

NOTICE OF SALE

TOWNSHIP OF GLOUCESTER
COUNTY OF CAMDEN, NEW JERSEY
\$21,728,660 BOND ANTICIPATION NOTES OF 2017, SERIES A
(NON-CALLABLE)

Dated: March 15, 2017

Due: March 14, 2018 ("Maturity Date")

ELECTRONIC PROPOSALS for the purchase of \$21,728,660 Bond Anticipation Notes of 2017, Series A ("Notes") of the Township of Gloucester, County of Camden, New Jersey ("Township") will be received by the Township on **WEDNESDAY, MARCH 1, 2017 ("Bid Date")**, via either (a) facsimile, at (856) 374-3528, attention: Christie Ehret, Chief Financial Officer to the Township, or (b) BiDCOMP®/Parity® Electronic Bid Submission System ("PARITY") of i-Deal LLC ("i-Deal") in the manner described below, until 11:00 A.M. (Eastern Time). No proposals will be accepted after 11:00 A.M. (Eastern Time) on the date specified. If a bidder wishes to transmit its proposal by facsimile, the proposal must be accompanied by a cover sheet stating clearly "PROPOSAL FOR NOTES", and the proposal must be on the Official Form of Proposal attached hereto, and signed by the bidder. A determination as to the award will be made no later than 5:00 P.M. (Eastern Time) on the Bid Date.

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

Proposals submitted must offer to purchase all of the Notes being offered at a price not less than par and must specify a single rate of interest for the issue. Interest shall be calculated on the basis of twelve (12) thirty (30) day months in a 360-day year. Proposals for less than the full amount, at a price less than par and/or multiple interest rates will be rejected. Proposals submitted electronically must be submitted pursuant to the procedures described below and shall be deemed to incorporate by reference all of the terms and conditions of this Notice of Sale. The Township Chief Financial Officer expects to award the Notes to the proposer who, after having complied with the terms of this Notice of Sale, offers the lowest net interest cost to the Township for the Notes. The net interest cost shall be computed as to each proposal by adding the total principal amount of Notes proposed for at a particular rate of interest, the total interest cost to maturity in accordance with such proposal, and by deducting therefrom the amount of premium proposed, if any. The Township Chief Financial Officer reserves the right (i) to reject all proposals and any proposal not complying with the terms of this Notice of Sale or (ii) to award the Notes to a proposer other than the lowest proposer. The proposer, by submitting a proposal, agrees to accept the determination of the Township Chief Financial Officer.

The following are the specifications of the Notes:

Principal Amount:	\$21,728,660
Dated:	March 15, 2017
Maturity Date:	March 14, 2018
Interest Rate:	Specified by successful proposer, subject to approval of Township Chief Financial Officer.
Denominations:	\$100,000 or any integral multiple of \$100,000, and in integral multiples of \$1,000 in excess thereof, or in such amount necessary to issue the principal amount of the Notes, as specified by successful proposer within 24 hours of award, subject to approval of the Township Chief Financial Officer.
Optional Redemption:	The Notes are <i>not</i> subject to optional redemption prior to the Maturity Date.
Bank Qualification:	The Township will <i>not</i> designate the Notes as "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Internal Revenue Code of 1986, as amended ("Code").
Payment:	Immediately available funds received prior to 11:00 a.m. on the Closing Date.
Legal Opinion:	Parker McCay P.A., Mount Laurel, New Jersey.
Closing Date:	March 15, 2017
Closing Location:	Parker McCay P.A., 9000 Midlantic Drive, Suite 300, Mount Laurel, New Jersey, or at such other place as agreed to by the Township Chief Financial Officer.

The Notes will be non-callable general obligations of the Township payable ultimately from *ad valorem* taxes levied upon all the taxable real property within the jurisdiction of the Township without limitation as to rate or amount to the extent that payment is not otherwise provided. For so long as The Depository Trust Company, New York, New York or its nominee, Cede & Co. (collectively, "DTC"), is the registered owner of the Notes, payments of the principal of and interest on the Notes will be made directly by wire transfer by the Township Chief Financial Officer, as paying agent for the Notes, to DTC or its nominee. Disbursement of such payments to the DTC participants is the responsibility of DTC and further disbursement of such payments from the DTC participants to the beneficial owners of the Notes is the responsibility of the DTC participants.

For so long as the Notes are registered in book-entry-only form, purchases of the Notes will be made in such form only (without certificates). It shall be the obligation of the successful proposer to furnish to DTC an underwriter's questionnaire not less than seventy-two (72) hours prior to the Closing Date.

The Township has prepared a Preliminary Limited Offering Memorandum, dated February 22, 2017 ("Preliminary Limited Offering Memorandum"), in connection with the sale of the Notes which it has deemed "final" as of its date for purposes of paragraph (b)(1) of Rule 15c2-12, as amended ("Rule 15c2-12"), promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended, except for certain omissions permitted thereunder. Within seven (7) business days of the sale of the Notes and in sufficient time to accompany any confirmation that requests payment from a customer, the Township will deliver a reasonable number of copies of the final Limited Offering Memorandum ("Limited Offering Memorandum") to the purchaser in order for the same to comply with paragraph (b)(4) of Rule 15c2-12.

The Preliminary Limited Offering Memorandum is available for viewing in electronic format through the internet facilities of Bowman & Company LLP. The Bowman & Company LLP web address is <http://www.govdebt.net> ("Site"). In addition, broker dealers registered with the National Association of Securities Dealers ("NASD") and dealer banks with DTC clearing arrangements may either: (i) print out a copy of the Preliminary Limited Offering Memorandum by their own means; or (ii) at any time prior to March 1, 2017, elect to receive a printed copy of the Preliminary Limited Offering Memorandum in the mail by requesting the same on the Site or by calling the Township. Calls should be directed to Christie Ehret, Chief Financial Officer, at (856) 374-3535. In order to view, print a copy or request a copy of the Preliminary Limited Offering Memorandum, please visit the Site. Access to the Site is limited to registered users of the Site. As such, users must either have been existing registered members, or new users must create a user profile through the Site. Thereafter, bidders may log-in to access electronic viewing and delivery. Once logged-in to the Site, bidders must follow the applicable instructions and prompts to access the Preliminary Limited Offering Memorandum. All bidders must review the Preliminary Limited Offering Memorandum and certify that they have done so prior to participating in the bidding.

BID SPECIFICATIONS

Proposals must be submitted electronically via PARITY or by facsimile in accordance with this Notice of Sale, until 11:00 A.M. (Eastern Time) on the Bid Date set forth above, but no proposal will be accepted after the time for receiving proposals specified above. To the extent any instructions or directions set forth in PARITY conflict with this Notice of Sale, the terms of this Notice of Sale shall control. For further information about PARITY, including any fee charged, potential proposers may contact i-Deal LLC at 1359 Broadway, 2nd Floor, New York, New York 10018, Telephone: (212) 849-5021. The Township may, but is not obligated to, acknowledge its acceptance, in writing, of any proposal submitted electronically via PARITY. In the event that a proposal for the Notes is submitted via PARITY, the proposer further agrees that:

1. The Township may regard the electronic transmission of the proposal through PARITY (including information about the principal amount of the Notes, the premium bid for the Notes and any other information included in such transmission) as though the same was executed by a duly authorized signatory of the proposer, accordingly for the proposal which is accepted by the Township, the terms of this Notice of Sale and the information that is electronically transmitted through PARITY shall form a contract, and the successful proposer shall be bound by the terms of such contract.

2. PARITY is not an agent of the Township, and the Township shall have no liability whatsoever based on any proposer's use of PARITY, including, but not limited to, any failure by PARITY to correctly or timely transmit information provided by the Township or information provided by the proposer.
3. The Township may choose to discontinue use of electronic proposals via PARITY by issuing a notification to such effect via TM3 News Services, or by other available means, no later than 3:00 P.M. (Eastern Time) on the last business date prior to the Bid Date set forth above.
4. Once the proposals are communicated electronically via PARITY to the Township as described above, each proposal will constitute an official "Proposal for Notes" and shall be deemed to be an irrevocable offer to purchase the Notes on the terms provided in this Notice of Sale. For purposes of submitting electronic proposals, the time as maintained on PARITY shall constitute the official time.
5. Each proposer shall be solely responsible to make necessary arrangements to access PARITY for purposes of submitting its proposal in a timely manner and in compliance with the requirements of this Notice of Sale. Neither the Township nor i-Deal shall have any duty or obligation to provide or assure access to any proposer, and neither the Township nor i-Deal shall be responsible for the proper operation of, or have any liability for any delays or interruptions of, or any damages caused by PARITY. The Township is using PARITY as a communication mechanism, and not as the Township's agent, to conduct the electronic bidding for the Notes. By using PARITY, each proposer agrees to hold the Township harmless for any harm or damages caused to such proposer in connection with its use of PARITY for bidding on the Notes.

The Township may, in its sole discretion and prior to the opening of proposals, clarify any term hereof, including, without limitation, its decision to discontinue use of electronic bidding via PARITY, by issuing a notification of the clarification via TM3 News Services, or any other available means, no later than 9:00 A.M. (Eastern Time) on the date upon which the Township will receive proposals.

POSTPONEMENT

The Township reserves the right to postpone, from time to time, the date and time established for receipt of proposals. **ANY SUCH POSTPONEMENT WILL BE ANNOUNCED BY TM3 NEWS SERVICES, OR ANY OTHER AVAILABLE MEANS, NOT LATER THAN 9:00 A.M. (EASTERN TIME) ON THE BID DATE SET FORTH ABOVE UPON WHICH THE TOWNSHIP WILL RECEIVE PROPOSALS.** Any such alternative bid date and the time at which proposals are due will be announced via the TM3 News Services, or any other available means, at least forty-eight (48) hours before proposals are due. On any such alternative bid date, proposers shall submit Proposals for the Notes in conformity in all respects with all of the provisions of this Notice of Sale, other than the date of submission and sale and any further or contrary provisions set forth in such announcement, which further or contrary provisions must be complied with by all proposers.

DELIVERY OF THE NOTES

It is anticipated that the delivery of the Notes will occur on or about the Closing Date specified above.

It is anticipated that a CUSIP identification number will be printed on the Notes, but neither the failure to print such number on the Notes nor any error with respect thereto shall constitute cause for a failure or a refusal by the successful bidder to accept delivery of and to pay for the Notes in accordance with the terms hereof. All expenses in relation to the printing of the CUSIP number on the Notes shall be paid for by the Township; provided, however, that the CUSIP Service Bureau charge for the assignment of a CUSIP number shall be the responsibility of and shall be paid for by the successful bidder.

Prior to or simultaneously with the delivery of the Notes, the successful bidder shall furnish to the Township a certificate, in such form as is acceptable by Bond Counsel, stating in part that: (i) it purchased the Notes as an investment for its own account and not with a view toward distribution or resale in the capacity of a bond house, broker, or intermediary; or (ii) pursuant to a *bona fide* public offering of all of the Notes, it sold a substantial amount (ten percent (10%), or more, in par amount) of the Notes to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at or below the initial public offering price set forth in such certificate. The purchaser shall also furnish a certificate, in such form as is acceptable by Bond Counsel, setting forth the price or yield of the Notes (which will appear on the front cover page of the Limited Offering Memorandum) and issue price thereof, calculated in accordance with the requirements of the Code. The successful bidder shall also furnish a certificate, in such form as is acceptable by Bond Counsel, stating that prior to the purchase of the Notes, the purchaser obtained and reviewed a copy of the Preliminary Limited Offering Memorandum.

The obligation of the purchaser to purchase and pay for the Notes is conditioned on the delivery, at the time of settlement of the Notes, of the following: (i) approving legal opinion of Parker McCay P.A., Mount Laurel, New Jersey, Bond Counsel, a form of which can be found in Appendix C to the Preliminary Limited Offering Memorandum; and (ii) the delivery of certificates in form and tenor satisfactory to Bond Counsel evidencing the proper execution and delivery of the Notes and receipt of payment therefor, including a statement of the Township, dated as of the date of such delivery, to the effect that there is no litigation pending or, to the knowledge of the signer or signers thereof, threatened relating to the issuance, sale and delivery of the Notes.

COMPLIANCE WITH P.L. 2005, c.271, s.3

The purchaser is advised of its responsibility to file an annual disclosure statement on political contributions with the New Jersey Election Law Enforcement Commission ("ELEC") pursuant to N.J.S.A. 19:44A-20.13 (P.L. 2005, c.271, s.3) if the purchaser enters into agreements or contracts, such as its agreement to purchase the Notes, with a public entity, such as the Township, and receives compensation or fees in excess of \$50,000 in the aggregate from public entities, such as the Township, in a calendar year. It is the purchaser's responsibility to determine if filing is necessary. Failure to do so can result in the imposition of financial penalties by ELEC. Additional information about this requirement is available from ELEC at 888-313-3532 or at www.elec.state.nj.us.

CHRISTIE EHRET, Chief Financial Officer

Dated: February 22, 2017

OFFICIAL FORM OF PROPOSAL

March 1, 2017

Mr. Christie Ehret
Chief Financial Officer
Township of Gloucester
1261 Chews Landing – Clementon Road
Laurel Springs, New Jersey 08012

Dear Ms. Ehret:

Subject to the provisions of the Notice of Sale for the purchase of the \$21,728,660 principal amount, Bond Anticipation Notes of 2017, Series A ("Notes"), of the Township of Gloucester, County of Camden, New Jersey, which Notice of Sale is made a part of this Proposal, we offer to purchase the Notes in the principal amount of \$21,728,660, bearing interest at the rate of _____% per annum, and will pay therefor \$_____ (not less than \$21,728,660), plus accrued interest thereon, if any.

Purchaser: _____

By: _____
Signature

Title

Telephone: _____

Please supply the following for informational purposes only and not as part of the foregoing Proposal:

Gross Interest Payable on Notes: \$ _____

Less: Premium on the Notes (if any): \$ _____

Net Interest Cost: \$ _____

Net Interest Rate: _____%

PRELIMINARY LIMITED OFFERING MEMORANDUM DATED FEBRUARY 22, 2017

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

\$21,728,660
TOWNSHIP OF GLOUCESTER
County of Camden, New Jersey
BOND ANTICIPATION NOTES OF 2017, SERIES A
Interest Rate _____%
Yield _____%

Dated: March 15, 2017

Due: March 14, 2018

The Township of Gloucester, County of Camden, New Jersey ("Township") is issuing its \$21,728,660 Bond Anticipation Notes of 2017, Series A ("Notes"). The Notes shall be issued in fully registered form without coupons in denominations of \$100,000 or greater, and in integral multiples of \$1,000 in excess thereof, or in such amount necessary to issue the principal amount of the Notes. The Notes shall be dated and bear interest from March 15, 2017 at the rate of ____%. The Notes will mature on March 14, 2018. The principal of and interest on the Notes shall be paid at maturity. The Notes are not subject to redemption prior to maturity.

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

The Notes are authorized to be issued pursuant to: (i) the Local Bond Law, Chapter 169 of the Laws of 1960 of the State of New Jersey, as amended and supplemented ("Local Bond Law"); (ii) Bond Ordinances O-14-15, O-15-01, O-15-11, O-16-01, O-16-03, O-16-05 and O-17-02, each duly and finally adopted by the Township Council and published in accordance with the requirements of the Local Bond Law; and (iii) a Certificate of Determination and Award executed by the Chief Financial Officer of the Township on March __, 2017.

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

The Notes are general obligations of the Township and the full faith and credit of the Township are irrevocably pledged for the payment thereof. The Notes are issued in anticipation of the issuance of bonds, and if not paid from the proceeds of such bonds or other funds, are payable ultimately from *ad valorem* taxes that shall be levied upon all taxable real property within the Township, without limitation as to rate or amount.

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

The Notes are offered when, as and if issued and delivered to the purchaser, subject to the prior sale, withdrawal or modification of the offer without notice and approval of legality by Bond Counsel to the Township, Parker McCay P.A., Mount Laurel, New Jersey. Certain legal matters will be passed upon for the Township by its Solicitor, David F. Carlamere, Esquire, of the law firm Carlamere Rowan, Blackwood, New Jersey, and delivery of the Notes is further subject to certain other conditions set forth herein. Acacia Financial Group, Inc., Marlton, New Jersey, has acted as financial advisor to the Township in connection with the issuance of the Notes. It is anticipated that the Notes in definitive form will be available for delivery through DTC in New York, New York, on or about March 15, 2017.

