

**NOTICE OF SALE**

**THE TOWNSHIP OF PENNSVILLE,  
IN THE COUNTY OF SALEM, NEW JERSEY**

**\$9,335,000\* BONDS  
consisting of:**

**\$6,030,000\* GENERAL BONDS OF 2019  
\$3,305,000\* TAX APPEAL REFUNDING BONDS OF 2019**

**ELECTRONIC BIDS** will be received by the Chief Financial Officer of the Township of Pennsville, in the County of Salem, New Jersey (the “Township”), via the PARITY<sup>®</sup> Electronic Bid System (“PARITY<sup>®</sup>”) of i-Deal LLC (“i-Deal”) on **Wednesday, September 25, 2019** until 10:45 a.m., local time, at which time they will be publicly announced, for the purchase of \$6,030,000\* General Bonds of 2019 and \$3,305,000\* Tax Appeal Refunding Bonds of 2019 (collectively, the “Bonds”) of the Township due on October 1 as follows:

\$6,030,000\* General Bonds of 2019, maturing in the principal amount of \$419,000 in 2020, \$456,000 in 2021, \$530,000 in 2022, \$545,000 in 2023, \$550,000 in 2024, \$565,000 in 2025, \$570,000 in 2026, \$580,000 in 2027, \$595,000 in 2028, \$605,000 in 2029 and \$615,000 in 2030

\$3,305,000\* Tax Appeal Refunding Bonds of 2019, maturing in the principal amount of \$185,000 in 2020, \$205,000 in 2021, \$215,000 in each of the years 2022 and 2023, \$225,000 in each of the years 2024 and 2025, \$235,000 in 2026, \$240,000 in 2027, \$245,000 in 2028, \$250,000 in 2029, \$260,000 in each of the years 2030 and 2031, \$270,000 in 2032 and \$275,000 in 2033

**The Bonds of each series shall not have different CUSIP numbers.**

Payment Dates. The Bonds will be dated the date of delivery thereof and will bear interest at the rate or rates per annum specified by the successful bidder therefor in accordance with this Notice of Sale, payable on April 1 and October 1 in each year until maturity or earlier redemption, commencing April 1, 2020. The record dates for the payment of principal of and interest on the Bonds will be the March 15 and September 15 next preceding each such payment date.

Book-Entry Only. The Bonds will be issued in book-entry form only, initially in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”). Purchasers will not receive certificates representing their interests in the Bonds. Individual purchases will be in the principal amount of \$1,000 (with a \$5,000 minimum) and integral multiples thereof. Payments of principal or redemption price, if any, and interest will be made by the Township or its agent to DTC for subsequent disbursement to DTC participants to then be remitted to the beneficial owners of the Bonds.

Optional Redemption. The Bonds of each series maturing prior to October 1, 2029 are not subject to redemption prior to their stated maturities. The Bonds of each series maturing on or after October 1, 2029 are subject to redemption prior to their stated maturities at the option of the Township upon mailed notice, as described in the resolution of the Township authorizing the Bonds, in whole or in part, in any order of maturity and by lot within a maturity if less than all the Bonds of such maturity are to be redeemed,

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\* Preliminary, subject to change.

on any date on or after October 1, 2028, at a redemption price equal to 100% of the principal amount thereof, together with interest accrued, if any, to the date fixed for redemption.

Bank Qualification. The Bonds **will** be designated as “qualified tax-exempt obligations” for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

Interest Rate and Price Parameters. Each bid must specify in a multiple of 1/8<sup>th</sup> or 1/20<sup>th</sup> of 1% the rate or rates of interest which the Bonds are to bear. Not more than one rate of interest may be specified for the Bonds of the same maturity. There is no limitation on the number of rates of interest that may be specified. The difference between the highest and the lowest rates of interest named shall not exceed 3%. No bid shall be considered that offers to pay an amount less than the principal amount of the Bonds offered for sale (*i.e.*, \$9,335,000). Any bid premium must not exceed 8% of the principal amount of the Bonds offered for sale (*i.e.*, \$746,800). The Township may, and expects to, after the receipt of bids, adjust the maturity schedule of the Bonds, as set forth in more detail below.

Adjustment of Maturity Schedule. The Township may, and expects to, after the receipt of bids, adjust the maturity schedule of the Bonds, provided however, that (i) no maturity schedule adjustment shall exceed 10% upward or downward of the principal for any maturity as specified herein, (ii) the aggregate adjustment to the maturity schedule shall not exceed 10% upward or downward of the aggregate principal amount of the Bonds offered for sale and (iii) the aggregate principal amount of the Bonds, as adjusted, will not exceed \$9,335,000. The dollar amount bid by the successful bidder shall be adjusted to reflect any adjustments in the aggregate principal amount of the Bonds to be issued. The adjusted bid price will reflect changes in the dollar amount of the underwriter’s discount and the original issue premium or discount, but will not change the per bond underwriter’s discount, as calculated from the original bid, and the initial public offering prices required to be delivered to the Township.

Basis of Award. The Bonds will be awarded to the bidder on whose bid the total loan may be made at the lowest true interest cost. Such true interest cost shall be computed, as to each bid, by determining the interest rate, compounded semi-annually, necessary to discount the debt service payments to the date of the Bonds and to the price bid. If two (2) or more bidders offer the same lowest true interest cost, then the Bonds will be awarded to one (1) of such bidders selected by lot from among all such bidders. The right is reserved to reject any and all bids and, to the extent permitted by law, to waive any irregularity or informality in any bid.

Good Faith Deposit. Each bidder is required to deposit a certified or cashier’s or treasurer’s check drawn upon a bank or trust company in each case payable to the order of the Township of Pennsville, New Jersey, for \$186,700 (the “Deposit Amount”). In lieu of the foregoing, a bidder may deliver the Deposit Amount via a wire transfer of immediately available funds to the Township. Wire instructions may be obtained by contacting the Township’s Municipal Advisor, Acacia Financial Group, Inc. (the “Municipal Advisor”), Brittany Whelan at [bwhelan@acaciafin.com](mailto:bwhelan@acaciafin.com) or 856-234-2266. Such check or wire transfer must be received by the Chief Financial Officer of the Township at or before 10:45 a.m., local time, on the bid date at the Municipal Building, 90 North Broadway, Pennsville, New Jersey, 08070. No interest on the Deposit Amount will accrue to the successful bidder. The Deposit Amount will be applied in part payment for the Bonds or to secure the Township from any loss resulting from the failure of the successful bidder to comply with the terms of its bid.

Award and Closing. Award of the Bonds to the successful bidder, or rejection of all bids, is expected to be made promptly after receipt of the bids, but the successful bidder may not withdraw its bid until after 2:00 p.m., local time, of the day of such bid-receipt and then only if such award has not been made prior to the withdrawal. The Bonds will be delivered and shall be paid for in immediately available funds on or about October 9, 2019, at such place in Newark, New Jersey, and on such business day and at

such hour, as the undersigned shall fix on five (5) business days' notice to the successful bidder, or at such other place and time as may be agreed upon with the successful bidder.

PARITY. Each bid must be submitted via PARITY<sup>®</sup>. No bidder will see any other bidder's bid, nor will any bidder see the status of its bid relative to other bids (e.g., whether its bid is a leading bid). To the extent any instructions or directions set forth on PARITY<sup>®</sup> conflict with this Notice of Sale, the terms of this Notice of Sale shall control. For further information about PARITY<sup>®</sup>, potential bidders may contact PARITY<sup>®</sup> at i-Deal at (212) 404-8102. The Township may, but is not obligated to, acknowledge its acceptance in writing of any bid submitted electronically via PARITY<sup>®</sup>. The bidder further agrees that:

(1) If a bid submitted electronically via PARITY<sup>®</sup> is accepted by the Township, the terms of this Notice of Sale and the information that is electronically transmitted via PARITY<sup>®</sup> shall form a contract, and the successful bidder shall be bound by the terms of such contract.

(2) PARITY<sup>®</sup> is not an agent of the Township, and the Township shall have no liability whatsoever based on any bidder's use of PARITY<sup>®</sup>, including but not limited to any failure by PARITY<sup>®</sup> to correctly or timely transmit information provided by the Township or information provided by the bidder.

(3) The Township may choose to discontinue use of electronic bidding via PARITY<sup>®</sup> 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.

(4) Once the bids are communicated electronically via PARITY<sup>®</sup> to the Township, each bid shall be deemed to be an irrevocable offer to purchase the Bonds on the terms provided in this Notice of Sale.

(5) Each bidder shall be solely responsible to make necessary arrangements to access PARITY<sup>®</sup> for purposes of submitting its bid 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 to any bidder, 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<sup>®</sup>. The Township is using PARITY<sup>®</sup> as a communication mechanism, and not as the Township's agent, to conduct the electronic bidding for the Bonds. By using PARITY<sup>®</sup>, each bidder agrees to hold the Township harmless for any harm or damages caused to such bidder in connection with its use of PARITY<sup>®</sup> for bidding on the Bonds.

Change in Federal Tax Law. The successful bidder may at its option refuse to accept the Bonds if prior to their delivery any income tax law of the United States of America shall provide that the interest thereon is taxable, or shall be taxable at a future date, for federal income tax purposes, and in such case the Deposit Amount paid by it will be returned and the successful bidder will be relieved of its contractual obligations arising from the acceptance of its bid.

Bond Insurance Option. If the Bonds qualify for issuance of any policy of municipal bond insurance or commitment therefor at the option of a bidder, any purchase of such insurance or commitment therefor shall be at the sole option and expense of the bidder and any increased costs of issuance of the Bonds resulting by reason of such insurance, unless otherwise paid, shall be paid by such bidder. Any failure of the Bonds to be so insured or of any such policy of insurance to be issued shall not in any way

relieve the successful bidder of its contractual obligations arising from the acceptance of its bid for the purchase of the Bonds.

Establishment of Issue Price (10% Test to Apply if Competitive Sale Requirements are Not Satisfied). The successful bidder shall assist the Township in establishing the issue price of the Bonds and shall execute and deliver to the Township at closing an “issue price” or similar certificate setting forth the reasonably expected initial offering price to the public or the sales price or prices of the Bonds, together with the supporting pricing wires or equivalent communications, with such modifications as may be appropriate or necessary, in the reasonable judgment of the successful bidder, the Township and bond counsel to the Township. The form of such certificate is available from bond counsel to the Township.

The Township intends that the provisions of Section 1.148-1(f)(3)(i) of the Treasury Regulations (defining “competitive sale” for purposes of establishing the issue price of the Bonds) (in general, the “Treasury Regulations”) will apply to the initial sale of the Bonds (the “competitive sale requirements”) because: (1) the Township shall disseminate this Notice of Sale to potential underwriters in a manner that is reasonably designed to reach potential underwriters, (2) all bidders shall have an equal opportunity to bid, (3) the Township may receive bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds and (4) the Township anticipates awarding the sale of the Bonds to the bidder who submits a firm offer to purchase the Bonds at the highest price (or lowest interest cost), as set forth in this Notice of Sale.

Any bid submitted pursuant to this Notice of Sale shall be considered a firm offer for the purchase of the Bonds, as specified in the bid. Unless a bidder is purchasing the Bonds for its own account and not with a view to distribution or resale to the public, a bidder by submitting its bid represents that it is an underwriter of municipal bonds and notes that has an established industry reputation for underwriting new issuances of municipal bonds and notes.

In the event that the competitive sale requirements are not satisfied, the Township shall so advise the successful bidder and, unless the successful bidder is purchasing the Bonds for its own account and not with a view to distribution or resale to the public, the Township shall treat the first price at which ten percent (10%) of a maturity of the Bonds (the “10% test”) is sold to the public as the issue price of that maturity, applied on a maturity-by-maturity basis. The successful bidder shall advise the Township if any maturity of the Bonds satisfies the 10% test as of the date and time of the award of the Bonds. The Township will not require bidders to comply with the “hold-the-offering-price rule” described in the Treasury Regulations. Bids will not be subject to cancellation in the event that the competitive sale requirements are not satisfied. Bidders should prepare their bids on the assumption that all of the maturities of the Bonds will be subject to the 10% test in order to establish the issue price of the Bonds.

If the competitive sale requirements are not satisfied (unless the successful bidder is purchasing the Bonds for its own account and not with a view to distribution or resale to the public), then until the 10% test has been satisfied as to each maturity of the Bonds, the successful bidder agrees to promptly report to the Township the prices at which the unsold Bonds of that maturity have been sold to the public. That reporting obligation shall continue, whether or not the closing date has occurred, until either (i) all Bonds of that maturity have been sold or (ii) the 10% test has been satisfied as to the Bonds of that maturity, provided that, the successful bidder’s reporting obligation after the closing date may be at reasonable periodic intervals or otherwise upon request of the Township or bond counsel to the Township.

By submitting a bid, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement and each third-party distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-

dealer that is a party to such third-party distribution agreement, as applicable, (A) to report the prices at which it sells to the public the unsold Bonds of each maturity allocated to it, whether or not the closing date has occurred, until either all Bonds of that maturity allocated to it have been sold or it is notified by the successful bidder that the 10% test has been satisfied as to the Bonds of that maturity, provided that, the reporting obligation after the closing date may be at reasonable periodic intervals or otherwise upon request of the successful bidder, (B) to promptly notify the successful bidder of any sales of Bonds that, to its knowledge, are made to a purchaser who is a related party to an underwriter participating in the initial sale of the Bonds to the public (each such term being used as defined below) and (C) to acknowledge that, unless otherwise advised by the underwriter, dealer or broker-dealer, the successful bidder shall assume that each order submitted by the underwriter, dealer or broker-dealer is a sale to the public and (ii) any agreement among underwriters or selling group agreement relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter or dealer that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such third-party distribution agreement to report the prices at which it sells to the public the unsold Bonds of each maturity allocated to it, whether or not the closing date has occurred, until either all Bonds of that maturity allocated to it have been sold or it is notified by the successful bidder or such underwriter that the 10% test has been satisfied as to the Bonds of that maturity, provided that, the reporting obligation after the closing date may be at reasonable periodic intervals or otherwise upon request of the successful bidder or such underwriter.

Sales of any Bonds to any person that is a related party to an underwriter participating in the initial sale of the Bonds to the public (each such term being used as defined below) shall not constitute sales to the public for purposes of this Notice of Sale. Further, for purposes of this Notice of Sale: (i) “public” means any person other than an underwriter or a related party, (ii) “underwriter” means (A) the successful bidder, (B) any person that agrees pursuant to a written contract with the successful bidder to form an underwriting syndicate to participate in the initial sale of the Bonds to the public and (C) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (B) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the public), (iii) “related party” means any entity if an underwriter and such entity are subject, directly or indirectly, to (I) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (II) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another) or (III) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other) and (iv) “sale date” means the date that the Bonds are awarded by the Township to the successful bidder.

**CUSIP Numbers.** The Township’s Municipal Advisor will apply for CUSIP identification numbers with respect to the Bonds, but neither the failure to print such number on any Bond nor any error with respect thereto shall constitute cause for the failure or refusal of the successful bidder to accept delivery of and pay for the Bonds. The CUSIP Service Bureau charge for the assignment of CUSIP numbers on the Bonds shall be the responsibility of and shall be paid for by the successful bidder. **The Bonds of each series shall not have different CUSIP numbers.**

**Initial and Continuing Disclosure.** A preliminary official statement (the “Preliminary Official Statement”) relating to the Bonds is available at [www.govdebt.net](http://www.govdebt.net) and the Preliminary Official Statement is deemed final as of its date by the Township for purposes and within the meaning of Rule 15c2-12 of the Securities and Exchange Commission. A final official statement (the “Official Statement”) will be delivered to the successful bidder within seven (7) business days of the award of the Bonds. In order to

assist bidders in complying with said Rule 15c2-12, the Township will undertake to provide certain continuing disclosure as further described in the Preliminary Official Statement.

Legal Opinion and Closing Documents. The successful bidder will be furnished, without cost, with the approving opinion of the law firm of Hawkins Delafield & Wood LLP, bond counsel to the Township, to the effect that the Bonds are valid and legally binding obligations of the Township and, unless paid from other sources, are payable from ad valorem taxes levied upon all the taxable property therein without limitation as to rate or amount. The obligations under this Notice of Sale to deliver or accept the Bonds pursuant to this Notice of Sale shall be conditioned on the availability to the successful bidder and delivery at the time of delivery of the Bonds of the said approving opinion and of certificates in form and tenor satisfactory to said law firm evidencing the proper execution and delivery of the Bonds and receipt of payment therefor and including a statement, dated as of the date of such delivery, to the effect that, except as may be disclosed in the Official Statement, there is no litigation pending or (to the knowledge of the signer or signers thereof) threatened relating to the Bonds.

Postponement and Adjustments. The Township reserves the right to postpone, from time to time, the date and time established for receipt of bids and the right to adjust the maturity schedule of the Bonds. Any such postponement or adjustment will be published on TM3 News Services, or by other available means, not less than twenty-four (24) hours prior to the sale. If any date fixed for the receipt of bids and the sale of the Bonds is postponed, an alternative sale date will be announced via TM3 News Services, or by other available means, at least forty-eight (48) hours prior to such alternative sale date.

Availability of Information. Additional information regarding the sale may be obtained from Hawkins Delafield & Wood LLP, bond counsel to the Township, One Gateway Center, Newark, New Jersey 07102-5311 (telephone: 973-642-8584) or the Township's Municipal Advisor, Brittany Whelan, 6000 Midlantic Drive, Mount Laurel, New Jersey 08054 (telephone: 856-234-2266).

**ANGELA N. FOOTE**  
Township Clerk

Dated: September 18, 2019

**NEW ISSUE**

**SERIAL BONDS**

**Book-Entry-Only**

**Ratings: Moody's "A1"  
(see "Credit Rating" herein)**

*In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the Township, under existing statutes and court decisions, and assuming compliance with certain tax covenants described herein, (i) interest on the Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and (ii) interest on the Bonds is not treated as a preference item in calculating the alternative minimum tax under the Code. In addition, in the opinion of Bond Counsel to the Township, under existing statutes, interest on the Bonds is not included in gross income under the New Jersey Gross Income Tax Act. See "Tax Matters" herein for a description of certain other provisions of the Code that may affect the tax treatment of interest on the Bonds for certain bondholders.*

**\$9,335,000\* BONDS**

**THE TOWNSHIP OF PENNSVILLE,  
IN THE COUNTY OF SALEM, NEW JERSEY**

consisting of

**\$6,030,000\* GENERAL BONDS OF 2019**

**\$3,305,000\* TAX APPEAL REFUNDING BONDS OF 2019**

**Dated: Date of Delivery**

**Due: October 1, as shown below**

The \$6,030,000\* General Bonds of 2019 and the \$3,305,000\* Tax Appeal Refunding Bonds of 2019 (collectively, the "Bonds") of the Township of Pennsville, in the County of Salem, New Jersey (the "Township") will be issued in book-entry-only form with no physical distribution of bond certificates. The Bonds will be issued in registered form and bond certificates for each maturity of each series will be issued to The Depository Trust Company, New York, New York ("DTC"), registered in the name of its nominee, Cede & Co.

Interest on the Bonds will be payable semiannually on April 1 and October 1 in each year until maturity or earlier redemption, if any, commencing April 1, 2020. Principal or redemption price, if any, of and interest on the Bonds will be paid to DTC by the Township. Interest on the Bonds will be credited to the participants of DTC as listed on the records of DTC as of each next preceding March 15 and September 15 (the "Record Dates" for the payment of interest on the Bonds).

The Bonds shall be subject to redemption prior to their stated maturities as described herein (see "Description of the Bonds - Redemption" herein).

The Bonds are valid and legally binding obligations of the Township and, unless paid from other sources, are payable from ad valorem taxes levied upon all the taxable real property within the Township without limitation as to rate or amount; provided, however, that the rights of the holders of the Bonds and the enforceability thereof may be subject to bankruptcy, reorganization, insolvency, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and that the enforcement thereof may also be subject to the exercise of judicial discretion in appropriate cases. See "Bondholders' Remedies in the Event of Default" and "Municipal Bankruptcy" herein.

**COMBINED MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND YIELDS**

<u>Year</u>	<u>Principal Amount*</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Year</u>	<u>Principal Amount*</u>	<u>Interest Rate</u>	<u>Yield</u>
2020	\$604,000			2027	\$820,000		
2021	661,000			2028	840,000		
2022	745,000			2029	855,000		
2023	760,000			2030	875,000		
2024	775,000			2031	260,000		
2025	790,000			2032	270,000		
2026	805,000			2033	275,000		

The Bonds are offered when, as and if issued and delivered to the Underwriter, subject to prior sale, to withdrawal or modification of the offer without notice and to approval of legality by the law firm of Hawkins Delafield & Wood LLP, Newark, New Jersey and certain other conditions described herein. Delivery of the Bonds is anticipated to take place on or about October 9, 2019.

Dated: September \_\_, 2019

\*Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion and amendment without notice. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of the Bonds in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction. This Preliminary Official Statement is deemed final by the Township within the meaning and for the purposes of Rule 15c2-12 of the Securities and Exchange Commission.

