

PRELIMINARY OFFICIAL STATEMENT DATED JUNE 28, 2019

NEW ISSUE - BOOK-ENTRY ONLY

RATINGS: S&P: "AA", See "RATING" herein

In the opinion of Archer & Greiner P.C., Red Bank, New Jersey ("Bond Counsel"), under existing statutes, regulations, rulings and court decisions, and assuming continuing compliance with certain covenants described herein, interest on the Bonds (as defined herein) (i) is not includable in gross income for Federal income tax purposes pursuant to section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) will not be treated as a preference item under section 57 of the Code for purposes of calculating the Federal alternative minimum tax. Bond Counsel is also further of the opinion that, under existing laws of the State of New Jersey, interest on the Bonds and any gain on the sale thereof are not includable in gross income under the New Jersey Gross Income Tax Act, as amended. See "TAX MATTERS" herein.

\$2,825,000*

**TOWNSHIP OF PILESGROVE
IN THE COUNTY OF SALEM, STATE OF NEW JERSEY**

GENERAL OBLIGATION REFUNDING BONDS, SERIES 2019

(Bank Qualified) (Non-Callable)

Dated: Date of Delivery

Due: August 15, as shown on the inside cover

The \$2,825,000* General Obligation Refunding Bonds, Series 2019 (the "Bonds") are general obligations of the Township of Pilesgrove, in the County of Salem, State of New Jersey (the "Township") and are secured by the full faith and credit of the Township for the payment of principal thereof and interest thereon. The Bonds, unless paid from other sources, are payable from *ad valorem* taxes levied upon all the taxable property within the Township for the payment of the principal thereof and the interest thereon without limitation as to rate or amount.

The Bonds are being issued to (i) provide a deposit to an escrow fund that, when invested, will be sufficient to currently refund all of the Township's outstanding and callable General Obligation Bonds, Series 2009, dated August 25, 2009, namely those bonds maturing on August 15 in the years 2020 through and including 2029 (the "Refunded Bonds"), and to call for redemption the Refunded Bonds on August 15, 2019 (the "Redemption Date") at the option of the Township at a redemption price of 100% of the principal amount of such Refunded Bonds to be redeemed plus any unpaid accrued interest to the Redemption Date; and (ii) pay certain costs associated with the issuance of the Bonds.

The Bonds will be issued in the form of one certificate for the aggregate principal amount thereof maturing in each year and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York, which will act as securities depository for the Bonds. The certificates will be on deposit with DTC. DTC will be responsible for maintaining a book-entry system for recording the interests of its participants or transfers of the interests among its participants. The participants will be responsible for maintaining records regarding the beneficial ownership interests in the Bonds on behalf of the individual purchasers. Individual purchases may be made in the principal amount of \$5,000 each or any integral multiple of \$1,000 in excess thereof. See "DESCRIPTION OF THE BONDS - Book-Entry Only System" herein. So long as DTC or its nominee, Cede & Co., is the registered owner of the Bonds, payments of principal of and interest on the Bonds will be made to DTC or its nominee, Cede & Co., which will remit such payments to the DTC participants, which will in turn remit such payments to the owners of beneficial interest in the Bonds. Principal of the Bonds is payable on August 15 in each of the years set forth on the inside front cover page hereof. Interest on the Bonds is payable on February 15 and August 15, commencing February 15, 2020, in each year until maturity. Interest on the Bonds is calculated on the basis of twelve (12) thirty (30) day months in a three hundred sixty (360) day year. The Township, or its successor, will serve as the Registrar and Paying Agent for the Bonds (the "Registrar" or "Paying Agent").

The Bonds are not a debt or obligation, legal, moral or otherwise, of the State of New Jersey, or any county, municipality or political subdivision thereof other than the Township.

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

The Bonds are offered when, as and if issued and subject to prior sale, withdrawal or modification of the offer without notice and to the approval of legality by the law firm of Archer & Greiner P.C., Red Bank, New Jersey, Bond Counsel to the Township, and certain other conditions described herein. Acacia Financial Group, Mount Laurel, New Jersey, has served as Municipal Advisor to the Township in connection with the issuance of the Bonds. It is expected that the Bonds will be available for delivery through the facilities of DTC, New York, New York, on or about July 24, 2019.

RAYMOND JAMES®

* Preliminary, subject to change.

This is a Preliminary Official Statement "deemed final" by the Township within the meaning of and with the exception of certain information permitted to be omitted by Rule 15c2-12 of the Securities and Exchange Commission, as amended and supplemented (the "Rule"), and is otherwise subject to change in accordance with applicable law. Upon the sale of the Bonds described herein, the Township will deliver a final Official Statement in compliance with the Rule. 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 these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration, qualification or exemption under the securities laws of any such jurisdiction.

\$2,825,000*
TOWNSHIP OF PILESGROVE
IN THE COUNTY OF SALEM, STATE OF NEW JERSEY
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2019

MATURITY SCHEDULE, INTEREST RATES, YIELDS AND CUSIP NUMBERS

<u>Year</u> <u>(August 15)</u>	<u>Principal Amount*</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP</u> <u>Numbers**</u>
2020	\$220,000			
2021	235,000			
2022	250,000			
2023	265,000			
2024	275,000			
2025	285,000			
2026	300,000			
2027	315,000			
2028	330,000			
2029	350,000			

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

* Preliminary, subject to change.

**TOWNSHIP OF PILESGROVE
IN THE COUNTY OF SALEM, STATE OF NEW JERSEY**

TOWNSHIP COMMITTEE

Kevin Eachus, Mayor
David R. Bonowski, Deputy Mayor
Joseph Crevino, Committee Member

TOWNSHIP OFFICIALS

Maureen R. Abdill, Township Administrator/Clerk
Niki Trunk, Township Solicitor
Marie Stout, Chief Financial Officer

BOND COUNSEL

Archer & Greiner P.C.
Red Bank, New Jersey

MUNICIPAL ADVISOR

Acacia Financial Group, Inc.
Mount Laurel, New Jersey

INDEPENDENT AUDITORS

Bowman & Company, LLP
Woodbury and Voorhees, New Jersey

No broker, dealer, salesperson or other person has been authorized by the Township or the Underwriter to give any information or to make any representations with respect to the Bonds 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 or the Underwriter. The information contained herein has been obtained from the Township, DTC and other sources which are believed to be reliable; however, such information is not guaranteed as to accuracy or completeness, and is not to be construed as a representation or warranty of the Township or the Underwriter. 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 any of the information herein since the date hereof, or the date as of which such information is given, if earlier.

References in this Official Statement to laws, rules, regulations, ordinances, resolutions, agreements, reports and documents do not purport to be comprehensive or definitive. All references to such documents are qualified in their entirety by reference to the particular document, the full text of which may contain qualifications of and exceptions to statements made herein, and copies of which may be inspected at the offices of the Township during normal business hours.

The order and 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 order to facilitate the distribution of the Bonds, the Underwriter may engage in transactions intended to stabilize the price of the Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The prices at which the Bonds are offered to the public by the Underwriter and the yields resulting therefrom may vary from the initial public offering prices or yields shown on the inside front cover page hereof. In addition, the Underwriter may allow concessions or discounts from such initial public offering prices or yields to dealers and others.

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 in any jurisdiction in which it is unlawful for any person to make such an offer, solicitation or sale.

The Underwriter has reviewed the information in this Official Statement in accordance with and as part of its responsibilities to investors under the Federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guaranty the accuracy or completeness of such information.

For purposes of compliance with Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended and supplemented, by the Township from time to time (collectively, the "Official Statement"), may be treated as a "Final Official Statement" with respect to the Bonds described herein that is deemed final as of the date hereof (or of any such supplement or amendment) by the Township.

The Underwriter has not participated in the preparation of the financial or statistical information contained in this Official Statement nor have they verified the accuracy or completeness thereof, and, accordingly, they express no opinion with respect thereto.

The offering of the Bonds is made only by means of this entire Official Statement.

TABLE OF CONTENTS

	<u>Page</u>
Introduction	1
Description Of The Bonds	1
Authorization For The Bonds	4
Plan Of Refunding	4
Estimated Sources And Uses Of Funds	5
Security And Source Of Payment	5
No Default	5
Certain Statutory Provisions For The Protection Of General Obligation Debt	5
Municipal Budget	7
Tax Information On The Township	10
Debt Information On The Township	11
Tax Matters	11
Litigation	13
Approval Of Legal Proceedings	13
Municipal Bankruptcy	13
Continuing Disclosure	14
Municipal Advisor	14
Underwriting	15
Rating	15
Preparation Of Official Statement	15
Additional Information	16
Financial Statements	16
Miscellaneous	16
 Certain General Information Concerning the Township of Pilesgrove, in the County of Salem, State of New Jersey	 Appendix A
 2018 Compiled Financial Statements (Unaudited) and Audited Financial Statements for the Years Ended 2017, 2016, 2015, 2014 and 2013, For the Township of Pilesgrove, in the County of Salem, State of New Jersey	 Appendix B
 Form of Bond Counsel Opinion	 Appendix C
 Form of Continuing Disclosure Certificate	 Appendix D

**OFFICIAL STATEMENT
of the
TOWNSHIP OF PILESGROVE
IN THE COUNTY OF SALEM, STATE OF NEW JERSEY**

\$2,825,000* GENERAL OBLIGATION REFUNDING BONDS, SERIES 2019

INTRODUCTION

The purpose of this Official Statement is to provide certain information regarding the financial and economic condition of the Township of Pilesgrove (the "Township"), in the County of Salem (the "County"), State of New Jersey (the "State") in connection with the sale and issuance of its \$2,825,000* General Obligation Refunding Bonds, Series 2019 (the "Bonds"). This Official Statement (the "Official Statement"), which includes the cover page, the inside front cover page and the Appendices attached hereto, has been authorized by the Mayor and Township Committee to be distributed in connection with the sale of the Bonds and has been executed by and on behalf of the Township by the Chief Financial Officer.

This Official Statement contains specific information relating to the Bonds including their general description, certain matters affecting the financing, certain legal matters, historical financial information and other information pertinent to the sale, issuance and delivery of the Bonds. 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 historical information and, but only to the extent specifically provided herein, certain projections of the immediate future, and is not necessarily indicative of future or continuing trends in the financial position or other affairs of the Township.

This Official Statement is "deemed final", as of its date, within the meaning of Rule 15c2-12 promulgated by the Securities and Exchange Commission (the "Rule").

DESCRIPTION OF THE BONDS

General Description of the Bonds

The Bonds shall be dated their date of delivery and will mature on August 15 in the years and in the principal amounts as set forth on the inside front cover page hereof. The Bonds shall bear interest from their date of delivery and shall be payable on February 15 and August 15 in each year until maturity commencing February 15, 2020, at the rates shown on the inside front cover page hereof. The Bonds are issuable as fully registered book-entry only bonds in the form of one certificate for each year of maturity of the Bonds in the aggregate principal amount of such maturity. The Bonds may be purchased in book-entry only form in the amount of \$5,000 each or any integral multiple of \$1,000 in excess thereof, through book-entries made on the books and records of The Depository Trust Company, New York, New York ("DTC") and its participants. So long as DTC or its nominee, Cede & Co., or any successor or assign, is the registered owner for the Bonds, payments of the principal of and interest on the Bonds will be made by the Township, or the Paying Agent (as defined herein) directly to Cede & Co. or any successor or assign, as nominee for DTC. Interest on the Bonds is calculated on the basis of twelve (12) thirty (30) day months in a three hundred sixty (360) day year and will be credited to the participants of DTC as listed on the records of DTC as of the close of business on each January 15 and July 15 preceding an interest payment date. The Township, or its successor, will serve as the Registrar and Paying Agent for the Bonds (the "Registrar" or "Paying Agent").

^{*}Preliminary, subject to change

Book-Entry Only System

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

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

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

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in 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 nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy (the "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).

Redemption proceeds, if any, and principal 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 Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent or the Township, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, if any, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the 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 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 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.

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

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE BONDS, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE BONDHOLDERS OR REGISTERED

OWNERS OF THE BONDS (OTHER THAN UNDER THE CAPTION "TAX MATTERS") SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE BONDS.

Discontinuation of Book-Entry Only System

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

Optional Redemption

The Bonds are not subject to optional redemption prior to their stated maturities.

AUTHORIZATION FOR THE BONDS

The Bonds are authorized by and are issued pursuant to: (i) the provisions, as applicable, of the Local Bond Law, N.J.S.A. 40A:2-1 et seq., as amended and supplemented (the "Local Bond Law"), (ii) a refunding bond ordinance duly adopted by the Township Committee on May 14, 2019 ("Refunding Bond Ordinance"), and approved and published as required by law, and (iii) a resolution duly adopted by the Township Committee on May 14, 2019. The Refunding Bond Ordinance has been published in full after final adoption along with the statement that the twenty (20) day period of limitation, within which a suit, action or proceeding questioning the validity of the Refunding Bond Ordinance could be commenced, began to run from the date of the first publication of such 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 all persons shall be estopped from questioning their sale, execution or delivery by the Township.

PLAN OF REFUNDING

The Bonds are being issued to (i) provide a deposit to an escrow fund that, when invested, will be sufficient to currently refund all of the Township's outstanding and callable General Obligation Bonds, Series 2009, dated August 25, 2009, namely those bonds maturing on August 15 in the years 2020 through and including 2029 (the "Refunded Bonds"), and to call for redemption the Refunded Bonds on August 15, 2019 (the "Redemption Date") at the option of the Township at a redemption price of 100% of the principal amount of such Refunded Bonds to be redeemed plus any unpaid accrued interest to the Redemption Date; and (ii) pay certain costs associated with the issuance of the Bonds.

A portion of the proceeds of the Bonds will be deposited upon delivery thereof in an escrow account for the Refunded Bonds (the "Escrow Account") with U.S. Bank National Association, Iselin, New Jersey (the "Escrow Agent"), and such proceeds will be held as cash on deposit in the Escrow Account and will be sufficient to pay the interest on the Refunded Bonds up to and including the Redemption Date and the redemption price of the Refunded Bonds on the Redemption Date.

ESTIMATED SOURCES AND USES OF FUNDS

The following table sets forth the estimated sources and uses of funds in connection with the issuance of the Bonds:

Sources of Funds:

Principal Amount of Bonds
[Net] Original Issue Premium/Discount
Total Sources of Funds

Uses of Funds:

Deposit to Escrow Fund
Costs of Issuance⁽¹⁾
Total Uses of Funds

(1) Includes, *inter alia*, underwriter's discount, legal, printing, escrow agent, financial advisory, verification agent, credit ratings and miscellaneous fees and expenses.

SECURITY AND SOURCE OF PAYMENT

The Bonds are valid and legally binding general obligations of the Township, and the Township has pledged its full faith and credit for the payment of the principal of and interest on the Bonds. The Bonds are direct obligations of the Township and, unless paid from other sources, the Township is required by law to levy *ad valorem* taxes upon all the taxable property within the Township for the payment of the principal of and interest on the Bonds without limitation as to rate or amount.

The Township is required by law to include the total amount of principal of and interest on all of its general obligation indebtedness, such as the Bonds, for the current year in each annual budget unless provision has been made for payment of its general obligation indebtedness from other sources. The enforceability of rights or remedies with respect to the Bonds may be limited by bankruptcy, insolvency or other similar laws affecting creditors' rights or remedies heretofore or hereafter enacted. See "MUNICIPAL BANKRUPTCY" herein.

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

NO DEFAULT

The Township has never defaulted in the payment of principal of, redemption premium, if any, and interest on any bonds or notes or other obligations of the Township, nor are any payments of principal of or interest on the Township's indebtedness past due.

CERTAIN STATUTORY PROVISIONS FOR THE PROTECTION OF GENERAL OBLIGATION DEBT

Local Bond Law (N.J.S.A. 40A:2-1 et seq.)

The Local Bond Law governs the issuance of bonds and notes to finance certain municipal capital expenditures. Among its provisions are requirements that bonds must mature within the

statutory period of usefulness of the projects bonded and that bonds be retired in serial or sinking fund installments. A five percent (5%) cash down payment is generally required to be appropriated for the financing of expenditures for municipal purposes for which bonds are authorized.

The Local Fiscal Affairs Law (N.J.S.A. 40A:5-1 et seq.)

