax. We express no opinion regarding other federal tax consequences arising with respect to the Bonds. Further, in our opinion, based upon existing law, interest on the Bonds and any gain on the sale thereof are not included in gross income under the New Jersey Gross Income Tax Act.

We express no other opinion regarding other federal or State tax consequences arising with respect to the Bonds.

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

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, and by equitable principles, and the phrase "enforceable in accordance with their terms" shall not mean that specific performance would necessarily be available as a remedy in every situation.

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

Very truly yours,

APPENDIX D

FORM OF CONTINUING DISCLOSURE AGREEMENT

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Township of Medford, in the County of Burlington, New Jersey (the "Issuer") in connection with the issuance by the Issuer of its \$ _____,000 General Obligation Refunding Bonds, Series 2019 (the "2019 Bonds"). The 2019 Bonds are being issued pursuant to a Resolution 2019-177 duly adopted by the Township on September 3, 2019 (the "Resolution") and Refunding Bond Ordinance 2019-13 (the "Ordinance"). The Issuer covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the Bondholders and Beneficial Owners of the 2019 Bonds and in order to assist the Participating Underwriters in complying with S.E.C. Rule 15c2-12(b)(5).

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

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

"Beneficial Owner" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any 2019 Bonds (including persons holding 2019 Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any 2019 Bonds for federal income tax purposes.

"Bondholder" shall mean any person who is the registered owner of any 2019 Bond, including Beneficial Owners of in the 2019 Bonds.

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

"EMMA" shall mean the Electronic Municipal Market Access System, an internet based filing system created and maintained by the MSRB in accordance with Release No. 34-59062, of the Securities and Exchange Commission, dated December 5, 2008, pursuant to which issuers of tax-exempt and taxable bonds, including the 2019 Bonds, and other filers on behalf of such issuers shall upload continuing disclosure information to assist underwriters in complying with the Rule and to provide the general public with access to such continuing disclosure information.

"Financial Obligation" shall mean a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii).

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

"MSRB" shall mean the Municipal Securities Rulemaking Board via the internet facilities of the Electronic Municipal Market Access System (EMMA).

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

"Participating Underwriter" shall mean the original underwriter of the 2019 Bonds required to comply with the Rule in connection with the offering of the 2019 Bonds.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State" shall mean the State of New Jersey.

SECTION 3. Provision of Annual Reports.

(a) The Township shall not later than two hundred seventy (270) days after the end of its fiscal year (currently December 31) for each fiscal year until termination of the Township's reporting obligations under this Disclosure Agreement pursuant to the provisions of Section 6 hereof provide to the Dissemination Agent, the Annual Report prepared for the preceding fiscal year of the Township (commencing for the fiscal year ending December 31, 2019). Each Annual Report provided to the Dissemination Agent by the Township shall comply with the requirements of Section 4 of this Disclosure Agreement but may be submitted as a single document or as separate documents comprising a package and may cross-reference other information submitted to the National Repository. Any and all items that must be included in the Annual Report may be incorporated by reference from other information that is available to the public on EMMA, or that has been filed with the Securities and Exchange Commission.

(b) The Dissemination Agent, promptly (within fifteen (15) Business Days) after receiving the Annual Report from the Township, shall submit each Annual Report received by it to the National Repository and thereafter shall file a written report with the Township certifying that the Annual Report has been provided pursuant to this Disclosure Agreement to the National Repository and stating the date it was provided to the National Repository.

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

SECTION 4. Contents of Annual Report. Annual Report shall mean: annual financial information with respect to the Township consisting of the audited financial statements (or unaudited financial statements if audited financial statements are not then available, which audited financial statements will be delivered when and if available) of the Township and certain financial information and operating data consisting of (i) the Township and overlapping indebtedness including a schedule of outstanding debt issued by the Township, (ii) the Township's most current adopted budget, (iii) property valuation information, and (iv) tax rate, levy and collection data. The audited financial information will be prepared in accordance with modified cash accounting as mandated by State of New Jersey statutory principles in effect from time to time or with generally accepted accounting principles as modified by governmental accounting standards as may be required by New Jersey law and shall be filed electronically and accompanied by identifying information with the MSRB.

SECTION 5. Reporting of Significant Events.