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

TOWNSHIP OF GLOUCESTER
County of Camden, New Jersey

Mayor and Township Council

David R. Mayer	Mayor
Orlando Mercato	Council President
Tracey Trotto	Council Vice President
Dan Hutchison	Council Member
Michael Mignone	Council Member
Franklin Schmidt	Council Member
Andrea Stubbs	Council Member
Michelle L. Winters	Council Member

Business Administrator

Thomas C. Cardis

Chief Financial Officer

Christie Ehret

Township Clerk

Rosemary DiJosie

Solicitor

David Carlamere, Esquire
Blackwood, New Jersey

Auditor

Bowman & Company, LLP
Voorhees, New Jersey

Bond Counsel

Parker McCay P.A.
Mount Laurel, New Jersey

Financial Advisor

Acacia Financial Group, Inc.
Marlton, New Jersey

No broker, dealer, salesperson or other person has been authorized by the Township of Gloucester, in the County of Camden, New Jersey ("Township"), to give any information or to make any representation other than as contained in this Limited Offering Memorandum, and, if given or made, such other information or representation must not be relied upon as having been authorized by the Township. This Limited Offering Memorandum does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Notes by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained from the Township and other sources that are deemed to be reliable.

This Limited Offering Memorandum is not to be construed as a contract or agreement between the Township and the purchasers or holders of any Notes.

All quotations from summaries and explanations of provisions of laws and documents herein do not purport to be complete and reference is made to such laws and documents for full and complete statements of their provisions. Any statements made in this Limited Offering Memorandum involving estimates or matters of opinion, whether or not expressly so stated, are intended merely as estimates or opinions and not as representations of fact. This information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Limited Offering Memorandum nor any sale of the Notes shall under any circumstances create any implication that there has been no change in the affairs of the Township since the date hereof.

Upon issuance, the Notes 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 or any other federal, state, municipal or other governmental entity, other than the Township will have passed upon the accuracy or adequacy of the Limited Offering Memorandum.

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

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LIMITED OFFERING MEMORANDUM
RELATING TO
\$21,728,660
TOWNSHIP OF GLOUCESTER
County of Camden, New Jersey
BOND ANTICIPATION NOTES OF 2017, SERIES A

INTRODUCTION

The purpose of this Limited Offering Memorandum, including the cover page hereof and the appendices attached hereto, is to provide certain information relating to the issuance by the Township of Gloucester, County of Camden, New Jersey ("Township") of its \$21,728,660 Bond Anticipation Notes of 2017, Series A ("Notes").

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

AUTHORIZATION AND PURPOSE FOR THE NOTES

The Notes are authorized to be issued pursuant to: (i) the Local Bond Law, Chapter 169 of the Laws of 1960 of the State of New Jersey, as amended and supplemented ("Local Bond Law"); (ii) Bond Ordinances O-14-15, O-15-01, O-15-11, O-16-01, O-16-03, O-16-05 and O-17-02 (collectively, the "Bond Ordinances"), each duly and finally adopted by the Township Council and published in accordance with the requirements of the Local Bond Law; and (iii) a Certificate of Determination and Award executed by the Chief Financial Officer of the Township on March __, 2017.

The Notes are being issued by the Township to provide funds which will be used to: (i) temporarily finance the cost of various capital improvements by the repayment at maturity of the principal of certain bond anticipation notes heretofore issued by the Township (collectively, the "Prior Improvements"); (ii) temporarily finance the costs of various capital improvements for which obligations have been authorized, but not issued (collectively, the "New Improvements," and together with the Prior Improvements, the "Improvements"); and (iii) pay certain costs and expenses incidental to the issuance and delivery of the Notes.

The Improvements to be temporarily financed with the proceeds of the Notes include the following:

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Table I

Ordinance Number	Purpose	Amount Authorized	Prior Notes Outstanding	Notes to be Issued
O-14-15	Various Improvements to Blackwood Lake Dam; Provision of a Portion of the Costs of Closure and Remediation with respect to the Gloucester Environmental Management Services Landfill	\$1,609,629	\$1,609,629	\$1,609,629
O-15-01	Various Capital Improvements; Acquisition of Various Capital Equipment	5,452,883	5,452,883	5,452,883
O-15-11	Improvements to the Wash Bay	200,000	200,000	200,000
O-16-01	Various Capital Improvements; Acquisition of Various Capital Equipment	5,983,240	5,983,240	5,983,240
O-16-03	Acquisition and Installation of Synthetic Turf at Various Recreational Facilities	2,009,523	2,009,523	2,009,523
O-16-05	Acquisition and Installation of Guard Rails	156,750	156,750	156,750
O-17-02	Various Capital Improvements; Acquisition of Various Capital Equipment	6,316,635	0	6,316,635
TOTAL		\$21,728,660	\$15,412,025	\$21,728,660

THE NOTES

Description

The Notes will be issued in the aggregate principal amount of \$21,728,660 in fully registered form, without coupons, in denominations of \$100,000 or greater, and in integral multiples of \$1,000 in excess thereof, or in such amount necessary to issue the principal amount of the Notes.

The Notes will be dated March 15, 2017 and bear interest from that date at the rate set forth on the cover page hereof. Principal of and interest on the Notes will be payable on March 14, 2018 upon presentation of the Notes at the offices of the Township. The Notes will mature on March 14, 2018 and are not subject to redemption prior to maturity.

So long as The Depository Trust Company, New York, New York ("DTC") or its nominee, Cede & Co., is the registered owner of the Notes, payments of the principal of and interest on the Notes will be made directly to Cede & Co., as nominee of DTC. Disbursements of such payments to the participants of DTC are the responsibility of DTC and disbursements of such payments to the Beneficial Owners (as hereinafter defined) of the Notes are the responsibility of the Direct Participants (as hereinafter defined) and not the Township.

Book-Entry-Only System¹

DTC will act as securities depository for the Notes. The Notes will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered

¹ Source: The Depository Trust Company.

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

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

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Notes unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the 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 Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Distributions on the Notes, if any, 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 Notes at any time by giving reasonable notice to the Township. Under such circumstances, in the event that a successor depository is not obtained, Note 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, Note certificates will be printed and delivered to DTC.

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

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

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE NOTES, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE NOTEHOLDERS OR REGISTERED OWNERS OF THE NOTES (OTHER THAN UNDER THE CAPTION

"TAX MATTERS") SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE NOTES.

Discontinuance of Book-Entry-Only System

In the event that the book-entry-only system is discontinued and the Beneficial Owners become registered owners of the Notes, the following provisions would apply: (i) the Notes may be exchanged for an equal aggregate principal amount of Notes in other authorized denominations, of the same maturity, upon surrender thereof at the offices of the Township; (ii) the transfer of any Notes may be registered on the books maintained by the Township for such purpose only upon the surrender thereof to the Township together with the duly executed assignment in form satisfactory to the Township; and (iii) for every exchange or registration of transfer of Notes, the Township may make a charge sufficient to reimburse for any tax or other governmental charge required to be paid with respect to such exchange or registration of transfer for any tax or other governmental charge required to be paid with respect to such exchange or registration of transfer of the Township. Interest on the Notes will be payable by check or draft mailed on the maturity date of the Notes to the then-registered owners thereof.

SECURITY FOR THE NOTES

The full faith and credit of the Township are irrevocably pledged for the payment of the principal of and interest on the Notes. The Notes will be legal, valid and binding general obligations of the Township payable as to principal and interest from *ad valorem* taxes to be levied upon all the taxable real property within the Township without limitation as to rate or amount. See "CERTAIN PROVISIONS OF THE LAWS OF NEW JERSEY AND THE UNITED STATES RELATING TO GENERAL OBLIGATION DEBT -- Local Bond Law" herein.

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

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

Local Bond Law

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

of usefulness or average period of usefulness of the improvements being financed; and (v) after issuance, all bonds and notes shall be conclusively presumed to be fully authorized and issued by all of the laws of the State, and all persons shall be estopped from questioning their sale, execution or delivery.

Debt Limits - The authorized bonded indebtedness of the 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 deducted for purposes of computing the statutory debt limit.

Bonds, notes and long-term loans are included in the computation of debt for the statutory debt limit. The Township has not exceeded its three and one-half percent (3.5%) debt limit.

Exceptions to Debt Limits – Extensions of Credit - The Township may exceed its debt limit with the approval of the New Jersey Department of Community Affairs, Division of Local Government Services, Local Finance Board ("Local Finance Board"), a State regulatory agency, and as permitted by other statutory exceptions. If all or any part of a proposed debt authorization would exceed its debt limit, the 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.

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

Short-Term Financing – When approved by bond ordinance, the 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, funding outstanding bonds, including emergency appropriations, the actuarial liabilities of a non-state administered public employee pension system and amounts owing to others for taxes levied in the local unit, or any renewals or extensions thereof, and for paying the cost of issuance of refunding bonds.

Local Fiscal Affairs Law

The Local Fiscal Affairs Law, Chapter 5 of Title 40A of the New Jersey State Statutes, as amended and supplemented ("Local Fiscal Affairs Law"), governs audits, auditors, public moneys and financial statements of local governmental units, including the 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 or, by agreement with the Director ("Director") of the Division of Local Government Services ("Division") in the Department of Community Affairs, by qualified employees of the Division.

An independent examination of the Township's books, accounts and financial transactions must be performed annually by a Registered Municipal Accountant who is licensed by the State Board of Public Accountants. The audit, conforming to the Division's "Requirements of Audit", includes recommendations for improvement of the municipality's financial procedures and must be filed with the report, together with all recommendations made. A Summary of Audit, together with recommendations, must be published in a local newspaper within 30 days of its submission. The entire annual audit report for the year ended December 31, 2015 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 fiscal year end municipalities and August 10 for June 30 fiscal year end municipalities.

Local Budget Law

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

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

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

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

A statute passed in 1976, as amended (*N.J.S.A. 40A:4-45.1 et seq.*), commonly known as the "Cap Law", imposed limitations on increases in municipal appropriations subject to various exceptions. On August 20, 1990, the Governor signed into law P.L. 1990, c. 89, which revised

and made permanent the "Cap Law". Since its inception, the "Cap Law" has been amended and modified several times, most recently on July 13, 2010. While the revised "Cap Law" is more restrictive on the ability of a municipality to increase its overall appropriations, it does not limit the obligation of the Township to levy *ad valorem* taxes upon all taxable real property within the Township to pay debt service on the Notes. The Cap Law provides that a municipality shall limit any increase of its budget to 3.5% or the index rate, whichever is less, over the previous year's final appropriations subject to certain exceptions. The "index rate" is the rate of annual percentage increase in the Implicit Price Deflator for State and Local Government Purchases of Goods and Services computed by the United States, Department of Commerce. Among the exceptions to the limitations imposed by the Cap Law are capital expenditures; debt service; extraordinary expenses approved by the Local Finance Board for implementation of an interlocal services agreement; expenditures mandated as a result of certain emergencies; and certain expenditures for services mandated by law.

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

Exclusions from the two percent (2%) tax levy cap include: (i) increases required to be raised by taxation for capital expenditures, including debt service as defined by law; (ii) increases in pension contributions and accrued liability for pension contributions in excess of 2.0%; (iii) increases in health care costs equal to that portion of the actual increase in total health care costs for the budget year that is in excess of 2.0% of the total health care costs in the prior year, but is not in excess of the product of the total health care costs in the prior year and the average percentage increase of the State Health Benefits Program, P.L.1961, c.49 (C.52:14-17.25 et seq.), as annually determined by the Division of Pensions and Benefits in the Department of the Treasury; and (iv) and extraordinary costs incurred by a local unit directly related to a declared emergency, as defined by regulation promulgated by the Commissioner of the Department of Community Affairs, in consultation with the Commissioner of Education, as appropriate. The amendments to the tax levy sections of the "Cap Law" (specifically, *N.J.S.A. 40A:4-45-46*) in 2010 no longer permit municipalities, counties, fire districts and solid waste collection districts to request approval from the Local Finance Board for a waiver to increase the amount to be raised by taxation in excess of the two percent (2%) cap. However, counties, municipalities, fire districts and solid waste collection districts may request, through a public question submitted to the voters, an increase in the amount to be raised by taxes above the two percent (2%) tax levy cap. Such approval must be achieved by an affirmative vote in excess of fifty percent (50%) of those voting on such public question.

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

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 [D]irector

shall determine upon application by the governing body that the facts clearly warrant the expectation that such excess amount will actually be realized in cash during the fiscal year and shall certify such determination, in writing, to the local unit." Such determination may be made by the governing body and the Chief Financial Officer in any year during which the municipality is subject to local examination.

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

Real Estate Taxes

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

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

Deferral of Current Expenses

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

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

Budget Transfers

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

Capital Budget

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

Utility Budget

The Township's public sewer utility is supported, in addition to the general taxing power upon real property, by the revenues generated by the operation of the utility. A separate budget is established for the utility. The anticipated revenues and appropriations for the utility are set forth in such separate budget, which is required to be balanced and to fully provide for debt service. The regulations regarding anticipation of revenue and deferral of charges apply equally to the budget of the utility. Deficits or anticipated deficits in utility operations which cannot be provided for from utility surplus, if any, are required to be raised in the "Current" or operating budget.

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 Notes

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

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

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

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

Limitation of Remedies Under Federal Bankruptcy Code

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

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

THE ABOVE REFERENCES TO THE BANKRUPTCY CODE ARE NOT TO BE CONSTRUED AS AN INDICATION THAT THE 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 NOTES.

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

INFORMATION REGARDING THE TOWNSHIP OF GLOUCESTER

General

General information concerning the Township, including economic, financial, demographic and other relevant data, is set forth in Appendix "A" to this Limited Offering Memorandum.

Financial

Appendix "B" to this Limited Offering Memorandum contains compiled, unaudited financial statements for the year ended December 31, 2016 and audited financial statements of the Township for the years ended December 31, 2015 and December 31, 2014, respectively. Copies of the complete Reports of Audit of the Township may be obtained upon request to the office of the Chief Financial Officer.

LITIGATION

Upon delivery of the Notes, the Township shall furnish an opinion of its Solicitor, David Carlamere, Esquire, of the law firm Carlamere & Rowan, Blackwood, New Jersey, dated the date of delivery of the Notes, to the effect that there is no litigation of any nature, pending or threatened, to restrain or enjoin the issuance, sale, execution or delivery of the Notes, or in any way contesting or affecting the validity of the Notes or any of the proceedings taken with respect to the issuance and sale thereof or the application of moneys to the payment of the Notes. In addition, such opinion shall state that 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 financial condition of the Township or adversely affect the power to levy, collect and enforce the collection of taxes or other revenues for the payment of the Notes, which has not been otherwise disclosed in this Limited Offering Memorandum.

LEGAL MATTERS

All legal matters incident to the authorization, the issuance, sale and delivery of the Notes are subject to the approval of Parker McCay P.A., Bond Counsel, whose approving legal opinion will be delivered with the Notes substantially in the form set forth in Appendix "C" hereto. Certain legal matters will be passed upon for the Township by its Solicitor, David Carlamere, Esquire, of the law firm Carlamere & Rowan, Blackwood, New Jersey.

The various legal opinions to be delivered concurrently with the delivery of the Notes 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.

PREPARATION OF LIMITED OFFERING MEMORANDUM

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

Parker McCay P.A. has not participated in the preparation of this Limited Offering Memorandum and has not verified the accuracy, completeness or fairness of the statements contained herein (except under the heading "TAX MATTERS", herein) and will express no opinion relating thereto.

Acacia Financial Group, Inc., as financial advisor, has not participated in the preparation of this Limited Offering Memorandum, nor has such firm verified the accuracy, completeness or fairness of the information contained herein (except under the heading "FINANCIAL ADVISOR") and, accordingly, will express no opinion with respect thereto.

Bowman & Company, LLC, does take responsibility for the financial statements, appearing in Appendix "B" hereto.

TAX MATTERS

Federal

In the opinion of Parker McCay P.A., Mount Laurel, New Jersey, Bond Counsel to the Township, assuming continuing compliance by the Township with the tax covenants described below, under existing law, interest on the Notes is not included for federal income tax purposes in the gross income of the owners thereof pursuant to Section 103 of the Internal Revenue Code of 1986, as amended ("Code"), and is not a specific item of tax preference under Section 57 of the Code for purposes of calculating the alternative minimum tax imposed on individuals and corporations pursuant to Section 55 of the Code.

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

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

The adjustment for "adjusted current earnings" set forth in Section 56(g) of the Code is required in determining a corporation's alternative minimum taxable income. Alternative minimum taxable income is increased by seventy-five percent (75%) of the excess, if any, of (i) the "adjusted current earnings" of a corporation over (ii) the alternative minimum taxable income (determined without regard to this adjustment or the alternative tax net operating loss deduction). Interest on tax-exempt obligations, including the Notes, is not excludable in calculating certain corporation's "adjusted current earnings." Accordingly, a portion of the interest on the Notes received or accrued by a corporation that owns the Notes is included in computing such corporation's alternative minimum taxable income for such year.