This law regulates the non-budgetary financial activities of local governments. An annual, independent audit of the local unit's accounts for the previous year must be performed by a licensed Registered Municipal Accountant. The audit, conforming to the Division of Local Government Services' "Requirements of Audit," includes recommendations for improvement of the local unit's financial procedures and must be filed with the Director (as defined herein) within six (6) months after the close of the fiscal year. 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.

The chief financial officer of every local unit must file annually with the Director a verified statement of financial condition of the local unit and all constituent boards, agencies and commissions.

The annual audit report is filed with the Township Clerk and is available for review during business hours.

Debt Limits (N.J.S.A. 40A:2-6)

The authorized bonded indebtedness of a municipality in the State is limited by statute, subject to the exceptions noted below, to an amount equal to 3.50% of its equalized valuation basis. The equalized valuation basis of a municipality is set by statute as the average for the last three 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.

Certain categories of debt are permitted by statute to be deducted for purposes of computing the statutory debt limit.

The Township's percentage of statutory net debt is shown in Appendix A.

Exceptions to Debt Limits - Extensions of Credit (N.J.S.A. 40A:2-7)

The debt limit of the Township may be exceeded with the approval of the Local Finance Board, a State regulatory agency. If all or any part of a proposed debt authorization would exceed its debt limit, the Township 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 ability of the Township to meet its obligations or to provide essential services, or makes other statutory determinations, approval may be granted. In addition to the aforesaid, debt in excess of the debt limit may be issued without the approval of the Local Finance Board to fund certain bonds for self-liquidating purposes and, in each fiscal year, in an amount not exceeding two-thirds of the amount budgeted in such fiscal year for the retirement of outstanding obligations (exclusive of obligations issued for utility or assessment purposes).

Short-Term Financing

The Township may issue short term "bond anticipation notes" to temporarily finance a capital improvement or project in anticipation of the issuance of bonds if the bond ordinance or a subsequent resolution so provides. Bond anticipation notes, which are general obligations of the Township, may be issued for a period not exceeding one (1) year. Generally, bond anticipation

notes may not be outstanding for longer than ten (10) years. An additional period may be available following the tenth anniversary date equal to the period from the notes' maturity to the end of the tenth fiscal year in which the notes mature plus four (4) months in the next following fiscal year from the date of original issuance. Beginning in the third year, the amount of outstanding notes that may be renewed is decreased by the minimum amount required for the first year's principal payment of bonds in anticipation of which such notes are issued.

MUNICIPAL BUDGET

Pursuant to the Local Budget Law, N.J.S.A. 40A:4-1 et seq., as amended and supplemented (the "Local Budget Law") the Township is required to have a balanced budget in which debt service is included in full for each fiscal year.

The Local Budget Law (N.J.S.A. 40A:4-1 et seq.)

The foundation of the New Jersey local finance system is the annual cash basis budget. The Township must adopt an operating budget in the form required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"). Items of revenue and appropriation are regulated by law and must be certified by the Director prior to final adoption of the budget. The Local Budget Law requires each local unit to appropriate sufficient funds for payment of current debt service and the Director of the Division (the "Director") is required to review the adequacy of such appropriations, among others, for certification.

The Director has no authority over individual operating appropriations, unless a specific amount is required by law, but the review functions focusing on anticipated revenues serve to protect the solvency of all local units. Local budgets, by law and regulation, must be in balance on a "cash basis". No budget or amendment thereof shall be adopted unless the Director shall have previously certified his approval thereof (N.J.S.A. 40A:4-10).

The principal sources of Township revenues are real estate taxes, State aid, Federal aid and miscellaneous revenues.

In any year, the municipality may authorize, by resolution, the issuance of tax anticipation notes which may be issued in anticipation of the collection of taxes for such year. Tax anticipation notes are limited in amount by law and must be paid off in full by a municipality within one hundred twenty (120) days after the close of the fiscal year.

Real Estate Taxes

The 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 delineates anticipation of delinquent tax collections: "The maximum which may be anticipated is the sum produced by the multiplication of the amount of delinquent taxes unpaid and owing to the local unit on the first day of the current fiscal year by the percentage of collection of delinquent taxes for the year immediately preceding the current fiscal year."

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

The provision requires that an additional amount (the "reserve for uncollected taxes") be added to the tax levy required to balance the budget so that when the percentage of the prior year's tax collection is applied to the combined total, the product will at least be equal to the tax levy required to balance the budget. The reserve requirement is calculated as follows:

<u>Cash Required from Taxes to Support Local Municipal Budget and Other Taxes</u>	=	Amount to be Raised by Taxation
Prior Year's Percentage of Current Tax Collection (or Lesser %)		

Miscellaneous Revenues

Section 26 of the Local Budget Law provides: "no miscellaneous revenues from any source shall be included as an anticipated revenue in the budget in an amount in excess of the amount actually realized in cash from the same source during the 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." No budget or amendment thereof shall be adopted unless the Director shall have previously certified his approval thereof (N.J.S.A. 40A:4-10). The exception to this is the inclusion of categorical grants-in-aid contracts for their face amount with an offsetting appropriation. The fiscal years for such grants rarely coincide with the municipality's calendar fiscal year.

Limitations on Expenditures ("Cap Law") (N.J.S.A. 40A:4-45.1, et seq.)

N.J.S.A. 40A:4-45.3 places limits on municipal tax levies and expenditures. This law is commonly known as the "Cap Law" (the "Cap Law"). The Cap Law was amended and became effective on July 7, 2004. The Cap Law provides that the Township shall limit any increase in its budget to 2.5% or the Cost-Of-Living Adjustment, whichever is less, of the previous year's final appropriations, subject to certain exceptions. The Cost-Of-Living Adjustment is defined as the rate of annual percentage increase, rounded to nearest half percent, in the Implicit Price Deflator for State and Local Government Purchases of Goods and Services produced by the United States Department of Commerce for the year preceding the current year as announced by the Director. However, in each year in which the Cost-Of-Living Adjustment is equal to or less than 2.5%, the Township may, by ordinance, approved by a majority vote of the full membership of the governing body, provide that the final appropriations of the Township for such year be increased by a percentage rate that is greater than the Cost-Of-Living Adjustment, but not more than 3.5% over the previous year's final appropriations. See N.J.S.A. 40A:4-45.14. In addition, N.J.S.A. 40A:4-45.15b restored "CAP" banking to the Local Budget Law. Municipalities are permitted to appropriate available "CAP Bank" in either of the next two (2) succeeding years' final appropriations. Along with the permitted increases for total general appropriations there are certain items that are allowed to increase outside the "CAP".

Additionally, P.L. 2010, c.44, effective July 13, 2010, imposes a two percent (2%) cap on the tax levy of a municipality, county, fire district or solid waste collection district, with certain exceptions and subject to a number of adjustments. The exclusions from the limit include increases required to be raised for capital expenditures, including debt service, increases in pension contributions in excess of two percent (2%), certain increases in health care costs in excess of two percent (2%), and extraordinary costs incurred by a local unit directly related to a declared emergency. The governing body of a local unit may request approval, through a public question submitted to the legal voters residing in its territory, to increase the amount to be raised by taxation, and voters may approve increases above two percent (2%) not otherwise permitted under the law by an affirmative vote of fifty percent (50%).

The Division has advised that counties and municipalities must comply with both budget “CAP” and the tax levy limitation. Neither the tax levy limitation nor the “CAP” law, however, limits the obligation of the Township to levy *ad valorem* taxes upon all taxable property within the boundaries of the Township to pay debt service on bonds and notes.

Deferral of Current Expenses

Supplemental appropriations made after the adoption of the budget and determination of the tax rate may be authorized by the governing body of a local unit, including the Township, but only to meet unforeseen circumstances, to protect or promote public health, safety, morals or welfare, or to provide temporary housing or public assistance prior to the next succeeding fiscal year. However, with certain exceptions described below, such appropriations must be included in full as a deferred charge in the following year's budget. Any emergency appropriation must be declared by resolution according to the definition provided in N.J.S.A. 40A:4-48, and approved by at least two-thirds of the full membership of the governing body and shall be filed with the Director. If such emergency appropriations exceed three percent (3%) of the adopted operating budget, consent of the Director is required. N.J.S.A. 40A:4-49.

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, severance liabilities, drainage map preparation for flood control purposes, studies and planning associated with the construction and installation of sanitary sewers, 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 section (ii) may be amortized over five (5) years. N.J.S.A. 40A:4-53, -54, -55, -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 as described above.

Budget Transfers

Budget transfers provide a degree of flexibility and afford a control mechanism. Pursuant to N.J.S.A. 40A:4-58, transfers between major appropriation accounts are prohibited until the last two (2) months of the municipality's fiscal year. Appropriation reserves may be transferred during the first three (3) months of the current fiscal year to the previous fiscal year's budget. N.J.S.A. 40A:4-59. Both types of transfers require a two-thirds vote of the full membership of the governing body. Although sub-accounts within an appropriation are not subject to the same year-end transfer restriction, they are subject to internal review and approval. Generally, transfers cannot be made from the down payment account, the capital improvement fund, contingent expenses or from other sources as provided in the statute.

Budget Process

Primary responsibility for the Township's budget process lies with the Township Committee. As prescribed by the Local Budget Law, adoption should occur by the end of March, however, extensions may be granted by the Division to any local governmental unit. In the first quarter in which the budget formulation is taking place, the Township operates under a temporary budget which may not exceed 26.25% of the previous fiscal year's adopted budget. In addition to the temporary budget, the Township may approve emergency temporary appropriations for any purpose for which appropriations may lawfully be made.

TAX INFORMATION ON THE TOWNSHIP

Property valuations (assessments) are determined on true values as arrived at by the cost approach, market data approach and capitalization of net income (where applicable). Current assessments are the result of maintaining new assessments on a "like" basis with established comparable properties for newly assessed or purchased properties resulting in a decline of the assessment ratio to true value to its present level. This method assures equitable treatment to like property owners. Because of the escalation of property resale values, annual adjustments could not keep pace with the rising values.

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

For calendar year municipalities, tax bills are sent in June of the current fiscal year. Taxes are payable in four quarterly installments on February 1, May 1, August 1 and November 1. The August and November tax bills are determined as the full tax levied for municipal, school district or county purposes for the current municipal fiscal year, less the amount charged as the February and May installments for municipal, school district or county purposes in the current fiscal year. The amounts due for the February and May installments are determined as by the municipal governing body as either one-quarter or one-half of the full tax levied for municipal, school district or county 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%) on the first \$1,500 of the delinquency and, then eighteen percent (18%) per annum on any amount in excess of \$1,500. A penalty of up to six percent (6%) of the delinquency in excess of \$10,000 may be imposed on a taxpayer who fails to pay that delinquency prior to the end of the tax year in which the taxes become delinquent. Delinquent taxes open for one year or more are annually included in a tax sale in accordance with State Statutes. Tax title liens are periodically assigned to the Township Attorney (as defined herein) for in rem foreclosures in order to acquire title to these properties.

The provisions of Chapter 99 of the Laws of New Jersey of 1997 allow a municipality to sell its total property tax levy to the highest bidder either by public sale with sealed bids or by public auction. The purchaser shall pay the total property tax levy bid amount in quarterly installments or in one annual installment. Property taxes will continue to be collected by the municipal tax collector and the purchaser will receive as a credit against his payment obligation the amount of taxes paid to the tax collector. The purchaser is required to secure his payment obligation to the municipality by an irrevocable letter of credit or surety bond. The purchaser is entitled to receive, all delinquent taxes and other municipal charges owing, due and payable upon collection by the tax collector. The statute sets forth bidding procedures, minimum bidding terms and requires the review and approval of the sale by the Division.

Tax Appeals

New Jersey Statutes provide a taxpayer with remedial procedures for appealing an assessed valuation that the taxpayer deems excessive. The taxpayer has a right to file a petition on or before the 1st day of April of the current tax year for its review. The County Board of Taxation and the Tax Court of New Jersey have the authority after a hearing to increase, decrease or reject the appeal petition. Adjustments by the County Board of Taxation are usually concluded within the current tax year and reductions are shown as cancelled or remitted taxes for that year. If the

taxpayer believes the decision of the County Board of Taxation to be incorrect, appeal of the decision may be made to the Tax Court of New Jersey. State tax court appeals tend to take several years to conclude by settlement or trial and any losses in tax collection from prior years, after an unsuccessful trial or by settlement, are charged directly to operations.

DEBT INFORMATION ON THE TOWNSHIP

Debt Statements

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

TAX MATTERS

Federal Income Tax Treatment of the Bonds

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements which must be met at the time of, and on a continuing basis subsequent to, the issuance of the Bonds in order for the interest on the Bonds to be and remain excluded from gross income for Federal income tax purposes under Section 103 of the Code. Noncompliance with such requirements could cause the interest on the Bonds to be included in gross income for Federal income tax purposes retroactive to the date of issuance of the Bonds. The Township will represent in its tax certificate relating to the Bonds, that it expects and intends to comply and will comply, to the extent permitted by law, with such requirements.

In the opinion of Archer & Greiner P.C., Red Bank, New Jersey, Bond Counsel to the Township ("Bond Counsel"), under existing statutes, regulations, rulings and court decisions, and assuming continuing compliance by the Township with the requirements of the Code described above, interest on the Bonds is not includable in gross income for Federal income tax purposes pursuant to Section 103 of the Code and will not be treated as a preference item under Section 57 of the Code for purposes of computing the Federal alternative minimum tax imposed on individuals and corporations.

Additional Federal Income Tax Consequences Relating to Bonds

Prospective purchasers of the Bonds should be aware that ownership of, accrual or receipt of interest on or disposition of tax-exempt obligations, such as the Bonds, may have additional Federal income tax consequences for certain taxpayers, including, without limitation, taxpayers eligible for the earned income credit, recipients of certain Social Security and Railroad Retirement benefits, taxpayers that may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, financial institutions, property and casualty insurance companies, foreign corporations and certain S corporations. Prospective purchasers of the Bonds should also consult with their tax advisors with respect to the need to furnish certain taxpayer information in order to avoid backup withholding.

State Taxation

Bond Counsel is also of the opinion that interest on the Bonds, and any gain on the sale thereof, is not includable in gross income under the existing New Jersey Gross Income Tax Act, 1976 N.J. Laws c. 47, as amended.

Bank Qualification

The Bonds constitute “qualified tax-exempt obligations” as defined in and for the purpose of Section 265(b)(3)(B) of the Code and, therefore, will be treated as if they were acquired on August 7, 1986 for purposes of the limitations on deductibility by financial institutions of interest expense allocable to tax-exempt interest.

Future Events

Tax legislation, administrative action taken by tax authorities, and court decisions, whether at the Federal or state level, may adversely affect the exclusion or inclusion, as applicable, from gross income of interest on the Bonds for Federal income tax purposes, or the exclusion of interest on and any gain realized on the sale of the Bonds under the existing New Jersey Gross Income Tax Act, and any such legislation, administrative action or court decisions could adversely affect the market price or marketability of the Bonds.

EACH PURCHASER OF THE BONDS SHOULD CONSULT HIS OR HER OWN ADVISOR REGARDING ANY CHANGES IN THE STATUS OF PENDING OR PROPOSED FEDERAL OR NEW JERSEY STATE TAX LEGISLATION, ADMINISTRATIVE ACTION TAKEN BY TAX AUTHORITIES, OR COURT DECISIONS.

ALL POTENTIAL PURCHASERS OF THE BONDS SHOULD CONSULT WITH THEIR TAX ADVISORS IN ORDER TO UNDERSTAND THE IMPLICATIONS OF THE CODE.

Proposals for Legislative Change

From time to time, there are Presidential proposals, proposals of various Federal committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the Federal and state tax matters referred to herein or adversely affect the marketability or market value of the Bonds or otherwise prevent holders of the Bonds from realizing, if applicable to the particular series, the full benefit of the tax exemption of interest on the Bonds. Further, such proposals may impact the marketability or market value of the Bonds simply by being proposed. Such legislation could adversely impact the marketability and market value of the Bonds and prevent certain bondholders (depending on the financial and tax circumstances of the particular bondholder) from realizing, if applicable to the particular series, the full benefit of the tax exemption of interest on the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted thereby.