**THE TOWNSHIP OF PENNSVILLE,  
IN THE COUNTY OF SALEM, NEW JERSEY**

**MAYOR**

Robert McDade

**DEPUTY MAYOR**

Marc Chastain

**TOWNSHIP COMMITTEE**

Richie G. Raine  
Jeffrey B. Cook  
Chris Widger

**TOWNSHIP ADMINISTRATOR**

Jack Lynch

**CHIEF FINANCIAL OFFICER**

John Willadsen

**TOWNSHIP CLERK**

Angela Foote

**TOWNSHIP ATTORNEY**

Masten & Ray Attorneys at Law

**AUDITOR**

Bowman & Company LLP  
Voorhees and Woodbury, New Jersey

**BOND COUNSEL**

Hawkins Delafield & Wood LLP  
Newark, New Jersey

**FINANCIAL ADVISOR**

Acacia Financial Group, Inc.  
Mount Laurel, New Jersey



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

The information which is set forth herein has been provided by the Township and by other sources, but the information provided by such other sources is not guaranteed as to accuracy or completeness by the Township. References in this Official Statement to the State of New Jersey statutes, laws, rules, regulations, resolutions, agreements, reports and documents do not purport to be comprehensive or definitive. All references to such documents are qualified in their entirety by reference to the particular document, the full text of which may contain qualifications of or exceptions to statements made herein. Copies of such above-mentioned documents may be inspected at the offices of the Township during normal business hours. This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

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

**IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET, SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.**

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**OFFICIAL STATEMENT  
RELATING TO**

**\$9,335,000\* BONDS**

**THE TOWNSHIP OF PENNSVILLE,  
IN THE COUNTY OF SALEM, NEW JERSEY**

**consisting of**

**\$6,030,000\* GENERAL BONDS OF 2019  
\$3,305,000\* TAX APPEAL REFUNDING BONDS OF 2019**

**INTRODUCTION**

This Official Statement (the "Official Statement"), which includes the cover page hereof and the appendices hereto, has been prepared by the Township of Pennsville, in the County of Salem (the "Township"), in the State of New Jersey (the "State") and provides certain information regarding the financial and economic condition of the Township in connection with the sale of the Township's \$9,335,000\* Bonds consisting of \$6,030,000\* General Bonds of 2019 and \$3,305,000\* Tax Appeal Refunding Bonds of 2019 (collectively, the "Bonds"). This Official Statement has been executed by and on behalf of the Township by the Chief Financial Officer and its distribution and use in connection with the sale of the Bonds has been authorized by the Township.

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

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

**DESCRIPTION OF THE BONDS**

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

**Terms and Interest Payment Dates**

The Bonds will be dated the date of delivery thereof. The Bonds will bear interest at the interest rates per annum stated on the cover page hereof, payable April 1 and October 1 of each year until maturity or earlier redemption, commencing April 1, 2020 (each, an "Interest Payment Date"). The Bonds will mature on October 1 in the years and in the principal amounts set forth below.

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\*Preliminary, subject to change.

<u>Year</u>	<u>General Bonds*</u>	<u>Tax Appeal Bonds*</u>
2020	\$419,000	\$185,000
2021	456,000	205,000
2022	530,000	215,000
2023	545,000	215,000
2024	550,000	225,000
2025	565,000	225,000
2026	570,000	235,000
2027	580,000	240,000
2028	595,000	245,000
2029	605,000	250,000
2030	615,000	260,000
2031	0	260,000
2032	0	270,000
2033	0	275,000

### **Denominations and Place of Payment**

The Bonds will be issued by means of a book-entry system with no physical distribution of bond certificates. The Bonds will be issued in registered form and bond certificates for each maturity of each series will be issued to The Depository Trust Company, New York, New York (“DTC”), and registered in the name of its nominee, Cede & Co. (see the subcaption “Book-Entry System” below). Principal of and interest on the Bonds will be paid by the Township, or its designee, in its capacity as paying agent (the “Paying Agent”) to the registered owners of the Bonds as of each March 15 and September 15 (whether or not a business day) immediately preceding the respective Interest Payment Dates (the “Record Dates”). So long as DTC or its nominee is the registered owner of the Bonds, payments of the principal of and interest on the Bonds will be made by the Paying Agent directly to DTC or its nominee, which will in turn remit such payments to DTC participants, which will in turn remit such payments to the beneficial owners of the Bonds. See the subcaption “Book-Entry System” below. Purchases of the Bonds will be made in book-entry form, in the denomination of \$5,000 each or integral multiples of \$1,000 in excess thereof. Purchasers will not receive certificates representing their beneficial ownership interests in Bonds purchased, but each book-entry owner will receive a credit balance on the books of its nominee, and this credit balance is expected to be confirmed by an initial transaction statement stating the details of the Bonds purchased. So long as Cede & Co. is the registered owners of the Bonds, as nominee of DTC, references herein (except under the captions “Tax Matters” and “Secondary Market Disclosure”) to the registered owners shall mean Cede & Co. and shall not mean the beneficial owners of the Bonds. See the subcaption “Book-Entry System” below.

### **Redemption**

#### *Optional Redemption*

The Bonds of each series maturing prior to October 1, 2029 are not subject to redemption at the option of the Township prior to their stated maturities. The Bonds of each series maturing on or after October 1, 2029 are redeemable at the option of the Township in whole or in part on any date, in any order of maturity and by lot within a single maturity, on or after October 1, 2028, at a redemption price equal to one hundred percent (100%) of the principal amount being redeemed, plus in each case accrued interest to the date fixed for redemption.

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\*Preliminary, subject to change.

### *Notice of Redemption*

Notice of redemption shall be given by first-class mail, postage prepaid, to the registered owners of the Bonds or portions thereof to be redeemed, not less than thirty (30) days nor more than sixty (60) days prior to the redemption date, but such mailing shall not be a condition precedent to such redemption and failure so to mail any such notice shall not affect the validity of any proceedings for the redemption of Bonds. If notice of redemption shall have been given as aforesaid, the Bonds or portions thereof specified in said notice shall become due and payable at the redemption price on the redemption date therein designated and if, on the redemption date, moneys for payment of the redemption price of all the Bonds to be redeemed, together with the interest to the redemption date, shall be available for such payment on said date, then from and after the redemption date interest on such Bonds shall cease to accrue and become payable. Less than all of a Bond in a denomination in excess of \$5,000 may be so redeemed, and in such case, upon the surrender of such Bond, there shall be issued to the registered owner thereof, without charge therefor, for the unredeemed balance of the principal amount of such Bond, Bonds of like series, designation, maturity and interest rate in any of the authorized denominations. So long as DTC (or any successor thereto) acts as securities depository for the Bonds, notice of redemption shall be sent to such securities depository and shall not be sent to the beneficial owners of the Bonds. Any failure of such depository to advise any of its participants or any failure of any participant to notify any beneficial owner of any notice of redemption shall not affect the validity of the redemption proceedings. If the Township determines to redeem a portion of the Bonds of a series prior to maturity, the Bonds to be redeemed shall be selected by the Township; the Bonds to be redeemed having the same maturity shall be selected by DTC in accordance with its regulations.

### **Book-Entry System**

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully registered Bond certificate will be issued for each year of maturity of the Bonds of each series, in the aggregate principal amount of each such maturity, and will be deposited with DTC.

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

file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

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

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

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

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

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

Principal, redemption price and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Township or the Paying Agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Direct Participants and Indirect 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 Direct Participant or Indirect Participant and not of DTC, the Paying Agent or the Township, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, redemption price and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Township or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct Participants and Indirect Participants.

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

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

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

#### **Discontinuance of Book-Entry System**

In the event that the book-entry system is discontinued and the Beneficial Owners become registered owners of the Bonds, the following provisions shall apply: (i) the Bonds may be exchanged for an equal aggregate principal amount of the Bonds in other authorized denominations and of the same maturity, upon surrender thereof at the office of the Township/Paying Agent; (ii) the transfer of any Bonds may be registered on the books maintained by the Township/Paying Agent for such purposes only upon the surrender thereof to the Township/Paying Agent together with the duly executed assignment in form satisfactory to the Township/Paying Agent; and (iii) for every exchange or registration of transfer of Bonds, the Township/Paying Agent may make a charge sufficient to reimburse it for any tax or other governmental charge required to be paid with respect to such exchange or registration of transfer of the Bonds. Interest on the Bonds will be payable by check or draft, mailed on each Interest Payment Date to the registered owners thereof as of the close of business on the Record Date next preceding an Interest Payment Date.

### **AUTHORIZATION AND PURPOSE**

The Bonds have been authorized and are to be issued pursuant to the laws of the State, including the Local Bond Law, constituting Chapter 2 of Title 40A of the New Jersey Statutes, as amended (N.J.S.A. §40A:2-1, et seq.) (the “Local Bond Law”). The Bonds are authorized by bond ordinances adopted by the governing body of the Township and by a resolution adopted by the governing body of the Township on August 15, 2019. Such bond ordinances were published in full, or in summary, after their adoption along with a statement to the effect that the twenty-day period of limitation within which a suit, action or proceeding questioning the validity of the accompanying bond ordinance can be commenced began to run from the date of the first publication of such estoppel statement. The Local Bond Law provides that after issuance all obligations shall be conclusively presumed to be fully authorized and issued by all laws of the State, and any person shall be barred from questioning the sale, execution or delivery of such obligations. The proceeds of the Bonds will be used to finance (a) capital projects of the Township including the payment at maturity on November 18, 2019 of bond anticipation notes issued to

finance such projects and (b) a tax appeal settlement including the payment at maturity on November 29, 2019 of bond anticipation notes issued to temporarily finance such settlement.

**General Bonds**

<u>Ordinance Number</u>	<u>Purpose</u>	<u>Amount to be Financed</u>
A-24-2017	Various capital improvements	<u>\$261,250*</u>
A-05-2014; A-14-2014; A-16-2014	Various capital improvements	<u>\$210,319*</u>
A-8-2019	Various capital improvements	<u>\$1,333,000*</u>
A-14-2019	Various capital improvements	<u>\$4,225,431*</u>

**Tax Appeal Refunding Bonds**

<u>Ordinance Number</u>	<u>Purpose</u>	<u>Amount to be Financed</u>
A-20-2018	Tax appeal settlement	<u>\$3,305,000*</u>

**SECURITY AND SOURCE OF PAYMENT**

The Bonds will be general obligations of the Township. All taxable real property within the Township is subject to the levy of ad valorem taxes to pay the Bonds and the interest thereon, without limitation as to rate or amount; provided, however, that the rights of the holders of the Bonds and the enforceability thereof may be subject to bankruptcy, reorganization, insolvency, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and that the enforcement thereof may also be subject to the exercise of judicial discretion in appropriate cases. See "Bondholders' Remedies in the Event of Default" and "Municipal Bankruptcy" herein.

**SUMMARY OF CERTAIN STATUTORY PROVISIONS RELATING TO MUNICIPAL AND COUNTY DEBT AND FINANCIAL REGULATION**

Set forth below is a summary of various statutory provisions and requirements relevant to the Township's debt and financial regulation and budget process. This summary does not purport to be complete, and reference should be made to the statutes referred to for a complete statement of the provisions thereof.

**Legal Framework**

The Local Bond Law governs the issuance of bonds and notes to finance certain general municipal and utility capital expenditures. Among its provisions are requirements that bonds must mature within the statutory period of usefulness of the projects financed and that bonds be retired in serial installments. A five percent (5%) cash down payment is generally required toward the financing of such projects. Generally, all bonds and notes issued by a local unit are general full faith and credit obligations.

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\*Preliminary, subject to change.



## **Debt Limit**

The authorized bonded indebtedness of a local unit is limited by statute, subject to the exceptions noted below, to an amount equal to three and one-half percent (3½%), in the case of a municipality, and two percent (2%), in the case of a county, of its average equalized valuation basis. The average equalized valuation basis of a local unit is set by statute as the average for the last three (3) years of the equalized value of all taxable real property and improvements and certain Class II railroad property within its boundaries as annually determined by the State Board of Taxation.

## **Exceptions to Debt Limit - Extensions of Credit**

Except for the funding of certain notes, the authorization of certain bonds for municipal utility purposes, if the utilities are self-liquidating, and certain formula allowances, the debt limit of a local unit may be exceeded only with the approval of the Local Finance Board, in the Division of Local Government Services, Department of Community Affairs of the State (the “Local Finance Board”), a State regulatory agency. If all or any part or a proposed debt authorization would exceed its debt limit, a local unit must 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 a local unit or substantially reduce the ability of a local unit to meet its obligations or to provide essential public improvements or services, or makes other statutory determinations, approval is granted.

## **Short-Term Financing**

Pursuant to the Local Bond Law, a local unit may sell short-term notes to temporarily finance a capital improvement or project in anticipation of the issuance of bonds, if the bond ordinance or subsequent resolution so provides. Any such note is designated a “bond anticipation note”. Bond anticipation notes for capital improvements may be issued in an aggregate amount not exceeding the amount specified in the bond ordinance, as the same may be amended and supplemented, creating such capital expenditure. Bond anticipation notes, which are full faith and credit obligations of the local unit, may be issued for a period not exceeding one (1) year and may be renewed from time to time for a period that does not exceed one (1) year. Such notes shall mature and be paid not later than the first day of the fifth month following the close of the tenth fiscal year following the date of the original note, provided, however, that no such notes shall be renewed beyond the third anniversary date of the original notes unless an amount of such notes, at least equal to the first legally payable installment of the bonds in anticipation of which these notes are issued, is paid and retired on or before each subsequent anniversary date beyond which such notes are renewed from funds other than the proceeds of obligations.

## **Assessment Bonds**

Assessment bonds may be issued pursuant to the Local Bond Law in annual serial installments with the first principal payment due within two (2) years and the final principal payment due within twenty (20) years of an issue’s date. No principal payment may be larger than a prior year’s principal payment.

## **Refunding Bonds**

Refunding bonds may be issued pursuant to the Local Bond Law for the purpose of paying, funding or refunding outstanding bonds, including emergency appropriations, temporary emergency appropriations, advance funding of pension obligations as part of an early retirement program offered by the State, the actuarial liabilities of a non-State administered public employee pension system, amounts owing to others for taxes levied and for paying the cost of issuance of refunding bonds. The Local

Finance Board must consent to the authorization for the issuance of refunding bonds and approve the maturity schedule thereof; provided, however, that the issuance of refunding bonds to realize debt service savings on outstanding obligations does not require Local Finance Board approval when authorized by conditions set forth in rules and regulations of the Local Finance Board and upon a resolution adopted by a two-thirds ( $\frac{2}{3}$ ) vote of the full membership of the governing body of the local unit.

### **Tax Anticipation Notes**

Tax anticipation notes may be issued pursuant to the Local Budget Law (as hereinafter defined). The issuance of tax anticipation notes is limited in amount by law to collectively thirty percent (30%) of the tax levy plus thirty percent (30%) of realized miscellaneous revenues of the next preceding fiscal year. Tax anticipation notes must be paid in full within one hundred and twenty (120) days of the close of the fiscal year in which they were issued.

### **School Debt Subject to Voter Approval**

State law permits a school district upon approval of the voters, to authorize school district debt, including debt in excess of its independent debt limit, by using the available borrowing capacity of the municipality. If such debt is in excess of school district debt limit and the remaining borrowing capacity of the municipality, the State Commissioner of Education and the Local Finance Board must approve the proposed debt authorization before it is submitted to the voters.

### **The Local Budget Law**

The foundation of the State local finance system is the annual cash basis budget. Under N.J.S.A. §40A:4-1, et seq. (the “Local Budget Law”), every local unit must adopt an operating budget in the form required by the Division of Local Government Services in the Department of Community Affairs of the State (the “Division”). Certain items of revenue and appropriation are regulated by law and the proposed budget cannot be finally adopted until it is certified by the Director of the Division (the “Director”), or in the case of a local unit’s examination of its own budget, such budget cannot be finally adopted until a local examination certificate has been approved by the chief financial officer and governing body of local unit. The Local Budget Law requires each local unit to appropriate sufficient funds for the payment of current debt service, and the Director or, in the case of local examination, the local unit may review the adequacy of such appropriations. Among other restrictions, the Director must examine the budget with reference to all estimates of revenue and the following appropriations: (a) payment of interest and debt redemption charges, (b) deferred charges and statutory expenditures, (c) cash deficit of preceding year, (d) reserve for uncollected taxes and (e) other reserves and nondisbursement items. Anticipated tax revenues are limited to the same proportion as actual cash collections or to the total levy in the previous year, and the reserve amount must be factored into the budget to make up for the expected shortfall in actual collections. Anticipated non-tax revenues are limited to the amount actually realized the previous year unless the Director permits higher levels of anticipation should there be sufficient statutory or other evidence to substantiate that such anticipation is reasonable.

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

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

Each municipality is required to forward to the County Board of Taxation (the “County Board”) a certified copy of its operating budget, as adopted, not later than April 10 of the then current fiscal year. In the event that the County Board has not received a copy of the budget resolution or other evidence showing the amount to be raised by taxation for the purposes of a taxing district, the Director shall transmit to the County Board a certificate setting forth the amount required for the operation of the local unit for that fiscal year. The operating budget of the preceding year shall constitute and limit the appropriations for the then current year with suitable adjustments for debt service, other mandatory charges and changes in revenues, but excluding the amount to be raised by taxes for school purposes where required to be included in the municipal budget. The certificate shall be prepared by using the revenues and appropriations appearing in the adopted budget of the preceding year with suitable adjustments to include, without limitation: (a) any amounts required for principal and interest of indebtedness falling due in the fiscal year and (b) any deferred charges, including a deficit, if any, or statutory expenditures required to be raised in the fiscal year. See the subcaption “Tax Assessment and Collection Procedure” below.

### **Appropriations Not Required for Payments on Debt**

It is not necessary to have an appropriation in order to release money for debt service on obligations. N.J.S.A. §40A:4-57 states that “no officer, board, body or commission shall, during any fiscal year, expend money (except to pay notes, bonds or interest thereon), incur any liability, or enter into any contract which by its terms involves the expenditure of money for any purpose for which no appropriation is provided, or in excess of the amount appropriated for such purpose” (emphasis added).

### **Appropriation Caps**

Chapter 89 of the New Jersey Laws of 1990 extended and amended Chapter 203 of the New Jersey Laws of 1986 and Chapter 68 of the New Jersey Laws of 1976 (N.J.S.A. §40A:4-45.3), commonly referred to as the “CAP Law”. The CAP Law places limits on county tax levies and municipal expenditures. This limitation is commonly referred to as a “CAP”. The actual calculation of the CAP is somewhat complex and the actual CAP computations are prepared by the Division and distributed to each municipality. In addition to the CAP increase in expenditures, other increases allowable include increases funded by increased service fees, proceeds from the sale of municipal assets and increased expenditures mandated by State and federal laws. Appropriations for items excluded from the CAP computation, including debt service requirements, may be set at any necessary level and are not subject to the CAP. The CAP may be exceeded if approved by referendum of the voters of the municipality.

In summary, in determining the CAP for each budget year, the prior year’s total general appropriations are reduced by certain statutory-type appropriations with the resulting balance multiplied by two and one-half percent (2.5%) or the cost-of-living adjustment (the rate of annual percentage increase, rounded to the nearest half-percent, in the Implicit Price Deflator for State and Local Government Purchases of Goods and Services, computed and published quarterly by the United States Department of Commerce) (the “Cost-of-Living Adjustment”), whichever is less, thereby producing the basic CAP, which then may be increased by certain known increases in revenues and State or federal expenditures mandated after July 18, 1976. A municipality may, by the adoption of an ordinance, elect to increase its final appropriations by a percentage rate up to, but not to exceed, three and one-half percent (3.5%). A municipality may, by referendum, increase its final appropriations by a higher percentage rate.

### **Property Tax Levy Cap**

Chapter 44 of the Pamphlet Laws of 2010 imposed restrictions upon the allowable annual increase in the tax levy. In general municipalities will have their tax levies limited to a two percent (2%)

increase. The tax levy is subject to certain adjustments, including the sum of new ratables. In addition, the following exclusions are added to the calculation of the adjusted tax levy: increases in amounts required to be raised by taxation for capital expenditures, including debt service as defined by law; increases in pension contributions and accrued liability for pension contributions in excess of 2%; 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% 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, as annually determined by the Division of Pensions and Benefits in the Department of the Treasury; 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 law also authorizes a municipality to submit public questions to the voters for approval (by affirmative vote of at least fifty percent (50%)) to increase the amount to be raised by taxation by more than the allowable adjusted tax levy.

### **Miscellaneous Revenues**

A provision in the Local Budget Law (N.J.S.A. §40A:4-26) provides that: “[n]o miscellaneous revenues from any source shall be included as an anticipated revenue in the budget in an amount in excess of the amount actually realized in cash from the same source during the next preceding fiscal year, unless the [Director] shall determine upon application by the governing body that the facts clearly warrant the expectation that such excess amount will actually be realized in cash during the fiscal year and shall certify such determination, in writing, to the local unit”.