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

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

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

Ownership of the Notes may result in collateral federal income tax consequences to certain taxpayers including, without limitation, certain holders of an interest in a financial asset securitization investment trust, controlled foreign corporations, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals who otherwise qualify for the earned income credit and to individuals and families that qualify for a premium assistance credit amount under Section 36B of the Code. The Code denies the earned income credit to an individual who is otherwise eligible if the aggregate amount of disqualified income of the taxpayer for the taxable year exceeds certain limits set forth in

Sections 32(i) and (j) of the Code. Interest on the Notes will constitute disqualified income for this purpose. The Code also provides that the earned income credit is phased out if the modified adjusted gross income of the taxpayer exceeds certain amounts. Interest on the Notes is included in determining the modified adjusted gross income of the taxpayer. Section 36B of the Code provides that the amount of the premium assistance credit amount is in part determined by the household income. Section 36B(d) of the Code provides that household income consists of the modified adjusted gross income of the taxpayer and certain other individuals. Modified adjusted gross income means adjusted gross income increased by certain amounts, including interest received or accrued by the taxpayer which is exempt from tax, such as the interest on the Tax- Exempt Notes.

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

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

New Jersey

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

Proposed Legislation

From time to time, there are legislative proposals in the United States Congress and in New Jersey that, if enacted, could alter or amend the Federal and New Jersey tax matters referred to above or adversely affect the market value of the Notes. It cannot be predicted whether or in what form any such proposals 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 of the Notes.

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

RATING

The Township has not applied for a rating on the Notes.

FINANCIAL ADVISOR

Acacia Financial Group, Inc., Marlton, New Jersey served as financial advisor to the Township with respect to the issuance of the Notes. This Limited Offering Memorandum has been prepared on behalf of the Township with the assistance of the Financial Advisor. The information set forth herein has been obtained from the Township and other sources, which are deemed reliable, but no warranty, guaranty or other representation as to the accuracy or completeness is made as to such information contained herein. There is no assurance that any of the assumptions or estimates contained herein will be realized.

UNDERWRITING

The Notes are being purchased by _____ ("Underwriter") at a price of \$_____ ("Purchase Price"). The Purchase Price reflects the principal amount of the Notes [plus a premium in the amount of \$_____]. The Underwriter is obligated to purchase all of the Notes if any Notes are purchased.

The Underwriter intends to offer the Notes initially at the offering yield set forth on the front cover page of this Limited Offering Memorandum, which may each subsequently change without any requirement of prior notice. The Underwriter may offer and sell the Notes to certain dealers (including dealers depositing Notes into investment trusts) at a yield higher than the offering yield set forth on the front cover page, and such offering yield may be changed, from time to time, by the Underwriter.

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 or notes of the Township, including the Notes, and such bonds and notes are authorized security for any and all public deposits.

NO CONTINUING DISCLOSURE

The Township is exempt from providing continuing disclosure in connection with the issuance of the Notes under Rule 15c2-12(b)(5) (as amended and officially interpreted) of the Securities Exchange Act of 1934, as amended. The Township, however, provides continuing

disclosure in connection with previously issued and outstanding bonds pursuant to the Rule by providing required information to each nationally recognized municipal securities information repository.

As described in this paragraph, the Township has failed to timely file certain secondary market disclosure pursuant to the Rule in connection with previous undertakings related to certain of its general obligation bonds and various bond financings with the Camden County Improvement Authority. The Township failed to timely file its adopted budgets for the years 2011 and 2012. The Township failed to timely file its audited financial statements for the years ending December 31, 2011 and 2012. The Township failed to file certain general financial information and operating data for the years ending 2011 and 2012. Additionally, the Township failed to file certain material event notices in connection with: (i) certain bond insurer downgrades; and (ii) certain rating changes by Moody's Investors Service and Standard & Poor's Ratings Services. As of the date hereof, the Township is now in compliance in all material respects with its previous undertakings with regard to continuing disclosure for prior obligations issued.

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.

ADDITIONAL INFORMATION

Inquiries regarding this Limited Offering Memorandum, including information additional to that contained herein, may be directed to Christie Ehret, Chief Financial Officer of the Township. The Township's telephone number is 856.228.4000.

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

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.

TOWNSHIP OF GLOUCESTER, NEW JERSEY

By: _____
CHRISTIE EHRET, Chief Financial Officer

Dated: March __, 2017

APPENDIX A

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

GENERAL INFORMATION ON THE TOWNSHIP

History

The present Township of Gloucester, in the County of Camden, New Jersey, (“Township”) was one of the original townships that comprised Old Gloucester County, becoming its first political subdivision in 1685. The boundaries of the Township extended from the Delaware River to the Atlantic Ocean until 1693, when the County of Gloucester was divided into two townships, Egg Harbor Township and Gloucester Township. In 1695, Township was further subdivided into four smaller townships, and on June 1 of that year, the Township was incorporated, becoming one of the earliest townships in the State to be so incorporated. In 1844, the Township became a part of the newly-formed Camden County.

Early industrial activity, which included grist mills, saw mills and foundries, centered around the Township's principal waterway, Great Timber Creek. The Brewer Shipyard, founded in the late 1700s along the Creek in Chews Landing, was the Township's largest industry from 1794 until 1876. The Bateman Manufacturing Company, established in 1863, manufactured such iron products as farm machinery, cultivators and household goods.

In addition to the foundry and saw mill industries, farming played an important role in the Township's economy. By the middle of the nineteenth century, farming and the shipping of farm products to markets in Philadelphia, had become one of the Township's leading industries. Before the Civil War, the Township was also noted for its stone quarries and horse farms.

Today the Township is primarily a residential suburban community with its major concentration of light industries and commercial activity located in the Glendora section.

Location

The Township is situated in the western portion of the Camden County, approximately fifteen miles southeast of the City of Philadelphia, Pennsylvania. With a land area of 23.14 miles, the Township is the fourth largest municipality in the County, encompassing the unincorporated communities of Glendora, Blackwood, Chews Landing, Timberline-White Birch, Broadmoor, Blenheim, Erial, Glen Oaks, Hilltop and Lambs Terrace.

Organization

The Township is governed by a Mayor and a seven-member Township Council ("Council"). The Mayor is elected for a four-year term and serves as the full-time, chief executive officer of the Township. The functions of the Mayor are, among others, to see that the laws of the State and the ordinances of the Township are executed and to recommend to the Council such measures as he/she deems necessary and expedient for the welfare of the Township. Members of the Council, elected for four-year terms on a staggered basis, oversee the Township's operations. The functions of the Council are, among others, to adopt the municipal budget and to enact ordinances to promote and secure the health, government and protection of the Township and its residents.

The Township's Business Administrator is responsible for the appointment of the Tax Collector, the Tax Assessor and the Township Treasurer. In addition to being in charge of the daily operations of the Township, the Township Business Administrator oversees staffing and personnel, prepares and implements the budget and is responsible for Township receipts and disbursements.

The Township Clerk assists with administering the affairs of the Township. The Township Tax Assessor has the duty of assessing property for the purpose of general taxation.

A number of services are provided by the Township and paid for from general revenues. In addition to police protection, employees in the Public Works Department maintain Township streets and roads, storm drains, snow removal, parks, playgrounds and public areas, building and zoning protection and any emergency service affecting the community.

Police, Fire Protection and Emergency Services

The Township's Police Department ("Department") offers residents 24 hour a day protection from the centrally located Township Municipal Building. The Department consists of a Police Chief, one (1) Deputy Chief, two (2) Captains, eight (8) Lieutenants, ten (10) Sergeants, nine (9) Detectives and seventy (70) Patrol Officers. Also, the Department has organized a neighborhood watch and a K-9 Unit.

Fire Protection is manned by 250 volunteer firemen operating 25 pieces of equipment in six (6) fire districts and paid firemen between the hours of 6:00 a.m. to 6:00 p.m. Ambulance crews plus two (2) volunteer ambulance corps provide service from 6:00 p.m. to 6:00 a.m. to John F. Kennedy Memorial Hospital, Stratford Division and the Camden County Health Care Service Center in the Township.

Recreation

The Township's Director of Public Works conducts a year-round program of sporting, exercise and leisure events. The Township provides many recreational areas and activities for its residents such as baseball fields, softball fields, soccer fields, tennis courts, football fields, basketball/playground facilities, tot lots and a swimming pool. The Township has a recreation building for basketball, indoor soccer and other recreational programs.

Transportation

The North/South Freeway (Route 42), a six-lane divided highway running through the Township's southern section, provides direct access to the Atlantic City Expressway, Interstate Route 295 (north to south), 76 (west via the Walt Whitman Bridge to Philadelphia and Philadelphia International Airport) and 676 north via the Benjamin Franklin Bridge and center-city Philadelphia. State Route 168 (Black Horse Pike) provides connection to the New Jersey Turnpike. The State completed extensive improvements to State Route 168 in the fall of 1996. Also completed was the extension of State Route 55 from Vineland to an interchange with Interstate 295 in the Borough of Bellmawr, giving the residents of the Township access to a north-south highway system extending from southern sections of the state to the state capitol in Trenton. Additional forms of public transportation include intercity bus service on Public Service Bus Lines and commuter rail service to Philadelphia from Lindenwold to the PATCO High Speed Line.

Hospitals

Local medical treatment is available to Township residents at the three (3) divisions of John F. Kennedy Memorial Hospital. The Stratford Division and the Washington Township Division are located approximately four (4) miles from the Township, in Stratford Borough and Turnersville, Washington Township (Gloucester County), respectively. The Cherry Hill Division is located approximately eight (8) miles from the Township.

Trash and Recyclables

Trash collection and disposal services are provided by a private company, Republic Services, Inc., which is paid by the Township at a rate of approximately \$3,300,000 annually. The Township currently has a five-year contract with Republic Services, Inc. for collection services which expires December 31, 2015. The Township also has a separate five-year contract with Republic Services, Inc. for disposal services, which expires December 31, 2015. The trash is then disposed of at the Atlantic REF-Fuel Co. of Delaware County at a rate of \$64.00 per ton.

Recyclable material such as glass, aluminum cans, newspapers and plastic are collected by the Gloucester Township Municipal Utilities Authority ("Authority") at a cost of approximately \$400,000 annually.

Water Service

The Township is served by two (2) private water companies. The Glendora, Chews Landing and Hilltop sections of the Township are served by the New Jersey-American Water Company which provides water to approximately one-third of the Township comprising fifty percent (50%) of the population. The remainder of the Township is served by the Blackwood Division of Aqua America, Inc. (formerly known as Consumers New Jersey Water Company). Both water companies service residential and commercial/industrial properties.

Sewer Service

On November 29, 1963, the Township conveyed its sewerage facilities, constructed in 1929-1930, to the Gloucester Township Municipal Utilities Authority ("Authority"). The Township does not own or operate any sanitary sewerage facilities and the Authority has the sole right to operate sewerage facilities within the Township.

In 1963, the Authority commenced a program consisting of the acquisition and reconstruction of two (2) privately owned sewerage systems, the construction of a new treatment plant and the construction of new sewerage collection mains and pumping stations. The program is now complete.

The governing body of the Authority is autonomous and consists of five (5) members and two (2) alternates, appointed by the Mayor and Township Council. The terms of the members are staggered so that the term of at least one member expires each year; the terms of the alternate members are two years. Authority Board members may be re-appointed. The Mayor presently serves as the Township's liaison with the Authority.

The Township has adopted an ordinance requiring the owner of any building located upon a street in which a public sanitary sewer has been or is to be constructed to connect the building to the sewer line when the sewer line is operational.

The Authority's sewerage system ("System") consists of approximately 300 miles of gravity sewer lines and 44 pumping stations which provide sewerage collection service to a substantial portion of the Township's residents. There are approximately 23,000 Domestic Consumer Units ("DCU") connected to the System.

Present sewer rates for residential dwellings are \$164 per year. Residential connection fees to the Authority are \$1,600, plus a permit fee to the Camden County Municipal Utilities Authority ("CCMUA") of \$3,469.

Sewer treatment service is provided by the CCMUA. The CCMUA is an autonomous body that owns and operates the treatment facility, and has established an annual rate of \$315 per Equivalent Dwelling Unit.

Camden County Municipal Utilities Authority

The CCMUA is a public body politic and corporate of the State and was originally created as the Camden County Sewerage Authority ("Sewerage Authority") by a resolution of the County Board of Chosen Freeholders ("County Board") adopted December 5, 1967. The Sewerage Authority was reorganized in 1972 as a utilities authority and changed its name to the CCMUA pursuant to a resolution of the County Board adopted April 13, 1972. The CCMUA operates under the supervision of nine (9) commissioners who are appointed by the County Board for five (5) year staggered terms. The County has entered into a Deficiency Agreement with the CCMUA ("Deficiency Agreement") whereby the County is obligated to pay to the CCMUA any annual charges equal to any deficits in CCMUA revenues necessary to pay or provide for: (i) operation and maintenance expenses of the CCMUA's regional sewer system; (ii) principal and interest payments on bonds and notes of the CCMUA in an aggregate principal amount not to exceed \$685,500,000; and (iii) the maintenance of reserves required under the Bond Resolution securing the CCMUA's bonds and notes. The obligation of the County, pursuant to the provisions of the Deficiency Agreement, is a direct and general obligation of the County, and any annual charges are ultimately payable by the County to meet its obligations under the Deficiency Agreement. To date, no payments have been required to be made by the County pursuant to the Deficiency Agreement. The County and the CCMUA may agree to amend the Deficiency Agreement at any time to increase the obligation of the County thereunder.

The CCMUA owns and operates a sewerage collection and treatment system, which serves all County residents connected to local sewer collection systems. The CCMUA's system does not include the local sewage collection system of any CCMUA participant, but it owns and operates interceptor sewer lines connecting the local systems to the CCMUA's sewage treatment facilities.

The CCMUA is required to charge and collect service charges for the use of its facilities such that revenues of the CCMUA will at all times be adequate to pay all operating and maintenance expenses, including reserves, insurance, extensions and replacements, and to maintain reserves and sinking funds therefore as may be required by the terms of any agreements with the holders thereof.

The gross debt as of December 31, 2015 for the CCMUA was \$257,479,819. The County Guarantees up to \$685,500,000 of debt issued by the CCMUA.

Camden County Improvement Authority

The Camden County Improvement Authority ("CCIA") is a public body corporate and politic of the State and was created by a resolution of the County Board. The CCIA operates under the supervision of a five (5) member Board who are appointed for five year staggered terms by the County Board. The CCIA has from time to time issued its revenue bonds for projects involving the County and for which the County has a repayment obligation or guaranty. The CCIA also issues conduit debt from time to time which is not included in the overlapping debt as there is no obligation by the taxpayers to repay the associated debt service.

The amount of debt which the County has guaranteed or for which it has a repayment obligation as of December 31, 2016 was \$338,635,000.

Personnel

The Township currently employs approximately 252 persons on a full-time year-round basis, of whom 117 are police officers.

Township Population¹

2010	Federal Census	66,058
2000	Federal Census	64,350
1990	Federal Census	53,797
1980	Federal Census	45,156
1970	Federal Census	26,511
1960	Federal Census	17,591
Median household income -		\$72,699
Per capita income -		\$29,978

Township Labor Force²

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Labor Force	35,300	35,700	35,529	35,957	36,803	36,808
Employment	33,900	34,100	32,832	33,516	33,346	33,386
Unemployment	1,400	1,600	2,497	2,441	3,457	3,422
Unemployment Rate	4.1%	4.5%	7.1%	6.8%	9.4%	9.3%

¹ Source: U.S. Department of Commerce, Bureau of Census. (2010-2014 American Community Survey Estimates)

² Source: Labor Force Estimates from Department of Labor and Workforce as of February 2017

Business and Industry

There is, at present, modest industrial activity in the Township. The Chews Landing Park is located in Chews Landing on State Route 42 and Lower Landing Road. Approximately 25 acres in size and zoned for office and light industry, the industrial park contains U.S. Vision, three office buildings, a storage facility, and Marble and Granite Works. The Freeway Industrial Park is located on Orr Road off of State Route 42, and is approximately 112 acres in size. The Commerce Center Industrial Park, a warehouse and office park, is also located on State Route 42 and Lower Landing Road. The Cross Keys Industrial Site is a newly designated industrial area located on Cross Keys Road and the Atlantic City Expressway, with 150 acres available for development/redevelopment. The Township estimates that there are 21 light industrial concerns in various sections of the Township. A recently completed commercial center includes a bank, three national fast food restaurants, a major-chain food market in a 60,000 square foot building, plus 140,000 square feet of retail stores and service centers. In addition, there is a 30-store K-Mart Shopping Center on Blackwood-Clementon Road. The Marketplace Shopping Center located on Chews Landing-Clementon Road contains a 55,000 square foot ShopRite supermarket and various strip stores with 15,000 square foot of office space. The majority of retail stores are located along the Black Horse Pike (State Route 168) and Blackwood-Clementon Road.