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

Other Tax Consequences

Except as described above, Bond Counsel expresses no opinion with respect to any Federal, state, local or foreign tax consequences of ownership of the Bonds. Bond Counsel renders its opinion under existing statutes, regulations, rulings and court decisions as of the date of issuance of the Bonds and assumes no obligation to update its opinion after such date of issuance to reflect any future action, fact, circumstance, change in law or interpretation, or otherwise. Bond Counsel expresses no opinion as to the effect, if any, on the tax status of the interest on the Bonds paid or to be paid as a result of any action hereafter taken or not taken in reliance upon an opinion of other counsel.

See Appendix C for the complete text of the proposed form of Bond Counsel's legal opinion with respect to the Bonds.

Prospective purchasers of the Bonds should consult their tax advisors with respect to all tax consequences (including but not limited to those listed above) of holding the Bonds.

LITIGATION

To the knowledge of the Township's Solicitor, Niki Trunk, Esq. (the "Township Solicitor"), there is no litigation of any nature now pending or threatened, restraining or enjoining the issuance or the delivery of the Bonds, or the levy or the collection of taxes to pay the principal of or the interest on the Bonds, or in any manner questioning the authority or the proceedings for the issuance of the Bonds or for the levy or the collection of taxes to pay the principal of or the interest on the Bonds, or contesting the corporate existence or the boundaries of the Township or the title of any of the present officers. Moreover, to the knowledge of the Township Solicitor, no litigation is presently pending or threatened that, in the opinion of the Township Solicitor, would have a material adverse impact on the financial condition of the Township if adversely decided. A Certificate to such effect will be executed by the Township Solicitor and delivered to the Underwriter at the closing.

APPROVAL OF LEGAL PROCEEDINGS

All legal matters incident to the authorization, the issuance, the sale and the delivery of the Bonds are subject to the approval of Archer & Greiner P.C., Red Bank, New Jersey, Bond Counsel to the Township, whose approving legal opinion will be delivered with the Bonds substantially in the form set forth in Appendix C hereto. Certain legal matters will be passed on for the Township by its Township Attorney.

MUNICIPAL BANKRUPTCY

The undertakings of the Township should be considered with reference to 11 U.S.C. § 101 et seq., as amended and supplemented (the "Bankruptcy Code"), and other bankruptcy laws affecting creditors' rights and municipalities in general. The Bankruptcy Code permits the State or any political subdivision, public agency, or instrumentality that is insolvent or unable to meet its debts to commence a voluntary bankruptcy case by filing a petition with a bankruptcy court for the purpose of effecting a plan to adjust its debts; directs such a petitioner to file with the court a list of petitioner's creditors; provides that a petition filed under this chapter shall operate as a stay of the commencement or continuation of any judicial or other proceeding against the petitioner; grants priority to certain debts owed; and provides that the plan must be accepted in writing by or on behalf of creditors holding at least two-thirds in amount and more than one half in number of the allowed

claims of at least one (1) impaired class. The Bankruptcy Code specifically does not limit or impair the power of a state to control by legislation or otherwise, the procedures that a municipality must follow in order to take advantage of the provisions of the Bankruptcy Code.

The Bankruptcy Code provides that special revenue acquired by the debtor after the commencement of the case shall remain subject to any lien resulting from any security agreement entered into by such debtor before the commencement of such bankruptcy case. However, special revenues acquired by the debtor after commencement of the case shall continue to be available to pay debt service secured by those revenues. Furthermore, the Bankruptcy Code provides that a transfer of property of a debtor to or for the benefit of any holder of a bond or note, on account of such bond or note, may not be avoided pursuant to certain preferential transfer provisions set forth in such code.

Reference should also be made to N.J.S.A. 52:27-40 et seq., which provides that a local unit, including the Township, has the power to file a petition in bankruptcy with any United States court or court in bankruptcy under the provisions of the Bankruptcy Code, for the purpose of effecting a plan of readjustment of its debts or for the composition of its debts; provided, however, the approval of the Local Finance Board, as successor to the Municipal Finance Commission, must be obtained.

The Township has not authorized the filing of a bankruptcy petition. This reference to the Bankruptcy Code or the State statute should not create any implication that the Township expects to utilize the benefits of their provisions, or that if utilized, such action would be approved by the Local Finance Board, or that any proposed plan would include a dilution of the source of payment of and security for the Bonds, or that the Bankruptcy Code could not be amended after the date hereof.

CONTINUING DISCLOSURE

The Township has covenanted for the benefit of bondholders to provide certain financial information and operating data on the Township and to comply with the provisions of Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended and supplemented, and as detailed in a Continuing Disclosure Certificate (the "Certificate") to be executed on behalf of the Township by its Chief Financial Officer, in the form appearing in Appendix D hereto, such Certificate to be delivered concurrently with the delivery of the Bonds. This covenant is being made by the Township to assist the purchaser of the Bonds in complying with the Rule.

As described in this paragraph, the Township has failed to timely file certain secondary market disclosure pursuant to the Rule in connection with previous undertakings related to certain of its general obligation bonds. The Township failed to timely file its audited financial statements for the year ending 2014. A Failure to File notice has been posted. As of the date hereof, the Township is now in compliance in all material respects with its previous undertakings with regard to continuing disclosure for prior obligations issued.

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 (the "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 the 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.

UNDERWRITING

The Bonds are being purchased by Raymond James & Associates, Inc., New York, New York (the "Underwriter"). The Purchase Contract between the Township and the Underwriter for the Bonds (the "Bond Purchase Contract") provides that all of the Bonds will be purchased, if any are purchased. The purchase price for the Bonds is \$_____, which amount represents the par amount of the Bonds, plus an original issue premium of \$_____ and less an Underwriter's discount of \$_____. The obligation of the Underwriter to make such purchase is subject to the terms and conditions set forth in the Bond Purchase Contract. The Underwriter may, from time to time, change the initial offering yield of any maturities of the Bonds, as set forth on the inside front cover page of this Official Statement, without prior notice. In addition, the Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing the Bonds into investment trusts) and certain dealer banks and banks acting as agents at yields higher than the public offering yields stated on the inside front cover page hereof.

RATING

The Bonds have been assigned an underlying general obligation rating of "AA" by Standard & Poor Financial Services LLC ("S&P").

An explanation of the significance of such rating may be obtained only from S&P. The rating reflects only the views of S&P. Generally, rating agencies base their ratings upon information and materials provided to them and upon investigations, studies and assumptions by the particular rating agency. There can be no assurance that the rating will be maintained for any given period of time or that the rating may not be lowered or withdrawn entirely, if in S&P judgment, circumstances so warrant. Such action, any downward change in, or withdrawal of such rating, may have an adverse effect on the market price of the Bonds. Except as set forth in the Continuing Disclosure Certificate, the Township has not undertaken any responsibility after the issuance of the Bonds take any action with respect to any proposed rating change or to bring such rating change, if any, to the attention of the owners of the Bonds.

PREPARATION OF OFFICIAL STATEMENT

The firm of Bowman & Company, LLP, Woodbury and Voorhees, New Jersey, Certified Public Accountants and Registered Municipal Accountants, assisted in the preparation of information contained in this Official Statement, and takes responsibility for the unaudited and audited financial statements to the extent specified in the Accountants' Compilation Report and the Independent Auditor's Report.

All information has been obtained from sources which Bowman & Company, LLP considers to be reliable but it makes no warranty, guarantee or other representation with respect to the accuracy and completeness of such information.

The Municipal Advisor has not participated in the preparation or review of the information contained in this Official Statement, except as hereinafter noted, nor has it verified the accuracy, completeness or fairness thereof, and, accordingly, expresses no opinion or other assurance with respect thereto.

Archer & Greiner P.C., has not participated in the preparation of the financial or statistical information in this Official Statement, nor has it verified the accuracy, completeness or fairness thereof and, accordingly, expresses no opinion with respect thereto.

ADDITIONAL INFORMATION

Inquiries regarding this Official Statement, including requests for information additional to that contained herein, may be directed to Marie Stout, Chief Financial Officer, Township of Pilesgrove, 1180 Route 40 East, Pilesgrove, New Jersey 08098, (856) 769-4186 prompt 4.

FINANCIAL STATEMENTS

Appendix B contains 2018 compiled financial statements (unaudited) and audited financial statements for the years ended 2017, 2016, 2015, 2014 and 2013. The audited and financial data was extracted from the report prepared by Bowman & Company, LLP, Woodbury and Voorhees, New Jersey, (the "Auditor"), to the extent and for the period set forth in their report appearing in Appendix B to this Official Statement.

MISCELLANEOUS

This Official Statement is not to be construed as a contract or agreement between the Township and the purchasers or holders of any of the Bonds. Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as opinions and not as representations of fact. The information and expressions of opinion 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 have been no changes in the affairs in the Township since the date thereof. The information contained in this Official Statement is not guaranteed as to accuracy or completeness.

TOWNSHIP OF PILESGROVE,
IN THE COUNTY OF SALEM,
STATE OF NEW JERSEY

Marie Stout
Chief Financial Officer

Dated: July __, 2019

APPENDIX A

**CERTAIN GENERAL INFORMATION CONCERNING
THE TOWNSHIP OF PILESGROVE,
IN THE COUNTY OF SALEM, STATE OF NEW JERSEY**

GENERAL INFORMATION ON THE TOWNSHIP

History

Pilesgrove Township was named after Thomas Pile (also spelled Pyle) who purchased 10,000 acres of land from his friend Richard Gay in 1676. Pile expanded his holdings, known as Piles' Grove, to over 84,000 acres by the early 18th century. Piles' Grove was incorporated as a Municipality in 1706. The physical size of the Township was reduced to about 22,000 acres after the formation of Pittsgrove Township in 1769 and the establishment of the Borough of Woodstown in 1882.

Pilesgrove Township historically has been a rural community with a large farming industry. Residential development has taken place over the past 10 years, but development has slowed recently due to the housing market.

The population of the Township as of the 2010 census was 4,016 residents, up from the 2000 census population of 3,970.

Local Government

The Township government is based on the township committee form of government, which exercises legislative power in the Township. Committee members are elected on an at-large basis for staggered three-year terms. One member is elected each year. The Mayor is appointed annually by a majority of the Township Committee.

The day-to-day administrative duties are the responsibility of the Township Administrator, who is appointed by the Township Committee. To that end, the Township Administrator keeps the Township Committee informed as to the conduct of the Township affairs, the condition of the Township finances and the welfare and future needs of the Township.

The financial affairs of the Township are administered by the Chief Financial Officer, who reports to the Township Committee. With the Township Administrator, the Chief Financial Officer prepares the annual municipal budget, and then maintains it on a daily basis after adoption by the Township Committee. A five-year forecast, for both the operating and capital budgets, is used to assess the Township's future financial needs.

Business Management

The Mayor and Township Committee have taken an active role in the preparation and administration of the Township's annual operating and capital budgets. Joint purchasing agreements, use of state contract purchases, and the solicitation of competitive price proposals for a majority of purchases are just a few measures employed to reduce costs. User fees for Township services are continually examined and increased when needed, and an aggressive tax collection program contributes to the Township's financial well-being.

In addition, the Township has made use of shared services agreements with neighboring municipalities to control costs. The Pilesgrove Joint Municipal Court utilizes one judge and a single administrative and support staff to serve the Townships of Pilesgrove, Alloway and Upper Pittsgrove. The Township's unique relationship with the Borough of Woodstown, which is completely surrounded by the Township, encourages joint and/or shared services. The Township and the Borough share a common school district, fire company, home rehabilitation program and municipal alliance.

Fire Protection and Emergency Services

The Township shares the services of the Reliance Fire Company with the Borough of Woodstown. The Township contributes to the operating budget of the Fire Company and provides funding to the Company to facilitate capital purchases.

Police

The Township does not have a municipal police department. Police services are provided to the Township by the New Jersey State Police.

Public Works

The Township Public Works department strives to maintain roads in the Township in first class condition. The Public Works Department, with a full-time work force of 4, is headed by a Superintendent, and consists of a Road Department and a Solid Waste Department.

The Road Department is responsible for the maintenance of nearly 50 miles of Township roads, including minor road repairs, road signage, snow plowing and removal. The road department, while relatively small, is a well managed, efficient operation that operates within or under budget each year. A preventive maintenance and repair program greatly reduces the need for outside services.

The Solid Waste Department is responsible for the operation of the Township Convenience Center. The Township does not provide curb side pickup of trash and recyclables to residents. Residents use the Township Convenience Center for the disposal of trash and recyclable materials such as paper, cardboard and commingled glass and cans. Expanded recycling efforts and proactive monitoring at the Convenience Center have reduced trash disposal costs and even generated a revenue stream. In concert with dedicated neighborhood residents, civic groups and youth organizations, and making use of recycling and clean communities grant money provided by the State, the Solid Waste Department has been able to educate the community in matters of recycling and litter control. Each year sees increased participation in such events as the "Adopt a Road Program" and the "Clean Community Cleanup Day."

Parks and Recreation

Pilesgrove Township is the proud owner of the Marlton Park, a 65 acre site in the western portion of the Township. Marlton Park is an excellently maintained facility that is home to numerous athletic fields, including baseball, football, lacrosse, soccer and softball. In addition, there are two large pavilions for use by various community organizations. In 2008, state of the art playground equipment was added to the Park. There are also walking trails and exercise stations for use by the public. The Park is used for the annual Fourth of July celebration in the community, which culminates in a fireworks display. The local Rotary organization hosts the "Concert in the Park" series each summer, bringing in local bands for free concerts to the residents of the area.

In 2006, the Township added 84 acres of open space to Marlton Park with the purchase of adjacent land. To offset the cost of the purchase, in 2013 the Township partnered with the County of Salem and the Borough of Woodstown to use Green Acres funds to permanently preserve the property and provide adequate open space and recreation area for years to come.

The State Department of Environmental Protection, through the Green Acres Program, has acquired hundreds of acres of land in the Township, which is under the management of the State Division of Fish and Wildlife. These areas provide scenic, natural vistas for residents of the

Township to hike and observe a vast array of wildlife, including the habitat of the American Bald Eagle.

Sewer and Water Utilities

The Township of Pilesgrove does not provide any public water and sewer utilities. Limited areas of the Township that are adjacent to the Borough of Woodstown receive these services from the Borough.

Township Employees

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Permanent Employees	25	25	27	29	25
Part-time Employees	<u>9</u>	<u>9</u>	<u>8</u>	<u>12</u>	<u>12</u>
Total	<u>34</u>	<u>34</u>	<u>35</u>	<u>41</u>	<u>37</u>

With the exception of statutory tenured positions, all the employees of the Township are at-will employees, appointed annually by the governing body. There are no collective bargaining units or civil service employees in the Township.

Business and Industry

The Township's commercial base is centered at the major intersection of State Routes 40 and 45 in the Township. At this location is the Pilesgrove Town Center, which includes a major grocery food chain, a bank, a drug store and various other retail stores. In 2007, a Tractor Supply Store was added to this location.

A commercial redevelopment project on the northeast corner of this same intersection is planned for construction in 2019. Potential businesses include a medical arts buildings and additional retail units.

An important component of the Township's commercial base is the Cowtown Flea Market and Rodeo. The Flea Market is open two days a week, and brings shoppers into the Township from neighboring communities and as far away as Maryland and Delaware. The Cowtown Rodeo is the longest continually running rodeo in the nation, and is open each year May through September.

Community Development

While a significant portion of the Township has experienced residential development over the past decade, much of the Township remains rural in nature. There are approximately 1,400 housing units in the Township, and the percentage of owner occupied units in the Township is almost 89%. A 74 unit apartment complex was constructed in 2009, which consists of 1, 2 and 3 bedroom rental units.

Pilesgrove Township is a rural/agricultural community that is trying to preserve its unique characteristics. However, the Township supports commercial development that is commensurate with the needs of the Pilesgrove-Woodstown Community. The Township works diligently with developers and business owners to create a cooperative environment. The Township has an extensive Highway Commercial (HC) zone along Route 40 in the Township and recently created a Planned Light Industrial (PLI) overlay zone in the extreme western part of the Township to allow for the development of a major industrial park under a General Development Plan Ordinance.

Transportation and Infrastructure

Pilesgrove Township is located in the center of Salem County at its northern border. State Route 40 traverses the Township east to west; likewise, State Route 45 runs through the Township north to south. State Route 55 and Interstate 295 are easily accessed from the Township.