In addition, budget amendments must be approved by the Director, except for federal and State categorical grants-in-aid contracts may be realized for their face amount with an offsetting appropriation. The fiscal years for such grants rarely coincide with the municipality’s calendar fiscal year. However, grant revenue is generally not realized until received in cash.

### **Real Estate Taxes**

The same general principle that revenue cannot be anticipated in a budget in excess of that realized in the preceding year applies to property taxes. N.J.S.A. §40A:4-29, which governs the anticipation of delinquent tax collections, provides that: “[t]he maximum which may be anticipated is the sum produced by the multiplication of the amount of delinquent taxes unpaid and owing to the local unit on the first day of the current fiscal year by the percentage of collection of delinquent taxes for the year immediately preceding the current fiscal year”.

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

This provision and N.J.S.A. §40A:4-40 require that an additional amount, commonly known or referred to as the “reserve for uncollected taxes”, be added to the tax levy required to balance the budget so that when the percentage of the prior year’s tax collection is applied to the combined total, the product will at least be equal to the tax levy required to balance the budget. The reserve requirement is calculated as follows:

The levy required to balance the budget, divided by the prior year's percentage of current tax collection (or lesser percent) levied, will equal the total taxes to be levied for the current fiscal year.

Chapter 99 of the Pamphlet Laws of 1997 of New Jersey authorizes any municipality to sell its "total property tax levy" to the highest responsible bidder therefor in accordance with the procedures and limitations set forth therein.

Upon the filing of certified adopted budgets by (i) a local governmental unit, (ii) a local and/or a regional school district, (iii) the county in which the local governmental unit is situated and (iv) any special improvement districts within the local governmental unit, the current year's tax rate is struck by a county's board of taxation based upon the amount of taxes required in each taxing district to fund the respective budgets.

### **Emergency Appropriations/Deferral of Current Expenses**

Emergency appropriations made under N.J.S.A. §40A:4-46, after the adoption of the budget and the determination of the tax rate, may be authorized by a local unit. However, with minor exceptions set forth below, such appropriations must be included in full in the following year's budget. When such appropriations exceed three percent (3%) of the adopted operating budget, consent of the Director must be obtained.

The exceptions are certain enumerated quasi-capital projects ("special emergencies") such as (i) the repair and reconstruction of streets, roads or bridges damaged by snow, ice, frost or floods, which may be amortized over three (3) years and (ii) the repair and reconstruction of streets, roads, bridges or other public property damaged by flood or hurricane, where such expense was unforeseen at the time of budget adoption, the repair and reconstruction of private property damaged by flood or hurricane, tax map preparation, re-evaluation programs, revision and codification of ordinances, master plan preparations, drainage map preparation for flood control purposes, studies and planning associated with the construction and installation of sanitary Generals, authorized expenses of a consolidated commission, contractually required severance liabilities resulting from the layoff or retirement of employees and the preparation of sanitary and storm system maps, all of which projects set forth in this clause (ii) may be amortized over five (5) years. N.J.S.A. §40A:4-53, -54, -55 and -55.1. Emergency appropriations for capital projects may be financed through the adoption of a bond ordinance and amortized over the useful life of the project.

Under the CAP Law, emergency appropriations aggregating less than three percent (3%) of the previous year's final current operating appropriations may be raised in the portion of the local unit's budget outside the CAP if approved by at least two-thirds ( $\frac{2}{3}$ ) of the members of the governing body and the Director. Emergency appropriations that aggregate more than three percent (3%) of the previous year's final current operating appropriations must be raised within the CAP. Emergency appropriations for debt service, capital improvements, the local unit's share of federal or State grants and other statutorily permitted items are outside the CAP.

### **Budget Transfers**

Budget transfers provide a local unit with a degree of flexibility and afford a control mechanism over expenditure needs. Transfers between major appropriation accounts are prohibited by N.J.S.A. §40A:4-58 until the last two (2) months of the fiscal year. Appropriation reserves may also be transferred during the first three (3) months of the year to the previous year's budget (N.J.S.A. §40A:4-59). Both types of transfers require a two-thirds ( $\frac{2}{3}$ ) vote of the full membership of the governing body. However,

no transfers may be made (a) to appropriations for contingent expenses, deferred charges or emergency appropriation or (b) from appropriations for contingent expenses, deferred charges cash deficit of the preceding year, reserve for uncollected taxes, down payments, the capital improvement fund or interest and redemption charges. Although budget transfers among subaccounts (line items) within an appropriation are not subject to the same year-end transfer restriction, they are subject to internal review and approval.

### **Municipal Public Utilities**

Municipal public utilities are supported by the revenues generated by the respective operations of the utilities in addition to the general taxing power upon real property. For each utility, there is established a separate budget. The anticipated revenues and appropriations for each utility are set forth in the separate budget. The budget is required to be balanced and to provide fully for debt service. The regulations regarding anticipation of revenues and deferral of charges apply equally to the budgets of the utilities. 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.

### **Capital Budget**

In accordance with the Local Budget Law, each local unit must adopt and may from time to time amend rules and regulations for capital budgets, which rules and regulations must require a statement of capital undertakings underway or projected for a period not greater than the next ensuing six (6) years as a general improvement program. The capital budget, when adopted, does not constitute the approval or appropriation of funds, but sets forth a plan of the possible capital expenditures which the local unit may contemplate over the next three (3) or six (6) years. Expenditures for capital purposes may be made either by ordinances adopted by the governing body setting forth the items and the method of financing or by the annual operating budget if the items were detailed.

### **Fiscal Year Adjustment Law**

Chapter 75 of the Pamphlet Laws of 1991, signed into law on March 28, 1992, requires certain municipalities and permits all other municipalities to adopt the State fiscal year in place of the existing calendar fiscal year (N.J.S.A. §40A: 4-3.1). Municipalities that change fiscal years must adopt a six (6) month transition budget for January to June. Since expenditures would be expected to exceed revenues primarily because State aid for the calendar year would not be received by the municipality until after the end of the transition year budget, the law authorizes the issuance of fiscal year adjustment bonds to fund the one time deficit for the six (6) month transition budget (N.J.S.A. §40A:2-51.2). The law provides that the deficit in the six (6) month transition budget may be funded initially with bond anticipation notes based on the estimated deficit in the six (6) month transition budget. Notes issued in anticipation of fiscal year adjustment bonds, including renewals, can only be issued for up to one (1) year unless the Local Finance Board permits the municipality to renew them for a longer period of time. The Local Finance Board must confirm the actual deficit experienced by the municipality. The municipality then may issue fiscal year adjustment bonds to finance the deficit on a permanent basis. The purpose of the law is to assist municipalities that are heavily dependent on State aid and that have had to issue tax anticipation notes to fund operating cash flow deficits each year. While the law does not authorize counties to change their fiscal years, it does provide that counties with cash flow deficits may issue fiscal year adjustment bonds as well.

## **State Supervision**

State law authorizes State officials to supervise fiscal administration in any municipality which is in default on its obligations; which experiences severe tax collection problems for two (2) successive years; which has a deficit greater than four percent (4%) of its tax levy for two (2) successive years; which has failed to make payments due and owing to the State, county, Township or special district for two (2) consecutive years; which has an appropriation in its annual budget for the liquidation of debt which exceeds twenty-five percent (25%) of its total operating appropriations (except dedicated revenue appropriations) for the previous budget year; or which has been subject to a judicial determination of gross failure to comply with the Local Bond Law, the Local Budget Law or the Local Fiscal Affairs Law (as hereinafter defined) which substantially jeopardizes its fiscal integrity. State officials are authorized to continue such supervision for as long as any of the conditions exist and until the municipality operates for a fiscal year without incurring a cash deficit.

## **Tax Assessment and Collection Procedure**

A local governmental unit is the entity responsible for the levying and collection of taxes on all taxable property within its borders, including the tax levies for the county and the Township. The levying of taxes is for a fiscal year, which starts July 1 and ends June 30. The collection of taxes to support a local governmental unit's current budget requirement is based upon a calendar year, January 1 to December 31.

Property taxes are based on a municipality's assessor's valuation of real property, as confirmed by the tax board of the county in which a municipality is situated. The taxes for municipal, local and regional school districts and a county cover the current calendar year. Turnover of the tax moneys by a municipality to a school district are based on school needs and are generally made on a periodic basis throughout the year with any balance transferred by June 30 (the end of the school district's fiscal year). A municipality remits one hundred percent (100%) of the county taxes, payable quarterly on the fifteenth days of February, May, August and November.

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

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

Tax bills are sent in June of the current fiscal year. Taxes are payable in four (4) quarterly installments on the 15<sup>th</sup> day of February, May, August and November of each year. The August and November tax bills are determined as the full tax levied for municipal, county and school purposes for the current municipal fiscal year, less the amount charged as the February and May installments for municipal, county and school purposes in the current fiscal year. The amounts due for the February and May installments are determined by the municipal governing body as either one-quarter ( $\frac{1}{4}$ ) or one-half ( $\frac{1}{2}$ ) of the full tax levied for municipal, county and school purposes for the preceding fiscal year.

Tax installments not paid on or before the due date are subject to interest penalties of eight percent (8%) per annum on the first \$1,500 of the delinquency and eighteen percent (18%) per annum on any amount in excess of \$1,500. The governing body may also fix a penalty to be charged to a taxpayer with a delinquency in excess of \$10,000 who fails to pay that delinquency prior to the end of the calendar year. The penalty so fixed shall not exceed six percent (6%) of the amount of the delinquency. These penalties and interest are the highest permitted under State statutes. Delinquent taxes open for one (1) year or more are annually included in a tax sale in accordance with State statutes.

### **Tax Appeals**

State statutes provide a taxpayer with remedial procedures for appealing an assessed valuation that the taxpayer deems excessive. Prior to the first day of February in each year, a municipality must mail to each property owner a notice of the current assessment and taxes on the property. The taxpayer has a right to petition the County Board on or before the first day of August of the current tax year for its review. The County Board has the authority after a hearing to increase, decrease or reject the appeal petition. These adjustments are usually concluded within the current tax year and reductions are shown as canceled or remitted taxes for that year. If the taxpayer believes the petition was unsatisfactorily reviewed by the County Board, appeal of the decision may be made to the Tax Court of New Jersey for further hearing. Tax Court of New Jersey appeals tend to take several years to conclude by settlement or trial and any losses in tax collections from prior years, after an unsuccessful trial or by settlement, are charged directly to operations or with the permission of the Local Finance Board, may be refinanced, generally over a three (3) to five (5) year period.

### **The Local Fiscal Affairs Law**

N.J.S.A. §40A:5-1, *et seq.* (the “Local Fiscal Affairs Law”), regulates the nonbudgetary financial activities of local governments. The chief financial officer of every local unit must file annually with the Director a verified statement of the financial condition of the local unit and all constituent boards, agencies and commissions.

An independent examination of the local unit’s accounts must be performed annually by a State licensed registered municipal accountant. The audit, conforming to the Division’s “Requirements of Audit”, includes recommendations for improvements of the local unit’s financial procedures and must be filed with the Director. A synopsis of the audit report, together with all recommendations made, must be published in a local newspaper within thirty (30) days of its completion.

A local unit’s funds are invested strictly in accordance with the provisions of the Local Fiscal Affairs Law, in particular N.J.S.A. §40A:5-12.1. A local unit is not authorized to invest funds in derivative products or reverse repurchase agreements.

### **Basis of Accounting**

The accounting policies applicable to local governmental units have been prescribed by the Division. The following is a summary of the significant policies:

**Basis of Accounting** - A modified accrual basis of accounting is followed, with minor exceptions. Revenues are recorded as received in cash except for certain amounts which may be due from the State. Expenditures are recorded on the accrual basis. Appropriation reserves covering unexpended appropriation balances are automatically created on December 31 of each year and recorded as liabilities, except for amounts which may be cancelled by the governing body. Appropriation reserves are available, until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts



incurred or entered into during the preceding fiscal year. Lapsed appropriation reserves are recorded as income.

Interfunds - Interfund receivables in the Current Fund are recorded with offsetting reserves. Income is recognized in the year the receivables are liquidated. Interfund receivables in the other funds are not offset by reserves.

Fixed Assets - Property and equipment purchased through the Current Fund and the General Capital Fund are recorded as expenditures at the time of purchase and are not capitalized.

A local unit finances its operations primarily through the Current Fund. All tax receipts and most revenues are paid into the Current Fund and substantially all expenditures made by appropriations are paid from the Current Fund.

Expenditures are comprised of those made for general purposes, certain expenditures made from restricted federal, State and private grants, certain federal or State mandated expenditures, deferred charges, debt service and capital improvements. Budgeted expenditures for general purposes include payments made primarily in support of a local unit's various departments.

### **BONDHOLDERS' REMEDIES IN THE EVENT OF DEFAULT**

Neither the Bonds nor the proceedings with respect thereto specifically provide any remedies to the bondholders if the Township defaults in the payment of principal of or interest on the Bonds, nor do they contain any provisions for the appointment of a trustee to enforce the interests of the bondholders upon the occurrence of such default. Upon any default in the payment of the principal of or interest on a Bond, a bondholder could, among other things, seek to obtain a writ of mandamus from a court of competent jurisdiction requiring the Township to levy and collect a tax upon all taxable property within the Township, without limitation as to rate or amount, sufficient to pay when due the principal of and interest on the Bonds as the same shall come due. The mandamus remedy, however, may be impractical and difficult to enforce. Further, the right to enforce payment of the principal of or interest on the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium and similar laws and equitable principles, which may limit the specific enforcement of certain remedies. See the caption "Municipal Bankruptcy" herein.

### **MUNICIPAL BANKRUPTCY**

Any county, municipality, school district or other political subdivision of the State has the power to file a petition with any United States court or courts in bankruptcy under the federal bankruptcy act for the purpose of effecting a plan of readjustment of its debts or for the composition of its debts, provided that the approval of the Municipal Finance Commission of New Jersey has been obtained. The powers of the Municipal Finance Commission of New Jersey have been vested in the New Jersey Local Finance Board.

Bankruptcy proceedings by the Township could have adverse effects on the bondholders bond including (1) delay in the enforcement of their remedies, (2) subordination of their claims to those supplying goods and services to the Township after the initiation of bankruptcy proceedings and to the administrative expenses of bankruptcy proceedings and (3) imposition without their consent of a reorganization plan reducing or delaying payment of the Bonds. The federal bankruptcy act contains provisions intended to ensure that, in any reorganization plan not accepted by at least a majority of a class of creditors, such as the holders of general obligation indebtedness or the Bonds, such creditors will have

the benefit of their original claim or the “indubitable equivalent”. The effect of these and other provisions of the federal bankruptcy act cannot be predicted and may be significantly affected by judicial interpretation.

The above references to the federal bankruptcy act are not to be construed as an indication that the Township expects to resort to the provisions of the federal bankruptcy act or that, if it did, such action would be approved by the Municipal Finance Commission.

### **NO DEFAULT**

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

### **ABSENCE OF MATERIAL LITIGATION**

In the opinion of the Township Attorney, Walter J. Ray, Pennsville, New Jersey (the “Township Attorney”), no litigation of any nature is now pending or, to his knowledge, threatened restraining or enjoining the issuance or delivery of the Bonds or the levy or collection of any taxes to pay the interest on or principal of the Bonds, or in any manner questioning the authority or proceedings for the issuance of the Bonds or for the levy or collection of said taxes, or relating to the Bonds or affecting the validity thereof or the levy or collection of said taxes, and neither the corporate existence or boundaries of the Township nor the title of any of the present officers thereof to their respective offices is being contested, and no authority or proceedings for the issuance of the Bonds has or have been repealed, revoked or rescinded. A signed statement to that effect will be supplied upon delivery of the Bonds. In the opinion of the Township Attorney, there is no litigation pending or, to his knowledge, threatened against the Township which if adversely decided would have a material adverse effect on the financial condition of the Township or which is not otherwise adequately covered by Township insurance.

### **TAX MATTERS**

#### **Opinion of Bond Counsel**

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the Township, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”) and (ii) interest on the Bonds is not treated as a preference item in calculating the alternative minimum tax under the Code. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Township in connection with the Bonds, and Bond Counsel has assumed compliance by the Township with certain provisions and procedures set forth in the Arbitrage and Use of Proceeds Certificate of the Township to be delivered in connection with the issuance of the Bonds.

In addition, in the opinion of Bond Counsel to the Township, under existing statutes, interest on the Bonds is not included in gross income under the New Jersey Gross Income Tax Act.

Bond Counsel expresses no opinion regarding any other federal or state tax consequences with respect to the Bonds. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update its opinion after the issue date to reflect any future

action, fact or circumstance, or change in law or interpretation, or otherwise. Bond Counsel expresses no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for federal income tax purposes of interest on the Bonds, or under state and local tax law.

### **Certain Ongoing Federal Tax Requirements and Covenants**

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the federal government. Noncompliance with such requirements may cause interest on the Bonds to become included in gross income for federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. By executing its Arbitrage and Use of Proceeds Certificate to be delivered concurrently with the delivery of the Bonds, the Township will certify that, to the extent it is empowered and allowed under applicable law, it will comply with certain applicable requirements of the Code to assure the exclusion of interest on the Bonds from gross income under Section 103 of the Code.

### **Certain Collateral Federal Tax Consequences**

The following is a brief discussion of certain collateral federal income tax matters with respect to the Bonds. It does not purport to address all aspects of federal taxation that may be relevant to a particular owner of a Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Bonds.

Prospective owners of the Bonds should be aware that the ownership of such obligations may result in collateral federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for federal income tax purposes. Interest on the Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

### **Information Reporting and Backup Withholding**

Information reporting requirements apply to interest paid on tax-exempt obligations, including the Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, "Request for Taxpayer Identification Number and Certification," or if the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding," which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding

should occur. In any event, backup withholding does not affect the excludability of the interest on the Bonds from gross income for federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's federal income tax once the required information is furnished to the Internal Revenue Service.

### **Bond Premium**

In general, if an owner acquires a Bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the Bond after the acquisition date (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates), that premium constitutes "bond premium" on that Bond (a "Premium Bond"). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium Bond, based on the owner's yield over the remaining term of the Premium Bond determined based on constant yield principles (in certain cases involving a Premium Bond callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such bond). An owner of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner's regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Bond, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner's original acquisition cost. Owners of any Premium Bonds should consult their own tax advisors regarding the treatment of bond premium for federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of Premium Bonds.

### **Miscellaneous**

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under federal or state law or otherwise prevent beneficial owners of the Bonds from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) and such decisions could affect the market price or marketability of the Bonds.

Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

### **QUALIFIED TAX-EXEMPT OBLIGATIONS**

The Bonds will be designated as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code.

### **SECONDARY MARKET DISCLOSURE**

In order to assist the underwriter in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission ("Rule 15c2-12"), the Township has undertaken to provide, on or before the first day of the tenth month after the close of each fiscal year while the Bonds are outstanding, commencing with the fiscal year ended December 31, 2019, for filing with the Municipal Securities

Rulemaking Board (the “MSRB”), on an annual basis, financial and operating information of the type hereinafter described and included in this Official Statement, which is referred to herein as “Annual Information”, together with the annual financial statements of the Township prepared in accordance with generally accepted accounting principles as modified by governmental accounting standards and mandated State statutory principles as in effect from time to time for municipalities. In addition, the Township has undertaken, for the benefit of the holders of the Bonds, to provide to the MSRB, in a timely manner not in excess of ten (10) business days after the occurrence of the specified event, the notices required to be provided by Rule 15c2-12 and described below (the “Notices”).

The Annual Information with respect to the Township means annual information concerning the Township which consists of financial and operating data of the Township of the type included in Appendix B to this Official Statement relating to the following: (i) property tax levies and collections; (ii) assessed value of taxable property; (iii) property tax rates; and (iv) outstanding debt.

The Notices include notices of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Bonds, or other material events affecting the tax-exempt status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) bond calls (other than mandatory sinking fund redemptions) if material and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the Township; (13) the consummation of a merger, consolidation, or acquisition involving the Township or the sale of all or substantially all of the assets of the Township, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation (as defined in Rule 15c2-12) of the Township, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar items of a financial obligation of the Township, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Township, any of which reflect financial difficulties.

The sole and exclusive remedy for breach or default under the undertaking to provide continuing disclosure described above is an action to compel specific performance of the undertaking of the Township, and no person, including any holder of the Bonds, may recover monetary damages thereunder under any circumstances. In addition, if all or any part of Rule 15c2-12 ceases to be in effect for any reason, then the information required to be provided under the undertaking, insofar as the provision of Rule 15c2-12 no longer in effect required the providing of such information, shall no longer be required to be provided.

The foregoing undertaking is intended to set forth a general description of the type of financial information and operating data that will be provided; the descriptions are not intended to state more than general categories of financial information and operating data; and where an undertaking calls for information that no longer can be generated because the operations to which it related have been materially changed or discontinued, a statement to that effect will be provided. The undertaking, however, may be amended or modified without consent of the holders of the Bonds under certain

circumstances set forth in the undertaking. Copies of the undertaking when executed by the Township upon the delivery of the Bonds will be on file at the office of the Township Clerk.

