

This is a Preliminary Official Statement "deemed final" 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, and the information contained herein is subject to completion or amendment in accordance with applicable law. The Issuer will deliver a final Official Statement in compliance with Rule 15c2-12. This Preliminary Official Statement shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration, qualification or exemption under the securities laws of any such jurisdiction.

**PRELIMINARY OFFICIAL STATEMENT DATED MAY 6, 2020**

**NEW ISSUE**  
**SERIAL BONDS**

**RATING: Standard & Poor's: "AA"**  
**(see "RATING" HEREIN)**

*In the opinion of Rogut McCarthy LLC, Bond Counsel to the Town, assuming compliance by the Town with its Tax Certificate described herein, under existing law, interest on the Bonds is excluded from gross income of the owners thereof for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). In addition, under existing law, interest on the Bonds is not treated as a preference item for purposes of the alternative minimum tax imposed under the Code with respect to individuals. In addition, Bond Counsel is further of the opinion that, under the New Jersey Gross Income Tax Act, as enacted and construed on the date hereof, interest on the Bonds and any gain from the sale of the Bonds are not includable in gross income of the holders thereof. See "TAX MATTERS" herein.*

**\$8,755,000\***

**TOWN OF SECAUCUS**

**County of Hudson, New Jersey**

**General Improvement Refunding Bonds (Series 2020)**

**(Book-Entry Only) (Non-Callable)**

**Dated: Date of Delivery**

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

The General Improvement Refunding Bonds (Series 2020) (the "Bonds") of the Town of Secaucus, in the County of Hudson, New Jersey (the "Town"), will be issued as fully registered bonds registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), as registered owner of the Bonds, with the Bonds immobilized in the custody of DTC. Owners of beneficial interests in the Bonds will not receive physical delivery of bond certificates, but are to receive statements or other evidence of such ownership of beneficial interests from sources from which such interests were purchased. Investors may purchase beneficial interests in the Bonds in book-entry form in the denomination of \$5,000 or any integral multiple thereof. See "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 the principal of and interest on the Bonds will be made directly 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 interests in the Bonds. Principal of the Bonds is payable on April 1 of each of the years set forth below, and interest on the Bonds is payable on each April 1 and October 1, commencing October 1, 2020, in each year until maturity. The Bonds are not subject to redemption prior to their stated maturities.

The Bonds are general obligations of the Town and are secured by a pledge of the full faith and credit of the Town for the payment of the principal thereof and the interest thereon. The Town is authorized and required by law to levy *ad valorem* taxes upon all the taxable real property within the Town for the payment of the principal of and interest on the Bonds, without limitation as to rate or amount.

**MATURITY SCHEDULE, INTEREST RATES AND YIELDS**

<u>Year</u>	<u>Amount</u> <u>Maturing*</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Year</u>	<u>Amount</u> <u>Maturing*</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>
2021	\$975,000	%	%	2026	\$995,000	%	%
2022	970,000			2027	990,000		
2023	960,000			2028	985,000		
2024	950,000			2029	980,000		
2025	950,000						

*The Bonds will be offered when, as and if issued and received by the Underwriter subject to prior sale, withdrawal or modification of the offering without notice, and subject to the final approving opinion of Rogut McCarthy LLC, Cranford, New Jersey, Bond Counsel. Phoenix Advisors, LLC, Bordentown, New Jersey, has acted as Municipal Advisor to the Town in connection with the issuance of the Bonds. It is anticipated that the Bonds in definitive form will be available for delivery to DTC in New York, New York, on or about May 26, 2020.*

**RBC CAPITAL MARKETS**

Dated: \_\_\_\_\_, 2020

\_\_\_\_\_  
\*Preliminary, subject to change.

**TOWN OF SECAUCUS  
HUDSON COUNTY, NEW JERSEY**

**MAYOR**

Michael J. Gonnelli

**TOWN COUNCIL**

John Gerbasio  
Robert Costantino  
James Clancy  
Mark Dehnert  
Orietta Tringali  
William McKeever

**TOWN ADMINISTRATOR**

Gary Jeffas, Esq.