The New Jersey Transit system provides public bus transportation, and there is a County funded bus program for the elderly and disabled.

The Township's Capital Improvement Program has reinvested an average of \$150,000 a year for the last five years to provide a sound infrastructure. A regular resurfacing program is in place, guarantying that roadways will be maintained each year. Additionally, in 2015 and 2019, the Township applied for and was successful in obtaining New Jersey Department of Transportation Municipal Aid Grants in the amount of \$140,000 and \$160,000, funding the repaving of Township roads.

Township officials have played a significant role in the initiation of and planning for major revitalization and improvement of County roads within the Township. Intersection improvements are being completed, and the State has been proactive in the maintenance of their roadways within the Township.

TEN LARGEST NON-GOVERNMENTAL EMPLOYERS

Company	Nature of Business	Approximate Number of Employees
Acme Markets	Grocery Store	120
S J Transportation Co.	Trucking Company	82
R.E. Pierson Construction Co.	Construction	80
Wawa	Retail Shopping	60
East Coast Sod Co	Agriculture	51
Franklin Savings Bank	Banking	33
Wendy's Restaurant	Fast Food Restaurant	27
Cowtown Bawl	Shopping/Entertainment	20
Franklin Savings Bank	Banking	15
Tractor Supply Co.	Retail sales – farm & garden supplies	19
First National Bank of Elmer	Banking	7

Building, Zoning and Development Codes

The Township has established development regulations governing the size of lots for various types of construction. The land requirements are based on the type and nature of the building. The Township land use regulations conform to the State Municipal Land Use Law and Residential Site Improvement Standards.

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

The Township adopted its initial Land Use Ordinance in 1961. The Municipal Land Use Law gave the Township Zoning Board of Adjustment authority to regulate most land use other than family residential use. In this way, the Township is able to guide the approximate use or development of land to promote the public health, safety and general welfare. In 1999, the Township Zoning Board of Adjustment and the Township Planning Board were combined into a single entity.

Building Permits Issued (1)

<u>Year</u>	<u>Number of Permits Issued</u>	<u>Value of Construction</u>
2019(2)	120	\$2,644,874
2018	312	5,872,146
2017	349	7,813,421
2016	321	5,967,590
2015	481	9,882,520
2014	414	12,280,590

CERTAIN TAX INFORMATION TEN LARGEST TAXPAYERS(3)

<u>Name of Taxpayer</u>	<u>2019 Assessed Valuation</u>
Friends Home at Woodstown Inc	\$6,887,200
ASP Realty Inc.	5,228,100
Pilesgrove Solar LLC, Con Edison Development, Inc	3,593,700
Wawa Inc.	2,486,500
Barbich, Louis J ET AL Trustees	2,444,100
JRC Assets, LP	2,112,300
Franklins Savings Bank	1,936,600
Cowtown Bawl, Inc.	1,851,200
Pierson-Gaskill Golf Properties, Inc	1,820,000
Four Seasons Campground	1,530,400

GENERAL INFORMATION ON THE SCHOOL DISTRICT (4)

Primary and Secondary Education

As a type II district, the Board of Education of the Woodstown-Pilesgrove Regional ("School District") functions independently through an eleven-member Board, nine elected by the voters for alternate three year terms and two appointed by the sending districts on an annual basis.

The School District has a total of four facilities; one early childhood center, one elementary school, one middle school and one high school. See "Present School Facilities", Enrollment and Capacities" herein. Special education students are mainstreamed into the public school system.

Students from Alloway Township, Upper Pittsgrove Township and Oldman's Township attend the Woodstown-Pilesgrove Regional High School as sending district students.

(1) Source: Township Construction Official

(2) As of May 15, 2019

(3) Source: Township Tax Assessor

(4) Source: School District officials

**WOODSTOWN-PILESGROVE REGIONAL SCHOOL DISTRICT
ELEMENTARY/MIDDLE SCHOOL ENROLLMENTS (1)**

<u>Grade</u>	<u>2018</u>	<u>2017</u>	<u>OCTOBER 15, 2016</u>	<u>2015</u>	<u>2014</u>
Pre-K/Pre-School	32	41	28	38	45
K	94	100	102	103	83
1	93	85	88	72	78
2	81	88	72	74	60
3	85	70	73	60	69
4	69	76	62	65	73
5	73	75	63	75	73
6	68	65	73	72	73
7	72	78	73	74	84
8	79	79	77	83	76
Special Education	<u>128</u>	<u>131</u>	<u>118</u>	<u>140</u>	<u>135</u>
Totals	<u>874</u>	<u>888</u>	<u>829</u>	<u>856</u>	<u>849</u>

**WOODSTOWN-PILESGROVE REGIONAL SCHOOL DISTRICT
HIGH SCHOOL ENROLLMENTS (1)**

<u>Grade</u>	<u>2018</u>	<u>2017</u>	<u>OCTOBER 15, 2016</u>	<u>2015</u>	<u>2014</u>
9	124	116	130	139	129
10	110	129	131	120	147
11	126	134	113	152	156
12	136	115	156	157	147
Special Education	<u>106</u>	<u>99</u>	<u>104</u>	<u>103</u>	<u>105</u>
Totals	<u>602</u>	<u>593</u>	<u>634</u>	<u>671</u>	<u>684</u>

PRESENT SCHOOL FACILITIES AND CAPACITY (1)

<u>Name of School</u>	<u>Date Constructed</u>	<u>Renovations/ Additions</u>	<u>Grades</u>	<u>Enrollment</u>	<u>Functional</u>
				<u>October 15, 2018</u>	<u>Capacity</u>
William Roper Early Childhood Ctr.	2013		PreK/K	142	131
Mary S. Shoemaker Elementary	1958	1990	1-5	468	423
* Woodstown High/Middle School	1915/1950	2012 & 2014	6-12	866	1,035

* 1936/1949/ (Middle School Wing) 1950/1963/1984

EDUCATIONAL FACILITIES

Primary and secondary public educational facilities in the County include twenty-two elementary schools, six middle schools, five high schools, a special education school, and a vocational and technical school. Higher education consists of the Salem Community College in Carneys Point. In close proximity to the County are Rowen University, Rutgers - the State University - Camden Campus, University of Pennsylvania and the Wharton School of Business in Philadelphia, the University of Delaware, and Widener College. In addition, there is a Business/Industry Outreach Program which provides customized training, on-site training, and cooperative education to prospective and current employees, as well as companies.

(1) Source: School District officials

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.

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.

CURRENT TAX COLLECTIONS (1)

<u>Year</u>	<u>Total Levy</u>	<u>Collected in Year of Levy</u>		<u>Outstanding Dec. 31</u>	
		<u>Amount</u>	<u>Percentage</u>	<u>Amount</u>	<u>Percentage</u>
2018 (2)	\$14,406,262	\$13,777,246	95.63%	\$416,489	2.89%
2017	13,985,101	13,360,160	95.53	445,508	3.19
2016	13,390,540	12,830,936	95.82	478,703	3.57
2015	12,466,803	11,974,818	96.05	407,077	3.27
2014	12,064,132	11,587,812	96.05	383,319	3.18

DELINQUENT TAXES (1)

<u>Year</u>	<u>Outstanding Jan. 1</u>	<u>Added</u>	<u>Collected</u>		<u>Transferred To/From To Liens</u>	<u>Other Credits/ Adjustments</u>	<u>Outstanding Dec. 31</u>
			<u>Amount</u>	<u>Percentage</u>			
2018 (2)	\$445,568	\$250	\$401,569	90.07%	\$43,355	---	\$894
2017	478,711	---	454,305	94.90	24,346	---	60
2016	407,077	---	379,065	93.12	12	\$27,992	8
2015	383,569	---	383,569	100.00	---	---	0
2014	446,260	---	446,010	99.94	---	---	250

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

(2) Information from Annual Compiled Financial Statement

TAX TITLE LIENS (1)

<u>Year</u>	<u>Balance Jan. 1</u>	<u>Added by Sales and Transfers</u>	<u>Collected</u>	<u>Transfer to Taxes Receivable</u>	<u>Balance Dec. 31</u>
2018 (2)	\$320,377	\$161,584	\$75,700	---	\$406,261
2017	237,682	82,774	79	---	320,377
2016	212,806	24,876	---	---	237,682
2015	189,903	22,903	---	---	212,806
2014	167,855	22,048	---	---	189,903

FORECLOSED PROPERTY (1)

The Township has no foreclosed property on record for the years 2014-2018.

NET ASSESSED VALUATIONS AND ANNUAL TAX RATES (3)

<u>Year</u>	<u>Net Valuation Taxable</u>	<u>Tax Rate (4)</u>					
		<u>Total</u>	<u>County</u>	<u>County Open Space</u>	<u>Regional School</u>	<u>Municipal</u>	<u>Municipal Open Space</u>
2019	\$469,617,600	---	---	---	---	---	---
2018	474,152,800	\$3.028	\$1.083	\$.019	\$1.643	\$.253	\$.030
2017	476,005,000	2.929	1.040	.019	1.587	.253	.030
2016	474,752,200	2.810	.972	.019	1.546	.243	.030
2015	478,754,300	2.600	.893	.019	1.415	.243	.030
2014	481,080,200	2.504	.859	.019	1.354	.242	.030

RATIO OF ASSESSED VALUATION TO TRUE VALUE AND TRUE VALUE PER CAPITA (5)

<u>Year</u>	<u>Real Property Assessed Valuation</u>	<u>Percentage of True Value</u>	<u>True Value</u>	<u>True Value Per Capita(6)</u>
2019	\$469,617,600	103.34%	\$454,439,326	\$113,157
2018	474,152,800	107.01	443,092,047	110,332
2017	476,005,000	109.52	434,628,378	108,224
2016	474,752,200	109.52	433,484,478	107,939
2015	478,754,300	109.52	437,138,696	108,849

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

(2) Information from Annual Compiled Financial Statement

(3) Source: Township's Tax Collector

(4) Per \$100 of assessed valuation

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

(6) Based on 2010 Federal Census of 4,016

REAL PROPERTY CLASSIFICATION (1)

Year	Assessed Value		<u>Residential</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Apartment</u>	<u>Farm</u>
	<u>Land Use</u>	<u>Vacant</u>					
	<u>Improvements</u>	<u>Land</u>					
2019	\$469,617,600	\$8,055,700	\$332,783,400	\$49,469,400	---	\$7,466,300	\$71,842,800
2018	474,152,800	9,002,900	337,066,600	50,788,000	---	7,466,300	69,829,000
2017	476,005,000	8,974,700	339,005,600	50,484,300	---	7,466,300	70,074,100
2016	474,752,200	9,133,300	335,580,800	49,663,400	---	7,466,300	72,908,400
2015	478,754,300	9,409,300	337,353,500	51,200,100	---	7,466,300	73,325,100

(1) Source: Township's Tax Assessor

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

The following table summarizes the direct debt of the Township in accordance with the requirements of the Local Bond Law. The gross debt comprises short and long-term debt issued, including General debt and debt of the Regional School District. Deductions from gross debt to arrive at net debt include deductible school debt. The resulting net debt of \$4,255,900 represents 0.955% 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		Gross Debt	Deductions	Net Debt
	<u>Bonds</u>	<u>Notes</u>		<u>School Debt</u>	
General	\$ 3,307,000	\$ 948,900	\$ 4,255,900		\$ 4,255,900
School - Regional	12,097,351		12,097,351	\$ 12,097,351	-
	\$ 15,404,351	\$ 948,900	\$ 16,353,251	\$ 12,097,351	\$ 4,255,900

(1) As of December 31, 2018

Source: Township Auditor

DEBT RATIOS AND VALUATIONS(1)

Average of Equalized Valuations of Real Property with Improvements for 2016, 2017 and 2018	\$445,711,780
Statutory Net Debt as a Percentage of the Average of Equalized Valuations of Real Property with Improvements for 2016, 2017, and 2018	0.955%
2019 Net Valuation Taxable	\$469,617,600
2019 Equalized Valuation of Real Property and Taxable Personal Property Used in Communications	\$454,439,326
Gross Debt (2):	
As a percentage of 2019 Net Valuation Taxable	3.48%
As a percentage of 2019 Equalized Valuation of Real Property and Taxable Personal Property Used in Communications	3.60%
Net Debt (2):	
As a percentage of 2019 Net Valuation Taxable	0.91%
As a percentage of 2019 Equalized Valuation of Real Property and Taxable Personal Property Used in Communications	0.94%
Gross Debt Per Capita (3)	\$4,072
Net Debt Per Capita (3)	\$1,060

TOWNSHIP BORROWING CAPACITY(1)

3.5% of Averaged (2016-18) Equalized Valuation of Real Property including Improvements (\$445,711,780)	\$15,599,912
Net Debt	<u>4,255,900</u>
Remaining Borrowing Capacity	<u><u>\$11,344,012</u></u>

REGIONAL SCHOOL DISTRICT BORROWING CAPACITY (1)

4% of Average (2016-18) Equalized Valuation of Real Property including Improvements (\$713,552,932)	\$28,542,117
Regional School District Debt(4)	<u>19,367,000</u>
Remaining Borrowing Capacity	<u><u>\$9,175,117</u></u>

(1) As of December 31, 2018

(2) Excluding overlapping debt

(3) Based on 2010 Federal Census of 4,016

(4) Debt portion allocated to the Township is \$12,097,351

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

	DEBT ISSUED				Debt Auth. but not Issued
	<u>Debt Outstanding</u>	<u>Deductions</u>	<u>Net Debt Outstanding</u>	<u>Net Debt Outstanding Allocated to Issuer</u>	
County of Salem:					
General	\$ 42,055,000	\$ 2,415,000 (1)	\$ 39,640,000	\$3,500,212 (3)	\$ 364
Salem County Improvement Authority	8,362,453	8,362,453 (2)	-		
	\$ 50,417,453	\$ 10,777,453	\$ 39,640,000	\$3,500,212	\$ 364

-
- (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 8.83%.

**TOWNSHIP OF PILESGROVE
SCHEDULE OF TOWNSHIP DEBT SERVICE(1)
(BONDED DEBT ONLY)**

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 240,000.00	\$ 128,191.26	\$ 368,191.26
2020	250,000.00	119,791.26	369,791.26
2021	260,000.00	111,041.26	371,041.26
2022	270,000.00	101,941.26	371,941.26
2023	285,000.00	92,153.76	377,153.76
2024	295,000.00	81,466.26	376,466.26
2025	310,000.00	69,666.26	379,666.26
2026	325,000.00	57,266.26	382,266.26
2027	340,000.00	44,266.26	384,266.26
2028	355,000.00	30,666.26	385,666.26
2029	377,000.00	16,022.50	393,022.50
	<u>\$ 3,307,000.00</u>	<u>\$ 852,472.60</u>	<u>\$ 4,159,472.60</u>

(1) As of December 31, 2018

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

CURRENT FUND

Anticipated Revenues:	
Fund Balance	\$ 569,300.00
Miscellaneous Revenues:	
Local Revenues	112,000.00
State Aid without Offsetting Appropriations	444,126.00
Dedicated Uniform Construction Code Fees	75,000.00
Shared Service Agreements	45,000.00
Public and Private Programs Offset with Appropriations	14,696.94
Other Special Items	19,000.00
Receipts from Delinquent Taxes	440,000.00
Amount to be Raised by Taxation for Municipal Purposes	1,189,490.69
Total Appropriated Revenues	\$ 2,908,613.63
Appropriations:	
Within CAPS:	
Operations	\$ 1,230,748.00
Deferred Charges and Statutory Expenditures	115,629.00
Excluded from CAPS:	
Other Operations	18,567.31
Shared Service Agreements	45,000.00
Public and Private Programs	15,864.44
Capital Improvements	160,000.00
Debt Service	538,700.00
Reserve for Uncollected Taxes	784,104.88
Total Appropriations	\$ 2,908,613.63

**TOWNSHIP OF PILESGROVE
CAPITAL PROGRAM
PROJECTS SCHEDULED FOR THE YEARS 2019- 2021(1)**

	Estimated Total Cost	Capital Improvement Fund	Grants-in-Aid and Other Funds	Bonds and Notes General
Road Maintenance Program	\$ 135,000.00	\$ 135,000.00		
Technology Improvements	25,000.00	25,000.00		
	\$ 160,000.00	\$ 160,000.00	\$ -	\$ -

(1) Adopted May 14, 2019.