As required under a Continuing Disclosure Agreement dated as of November 13, 1996 entered into with respect to The Pennsville Sewerage Authority's Sewer Revenue Refunding Bonds (Series 1996), the Township failed to timely file its operating data for the fiscal years ended 2015 through and including 2017 under the applicable CUSIP numbers. The Township has taken steps to ensure timely filings on a going-forward basis, including appointing a disclosure agent.

### **CREDIT RATING**

Moody's Investor Services, Inc. ("Moody's") has assigned a rating of "A1" to the Bonds. This rating reflects only the view of Moody's and an explanation thereof may be obtained only from Moody's. Certain information and materials, including information and materials not included in this Official Statement, were furnished by the Township to Moody's. Generally, Moody's bases its ratings on the information and materials so furnished and on its investigations, studies and assumptions.

There is no assurance any such rating will remain in effect for any given period of time or that any such rating will not be revised downward, suspended or withdrawn entirely by a rating agency if, in the judgment of such rating agency, circumstances so warrant. Any such downward revision, suspension or withdrawal of a rating may have an adverse effect on the market price or the marketability of the Bonds. The Township has not undertaken any responsibility to oppose any such downward revision, suspension or withdrawal of a rating.

### **UNDERWRITING**

The Bonds have been purchased from the Township at a public sale by \_\_\_\_\_ (the "Underwriter") at a price of \$ \_\_\_\_\_.

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

### **APPROVAL OF LEGAL PROCEEDINGS**

All legal matters relating to the authorization, the issuance, the sale and the delivery of the Bonds are subject to the approval of Hawkins Delafield & Wood LLP, Newark, New Jersey, Bond Counsel to the Township, whose approving opinion will be delivered with the Bonds substantially in the form set forth in Appendix C hereto. Certain legal matters will be passed upon for the Township by the Township Attorney.

### **MUNICIPAL ADVISOR**

Acacia Financial Group, Inc., Mount Laurel, New Jersey, has served as municipal advisor to the Township with respect to the issuance of the Bonds ("Municipal Advisor"). The Municipal

Advisor is not obligated to undertake, and has not undertaken, either to make an independent verification of, or to assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement and the appendices hereto. The Municipal Advisor is an independent firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

### **FINANCIAL STATEMENTS**

The financial statements of the Township as of December 31, 2018, 2017, 2016, 2015 and 2014 have been audited by Bowman & Company LLP, independent certified public accountants, as stated in their Independent Auditors' Report appearing in Appendix B hereto.

### **PREPARATION OF OFFICIAL STATEMENT**

Bowman & Company LLP, assisted in the preparation of this Official Statement with information obtained from the Township and other sources, including publicly available sources, considered reliable, but Bowman & Company LLP, does not make any warranty or other representation with respect to the accuracy and completeness of such information. Bowman & Company LLP, takes responsibility for the audited financial information set forth in Appendix B hereto to the extent specified in their Independent Auditors' Report set forth in Appendix B hereto.

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

Hawkins Delafield & Wood LLP and the Township Attorney have not participated in the preparation of the financial or statistical information contained in this Official Statement, nor have they verified the accuracy, completeness or fairness thereof and, accordingly, express no opinion with respect thereto.

Upon request, the Chief Financial Officer of the Township will confirm to the purchasers of the Bonds, by certificate signed by the Chief Financial Officer, that to the knowledge of the Chief Financial Officer the descriptions and statements relating to the Township herein, as of the date of this Official Statement, are true and correct in all material respects and do not contain any untrue statement of a material fact or omit to state a material fact necessary to make such descriptions and statements, in light of the circumstances under which they were made, not misleading.

### **ADDITIONAL INFORMATION**

Inquiries regarding this Official Statement, including information additional to that contained herein, may be directed to John Willadsen, Chief Financial Officer, 90 North Broadway, Pennsville, New Jersey 08070.

### **MISCELLANEOUS**

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.

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

This Official Statement has been duly executed on behalf of the Township by its Chief Financial Officer.

**THE TOWNSHIP OF PENNSVILLE**

By: \_\_\_\_\_  
John Willadsen  
Chief Financial Officer



**APPENDIX A**

**CERTAIN ECONOMIC AND DEMOGRAPHIC  
INFORMATION RELATING TO THE TOWNSHIP**

## GENERAL INFORMATION ON THE TOWNSHIP

### General

The Township of Pennsville (the "Township") is governed by an elected five-member Township Committee. The Committee functions as a "commission" form of government, in that in addition to adopting the laws and regulations that affect the community, the committee sit as members of the several boards, councils and authorities that are charged with carrying out specific governmental functions. The Township Clerk acts as Secretary to the Township Committee and is responsible for all duties imposed upon the office by local and state regulations.

General government operating expenditures go principally for public safety, streets and roads, solid waste disposal; and recreation.

### Area

Establishing an exact land area for Pennsville is an impossible task, for the area of the Township is constantly changing as marshes are filled, water courses diverted by nature, and tides act on the river banks. In addition, most official maps of the Township do not show the major land addition to the mainland of Pennsville at the Killcohook National Wildlife Refuge. Although technically located in New Castle County, Delaware, because of the unusual boundary between New Jersey and Delaware at the point, Killcohook is contiguous only to Pennsville Township and accessible only from Pennsville Township.

Tidal marsh, meadowland, and the portions of Salem Creek and other small water courses and bodies of water that are within the Township comprise almost thirty percent of the area of Pennsville. These areas predominate along the entire eastern boundary of the Township where Salem Creek meanders through the Manningtown Meadow, and in the southwestern portion along the Delaware south of Killcohook and Fort Mott.

Major areas of woodland in Pennsville disappeared many years ago to make way for farms and villages, but a few substantial wooded tracts remain, the largest of which is located in the area bounded by East Pittsfield Street, Hook Road, Mahoney Road and South Broadway.

Residential uses predominate, and single-family residential development account for all but a small portion of the residences in Pennsville. The roughly 4,700 dwelling units in the Township are located on about 2,000 acres for a net residential density of about three homes per acre. Multiple-family units are concentrated in four garden apartment developments, and mobile home developments are limited to two "parks" near the bridge approach.

Except for the Pennsville Shopping Center, Cranberry Plaza, and Walmart Shopping Center, most retail and service commercial uses are located along both sides of North and South Broadway in the northern and central sections of the Township. A few scattered commercial uses can be found along Hook Road.

Although there are several manufacturing and warehousing operations in the Pennsville Industrial Park, the major concentration of industry within the Township is the Chemours Chambers Works Facility at Deepwater. This industrial complex is the principal employment center in the Township.

The largest concentration of public service uses in the Township is located on both sides of William Penn Avenue between Broadway and East Pittsfield Street, where a major educational complex of the Pennsville School District is located.

Significantly, almost 85 percent of Pennsville Township is not developed. Over 50 percent of the land in the Township is classified as open land, vacant, or marginal. Farming and other agricultural uses take up about 27 percent of the Township's land area and woodland about 7 ½ percent.

### **Water Supply and Sewage Disposal**

The Township is served by a public water system and a sanitary sewer system. Over 300,000 feet, or nearly 60 miles, of water lines serve the Township and carry water to homes and businesses from eight wells, three treatment plants, and three elevated water pressure tanks. In addition to the water distribution system, there are approximately 501 fire hydrants serving the Township. The sanitary sewer system in Pennsville, operated by the Pennsville Sewerage Authority covers slightly less area than the water system but it is nonetheless an extensive and complicated public utility.

### **Community Facilities**

Pennsville Township provides a broad range of basic community facilities and services for its residents and businesses, and additional facilities and services are available in Pennsville through County, State and private institutions.

### **Recreational Facilities**

Pennsville offers a wide variety of recreation opportunities for citizens of all ages through its recreation department. These activities, for the most part, utilize school athletic and playground facilities or lands that have been developed by and for specific youth sports groups, such as Little League. The Township provides maintenance and improvement services for both Township-owned and other recreational land. The Pennsville school facilities, both indoor and outdoor, are available to the recreation department for after school activities during the week, on weekends, and during the summer months. In addition to the beach area between Riviera Drive and the Delaware River, the Township owns approximately 25 acres of land for outdoor recreation at nine scattered sites. It is estimated that over 50 acres of school land, including the stadium, are available as playfields, playgrounds, and playlots for community recreation use. Also, the Little League complex on Churchlanding Road and the midget football field and baseball diamond next to the water plant on Tufts Road are major Township recreation areas. The Township purchased the former Riverview Beach Amusement Park, utilizing a grant from the State under its Green Acres Program.

Fort Mott State Park, along the Delaware River south of the Killcohook National Wildlife Refuge, offers facilities for picnicking and other passive recreational activities. This site is accessible only by way of Fort Mott Road or Lighthouse Road.

The Pennsville Library, although privately operated, receives annual financial support from the Township and contains about 15,000 volumes. The Library's location on South Broadway is convenient for most Township residents.

### **Market**

One-third of the population of the United States with more than half of the buying power of the nation lives within overnight delivery distance. This is the richest, most concentrated market in the world. The deep-river transportation of the Delaware opens us to profitable overseas markets and the Chesapeake and Delaware Canal provides access to major inland market areas as well.

### **Present Industry**

Within the Township are principal organic chemical laboratories of Chemours, Inc. Chambers Works plant and Ganes Chemical, subsidiary of Siegfried Industries.

## **Transportation**

Pennsville Industrial Park is ideally located for speedy transportation and easy accessibility. Major trucking industries serve the area with New Jersey Highway 49 and Interstate 295. These highways also feed the southern end of the New Jersey Turnpike. The Greater New Castle Airport, Delaware, is only 18 minutes away and there are three other New Jersey licensed airports in close proximity to the Park. There is public bus service to Philadelphia, Pennsylvania, and Conrail for railroad, serves the northern part of the Township. In addition, the Philadelphia International Airport is only 30 minutes away.

## **Fire Departments**

Two fire stations are located in Pennsville, on Route 130 in Deepwater and at River Drive Avenue and State Highway Route 49 East. Both fire companies - Pennsville No. 1 and Deepwater No. 2 are volunteer manned, but receive annual financial contributions from Township appropriations. The Township of Pennsville also has a taxpayer funded ambulance department which is located in the confines of Pennsville Fire Company No. 1.

## **Street and Highway Classification**

There are approximately 100 miles of improved streets, roads, and highways in Pennsville Township. Of this total, about 80 miles are Township streets and roads. The remainder are State and County highways, including the Delaware Memorial Bridge approaches and the interchange of the bridge approach with New Jersey Route 49. North and South Broadway (NJ Route 49) in Pennsville is a State maintained highway, while Hook Road, Lighthouse Road, and Fort Mott Road are Salem County roads. County roads run for about ten miles in Pennsville, as do State highways including the bridge approaches.

## **Pennsville Streets**

The Pennsville Highway Department is responsible for the maintenance and development of improved streets within the Township. Most of these are residential and collector streets serving homes and businesses. Improvements vary considerably within the Township; some of the newer streets in developments are fully paved with curbs, gutters, and sidewalks; in older sections, paving varies in width and curbs and sidewalks are not uniformly installed. Township of Pennsville has been aggressive in improving their streets and roads over the last 10 years appropriating \$500,000 to \$1,330,000 for through direct appropriation or through financing of Bond Anticipation Notes.

There are 24.4 square miles of total area in the Township of Pennsville with 71.8 miles of improved roads.

## **Planning and Zoning**

The industrial and residential sections of the Township have been fully protected by a comprehensive zoning ordinance for several years. And the Pennsville Industrial Park has been carefully planned for modern, efficient industrial operation. Included is a municipally owned water supply for the area as well as a primary and secondary sewer treatment plant.

## **Location and Character**

Located along the inside of the big bend in the Delaware River south of Wilmington, Delaware, Pennsville Township is bounded by the Delaware River on the west, the Township of Carneys Point lies to the north, and Salem River to the east and south. The City of Salem, County Seat of Salem County, lies just to the south of Pennsville Township where the Salem River enters the Delaware River. Wilmington is located about ten miles north of Pennsville along the west bank of the Delaware River. Pennsville and the City of Philadelphia in Pennsylvania are located about 35 miles from each other. Both

Wilmington and Philadelphia are easily accessible to Pennsville via interstate highways and major arterial roads.

## History of the Township

Although the area that today encompasses the Township of Pennsville, formally known as Lower Penns Neck Township has been a separate political entity since 1798. Lower Penns Neck Township was one of the original 104 Incorporated Townships in the State of New Jersey. In November of 1965 the residents of Lower Penns Neck Township voted to change the name of their community to The Township of Pennsville. Because of that change in name, many documents and maps containing information about The Township of Pennsville carry the former name of Lower Penns Neck Township.

Pennsville developed as a number of separate, but related, neighborhoods or villages. Some of these places, including the section of the Township known as Pennsville, were occupied and settled during the 17th Century; other areas of the Township developed later as a result of the placement of roads leading to Salem or other communities nearby. Still later, the establishment of the major industrial plants at Deepwater and Carney's Point stimulated the growth of neighborhoods for workers in these plants. In more recent times, development of areas of the Township near the riverfront for weekend or summer cottages helped establish new neighborhoods in what is now the Township of Pennsville. During the 1950's and 1960's, and to this day, typical tract subdivision and garden apartment developments have been added to the older neighborhoods of the Township, and in addition, development has spilled out in strips along some of the major roads and connecting streets.

## Township Employees

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Permanent	74	76	76	76	74
Part-time	<u>60</u>	<u>61</u>	<u>57</u>	<u>60</u>	<u>57</u>
Total	<u>134</u>	<u>137</u>	<u>133</u>	<u>136</u>	<u>131</u>

## Employee Collective Bargaining Units

The Township currently has 7 employee collective bargaining units. The following is a schedule of the employee bargaining units, number of employees represented and dates of contract expiration:

<u>Bargaining Unit</u>	<u>Employees Represented</u>	<u>Contract Expiration Date</u>
Teamsters Local Union No. 676 Maintenance Department	16	December 31, 2020
Teamsters Local Union No. 676 White Collar	11	December 31,2020
Teamsters Local Union No. 676 Water Department	9	December 31, 2019
Pennsville Police Officers Association	19	December 31, 2020
Pennsville Superior Officers Association	2	December 31,2020
Chief of Police	1	December 31,2020
Salem Co. Uniformed Firefighters Assoc. (Ambulance) Local 4154 AFL-CIO-CLC	14	December 31,2020

## Compensated Absences

Township employees are entitled to paid vacation depending upon their length of service with the Township. Vacation days not used during the year may be accumulated and carried forward to the next succeeding year upon approval by the Township Committee. Vacation days carried forward must be used in the next succeeding year or be forfeited. Full-time employees are entitled to 13 weeks of paid sick leave each year. Unused sick leave may not be accumulated and carried forward to the subsequent year. For additional information regarding compensated absences, see Appendix B: Financial Statements of the Township, Note 10.

## Pension Plans

Those Township employees who are eligible for pension coverage are enrolled in one of three pension systems established by acts of the State Legislature. Benefits, contributions, means of funding and the manner of administration are determined by the State. For additional information regarding pension plans, see Appendix B: Financial Statements of the Township, Note 8.

## Population (1)

2010 Federal Census	13,409
2000 Federal Census	13,194
1990 Federal Census	13,794
1980 Federal Census	13,848
1970 Federal Census	13,296

## Selected Census 2017 Data for the Township (1)

Median household income	\$62,134
Median family income	\$80,232
Per capita income	\$34,369

## Labor Force (2)

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

<u>Year</u>	<u>Labor Force</u>	<u>Employed Persons</u>	<u>Unemployed Persons</u>	<u>Unemployment Rate</u>
<b>Township</b>				
2018	5,972	5,698	274	4.6%
2017	6,055	5,733	322	5.3
2016	6,264	5,903	361	5.8
2015	6,595	6,174	421	6.4
2014	6,519	6,031	488	7.3
<b>County</b>				
2018	28,795	27,226	1,569	5.4%
2017	29,188	27,392	1,796	6.2
2016	30,010	28,092	1,918	6.4
2015	31,445	29,223	2,222	7.1
2014	31,188	28,542	2,646	8.2

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

(2) Source: New Jersey Department of Labor

## Labor Force (Cont'd)

<u>Year</u>	<u>Labor Force</u>	<u>Employed Persons</u>	<u>Unemployed Persons</u>	<u>Unemployment Rate</u>
<b>State</b>				
2018	4,422,900	4,239,600	183,400	4.1%
2017	4,453,500	4,247,500	206,000	4.6
2016	4,474,700	4,252,100	222,600	5.0
2015	4,545,083	4,291,650	253,417	5.6
2014	4,518,715	4,218,423	300,277	6.6

## Building Permits (1)

<u>Year</u>	<u>Number of Permits</u>	<u>Value of Construction</u>
2019(2)	421	\$83,541
2018	802	607,479
2017	891	869,771
2016	819	1,579,002
2015	574	2,171,234
2014	579	2,935,609

## LARGEST SALEM COUNTY PRIVATE SECTOR EMPLOYERS (3)

<u>Employer</u>	<u>Nature of Business</u>	<u>Approximate Number of Employees</u>
PSE&G	Public Utility, Nuclear Power Generating Plant	1,500
Mannington Mills, Inc.	Floor Coverings	800
Salem Medical Center	Acute Care Facility	400
R.E. Pierson Construction	Construction	125
Inspira Hospital – Elmer	Acute Care Facility	489
Atlantic City Electric	Public Utility	500
McLane NJ	Grocery Distribution	400

## GENERAL INFORMATION ON THE SCHOOL DISTRICT (4)

### Type

The School District is a Type II school district that is coterminous with the borders of the Township of Pennsville (the "Board"). The School District provides a full range of educational services appropriate to kindergarten through the twelfth grades.

The Board is composed of nine (9) members elected by the legally qualified voters in the School District to terms of three (3) years on a staggered basis. The President and Vice President are chosen for one (1) year terms from among the members of the Board.

(1) Source: Construction Office

(2) As of July 15, 2019

(3) Source: County Economic Development Office

(4) Source: School District officials

The Board is the policy making body of the School District and has the general responsibility for providing an education program, the power to establish policies and supervise the public schools in the School District, the responsibility to develop the annual School District budget and present it to the legally registered voters in the School District. The Board's fiscal year ends June 30.

The Board appoints a Superintendent and Board Secretary/Business Administrator who are responsible for budgeting, planning and the operational functions of the School District. The administrative structure of the Board gives final responsibility for both the educational process and the business operation to the Superintendent.

The Superintendent is the chief executive officer of the Board and is in charge of carrying out Board policies. The Board Secretary/Business Administrator is the chief financial officer of the Board and must submit monthly financial reports to the Board and annual reports to the New Jersey Department of Education.

**Pupil Enrollments (1)**

<b>Pupil Enrollments</b>	
<u>School Year</u>	<u>Enrollment</u>
2019-2020	1,839
2018-2019	1,826
2017-2018	1,766
2016-2017	1,787
2015-2016	1,789
2014-2015	1,790

**Present School Facilities, Enrollment and Capacity (1)**

<u>Facility</u>	<u>Date Constructed</u>	<u>Grades</u>	<u>Enrollment 6/30/2019</u>	<u>Functional Capacity</u>
Valley Park Elementary School	1969	K-1	322	526
Central Park Elementary School	1956	2-3	269	419
Penn Beach Elementary School	1964	4-5	272	514
Pennsville Middle School	1959	6-8	417	984
Pennsville Memorial High School		9-12	<u>482</u>	<u>1,134</u>
Totals			<u>1,762</u>	<u>3,577</u>

**HIGHER EDUCATION FACILITIES**

The Salem County Vocational Technical School ("SCVTS") operates a special purpose district in which a wide range of educational programs and services are provided to county residents. The educational programs offered by the SCVTS focus on secondary full time and share time careers, technical education programs, and Career Academy programs offered in partnership with four school districts in the County. SCVTS also operates the New Jersey Regional Day School for the New Jersey Department of Education. The program serves disabled students from Cumberland, Gloucester, and Salem Counties. Additionally, SCVTS provides programs for post-secondary students and a wide array of community and continuing education programs, all of which are available for one purpose; to serve the community's interests.

(1) Source: School District officials



Salem Community College ("SCC") is a two-year, public, comprehensive institution of higher education authorized to grant associate degrees in the arts, fine arts, science and applied science, and certificates. SCC offers more than 40 programs of study in liberal arts, social science, business, nursing, allied health and technology. SCC features the nation's only associate degree program in scientific glass technology and offers a unique fine arts degree program in glass art. Thanks to a federal grant, SCC now offers associate in applied science degree programs in nuclear and sustainable energy technology. Fall semester enrollment exceeded 1,500 students. SCC also enrolls students in noncredit courses and customized training programs.