**CHIEF FINANCIAL OFFICER**

Patrick J. DeBlasio, CMFO, CGFM, CPA

**TOWN CLERK**

Michael Marra

**TOWN ATTORNEY**

Keri Eglentowicz, Esq.  
Secaucus, New Jersey

**TOWN AUDITOR**

Bowman & Company LLP  
Voorhees, New Jersey

**TOWN MUNICIPAL ADVISOR**

Phoenix Advisors, LLC  
Bordentown, New Jersey

**BOND COUNSEL**

Rogut McCarthy LLC  
Cranford, New Jersey

No broker, dealer, salesperson or other person has been authorized by the Town 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 information or representations must not be relied upon as having been authorized by any of the foregoing. The information contained herein has been provided by the Town and other sources deemed reliable; however, no representation or warranty is made as to its accuracy or completeness and such information is not to be construed as a representation of accuracy or completeness and such information is not to be construed as a representation or warranty by the Underwriter or, as to information from sources other than itself, by the Town. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in any of the information herein since the date hereof, or the date as of which such information is given, if earlier.

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

The Underwriter has reviewed the information in this Official Statement pursuant to its responsibilities to investors under the federal securities laws, but the Underwriter does not guarantee the accuracy or completeness of such information.

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. No dealer, broker, salesman or other person has been authorized to give any information or to make any representations other than as contained in this Official Statement. If given or made, such other information or representations must not be relied upon as having been authorized by the Town or the Underwriter.

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**OFFICIAL STATEMENT  
OF THE TOWN OF SECAUCUS,  
IN THE COUNTY OF HUDSON, NEW JERSEY**

**RELATING TO**

**\$8,755,000\* GENERAL IMPROVEMENT REFUNDING BONDS (SERIES 2020)**

**INTRODUCTION**

This Official Statement (the "Official Statement"), which includes the cover page and the appendices attached hereto, has been prepared by the Town of Secaucus (the "Town"), in the County of Hudson (the "County"), State of New Jersey (the "State"), in connection with the sale and issuance of its \$8,755,000\* General Improvement Refunding Bonds (Series 2020) (the "Bonds"), dated their date of delivery. This Official Statement has been executed by and on behalf of the Town by the Chief Financial Officer and the Town Clerk, and may be distributed in connection with the sale of the Bonds.

This Preliminary Official Statement is "deemed final", as of its date, within the meaning of Rule 15c2-12 of the Securities and Exchange Commission ("Rule 15c2-12"), but is subject to (a) completion with certain pricing and other information to be made available by the Underwriter and (b) amendment. This Preliminary Official Statement, as so revised, will constitute the "final official statement" within the meaning of Rule 15c2-12.

**THE BONDS**

**General Description**

The Bonds will be dated and bear interest from their date of delivery and will mature on April 1 in the years and in the principal amounts as set forth on the cover page of this Official Statement. Interest on the Bonds is payable each April 1 and October 1, commencing October 1, 2020 (each, an "Interest Payment Date"), in each year until maturity at the respective interest rates set forth on the cover page hereof. Principal of and interest on the Bonds will be paid to The Depository Trust Company, New York, New York ("DTC"), acting as securities depository, by the Chief Financial Officer, acting as "Bond Registrar/Paying Agent". Interest on the Bonds will be credited to the DTC participants (as hereinafter defined) as listed on the records of DTC as of the fifteenth day of the month preceding the month in which such Interest Payment Date occurs (the "Record Dates" for the payment of interest on the Bonds).

The Bonds are issuable as fully registered book-entry bonds in the form of one certificate for each maturity and in the principal amount of such maturity. The Bonds will be issued in book-entry form only. Purchases of the Bonds will be made in book-entry form, in the principal amount of \$5,000 or any integral multiple thereof. Purchasers will not receive certificates representing their interest in Bonds purchased. So long as DTC or its nominee, Cede & Co. (or any successor or assign), is the registered owner of the Bonds, payments of the principal of and interest on the Bonds will be made by the Bond Registrar/Paying Agent directly to Cede & Co. (or any successor or assign), as nominee for DTC, which will remit such payments to the participants of DTC which will in turn remit such payments to the owners of beneficial interests in the Bonds. See "Book-Entry Only System" herein.

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\*Preliminary, subject to change.