Building, Zoning and Development Codes¹

The Township has established development regulations governing the size of lots for various types of construction. The land requirements are based on the type and nature of the building.

The Township building codes conform to standards of the Uniform Construction Code of the State. These codes and other municipal codes are codified as a basis for improved administration and regulation.

The Township adopted The Municipal Land Use Law, which gives the Township Zoning Board of Adjustment and Planning Board authority to regulate most land use other than family residential use. In this way, the Township is able to guide the approximate use or development of land to promote the public health, safety, morals and general welfare.

Building Permits¹

<u>Year</u>	<u>Number of Permits Issued</u>	<u>Value of Construction</u>
2013	2,305	99,650,937
2012	2,385	59,098,425
2011	2,684	72,769,436
2010	2,805	54,473,243
2009	2,484	48,142,520

¹ Source: Township's Construction office. As of February 28, 2013.

Ten Largest Taxpayers¹

<u>Name of Taxpayer</u>	<u>Nature of Business</u>	<u>2016 Assessed Valuation</u>
HP Altman Autumn Ridge LLC	Housing	\$34,982,900
SDK Millbridge Gardens LLC	Housing	33,388,000
Camden County Realty LLC	Housing	28,090,300
Lakeview Realty Investment Assoc	Housing	22,360,500
Korman Residential Prop INC	Housing	18,773,500
East Coast Fairways Apartments LLC	Housing	16,145,500
C Keys LLC	Shopping Center	13,995,100
Paramount Realty Services	Housing	11,412,000
Target Corporation	Shopping Center	10,913,800
Lowe's Home Center's LLC	Shopping Center	9,975,200
Total:		\$200,036,800

Current Tax Collections²

<u>Year</u>	<u>Total Levy</u>	<u>Collected in Year of Levy</u>		<u>Delinquent Taxes</u>	
		<u>Amount</u>	<u>Percentage³</u>	<u>Amount</u>	<u>Percentage²</u>
Dec 2016 ⁽⁴⁾	\$165,207,162	\$164,549,102	99.60	11,125	0.01
Dec 2015	154,505,315	153,889,654	99.60	10,706	0.00
Dec 2014	154,799,198	154,261,292	99.65	2,915	0.00
Dec 2013	146,698,570	145,883,276	99.44	3,647	0.00
Dec 2012	145,548,762	144,872,286	99.54	161,318	0.11
Dec 2011	143,593,492	143,083,576	99.64	150,064	0.10

Delinquent Taxes¹

<u>Year</u>	<u>Outstanding Year Beginning</u>	<u>Delinquencies Added</u>	<u>Collected</u>		<u>Transferred To Liens</u>	<u>Other Credits</u>	<u>Outstanding Year End</u>
			<u>Amount</u>	<u>Percentage</u>			
Dec 2016 ⁽⁴⁾	162,079	76,599	107,825	45.18	---	766	130,087
Dec 2015	207,359	67,044	91,422	33.31	24,582	7,026	151,373
Dec 2014	302,323	68,285	161,522	43.58	---	1,728	207,359
Dec 2013	225,286	275,802	150,523	30.04	41,771	6,471	302,323
Dec 2012	103,040	150,064	27,817	10.99	---	---	225,286
Dec 2011	252,900	1,305,108	1,440,951	92.49	13,510	506	103,040

¹ Source: Township Tax Assessor

² Source: Annual Financial Reports (2015 unaudited)

³ Accelerated Tax Sale

⁴ Compiled 2016 Financial Statements

Tax Title Liens¹

<u>Year</u>	<u>Beginning Balance</u>	<u>Added by Sales and Transfers</u>	<u>Collected</u>	<u>Cancellations and Transfers To foreclosed Property</u>	<u>Ending Balance</u>
Dec 2016 ⁽⁴⁾	\$1,112,369	\$276,860	\$195,839	\$154,391	\$1,039,001
Dec 2015	962,001	23,103	170,060	---	1,112,369
Dec 2014	753,373	315,128	106,500	---	962,001
Dec 2013	653,643	406,023	306,294	---	753,373
Dec 2012	434,018	---	---	---	653,643
Dec 2011	205,968	\$260,927	\$32,876	---	434,018
Dec 2010	157,687	48,290	---	10	205,968

Foreclosed Property²

<u>Year</u>	<u>Balance Year Beginning</u>	<u>Added by Transfers/ Foreclosures</u>	<u>Adjustment to Assessed Valuation</u>	<u>Cash Sales</u>	<u>Loss on Sale of Property</u>	<u>Balance Year End</u>
Dec 2016 ⁽⁴⁾	---	\$146,580	\$556,720	---	---	\$703,300
Dec. 2015	---	---	---	---	---	---
Dec. 2014	---	---	---	---	---	---
Dec. 2013	---	---	---	---	---	---
Dec. 2012	---	---	---	---	---	---
Dec 2011	2,080,942	---	---	---	---	---

Net Assessed Valuations and Annual Tax Rates³

<u>Year</u>	<u>Net Assessed Valuation</u>	<u>Total Tax Rate</u>	<u>Tax Rates³</u>			
			<u>County</u>	<u>Local School</u>	<u>Municipal</u>	<u>Regional High School</u>
Dec 2016	\$4,411,876,400	\$3.583	0.849	1.102	1.028	0.604
Dec 2015	4,447,441,000	3.322	0.812	1.062	0.918	0.530
Dec 2014	4,406,383,200	3.304	0.797	1.040	0.925	0.542
Dec 2013	4,480,663,900	3.135	0.791	0.974	0.853	0.517
Dec 2012	4,524,196,500	3.082	0.772	0.956	0.825	0.509
Dec 2011	4,531,597,460	3.032	0.731	0.947	0.843	0.511

¹ Source: Annual Financial Reports (2015 unaudited)

² Source: Township Tax Collector.

³ Per \$100 of assessed valuation, excluding Special District Taxes.

⁴ Compiled 2016 Financial Statements

Special District Taxes¹

<u>Year</u>	<u>Fire No. 1</u>	<u>Fire No. 2</u>	<u>Fire No. 3</u>	<u>Fire No. 4</u>	<u>Fire No. 5</u>	<u>Fire No. 6</u>
Dec 2016	.085	.147	.093	.205	.202	.142
Dec 2015	.083	.145	.091	.189	.190	.137
Dec 2014	.081	.149	.090	.180	.196	.132
Dec 2013	.079	.136	.086	.167	.188	.121
Dec 2012	.078	.135	.085	.166	.182	.118
Dec 2011	.076	.134	.069	.163	.180	.112
Dec 2010	.074	.134	.068	.157	.166	.109

Ratio of Assessed Valuation to True Value and True Value Per Capita²

<u>Year</u>	<u>Real Property Assessed Valuation</u>	<u>Percentage of True Value</u>	<u>True Value</u>	<u>Full Value Per Capita</u>
Dec 2016	\$4,405,474,100	103.23	\$4,267,629,662	64,604
Dec 2015	4,440,891,600	104.23	4,260,665,451	64,498
Dec 2014	4,400,011,900	108.19	4,066,930,308	61,886
Dec 2013	4,472,159,100	107.63	4,155,123,200	62,901
Dec 2012	4,514,026,200	100.96	4,255,304,110	64,417
Dec 2011	4,521,235,250	100.96	4,478,244,107	67,793

Real Property Classification³

<u>Year</u>	<u>Assessed Value Land and Improvements</u>	<u>Vacant Land</u>	<u>Residential</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Apartments</u>	<u>Farmland</u>
Dec 2016	\$4,405,474,100	\$55,182,400	\$3,762,790,300	373,582,200	47,981,100	159,252,700	6,675,400
Dec 2015	4,440,891,600	54,885,800	3,792,784,400	375,824,800	49,999,300	160,526,700	6,870,600
Dec 2014	4,400,011,900	43,112,300	3,798,043,600	337,565,300	53,742,100	160,579,500	6,969,100
Dec 2013	4,472,159,100	43,644,900	3,860,376,200	340,966,300	58,290,800	161,685,100	7,165,800
Dec 2012	4,514,026,200	42,470,400	3,912,957,500	333,418,200	57,339,900	160,651,000	7,189,600
Dec 2011	4,521,235,250	44,506,600	3,926,504,450	320,755,000	58,630,600	164,046,800	6,791,800

¹ Source: Township Tax Collector. Rates expressed as dollars (fractions) / \$100 assessed value.

² Source: State of New Jersey, Department of Treasury, Division of Taxation.

³ Source: Township Tax Assessor.

GENERAL INFORMATION ON THE SCHOOL DISTRICT¹

Education

The Board of Education of the Township of Gloucester ("School District") was organized in the late 1800s and operates under the provisions of Title 18A, of the State Statutes. It functions independently through a nine (9) member board, elected by the citizens in alternate three (3) year terms. There are presently eight (8) elementary and three (3) middle schools in use for grades kindergarten through eight.

Township high school students attend the Black Horse Pike Regional School District ("Regional School District") which presently operates three (3) high schools for grades 9 through 12.

The Regional School District was organized on June 14, 1955 with the approval of the voters, and functions through a nine (9) member board, elected by the citizens in alternate three (3) year terms. The Regional School District comprises the Township and the Boroughs of Runnemede and Bellmawr. 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 three municipalities as equalized by the County.

Township of Gloucester School District - School Enrollments as of October 15¹

<u>Grade</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Pre-School	52	27	53	63	59	181
K	484	532	540	579	571	648
1	618	646	653	685	752	776
2	573	623	625	687	674	719
3	614	626	637	643	661	735
4	610	635	621	660	644	771
5	619	614	629	650	700	799
6	631	653	633	702	704	832
7	648	636	701	694	714	869
8	642	680	710	738	770	860
Special Education	<u>928</u>	<u>1067</u>	<u>943</u>	<u>1,056</u>	<u>982</u>	<u>157</u>
Totals	<u>6,419</u>	<u>6,739</u>	<u>6,745</u>	<u>7,157</u>	<u>7,231</u>	<u>7,347</u>

¹ Source: School District Officials.

Present School Facilities, Enrollment and Capacity¹

<u>Name of School</u>	<u>Date Constructed</u>	<u>Renovations / Additions</u>	<u>Grades</u>	<u>Enrollment Oct. 15, 2015</u>	<u>Functional Capacity</u>
Blackwood School	1958	1960/1980/1995/2001	K-5	621	850
Chews School	1958	1960/1967/1995/2001	K-5	686	925
Erial School	1961	1968/1980/1995/2001	K-5	644	925
Glendora School	1922	1931/1951/1978	K-5	250	350
Gloucester Township School	1926	2001	K-5	249	350
Loring-Fleming School	1976	1988	K-5	667	975
James W. Lilley, Jr. School	1986	1988/1996/2001	K-5	498	925
C.W. Lewis Middle School	1964	1969/2001	6-8	649	1,100
Glen Landing Middle School	1971	1974	6-8	768	1,100
Ann Mullen Middle School	1996		6-8	917	1,350
Union Valley School	2001		K-5	<u>470</u>	<u>925</u>
Totals				<u>6,419</u>	<u>9,851</u>

Black Horse Pike Regional High School District - School Enrollments as of October 15²

<u>Grade</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
9	812	752	999	942	889
10	723	805	989	836	906
11	778	826	949	861	872
12	827	839	926	885	898
Spec. Ed.	<u>546</u>	<u>520</u>	<u>539</u>	<u>817</u>	<u>845</u>
Totals	<u>3,686</u>	<u>3,742</u>	<u>4,402</u>	<u>4,341</u>	<u>4,410</u>

Compensated Absences¹

School District employees are granted vacation and sick leave in varying amounts under the School District's personnel policies. In the event of termination, an employee is reimbursed for accumulated sick leave. An employee must be fifty-five years of age, have ten years of service in the School District and have a minimum of fifty days accumulated to be eligible for termination pay. Termination pay is paid to an employee at the rate of one-half of the substitute rate multiplied by the number of accumulated sick leave days up to one-hundred fifty days.

Pension Plans¹

Those School District employees who are eligible for pension coverage are enrolled in one of two pension systems established for school districts by acts of the State Legislature. Benefits, contributions, means of funding and the manner of administration are determined by the State.

¹ Source: School District Officials.

² Source: Application for State School Aid. Includes students from the Township and the Boroughs of Bellmawr and Runnemede.

HIGHER EDUCATION FACILITIES

Rutgers University-Camden Campus

Rutgers University-Camden ("Rutgers") is a comprehensive, publicly-supported, co-educational four-year institution accredited by the Middle States Association of Colleges and Secondary Schools and funded primarily by the State, was founded in 1950 on a 23.8 acre campus in the City of Camden. As of September, 2016, there were approximately 4,899 undergraduate students and 1,509 graduate students.

Camden County College

Fully accredited by the Middle States Association of Colleges and Secondary Schools, Camden County College ("College") is a comprehensive publicly supported, co-educational two-year institution developed under a program of the State Department of Higher Education. It is funded in part by the County Board of Chosen Freeholders who appoint a nine (9) member Board of Trustees. The College has campuses in Gloucester Township, Cherry Hill Township and the City of Camden.

As of the Fall of 2015, full enrollment was approximately 8,023 and part-time enrollment was 7,470 for a total of 15,493. (www.cappex.com/colleges/Camden-County-College)

Camden County Vocational-Technical Institute School

From a vocational school that opened with 400 students in 12 trade areas in 1928, Camden County Technical Schools ("CCTS") has grown to be one of the largest and most comprehensive technical schools in the nation. The district today encompasses a full range of day and evening programs at campuses in Pennsauken and Gloucester Township.

For high school students, there are 35 career programs from which to choose. Seniors are offered the opportunity to participate in several of our school-to-career programs and are offered lifetime job placement assistance. In addition, students are offered a full-range of athletics and activities to complement their education.

The Technical Institute, the adult division of CCTS, offers a wide range of day and evening career programs to its more than 1,140 students. High school graduates, and in some programs, non-graduates, can pursue training essential to gain entry into agricultural, business, technical, trade, and health occupations. Most programs range from ten (10) months to two (2) years, and students are awarded a diploma upon successful completion and lifetime job placement assistance.

In addition to the facilities mentioned above, The Richard Stockton College of New Jersey, University of Pennsylvania, Temple University, LaSalle University, Villanova University, St. Joseph's University, Drexel University and Rowan University are all within a commuting distance from the Township.

**TOWNSHIP OF GLOUCESTER
STATEMENT OF INDEBTEDNESS ⁽¹⁾**

The following table summarizes the direct debt of the Township as of December 31, 2016, in accordance with the requirements of the Local Bond Law. The gross debt comprises short and long-term debt issued and debt authorized but not issued, including General, and Debt of the Local and Regional School Districts. Deductions from gross debt to arrive at net debt include reserve for the payment of debt, and local and regional school district debt. The resulting net debt of \$63,120,590 represents 1.503% of the average of equalized valuations for the Township for the last three years, of \$4,198,408,474 which is within the 3.5% limit imposed by N.J.S.A. 40A:2-6.