**CERTAIN TAX INFORMATION  
TEN LARGEST REAL PROPERTY TAXPAYERS (1)**

<u>Name of Taxpayer</u>	<u>Nature of Business</u>	<u>2019 Assessed Valuation</u>
The Chemours Company FC LLC	Manufacture of Various Chemicals	\$95,000,000
Seigfried (USA), Inc.	Pharmaceutical Manufacturer	16,181,900
Calpine New Jersey Generation, LLC	Electric Generation	10,932,600
Orchard Court Association	Apartment Complex	8,752,200
Lauras Glen Apartments, LLC	Apartment Complex	8,000,000
Pennsville Hotel Corporation	Hotel	6,500,000
Pennsville Holdings, LLC	Retail Center	5,363,800
ACP Pennsville Assoc.	Retail Center	4,754,900
M&P RE, LLC	Office Building	3,606,600
Penn Norse, LLC	Apartment Complex	3,600,000

**CURRENT TAX COLLECTIONS (2)**

<u>Year</u>	<u>Total Levy</u>	<u>Collected in Year of Levy</u>		<u>Outstanding December 31</u>	
		<u>Amount</u>	<u>Percentage</u>	<u>Amount</u>	<u>Percentage</u>
2018 (3) \$	42,820,224	\$40,861,105	95.42%	\$ 1,372,476	3.21%
2017	41,666,144	40,135,967	96.33%	1,115,472	2.68%
2016	38,314,520	36,640,734	95.63%	824,723	2.15%
2015	37,567,864	36,343,073	96.74%	944,365	2.51%
2014	37,063,297	35,947,155	96.99%	865,521	2.34%

**DELINQUENT TAXES(2)**

<u>Year</u>	<u>Outstanding</u>		<u>Collected</u>		<u>Transferred to Liens</u>	<u>Other Credits</u>	<u>Outstanding December 31</u>
	<u>January 1</u>	<u>Added</u>	<u>Amount</u>	<u>Percentage</u>			
2018 (3)	\$1,131,907	\$ -	\$1,021,945	90.29%	\$ 67,553	\$ 7,844	\$ 34,564
2017	838,180	-	965,966	115.25%	33,610	(177,830)	16,435
2016	959,711	-	922,295	96.10%	24,752	(793)	13,457
2015	877,748	-	858,648	97.82%	32,392	(28,638)	15,346
2014	932,233	-	958,244	102.79%	7,562	(45,800)	12,227

(1) Source: Assessor's Office

(2) Source: Annual Reports of Audit, unless otherwise noted

(3) Compiled Annual Financial Statement

**TAX TITLE LIENS (1)**

<u>Year</u>	<u>Balance</u> <u>January 1</u>	<u>Added by</u> <u>Sales and</u> <u>Transfers</u>	<u>Collected</u>	<u>Transfer to</u> <u>Property Acquired</u> <u>For Taxes</u>	<u>Balance</u> <u>December 31</u>
2018 (3)	\$ 804,890	\$ 414,807	\$ 47,563	-	\$ 1,172,134
2017	722,038	333,979	79,843	\$ 171,284	804,890
2016	504,273	240,451	22,686	-	722,038
2015	339,176	182,151	17,054	-	504,273
2014	258,694	102,555	22,073	-	339,176

**FORECLOSED PROPERTY (1)(2)  
(ACQUIRED BY TAXES AND BY DEED)**

<u>Year</u>	<u>Balance</u> <u>Jan. 1</u>	<u>Adjustment</u> <u>to Assessed</u> <u>Valuation</u>	<u>Balance</u> <u>Dec. 31</u>
2018 (3)	\$ 1,787,991	-	\$ 1,787,991
2017	1,105,381	\$ 171,284	1,787,991
2016	1,105,381	-	1,105,381
2015	1,105,381	-	1,105,381
2014	1,105,381	-	1,105,381

**CURRENT WATER TAX COLLECTIONS (1)**

<u>Year</u>	<u>Beginning</u> <u>Balance</u>	<u>Total Levy</u>	<u>Collected in Year of Levy</u>		<u>Outstanding December 31</u>	
			<u>Amount</u>	<u>Percentage</u>	<u>Amount</u>	<u>Percentage</u>
2018 (3)	\$ 533,885	\$ 3,483,674	\$ 3,558,224	88.57%	\$ 459,335	13.19%
2017	538,032	3,155,800	3,159,947	85.55%	533,885	16.92%
2016	459,190	3,090,339	3,011,496	84.84%	538,032	17.41%
2015	551,435	2,849,165	2,941,411	86.50%	459,190	16.12%
2014	508,545	2,750,928	2,708,037	83.08%	551,435	20.05%

(1) Source: Annual Reports of Audit, unless otherwise noted

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

(3) Compiled Annual Financial Statement

**NET ASSESSED VALUATIONS AND ANNUAL TAX RATES (1)**

<u>Year</u>	<u>Net Valuation Taxable</u>	<u>Tax Rate (2)</u>			
		<u>Total Rate</u>	<u>Municipal</u>	<u>County</u>	<u>Local School</u>
2019 (6)	\$1,006,683,153	\$ 4.261	\$ 0.891	\$ 1.116	\$ 2.254
2018	1,040,623,123	4.108	0.762	1.206	2.140
2017	1,045,062,581	3.963	0.737	1.115	2.111
2016	1,049,511,735	3.647	0.698	1.025	1.924
2015	1,075,152,870	3.480	0.652	1.033	1.795

**RATIO OF ASSESSED VALUATION TO TRUE VALUE  
AND TRUE VALUE PER CAPITA(3)**

<u>Year</u>	<u>Real Property Assessed Valuation</u>	<u>Percentage of True Value</u>	<u>True Value</u>	<u>True Value per Capita(4)</u>
2019	\$ 1,005,137,615	105.63%	\$ 951,564,532	\$ 70,965
2018	1,039,089,364	102.31%	1,015,628,349	75,742
2017	1,043,545,529	106.41%	980,683,704	73,136
2016	1,048,000,031	105.05%	997,620,210	74,399
2015	1,073,613,631	105.05%	1,022,002,505	76,218

**REAL PROPERTY CLASSIFICATION(5)**

<u>Year</u>	<u>Assessed Value of Land and Improvements</u>						
	<u>Vacant Land</u>	<u>Residential</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Apartments</u>	<u>Farm</u>	
2019	\$ 20,506,032	\$ 713,092,743	\$ 107,469,040	\$ 122,114,500	\$ 29,748,300	\$ 12,207,000	
2018	21,254,797	717,424,427	107,201,840	151,114,500	29,860,100	12,233,700	
2017	22,034,897	722,771,132	105,785,300	151,114,500	29,860,100	11,979,600	
2016	21,416,297	726,819,334	106,446,400	151,114,500	30,360,100	11,843,400	
2015	21,697,997	719,861,534	126,578,900	163,447,700	29,973,300	12,054,200	

(1) Source: Township Tax Collector

(2) Per \$100 of assessed valuation.

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

(4) Based on Census 2010 of 13,409

(5) Source: Township Assessor

(6) Estimate, tax rate not certified

**TOWNSHIP OF PENNSVILLE  
STATEMENT OF INDEBTEDNESS  
AS OF DECEMBER 31, 2018**

The following table summarizes the direct debt of the Township of Pennsville as of December 31, 2018 in accordance with the requirements of the Local Bond Law of the State of New Jersey (N.J.S.A. 40A:2-2- et.seq.). The gross debt comprises short and long-term debt issued, including General, Water Utility and debt of the Local School District. Deductions from gross debt to arrive at net debt include deductible school debt, debt considered to be self-liquidating and reserve for payment of bonds. The resulting net debt of \$5,983,299 represents 0.601% of the average of equalized valuations for the Township for the last three years, which is within the 3.5 % limit imposed by N.J.S.A. 40A:2-6.

	Debt Issued			Authorized But Not Issued	Gross Debt	Deductions			Net Debt
	Bonds	Loans	Notes			School Debt	Funds on Hand/ Tax Appeal Refunding Bond	Self- Liquidating Debt	
General		\$269,121	\$9,622,928	\$356,250	\$10,248,299		\$4,265,000		\$5,983,299
Water Utility		924,909	491,055		1,415,964			1,415,964	
Local School Debt	\$32,660,000				32,660,000	\$32,660,000			
	<u>\$32,660,000</u>	<u>\$1,194,030</u>	<u>\$10,113,983</u>	<u>\$356,250</u>	<u>\$44,324,263</u>	<u>\$32,660,000</u>	<u>\$4,265,000</u>	<u>\$1,415,964</u>	<u>\$5,983,299</u>

Source: Revised Annual Debt Statement  
As of: December 31, 2018

### DEBT RATIOS AND VALUATIONS (1)(2)

Average of Equalized Valuations of Real Property with Improvements for 2016, 2017 and 2018	\$ 996,186,817
Statutory Net Debt as a Percentage of the Average of Equalized Valuations of Real Property with Improvements for 2016, 2017 and 2018	0.601%
2019 Net Valuation Taxable	\$ 1,006,683,153
2019 Equalized Valuation of Real Property and Taxable Personal Property Used in Communications	\$ 953,110,070
Gross Debt (3):	
As a percentage of 2019 Net Valuation Taxable	4.40%
As a percentage of 2019 Equalized Valuations	4.65%
Net Debt (3):	
As a percentage of 2019 Net Valuation Taxable	0.59%
As a percentage of 2019 Equalized Valuations	0.63%
Gross Debt Per Capita (4)	\$ 3,306
Net Debt Per Capita (4)	446

### TOWNSHIP BORROWING CAPACITY(1)(2)

3.5% of Averaged (2016-18) Equalized Valuation of Real Property including Improvements	\$ 34,866,539
Net Debt	<u>5,983,299</u>
Remaining Borrowing Capacity	<u>\$ 28,883,240</u>

### SCHOOL DISTRICT BORROWING CAPACITY(1)(2)

4% of Averaged (2016-18) Equalized Valuation of Real Property including Improvements	\$ 39,847,473
Local School Debt	<u>32,660,000</u>
Remaining Borrowing Capacity	<u>\$ 7,187,473</u>

- 
- (1) As of December 31, 2018
  - (2) Source: Annual Debt Statement
  - (3) Excluding overlapping debt
  - (4) Based on 2010 Federal Census of 13,409

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

	<b>DEBT ISSUED</b>				
	<u>Debt Outstanding</u>	<u>Deductions</u>	<u>Net Debt Outstanding</u>	<u>Net Debt Outstanding Allocated to Issuer</u>	<b>Debt Auth. but not Issued</b>
County of Salem:					
General	\$ 42,055,000	\$ 2,415,000 (1)	\$ 39,640,000	\$8,371,968 (3)	\$ 364
Salem County Improvement Authority	8,362,453	8,362,453 (2)	-		
Pennsville Township Sewerage Authority	305,778		305,778	305,778	
	<u>\$ 50,723,231</u>	<u>\$ 10,777,453</u>	<u>\$ 39,945,778</u>	<u>\$8,677,746</u>	<u>\$ 364</u>

- (1) Deductible from County College Bonds  
(2) Deductible in accordance with N.J.S. 40:37A-80  
(3) Such debt is allocated as a proportion of the Issuer's share of the total 2018 Net Valuation on which County taxes are apportioned, which is 21.12%.

**TOWNSHIP OF PENNSVILLE  
SCHEDULE OF DEBT SERVICE**

Year	Existing Debt (1)				Grand Total
	General-EIT Loans		Utility		
	Principal	Interest	Principal	Interest	
2019	\$ 102,009	\$ 8,954	\$ 135,272	\$ 22,495	\$ 268,729
2020	105,192	6,057	140,873	19,697	271,819
2021	61,920	3,030	146,033	16,721	227,705
2022			143,417	13,575	156,992
2023			148,531	10,437	158,968
2024			119,540	7,129	126,669
2025			91,242	3,650	94,892
	<u>\$ 269,121</u>	<u>\$ 18,041</u>	<u>\$ 924,909</u>	<u>\$ 93,703</u>	<u>\$ 1,305,774</u>

(1) As of December 31, 2018  
Source: Annual Reports of Audit

**TOWNSHIP OF PENNSVILLE  
2019 MUNICIPAL BUDGET**

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**CURRENT FUND**

Anticipated Revenues:	
Fund Balance	\$ 2,211,000.00
Miscellaneous Revenues:	
Local Revenues	1,133,920.00
State Aid Without Offsetting Appropriations	5,295,132.00
Special Items of Revenue with Consent of DLGS:	
Shared Service Agreements	8,000.00
Public and Private Revenues	159,524.98
Other Special Items	29,713.00
Receipts From Delinquent Taxes	833,000.00
Amount to be Raised by Taxation for Municipal Purposes:	
Local Tax for Municipal Purposes	<u>8,881,032.67</u>
Total Anticipated Revenues	<u><u>\$ 18,551,322.65</u></u>
Appropriations:	
Within CAPS:	
Operations	\$ 12,725,874.00
Deferred Charges and Statutory Expenditures	1,359,445.00
Excluded from CAPS:	
Other Operations	117,000.00
Shared Service Agreements	145,700.00
Public and Private Programs	201,689.98
Capital Improvements	200,000.00
Debt Service	1,790,534.00
Reserve for Uncollected Taxes	<u>2,011,079.67</u>
Total Appropriations	<u><u>\$ 18,551,322.65</u></u>

**WATER UTILITY FUND**

Anticipated Revenues:	
Fund Balance	\$ 395,000.00
Rents	2,846,000.00
Miscellaneous	<u>119,664.00</u>
Total Anticipated Revenues	<u><u>\$ 3,360,664.00</u></u>
Appropriations:	
Operating	\$ 2,335,590.00
Capital Improvement Fund	525,000.00
Debt Service	420,507.00
Deferred Charges and Statutory Expenditures	<u>79,567.00</u>
Total Appropriations	<u><u>\$ 3,360,664.00</u></u>



**TOWNSHIP OF PENNSVILLE  
CAPITAL PROGRAM  
PROJECTS SCHEDULED FOR THE YEARS 2019 - 2024**

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	<u>Estimated Total Cost</u>	<u>Capital Improvement Fund</u>	<u>Bonds and Notes General</u>
Sewer System Improvements	\$ 750,000.00		\$ 750,000.00
Police Communications/Technology	200,000.00	\$ 200,000.00	
Various Capital Equipment/Vehicles	1,500,000.00	100,000.00	1,400,000.00
	<hr/>		
Total - All Projects	\$ 2,450,000.00	\$ 300,000.00	\$ 2,150,000.00
	<hr/> <hr/>		

## **APPENDIX B**

### **FINANCIAL STATEMENTS**

## **INDEPENDENT AUDITOR'S REPORT**

The Honorable Mayor and  
Members of the Township Committee  
Township of Pennsville  
Pennsville, New Jersey 08070

### **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 Pennsville, in the County of Salem, State of New Jersey, as of December 31, 2018, 2017, 2016, 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 as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; and in compliance with audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## **Opinions**

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

As described in note 1 to the financial statements, the financial statements are prepared by the Township on the basis of the financial reporting provisions of the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the State of New Jersey.

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

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

In our opinion, because of the significance of the matter discussed in the "*Basis for Adverse Opinion on Accounting Principles Generally Accepted in the United States of America*" paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township of Pennsville, in the County of Salem, State of New Jersey, as of December 31, 2018, 2017, 2016, 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 Pennsville, in the County of Salem, State of New Jersey, as of December 31, 2018, 2017, 2016, 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.

## **Emphasis of Matter**

### *Adoption of New Accounting Principles*

As discussed in note 1 to the financial statements, during the year ended December 31, 2018, the Township adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. The adoption of this new accounting principle resulted in a material note disclosure (see note 18). As a result of the regulatory basis of accounting, described in the previous paragraph, the implementation of this Statement only required financial statement disclosures. Our opinions are not modified with respect to this matter.

Respectfully submitted,



BOWMAN & COMPANY LLP  
Certified Public Accountants  
& Consultants



Henry J. Ludwigsen  
Certified Public Accountant  
Registered Municipal Accountant

Woodbury, New Jersey  
September 9, 2019

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

	As of December 31,				
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>ASSETS:</b>					
<b>Regular Fund:</b>					
Cash	\$ 5,473,569.78	\$ 6,663,308.15	\$ 6,476,449.48	\$ 6,335,169.47	\$ 6,877,351.62
Cash -- Change Fund	250.00	250.00	250.00	250.00	250.00
	<u>5,473,819.78</u>	<u>6,663,558.15</u>	<u>6,476,699.48</u>	<u>6,335,419.47</u>	<u>6,877,601.62</u>
<b>Receivables and Other Assets with Full Reserves:</b>					
Delinquent Property Taxes Receivable	1,407,040.21	1,131,906.63	838,179.85	959,711.30	877,748.20
Tax Title Liens	1,172,134.01	804,890.17	722,038.08	504,272.52	339,175.83
Property Acquired for Taxes -- Assessed Valuation	1,787,991.00	1,787,991.00	1,105,381.00	1,105,381.00	1,105,381.00
Revenue Accounts Receivable	10,622.08	25,882.08	27,452.21	25,199.25	21,692.07
Prepaid School Tax			10,653.25		
Due from Trust -- Animal Control Fund	20,854.31	20,825.51	20,795.42	20,761.82	20,708.58
Due from Trust -- Other Funds	101,837.43	94,871.36	94,396.05	88,951.99	85,298.70
Due from General Capital Fund	292,841.57				10,748.48
	<u>4,793,320.61</u>	<u>3,866,366.75</u>	<u>2,818,895.86</u>	<u>2,704,277.88</u>	<u>2,460,752.86</u>
<b>Deferred Charges:</b>					
Emergency Authorization			100,000.00		
Special Emergency - Tax Appeals					
	<u>-</u>	<u>-</u>	<u>100,000.00</u>	<u>-</u>	<u>-</u>
<b>Total Regular Fund</b>	<u>10,267,140.39</u>	<u>10,529,924.90</u>	<u>9,395,595.34</u>	<u>9,039,697.35</u>	<u>9,338,354.48</u>
<b>Federal and State Grant Fund:</b>					
Due from Current Fund	354,526.94	390,164.38	373,407.06	308,681.96	302,774.19
Federal and State Grants Receivable		15,006.63	153,806.31	129,986.94	113,662.41
<b>Total Federal and State Grant Fund</b>	<u>354,526.94</u>	<u>405,171.01</u>	<u>527,213.37</u>	<u>438,668.90</u>	<u>416,436.60</u>
	<u>\$ 10,621,667.33</u>	<u>\$ 10,935,095.91</u>	<u>\$ 9,922,808.71</u>	<u>\$ 9,478,366.25</u>	<u>\$ 9,754,791.08</u>

(Continued)

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

	As of December 31,				
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>LIABILITIES, RESERVES AND FUND BALANCE:</b>					
Regular Fund:					
Liabilities:					
Appropriation Reserves	\$ 1,166,018.69	\$ 1,663,223.97	\$ 1,178,838.58	\$ 652,615.05	\$ 1,221,822.79
Reserve for Encumbrances	49,859.62	51,392.86	46,940.25	33,785.89	104,186.55
Accounts Payable	92,188.00			341,323.00	246,323.00
Tax Anticipation Note Payable			1,800,000.00	2,000,000.00	2,300,000.00
Tax Overpayments	188,996.36	136,517.43	231,152.06	47,851.13	13,857.79
Prepaid Taxes	379,095.58	826,531.31	292,228.08	259,536.25	261,196.54
Due State of NJ - Senior Citizens & Veterans' Deductions	146,459.68	138,356.26	133,459.68	128,540.96	120,290.96
Due to County Taxes Payable				45,488.59	
Due to Federal and State Grant Fund	354,526.94	390,164.38	373,407.06	308,681.96	302,774.19
Due to General Capital Fund		99,868.84	100,798.36	101,673.35	
Reserve for Revaluation				62,275.42	156,172.69
Reserve for Tax Appeals	-	415,000.00	315,000.00		350,000.00
	<u>2,377,144.87</u>	<u>3,721,055.05</u>	<u>4,471,824.07</u>	<u>3,981,771.60</u>	<u>5,076,624.51</u>
Reserves for Receivables and Other Assets	4,793,320.61	3,866,366.75	2,818,895.86	2,704,277.88	2,460,752.86
Fund Balance	<u>3,096,674.91</u>	<u>2,942,503.10</u>	<u>2,104,875.41</u>	<u>2,353,647.87</u>	<u>1,800,977.11</u>
Total Regular Fund	<u>10,267,140.39</u>	<u>10,529,924.90</u>	<u>9,395,595.34</u>	<u>9,039,697.35</u>	<u>9,338,354.48</u>
Federal and State Grant Fund:					
Appropriated Reserves	339,582.96	293,484.34	515,060.34	438,668.90	368,935.12
Unappropriated Reserves	<u>14,943.98</u>	<u>111,686.67</u>	<u>12,153.03</u>		<u>47,501.48</u>
Total Federal and State Grant Fund	<u>354,526.94</u>	<u>405,171.01</u>	<u>527,213.37</u>	<u>438,668.90</u>	<u>416,436.60</u>
	<u>\$ 10,621,667.33</u>	<u>\$ 10,935,095.91</u>	<u>\$ 9,922,808.71</u>	<u>\$ 9,478,366.25</u>	<u>\$ 9,754,791.08</u>