## **Book-Entry Only System**

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

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

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("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, but 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 interest 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 the Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

Principal 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 Town or the paying agent, if any, on the 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, the paying agent, if any, or the Town, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Town or the paying agent, if any, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

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

The Town 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 to DTC.

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

### **Prior Redemption**

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

### **SECURITY AND SOURCE OF PAYMENT**

The Bonds are general obligations of the Town, and the Town 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 Town, and unless paid from other sources, the Town is authorized and required by law to levy *ad valorem* taxes upon all the real property taxable within the Town for the payment of the principal of and interest on the Bonds, without limitation as to rate or amount.

Enforcement of a claim for payment of principal of or interest on bonds or notes of the Town is subject to applicable provisions of Federal bankruptcy laws and to the provisions of statutes, if any, hereafter enacted by the Congress of the United States or the Legislature of the State of New Jersey, providing extension with respect to the payment of principal of or interest on the Bonds, or imposing other constraints upon enforcement of such contracts insofar as the same may be constitutionally applied. Under State law, a county, municipality or other political subdivision may file a petition under Federal bankruptcy laws and a plan for readjustment of its debt, but only after first receiving the approval of the State Municipal Finance Commission, whose powers have been vested in the New Jersey Local Finance Board in the Division of Local Government Services (the "Division") in the State of New Jersey Department of Community Affairs (the "Local Finance Board").

## AUTHORIZATION FOR THE BONDS

The Bonds have been authorized by and are issued pursuant to the laws of the State, including the Local Bond Law, N.J.S.A. 40A:2-1 et seq., as amended (the "Local Bond Law"). The Bonds also are authorized by a refunding bond ordinance of the Town finally adopted on March 24, 2020 (the "Refunding Bond Ordinance"), and a resolution to be adopted by the Town Council of the Town on \_\_\_\_\_, 2020 (the "Resolution").

The Refunding Bond Ordinance was published in full after adoption along with the statement required by the Local Bond Law that the twenty-day period of limitation within which a suit, action or proceeding questioning the validity of the bond ordinance can be commenced, began to run from the date of the first publication of such estoppel statement. The Local Bond Law provides that, after issuance, all obligations shall be conclusively presumed to be fully authorized and issued by all laws of the State, and any person shall be estopped from questioning the sale, execution or delivery of the Bonds by the Town.

## PURPOSE OF THE BONDS

The Bonds are being issued to (1) refund \$9,648,000 aggregate principal amount of the Town's outstanding General Improvement Bonds dated April 1, 2010 and maturing from 2021 to 2029 (the "Refunded Bonds"), at par plus any unpaid accrued interest to June 30, 2020, the date fixed for redemption (the "Redemption Date") and (2) pay the costs and expenses incurred by the Town in connection with the issuance and delivery of the Bonds. See "ESTIMATED SOURCES AND USES OF FUNDS" herein.

A portion of the proceeds of the Bonds will be deposited upon delivery thereof in an escrow account (the "Escrow Account") for the Bonds with Manufacturers and Traders Trust Company, Iselin, New Jersey, as escrow agent (the "Escrow Agent"), and such proceeds will be invested in direct non-callable obligations of the United States of America (the "Government Obligations"), the principal of which, together with cash and any investment earnings thereon, will be sufficient to pay, when due, the principal of and interest on the Refunded Bonds. The Town will give irrevocable instructions to the Escrow Agent on the delivery date to have the Refunded Bonds called for redemption on the Redemption Date.

The Bonds are being issued to effect the refunding of the Refunded Bonds pursuant to the Town's refunding plan (the "Refunding Plan"). The Refunding Plan calls for the refunding of the principal of the Refunded Bonds together with interest payable thereon to the Redemption Date. The Refunding Plan will permit the Town to restructure the annual debt service of the Refunded Bonds such that savings in both the total debt service and the present value thereof will be realized.

## 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	\$
Original Issue Premium	_____

Total Sources of Funds	\$ _____
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### Uses of Funds:

Deposit to Escrow Fund	\$
Costs of Issuance (1)	_____

Total Uses of Funds	\$ _____
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- (1) Includes, *inter alia*, underwriter's discount, legal, printing, rating agency, escrow agent, rounding amount and other miscellaneous fees and expenses.