	Debt Issued		Debt Auth. But Not Issued	Gross Debt	Deductions		Net Debt
	Bonds/Loans	Notes			School District	Reserve for Payment of Debt	
General	\$ 43,395,074	\$ 15,945,355	\$ 4,472,121	\$ 63,812,550		\$ 691,960	\$ 63,120,590
Local School District	7,765,000			7,765,000	\$ 7,765,000		
Regional School District	6,913,021			6,913,021	6,913,021		
	<u>\$ 58,073,095</u>	<u>\$ 15,945,355</u>	<u>\$ 4,472,121</u>	<u>\$ 78,490,571</u>	<u>\$ 14,678,021</u>	<u>\$ 691,960</u>	<u>\$ 63,120,590</u>

¹ As of December 31, 2016
Source: December 31, 2016 Annual Debt Statement

**DEBT RATIOS AND VALUATIONS
AS OF DECEMBER 31, 2016⁽¹⁾**

Average of Equalized Valuations of Real Property with Improvements for 2014, 2015 and 2016	\$4,198,408,474
Statutory Net debt as a Percentage of the Average of Equalized Valuations of Real Property with Improvements for 2014, 2015 and 2016	1.503%
2016 Net Valuation Taxable	\$4,411,876,400
2016 Equalized Valuation of Real Property and Taxable Personal Property Used in Communications	\$4,274,031,962
Gross Debt	\$78,490,571
As a Percentage of 2016 Net Valuation Taxable	1.78%
As a Percentage of 2016 Equalized Valuation of Real Property and Taxable Personal Property Used in Communications	1.84%
Net Debt	\$63,120,590
As a Percentage of 2016 Net Valuation Taxable	1.43%
As a Percentage of 2016 Equalized Valuation of Real Property and Taxable Personal Property Used in Communications	1.48%
Gross Debt per Capita	\$1,214
Net Debt per Capita	\$977

Township Borrowing Capacity

3.5% of Average (2014-2016) Equalized Valuation of Real Property Including Improvements	\$146,944,297
Net Debt	<u>(63,120,590)</u>
Remaining Borrowing Capacity	\$83,823,707

School District Borrowing Capacity

3% of Average (2014-2016) Equalized Valuation of Real Property Including Improvements	\$125,952,254
Local School Debt	<u>(7,765,000)</u>
Remaining Borrowing Capacity	\$118,187,254

¹ As of December 31, 2016

Regional High School District Borrowing Capacity¹

3% of Average (2014-2016) Equalized Valuation of Real Property Including Improvements	\$163,557,043
Regional School Debt	<u>(8,977,000)</u>
Remaining Borrowing Capacity	\$154,580,043

County of Camden – Overlapping Debt

	<u>Debt Outstanding</u>	<u>Deductions</u>	<u>Statutory Net Debt Outstanding</u>	<u>Net Debt Outstanding Allocated to the Issuer</u>	<u>Debt Authorized but not Issued</u>
County of Camden ¹ :					
General:					
Bonds	\$ 35,695,000	\$ 12,761,633 ²	\$ 22,933,367	\$2,708,104 ⁴	\$ 204,000
Loan Agreements	269,003,014		269,003,014	31,765,422 ⁴	
Bonds Issued by Other Public Bodies Guaranteed by the County	471,754,632	471,754,632 ³			
Gloucester Township MUA ⁵	9,604,763		9,604,763	9,604,763	
Gloucester Township Fire Districts ⁵	870,356		870,356	870,356	
	<u>\$ 786,927,765</u>	<u>\$ 484,516,265</u>	<u>\$302,411,500</u>	<u>\$44,948,645</u>	<u>\$ 204,000</u>

1. Source: County of Camden

2 Includes Reserve for Payment of Bonds, Other Accounts Receivable and General Obligation Pension Refunding Bonds

3. Deductible in accordance with N.J.S. 40:37A-80

4. Such debt is allocated as a proportion of the Issuer's share of the total 2015 Net Valuation on which County taxes are apportioned, which is 11.81%

5. Source: Entity's Records

**TOWNSHIP OF GLOUCESTER
2016 MUNICIPAL BUDGET ⁽¹⁾**

CURRENT FUND

Anticipated Revenues:	
Fund Balance	\$ 3,175,830
Miscellaneous Revenues:	
Local Revenues	2,209,500
State Aid without Offsetting Appropriations	5,106,459
Dedicated Uniform Construction Code Fees	600,000
Public and Private Programs Offset with Appropriations	160,882
Other Special Items of Revenue	2,216,833
Amount to be Raised by Taxation for Municipal Purposes	44,481,445
Total Appropriated Revenues	\$ 57,950,949
Appropriations:	
Within CAPS:	
Operations	\$ 43,228,322
Deferred Charges and Statutory Expenditures	5,687,915
Excluded from CAPS:	
Other Operations	646,305
Public and Private Programs	198,650
Capital Improvements	310,000
Debt Service	6,597,495
Transferred to the Board of Education	510,000
Reserve for Uncollected Taxes	772,262
Total Appropriations	\$ 57,950,949

¹ 2016 Adopted Budget

**TOWNSHIP OF GLOUCESTER
2016 CAPITAL PROGRAM
PROJECTS SCHEDULED FOR THE YEARS 2016 – 2021⁽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 Capital:					
Repaving Various Sidewalk	\$ 908,250	\$ 45,413		\$ 862,838	
Repaving Various Streets	13,944,783	697,239		13,247,544	
Acquisition of Recreational Equipment	733,000	36,650		696,350	
Acquisition of Street Lighting	90,825	4,541		86,284	
Improvements to Various Buildings	4,452,595	222,630		4,229,965	
Acquisition of Public Works Equipment	5,636,165	281,808		5,354,357	
Acquisition of Office Equipment	492,200	24,610		467,590	
Acquisition of Police Equipment	6,649,586	332,479		6,317,107	
Totals--All Projects	<u>\$32,907,404</u>	<u>\$ 1,645,370</u>	<u>\$ -</u>	<u>\$31,262,034</u>	<u>\$ -</u>

¹ 2016 Adopted Budget

APPENDIX B

**EXCERPTS FROM THE FINANCIAL STATEMENTS OF THE
TOWNSHIP OF GLOUCESTER,
COUNTY OF CAMDEN,
STATE OF NEW JERSEY**

FOR THE YEAR ENDED 2016

COMPILED FINANCIAL STATEMENTS



INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

The Honorable Mayor and
Members of the Township Committee
Township of Gloucester
County of Camden
Blackwood, New Jersey 08012

Management is responsible for the accompanying financial statements of the Township of Gloucester, in the County of Camden, State of New Jersey, which comprise the statement of assets, liabilities, reserves and fund balance--regulatory basis of the various funds as of December 31, 2016 and the related statement of operations and changes in fund balances--regulatory basis for the year then ended, in accordance with accounting practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, and for determining that this regulatory basis of accounting is an acceptable financial reporting framework. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements to have been prepared in conformity with accounting practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

Management has elected to omit substantially all of the disclosures required by these regulatory accounting practices. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the Township's assets, liabilities, reserves, fund balance, revenues and expenditures. Accordingly, the financial statements are not designed for those who are not informed about such matters.

Respectfully submitted,

/s/ BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants

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

Voorhees, New Jersey
February 14, 2017

TOWNSHIP OF GLOUCESTER

CURRENT FUND

Statement of Assets, Liabilities, Reserves and Fund Balance--Regulatory Basis

As of December 31, 2016

ASSETS

Cash	\$	12,317,817
Due from State of New Jersey:		
Senior Citizens and Veterans Deductions		86,460
Federal and State Grants Receivable		770,566
Receivables with Full Reserves:		
Delinquent Property Taxes Receivable		141,212
Tax Title Liens Receivable		1,039,001
Property Acquired by Taxes--Assessed Valuation		703,300
Revenue Accounts Receivable		45,769
Interfunds Receivable		72,947
Accounts Receivable--Other		8,207
		<hr/>
	\$	15,185,279
		<hr/> <hr/>

**LIABILITIES, RESERVES AND FUND
BALANCE**

Appropriation Reserves	\$	1,229,204
Accounts Payable		1,442
Reserve for Encumbrances		496,924
Reserve for Costs of Revaluation		8,772
Interfunds Payable		2,149,730
County Taxes Payable		62,247
School Taxes Payable		1
Prepaid Taxes		1,222,850
Prepaid Abatement		516
Prepaid Maintenance Liens		88,088
Due to Gloucester Township Municipal Utilities Authority		989,979
Due to Camden County Municipal Utilities Authority		457,397
Other Liabilities and Special Funds		36,446
Reserve for Receivables and Other Assets		2,010,436
Reserve for Federal and State Grants		644,476
Fund Balance		5,786,771
		<hr/>
	\$	15,185,279
		<hr/> <hr/>

See Independent Accountant's Compilation Report and Notes

TOWNSHIP OF GLOUCESTER

CURRENT FUND

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

For the Year Ended December 31, 2016

Revenue Realized:	
Current Tax Collections	\$ 164,549,102
Delinquent Tax Collections	303,663
	<hr/>
Total Taxes	164,852,765
	<hr/>
Miscellaneous Revenues Anticipated	11,678,451
Other Income	3,852,956
Fund Balance Utilized	3,175,830
	<hr/>
Total Income	183,560,002
	<hr/>
Expenditures:	
Operating	44,724,846
Capital Improvements	310,000
Debt Service	6,597,425
Deferred Charges and Statutory Expenditures	5,687,915
Transferred to Board of Education	510,000
County Taxes	37,438,448
Local District School Purposes	48,636,745
Regional High School Tax	26,671,772
Fire District Taxes	6,746,731
Municipal Open Space Tax	883,852
Other Expenditures	115,391
	<hr/>
Total Expenditures and Encumbrances	178,323,125
	<hr/>
Statutory Excess to Fund Balance	5,236,877
Fund Balance Beginning of Year	3,725,724
	<hr/>
	8,962,601
Decreased by:	
Utilized as Revenue	3,175,830
	<hr/>
Fund Balance Ending of Year	\$ 5,786,771
	<hr/> <hr/>

See Independent Accountant's Compilation Report and Notes

TOWNSHIP OF GLOUCESTER

GENERAL CAPITAL FUND

Statement of Assets, Liabilities, Reserves and Fund Balance--Regulatory Basis

As of December 31, 2016

ASSETS

Cash	\$	1,083,073
Deferred Charges to Future Taxation:		
Funded		43,395,074
Unfunded		20,417,476
Due from State of New Jersey - Infrastructure Loan Receivable		<u>2,079,415</u>
	\$	<u><u>66,975,038</u></u>

LIABILITIES, RESERVES AND FUND BALANCE

Bond Anticipation Notes	\$	15,945,355
General Serial Bonds		37,750,000
Loans Payable:		
Green Acres		1,125,908
New Jersey Environmental Infrastructure Trust		4,519,165
Improvement Authorizations:		
Funded		159,324
Unfunded		5,750,781
Reserve for Encumbrances		999,623
Interfunds Payable		132
Capital Improvement Fund		6,064
Reserves for Payment of Debt		691,960
Fund Balance		<u>26,726</u>
	\$	<u><u>66,975,038</u></u>

See Independent Accountant's Compilation Report and Notes

TOWNSHIP OF GLOUCESTER

TRUST FUND

Statement of Assets, Liabilities, Reserves and Fund Balance--Regulatory Basis

As of December 31, 2016

ASSETS

Cash and Investments	\$	5,942,643
Due from School Bus GPS System		40,973
Due from Gloucester Township Municipal Utilities Authority		12,064
Rehabilitation Mortgages Receivable		905,471
Metro Cities Receivable		351,675
Camden County Home Consortium Program Receivable		46,638
Interfunds Receivable		<u>2,078,735</u>
	\$	<u><u>9,378,199</u></u>

LIABILITIES, RESERVES AND FUND BALANCE

Interfunds Payable	\$	1,820
Due State of New Jersey		21
Reserve for Liabilities and Special Funds		<u>9,376,358</u>
	\$	<u><u>9,378,199</u></u>

See Independent Accountant's Compilation Report and Notes

TOWNSHIP OF GLOUCESTER
Selected Information – Substantially All Disclosures
Required by the Regulatory Basis of Accounting Have Been Omitted
For the Year Ended December 31, 2016

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Financial Reporting Entity - The Township of Gloucester (hereafter referred to as the “Township” or “Gloucester Township”) was incorporated in 1695 and is located in southwest New Jersey approximately fifteen miles southwest of the City of Philadelphia. The population according to the 2010 census is 64,700.

The Township is governed by a Mayor and seven-member Township Council form of government. The Mayor is elected for a four-year term and serves as the full-time Chief Executive Officer of the Township. Members of the Township Council are elected to four-year terms on a staggered basis and function as the legislative body of the Township. The Township Administrator and the Township Clerk are appointed by the Mayor and monitor the daily administrative and financial responsibilities, including but not limited to, staffing and personnel issues and budget preparation and implementation.

Component Units - The financial statements of the component units of the Township are not presented in accordance with Governmental Accounting Standards Board GASB Statements No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34*. If the provisions of GASBS No. 14, as amended by GASBS No. 39 and GASBS No. 61, had been complied with, the financial statements of the following component units would have been either blended or discretely presented with the financial statements of the Township, the primary government:

Gloucester Township Municipal Utilities Authority
71 Landing Road, P.O. Box 216
Blackwood, New Jersey 08012

Annual financial reports may be inspected directly at the offices of these component units during regular business hours.

Measurement Focus, Basis of Accounting and Financial Statement Presentation - The financial statements of the Township contain all funds and account groups in accordance with the *Requirements of Audit* (“*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 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.

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

Budgets and Budgetary Accounting - The Township must adopt an annual budget for its current, and open space trust fund, 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.

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 \$5,000.00, the maximum amount allowed by the Circular. 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.

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 includes 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.

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 assets account group. If such property is converted to a municipal use, it will be recorded in the general fixed assets account group.

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 represents amounts available for anticipation as revenue in future years' budgets, with certain restrictions.

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 the Township which are susceptible to accrual are also recorded as receivables with offsetting reserves and recorded as revenue when received.

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

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 Camden, the Township of Gloucester School District, the Black Horse Pike Regional High School District, the Township of Gloucester Fire District No.1, the Township of Gloucester Fire District No. 2, the Township of Gloucester Fire District No. 3, the Township of Gloucester Fire District No. 4, the Township of Gloucester Fire District No. 5 and the Township of Gloucester Fire District No. 6. Unpaid property taxes are subject to tax sale in accordance with the statutes.

School Taxes - The Township is responsible for levying, collecting, and remitting school taxes for the Township of Gloucester School District and the Black Horse Pike Regional High School District. Operations is charged for the full amount required to be raised from taxation to operate the local school district for the period from January 1 to December 31 for both school districts.

County Taxes - The municipality is responsible for levying, collecting, and remitting county taxes for the County of Camden. 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.

Fire District Taxes - The municipality is responsible for levying, collecting, and remitting fire district taxes for the Township's 6 fire districts. Operations is charged for the full amount required to be raised from taxation to operate the Fire District for the period from January 1 to December 31.

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 and interest payments on outstanding general capital bonds and notes are provided on the cash 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.

Long-Term Debt - Long-term debt, relative to the acquisition of capital assets, is recorded as a liability in the general capital fund. 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.

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

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.

Net Pension Liability, Deferred Outflow of Resources, Deferred Inflow of Resources and Expenses Related to Pensions - As previously mentioned, to meet the requirements of the State of New Jersey, the Township follows a basis of accounting other than accounting principles generally accepted in the United States of America. As such, pension expenses for the Public Employee's Retirement System (PERS) and Police and Firemen's Retirement System (PFRS) are appropriated, recorded and provided for in the year in which they are contractually required to be paid (pay-as-you-go basis). No accrual is made for net pension liability, deferred outflows of resources and deferred inflows of resources for these cost-sharing multiple-employer defined benefit pension plans, and the financial statements are not reported in accordance with the provisions of GASB 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, and GASB 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. See note 6 for required disclosures of these amounts.

FOR THE YEARS ENDED 2015 AND 2014

AUDITED FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and
Members of the Township Committee
Township of Gloucester
County of Camden
Blackwood, New Jersey 08012

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 Gloucester, in the County of Camden, State of New Jersey, as of December 31, 2015 and 2014, 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.

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. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to 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 Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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

As described in Note 1 of 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 U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statements referred to 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 Gloucester, in the County of Camden, State of New Jersey, as of December 31, 2015 and 2014, 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 Gloucester, in the County of Camden, State of New Jersey, as of December 31, 2015 and 2014, 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.