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

**TOWNSHIP OF PENNSVILLE**  
**CURRENT FUND**  
Statements of Operations and Changes in Fund Balance -- Regulatory Basis

	For the Years Ended December 31,				
	2018	2017	2016	2015	2014
<b>REVENUE AND OTHER INCOME REALIZED:</b>					
Fund Balance Anticipated	\$ 1,900,000.00	\$ 1,662,029.00	\$ 1,660,000.00	\$ 1,460,000.00	\$ 1,360,000.00
Miscellaneous Revenues Anticipated	7,091,439.06	7,335,657.68	7,148,036.06	7,106,790.82	7,019,861.17
Receipts from Delinquent Taxes and Tax Title Liens	1,070,507.79	1,052,558.07	948,980.86	881,702.91	987,816.79
Receipts from Current Taxes	40,861,104.54	40,135,967.19	36,640,733.52	36,343,073.15	35,947,155.06
Non-Budget Revenue	277,959.99	257,941.77	314,258.69	178,362.65	332,855.44
Other Credits to Income:					
Unexpended Balance of Appropriation Reserves	1,275,120.90	997,596.89	491,192.32	999,983.24	594,749.07
Liquidation of Various Reserves		32,037.61			
Interfunds Liquidated - General Capital Fund				10,748.48	
Cancellation of Local School Taxes Payable	0.49	0.76	341,323.00		
<b>Total Income</b>	<b>52,476,132.77</b>	<b>51,473,788.97</b>	<b>47,544,524.45</b>	<b>46,980,661.25</b>	<b>46,242,437.53</b>
<b>EXPENDITURES:</b>					
Budget Appropriations:					
Within "CAPS":					
Operations:					
Salaries and Wages	5,750,819.00	5,638,685.00	5,431,098.00	5,256,134.00	5,044,490.00
Other Expenses	6,881,903.00	6,744,858.00	6,594,744.00	6,417,419.00	6,388,140.00
Deferred Charges and Statutory Expenditures	1,286,334.00	1,264,727.00	1,143,323.00	1,112,408.00	1,149,420.00
Excluded from "CAPS":					
Operations:					
Other Expenses	440,298.38	426,731.03	661,469.03	424,715.57	427,357.65
Capital Improvements	200,000.00	200,000.00	200,000.00	400,000.00	300,000.00
Municipal Debt Service	733,670.76	713,706.29	724,299.29	855,985.56	768,922.38
Deferred Charges		100,000.00			167,200.00
Local District School Tax	22,275,019.00	22,066,053.00	20,201,748.00	19,289,700.00	18,886,124.00
County Taxes	12,558,425.25	11,710,107.01	10,750,174.74	11,146,700.97	11,339,755.00
Refund of Prior Year Revenue - Other	1,650.00	2,514.95	13,486.67	1,450.00	73,117.88
Refund of Prior Year Revenue - Tax Appeals			183,300.93	39,391.31	
Canceled Grants				18,086.08	
Prior Year Seniors Citizens Deductions Disallowed	1,000.00	6,750.00	4,000.00	6,000.00	7,500.00
Creation of Interfund	292,841.57				25,119.00
Creation of Prepaid School Tax			10,653.25		
Creation of Reserve for Tax Appeals		100,000.00	315,000.00		150,000.00
<b>Total Expenditures</b>	<b>50,421,960.96</b>	<b>48,974,132.28</b>	<b>46,233,296.91</b>	<b>44,967,990.49</b>	<b>44,727,145.91</b>
Excess Revenue and Other Income Realized Over Expenditures	2,054,171.81	2,499,656.69	1,311,227.54	2,012,670.76	1,515,291.62
Adjustments to Income Before Fund Balance:					
Expenditures Included Above Which are by Statute					
Deferred Charges to Budget of Succeeding Year			100,000.00		
	2,054,171.81	2,499,656.69	1,411,227.54	2,012,670.76	1,515,291.62
<b>FUND BALANCE:</b>					
Balance January 1,	2,942,503.10	2,104,875.41	2,353,647.87	1,800,977.11	1,645,685.49
	4,996,674.91	4,604,532.10	3,764,875.41	3,813,647.87	3,160,977.11
Utilized as Anticipated Revenue	1,900,000.00	1,662,029.00	1,660,000.00	1,460,000.00	1,360,000.00
<b>Balance December 31</b>	<b>\$ 3,096,674.91</b>	<b>\$ 2,942,503.10</b>	<b>\$ 2,104,875.41</b>	<b>\$ 2,353,647.87</b>	<b>\$ 1,800,977.11</b>

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

**TOWNSHIP OF PENNSVILLE**  
**TRUST FUNDS**  
Statements of Assets, Liabilities, Reserves and Fund Balance -- Regulatory Basis

	As of December 31,				
	2018	2017	2016	(Restated) 2015	2014
<b>ASSETS:</b>					
<b>Animal Control Fund:</b>					
Cash	\$ 29,519.21	\$ 21,101.79	\$ 32,240.68	\$ 31,942.18	\$ 41,287.42
Due from State of New Jersey Board of Health	104.60	104.60	101.00		
	<u>29,623.81</u>	<u>21,206.39</u>	<u>32,341.68</u>	<u>31,942.18</u>	<u>41,287.42</u>
<b>Other Funds:</b>					
Cash - Tax Collector	483,304.27	477,142.62	318,815.83	753,563.64	352,141.80
Cash - CFO	1,400,092.49	1,217,435.01	1,049,030.94	885,605.49	708,705.19
Investments - Length of Service Awards Program	498,911.66	517,936.53	419,277.15	364,442.36	
	<u>2,382,308.42</u>	<u>2,212,514.16</u>	<u>1,787,123.92</u>	<u>2,003,611.49</u>	<u>1,060,846.99</u>
	<u>\$ 2,411,932.23</u>	<u>\$ 2,233,720.55</u>	<u>\$ 1,819,465.60</u>	<u>\$ 2,035,553.67</u>	<u>\$ 1,102,134.41</u>
<b>LIABILITIES, RESERVES AND FUND BALANCE:</b>					
<b>Animal Control Fund:</b>					
Due to Current Fund	\$ 20,854.31	\$ 20,825.51	\$ 20,795.42	\$ 20,761.82	\$ 20,708.58
Due to State of New Jersey Board of Health					16.20
Reserve for Animal Control Fund Expenditures	8,769.50	380.88	11,546.26	11,180.36	20,562.64
<b>Total Animal Control Fund</b>	<u>29,623.81</u>	<u>21,206.39</u>	<u>32,341.68</u>	<u>31,942.18</u>	<u>41,287.42</u>
<b>Other Funds:</b>					
Due to Current Fund	101,837.43	94,871.36	94,396.05	88,951.99	85,298.70
Reserve for:					
Donations – Acceptance of Bequests and Gifts:					
General Miles Scholarship Awards	792.77	659.21	1,325.40	1,346.40	5,161.84
General Miles Scholarship	88,510.00	88,510.00	88,510.00	88,510.00	88,512.30
Other - Donations/Bequests/Gifts	186,510.71	186,546.01	166,951.43	147,432.59	116,276.34
Parking Offenses Adjudication Act	404.47	384.47	366.47	354.47	330.47
Municipal Public Defender	12,172.47	14,013.99	9,443.71	9,716.34	10,221.79
Developer's Escrow	280,856.70	213,758.15	201,208.65	236,714.46	172,050.59
Unemployment Compensation Insurance	17,800.65	19,843.14	23,502.01	35,490.81	27,930.21
Sanitary Landfill Escrow Closure Fund	58,686.38	58,182.67	57,951.08	57,719.77	57,471.27
Special Law Enforcement - Forfeited Funds	2,615.73	2,586.37	2,558.88	2,531.35	2,495.85
Payroll Withholdings Payable	13,899.52	5,883.86	3,470.44	3,412.97	3,400.79
Tax Sale Premiums	482,600.00	476,600.00	318,100.00	752,900.00	351,400.00
Outside Employment of Off-Duty					
Municipal Officers	33,767.51	9,920.25	10,123.05	13,360.07	14,448.67
Construction Code Fees	387,609.90	352,609.26	236,296.16	120,483.71	76,200.32
Health Benefits Self-Insurance				18,026.07	18,002.82
Fire Marshall Training Fees	25,326.29	17,376.05	1,114.97	714.97	617.74
COAH Escrow Trust	189,723.06	152,550.10	152,246.15	61,221.25	30,915.80
Municipal Alliance on Alcohol and Drug Abuse	283.17	282.74	282.32	281.91	111.49
Length of Service Awards Program	498,911.66	517,936.53	419,277.15	364,442.36	
<b>Total Other Funds</b>	<u>2,382,308.42</u>	<u>2,212,514.16</u>	<u>1,787,123.92</u>	<u>2,003,611.49</u>	<u>1,060,846.99</u>
	<u>\$ 2,411,932.23</u>	<u>\$ 2,233,720.55</u>	<u>\$ 1,819,465.60</u>	<u>\$ 2,035,553.67</u>	<u>\$ 1,102,134.41</u>

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



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

	As of December 31,				
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>ASSETS:</b>					
Cash	\$ 1,636,435.23	\$ 1,299,573.64	\$ 1,228,885.06	\$ 1,157,648.89	\$ 2,421,488.26
Grant Receivable	14,719.25	14,719.25	14,719.25	154,486.00	118,000.00
Deferred Charges to Future Taxation:					
Funded	269,120.51	373,042.18	485,517.40	587,711.54	683,282.22
Unfunded	9,979,178.00	5,350,546.00	4,788,296.39	4,683,947.25	4,523,972.25
Due from Current Fund		99,868.84	100,798.36	101,673.35	
	<u>\$11,899,452.99</u>	<u>\$ 7,137,749.91</u>	<u>\$ 6,618,216.46</u>	<u>\$ 6,685,467.03</u>	<u>\$ 7,746,742.73</u>
<b>LIABILITIES, RESERVES AND FUND BALANCE:</b>					
Due to Current Fund	\$ 292,841.57				\$ 10,748.48
NJ EIT Loans Payable	269,120.51	\$ 373,042.18	\$ 485,517.40	\$ 587,711.54	683,282.22
Bond Anticipation Notes	9,622,928.00	5,089,296.00	4,788,296.39	4,683,947.25	3,882,722.25
Improvement Authorizations:					
Funded	327,210.28	272,526.12	181,350.12	126,285.52	373,356.65
Unfunded	1,182,186.10	739,351.08	464,768.02	430,763.18	2,641,066.59
Reserve for Encumbrances				646,193.00	
Capital Improvement Fund	180,520.52	247,520.52	282,270.52	155,920.52	100,920.52
Reserve to Pay Notes	14,999.99	406,367.99	406,367.99		
Reserve for Dog Pound Construction				45,000.00	45,000.00
Fund Balance	9,646.02	9,646.02	9,646.02	9,646.02	9,646.02
	<u>\$11,899,452.99</u>	<u>\$ 7,137,749.91</u>	<u>\$ 6,618,216.46</u>	<u>\$ 6,685,467.03</u>	<u>\$ 7,746,742.73</u>

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

**TOWNSHIP OF PENNSVILLE**  
**WATER UTILITY FUND**  
Statements of Assets, Liabilities, Reserves and Fund Balance -- Regulatory Basis

	As of December 31,				
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>ASSETS:</b>					
<b>Operating Fund:</b>					
Cash	\$ 4,422,111.94	\$ 3,199,007.73	\$ 2,480,768.94	\$ 1,955,346.17	\$ 1,383,048.62
Change Fund	25.00	25.00	25.00	25.00	25.00
Due from Utility Capital Fund	130,769.09	130,240.48	129,717.27	129,206.03	128,410.58
	<u>4,552,906.03</u>	<u>3,329,273.21</u>	<u>2,610,511.21</u>	<u>2,084,577.20</u>	<u>1,511,484.20</u>
<b>Receivables with Full Reserves:</b>					
Water Rents Receivable	459,334.72	533,885.31	538,032.40	459,190.14	551,435.35
<b>Total Operating Fund</b>	<u>5,012,240.75</u>	<u>3,863,158.52</u>	<u>3,148,543.61</u>	<u>2,543,767.34</u>	<u>2,062,919.55</u>
<b>Capital Fund:</b>					
Cash	484,363.80	537,806.19	572,762.87	546,771.63	665,230.02
Fixed Capital	14,190,969.94	14,089,454.02	13,971,919.74	13,792,995.21	13,754,673.35
Fixed Capital Authorized and Uncompleted	2,113,000.00	1,933,000.00	1,933,000.00	1,723,000.00	1,723,000.00
<b>Total Capital Fund</b>	<u>16,788,333.74</u>	<u>16,560,260.21</u>	<u>16,477,682.61</u>	<u>16,062,766.84</u>	<u>16,142,903.37</u>
	<u>\$ 21,800,574.49</u>	<u>\$ 20,423,418.73</u>	<u>\$ 19,626,226.22</u>	<u>\$ 18,606,534.18</u>	<u>\$ 18,205,822.92</u>

(Continued)

**TOWNSHIP OF PENNSVILLE**  
**WATER UTILITY FUND**  
Statements of Assets, Liabilities, Reserves and Fund Balance -- Regulatory Basis

	As of December 31,				
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>LIABILITIES, RESERVES AND FUND BALANCE:</b>					
Operating Fund:					
Liabilities:					
Appropriation Reserves	\$ 408,091.38	\$ 423,862.13	\$ 277,901.22	\$ 177,856.11	\$ 155,528.21
Reserve for Encumbrances	103,383.13	113,670.66	74,675.40	56,582.72	59,605.34
Accrued Interest on Bonds and Notes	13,373.18	15,419.39	18,008.42	21,072.92	24,003.79
	<u>524,847.69</u>	<u>552,952.18</u>	<u>370,585.04</u>	<u>255,511.75</u>	<u>239,137.34</u>
Reserves and Fund Balance:					
Reserve for Receivables	459,334.72	533,885.31	538,032.40	459,190.14	551,435.35
Fund Balance	4,028,058.34	2,776,321.03	2,239,926.17	1,829,065.45	1,272,346.86
Total Operating Fund	<u>5,012,240.75</u>	<u>3,863,158.52</u>	<u>3,148,543.61</u>	<u>2,543,767.34</u>	<u>2,062,919.55</u>
Capital Fund:					
General Serial Bonds					139,000.00
NJ EIT Loans Payable	924,908.99	1,133,479.50	1,450,402.12	1,703,054.06	1,959,469.15
Bond Anticipation Note	491,055.00	654,410.00	818,260.00	982,110.00	1,145,795.00
Improvement Authorizations:					
Funded	28,212.64	2,183.64	137,663.53	2,183.53	2,183.53
Unfunded	1,505.27	1,505.27	1,505.27	1,505.27	220,759.11
Reserve for the Payment of Bonds, Loans and Notes	360.79	360.79	360.79	360.79	360.79
Reserve for Amortization	13,266,060.95	12,955,974.52	12,521,517.62	12,089,941.15	11,656,204.20
Reserve for Deferred Amortization	1,621,945.00	1,278,590.00	1,114,740.00	740,890.00	577,205.00
Due to Utility Operating Fund	130,769.09	130,240.48	129,717.27	129,206.03	128,410.58
Capital Improvement Fund	323,516.01	403,516.01	303,516.01	413,516.01	313,516.01
Total Capital Fund	<u>16,788,333.74</u>	<u>16,560,260.21</u>	<u>16,477,682.61</u>	<u>16,062,766.84</u>	<u>16,142,903.37</u>
	<u>\$ 21,800,574.49</u>	<u>\$ 20,423,418.73</u>	<u>\$ 19,626,226.22</u>	<u>\$ 18,606,534.18</u>	<u>\$ 18,205,822.92</u>

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

**TOWNSHIP OF PENNSVILLE**  
**WATER UTILITY OPERATING FUND**  
Statements of Operations and Changes in Operating Fund Balance -- Regulatory Basis

	For the Years Ended December 31,				
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>REVENUE AND OTHER INCOME REALIZED:</b>					
Operating Surplus Anticipated	\$ 395,000.00	\$ 505,000.00	\$ 308,358.00	\$ 150,000.00	\$ 252,309.00
Water Rents	3,558,224.15	3,159,947.08	3,011,496.30	2,941,410.63	2,708,037.47
Miscellaneous	164,497.93	153,800.33	94,593.93	177,355.16	328,722.40
Other Credits to Income:					
Unexpended Balance of Appropriation Reserves	473,171.73	294,374.82	178,352.49	165,196.20	74,994.94
<b>Total Income</b>	<b>4,590,893.81</b>	<b>4,113,122.23</b>	<b>3,592,800.72</b>	<b>3,433,961.99</b>	<b>3,364,063.81</b>
<b>EXPENDITURES:</b>					
Operating	2,197,986.00	2,086,972.00	2,082,968.00	1,896,751.00	1,886,957.00
Capital Outlay	270,000.00	270,000.00	270,000.00	155,000.00	135,000.00
Debt Service	407,130.50	447,322.37	455,763.00	609,223.40	611,182.77
Deferred Charges and Statutory Expenditures	69,040.00	67,433.00	63,061.00	66,269.00	66,284.00
Surplus - Anticipated in General Budget		200,000.00			
Refund of Prior Years Revenue			1,790.00		
<b>Total Expenditures</b>	<b>2,944,156.50</b>	<b>3,071,727.37</b>	<b>2,873,582.00</b>	<b>2,727,243.40</b>	<b>2,699,423.77</b>
Statutory Excess to Fund Balance	1,646,737.31	1,041,394.86	719,218.72	706,718.59	664,640.04
<b>FUND BALANCE:</b>					
Balance January 1	2,776,321.03	2,239,926.17	1,829,065.45	1,272,346.86	860,015.82
Decreased by:	4,423,058.34	3,281,321.03	2,548,284.17	1,979,065.45	1,524,655.86
Utilized as Revenue	395,000.00	505,000.00	308,358.00	150,000.00	252,309.00
<b>Balance December 31</b>	<b>\$ 4,028,058.34</b>	<b>\$ 2,776,321.03</b>	<b>\$ 2,239,926.17</b>	<b>\$ 1,829,065.45</b>	<b>\$ 1,272,346.86</b>

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

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

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**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Description of Financial Reporting Entity** – The Township of Pennsville (hereafter referred to as the “Township”) is located in southwest New Jersey in the County of Salem. The largest of the 15 municipalities that make up Salem County, this Delaware River community is located just south of the Delaware Memorial Bridge, and is Exit #1 of the New Jersey Turnpike and I-295. Centrally located, Pennsville is 12 miles away from Wilmington, DE, 34 miles away from Philadelphia, PA, and 63 miles from Atlantic City, NJ. The population according to the 2010 census is 11,888.

The Township is governed under the Township Committee form of government, with a five-member Committee. The Committee is elected directly by the voters in partisan elections to serve three-year terms of office on a staggered basis, with one or two seats coming up for election each year. At an annual reorganization meeting, the Committee selects one of its members to serve as Mayor and another as Deputy Mayor. Legislative and executive power is vested in the Committee.

**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*, GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34*, and GASB Statement No. 80, *Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14*. If the provisions of the aforementioned GASB Statements 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:

Pennsville Township Sewage Authority  
90 North Broadway  
Pennsville, New Jersey 08070

Annual financial reports may be inspected directly at the office 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* (the “Requirements”) as promulgated by the State of New Jersey, Department of Community Affairs, Division of Local Government Services. The principles and practices established by the *Requirements* are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. Generally, the financial statements are presented using the flow of current financial resources measurement focus and modified accrual basis of accounting with minor exceptions as mandated by these *Requirements*. In addition, the prescribed accounting principles previously referred to differ in certain respects from accounting principles generally accepted in the United States of America applicable to local government units. The more significant differences are explained in this note.

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

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

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

**Measurement Focus, Basis of Accounting and Financial Statement Presentation (Cont'd)**

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

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

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

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

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

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

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

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

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

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****Cash, Cash Equivalents and Investments (Cont'd)**

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.

**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. In addition, a statement of general fixed asset group of accounts, reflecting the activity for the year, must be included in the Township's basic financial statements.

The regulations require that general fixed assets, whether constructed or acquired through purchase, grant or gift be included in the aforementioned inventory. In addition, property management standards must be maintained that 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.

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

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

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

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

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

**Fund Balance** - Fund Balances included in the current fund and water utility operating fund represent amounts available for anticipation as revenue in future year's 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 are realized when anticipated as such in the Township's budget. Receivables for property taxes are recorded with offsetting reserves on the statement of assets, liabilities, reserves and fund balance of the Township's current fund; accordingly, such amounts are not recorded as revenue until collected. Other amounts that are due to the Township which are susceptible to accrual are also recorded as receivables with offsetting reserves and recorded as revenue when received.

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

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



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

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

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

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

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

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

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

**Impact of Recently Issued Accounting Principles****Recently Issued and Adopted Accounting Pronouncements**

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

**Note 2: CASH AND CASH EQUIVALENTS**

**Custodial Credit Risk Related to Deposits** - Custodial credit risk is the risk that, in the event of a bank failure, the Township's deposits might not be recovered. Although the Township does not have a formal policy regarding custodial credit risk, N.J.S.A. 17:9-41 et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). Under the Act, the first \$250,000 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the municipality in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled agency funds such as salary withholdings, bail funds, or funds that may pass to the municipality relative to the happening of a future condition. Such funds are classified as uninsured and uncollateralized.