## NO DEFAULT

No principal or interest payments on Town indebtedness are past due. The Town has never defaulted in the payment of any bonds or notes.

## MARKET PROTECTION – BOND AND NOTE FINANCING

The Town does not intend to issue any additional bonds during the remainder of 2020. The Town will renew a portion of its \$24,420,000 outstanding bond anticipation notes maturing on August 7, 2020 and may issue tax anticipation notes (if necessary) and additional bond anticipation notes for any new money borrowing during 2020.

## 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 general municipal and utility capital expenditures. Among its provisions are requirements that bonds must mature within the statutory period of usefulness of the projects bonded and that bonds be retired in serial installments. A 5% cash down payment is generally required toward the financing of expenditures for municipal purposes. All bonds and notes issued by the Town are general full faith and credit obligations.

### 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. The Chief Financial Officer of every local unit must file annually, with the Director of the Division (the "Director"), a verified statement of the financial condition of the local unit and all constituent boards, agencies or commissions.

An independent examination of the Town's accounts must be performed annually by a licensed registered municipal accountant. The audit, conforming to the Division's "Requirements of Audit", includes recommendations for improvement of the local unit's financial procedures and must be filed with the Director within six 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 30 days of its completion.

### Debt Limits

The net authorized bonded indebtedness of the Town is limited by statute, subject to the exceptions noted below, to an amount equal to 3.50% of its average equalized valuation basis. The equalized valuation basis of the Town is set by statute as the average for the last 3 years of the equalized value of all taxable real property and improvements and certain Class II railroad property within its boundaries, as annually determined by the State Board of Taxation. Certain categories of debt are permitted by statute to be deducted for purposes of computing the statutory debt limit.

The Town has not exceeded its statutory debt limit. On December 31, 2019 (Unaudited) the statutory net debt as a percentage of average equalized valuation was 0.96%. As noted above, the statutory limit is 3.50%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
General Purposes	\$51,604,385	\$454,843	\$51,149,542
Utility Purposes	\$1,300,100	\$231,820	\$1,068,280
School Purposes	<u>\$22,180,000</u>	<u>\$22,180,000</u>	<u>-0-</u>
	<u>\$75,084,485</u>	<u>\$22,866,663</u>	<u>\$52,217,822</u>

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

The Town may exceed its debt limit with the approval of the Local Finance Board. If all or any part of a proposed debt authorization would exceed its debt limit, the Town may apply to the Local Finance Board for an extension of credit. If the Local Finance Board determines that a proposed debt authorization would not materially impair the credit of the Town or substantially reduce the ability of the Town to meet its obligations or to provide essential public improvements and services, or make certain other statutory determinations, approval is granted. In addition, debt in excess of the statutory limit may be issued to fund certain notes, to provide for self-liquidating purposes, and, in each fiscal year, to provide for purposes in an amount not exceeding 2/3 of the amount budgeted in such fiscal year for the retirement of outstanding obligations (exclusive of utility and assessment obligations).

## **Short-Term Financing**

The Town may sell 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 subsequent resolution so provides. Bond anticipation notes for capital improvements may be issued in an aggregate amount not exceeding the amount specified in the ordinance, as may be amended and supplemented, creating such capital expenditure. Bond anticipation notes may be issued for periods not greater than one year. Such notes shall mature and be paid not later than the first day of the fifth month following the close of the tenth fiscal year next following the date of the original notes. At the third and at each subsequent anniversary date from the original date of issuance, the amount of notes that may be issued must be decreased by the minimum amount required for the first year's principal payment for a bond issue.

## **School Debt (N.J.S.A. 18A:24-1 et seq.)**

New Jersey's school districts operate under the same comprehensive review and regulation as do its municipalities. Certain exceptions and differences are provided, but the state supervision of school finance closely parallels that of local governments.

School district bonds and temporary notes are issued in conformity with the cited statute, which closely parallels the Local Bond Law. Although school districts are exempted from the 5% down payment provision applicable to municipalities, they are subject to debt limits (which vary depending on the grades the school system provides), and to state regulation of their borrowing.