(a) This Section 5 shall govern the giving of notices of the occurrence of any of the following listed events ("Listed Events"):

- (1) principal and interest payment delinquencies;
- (2) non-payment related defaults, if material;
- (3) unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) substitution of credit or liquidity providers or their failure to perform;
- (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Tax Exempt Bonds or other material events affecting the tax status of the 2019 Bonds;
- (7) modifications to the rights of Bondholders, if material;
- (8) 2019 Bond calls (excluding mandatory sinking fund redemptions), if material, or tender offers;
- (9) defeasances;
- (10) release, substitution, or sale of property securing repayment of the 2019 Bonds, if material;
- (11) rating changes;
- (12) bankruptcy, insolvency, receivership or similar event of the Township;
- (13) the consummation of a merger, consolidation, or acquisition involving the Township or the sale of all or substantially all of the assets of the Township, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a

definitive agreement relating to any such actions, other than pursuant to its terms, if material;

- (14) appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (15) Incurrence of a “financial obligation” of the Township, if material, or agreement to covenants, events of default, remedies, priority rights or other similar terms of a financial obligation, any of which affect security holders, if material; and
- (16) Default, event of acceleration, termination event, modification of terms or other similar events under a financial obligation of the Township, if any such event reflects financial difficulties.

(b) The Township shall, promptly upon obtaining actual knowledge of the occurrence of any of the Listed Events which are material, notify the Dissemination Agent in writing to report the event pursuant to subsection (c) of this Section 5. In determining the materiality of any of the Listed Events specified in subsection (a) of this Section 5, the Township may, but shall not be required to, rely conclusively on an Opinion of Counsel. The Dissemination Agent shall have no obligation under this Disclosure Agreement to provide, or to monitor the Township's obligation to provide, notification of the occurrence of any of the Listed Events which are material.

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

SECTION 6. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the 2019 Bonds. If such termination occurs prior to the final maturity of the 2019 Bonds, the Issuer shall give notice of such termination in the same manner as for a Listed Event under Section 5(b).

SECTION 7. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Issuer pursuant to this Disclosure Certificate. The initial Dissemination Agent shall be the Issuer.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Issuer may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

- (a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5(a), 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 2019 Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the 2019 Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Bondholders or Beneficial Owners of the 2019 Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the Issuer shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Issuer. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(b), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate any Bondholder or Beneficial Owner of the 2019 Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Issuer to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default on the 2019 Bonds, and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 11. Submission of Information to MSRB. Any Continuing Disclosure Information filed with the MSRB in accordance with this Disclosure Agreement shall be in electronic format as shall be prescribed by the MSRB or such other format as the Rule may require or permit, and shall be accompanied by such identifying information as shall be prescribed by the MSRB or as may otherwise be required by the Rule.

SECTION 12. Severability. If any provision of this Disclosure Agreement, or the application of any such provision in any jurisdiction or to any person or circumstance, shall be held invalid or unenforceable, the remaining provisions of this Disclosure Agreement, or the application of such provision as is held invalid or unenforceable in jurisdictions or to persons or circumstances other than those in or as to which it is held invalid or unenforceable, shall not be affected thereby.

SECTION 13. Successors and Assigns. All of the covenants, promises and agreements contained in this Disclosure Agreement by or on behalf of the Township or by or on behalf of the Dissemination Agent shall bind and inure to the benefit of their respective successors and assigns, whether so expressed or not.

SECTION 14. Headings for Convenience Only. The descriptive headings in this Disclosure Agreement are inserted for convenience of reference only and shall not control or affect the meaning or construction of any of the provisions hereof.

SECTION 15. Governing Law. This Disclosure Agreement shall be governed by and construed in accordance with the laws of the State of New Jersey.

SECTION 16. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriter and the Bondholders and Beneficial Owners from time to time of the 2019 Bonds and shall create no rights in any other person or entity.

Date October __, 2019

THE TOWNSHIP OF MEDFORD, IN THE
COUNTY OF BURLINGTON, NEW JERSEY

By: _____
Robin Sarlo,
Chief Financial Officer

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: TOWNSHIP OF MEDFORD, IN THE
COUNTY OF BURLINGTON, NEW JERSEY

Name of Bond Issue: \$_____,000 GENERAL OBLIGATION REFUNDING BONDS,
SERIES 2019,

Date of Issuance: October __, 2019

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report with respect to the above-named Bonds as required by Section 3(a) of the Continuing Disclosure Certificate dated October __, 2019. The Issuer anticipates that the Annual Report will be filed by _____.

Dated:

TOWNSHIP OF MEDFORD, IN THE
COUNTY OF BURLINGTON, NEW JERSEY

By: _____
Authorized Officer