As of December 31, 2018, the Township's bank balances of \$13,964,351.43 were exposed to custodial risk as follows:

Insured by FDIC and GUDPA	\$ 12,605,013.38
Uninsured and Uncollateralized	<u>1,359,338.05</u>
Total	<u>\$ 13,964,351.43</u>

**Note 3: PROPERTY TAXES**

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

**Comparative Schedule of Tax Rates**

	<u>Year Ended</u>				
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Tax Rate	<u>\$ 4.108</u>	<u>\$ 3.963</u>	<u>\$ 3.647</u>	<u>\$ 3.480</u>	<u>\$ 3.387</u>
Apportionment of Tax Rate:					
Municipal	\$ .762	\$ .737	\$ .698	\$ .652	\$ .623
County	1.185	1.095	1.005	1.012	1.015
County Open Space	.021	.020	.020	.021	.022
Local School	2.140	2.111	1.924	1.795	1.727

**Assessed Valuation**

<u>Year</u>	<u>Amount</u>
2018	\$ 1,040,623,123.00
2017	1,045,062,581.00
2016	1,049,511,735.00
2015	1,075,152,870.00
2014	1,093,747,013.00

**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):

**Comparison of Tax Levies and Collections**

<u>Year</u>	<u>Tax Levy</u>	<u>Collections</u>	<u>Percentage of Collections</u>
2018	\$ 42,820,223.93	\$ 40,861,104.54	95.42%
2017	41,666,143.58	40,135,967.19	96.33%
2016	38,314,519.76	36,640,733.52	95.63%
2015	37,567,864.01	36,343,073.15	96.74%
2014	37,063,296.93	35,947,155.06	96.99%

**Delinquent Taxes and Tax Title Liens**

<u>Year</u>	<u>Tax Title Liens</u>	<u>Delinquent Taxes</u>	<u>Total Delinquent</u>	<u>Percentage of Tax Levy</u>
2018	\$ 1,172,134.01	\$ 1,407,040.21	\$ 2,579,174.22	6.02%
2017	804,890.17	1,131,906.63	1,936,796.80	4.65%
2016	722,038.08	838,179.85	1,560,217.93	4.07%
2015	504,272.52	959,711.30	1,463,983.82	3.90%
2014	339,175.83	877,748.20	1,216,924.03	3.28%

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

<u>Year</u>	<u>Number</u>
2018	150
2017	148
2016	134
2015	125
2014	96

**Note 4: PROPERTY ACQUIRED BY TAX TITLE LIEN LIQUIDATION**

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

<u>Year</u>	<u>Amount</u>
2018	\$ 1,787,991.00
2017	1,787,991.00
2016	1,105,381.00
2015	1,105,381.00
2014	1,105,381.00

**Note 5: WATER UTILITY SERVICE CHARGES**

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

<u>Year</u>	<u>Balance Beginning of Year Receivable</u>	<u>Levy</u>	<u>Total</u>	<u>Cash Collections</u>
2018	\$ 533,885.31	\$ 3,483,673.56	\$ 4,017,558.87	\$ 3,558,224.15
2017	538,032.40	3,155,799.99	3,693,832.39	3,159,947.08
2016	459,190.14	3,090,338.56	3,549,528.70	3,011,496.30
2015	551,435.35	2,849,165.42	3,400,600.77	2,941,410.63
2014	508,544.53	2,750,928.29	3,259,472.82	2,708,037.47

**Note 6: FUND BALANCES APPROPRIATED**

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

**Current Fund**

<u>Year</u>	<u>Balance December 31,</u>	<u>Utilized in Budget of Succeeding Year</u>	<u>Percentage of Fund Balance Used</u>
2018	\$ 3,096,674.91	\$ 2,211,000.00	71.40%
2017	2,942,503.10	1,900,000.00	64.57%
2016	2,104,875.41	1,662,029.00	78.96%
2015	2,353,647.87	1,660,000.00	70.53%
2014	1,800,977.11	1,460,000.00	81.07%

**Water Utility Fund**

<u>Year</u>	<u>Balance December 31,</u>	<u>Utilized in Budget of Succeeding Year</u>	<u>Percentage of Fund Balance Used</u>
2018	\$ 4,028,058.34	\$ 395,000.00	9.81%
2017	2,776,321.03	395,000.00	14.23%
2016	2,239,926.17	505,000.00	22.55%
2015	1,829,065.45	308,358.00	16.86%
2014	1,272,346.86	150,000.00	11.79%

**Note 7: INTERFUND RECEIVABLES AND PAYABLES**

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

<u>Fund</u>	<u>Interfunds Receivable</u>	<u>Interfunds Payable</u>
Current	\$ 415,533.31	\$ 354,526.94
Federal and State Grant	354,526.94	
Trust - Animal Control		20,854.31
Trust - Other		101,837.43
General Capital		292,841.57
Water Utility - Operating	130,769.09	
Water Utility - Capital		130,769.09
	<u>\$ 900,829.34</u>	<u>\$ 900,829.34</u>

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

**Note 8: PENSION PLANS**

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

State of New Jersey  
 Division of Pensions and Benefits  
 P.O. Box 295  
 Trenton, New Jersey 08625-0295

<https://www.nj.gov/treasury/pensions/financial-reports.shtml>

**General Information about the Pension Plans**

**Plan Descriptions**

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

**Note 8: PENSION PLANS (CONT'D)****General Information about the Pension Plans (Cont'd)****Plan Descriptions (Cont'd)**

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

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

**Vesting and Benefit Provisions**

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

The following represents the membership tiers for PERS:

**Tier Definition**

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

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

**Note 8: PENSION PLANS (CONT'D)****General Information about the Pension Plans (Cont'd)****Vesting and Benefit Provisions (Cont'd)**

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

The following represents the membership tiers for PFRS:

**Tier Definition**

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

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

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

**Contributions**

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

The Township's contractually required contribution rate for the year ended December 31, 2018 was 14.10% of the Township's covered payroll. This amount was actuarially determined as the amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, including an additional amount to finance any unfunded accrued liability.

**Note 8: PENSION PLANS (CONT'D)****General Information about the Pension Plans (Cont'd)****Contributions (Cont'd)**

**Public Employees' Retirement System (Cont'd)** - Based on the most recent PERS measurement date of June 30, 2018, the Township's contractually required contribution to the pension plan for the year ended December 31, 2018 is \$422,386.00, and was payable by April 1, 2019. Due to the basis of accounting described in note 1, no liability has been recorded in the financial statements for this amount. Based on the PERS measurement date of June 30, 2017, the Township's contractually required contribution to the pension plan for the year ended December 31, 2017 was \$415,848.00, which was paid on April 1, 2018. Employee contributions to the Plan during the year ended December 31, 2018 were \$225,840.72.

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

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

The Township's contractually required contribution rate for the year ended December 31, 2018 was 29.83% of the Township's covered payroll. This amount was actuarially determined as the amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Based on the most recent PFRS measurement date of June 30, 2018, the Township's contractually required contribution to the pension plan for the year ended December 31, 2018 is \$592,971.00, and was payable by April 1, 2019. Due to the basis of accounting described in note 1, no liability has been recorded in the financial statements for this amount. Based on the PFRS measurement date of June 30, 2017, the Township's contractually required contribution to the pension plan for the year ended December 31, 2017 was \$549,169.00, which was paid on April 1, 2018. Employee contributions to the Plan during the year ended December 31, 2018 were \$199,137.80.

The amount of contractually required contribution for the State of New Jersey's proportionate share, associated with the Township, for the year ended December 31, 2018 was 3.32% of the Township's covered payroll.



**Note 8: PENSION PLANS (CONT'D)**

**General Information about the Pension Plans (Cont'd)**

**Contributions (Cont'd)**

**Police and Firemen's Retirement System (Cont'd)** - Based on the most recent PFRS measurement date of June 30, 2018, the State's contractually required contribution, on-behalf of the Township, to the pension plan for the year ended December 31, 2018 is \$66,025.00, and was payable by April 1, 2019. Based on the PFRS measurement date of June 30, 2017, the State's contractually required contribution, on-behalf of the Township, to the pension plan for the year ended December 31, 2017 was \$53,654.00, which was paid on April 1, 2018.

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

For the year ended December 31, 2018, employee contributions totaled \$13,951.05, and the Township's contributions were \$7,269.37. There were no forfeitures during the year.

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

**Public Employees' Retirement System** - At December 31, 2018, the Township's proportionate share of the PERS net pension liability was \$8,361,076.00. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2018. The Township's proportion of the net pension liability was based on a projection of the Township's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. For the June 30, 2018 measurement date, the Township's proportion was .0424646427%, which was a decrease of .0024242878% from its proportion measured as of June 30, 2017.

At December 31, 2018, the Township's proportionate share of the PERS pension expense, calculated by the Plan as of the June 30, 2018 measurement date is \$300,839.00. This expense is not recognized by the Township because of the regulatory basis of accounting as described in note 1; however, as previously mentioned, for the year ended December 31, 2018, the Township's contribution to PERS was \$415,848.00, and was paid on April 1, 2018.

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

Township's Proportionate Share of Net Pension Liability	\$ 8,207,331.00
State of New Jersey's Proportionate Share of Net Pension Liability Associated with the Township	<u>1,114,830.00</u>
	<u>\$ 9,322,161.00</u>

**Note 8: PENSION PLANS (CONT'D)**

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

**Police and Firemen's Retirement System (Cont'd)** - The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2018. The Township's proportion of the net pension liability was based on a projection of the Township's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers and the State of New Jersey, actuarially determined. For the June 30, 2018 measurement date, the Township's proportion was .0606528530%, which was a decrease of .0013988472% from its proportion measured as of June 30, 2017. Likewise, at June 30, 2018, the State of New Jersey's proportion, on-behalf of the Township, was .0606528530%, which was a decrease of .0013988472% from its proportion, on-behalf of the Township, measured as of June 30, 2017.

At December 31, 2018, the Township's proportionate share of the PFRS pension expense, calculated by the Plan as of the June 30, 2018 measurement date is \$772,339.00. This expense is not recognized by the Township because of the regulatory basis of accounting as described in note 1; however, as previously mentioned, for the year ended December 31, 2018, the Township's contribution to PFRS was \$549,169.00, and was paid on April 1, 2018.

At December 31, 2018, the State's proportionate share of the PFRS pension expense, associated with the Township, calculated by the Plan as of the June 30, 2018 measurement date is \$132,050.00. This on-behalf expense is not recognized by the Township because of the regulatory basis of accounting as described in note 1.

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

	Deferred Outflows of Resources			Deferred Inflows of Resources		
	PERS	PFRS	Total	PERS	PFRS	Total
Differences between Expected and Actual Experience	\$ 159,447.00	\$ 83,499.00	\$ 242,946.00	\$ 43,112.00	\$ 33,964.00	\$ 77,076.00
Changes of Assumptions	1,377,767.00	704,489.00	2,082,256.00	2,673,428.00	2,103,397.00	4,776,825.00
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	-	-	78,427.00	44,902.00	123,329.00
Changes in Proportion and Differences between Township Contributions and Proportionate Share of Contributions	267,872.00	540,076.00	807,948.00	975,925.00	249,400.00	1,225,325.00
Township Contributions Subsequent to the Measurement Date	211,193.00	296,486.00	507,679.00	-	-	-
	<u>\$ 2,016,279.00</u>	<u>\$ 1,624,550.00</u>	<u>\$ 3,640,829.00</u>	<u>\$ 3,770,892.00</u>	<u>\$ 2,431,663.00</u>	<u>\$ 6,202,555.00</u>

\$211,193.00 and \$296,486.00 for PERS and PFRS, respectively, included in deferred outflows of resources, will be included as a reduction of the net pension liability in the year ending December 31, 2019. These amounts were based on an estimated April 1, 2020 contractually required contribution, prorated from the pension plans' measurement date of June 30, 2018 to the Township's year end of December 31, 2018.

Note 8: **PENSION PLANS (CONT'D)**

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

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

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

**Note 8: PENSION PLANS (CONT'D)**

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

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

<b><u>Year Ending Dec 31.</u></b>	<b><u>PERS</u></b>	<b><u>PFRS</u></b>	<b><u>Total</u></b>
2019	\$ (109,257.00)	\$ 192,297.00	\$ 83,040.00
2020	(225,473.00)	(105,777.00)	(331,250.00)
2021	(748,782.00)	(580,134.00)	(1,328,916.00)
2022	(661,193.00)	(447,938.00)	(1,109,131.00)
2023	(221,101.00)	(162,047.00)	(383,148.00)
	<u>\$ (1,965,806.00)</u>	<u>\$ (1,103,599.00)</u>	<u>\$ (3,069,405.00)</u>

**Actuarial Assumptions**

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

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

**Note 8: PENSION PLANS (CONT'D)****Actuarial Assumptions (Cont'd)**

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

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

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

Note 8: PENSION PLANS (CONT'D)Actuarial Assumptions (Cont'd)

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

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

**Note 8: PENSION PLANS (CONT'D)**

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

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

	<b>PERS</b>		
	<b>1% Decrease <u>(4.66%)</u></b>	<b>Current Discount Rate <u>(5.66%)</u></b>	<b>1% Increase <u>(6.66%)</u></b>
Township's Proportionate Share of the Net Pension Liability	<u>\$ 10,513,090.00</u>	<u>\$ 8,361,076.00</u>	<u>\$ 6,555,675.00</u>

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

	<b>PFRS</b>		
	<b>1% Decrease <u>(5.51%)</u></b>	<b>Current Discount Rate <u>(6.51%)</u></b>	<b>1% Increase <u>(7.51%)</u></b>
Township's Proportionate Share of the Net Pension Liability	\$ 10,984,494.00	\$ 8,207,331.00	\$ 5,916,677.00
State of New Jersey's Proportionate Share of Net Pension Liability associated with the Township	<u>1,492,061.61</u>	<u>1,114,830.00</u>	<u>803,682.63</u>
	<u>\$ 12,476,555.61</u>	<u>\$ 9,322,161.00</u>	<u>\$ 6,720,359.63</u>

**Pension Plan Fiduciary Net Position**

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

**Note 8: PENSION PLANS (CONT'D)**

**Supplementary Pension Information**

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

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

	<u>Measurement Date Ended June 30,</u>		
	<u>2018</u>	<u>2017</u>	<u>2016</u>
Township's Proportion of the Net Pension Liability	0.0424646427%	0.0448889305%	0.0482757649%
Township's Proportionate Share of the Net Pension Liability	\$ 8,361,076.00	\$ 10,449,426.00	\$ 14,297,897.00
Township's Covered Payroll (Plan Measurement Period)	\$ 2,976,572.00	\$ 3,121,096.00	\$ 3,272,940.00
Township's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	280.90%	334.80%	436.85%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	53.60%	48.10%	40.14%
	<u>Measurement Date Ended June 30,</u>		
	<u>2015</u>	<u>2014</u>	<u>2013</u>
Township's Proportion of the Net Pension Liability	0.0453627513%	0.0453471058%	0.0466891223%
Township's Proportionate Share of the Net Pension Liability	\$ 10,183,029.00	\$ 8,490,218.00	\$ 8,923,219.00
Township's Covered Payroll (Plan Measurement Period)	\$ 3,111,000.00	\$ 3,181,396.00	\$ 3,228,220.00
Township's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	327.32%	266.87%	276.41%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	47.93%	52.08%	48.72%



Note 8: **PENSION PLANS (CONT'D)**

**Supplementary Pension Information (Cont'd)**

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

	<u>Year Ended December 31,</u>		
	<u>2018</u>	<u>2017</u>	<u>2016</u>
Township's Contractually Required Contribution	\$ 422,386.00	\$ 415,848.00	\$ 428,875.00
Township's Contribution in Relation to the Contractually Required Contribution	<u>(422,386.00)</u>	<u>(415,848.00)</u>	<u>(428,875.00)</u>
Township's Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Township's Covered Payroll (Calendar Year)	\$ 2,994,664.00	\$ 2,940,318.00	\$ 3,026,675.00
Township's Contributions as a Percentage of Covered Payroll	14.10%	14.14%	14.17%
	<u>Year Ended December 31,</u>		
	<u>2015</u>	<u>2014</u>	<u>2013</u>
Township's Contractually Required Contribution	\$ 389,998.00	\$ 373,835.00	\$ 351,793.00
Township's Contribution in Relation to the Contractually Required Contribution	<u>(389,998.00)</u>	<u>(373,835.00)</u>	<u>(351,793.00)</u>
Township's Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Township's Covered Payroll (Calendar Year)	\$ 3,129,637.00	\$ 3,044,751.00	\$ 3,082,350.00
Township's Contributions as a Percentage of Covered Payroll	12.46%	12.28%	11.41%

Note 8: **PENSION PLANS (CONT'D)**

**Supplementary Pension Information (Cont'd)**

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

	<u>Measurement Date Ended June 30,</u>		
	<u>2018</u>	<u>2017</u>	<u>2016</u>
Township's Proportion of the Net Pension Liability	0.0606528530%	0.0620517002%	0.0609428752%
Township's Proportionate Share of the Net Pension Liability	\$ 8,207,331.00	\$ 9,579,583.00	\$ 11,641,648.00
State's Proportionate Share of the Net Pension Liability associated with the Township	<u>1,114,830.00</u>	<u>1,072,994.00</u>	<u>977,610.00</u>
Total	<u>\$ 9,322,161.00</u>	<u>\$ 10,652,577.00</u>	<u>\$ 12,619,258.00</u>
Township's Covered Payroll (Plan Measurement Period)	\$ 2,012,188.00	\$ 2,008,600.00	\$ 1,947,884.00
Township's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	407.88%	476.93%	597.66%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62.48%	58.60%	52.01%
	<u>Measurement Date Ended June 30,</u>		
	<u>2015</u>	<u>2014</u>	<u>2013</u>
Township's Proportion of the Net Pension Liability	0.0545069250%	0.0563270959%	0.0557527970%
Township's Proportionate Share of the Net Pension Liability	\$ 9,078,954.00	\$ 7,085,426.00	\$ 7,411,831.00
State's Proportionate Share of the Net Pension Liability associated with the Township	<u>796,194.00</u>	<u>762,981.00</u>	<u>690,873.00</u>
Total	<u>\$ 9,875,148.00</u>	<u>\$ 7,848,407.00</u>	<u>\$ 8,102,704.00</u>
Township's Covered Payroll (Plan Measurement Period)	\$ 1,726,136.00	\$ 1,698,728.00	\$ 1,749,708.00
Township's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	525.97%	417.10%	423.60%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	56.31%	62.41%	58.70%

Note 8: **PENSION PLANS (CONT'D)**

**Supplementary Pension Information (Cont'd)**

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

	<u>Year Ended December 31,</u>		
	<u>2018</u>	<u>2017</u>	<u>2016</u>
Township's Contractually Required Contribution	\$ 592,971.00	\$ 549,169.00	\$ 496,892.00
Township's Contribution in Relation to the Contractually Required Contribution	<u>(592,971.00)</u>	<u>(549,169.00)</u>	<u>(496,892.00)</u>
Township's Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Township's Covered Payroll (Calendar Year)	\$ 1,988,003.00	\$ 2,027,267.00	\$ 2,010,394.00
Township's Contributions as a Percentage of Covered Payroll	29.83%	27.09%	24.72%
	<u>Year Ended December 31,</u>		
	<u>2015</u>	<u>2014</u>	<u>2013</u>
Township's Contractually Required Contribution	\$ 443,060.00	\$ 432,631.00	\$ 406,760.00
Township's Contribution in Relation to the Contractually Required Contribution	<u>(443,060.00)</u>	<u>(432,631.00)</u>	<u>(406,760.00)</u>
Township's Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Township's Covered Payroll (Calendar Year)	\$ 1,950,244.00	\$ 1,765,241.00	\$ 1,718,827.00
Township's Contributions as a Percentage of Covered Payroll	22.72%	24.51%	23.66%

**Note 8: PENSION PLANS (CONT'D)**

**Other Notes to Supplementary Pension Information**

***Public Employees' Retirement System (PERS)***

Changes in Benefit Terms

None

Changes in Assumptions

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

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

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

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

***Police and Firemen's Retirement System (PFRS)***

Changes in Benefit Terms

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

Changes in Assumptions

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

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

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

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

**Note 9: COMPENSATED ABSENCES**

Township employees are entitled to paid vacation and sick time depending on length of service, job classification, and other factors. Employees are represented by a number of labor unions, and each contract contains different provisions for employee compensated absences.

The Township does not record accrued expenses related to compensated absences. However, it is estimated that, at December 31, 2018, accrued benefits for compensated absences are valued at \$277,780.70.

**Note 10: 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 11: LENGTH OF SERVICE AWARDS PROGRAM**

**Plan Description** - The Township's length of service awards program (the "Plan"), which is a defined contribution plan reported in the Township's trust fund, was created by a Township Ordinance adopted on September 2, 1999 pursuant to Section 457 (e)(11)(B) of the Internal Service Code of 1986, as amended, except for provisions added by reason of the length of service award program as enacted into federal law in 1997. The accumulated assets of the Plan are not administered through a trust that meets the criteria of paragraph 4 of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*.