The Salem County Improvement Authority

The Salem County Improvement Authority ("SCIA") was created by a resolution of the County's Board on January 7, 1976. Under the State's Improvement Authority Act, the SCIA has the power, among other powers, to acquire, construct and equip any "public facility", and to issue its obligations to finance the construction or acquisition costs of such facilities. The SCIA is permitted under the Improvement Authority Act to lease such public facility which it acquires or constructs.

On April 9, 2008, the SCIA issued its Revenue Refunding Bonds of 2008 (Correctional Facility and Court House Annex) in the aggregate principal amount of \$3,780,000 ("2008 Refunding Bonds") to currently refund the SCIA's outstanding Revenue Bonds (Correctional Facility and Court House Annex Project, Refunding Series 1998) maturing in the years 2008 through 2019 and pay costs of issuance for the 2008 Refunding Bonds. The 2008 Refunding Bonds mature annually through 2019. As of December 31, 2018, \$1,860,000.00 remains outstanding.

On July 31, 2013, the SCIA issued its Revenue Refunding Bonds of 2013 (Correctional Facility and Court House Annex) in the aggregate principal amount of \$5,680,000 ("2013 Refunding Bonds") to currently refund the SCIA's outstanding Revenue Bonds (Correctional Facility and Court House Annex Project, Refunding Series 2003) maturing in the years 2014 through 2017 and pay costs of issuance for the 2013 Refunding Bonds. The 2013 Refunding Bonds mature annually through 2017.

Under the terms of the Lease, which terminates upon payment or retirement of all obligations issued by the SCIA in connection with the financing of the Project, as of December 31, 2018, the County will be obligated to pay a total of \$1,906,500 in principal and interest.

On July 19, 2007, the SCIA issued its City-Guaranteed Revenue Bonds (Finlaw State Office Building Project) Series 2007 in the aggregate principal amount of \$19,500,000 ("2007 Revenue Bonds") for the purpose of making a loan to Stand Up for Salem, Inc., a New Jersey not-for-profit corporation, for the construction of a five-story office building in the City of Salem, to house various State agencies and other entities and an adjacent parking facility to house approximately 275 spaces. The 2007 Revenue Bonds were issued as fixed rate bonds with a final maturity of August 15, 2038. As of December 31, 2018, \$18,445,000 of the 2007 Revenue Bonds remain outstanding. The County has no repayment obligation with respect to the 2007 Revenue Bonds.

On December 5, 2016 the Authority issued County Guaranteed Lease Revenue Refunding Bonds (County Glass Blowing Project) Series 2016 in the aggregate principal amount of \$1,380,000 to refinance the Capital Lease Revenue Bonds Series 2008B. As of December 31, 2018 \$1,345,000 remains outstanding. The 2016 Revenue Bonds are secured by a lease purchase agreement between the SCIA and the SCUA. The payment of the principal of and interest on such Revenue Bonds are secured by an unconditional guaranty of the County. Upon dissolution of the SCUA, as previously discussed, the annual lease payments are now funded by the "Landfill Operations Division" of the SCIA.

On March 18, 2009, the SCIA issued its Governmental Loan Revenue Bonds (County Capital Improvement and Equipment Project), Series 2009 ("2009 Revenue Bonds") in the aggregate principal amount of \$9,854,000 which are payable from and secured by loan payments received from the County. The 2009 Revenue Bonds were refunded, but \$455,000 remains outstanding as of December 31, 2018.

On August 30, 2016, the County issued its General Obligation Refunding Bonds, Series 2016 ("Bonds") in the aggregate principal amount of \$6,035,000 to advance refund the SCIA's outstanding Governmental Loan Revenue Bonds (County Capital Improvement and Equipment Project), Series 2009 maturing on March 15, 2020 through and including 2029 and pay certain

costs associated with the issuance of the Bonds. The 2016 Refunding Bonds mature annually through 2029. As of December 31, 2018, \$5,515,000 remains outstanding.

The Salem County Pollution Control Financing Authority

Created by a resolution of the Board adopted on March 6, 1974, the Salem County Industrial Pollution Control Financing Authority ("PCFA") serves as a tax-exempt financing vehicle for private industry or business located, or to be located, in the County.

The PCFA was established to benefit industrial organizations by issuing revenue bonds, the proceeds of which are to be used for constructing or improving the pollution control facilities situated in the County. Proceeds from the issuance of these types of bonds, generally, are subject to a lower cost of borrowing than for private sector entities. The PCFA does not become involved in the construction activities and is not responsible for the repayment of the issued and outstanding indebtedness. Debt service and the proceeds from the issuance of bonds for construction purposes are administered by an appointed trustee as defined in each trust indenture. As of January 31, 2018, there is approximately \$170,015,000 of such bonds outstanding. Neither the PCFA nor the County have any repayment obligation with respect to the Revenue Bonds.

APPENDIX B

**TOWNSHIP OF PILESGROVE,
IN THE COUNTY OF SALEM, STATE OF NEW JERSEY
2018 COMPILED FINANCIAL STATEMENTS (UNAUDITED) AND
AUDITED FINANCIAL STATEMENTS FOR THE YEARS ENDED
2017, 2016, 2015, 2014 AND 2013 FOR THE TOWNSHIP OF PILESGROVE,
IN THE COUNTY OF SALEM, STATE OF NEW JERSEY**

FOR THE YEAR ENDED 2018
COMPILED FINANCIAL STATEMENTS



INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

The Honorable Mayor and
Members of the Township Committee
Township of Pilesgrove
Pilesgrove, New Jersey 08098

Management is responsible for the accompanying financial statements of the Township of Pilesgrove, in the County of Salem, New Jersey, which comprise the statement of assets, liabilities, reserves and fund balance-- regulatory basis of the various funds as of December 31, 2018 and the related statements of operations and changes in fund balances-- regulatory basis for the year then ended, in accordance with accounting practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, and for determining that this regulatory basis of accounting is an acceptable financial reporting framework. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

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

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

Respectfully submitted,

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

/s/ Henry J. Ludwigsen
Certified Public Accountant
Registered Municipal Accountant

Woodbury, New Jersey
March 11, 2019

TOWNSHIP OF PILESGROVE
CURRENT FUND
STATEMENT OF ASSETS, LIABILITIES, RESERVES AND FUND BALANCE--REGULATORY BASIS
AS OF DECEMBER 31, 2018

ASSETS	
Cash and Cash Equivalents:	
Cash--Municipal Finance Officer	\$3,758,031
Change Funds	<u>450</u>
Total Cash and Cash Equivalents	<u>3,758,481</u>
Receivables and Other Assets with Full Reserves:	
Delinquent Property Taxes	417,383
Tax Title Liens Receivable	406,261
Revenue Accounts Receivable	11,500
Property Maintenance Liens Receivable	560
Interfunds Receivable:	
Trust Other Fund	35,181
Municipal Open Space Trust Fund	<u>4,601</u>
Total Receivables and Other Assets with Full Reserves	<u>875,486</u>
Due from State of New Jersey:	
Senior Citizens and Veterans Deductions	<u>1,750</u>
Total Current Fund	<u>4,635,717</u>
Federal and State Grant Fund:	
Due from Current Fund	29,233
Federal/State Grants Receivable	<u>9,737</u>
Total Federal and State Grant Fund	<u>38,970</u>
Total Assets	<u><u>\$4,674,687</u></u>

TOWNSHIP OF PILESGROVE
CURRENT FUND
STATEMENT OF ASSETS, LIABILITIES, RESERVES AND FUND BALANCE--REGULATORY BASIS
AS OF DECEMBER 31, 2018

LIABILITIES, RESERVES AND FUND BALANCE	
Appropriation Reserves	\$127,327
Other Liabilities and Reserves:	
Reserve for Encumbrances	45,268
Accounts Payable	1,415
Regional School District Taxes Payable	1,434,584
County Taxes Payable	17,743
Interfunds Payable	32,249
Prepaid Taxes	168,418
Tax Overpayments	50,247
Amount Due State of New Jersey:	
DCA Training Fees	557
Marriage License Fees	25
Reserve for Abandoned Property Fees	61,677
Reserve for Fire Safety Penalties and Fines	11,863
Reserve for Revaluation	7,774
Reserve for Master Plan Revision	573
Total Appropriation Reserves, Other Liabilities and Reserves	1,959,721
Reserve for Receivables and Other Assets	875,486
Fund Balance	1,800,510
Total Current Fund	4,635,717
Federal and State Grant Fund:	
Encumbrances Payable	1,779
Reserve for Grants: Appropriated	37,191
Total Federal and State Grant Fund	38,970
Total Liabilities, Reserves and Fund Balance	\$4,674,687

See Independent Accountant's Compilation Report and selected notes.

TOWNSHIP OF PILESGROVE
CURRENT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
OPERATING FUND--REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018

<hr/>	
Revenue and Other Income Realized:	
Receipts from Current Taxes	\$13,777,246
Receipts from Delinquent Taxes	<u>477,270</u>
Total Taxes	14,254,516
Miscellaneous Revenue Anticipated	770,110
Other Income	253,290
Fund Balance Utilized	<u>550,000</u>
Total Income	<u>15,827,916</u>
Expenditures:	
Budget Appropriations:	
Operating	1,316,935
Capital Improvements	160,000
Municipal Debt Service	537,535
Deferred Charges	111,118
County Taxes	5,241,304
Municipal Open Space Tax	142,735
Regional School District Tax	7,789,169
Other Expenditures	618
Creation of Reserve for Interfunds	<u>25,315</u>
Total Expenditures	<u>15,324,729</u>
Excess in Revenue	503,187
Fund Balance:	
Balance January 1	<u>1,847,323</u>
	2,350,510
Decreased by Utilization as Anticipated Revenue	<u>550,000</u>
Balance--December 31	<u><u>\$1,800,510</u></u>

See Independent Accountant's Compilation Report and selected notes.

TOWNSHIP OF PILESGROVE
TRUST FUNDS
STATEMENT OF ASSETS, LIABILITIES AND RESERVES--REGULATORY BASIS
AS OF DECEMBER 31, 2018

ASSETS

Cash and Cash Equivalents	\$778,578
Due from County of Salem	8,586
Interfunds Receivable	<u>2,490</u>
Total Assets	<u><u>\$789,654</u></u>

LIABILITIES AND RESERVES

Other Liabilities and Reserves:

Reserves:	
Animal Control Expenditures	\$384
Municipal Open Space - Future Use	403,453
Payroll Account	2,452
Other Reserves	<u>316,248</u>
Total Reserves	722,537
Accounts Payable	940
Interfunds Payable	<u>66,177</u>
Total Liabilities and Reserves	<u><u>\$789,654</u></u>

See Independent Accountant's Compilation Report and selected notes.

TOWNSHIP OF PILESGROVE
GENERAL CAPITAL FUND
STATEMENT OF ASSETS, LIABILITIES, RESERVES AND FUND BALANCE--REGULATORY BASIS
AS OF DECEMBER 31, 2018

ASSETS	
Cash	\$723,122
Grants-In-Aid Receivable	47,137
Due from Open Space Trust Fund	26,921
Deferred Charges to Future Taxation:	
Funded	3,307,000
Unfunded	948,900
	948,900
Total Assets	\$5,053,080
 LIABILITIES, RESERVES AND FUND BALANCE	
Bonds Payable	\$3,307,000
Bond Anticipation Notes Payable	948,900
Other Liabilities and Reserves:	
Reserve for Preliminary Expenses for Sewer Application	7,909
Reserve for Landfill Closure	350,000
Reserve for Road Equipment	8,170
Reserve for Preliminary Expenses for Appraisal	8,500
Capital Improvement Fund	20,001
Improvement Authorizations:	
Funded	93,943
Unfunded	303,445
Fund Balance	5,212
	5,212
Total Liabilities, Reserves and Fund Balance	\$5,053,080

See Independent Accountant's Compilation Report and selected notes.

TOWNSHIP OF PILESGROVE
Selected Information – Substantially All Disclosures Required
By the Regulatory Basis of Accounting Have Been Omitted
For the Year Ended December 31, 2018

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Financial Reporting Entity - The Township of Pilesgrove was incorporated on February 21, 1798 and is located in Salem County, New Jersey approximately thirty miles from the City of Philadelphia. According to the 2010 census, the population is 4,016.

The Township is governed under the Township Committee form of government, with a three-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 seat 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 Township had no component units as defined by Governmental Accounting Standards Board Statement No. 14, as amended by GASB Statements No. 39, No. 61 and No. 80.

Measurement Focus, Basis of Accounting and Financial Statement Presentation - The financial statements of the Township contain all funds 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.

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.

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

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

Budgets and Budgetary Accounting (Cont'd) - An extension of the statutory dates for introduction, approval and adoption of the municipal budget may be granted by the Director of the Division of Local Government Services, with the permission of the Local Finance Board.

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

Cash, Cash Equivalents and Investments - Cash and cash equivalents include petty cash, change funds and cash on deposit with public depositories. All certificates of deposit are recorded as cash regardless of the date of maturity. Investments are stated at cost; therefore, unrealized gains or losses on investments have not been recorded.

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

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

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

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

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

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.

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

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

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

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

Revenues - Revenues are recorded when received in cash except for certain amounts which are due from other governmental units. Revenue from federal and state grants 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 and open space budget, but also the amounts required in support of the budgets of the County of Salem and the Woodstown-Pilesgrove Regional 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 Woodstown-Pilesgrove Regional School District. Operations is charged for the Township's share of the amount required to be raised by taxation for the period from July 1 to June 30, increased by the amount deferred at December 31, 2016 and decreased by the amount deferred at December 31, 2017.

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

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 to the County for the year, based upon the ratables required to be certified to the County Board of Taxation by January 10 of the current year. In addition, operations is charged for the County share of added and omitted taxes certified to the County Board of Taxation by October 10 of the current year and due to be paid to the County by February 15 of the following year.

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

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

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

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

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

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.

Pensions - 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 fiduciary net position of the Police and Firemen's Retirement System (PFRS) and the Public Employees' Retirement System (PERS), and additions to/deductions from PFRS' and PERS' fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, 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.

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

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.

FOR THE YEARS ENDED 2017, 2016, 2015, 2014 AND 2013

AUDITED FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and
Members of the Township Committee
Township of Pilesgrove
Pilesgrove, New Jersey 08098

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 Pilesgrove, in the County of Salem, State of New Jersey, as of December 31, 2017, 2016, 2015, 2014 and 2013, 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 Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Adverse Opinion on 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 Pilesgrove, in the County of Salem, State of New Jersey, as of December 31, 2017, 2016, 2015, 2014 and 2013, 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 Pilesgrove, in the County of Salem, State of New Jersey, as of December 31, 2017, 2016, 2015, 2014 and 2013, and the results of its operations and changes in fund balance - regulatory basis of such funds for the years then ended, in conformity with accounting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, as described in note 1.