Respectfully submitted,

/s/BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants

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

Voorhees, New Jersey
December 5, 2016

TOWNSHIP OF GLOUCESTER
CURRENT FUND

Statements of Assets, Liabilities, Reserves and Fund Balance--Regulatory Basis

	As of December 31,	
	<u>2015</u>	<u>2014</u>
ASSETS		
Cash	\$ 15,925,520	\$ 13,325,095
Due from State of New Jersey:		
Senior Citizens and Veterans Deductions	86,897	89,841
Federal and State Grants Receivable	433,835	631,193
Receivables with Full Reserves:		
Delinquent Property Taxes Receivable	162,079	210,275
Tax Title Liens Receivable	1,112,369	962,001
Miscellaneous Liens Receivable	39,640	57,663
Revenue Accounts Receivable	97,760	116,173
Interfunds Receivable	159,500	311,599
Accounts Receivable--Other	6,994	8,468
	<u>\$ 18,024,594</u>	<u>\$ 15,712,308</u>
 LIABILITIES, RESERVES AND FUND BALANCE		
Appropriation Reserves	\$ 1,675,673	\$ 830,053
Accounts Payable	1,141	19,385
Reserve for Encumbrances	890,730	360,741
Reserve for Costs of Revaluation	8,772	8,772
Interfunds Payable	5,089,704	3,467,694
County Taxes Payable	40,137	642,292
School Taxes Payable	1,949,633	49,698
Prepaid Taxes	1,514,344	925,047
Prepaid Abatement	325	
Tax Overpayments		10,601
Due to Gloucester Township Municipal Utilities Authority	462,409	437,498
Due to Camden County Municipal Utilities Authority	937,786	782,528
Other Liabilities and Special Funds	20,027	12,165
Reserve for Receivables and Other Assets	1,423,436	1,355,676
Reserve for Federal and State Grants	284,753	687,904
Fund Balance	<u>3,725,724</u>	<u>6,122,254</u>
	<u>\$ 18,024,594</u>	<u>\$ 15,712,308</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

TOWNSHIP OF GLOUCESTER
CURRENT FUND

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

	For the Years Ended December 31,	
	<u>2015</u>	<u>2014</u>
Revenue Realized:		
Current Tax Collections	\$ 153,889,654	\$ 154,261,292
Delinquent Tax Collections	261,483	268,022
	154,151,137	154,529,314
Miscellaneous Revenues Anticipated	12,856,321	11,782,787
Other Income	962,399	2,263,966
Fund Balance Utilized	4,840,000	4,150,000
	172,809,857	172,726,067
Expenditures:		
Operating	43,113,038	41,387,697
Capital Improvements	300,000	212,000
Debt Service	6,673,641	7,138,943
Deferred Charges and Statutory Expenditures	5,405,610	4,988,965
Transferred to Board of Education	510,000	510,000
County Taxes	36,141,275	35,706,774
Local District School Purposes	45,638,520	45,791,690
Regional High School Tax	25,159,352	23,872,287
Fire District Taxes	6,516,358	6,409,735
Municipal Open Space Tax	890,473	896,923
Other Expenditures	18,120	105,049
	170,366,387	167,020,063
Statutory Excess to Fund Balance	2,443,470	5,706,004
Fund Balance Beginning of Year	6,122,254	4,566,250
	8,565,724	10,272,254
Decreased by:		
Utilized as Revenue	4,840,000	4,150,000
	3,725,724	6,122,254
Fund Balance Ending of Year	\$ 3,725,724	\$ 6,122,254

The accompanying Notes to Financial Statements are an integral part of this statement.

TOWNSHIP OF GLOUCESTER
GENERAL CAPITAL FUND

Statements of Assets, Liabilities, Reserves and Fund Balance--Regulatory Basis

	As of December 31,	
	<u>2015</u>	<u>2014</u>
ASSETS		
Cash	\$ 1,677,423	\$ 3,184,428
Deferred Charges to Future Taxation:		
Funded	47,434,080	51,895,089
Unfunded	13,162,374	7,400,810
Due from State of New Jersey - Infrastructure Loan Receivable	2,249,575	1,558,256
Interfunds Receivable	895,981	
	<u>\$ 65,419,433</u>	<u>\$ 64,038,583</u>
LIABILITIES, RESERVES AND FUND BALANCE		
Bond Anticipation Notes	\$ 8,062,512	
General Serial Bonds	42,690,000	\$ 47,539,000
Loans Payable:		
Green Acres	1,260,142	1,391,731
New Jersey Environmental Infrastructure Trust	3,483,938	2,964,358
Improvement Authorizations:		
Funded	745,655	2,800,105
Unfunded	4,995,546	5,175,081
Reserve for Encumbrances	2,049,972	1,078,821
Capital Improvement Fund	3,477	998
Interfunds Payable		1,090
Reserves for Payment of Debt	2,101,465	60,673
Fund Balance	26,726	3,026,726
	<u>\$ 65,419,433</u>	<u>\$ 64,038,583</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

TOWNSHIP OF GLOUCESTER
TRUST FUND

Statements of Assets, Liabilities, Reserves and Fund Balance--Regulatory Basis

	As of December 31,	
	<u>2015</u>	<u>2014</u>
ASSETS		
Cash and Investments	\$ 4,383,781	\$ 4,757,601
Due from School Bus GPS System	34,885	31,424
Due from Gloucester Township Municipal Utilities Authority	12,064	12,064
Rehabilitation Mortgages Receivable	905,471	905,471
Metro Cities Receivable	397,916	115,615
Camden County Home Consortium Program Receivable	46,638	90,938
Interfunds Receivable	4,095,540	3,167,191
	\$ 9,876,295	\$ 9,080,304
 LIABILITIES, RESERVES AND FUND BALANCE		
Interfunds Payable	\$ 61,317	\$ 10,006
Due State of New Jersey	8	8
Reserve for Liabilities and Special Funds	9,814,970	9,070,290
	\$ 9,876,295	\$ 9,080,304

The accompanying Notes to Financial Statements are an integral part of this statement.

TOWNSHIP OF GLOUCESTER
Notes to Financial Statements
For the Year Ended December 31, 2015

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Financial Reporting Entity - The Township of Gloucester (hereafter referred to as the "Township" or "Gloucester Township") was incorporated in 1695 and is located in southwest New Jersey approximately fifteen miles southwest of the City of Philadelphia. The population according to the 2010 census is 64,700.

The Township is governed by a Mayor and seven-member Township Council form of government. The Mayor is elected for a four-year term and serves as the full-time Chief Executive Officer of the Township. Members of the Township Council are elected to four-year terms on a staggered basis and function as the legislative body of the Township. The Township Administrator and the Township Clerk are appointed by the Mayor and monitor the daily administrative and financial responsibilities, including but not limited to, staffing and personnel issues and budget preparation and implementation.

Component Units - The financial statements of the component unit of the Township are not presented in accordance with Governmental Accounting Standards Board GASB Statements No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34*. If the provisions of GASBS No. 14, as amended by GASBS No. 39 and GASBS No. 61, had been complied with, the financial statements of the following component unit would have been either blended or discretely presented with the financial statements of the Township, the primary government:

Gloucester Township Municipal Utilities Authority
71 Landing Road, P.O. Box 216
Blackwood, New Jersey 08012

Annual financial reports of the Gloucester Township Municipal Utilities Authority may be inspected directly at the offices of this component unit during regular business hours.

Measurement Focus, Basis of Accounting and Financial Statement Presentation - The financial statements of the Township contain all funds and account groups in accordance with the "Requirements of Audit" 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 of Audit 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 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.

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

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.

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.

Budgets and Budgetary Accounting - The Township must adopt an annual budget for its current, and open space trust fund, 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. Consequently, unrealized gain or loss on investments has not been recorded in accordance with Governmental Accounting Standards Board Statement No. 31.

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.

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

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.

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 \$5,000.00, the maximum amount allowed by the Circular. 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 their estimated fair market value on the acquisition date. 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 assets, 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 includes 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.

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 represents 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 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 Camden, the Township of Gloucester School District, the Black Horse Pike Regional High School District, the Township of Gloucester Fire District No.1, the Township of Gloucester Fire District No. 2, the Township of Gloucester Fire District No. 3, the Township of Gloucester Fire District No. 4, the Township of Gloucester Fire District No. 5 and the Township of Gloucester Fire District No. 6. Unpaid property taxes are subject to tax sale in accordance with the statutes.

School Taxes - The Township is responsible for levying, collecting, and remitting school taxes for the Township of Gloucester School District and the Black Horse Pike Regional High School District. Operations is charged for the full amount required to be raised from taxation to operate the local school district for the period from January 1 to December 31 for both school districts.

County Taxes - The municipality is responsible for levying, collecting, and remitting county taxes for the County of Camden. 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.

Fire District Taxes - The municipality is responsible for levying, collecting, and remitting fire district taxes for the Township's 6 fire districts. Operations is charged for the full amount required to be raised from taxation to operate the Fire District for the period from January 1 to December 31.

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 and interest payments on outstanding general capital bonds and notes are provided on the cash basis.

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

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.

Long-Term Debt - Long-term debt, relative to the acquisition of capital assets, is recorded as a liability in the general capital fund. 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, 2015, the Township adopted GASB 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, and GASB 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. As a result of adopting such Statements, the Township was required to measure and disclose liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to their defined benefit pensions. As a result of the regulatory basis of accounting previously described in note 1, the implementation of these Statements 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, 2015, the Township's bank balances of \$22,556,575.12 were exposed to custodial credit risk as follows:

Insured by FDIC and GUDPA	\$ 20,627,315.79
Uninsured and Uncollateralized	<u>1,929,259.33</u>
Total	<u><u>\$ 22,556,575.12</u></u>

New Jersey Cash Management Fund - During the year, the Township participated in the New Jersey Cash Management Fund. The Fund is governed by regulations of the State Investment Council, who prescribe standards designed to insure the quality of investments in order to minimize risk to the Funds participants. Deposits with the New Jersey Cash Management Fund are not subject to custodial credit risk as defined above. At December 31, 2015, the Township's deposits with the New Jersey Cash Management Fund were \$312,322.51.

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>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Tax Rate	<u>\$ 4.157</u>	<u>\$ 4.132</u>	<u>\$ 3.912</u>	<u>\$ 3.846</u>	<u>\$ 3.766</u>
Apportionment of Tax Rate:					
Municipal	\$.898	\$.906	\$.833	\$.825	\$.824
County	.813	.797	.791	.772	.731
Local School	1.026	1.040	.974	.956	.947
Regional High School	.565	.542	.517	.509	.511
Fire Districts	.835	.828	.777	.764	.734
Municipal Open Space	.020	.019	.020	.020	.019

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):

Assessed Valuation

<u>Year</u>	<u>Amount</u>
2015	\$ 4,447,441,000.00
2014	4,406,383,200.00
2013	4,480,663,900.00
2012	4,524,196,500.00
2011	4,531,567,460.00

Comparison of Tax Levies and Collections

<u>Year</u>	<u>Tax Levy</u>	<u>Collections</u>	<u>Percentage of Collections</u>
2015	\$ 154,505,315.88	\$ 153,889,654.23	99.60%
2014	154,799,198.63	154,261,292.01	99.65%
2013	146,698,569.85	145,883,275.91	99.44%
2012	145,548,762.00	144,872,286.00	99.54%
2011	143,593,492.00	143,113,576.00	99.67%

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>
2015	\$ 1,112,369.52	\$ 162,078.52	\$ 1,274,448.04	0.82%
2014	962,001.09	210,274.52	1,172,275.61	0.76%
2013	753,373.16	302,359.44	1,055,732.60	0.72%
2012	653,644.00	386,604.00	1,040,248.00	0.71%
2011	434,019.00	403,039.00	837,058.00	0.58%

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>
2015	381
2014	356
2013	241
2012	242
2011	177

Note 4: FUND BALANCE APPROPRIATED

The following schedule details the amount of fund balance available at the end of the current year and four previous years and the amounts utilized in the subsequent year's budgets:

<u>Year</u>	<u>Balance December 31,</u>	<u>Utilized in Budget of Succeeding Year</u>	<u>Percentage of Fund Balance Used</u>
2015	\$ 3,275,723.71	\$ 3,175,830.00	96.95%
2014	6,122,254.67	4,840,000.00	79.06%
2013	4,566,249.51	4,150,000.00	90.88%
2012	5,696,091.00	3,800,000.00	66.71%
2011	2,886,624.00	2,080,558.00	72.08%

Note 5: 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, 2015:

<u>Fund</u>	<u>Interfunds Receivable</u>	<u>Interfunds Payable</u>
Current	\$ 4,594.55	\$ 5,079,703.97
Federal and State Grant	154,905.27	10,000.00
Trust - Municipal Open Space	16,982.68	14,040.02
Trust - Other	4,078,557.11	47,276.45
General Capital	895,980.83	
	<u>\$ 5,151,020.44</u>	<u>\$ 5,151,020.44</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 2016, the Township expects to liquidate such interfunds, depending upon the availability of cash flow.

Note 6: 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 and required supplementary information. That report may be obtained by writing to:

State of New Jersey
Division of Pensions and Benefits
P.O. Box 295
Trenton, New Jersey 08625-0295
<http://www.state.nj.us/treasury/pensions>

Note 6: PENSION PLANS (CONT'D)**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's 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's Board of Trustees is primarily responsible for the administration of the PERS.

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's 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's 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 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 ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of the PERS.

Note 6: PENSION PLANS (CONT'D)**General Information about the Pension Plans (Cont'd)****Vesting and Benefit Provisions (Cont'd)****Public Employees' Retirement System (Cont'd)**

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 before age 62 with 25 or more years of service credit and tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least ten years of service credit and have not reached the service retirement age for the respective tier.

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

Note 6: PENSION PLANS (CONT'D)**General Information about the Pension Plans (Cont'd)****Vesting and Benefit Provisions (Cont'd)**

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 nonforfeitable. A participant's interest in that portion of his or her defined contribution retirement plan account attributable to employer contributions shall be vested and nonforfeitable 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. Members contribute at a uniform rate. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over seven years beginning in July 2012. The member contribution rate was 6.92% in State fiscal year 2015. 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 (Chapter 366, P.L. 2001) increased from 8.5% of base salary to 10%. Employers' contributions 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, 2015 was 11.53% of the Township's covered-employee 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.

Based on the most recent PERS measurement date of June 30, 2015, the Township's contractually required contribution to the pension plan for the year ended December 31, 2015 is \$860,370.00, and is payable by April 1, 2016. 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, 2014, the Township's contractually required contribution to the pension plan for the year ended December 31, 2014 was \$828,350.00, which was paid on April 1, 2015. Employee contributions to the plan during the year ended December 31, 2015 were \$536,204.18.

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 Chapter 78, P.L. 2011, the active member contribution rate increased from 8.5% to 10.0% in October 2011. Employers' contributions are based on an actuarially determined amount which includes the normal cost and unfunded accrued liability.

Note 6: PENSION PLANS (CONT'D)**General Information about the Pension Plans (Cont'd)****Contributions (Cont'd)**

Police and Firemen's Retirement System (Cont'd) - 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, 2015 was 23.87% of the Township's covered-employee 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, 2015, the Township's contractually required contribution to the pension plan for the year ended December 31, 2015 is \$2,810,001.00, and is payable by April 1, 2016. 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, 2014, the Township's contractually required contribution to the pension plan for the year ended December 31, 2014 was \$2,582,975.00, which was paid on April 1, 2015. Employee contributions to the plan during the year ended December 31, 2015 were \$1,190,772.08.

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, 2015 was 2.23% of the Township's covered-employee payroll.

Based on the most recent PFRS measurement date of June 30, 2015, the State's contractually required contribution, on-behalf of the Township, to the pension plan for the year ended December 31, 2015 is \$262,861.00, and is payable by April 1, 2016. Based on the PFRS measurement date of June 30, 2014, the State's contractually required contribution, on-behalf of the Township, to the pension plan for the year ended December 31, 2014 was \$189,149.00, which was paid on April 1, 2015.

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, 2015, employee contributions totaled \$10,420.52, and the Township's contributions were \$6,554.45. There were no forfeitures during the year.

Note 6: PENSION PLANS (CONT'D)**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

Public Employees' Retirement System - At December 31, 2015, the Township's proportionate share of the PERS net pension liability was \$22,464,660.00. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. 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, 2015. 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, 2015 measurement date, the Township's proportion was .1000742320%, which was a decrease of .0004066623% from its proportion measured as of June 30, 2014.

At December 31, 2015, the Township's proportionate share of the PERS pension expense, calculated by the plan as of the June 30, 2015 measurement date is \$946,819.00. 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, 2015, the Township's contributions to PERS were \$828,350.00, and were paid on April 1, 2015.

Police and Firemen's Retirement System - At December 31, 2015, 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	\$ 57,581,070.00
State of New Jersey's Proportionate Share of Net Pension Liability Associated with the Township	<u>5,049,667.00</u>
	<u>\$ 62,630,737.00</u>

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. 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, 2015. 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, 2015 measurement date, the Township's proportion was .3456970022%, which was an increase of .0094023757% from its proportion measured as of June 30, 2014. Likewise, at June 30, 2015, the State of New Jersey's proportion, on-behalf of the Township, was .3456970022%, which was an increase of .0094023757% from its proportion, on-behalf of the Township, measured as of June 30, 2014.

At December 31, 2015, the Township's proportionate share of the PFRS pension expense, calculated by the plan as of the June 30, 2015 measurement date is \$5,712,185.00. 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, 2015, the Township's contributions to PFRS were \$2,582,975.00, and were paid on April 1, 2015.