The voters of the Township approved the adoption of the Plan at the general election held on November 2, 1999, and the first year of eligibility for entrance into the length of service awards program by qualified volunteers was calendar year 2000. The Plan provides tax deferred income benefits to active volunteer firefighters, and is administered by Lincoln National Life Insurance Company ("Plan Administrator"), a State of New Jersey approved length of service awards program provider. The Township's practical involvement in administering the Plan is essentially limited to verifying the eligibility of each participant and remitting the funds to the Plan Administrator.

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

**Note 11: LENGTH OF SERVICE AWARDS PROGRAM (CONT'D)**

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

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

The Township elected to contribute \$900.00 for the year ended December 31, 2018, per eligible volunteer, into the Plan, depending on how many years the volunteer has served. Participants direct the investment of the contributions into various investment options offered by the Plan. The Township has no authorization to direct investment contributions on behalf of eligible volunteers nor has the ability to purchase or sell investment options offered by the Plan. The types of investment options, and the administering of such investments, rests solely with the Plan Administrator.

For the year ended December 31, 2018, the Township's total expenditure to the Plan was \$26,100.00, and there were no forfeitures.

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

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

**Note 11: LENGTH OF SERVICE AWARDS PROGRAM (CONT'D)**

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

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

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

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

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

**Note 12: SANITARY LANDFILL ESCROW CLOSURE FUND**

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

In the mid 1980's the landfill was closed and capped. The escrow closure fund balance at year-end does not necessarily represent the estimated cost of post-closure as of that date. The required balance of the fund merely represents the amount required to be escrowed in accordance with the statute. Actual costs associated with post-closure are not known.

**Note 13: CAPITAL DEBT**

**General Debt - New Jersey Environmental Infrastructure Loans**

On June 15, 1990, the Township entered into a loan agreement with the New Jersey Environmental Infrastructure Trust to provide \$1,849,000.00, interest rates ranging from 4.75% to 5.0%. The proceeds were used to fund various capital improvements. Debt payments are due August 1st through 2021.

On July 1, 1995, the Township entered into a loan agreement with the New Jersey Environmental Infrastructure Trust to provide \$2,233,000.00, at no interest. The proceeds were used to fund various capital improvements. Semiannual debt payments are due February 1st and August 1st through 2020.

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 102,008.50	\$ 8,954.06	\$ 110,962.56
2020	105,191.87	6,057.08	111,248.95
2021	61,920.14	3,030.31	64,950.45
	<u>\$ 269,120.51</u>	<u>\$ 18,041.45</u>	<u>\$ 287,161.96</u>

**Water Utility Debt - New Jersey Environmental Infrastructure Loans**

On February 1, 1999, the Township entered into a loan agreement with the New Jersey Environmental Infrastructure Trust to provide \$2,112,438.00, at an interest rate of 4.50% from the trust loan and at no interest from the fund loan. The proceeds were used to fund water utility improvements. Semiannual debt payments are due February 1st and August 1st through 2018.

On November 10, 2005, the Township entered into a loan agreement with the New Jersey Environmental Infrastructure Trust to provide \$2,589,807.00, at interest rates ranging from 4.0% to 4.50% from the trust loan and at no interest from the fund loan. The proceeds were used to fund water utility improvements. Semiannual debt payments are due February 1st and August 1st through 2025.

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 135,271.67	\$ 22,495.00	\$ 157,766.67
2020	140,873.40	19,696.66	160,570.06
2021	146,033.39	16,720.82	162,754.21
2022	143,417.36	13,574.54	156,991.90
2023	148,530.95	10,437.36	158,968.31
2024-2025	210,782.22	10,778.26	221,560.48
	<u>\$ 924,908.99</u>	<u>\$ 93,702.64</u>	<u>\$ 1,018,611.63</u>



**Note 13: CAPITAL DEBT (CONT'D)**

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>
<b><u>Issued</u></b>			
General:			
Bonds, Loans and Notes	\$ 9,892,048.51	\$ 5,462,338.18	\$ 5,273,813.79
Water Utility:			
Bonds, Loans and Notes	<u>1,415,963.99</u>	<u>1,787,889.50</u>	<u>2,268,662.12</u>
Total Issued	<u>11,308,012.50</u>	<u>7,250,227.68</u>	<u>7,542,475.91</u>
<b><u>Authorized but not Issued</u></b>			
General:			
Bonds, Loans and Notes	<u>356,250.00</u>	<u>261,250.00</u>	<u>-</u>
Total Authorized but not Issued	<u>356,250.00</u>	<u>261,250.00</u>	<u>-</u>
Total Issued and Authorized but not Issued	<u>11,664,262.50</u>	<u>7,511,477.68</u>	<u>7,542,475.91</u>
<b><u>Deductions</u></b>			
General:			
Funds Temporarily Held for Payment of Bonds and Notes	14,999.99	406,367.99	406,367.99
Tax Appeal	4,250,000.00		
Water Utility:			
Self-Liquidating	<u>1,415,963.99</u>	<u>1,787,889.50</u>	<u>2,268,662.12</u>
Total Deductions	<u>5,680,963.98</u>	<u>2,194,257.49</u>	<u>2,675,030.11</u>
<b>Net Debt</b>	<b><u>\$ 5,983,298.52</u></b>	<b><u>\$ 5,317,220.19</u></b>	<b><u>\$ 4,867,445.80</u></b>

**Summary of Statutory Debt Condition - Annual Debt Statement**

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicated a statutory net debt of 0.601%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
School Purposes	\$ 32,660,000.00	\$ 32,660,000.00	
Self-Liquidating	1,415,963.99	1,415,963.99	
General	<u>10,248,298.51</u>	<u>4,264,999.99</u>	\$ 5,983,298.52
	<u>\$ 44,324,262.50</u>	<u>\$ 38,340,963.98</u>	<u>\$ 5,983,298.52</u>

Net Debt \$5,983,298.52 divided by the Equalized Valuation Basis per N.J.S.A.40A:2-2 as amended, \$996,186,817.00 equals 0.601%.

**Note 13: CAPITAL DEBT (CONT'D)**

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

3 1/2% of Equalized Valuation Basis (Municipal)	\$ 34,866,538.60
Less: Net Debt	<u>5,983,298.52</u>
Remaining Borrowing Power	<u><u>\$ 28,883,240.08</u></u>

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

Cash Receipts from Fees, Rents, Fund Balance Anticipated, Interest and Other Investment Income, and Other Charges for the Year	\$ 4,117,722.08
Deductions:	
Operating and Maintenance Costs	\$ 2,267,026.00
Debt Service	<u>407,130.50</u>
Total Deductions	<u>2,674,156.50</u>
Excess (Deficit) in Revenue	<u><u>\$ 1,443,565.58</u></u>

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

**Note 14: RISK MANAGEMENT**

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

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

The following is a summary of Township contributions, reimbursements to the State for benefits paid and the ending balance of the Township's trust fund for the current and previous two years:

<u>Year</u>	<u>Township Contributions</u>	<u>Employee Contributions</u>	<u>Interest Earnings</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2018	\$ 15,000.00	\$ 17,526.88	\$ 15.67	\$ 34,585.04	\$ 17,800.65
2017	15,000.00	17,596.75	15.46	36,271.08	19,843.14
2016	15,000.00	16,669.87	27.79	43,686.46	23,502.01

**Note 14: RISK MANAGEMENT (CONT'D)**

**Joint Insurance Pool** - The Township is a member of the Gloucester, Salem, Cumberland Counties Municipal Joint Insurance Fund. The Fund provides its members with the following coverage:

Workers' Compensation and Employer's Liability  
 General Liability other than Motor Vehicles  
 Property Damage other than Motor Vehicles  
 Automobile Liability and damage  
 Public Employees Blanket Bond

Contributions to the Fund, including a reserve for contingencies, are based on actuarial assumptions determined by the Fund's actuary. The Commissioner of Banking and Insurance may order additional assessments to supplement the Fund's claim, loss retention or administrative accounts to assure the payment of the Fund's obligations.

Coverage in excess of the Fund's self-insured retention limits is provided through the Fund's membership in the Municipal Excess Liability Joint Insurance Fund.

The Fund publishes its own financial report for the year ended December 31, 2018, which can be obtained from:

Gloucester, Salem, Cumberland Counties Municipal Joint Insurance Fund  
 P.O. Box 490  
 Marlton, New Jersey 08053

**Self-Insurance Plan** - The Township has adopted a plan of self-insurance for health benefits and has an uninsured risk of loss up to \$40,000.00 per individual. AmeriHealth Administrators acts as administrator of the plan. The Township purchases commercial insurance for claims in excess of \$40,000.00.

The following is a summary of the claims liability of the Township's for the current and previous year:

	<u>2018</u>	<u>2017</u>
Estimated Claims Liability Balance, January 1	\$ 145,000.00	\$ 141,000.00
Incurred Claims	3,396,585.81	3,344,820.04
Payment of Claims	<u>(3,387,585.81)</u>	<u>(3,340,820.04)</u>
Estimated Claims Liability Balance, December 31	<u>\$ 154,000.00</u>	<u>\$ 145,000.00</u>

At December 31, 2018, the Township had a budget appropriation reserve of \$349,518.36. At December 31, 2017, the Township had a budget appropriation reserve of \$710,871.84.

**Note 15: PENNSVILLE SEWERAGE AUTHORITY DEBT SERVICE AGREEMENT**

In conjunction with Pennsville Sewerage Authority Utility System Revenue Bond Resolution, the Authority has entered into a service agreement with the Township. The Township has agreed to advance to the Authority sufficient monies to eliminate any deficiency in the Authority's revenues required for its operation and administrative expenses, including certain debt service requirements, and to meet certain provisions of its coverage requirements. Any monies advanced in accordance with this agreement would be refunded at such time as the Authority deems appropriate.

**Note 16: 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 17: 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.

**Tax Appeals** - As of December 31, 2018, several tax appeals were on file against the Township. A tax appeal was settled in 2015 in favor of the taxpayer for \$400,000.00 payable over ten years. The Township's annual budgets from 2016 to 2025 will include an annual \$40,000.00 appropriation.

**Note 18: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS**

**Plan Description and Benefits Provided** - The Township provides postretirement benefits through a plan for retirees, which includes medical and prescription drugs for retirees and dependents. Dental benefits are provided to retired employees or spouses. Additionally, life insurance is provided to retired police. The Township provides a single employer post-employment healthcare plan, which is not administered through a trust that meets the criteria in paragraph 4 of the GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*, and covers the following retiree populations: police who have at least twenty-five (25) years of service with the Township, and civilians who have at least (25) years of service with the Township and age at least 62. The Plan is administered by the Township; therefore, premium payments are made directly to the insurance carriers.

**Employees Covered by Benefit Terms** - As of December 31, 2018, the most recent actuarial valuation date, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefit Payments	56
Inactive Employees Entitled to but Not Yet Receiving Benefit Payments	-
Active Employees	68
	124

**Total OPEB Liability**

The Township's total OPEB liability of \$32,103,624.00 was measured as of December 31, 2018 and was determined by an actuarial valuation as of this same date.

**Note 18: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONT'D)**

**Actuarial Assumptions and Other Inputs** - The following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	3.64%
Healthcare Cost Trend Rates	7.00% for both Pre-Medicare and Post-Medicare benefits
Administration Expenses	2.00%

The discount rate was based upon the S&P Municipal Bond 20 Year High Grade Rate Index.

Mortality rates were based on the following:

RP-2000 Combined Mortality Table for Males or Females

An experience study was not performed on the actuarial assumptions used in the December 31, 2018 valuation since the Plan had insufficient data to produce a study with credible results. Mortality rates, termination rates and retirement rates were based on standard tables issued by the SOA or developed for the applicable State Pension system in which the Township participates. The actuary has used their professional judgement in applying these assumptions to this Plan.

**Changes in Total OPEB Liability**

Balance at December 31, 2017		\$ 35,957,408.16
Changes for the Year:		
Service Cost	\$ 955,651.22	
Interest Cost	1,325,775.31	
Benefit Payments	(929,960.72)	
Changes in Assumptions	-	
Difference Between Expected and Actual Experience	<u>(5,205,249.97)</u>	
Net Changes		<u>(3,853,784.16)</u>
Balance at December 31, 2018		<u>\$ 32,103,624.00</u>

Changes of benefit terms reflect no increase in the retirees' share of health insurance premiums.

Changes of assumptions and other inputs reflect a change in the discount rate from 3.16% at December 31, 2017 to 3.64% at December 31, 2018.

**Sensitivity of Total OPEB Liability to Changes in Discount Rate** - The following presents the total OPEB liability of the Township, as well as what the Township's total OPEB liability would be if it were calculated for using a discount rate that is 1-percentage -point lower or 1-percentage-point higher than the current discount rate:

	<b>1.00% Decrease (2.64%)</b>	<b>Current Discount Rate (3.64%)</b>	<b>1.00% Increase (4.64%)</b>
Total OPEB Liability	<u>\$ 37,624,895.00</u>	<u>\$ 32,103,624.00</u>	<u>\$ 27,705,632.00</u>

**Note 18: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONT'D)**

**Sensitivity of Total OPEB Liability to Changes in Healthcare Cost Trend Rates** - The following presents the total OPEB liability of the Township, as well as what the Township's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<b><u>1.00% Decrease</u></b>	<b><u>Healthcare Cost Trend Rate</u></b>	<b><u>1.00% Increase</u></b>
Total OPEB Liability	<u>\$ 27,457,625.00</u>	<u>\$ 32,103,624.00</u>	<u>\$ 37,966,158.00</u>

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB** - For the year ended December 31, 2018, the Township recognized OPEB expense of \$2,494,335.00. As of December 31, 2018, the Township reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Changes of Assumptions	\$ -	\$ -
Difference Between Expected and Actual Experience	-	5,205,250.00
Contributions Subsequent to the Measurement Date	<u>-</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ 5,205,250.00</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<b><u>Year Ending Dec. 31,</u></b>	
2019	\$ (867,541.67)
2020	(867,541.67)
2021	(867,541.67)
2022	(867,541.67)
2023	(867,541.67)
Thereafter	<u>(867,541.67)</u>
	<u>\$ (5,205,250.00)</u>

**Note 18: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONT'D)**

**Supplementary OPEB Information**

In accordance with GASBS No. 75, the following information is also presented for the Township's OPEB Plan. These schedules are presented to illustrate the requirements to show information for 10 years; however, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available.

***Schedule of the State's Proportionate Share of the net OPEB Liability Associated with the Township***

<b>Total OPEB Liability</b>	<b>2018</b>
Service Cost	\$ 955,651.22
Interest Cost	1,325,775.31
Benefit Payments	(929,960.72)
Changes in Assumptions	-
Difference Between Expected and Actual Experience	<u>(5,205,250.00)</u>
Net Change in Total OPEB Liability	(3,853,784.19)
Total OPEB Liability - Beginning of Year	<u>35,957,408.19</u>
Total OPEB Liability - End of Year	<u>\$ 32,103,624.00</u>
Covered-Employee Payroll	\$ 6,446,863.45
Total OPEB Liability as a Percentage of Covered-Employee Payroll	497.97%

**Other Notes to Supplementary OPEB Information**

**Changes in Benefit Terms**

None

**Changes in Assumptions**

The discount rate changed from 3.16% as of December 31, 2017 measurement date to 3.64% as of the December 31, 2018 measurement date.

**Note 19: SUBSEQUENT EVENTS**

**Authorization of Debt** – Subsequent to December 31, 2018 the Township authorized additional bonds or notes as follows:

<u>Purpose</u>	<u>Date</u>	<u>Authorization</u>
<b>General Improvements</b>		
Improvements to the Sanitary Sewerage System	02/21/19	\$ 714,000.00
Reconstruction of Various Streets and Roads, and purchase of Capital Equipment	04/04/19	1,333,000.00



**APPENDIX C**

**FORM OF OPINION OF BOND COUNSEL**

# Hawkins Delafield & Wood LLP

A NEW YORK LIMITED LIABILITY PARTNERSHIP

NEW YORK  
WASHINGTON  
NEWARK  
HARTFORD  
LOS ANGELES  
SACRAMENTO  
SAN FRANCISCO  
PORTLAND  
ANN ARBOR

ONE GATEWAY CENTER,  
24TH FLOOR  
NEWARK, NJ 07102  
WWW.HAWKINS.COM

October 9, 2019

C. STEVEN DONOVAN  
ROBERT H. BEINFELD  
ERIC J. SAPIR  
CHARLES G. TOTO  
KRISTINE L. FLYNN  
PATRICIA A. GOINS

Township Committee of The  
Township of Pennsville, in the  
County of Salem, New Jersey

Ladies and Gentlemen:

We have acted as bond counsel to The Township of Pennsville, in the County of Salem, a municipal corporation of the State of New Jersey, situate in said County of Salem (the "Township"), and have examined a record of proceedings relating to the issuance of \$ \_\_\_\_\_ bonds, consisting of \$ \_\_\_\_\_ General Bonds of 2019 (the "General Bonds") and \$ \_\_\_\_\_ Tax Appeal Refunding Bonds of 2019 (the "Tax Appeal Refunding Bonds" and, together with the General Bonds, the "Bonds"). The Bonds are issued pursuant to the Local Bond Law of the State of New Jersey, and as provided by (i) with respect to the General Bonds, a resolution of the Township Committee of the Township, entitled: "Resolution providing for the combination of certain issues of bonds of the Township of Pennsville, in the County of Salem, New Jersey, into a single issue of General Bonds aggregating \$5,566,000 in principal amount", adopted August 15, 2019 and the bond ordinances referred to therein, and (ii) with respect to the Tax Appeal Refunding Bonds, a bond ordinance of the Township Committee of the Township, entitled: "Refunding bond ordinance authorizing the issuance of \$4,250,000 tax appeal refunding bonds (and notes in anticipation thereof) of the Township of Pennsville, in the County of Salem, New Jersey", finally adopted October 18, 2018, approved by the Mayor and published as required by law.

The Bonds are dated the date hereof, and bear interest from their dated date at the rates per annum (payable semi-annually on each April 1 and October 1 until maturity or earlier redemption, commencing April 1, 2020) and mature on October 1 in the years and in the respective principal amounts set forth below:

## General Bonds

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2020			2026		
2021			2027		
2022			2028		
2023			2029		
2024			2030		
2025					

Tax Appeal Refunding Bonds

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2020			2027		
2021			2028		
2022			2029		
2023			2030		
2024			2031		
2025			2032		
2026			2033		

The Bonds of each series maturing prior to October 1, 2029 are not subject to redemption prior to maturity at the option of the Township. The Bonds of each series maturing on or after October 1, 2029 are subject to redemption prior to maturity at the option of the Township in whole or in part, in any order of maturity and by lot within a maturity if less than all the Bonds of such maturity are to be redeemed, on any date on or after October 1, 2028, at a redemption price equal to 100% of the principal amount thereof, together with interest accrued, if any, to the date fixed for redemption.

The Internal Revenue Code of 1986, as amended (the “Code”) establishes certain requirements to be met subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds be and remain excluded from gross income under Section 103 of the Code. We have examined the Arbitrage and Use of Proceeds Certificate of the Township delivered in connection with the issuance of the Bonds which contains provisions and procedures regarding compliance with the requirements of the Code. By said Arbitrage and Use of Proceeds Certificate, the Township has certified that, to the extent it is empowered and allowed under applicable law, it will comply with the provisions and procedures set forth therein and that it will do and perform all acts and things necessary or desirable to assure that interest paid on the Bonds is excludable from gross income under Section 103 of the Code. In rendering this opinion we have assumed that the Township will comply with the provisions and procedures set forth in its Arbitrage and Use of Proceeds Certificate.

In our opinion, the Bonds are valid and legally binding obligations of the Township and, unless paid from other sources, are payable from ad valorem taxes levied upon all the taxable property within the Township without limitation as to rate or amount. The enforceability of rights or remedies with respect to the Bonds may be limited by bankruptcy, insolvency or other laws affecting creditors’ rights or remedies heretofore or hereafter enacted.

In our opinion, under existing statutes and court decisions, interest on the Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code and interest on the Bonds is not treated as a preference item in calculating the alternative minimum tax under the Code. In addition, in our opinion, under existing statutes, interest on the Bonds is not included in gross income under the New Jersey Gross Income Tax Act.

Attention is called to the fact that we have not been requested to examine and have not examined any documents or information relating to the Township other than the record of proceedings hereinabove referred to, and no opinion is expressed as to any financial or other information, or the adequacy thereof, which has been or may be supplied to the purchaser of the Bonds.

Except as stated above, we express no opinion as to any other federal, state or local tax consequences arising with respect to the Bonds or the ownership or disposition thereof. We render our opinion under existing statutes and court decisions as of the date hereof, and we assume no obligation to update, revise or supplement this opinion to reflect any action hereafter taken or not taken, for any facts or circumstances that may hereafter come to our attention, for any changes in law or in interpretations thereof that may hereafter occur or for any other reason. We express no opinion as to the consequence of any of the events described in the preceding sentence or the likelihood of their occurrence. In addition, we express no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel regarding federal, state or local tax matters, including without limitation, exclusion from gross income for federal income tax purposes of interest on the Bonds.

We have examined an executed bond of each of said series, and, in our opinion, the forms of said bonds and their execution are regular and proper.

Very truly yours,