Respectfully submitted,

Bowman & Company LLP

BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants

Henry J. Ludwigsen

Henry J. Ludwigsen
Certified Public Accountant
Registered Municipal Accountant

Woodbury, New Jersey
June 29, 2018

TOWNSHIP OF PILESGROVE
CURRENT FUND
STATEMENTS OF ASSETS, LIABILITIES, RESERVES AND FUND BALANCE--
REGULATORY BASIS

	As of December 31				
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
ASSETS					
Cash	\$ 3,645,931	\$ 3,839,668	\$ 3,573,315	\$ 3,208,178	\$ 3,311,295
Federal and State Grants Receivable					
Receivables and other Assets					
with Full Reserves:					
Delinquent Property Taxes Receivable	445,568	478,711	407,077	383,569	446,260
Tax Title Liens Receivable	320,377	237,682	212,806	189,903	167,855
Revenue Accounts Receivable	12,750	26,502	31,174	39,689	27,914
Property Maintenance Liens Receivable	560	560			
Interfunds Receivable	50,902	30,880	37,283	36,669	37,577
	<u>\$ 4,476,088</u>	<u>\$ 4,614,003</u>	<u>\$ 4,261,656</u>	<u>\$ 3,858,007</u>	<u>\$ 3,990,901</u>
LIABILITIES, RESERVES AND FUND BALANCE					
Appropriation Reserves	\$ 203,575	\$ 200,639	\$ 160,420	\$ 150,812	\$ 162,663
Reserve for Encumbrances	35,082	53,127	56,659	52,129	54,426
Accounts Payable	2,125				
Interfunds Payable	102,498	130,052	167,587	33,427	522,963
Special Emergency Note Payable					
Reserve for Federal and State Grants	36,073	30,577	36,563	36,669	37,395
Regional District School Tax Payable	775,476	1,436,363	1,015,928	907,140	625,631
Reserve for Revaluation and Master Plan	8,346	8,346	8,346	8,346	8,346
Reserve for Garden State Preservation					
Reserve for Abandoned Property Fees	30,864	5,500			
Prepaid Taxes	615,377	181,540	168,315	128,108	192,790
Tax Overpayments	9,690	11,612	1,050	8,327	27,578
Due to State of New Jersey	1,743	1,397	1,886	3,004	984
Due to County for Added or Omitted Taxes	15,444				12,272
Reserve for Receivables and Other Assets	792,472	728,046	635,648	597,251	626,802
Fund Balance	<u>1,847,323</u>	<u>1,826,804</u>	<u>2,009,253</u>	<u>1,932,795</u>	<u>1,719,050</u>
	<u>\$ 4,476,088</u>	<u>\$ 4,614,003</u>	<u>\$ 4,261,656</u>	<u>\$ 3,858,007</u>	<u>\$ 3,990,901</u>

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

TOWNSHIP OF PILESGROVE
CURRENT FUND
STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE--
REGULATORY BASIS

	For the Years Ended December 31				
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Revenue Realized:					
Current Tax Collections	\$ 13,360,160	\$ 12,830,936	\$ 11,974,818	\$ 11,587,812	\$ 11,186,270
Delinquent Tax Collections	454,633	379,315	383,818	446,510	435,210
Total Taxes	13,814,794	13,210,250	12,358,637	12,034,323	11,621,480
Miscellaneous Revenues Anticipated	820,502	757,612	773,468	755,852	720,003
Non-Budget and Other Income	256,989	210,996	206,722	205,215	432,675
Fund Balance Utilized	530,350	530,500	360,240	362,950	523,500
Total Income	15,422,635	14,709,359	13,699,067	13,358,339	13,297,658
Expenditures and Encumbrances:					
Operating	1,347,374	1,298,553	1,241,075	1,228,846	1,229,526
Capital Improvements	126,320	200,000	200,000	150,000	25,000
Debt Service	505,011	532,405	431,536	410,576	462,095
Deferred Charges					661
Judgements					66,667
Social Security and Unemployment Compensation	112,880	104,752	100,894	97,573	89,725
Local Open Space Tax	143,248	142,963	143,849	144,538	146,362
Regional District School Tax	7,554,864	7,342,331	6,776,469	6,513,850	6,160,015
County Taxes	5,053,113	4,719,241	4,368,297	4,224,915	4,287,179
Other Expenditures	28,956	21,063	250	11,346	1,250
Total Expenditures and Encumbrances	14,871,766	14,361,307	13,262,369	12,781,643	12,468,480
Excess in Revenues	550,869	348,052	436,697	576,695	829,178
Fund Balance, January 1	1,826,804	2,009,253	1,932,795	1,719,050	1,413,372
	2,377,673	2,357,304	2,369,493	2,295,745	2,242,550
Decreased by:					
Utilized as Revenue	530,350	530,500	360,240	362,950	523,500
Fund Balance December 31	\$ 1,847,323	\$ 1,826,804	\$ 2,009,253	\$ 1,932,795	\$ 1,719,050

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

TOWNSHIP OF PILESGROVE
GENERAL CAPITAL FUND
STATEMENTS OF ASSETS, LIABILITIES, RESERVES AND FUND BALANCE--
REGULATORY BASIS

	As of December 31				
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
ASSETS					
Cash and Investments	\$ 729,239	\$ 783,737	\$ 672,596	\$ 891,381	\$ 451,414
Deferred Charges to Future Taxation:					
Funded	3,537,000	3,762,000	3,977,000	4,187,000	4,392,000
Unfunded	1,171,900	1,365,200	1,595,200	1,295,000	2,322,500
Grant Receivable	47,137	47,137			
Interfunds Receivable	26,921	130,684	137,853	4,453	485,154
	<u>\$ 5,512,197</u>	<u>\$ 6,088,758</u>	<u>\$ 6,382,649</u>	<u>\$ 6,377,833</u>	<u>\$ 7,651,068</u>
LIABILITIES, RESERVES AND FUND BALANCE					
Bond Anticipation Notes	\$ 1,171,900	\$ 1,365,200	\$ 1,167,700	\$ 1,295,000	\$ 2,322,500
General Obligation Bonds Payable	3,537,000	3,762,000	3,977,000	4,187,000	4,392,000
Improvement Authorizations:					
Funded	100,060	62,295	95,538	110,122	135,274
Unfunded	303,445	303,445	685,659	258,159	262,872
Capital Improvement Fund	20,001	73,681	73,681	96,181	99,187
Reserve for Encumbrances		142,345	4,450	52,750	11,825
Reserve for Preliminary Expenses for Appraisal	8,500	8,500	8,500	8,500	8,500
Reserve for Preliminary Expenses for Sewer Application	7,909	7,909	7,909	7,909	7,909
Reserve for Landfill Closure	350,000	350,000	350,000	350,000	350,000
Reserve for Road Equipment	8,170	8,170	7,000	7,000	7,000
Fund Balance	5,212	5,212	5,212	5,212	54,000
	<u>\$ 5,512,197</u>	<u>\$ 6,088,758</u>	<u>\$ 6,382,649</u>	<u>\$ 6,377,833</u>	<u>\$ 7,651,068</u>

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

TOWNSHIP OF PILESGROVE
TRUST FUND
STATEMENTS OF ASSETS, LIABILITIES, RESERVES AND FUND BALANCE--
REGULATORY BASIS

	As of December 31				
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
ASSETS					
Cash	\$ 737,898	\$ 780,931	\$ 707,586	\$ 823,432	\$ 2,052,922
Due from the County of Salem	12,880	17,173	21,466	25,759	30,053
Other Accounts Receivable					500
Due from Payroll to Unemployment	1,410				
Interfunds Receivable	67,836				414
	<u>\$ 820,024</u>	<u>\$ 798,104</u>	<u>\$ 729,052</u>	<u>\$ 849,192</u>	<u>\$ 2,083,888</u>
LIABILITIES, RESERVES AND FUND BALANCE					
Interfund Loans Payable	\$ 26,921	\$ 24,821			\$ 182
Due Unemployment from Payroll	1,410				
Other Liabilities and Special Funds	791,693	773,283	\$ 729,052	\$ 849,192	2,083,706
	<u>\$ 820,024</u>	<u>\$ 798,104</u>	<u>\$ 729,052</u>	<u>\$ 849,192</u>	<u>\$ 2,083,888</u>

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

TOWNSHIP OF PILESGROVE
Notes to Financial Statements
For the Year Ended December 31, 2017

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Financial Reporting Entity - The Township of Pilesgrove was incorporated on February 21, 1798 and is located in Salem County, New Jersey approximately thirty miles from the City of Philadelphia. According to the 2010 census, the population is 4,016.

The Township is governed under the Township Committee form of government, with a three-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 seat 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 Township had no component units as defined by Governmental Accounting Standards Board Statement No. 14, as amended by GASB Statements No. 39, No. 61 and No. 80.

Measurement Focus, Basis of Accounting and Financial Statement Presentation - The financial statements of the Township contain all funds 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.

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.

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

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

Budgets and Budgetary Accounting (Cont'd) - An extension of the statutory dates for introduction, approval and adoption of the municipal budget may be granted by the Director of the Division of Local Government Services, with the permission of the Local Finance Board.

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

Cash, Cash Equivalents and Investments - Cash and cash equivalents include petty cash, change funds and cash on deposit with public depositories. All certificates of deposit are recorded as cash regardless of the date of maturity. Investments are stated at cost; therefore, unrealized gains or losses on investments have not been recorded.

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

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

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

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

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

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.

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

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

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

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

Revenues - Revenues are recorded when received in cash except for certain amounts which are due from other governmental units. Revenue from federal and state grants 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 and open space budget, but also the amounts required in support of the budgets of the County of Salem and the Woodstown-Pilesgrove Regional 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 Woodstown-Pilesgrove Regional School District. Operations is charged for the Township's share of the amount required to be raised by taxation for the period from July 1 to June 30, increased by the amount deferred at December 31, 2016 and decreased by the amount deferred at December 31, 2017.

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

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 to the County for the year, based upon the ratables required to be certified to the County Board of Taxation by January 10 of the current year. In addition, operations is charged for the County share of added and omitted taxes certified to the County Board of Taxation by October 10 of the current year and due to be paid to the County by February 15 of the following year.

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

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

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

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

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

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.

Pensions - 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 fiduciary net position of the Police and Firemen's Retirement System (PFRS) and the Public Employees' Retirement System (PERS), and additions to/deductions from PFRS' and PERS' fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, 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.

Note 2: CASH AND CASH EQUIVALENTS

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

As of December 31, 2017, the Township's bank balances of \$4,979,638.16 were exposed to custodial credit risk as follows:

Insured by FDIC and GUDPA	\$ 4,906,397.12
Uninsured and Uncollateralized	<u>73,241.04</u>
Total	<u><u>\$ 4,979,638.16</u></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>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Tax Rate	\$ 2.929	\$ 2.810	\$ 2.600	\$ 2.504	\$ 2.414
Apportionment of Tax Rate:					
Municipal	0.253	0.243	0.243	0.242	0.233
County	1.040	0.972	0.893	0.859	0.863
County Open Space	0.019	0.019	0.019	0.019	0.019
Municipal Open Space	0.030	0.030	0.030	0.030	0.030
Regional School	1.587	1.546	1.415	1.354	1.269

Assessed Valuation

<u>Year</u>	<u>Amount</u>
2017	\$ 476,005,000.00
2016	474,752,200.00
2015	478,754,300.00
2014	481,080,200.00
2013	486,493,799.00

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>
2017	\$ 13,985,100.91	\$ 13,360,160.48	95.53%
2016	13,390,540.18	12,830,935.61	95.82%
2015	12,466,803.05	11,974,818.41	96.05%
2014	12,064,132.42	11,587,812.16	96.05%
2013	11,747,552.49	11,186,270.37	95.22%

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>
2017	\$ 320,377.33	\$ 445,568.03	\$ 765,945.36	5.48%
2016	237,682.31	478,710.83	716,393.14	5.35%
2015	212,805.72	407,077.40	619,883.12	4.97%
2014	189,902.72	383,568.67	573,471.39	4.75%
2013	167,854.60	446,260.40	614,115.00	5.23%

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>
2017	32
2016	23
2015	17
2014	17
2013	17

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>
2017	None
2016	None
2015	None
2014	None
2013	None

Note 5: 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:

<u>Current Fund</u>		<u>Utilized</u>	<u>Percentage of</u>
<u>Year</u>	<u>Balance</u>	<u>In Budget of</u>	<u>Fund Balance</u>
	<u>December 31</u>	<u>Succeeding Year</u>	<u>Used</u>
2017	\$ 1,847,323.46	\$ 550,000.00	29.77%
2016	1,826,804.15	530,350.00	29.03%
2015	2,009,252.62	530,500.00	26.40%
2014	1,932,795.15	360,240.00	18.64%
2013	1,719,050.00	362,950.01	21.11%

Note 6: 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, 2017:

<u>Fund</u>	<u>Interfunds</u>	<u>Interfunds</u>
	<u>Receivable</u>	<u>Payable</u>
Current Fund	\$ 14,466.59	\$ 102,498.16
Federal and State Grant Fund	30,463.30	
General Capital Fund	26,921.00	
Trust - Municipal Open Space Fund	67,836.48	26,921.00
Trust - Other Fund		10,268.21
	<u>\$ 139,687.37</u>	<u>\$ 139,687.37</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 2018, the Township expects to liquidate such interfunds, depending upon the availability of cash flow.

Note 7: PENSION PLANS

A substantial number of the Township's employees participate in the Public Employees' Retirement System ("PERS"), a defined benefit pension plan which is administered by the New Jersey Division of Pensions and Benefits. In addition, several Township employees participate in the Defined Contribution Retirement Program ("DCRP"), which is a defined contribution pension plan. This plan is administered by Prudential Financial for the New Jersey Division of Pensions and Benefits. Each plan has a Board of Trustees that is primarily responsible for its administration. The Division issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to:

State of New Jersey
Division of Pensions and Benefits
P.O. Box 295
Trenton, New Jersey 08625-0295
<http://www.state.nj.us/treasury/pensions/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's designated purpose is to provide retirement, death, disability and medical benefits to certain qualified members. Membership in the PERS is mandatory for substantially all full-time employees of the Township, provided the employee is not required to be a member of another state-administered retirement system or other state pensions fund or local jurisdiction's pension fund. The PERS's Board of Trustees is primarily responsible for the administration of the PERS.

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 PERS 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.

Note 7: PENSION PLANS (CONT'D)**General Information about the Pension Plans (Cont'd)****Vesting and Benefit Provisions**

Public Employees' Retirement System - The vesting and benefit provisions are set by N.J.S.A. 43:15A and 43:3B. The PERS provides retirement, death and disability benefits. All benefits vest after 10 years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of the PERS.

The following represents the membership tiers for PERS:

Tier Definition

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

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

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.

Note 7: **PENSION PLANS (CONT'D)**

General Information about the Pension Plans (Cont'd)

Contributions

Public Employees' Retirement System - The contribution policy is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. Members contribute at a uniform rate. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years beginning in July 2012. The member contribution rate was 7.20% in State fiscal year 2017. The phase-in of the additional incremental member contribution rate takes place in July of each subsequent State fiscal year. The rate for members who are eligible for the Prosecutors Part of PERS (Chapter 366, P.L. 2001) was 10% in State fiscal year 2017. 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, 2017 was 13.84% 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.

Based on the most recent PERS measurement date of June 30, 2017, the Township's contractually required contribution to the pension plan for the year ended December 31, 2017 is \$61,118.00, and is payable by April 1, 2018. 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, 2016, the Township's contractually required contribution to the pension plan for the year ended December 31, 2016 was \$56,330.00, which was paid on April 1, 2017. Employee contributions to the plan during the year ended December 31, 2017 were \$32,435.10.

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, 2017, employee contributions totaled \$2,022.35 and the Township's contributions were \$1,275.96. There were no forfeitures during the year.

Note 7: PENSION PLANS (CONT'D)**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - PERS Only**

At December 31, 2017, the Township's proportionate share of the net pension liability was \$1,535,773.00. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. 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, 2017. 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, 2017 measurement date, the Township's proportion was .0065974146%, which was an increase of .0002567003% from its proportion measured as of June 30, 2016.

At December 31, 2017, the Township's proportionate share of the pension expense, calculated by the Plan as of the June 30, 2017 measurement date is \$131,785.00. 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, 2017, the Township's contribution to PERS was \$56,330.00, and was paid on April 1, 2017.

Deferred Outflows of Resources and Deferred Inflows of Resources - At December 31, 2017, 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
Differences between Expected and Actual Experience	\$ 36,162.00	\$ -
Changes of Assumptions	309,405.00	308,271.00
Net Difference between Projected and Actual Earnings on Pension Plan Investments	10,458.00	-
Changes in Proportion and Differences between Township Contributions and Proportionate Share of Contributions	91,423.00	7,469.00
Township Contributions Subsequent to the Measurement Date	30,559.00	-
	<u>\$ 478,007.00</u>	<u>\$ 315,740.00</u>

\$30,559.00 included in deferred outflows of resources, will be included as a reduction of the net pension liability in the year ending December 31, 2018. This amount is based on an estimated April 1, 2019 contractually required contribution, prorated from the pension plans measurement date of June 30, 2017 to the Township's year end of December 31, 2017.