Note 6: 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) - At December 31, 2015, the State's proportionate share of the PFRS pension expense, associated with the Township, calculated by the plan as of the June 30, 2015 measurement date is \$629,873.00. 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, 2015, 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	\$ 535,928.00	\$ -	\$ 535,928.00	\$ -	\$ 496,655.00	\$ 496,655.00
Changes of Assumptions	2,412,525.00	10,630,896.00	13,043,421.00	-	-	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	-	-	361,189.00	1,002,148.00	1,363,337.00
Changes in Proportion and Differences between Township Contributions and Proportionate Share of Contributions	-	3,304,618.00	3,304,618.00	2,347,537.00	-	2,347,537.00
Township Contributions Subsequent to the Measurement Date	430,185.00	1,405,001.00	1,835,186.00	-	-	-
	<u>\$ 3,378,638.00</u>	<u>\$ 15,340,515.00</u>	<u>\$ 18,719,153.00</u>	<u>\$ 2,708,726.00</u>	<u>\$ 1,498,803.00</u>	<u>\$ 4,207,529.00</u>

\$430,185.00 and \$1,405,001.00 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, 2016. These amounts were based on an estimated April 1, 2017 contractually required contribution, prorated from the pension plans measurement date of June 30, 2015 to the Township's year end of December 31, 2015.

Note 6: 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 Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between Expected and Actual Experience				
Year of Pension Plan Deferral:				
June 30, 2014	-	-	-	-
June 30, 2015	5.72	-	-	5.53
Changes of Assumptions				
Year of Pension Plan Deferral:				
June 30, 2014	6.44	-	6.17	-
June 30, 2015	5.72	-	5.53	-
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
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

Note 6: 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:

Year Ending Dec 31,	<u>PERS</u>	<u>PFRS</u>	<u>Total</u>
2016	\$ (56,692.00)	\$ 2,506,124.00	\$ 2,449,432.00
2017	(56,692.00)	2,506,124.00	2,449,432.00
2018	(56,691.00)	2,506,123.00	2,449,432.00
2019	223,590.00	3,585,337.00	3,808,927.00
2020	186,212.00	1,333,003.00	1,519,215.00
	<u>\$ 239,727.00</u>	<u>\$12,436,711.00</u>	<u>\$12,676,438.00</u>

Actuarial Assumptions

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. 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, 2015. This actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

	<u>PERS</u>	<u>PFRS</u>
Inflation	3.04%	3.04%
Salary Increases:		
2012-2021	2.15% - 4.40% Based on Age	2.60% - 9.48% Based on Age
Thereafter	3.15% - 5.40% Based on Age	3.60% - 10.48% Based on Age
Investment Rate of Return	7.90%	7.90%
Mortality Rate Table	RP-2000	RP-2000
Period of Actuarial Experience		
Study upon which Actuarial		
Assumptions were Based	July 1, 2008 - June 30, 2011	July 1, 2010 - June 30, 2013

For PERS, mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirement and beneficiaries of former members with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA. The RP-2000 Disabled Mortality Tables (setback 3 years for males and setback 1 year for females) are used to value disabled retirees.

Note 6: PENSION PLANS (CONT'D)**Actuarial Assumptions (Cont'd)**

For PFRS, mortality rates were based on the RP-2000 Combined Healthy Mortality Tables projected one year using Projection Scale AA and one year using Projection Scale BB for male service retirements with adjustments for mortality improvements from the base year based on Projection Scale BB. Mortality rates were based on the RP-2000 Combined Healthy Mortality Tables projected fourteen years using Projection Scale BB for female service retirements and beneficiaries with adjustments for mortality improvements from the base year of 2014 based on Projection Scale BB.

For PERS and PFRS, in accordance with State statute, the long-term expected rate of return on plan investments (7.90% at June 30, 2015) 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's and PFRS's target asset allocation as of June 30, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	1.04%
U.S. Treasuries	1.75%	1.64%
Investment Grade Credit	10.00%	1.79%
Mortgages	2.10%	1.62%
High Yield Bonds	2.00%	4.03%
Inflation-Indexed Bonds	1.50%	3.25%
Broad U.S. Equities	27.25%	8.52%
Developed Foreign Equities	12.00%	6.88%
Emerging Market Equities	6.40%	10.00%
Private Equity	9.25%	12.41%
Hedge Funds / Absolute Return	12.00%	4.72%
Real Estate (Property)	2.00%	6.83%
Commodities	1.00%	5.32%
Global Debt ex U.S.	3.50%	-0.40%
REIT	4.25%	5.12%
	<u>100.00%</u>	

Note 6: PENSION PLANS (CONT'D)**Actuarial Assumptions (Cont'd)**

Discount Rate - The discount rate used to measure the total pension liability at June 30, 2015 was 4.90% for PERS and 5.79% 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 7.90%, and a municipal bond rate of 3.80% as of June 30, 2015, 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 for PFRS, the non-employer contributing entity, will be made based on the average of the last five years of contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033 for PERS and through 2045 for PFRS. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033 for PERS and through 2045 for PFRS, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liabilities.

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, 2015, the plans measurement date, calculated using a discount rate of 4.90%, 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:

	<u>PERS</u>		
	1% Decrease <u>(3.90%)</u>	Current Discount Rate <u>(4.90%)</u>	1% Increase <u>(5.90%)</u>
Township's Proportionate Share of the Net Pension Liability	<u>\$ 27,920,823.00</u>	<u>\$ 22,464,660.00</u>	<u>\$ 17,890,252.00</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, 2015, the plans measurement date, for the Township and the State of New Jersey, calculated using a discount rate of 5.79%, as well as using a discount rate that is 1% lower or 1% higher than the current rates used is as follows:

	<u>PFRS</u>		
	1% Decrease <u>(4.79%)</u>	Current Discount Rate <u>(5.79%)</u>	1% Increase <u>(6.79%)</u>
Township's Proportionate Share of the Net Pension Liability	\$ 75,910,131.00	\$ 57,581,070.00	\$ 42,635,359.00
State of New Jersey's Proportionate Share of Net Pension Liability associated with the Township	<u>6,657,064.00</u>	<u>5,049,667.00</u>	<u>3,738,978.00</u>
	<u>\$ 82,567,195.00</u>	<u>\$ 62,630,737.00</u>	<u>\$ 46,374,337.00</u>

Note 6: PENSION PLANS (CONT'D)**Pension Plan Fiduciary Net Position**

Detailed information about each pension plan's fiduciary net position is available in the separately issued New Jersey Division of Pension and Benefits financial report. Information on where to obtain the report is indicated at the beginning of this note.

Supplementary Pension Information

In accordance with GASB 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 Three Years)

	<u>Measurement Date Ended June 30,</u>		
	<u>2015</u>	<u>2014</u>	<u>2013</u>
Township's Proportion of the Net Pension Liability	0.1000742320%	0.1004808943%	0.1178066439%
Township's Proportionate Share of the Net Pension Liability	\$ 22,464,660.00	\$ 18,812,772.00	\$ 22,515,190.00
Township's Covered-Employee Payroll	\$ 6,853,252.00	\$ 6,877,064.00	\$ 5,685,840.00
Township's Proportionate Share of the Net Pension Liability as a Percentage of it's Covered-Employee Payroll	327.80%	273.56%	395.99%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	47.93%	52.08%	48.72%

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

	<u>Year Ended December 31,</u>		
	<u>2015</u>	<u>2014</u>	<u>2013</u>
Township's Contractually Required Contribution	\$ 860,370.00	\$ 828,350.00	\$ 887,649.00
Township's Contribution in Relation to the Contractually Required Contribution	<u>(860,370.00)</u>	<u>(828,350.00)</u>	<u>(887,649.00)</u>
Township's Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Township's Covered-Employee Payroll	\$ 7,462,451.00	\$ 6,825,776.00	\$ 6,696,274.00
Township's Contributions as a Percentage of it's Covered-Employee Payroll	11.53%	12.14%	13.26%

Note 6: 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 Three Years)***

	<u>Measurement Date Ended June 30,</u>		
	<u>2015</u>	<u>2014</u>	<u>2013</u>
Township's Proportion of the Net Pension Liability	0.3456970022%	0.3362946265%	0.3109934496%
Township's Proportionate Share of the Net Pension Liability	\$ 57,581,070.00	\$ 42,302,745.00	\$ 41,343,773.00
State's Proportionate Share of the Net Pension Liability associated with the Township	<u>5,049,667.00</u>	<u>4,555,295.00</u>	<u>3,853,742.00</u>
Total	<u>\$ 62,630,737.00</u>	<u>\$ 46,858,040.00</u>	<u>\$ 45,197,515.00</u>
Township's Covered-Employee Payroll	\$ 10,918,532.00	\$ 10,554,980.00	\$ 9,646,628.00
Township's Proportionate Share of the Net Pension Liability as a Percentage of it's Covered-Employee Payroll	527.37%	400.78%	428.58%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	56.31%	62.41%	58.70%

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

	<u>Year Ended December 31,</u>		
	<u>2015</u>	<u>2014</u>	<u>2013</u>
Township's Contractually Required Contribution	\$ 2,810,001.00	\$ 2,582,975.00	\$ 2,268,939.00
Township's Contribution in Relation to the Contractually Required Contribution	<u>(2,810,001.00)</u>	<u>(2,582,975.00)</u>	<u>(2,268,939.00)</u>
Township's Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Township's Covered-Employee Payroll	\$ 11,771,077.00	\$ 10,878,044.00	\$ 10,618,007.00
Township's Contributions as a Percentage of it's Covered-Employee Payroll	23.87%	23.74%	21.37%

Note 6: 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 from 5.39% as of June 30, 2014, to 4.90% as of June 30, 2015, in accordance with Paragraph 44 of GASB Statement No. 67.

Other Changes in Assumptions – New assumptions related to future increases on Social Security Wage Base and the 401(a)(17) compensation limit have been added as follows:

401(a)(17) Pay Limit – 3.00 per annum
Social Security Wage Base – 4.00 per annum

Police and Firemen's Retirement System (PFRS)

Changes in Benefit Terms - None

Changes in Assumptions - The discount rate changed from 6.32% as of June 30, 2014, to 5.79% as of June 30, 2015, in accordance with Paragraph 44 of GASB Statement No. 67.

Other Changes in Assumptions – Demographic assumptions with respect to no-vested withdrawal, disability, service retirement, active death, salary increases rates and inactive mortality were revised in accordance with the results of the July 1, 2010 – June 30, 2013 experience study and approved by the Board of Trustees of the PERS Pension Plan at its February 9, 2015 Board Meeting.

Note 7: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

Plan Description - The Township provides certain medical and prescription drug benefits for retired employees, where such benefits are established and amended by various union contracts, separate employee agreements and Township policies.

The Township provides for 100% payment of retired employees health, dental and prescription coverage until the retiree is eligible for Medicare benefits at age 65. The Township also pays the entire Medicare Part B premium for retirees who purchase Medicare Part B and their beneficiaries. The retired employee has a choice of benefit plans based on union contracts. The plans are administered by the Township; therefore, premium payments are made directly by the Township to the insurance carriers. The Plan does not issue a separate financial report.

Funding Policy - The contribution requirements of plan members and the Township are established and may be amended by the Township's governing body. Plan members receiving benefits contribute twenty percent (20%) of the total cost of the medical benefits, per retiree, spouse, and family per year.

Retirees - The Township presently funds its current retiree postemployment benefit costs on a "pay-as-you-go" basis. The Township contributes 100% of the cost of the benefits for employees with 25 or more years of service; however, retirees with less than 25 years of service have to pay 100% of the self-insured premium to continue coverage. The Township's contributions to the plan for the years ended December 31, 2015, 2014, and 2013 were \$3,690,737.00, \$3,811,487.00, and \$3,781,388.00, respectively.

Note 7: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS**Funding Policy (Cont'd)**

Future Retirees - In accordance with Statement No. 45 of the Governmental Accounting Standards Board, the Township is required to disclose the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty (30) years. The ARC includes the costs of both current and future retirees. The current ARC was determined to be \$8,973,163.00 at an unfunded discount rate of 4.0%. As stated above, the Township has funded the cost of existing retirees in the amount of \$3,690,737.00, and has incurred the benefit costs for future eligible employees, but has not yet begun funding this outstanding liability.

Annual OPEB Cost - For year ended December 31, 2015, the Township's annual OPEB cost (expense) of \$8,555,963.00 for the plan was equal to the ARC plus certain adjustments because the Township's actual contributions in prior years differed from the ARC.

The Township's annual required contribution (ARC), the interest on the net OPEB obligation, the adjustment to the ARC, the increase or decrease in the net OPEB obligation, the net OPEB obligation, and the percentage of annual OPEB cost contributed to the plan for years 2015, 2014, and 2013 are as follows:

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Annual Required Contribution (ARC)	\$ 8,973,163.00	\$ 8,973,163.00	\$ 8,586,455.00
Interest on the Net OPEB Obligation	936,000.00	744,499.00	562,927.00
Adjustment to the ARC	<u>(1,353,200.00)</u>	<u>(1,119,745.00)</u>	<u>(828,674.00)</u>
Annual OPEB Cost	8,555,963.00	8,597,917.00	8,320,708.00
Pay-as-You Go Cost (Existing Retirees)	<u>(3,690,737.00)</u>	<u>(3,811,487.00)</u>	<u>(3,781,388.00)</u>
Increase (Decrease) in the Net OPEB Obligation	4,865,226.00	4,786,430.00	4,539,320.00
Net OPEB Obligation, January 1	<u>23,398,913.00</u>	<u>18,612,483.00</u>	<u>14,073,163.00</u>
Net OPEB Obligation, December 31	<u>\$ 28,264,139.00</u>	<u>\$ 23,398,913.00</u>	<u>\$ 18,612,483.00</u>
Percentage of Annual OPEB Cost Contributed	43.1%	44.3%	45.4%

Note 7: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

Funded Status and Funding Progress - The funded status of the plan as of the past two actuarial valuation dates is as follows:

	<u>2014</u>	<u>2012</u>
Actuarial Accrued Liability (AAL)	\$ 118,133,916.00	\$ 114,036,259.00
Actuarial Value of Plan Assets	<u>-</u>	<u>-</u>
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 118,133,916.00</u>	<u>\$ 114,036,259.00</u>
Funded Ratio (Actuarial Value of Plan Assets / AAL)	0.0%	0.0%
Covered Payroll (Active Plan Members)	\$ 21,590,006.95	\$ 19,155,930.00
UAAL as a Percentage of Covered Payroll	547.2%	595.3%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, as shown above, presents multiyear trend information that shows whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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

In the December 31, 2014 actuarial valuation, the Projected Unit Credit Funding Method was used. The actuarial assumptions included a 4.0% investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate identified in the below table. The actuarial value of the Township Plan assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a four year period. The Township Plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an closed basis. The remaining amortization period at December 31, 2014 was twenty-six years on a straight line basis.

Note 7: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONT'D)

Healthcare Trend Rate

<u>Year</u>		<u>Medical</u>	<u>Year</u>		<u>Medical</u>
		<u>Trend</u>			<u>Trend</u>
2014		(4.3%)	2023		5.32%
2015		0.24%	2024 – 2030		5.29%
2016		1.94%	2035		5.27%
2017		3.13%	2030		5.29%
2018		4.31%	2035		5.27%
2019		5.50%	2040		5.16%
2020		5.43%	2050		4.75%
2021		5.80%	2075		3.84%
2022		5.36%	2090+		3.84%

The information was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation follows:

Valuation Date	December 31, 2014
Actuarial Cost Method	Projected Unit Credit Actuarial Cost Method
Amortization Method	Closed/Level
Remaining Amortization	25 years
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Investment Rate of Return	4.0%
Rate of Medical Inflation/Healthcare Trend Rate	See Above Table

For determining the GASB ARC, the rate of employer contributions to the Plan is composed of the Normal Cost plus amortization of the Unfunded Actuarial Liability. The Normal Cost is a portion of the actuarial present value of plan benefits and expenses which is allocated to a valuation year by the actuarial cost method. The Actuarial Liability is that portion of the Present Value of Projected Benefits that will not be paid by Future Employer Normal Costs or active employee contributions. The difference between this liability and the funds accumulated as of the same date is the Unfunded Actuarial Liability.

Note 8: COMPENSATED ABSENCES

Full-time Township employees are granted vacation and sick leave in varying amounts in accordance with the Township's personnel policies and collective bargaining agreements. Unused sick leave and vacation days may be accumulated and carried forward to the subsequent year. Employees who retire from the Township shall be paid for unused sick leave and vacation days in accordance with the Township's agreement or personnel policy.