Note 7: **PENSION PLANS (CONT'D)****Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - PERS Only (Cont'd)**

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Experience		
Year of Pension Plan Deferral:		
June 30, 2014	-	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
June 30, 2017	5.48	-
Changes of Assumptions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
June 30, 2017	-	5.48
Net Difference between Projected and Actual Earnings on Pension Plan Investments		
Year of Pension Plan Deferral:		
June 30, 2014	-	5.00
June 30, 2015	-	5.00
June 30, 2016	5.00	-
June 30, 2017	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
June 30, 2015	5.72	5.72
June 30, 2016	5.57	5.57
June 30, 2017	5.48	5.48

Note 7: PENSION PLANS (CONT'D)**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - PERS Only (Cont'd)**

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

Year Ending Dec 31,	
2018	\$ 57,167.00
2019	75,570.00
2020	54,527.00
2021	(28,409.00)
2022	(27,147.00)
	<u>\$ 131,708.00</u>

Actuarial Assumptions - PERS Only

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. 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, 2017. This actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

Inflation Rate	2.25%
Salary Increases:	
Through 2026	1.65% - 4.15% Based on Age
Thereafter	2.65% - 5.15% Based on Age
Investment Rate of Return	7.00%
Mortality Rate Table	RP-2000
Period of Actuarial Experience Study upon which Actuarial Assumptions were Based	July 1, 2011 - June 30, 2014

Note 7: PENSION PLANS (CONT'D)**Actuarial Assumptions - PERS Only (Cont'd)**

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 plan actuary's modified MP-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 and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. 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).

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2017) 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 target asset allocation as of June 30, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute Return/Risk Mitigation	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
Public 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 Estate	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>	

Note 7: PENSION PLANS (CONT'D)

Actuarial Assumptions - PERS Only (Cont'd)

Discount Rate - The discount rate used to measure the total pension liability at June 30, 2017 was 5.00%. The respective single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.58% as of June 30, 2017, 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 40% 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 2040. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liabilities.

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

The following presents the Township's proportionate share of the net pension liability at June 30, 2017, the plans measurement date, calculated using a discount rate of 5.00%, 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:

	1% Decrease (4.00%)	Current Discount Rate (5.00%)	1% Increase (6.00%)
Township's Proportionate Share of the Net Pension Liability	<u>\$ 1,905,230.00</u>	<u>\$ 1,535,773.00</u>	<u>\$ 1,227,969.00</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 PERS and additions to/deductions from PERS' fiduciary net position have been determined on the same basis as they are reported by PERS. 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, please refer to the plan's Comprehensive Annual Financial Report (CAFR) which can be found at <http://www.state.nj.us/treasury/pensions/financial-reports.shtml>.

Note 7: **PENSION PLANS (CONT'D)**

Supplementary Pension Information

In accordance with GASB 68, the following information is also presented for the PERS Pension 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 Township's Proportionate Share of the Net Pension Liability - Public Employees' Retirement System (PERS) (Last Five Years)

	<u>Measurement Date Ended June 30,</u>		
	<u>2017</u>	<u>2016</u>	<u>2015</u>
Township's Proportion of the Net Pension Liability	0.0065974146%	0.0063407143%	0.0060777093%
Township's Proportionate Share of the Net Pension Liability	\$ 1,535,773.00	\$ 1,877,938.00	\$ 1,364,324.00
Township's Covered Payroll (Plan Measurement Period)	\$ 457,068.00	\$ 436,192.00	\$ 419,252.00
Township's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	336.01%	430.53%	325.42%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	48.10%	40.14%	47.93%
	<u>Measurement Date Ended June 30,</u>		
	<u>2014</u>	<u>2013</u>	
Township's Proportion of the Net Pension Liability	0.0059445484%	0.0060476755%	
Township's Proportionate Share of the Net Pension Liability	\$ 1,112,982.00	\$ 1,155,831.00	
Township's Covered Payroll (Plan Measurement Period)	\$ 411,096.00	\$ 417,172.00	
Township's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	270.74%	277.06%	
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	52.08%	48.72%	

Notes to Financial Statements (Cont'd)

Note 7: **PENSION PLANS (CONT'D)**

Supplementary Pension Information (Cont'd)

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

	Year Ended December 31,		
	<u>2017</u>	<u>2016</u>	<u>2015</u>
Township's Contractually Required Contribution	\$ 61,118.00	\$ 56,330.00	\$ 52,252.00
Township's Contribution in Relation to the Contractually Required Contribution	<u>(61,118.00)</u>	<u>(56,330.00)</u>	<u>(52,252.00)</u>
Township's Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Township's Covered Payroll (Calendar Year)	\$ 441,614.00	\$ 453,620.00	\$ 438,053.00
Township's Contributions as a Percentage of Covered Payroll	13.84%	12.42%	11.93%
	Year Ended December 31,		
	<u>2014</u>	<u>2013</u>	
Township's Contractually Required Contribution	\$ 49,006.00	\$ 45,568.00	
Township's Contribution in Relation to the Contractually Required Contribution	<u>(49,006.00)</u>	<u>(45,568.00)</u>	
Township's Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	
Township's Covered Payroll (Calendar Year)	\$ 419,252.00	\$ 405,970.00	
Township's Contributions as a Percentage of Covered Payroll	11.69%	11.22%	

Note 7: PENSION PLANS (CONT'D)**Other Notes to Supplementary Pension Information*****Public Employees' Retirement System (PERS)***

Changes in Benefit Terms - None

Changes in Assumptions - For 2017, the discount rate changed to 5.00% and the long-term rate of return changed to 7.00%. For 2016, the discount rate changed to 3.98%, the long-term expected rate of return changed to 7.65% from 7.90%, 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 discount rate changed to 4.90%. In addition, 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. For 2014, the discount rate was 5.39%.

Note 8: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

Plan Description - The Township contributes to the State Health Benefits Program ("SHBP"), a cost-sharing, multiple-employer defined benefit post-employment healthcare plan, administered by the State of New Jersey Division of Pensions and Benefits. SHBP was established in 1961 under N.J.S.A. 52:14-17.25 et seq., to provide health benefits to State employees, retirees, and their dependents. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. SHBP provides medical, prescription drugs, mental health/substance abuse, and Medicare Part B reimbursement to retirees and their covered dependents.

The SHBP was extended to employees, retirees, and dependents of participating local public employers in 1964. Local employers must adopt a resolution to participate in the SHBP. The Township provides postemployment health care benefits, at its cost, to all Township retirees who at the date of retirement have not less than twenty-five (25) years of service credit in a State locally administered retirement system and have served at least twenty (20) years as an employee of the Township. Benefits provided include health insurance, dental coverage, and prescription coverage for retirees and their dependents only during the retired employees' life.

The State Health Benefits Commission is the executive body established by statute to be responsible for the operation of the SHBP. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for the SHBP. That report may be obtained by writing to: State of New Jersey Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295 or by visiting their website at www.state.nj.us/treasury/pensions/.

Funding Policy - Participating employers are contractually required to contribute based on the amount of premiums attributable to their retirees. Post-retirement medical benefits under the plan have been funded on a pay-as-you-go basis since 1994. Prior to 1994, medical benefits were funded on an actuarial basis.

Contributions to pay for the health premiums of participating retirees in the SHBP are billed to the Township on a monthly basis. The Township funds these benefits on a pay-as-you-go basis and, therefore, does not record accrued expenses related to these benefits. The Township's contributions to SHBP for the years ended December 31, 2017, 2016, and 2015, were \$0.00, \$0.00, and \$0.00, respectively, which equaled the required contributions each year. There were no retired participants eligible at December 31, 2017.

Note 9: LEASE OBLIGATIONS

At December 31, 2017, the Township had operating lease agreements in effect for the rental of a postage meter and a copier. Future minimum rental payments under operating lease agreements are as follows:

<u>Year</u>	<u>Amount</u>
2018	\$ 2,231.40
2019	1,421.40
2020	575.70
	<u>\$ 4,228.50</u>

Rental payments under operating leases for the year 2017 were \$2,231.41.

Note 10: CAPITAL DEBT

General Obligation Bonds

General Obligation Bonds, Series 2009 - On August 25, 2009, the Township issued \$5,172,000.00 of general obligation bonds, with a net interest cost of 3.5119%. The bonds were issued for the purpose of funding various capital projects in the Township. The final maturity of the bonds is August 15, 2029.

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

<u>Year</u>	<u>General</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2018	\$ 184,684.84	\$ 109,398.68	\$ 294,083.52
2019	192,714.62	102,934.71	295,649.33
2020	200,744.39	96,189.70	296,934.09
2021	208,774.17	89,163.64	297,937.81
2022	216,803.94	81,856.55	298,660.49
2023-2027	1,248,630.12	276,881.76	1,525,511.88
2028-2029	587,779.58	37,490.03	625,269.61
	<u>\$ 2,840,131.66</u>	<u>\$ 793,915.07</u>	<u>\$ 3,634,046.73</u>

<u>Year</u>	<u>Open Space</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2018	\$ 45,315.16	\$ 26,842.58	\$ 72,157.74
2019	47,285.38	25,256.55	72,541.93
2020	49,255.61	23,601.56	72,857.17
2021	51,225.83	21,877.62	73,103.45
2022	53,196.06	20,084.71	73,280.77
2023-2027	306,369.88	67,937.04	374,306.92
2028-2029	144,220.42	9,198.73	153,419.15
	<u>\$ 696,868.34</u>	<u>\$ 194,798.79</u>	<u>\$ 891,667.13</u>

Note 10: CAPITAL DEBT (CONT'D)

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>Issued:</u>			
General:			
Bonds and Notes	\$ 4,708,900.00	\$ 5,127,200.00	\$ 5,144,700.00
<u>Authorized but Not Issued:</u>			
General:			
Bonds and Notes	-	-	427,500.00
<hr/>			
Total Issued and Authorized but Not Issued	4,708,900.00	5,127,200.00	5,572,200.00
<hr/>			
<u>Deductions:</u>			
Reserve for Payment of Debt	-	-	-
<hr/>			
Net Debt	\$ 4,708,900.00	\$ 5,127,200.00	\$ 5,572,200.00
<hr/> <hr/>			

Summary of Statutory Debt Condition - Annual Debt Statement

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicated a statutory net debt of 1.074%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
General	\$ 4,708,900.00		\$ 4,708,900.00
Regional School District	12,571,692.27	\$ 12,571,692.27	-
<hr/>			
	\$ 17,280,592.27	\$ 12,571,692.27	\$ 4,708,900.00
<hr/> <hr/>			

Net Debt \$4,708,900.00 divided by the Equalized Valuation Basis per N.J.S.A.40A:2-2 as amended, \$438,482,029.33 equals 1.074%.

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

3 1/2% of Equalized Valuation Basis (Municipal)	\$ 15,346,871.03
Net Debt	<u>4,708,900.00</u>
Remaining Borrowing Power	<u>\$ 10,637,971.03</u>

Note 11: SCHOOL TAXES

Woodstown-Piles Grove Regional School Tax has been raised and the liability deferred by statutes, resulting in the school tax payable set forth in the current fund liabilities as follows:

	<u>Balance Dec. 31,</u>	
	<u>2017</u>	<u>2016</u>
Regional District School Tax:		
Balance of Tax	\$ 3,235,475.76	\$ 3,896,363.01
Deferred	2,460,000.00	2,460,000.00
Regional District School Tax Payable	<u>\$ 775,475.76</u>	<u>\$ 1,436,363.01</u>

Note 12: RISK MANAGEMENT

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

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

- Real and Personal Property
- Crime and Public Employee Bond
- Commercial General Liability
- Law Enforcement Professional Liability
- Business Automotive Insurance
- Workers' Compensation
- Environmental Legal Liability
- Public Officials Liability

Contributions to the Fund, including a reserve for contingencies, are payable in two installments and are based on actuarial assumptions determined by the Fund's actuary. The Commissioner of Insurance may order additional assessments to supplement the Fund's claim, loss retention or administrative accounts to assure the payment of the Fund's obligations. The pool will reinsure through the Municipal Excess Liability Joint Insurance Fund for claims in excess of \$50,000 to \$200,000 based on the line of coverage for each insured event.

The Fund publishes its own financial report for the year ended December 31, 2017, which can be obtained from:

Gloucester, Salem, and Cumberland County
Municipal Joint Insurance Fund
P.O. Box 442
Hammonton, New Jersey 08037

Note 12: RISK MANAGEMENT (CONT'D)

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>
2017	None	\$ 1,409.74	\$ 14.84		\$ 11,308.00
2016	None	1,234.18	13.82		9,883.42
2015	None	1,152.33	12.04	\$ 72.00	8,635.42

There were no unreimbursed payments on behalf of the Township at December 31, 2017.

Note 13: OPEN SPACE, RECREATION AND FARMLAND PRESERVATION TRUST

On November 4, 2003, pursuant to P.L. 1997, c. 24 (N.J.S.A. 40:12-15.1 et seq.), the voters of the Township authorized the establishment of the Township of Pilesgrove Open Space, Recreation and Farmland Preservation Trust Fund effective January 1, 2004, for the purpose of raising revenue for the acquisition of lands and interests in lands for the conservation of farmland and open space. Overall, as a result of the referendum, the Township levies a tax not to exceed three cents per one hundred dollars of equalized valuation. Amounts raised by taxation are assessed, levied and collected in the same manner and at the same time as other taxes. Further increases in the tax rate or to extend the authorization must be approved by referendum. All revenue received is accounted for in a trust fund dedicated by rider (N.J.S.A. 40A:4-39) for the purpose stated. Interest earned on the investment of these funds is credited to the Township of Pilesgrove Open Space, Recreation and Farmland Preservation Trust Fund.

Note 14: CONTINGENCIES

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

Litigation - The Township does not have any current, pending or threatened litigation, claims and assessments.

Note 15: CONCENTRATIONS

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

APPENDIX C
FORM OF BOND COUNSEL OPINION



A PROFESSIONAL CORPORATION
ATTORNEYS AT LAW
Riverview Plaza
10 Highway 35
Red Bank, NJ 07701-5902
732-268-8000
FAX 732-345-8420

July __, 2019

Mayor and Township Committee
of the Township of Pilesgrove
Pilesgrove, New Jersey

Ladies and Gentlemen:

We have served as bond counsel in connection with the authorization, sale, issuance and delivery of \$2,825,000 General Obligation Refunding Bonds, Series 2019 (the "Bonds"), of the Township of Pilesgrove, in the County of Salem (the "Township"), a body corporate and politic organized and existing under the laws of the State of New Jersey (the "State").

The Bonds are issued pursuant to the Local Bond Law, N.J.S.A. 40A:2-1 et seq., as amended and supplemented (the "Local Bond Law"), a refunding bond ordinance duly adopted by the Township Committee on May 14, 2019, and published as required by law, and a resolution duly adopted by the Township Committee on May 14, 2019 (collectively, the "Authorization Proceedings").

The Bonds are being issued to: (i) provide a deposit to an escrow fund that, when invested, will be sufficient to currently refund all of the Township's outstanding and callable General Obligation Bonds, Series 2009, dated August 25, 2009, namely those bonds maturing on August 15 in the years 2020 through and including 2029 (the "Refunded Bonds"), and to call for redemption the Refunded Bonds on August 15, 2019 (the "Redemption Date") at the option of the Township at a redemption price of 100% of the principal amount of such Refunded Bonds to be redeemed plus any unpaid accrued interest to the Redemption Date; and (ii) pay certain costs associated with the issuance of the Bonds.

The Bonds are issued in fully registered book-entry only form, without coupons, initially registered in the name of and held by Cede & Co., as nominee for The Depository Trust Company ("DTC"), an automated depository for securities and clearing house for securities transactions. Purchases of the Bonds will be made in book-entry only form, without certificates, in principal amounts of \$5,000 each or any integral multiple of \$1,000 in excess thereof. So long as DTC or its nominee is the registered owner of the Bonds, payments of the principal of, redemption premium, if any, and interest on the Bonds will be made by the Township directly to Cede & Co., as nominee for DTC. Disbursal of such payments to the DTC participants is the responsibility of DTC and disbursal of such

payments to the beneficial owners of the Bonds is the responsibility of the DTC participants.

The Bonds are dated and shall bear interest from their date of delivery, payable semiannually on the fifteenth day of February and August of each year, commencing February 15, 2020 until maturity and shall mature on August 15 of each of the years and in the principal amounts, as follows:

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2020	\$220,000	
2021	235,000	
2022	250,000	
2023	265,000	
2024	275,000	
2025	285,000	
2026	300,000	
2027	315,000	
2028	330,000	
2029	350,000	

The Bonds are not subject to redemption prior to their stated dates of maturity as set forth therein.

We have examined such matters of law, certified copies of the proceedings, including the Authorization Proceedings, and other documents and proofs relative to the issuance and sale of the Bonds as we have deemed necessary or appropriate for the purposes of the opinion rendered below. In such examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity to the original documents of all documents submitted to us as copies. As to any facts material to our opinion we have, when relevant facts were not independently established, relied upon the aforesaid instruments, certificates and documents.

We are of the opinion that (i) such proceedings and proofs show lawful authority for the issuance and sale of the Bonds pursuant to the Local Bond Law, (ii) the Bonds are valid and legally binding obligations of the Township, and (iii) all the taxable property within the Township is subject to the levy of *ad valorem* taxes, without limitation as to rate or amount, for the payment of principal of and interest on the Bonds.

The Internal Revenue Code of 1986, as amended (the "Code"), sets forth certain requirements which must be met at the time of, and on a continuing basis subsequent to, the issuance and delivery of the Bonds in order for the interest thereon to be and remain excludable from gross income for Federal income tax purposes.

Noncompliance with such requirements could cause interest on the Bonds to be included in gross income for Federal income tax purposes retroactive to the date of the issuance of the Bonds. The Township will represent in its tax certificate relating to the Bonds that it expects and intends to comply, and will comply, to the extent permitted by law, with such requirements.

In our opinion, under existing law, and assuming continuing compliance by the Township with the aforementioned covenant, under existing statutes, regulations, rulings and court decisions, interest on the Bonds is not includable for Federal income tax purposes in the gross income of the owners of the Bonds pursuant to Section 103 of the Code. Interest on the Bonds is not an item of tax preference under Section 57 of the Code for purposes of computing federal alternative minimum tax.

We are also of the opinion that, under existing laws of the State of New Jersey, interest on the Bonds and any gain on the sale thereof is not includable in gross income under the New Jersey Gross Income Tax Act, 1976 N.J. Laws c. 47, as amended and supplemented.

We are further of the opinion that the Bonds constitute "qualified tax-exempt obligations" within the meaning of section 265(b)(3)(B) of the Code and, therefore, will be treated as if they were acquired on August 7, 1986 for purposes of the limitations on deductibility by financial institutions of interest expense allocable to tax-exempt interest.

Except as stated in the preceding three (3) paragraphs, we express no opinion as to any Federal, state or local tax consequences of the ownership or disposition of the Bonds. Furthermore, we express no opinion as to any Federal, state or local tax law consequences with respect to the Bonds, or the interest thereon, if any action is taken with respect to the Bonds or the proceeds thereof upon the advice or approval of other bond counsel.

This opinion is qualified to the extent that the enforceability of the rights or remedies with respect to the Bonds may be limited by bankruptcy, insolvency, debt adjustment, moratorium, reorganization or other similar laws affecting creditors' rights or remedies heretofore or hereafter enacted to the extent constitutionally applicable and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

We have examined the form of the unexecuted Bonds and, in our opinion, the form is regular and proper.

We express no opinion as to any matter not set forth above. The opinions expressed above are being rendered on the basis of federal law and the laws of the State of New Jersey as presently enacted and construed, and we assume no

Mayor and Township Committee
of the Township of Pilesgrove
July __, 2019
Page 4

responsibility to advise any party as to changes in fact or law subsequent to the date hereof that may affect the opinions expressed above.

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

This letter is being provided for your exclusive benefit pursuant to the requirements of the closing of the Bonds and may not be provided to (except in connection with the preparation of a closing transcript with respect to the Bonds) or relied upon by any other person, party, firm or organization without our prior written consent. Notwithstanding anything to the contrary herein, the undersigned acknowledges that this opinion is a governmental record subject to release under the New Jersey Open Public Records Act, N.J.S.A. 47:1A-1 *et seq.*, as amended and supplemented.

Very truly yours,

ARCHER & GREINER P.C.

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

FORM OF CONTINUING DISCLOSURE CERTIFICATE FOR THE BONDS

This Continuing Disclosure Certificate dated as of July 24, 2019 (the "Disclosure Certificate") is executed and delivered by the Township of Pilesgrove, in the County of Salem, State of New Jersey (the "Township" or the "Issuer") in connection with the issuance of its \$2,825,000 aggregate principal amount of General Obligation Refunding Bonds, Series 2019 (the "Bonds"), all such Bonds being dated July 24, 2019. The Bonds are being issued pursuant to a refunding bond ordinance duly adopted by the Township Committee and published as required by law, and a resolution (the "Bond Resolution"), such Bond Resolution being duly adopted by the Township Committee on May 14, 2019. The Township covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Township for the benefit of the Beneficial Owners of the Bonds to assist the Underwriter(s) in complying with the Rule (as defined below). The Township acknowledges it is an "Obligated Person" under the Rule (as defined below).

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

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

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

"Continuing Disclosure Information" shall mean, collectively, (i) each Annual Report, (ii) any notice required to be electronically filed by the Township with the MSRB at EMMA pursuant to Section 3 of this Disclosure Agreement, and (iii) any notice of a Listed Event required to be filed by the Township with EMMA pursuant to Section 5 of this Disclosure Certificate.

"Disclosure Representative" shall mean the Township Chief Financial Officer or his designee, or such other person as the Township shall designate in writing from time to time for the purposes of this Disclosure Certificate.

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

"EMMA" shall mean the Electronic Municipal Market Access system, a website created by the MSRB and approved by the SEC to provide a central location

where investors can obtain municipal bond information including disclosure documents. The Township or the Dissemination Agent shall submit disclosure documents to EMMA as a PDF file to www.emma.msrb.org.

"Financial Obligation" shall mean a: (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of (a) or (b) listed hereinabove. The term "*Financial Obligation*" shall not include municipal securities as to which a final official statement has been provided to the MSRB (as defined below) consistent with the Rule (as defined below).

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

"MSRB" shall mean the Municipal Securities Rulemaking Board.

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

"SEC" shall mean the United States Securities and Exchange Commission.

"State" shall mean the State of New Jersey.

"Underwriter(s)" shall mean the original underwriter(s) of the Bonds required to comply with the Rule in connection with the purchase of the Bonds.

SECTION 3. Provision of Annual Reports.

(a) The Township shall provide or cause to be provided to the Dissemination Agent not later than 270 days following the end of each year, commencing with the year ending December 31, 2018, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. Each Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Township may be submitted separately from the balance of the Annual Report; and provided, further, that if the audited financial statements of the Township are not available by September 1 of each year, the Township shall include unaudited financial statements with its Annual Report and when such audited financial statements become available to the Township, the same shall be submitted to the Dissemination Agent no later than thirty (30) days after the receipt of the same by the Township.

(b) Not later than 285 days following the end of each year, commencing with the year ending December 31, 2018, the Dissemination Agent shall provide to EMMA a copy of the Annual Report received by the Dissemination Agent pursuant to subsection (a) hereof.

(c) If the Township does not provide or is unable to provide an Annual Report by the applicable date required in subsection (a) above, such that the Dissemination Agent cannot forward the Annual Report to EMMA in accordance with subsection (b) above, the Dissemination Agent shall send a notice of such event to EMMA in substantially the form attached hereto as Exhibit A, with copies to the Township (if the Dissemination Agent is not the Township).

(d) Each year the Dissemination Agent shall file a report with the Township (if the Dissemination Agent is not the Township), certifying that the Annual Report has been filed with EMMA pursuant to this Disclosure Certificate, and stating the date it was provided.

(e) If the fiscal year of the Township changes, the Township shall give written notice of such change to the Dissemination Agent and the Dissemination Agent shall, within five (5) business days after the receipt thereof from the Township, forward a notice of such change to EMMA in the manner provided in Section 5(e) hereof.

SECTION 4. Content of Annual Reports. (a) The Township's Annual Report shall contain or incorporate by reference the following:

1. The audited financial statements of the Township (as of December 31).

The audited financial statements are to be prepared in accordance with generally accepted auditing standards and audit requirements prescribed by the Division of Local Government Services, State Department of Community Affairs (the "Division") that demonstrate compliance with the modified accrual basis, with certain exceptions, which is a comprehensive basis of accounting other than generally accepted accounting principles (GAAP) and the budget laws of the State.

2. Certain financial information and operating data of the Township consisting of (i) the Township's indebtedness, (ii) the Township's most current adopted budget, (iii) the Township's property valuation information, and (iv) the Township's tax rate, levy and collection data, as applicable..

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues with respect to which the Township is an "Obligated Person" (as defined by the Rule), which have been filed with the MSRB, through the EMMA system, or the SEC. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The Township shall clearly identify each such other document so incorporated by reference.

SECTION 5. Reporting of Significant Events.

(a) This Section 5 shall govern the giving of notices of the occurrence of any of the following events with respect to the Bonds, as applicable:

1. Principal and interest payment delinquencies;

2. Nonpayment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
7. Modifications to rights of Bondholders, if material;
8. Bond calls, if material, and tender offers;
9. Defeasances of the Bonds;
10. Release, substitution or sale of property securing repayment of the Bonds, if material;
11. Rating changes relating to the Bonds;
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 for the Bonds or the change of name of a trustee for the Bonds, if material;

15. Incurrence of a Financial Obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, 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 obligated person, any of which reflect financial difficulties.

The Township shall, in a timely manner not in excess of ten (10) business days after the occurrence of any Listed Event, file a notice of the occurrence of such Listed Event with the MSRB, through the EMMA system, in accordance with the provisions of Section 5 of this Disclosure Certificate. In determining the materiality of any of the Listed Events specified in subsection (a) of this Section 5 that require a materiality determination, the Township may, but shall not be required to, rely conclusively on an opinion of counsel.

(b) Whenever the Township has or obtains knowledge of the occurrence of any of the Listed Events that require a materiality determination, the Township shall, as soon as possible, determine if such event would constitute information material, if applicable, to the Beneficial Owners of the Bonds.

(c) If the Township (i) has or obtains knowledge of the occurrence of any of the Listed Events not requiring a materiality determination, or (ii) determines that the occurrence of a Listed Event requiring a materiality determination would be material to the Beneficial Owners of the Bonds, the Township shall promptly notify the Dissemination Agent in writing (if the Township is not the Dissemination Agent) and the Township shall instruct the Dissemination Agent to report such Listed Event and the Dissemination Agent shall report the occurrence of such Listed Event pursuant to subsection (e) hereof.

(d) If the Township determines that the occurrence of a Listed Event requiring a materiality determination would not be material to the Beneficial Owners of the Bonds, the Township shall promptly notify the Dissemination Agent in writing (if the Dissemination Agent is not the Township) and the Dissemination Agent (if the Dissemination Agent is not the Township) shall be instructed by the Township not to report the occurrence.

(e) If the Dissemination Agent has been instructed in writing by the Township to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the MSRB, through the EMMA system, in a timely manner not in excess of ten (10) business days after the occurrence thereof, with a copy to the Township (if the Dissemination Agent is not the Township). Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) hereof need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to the Bondholders of the affected Bonds pursuant to the Bond Resolution.

SECTION 6. Termination of Reporting Obligation. The Township's obligations under this Disclosure Certificate shall terminate upon the defeasance, prior redemption or payment in full of all of the Bonds or when the Township is no longer an "Obligated Person" (as defined in the Rule). The Township shall file a notice of the termination of its reporting obligations pursuant to the provisions hereof with the Dissemination Agent, which notice shall be filed with the MSRB, through the EMMA system, in accordance with the provisions of Section 5(e) hereof.

SECTION 7. Compliance with the Rule. The Township has failed to timely file certain secondary market disclosure pursuant to the Rule in connection with previous undertakings related to certain of its general obligation bonds. The Township failed to timely file its audited financial statements for the year ending 2014. A Failure to File notice has been posted. As of the date hereof, the Township is now in compliance in all material respects with its previous undertakings with regard to continuing disclosure for prior obligations issued.

SECTION 8. Dissemination Agent; Compensation. The Township may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be the Township. The Township shall compensate the Dissemination Agent (which shall be appointed) for the performance of its obligations hereunder in accordance with an agreed upon fee structure.

SECTION 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Township may amend this Disclosure Certificate and any provision of this Disclosure Certificate may be waived, if such amendment or waiver (supported by an opinion of counsel expert in Federal securities laws acceptable to the Township to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof) is (a) made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the obligated person, or type of business conducted; (b) the undertaking, as amended or waived, would have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and (c) the amendment or waiver does not materially impair the interests of holders, as determined either by parties unaffiliated with the Township, such determination being supported by an opinion of counsel expert in Federal securities laws, or by the approving vote of a majority of Beneficial Owners of the Bonds at the time of the amendment. The Township shall give notice of such amendment or waiver to this Disclosure Certificate to the Dissemination Agent, which notice shall be filed in accordance with the provisions of Section 5 hereof. Notwithstanding the above, the addition of or change in the Dissemination Agent shall not be construed to be an amendment under the provisions hereof.

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

SECTION 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Township from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Township chooses to include any information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Disclosure Certificate, the Township shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 11. Default. In the event of a failure of the Township to comply with any provision of this Disclosure Certificate, the Holders of at least 25% aggregate principal amount of Outstanding Bonds or any Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Township to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default on the Bonds and the sole remedy under this Disclosure Certificate in the event of any failure of the Township to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 12. Duties, Immunities and Liabilities of the Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and, to the extent permitted by law, the Township agrees to indemnify and hold the Dissemination Agent (if the Dissemination Agent is not the Township) and its respective officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct. To the extent permitted by law, the Township further releases the Dissemination Agent from any liability for the disclosure of any information required by the Rule and this Disclosure Certificate. The obligations of the Township under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Township, the Dissemination Agent, the Underwriter(s), and the Beneficial Owners of the Bonds, including Bondholders, and shall create no rights in any other person or entity.

SECTION 14. Notices. All notices and submissions required hereunder shall be given to the following, or their successors, by facsimile transmission (with written confirmation of receipt), followed by hard copy sent by certified or registered mail, personal delivery or recognized overnight delivery:

(a) If to the Township Ms. Marie Stout
 Chief Financial Officer
 Township of Pilesgrove
 1180 Route 40
 Pilesgrove, New Jersey 08098

(b) Copies of all notices to the Dissemination Agent from time to time with respect to the Bonds:

 initially: Ms. Marie Stout
 Chief Financial Officer
 Township of Pilesgrove
 1180 Route 40
 Pilesgrove, New Jersey 08098

Each party shall give notice from time to time to the other parties, in the manner specified herein, of any change of the identity or address of anyone listed herein.

SECTION 15. Counterparts. This Disclosure Certificate may be executed in any number of counterparts which shall be executed by authorized signatories of the Township and the Dissemination Agent, as applicable, and all of which together shall be regarded for all purposes as one original and shall constitute and be but one and the same.

SECTION 16. Severability. If any one or more of the covenants or agreements in this Disclosure Certificate to be performed on the part of the Township and the Dissemination Agent should be contrary to law, then such covenant or covenants, agreement or agreements, shall be deemed severable from the remaining covenants and agreements and shall in no way affect the validity of the other provisions of this Disclosure Certificate.

SECTION 17. Governing Law. This Disclosure Certificate shall be construed in accordance with and governed by the Laws of the United States of America and the State, as applicable.

TOWNSHIP OF PILESGROVE

MARIE STOUT,
Chief Financial Officer

Acknowledged and Accepted by:
DISSEMINATION AGENT

N/A

AUTHORIZED SIGNATORY

EXHIBIT A

NOTICE TO MSRB VIA EMMA OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Township of Pilesgrove, in the County of Salem,
State of New Jersey

Name of Bond Issue: \$2,825,000 General Obligation Bonds, Series 2019
Dated July 24, 2019
(CUSIP Number _____)

Date of Issuance: July 24, 2019

NOTICE IS HEREBY GIVEN that the above designated Township has not provided an Annual Report with respect to the above-named Bonds as required by the Bond Resolution and a Continuing Disclosure Certificate dated as of July __, 2019 executed by the Township.

DATED: _____

DISSEMINATION AGENT
(on behalf of the Township)

cc: Township of Pilesgrove