The Township does not record accrued expenses related to compensated absences. However, it is estimated that, at December 31, 2015, accrued benefits for compensated absences are valued at \$6,258,176.35. Actual payment for compensated absences occurs through the Accumulated Leave Trust Fund at the time the employee terminates employment. The Trust Fund is funded through the annual budget appropriation of the Current Fund budget. The balance in the Trust Fund as of December 31, 2015, is \$54,817.61.

Note 9: 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 10: CAPITAL DEBT**General Improvement Bonds**

General Improvement Bonds, Series 2007 - On December 1, 2007, the Township issued \$6,154,000.00 of General Improvement Bonds, with interest rates ranging from 2.00% to 3.80%. The purpose of the bonds was to fund various capital ordinances. The final maturity of the bonds is December 1, 2020.

General Improvement Bonds, Series 2011 - On February 1, 2011, the Township issued \$10,000,000.00 of General Improvement Bonds, with interest rates ranging from 3.00% to 4.00%. The purpose of the bonds was to fund various capital ordinances. The final maturity of the bonds is February 1, 2022.

General Improvement Refunding Revenue Bonds CCIA Lease, Series 2011 - On April 1, 2011, the Township issued \$3,440,000.00 of General Improvement Refunding Bonds with interest rates ranging from 2.00% - 5.00%. The bonds were issued to refund \$3,580,000.00 in Revenue Bonds CCIA Lease, Series 2001 with an interest rate of 4.95% and \$410,000.00 of General Improvement Bonds, Series 2003 with an interest rate of 3.85%. The final maturity of the bonds is April 1, 2022.

General Improvement Refunding Bonds, Series 2012 - On February 1, 2012, the Township issued \$5,540,000.00 of General Improvement Refunding Bonds with an interest rate of 2.00%. The bonds were issued to refund \$5,438,000.00 in General Improvement Bonds, Series 2003 with an interest rate of 3.85%. The final maturity of the bonds is February 1, 2018.

General Improvement Bonds, Series 2012 - On November 15, 2012, the Township issued \$1,985,000.00 of General Improvement Bonds, with interest rates ranging from 2.00% to 3.50%. The purpose of the bonds was to fund various capital ordinances. The final maturity of the bonds is November 15, 2024.

General Improvement Bonds, Series 2014 - On April 2, 2014, the Township issued \$21,154,000.00 of General Improvement Bonds, with interest rates ranging from 2.00% to 3.00%. The purpose of the bonds was to fund various capital ordinances. The final maturity of the bonds is February 15, 2025.

General Improvement Refunding Bonds, Series 2014 - On October 1, 2014, the Township issued \$4,770,000.00 of General Improvement Refunding Bonds with interest rates ranging from 3.00% to 4.00%. The bonds were issued to refund \$4,928,000.00 in General Improvement Bonds, Series 2005 with interest rates ranging from 2.75% to 4.00%. The final maturity of the bonds is August 1, 2023.

Note 10: CAPITAL DEBT (CONT'D)**General Improvement Bonds (Cont'd)**

The following schedule represents the remaining debt service, through maturity, for general improvement bonds:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 4,940,000.00	\$ 1,193,412.50	\$ 6,133,412.50
2017	5,040,000.00	1,062,587.50	6,102,587.50
2018	5,155,000.00	921,725.00	6,076,725.00
2019	4,960,000.00	786,612.50	5,746,612.50
2020	5,055,000.00	644,337.50	5,699,337.50
2021-2025	17,345,000.00	1,253,537.50	18,598,537.50
2026	195,000.00	6,337.50	201,337.50
	<u>\$ 42,690,000.00</u>	<u>\$ 5,868,550.00</u>	<u>\$ 48,558,550.00</u>

General Debt - New Jersey Environmental Infrastructure Loans

On September 1, 2012, the Township entered into a loan agreement with the New Jersey Environmental Infrastructure Trust to provide \$1,185,938.00, at no interest, from the fund loan, and \$375,000.00 with interest rates ranging from 3.00% to 5.00% from the trust loan. The proceeds were used to finance various capital ordinances. Semiannual debt payments are due February 1st and August 1st through 2031.

On May 21, 2014, the Township entered into a loan agreement with the New Jersey Environmental Infrastructure Trust to provide \$1,173,256.00, at no interest, from the fund loan, and \$385,000.00 with interest rates ranging from 3.00% to 5.00% from the trust loan. The proceeds were used to finance various capital ordinances. Semiannual debt payments are due February 1st and August 1st through 2033.

On May 28, 2015, the Township entered into a loan agreement with the New Jersey Environmental Infrastructure Trust to provide \$526,319.00, at no interest, from the fund loan, and \$165,000.00 with interest rates ranging from 4.00% to 5.00% from the trust loan. The proceeds were used to finance various capital ordinances. Semiannual debt payments are due February 1st and August 1st through 2034.

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 185,660.40	\$ 35,450.02	\$ 221,110.42
2017	185,660.40	34,000.02	219,660.42
2018	185,660.40	32,250.02	217,910.42
2019	185,660.40	30,500.02	216,160.42
2020	185,660.40	28,750.02	214,410.42
2021-2025	998,302.00	111,000.10	1,109,302.10
2026-2030	1,048,302.00	54,918.84	1,103,220.84
2031-2034	509,031.72	10,525.02	519,556.74
	<u>\$ 3,483,937.72</u>	<u>\$ 337,394.06</u>	<u>\$ 3,821,331.78</u>

Note 10: CAPITAL DEBT (CONT'D)**General Debt - New Jersey Green Acres Loans**

The Township entered into a loan agreement with the New Jersey Department of Environmental Protection. Semiannual debt payments are due through 2028.

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>
2016	\$ 134,233.76	\$ 24,541.03	\$ 158,774.79
2017	132,268.11	21,836.93	154,105.04
2018	130,216.32	19,224.97	149,441.29
2019	132,833.67	16,607.60	149,441.27
2020	130,894.27	13,937.67	144,831.94
2021-2025	516,376.09	33,260.47	549,636.56
2026-2028	<u>83,319.82</u>	<u>2,083.20</u>	<u>85,403.02</u>
	<u>\$ 1,260,142.04</u>	<u>\$ 131,491.87</u>	<u>\$ 1,391,633.91</u>

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>
<u>Issued</u>			
General:			
Bonds, Loans and Notes	\$ 55,496,591.76	\$ 51,895,089.32	\$ 50,294,826.49
<u>Authorized but not Issued</u>			
General:			
Bonds, Loans and Notes	<u>5,099,862.00</u>	<u>7,400,810.00</u>	<u>4,263,960.00</u>
Total Issued and Authorized but not Issued	<u>60,596,453.76</u>	<u>59,295,899.32</u>	<u>54,558,786.49</u>
<u>Deductions</u>			
General:			
Funds Temporarily Held to Pay Debt	<u>2,101,464.77</u>	<u>60,672.79</u>	<u>60,672.79</u>
Net Debt	<u>\$ 58,494,988.99</u>	<u>\$ 59,235,226.53</u>	<u>\$ 54,498,113.70</u>

Note 10: CAPITAL DEBT (CONT'D)**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 1.406%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School Purposes	\$ 11,156,000.00	\$ 11,156,000.00	
Regional School Purposes	9,161,835.64	9,161,835.64	
General	60,596,453.76	2,101,464.77	\$ 58,494,988.99
	<u>\$ 80,914,289.40</u>	<u>\$ 22,419,300.41</u>	<u>\$ 58,494,988.99</u>

Net debt \$58,494,988.99 divided by the equalized valuation basis per N.J.S.A.40A:2-2, as amended, \$4,160,906,319.67, equals 1.406%.

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

3 1/2% of Equalized Valuation Basis (Municipal)	\$ 145,631,721.19
Less: Net Debt	<u>58,494,988.99</u>
Remaining Borrowing Power	<u>\$ 87,136,732.20</u>

A revised Annual Debt Statement should be filed by the Chief Financial Officer.

Note 11: 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.

Note 11: ARBITRAGE REBATE (CONT'D)

The Township has the following bond issues outstanding at December 31, 2015:

<u>Issue Date</u>	<u>Amount</u>	<u>Liability</u>
December 1, 2007	\$ 6,154,000.00	None (2)
February 1, 2011	10,000,000.00	None (3)
April 1, 2011	3,440,000.00	None (1)
February 1, 2012	5,540,000.00	None (3)
November 15, 2012	1,985,000.00	None (1)
April 2, 2014	21,154,000.00	None (3)
October 1, 2014	4,770,000.00	None (1)

- (1) Issue meets the small issuer or other exceptions and is not subject to an arbitrage calculation.
- (2) Arbitrage calculation was completed and no rebate is due.
- (3) The rebate calculations on these bonds are required to be made at least once every five years. However, the Township of Gloucester has not prepared the rebate calculation for purposes of determining any contingent liability for rebate. It is anticipated that when such calculation is made, the liability, if any, will be appropriated in that year's current fund budget.

Note 12: 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.

Property and Liability Insurance - The Township maintains commercial insurance coverage for property, liability, vehicle, surety bonds, etc.

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

The following is a summary of Township 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>Employee Contributions</u>	<u>Interest Earnings</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2015	\$ 49,930.23	\$ 137.49	\$ 31,087.42	\$ 33,420.84
2014	24,474.25	91.70	25,753.91	14,440.54
2013	23,681.89		15,213.91	15,628.50

It is estimated that unreimbursed payments on behalf of the Township at December 31, 2015 are \$5,200.91.

Note 12: RISK MANAGEMENT (CONT'D)

Self- Insurance Plan - The Township is self-insured for the following:

Health Benefits - The Township contracts with third party administrators to provide health, prescription and dental benefits. Per the contracts, there is a stop loss deductible of \$75,000.00 per individual and a \$1,000,000.00 aggregate at 125% of projected claims. At December 31, 2015, the balance of estimated health insurance payables was \$577,097.99, as provided by the third party administrators. None of the pending claims have been recorded as accounts payable and charged to the employee group insurance appropriation as of December 31, 2015. Any additional funding required for claims will be paid and charged to future budgets.

Workers Compensation - The Township is self-insured for worker's compensation up to \$250,000.00 per incident with an aggregate of \$500,000.00. A commercial policy is maintained for claims in excess of \$250,000.00 per occurrence. The Gloucester Township Municipal Utilities Authority is also covered under this policy and reimburses the Township for claims applicable to their employees.

A workers' compensation insurance claims liability (incurred) is based on an analysis prepared by management, which is based on historical trends. The remaining claims liability (incurred) is based on an evaluation performed by the third-party administrator of the plan. The total liability of \$151,211.52 consists of claims reported and payable as well as an estimate for claims incurred but not reported. None of the pending claims have been recorded as accounts payable and charged to the workman's compensation budget appropriation as of December 31, 2015. Any additional funding required for claims will be paid and charged to future budgets.

Temporary Disability Insurance – The Township's Temporary Disability program is a mirror image of the State of New Jersey Temporary Disability Insurance Plan, whereby an employee who becomes temporarily disabled within fourteen (14) days of their last day of work is covered. Each employee must contribute 1/2 of a percent on the first \$20,200.00 of covered wages up to a maximum of \$101.00. The Township is required to contribute at a variable rate.

A Reserve for Disability Insurance was established in the Trust - Other Fund to account for and finance its related uninsured risks. The following is a summary of Township contributions, claims paid and the ending balance of the Township's trust fund for the current and previous two years:

<u>Year</u>	<u>Receipts</u>	<u>Claims Paid</u>	<u>Ending Balance</u>
2015	\$ 15,358.06	\$ 21,097.87	\$ 36,824.55
2014	21,825.29	26,565.40	42,564.36
2013	29,982.08	38,532.26	47,304.47

At December 31, 2015, the balance of disability insurance payables was unable to be determined. Any additional funding required for claims in excess of the aforementioned reserve will be paid and charged to future budgets. No estimate of the required reserve for claims has been made.

Note 13: OPEN SPACE, RECREATION AND FARMLAND PRESERVATION TRUST

On November 6, 2001, 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 Gloucester Open Space, Recreation and Farmland Preservation Trust Fund effective February 25, 2002, 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 referendum, the Township levies a tax not to exceed two 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 Gloucester Open Space, Recreation and Farmland Preservation Trust Funds.

Note 14: 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 15: 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 16: PRIOR PERIOD ADJUSTMENT

In 2015, the Township had an inventory of it's fixed assets completed. As a result of the inventory, it was noted that various prior year deletions had never been removed from the fixed asset listing and certain assets were revalued by the appraisal company which conducted the inventory. As a result, the following prior period adjustment is required.

	<u>As Reported</u> <u>Dec. 31, 2014</u>	<u>Prior Period</u> <u>Adjustment</u>	<u>Restated</u> <u>Dec. 31, 2014</u>
General Fixed Assets:			
Land	\$ 7,037,273.45		\$ 7,037,273.45
Land Improvements	6,756,324.81	\$ (4,113,723.81)	2,642,601.00
Buildings and Improvements	6,732,488.64	3,990,027.00	10,722,515.64
Machinery, Equipment and Vehicles	20,041,249.40	(4,074,323.26)	15,966,926.14
Infrastructure		130,700.00	130,700.00
	<u>40,567,336.30</u>	<u>(4,067,320.07)</u>	<u>36,500,016.23</u>
Investment in General Fixed Assets	<u>\$ 40,567,336.30</u>	<u>\$ (4,067,320.07)</u>	<u>\$ 36,500,016.23</u>

Note 17: SUBSEQUENT EVENTS

Subsequent to December 31, 2015 the Township authorized additional bonds and notes as follows:

<u>Purpose</u>	<u>Adoption</u>	<u>Authorization</u>
General Improvements:		
Acquisition of Various Pieces of Capital Equipment and Completion of Various Capital Improvements	01/25/16	\$ 5,983,240.00
Various Improvements to the Stormwater Drainage System	01/25/16	1,550,000.00
Various Improvements to Recreation Facilities	01/25/16	2,009,523.00
Installation of Guide Rails Along Lakeview Drive	02/22/16	156,750.00

Issuance of General Debt

On May 26, 2016 the Township issued \$1,220,888.00 of New Jersey Environmental Infrastructure Loans to finance the completion of various capital improvements to the storm water drainage system project. \$920,888.00 is in the form of an interest free Fund Loan and \$300,000.00 is in the form of a Trust Loan with interest rates ranging from 3.00% to 5.00%. The final maturity for both the Fund Loan and Trust Loan is August 1, 2035.

APPENDIX C

FORM OF BOND COUNSEL OPINION

March 15, 2017

Mayor and Township Council
of the Township of Gloucester
1261 Chews Landing Road
Blackwood, New Jersey

**RE: \$21,728,660 TOWNSHIP OF GLOUCESTER, COUNTY OF CAMDEN,
NEW JERSEY, BOND ANTICIPATION NOTES OF 2017, SERIES A**

Ladies and Gentlemen:

We have served as Bond Counsel in connection with the authorization, issuance, sale and delivery of the above-referenced obligations ("Notes") by the Township of Gloucester, County of Camden, New Jersey ("Township").

The Notes 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) bond ordinances O-14-15, O-15-01, O-15-11, O-16-01, O-16-03, O-16-05 and O-17-02 (collectively, the "Bond Ordinances"), each duly and finally adopted by the Township Council and published in accordance with the requirements of the Local Bond Law; and (iii) a Certificate of Determination and Award executed by the Chief Financial Officer on March 1, 2017 ("Award Certificate").

The Notes are issued in anticipation of the issuance of bonds to temporarily finance the costs of certain improvements described in the Bond Ordinances. The Notes are issued in registered form without coupons and are not subject to redemption prior to maturity. The Notes are dated March 15, 2017 and mature on March 14, 2018.

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 Bond Ordinances, the Award Certificate, the representations and covenants of the Township given pursuant to the Code as set forth in the Certificate as to Nonarbitrage and other Tax Matters ("Nonarbitrage Certificate"), and the other certifications, opinions and instruments listed in the closing agenda prepared in connection with the settlement for the Notes.

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

COUNSEL WHEN IT MATTERS.SM



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

1. The Notes 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, moratorium or other laws or equitable principles affecting the enforcement of creditors' rights generally ("Creditors' Rights Limitations").

2. For the payment of principal of and interest on the Notes, 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 Township without limitation as to rate or amount, except to the extent that enforcement thereof may be affected by Creditors' Rights Limitations.

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

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

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

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

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

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



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

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

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

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

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

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

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



PARKER McCAY

Mayor and Township Council
of the Township of Gloucester
March 15, 2017
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This letter is being provided solely for the benefit of the Township and may not be relied upon by any other person, party, firm or organization without our prior written consent.

Very truly yours,