The Local Finance Board and the Commissioner of Education must approve any proposed authorization of debt which exceeds the statutory debt limit of a Type II district. A Type II school district has an elected board of education; a Type I school district has an appointed board and issues debt without a referendum. All authorizations of debt in a Type II school district require an approving referendum of the voters in the school district. The Town's school district is a Type II district.

All authorizations of debt must be reported to the Division by means of a Supplemental Debt Statement prior to final approval to ensure that the proposed authorization is within all applicable debt limitations.

The School Bond Reserve Act, Chapter 72 of the Laws of 1980 of the State, as amended, devotes a portion of the Fund for the Support of Free Public Schools as security for payment of school bonds.

## **The Municipal Finance Commission (N.J.S. 52:27-1 et seq.)**

The Municipal Finance Commission was created in 1931 to assist in the financial rehabilitation of municipalities which had defaulted in their obligations. The powers of such Commission are exercised today by the Local Finance Board. Several elements of the local finance system are intended to prevent default on obligations or occurrence of severe fiscal difficulties in any local unit. Should extreme economic conditions adversely affect any local unit, the statutory provisions are available to assist in restoring the stability of the local unit.

Any holder of bonds or notes which are in default for over sixty (60) days (for payment of principal or interest) may bring action against such municipality in the Superior Court of New Jersey. Any municipality may declare itself unable to meet its obligations and bring action in such court. In either case, the court's determination that the municipality is in default or unable to meet its obligations may place the municipality under the jurisdiction of the Municipal Finance Commission.

The Municipal Finance Commission exercises direct supervision over the finances and accounts of any local unit under its jurisdiction. Such commission is authorized to appoint an auditor to examine and approve all claims against the municipality and to serve as comptroller for that community. The Commission is also directed to supervise tax collections and assessments, to approve the funding of municipal school district indebtedness, the adjustment or composition of the claims of creditors, and the readjustment of debts under the Federal Municipal Bankruptcy Act.

The Local Finance Board also serves as the "funding commission" to exercise supervision over the funding or refunding of local government debt. Any county or municipality seeking to adjust its debt service must apply to and receive the approval of such funding commission for the proposed reorganization of its debt.

### **Investment of Municipal Funds**

Investment of funds by New Jersey municipalities is governed by State statute. Pursuant to N.J.S.A. 40A:5-15.1, municipalities are limited to purchasing the following securities: (1) direct obligations of, or obligations guaranteed by, the United States of America; (2) government money market mutual funds invested in U.S. Government securities or obligations of New Jersey school districts, municipalities, counties and entities subject to State regulation ("local obligations"); (3) obligations of Federal Government agencies or instrumentalities having a maturity of 397 days or less, provided such obligations bear a fixed rate of interest not dependent on any index or external factor; (4) bonds or other obligations of the particular municipality or a school district encompassing the geographic area of the particular municipality; (5) bonds or other obligations having a maturity of 397 days or less (a) constituting local obligations or (b) approved by the Division of Local Government Services of the State Department of Community Affairs; (6) local government investment pools, rated in the highest rating category, investing in U.S. government securities, local obligations and repurchase agreements fully collateralized by securities set forth in (1), (3) and (5) above; (7) deposits with the New Jersey Cash Management Fund (created pursuant to N.J.S.A. 52:18A-90.4; the "Cash Management Fund"); and (8) repurchase agreements with a maximum 30 day maturity fully collateralized by securities set forth in (1) and (3) above or local obligations. Municipalities are required to deposit their funds in interest-bearing bank accounts in banks satisfying certain security requirements set forth in N.J.S.A. 17:9-41 et seq., or invest in permitted investments to the extent practicable, and may invest in bank certificates of deposit.

The Cash Management Fund is governed by regulations of the State Investment Council, a non-partisan oversight body, and is not permitted to invest in derivatives. The Cash Management Fund is permitted to invest in Government Obligations, Federal Government Agency Obligations, certain short-term investment-grade corporate obligations, commercial paper rated "prime", certificates of deposit, repurchase agreements involving Government Obligations and Federal Government Agency Obligations and certain other types of instruments. The average maturity of the securities in the Cash Management Fund must be one year or less, and only a quarter of the securities are permitted to mature in as much as two years.

The Town has no investments in derivatives.

### **MUNICIPAL BUDGET**

Pursuant to the Local Budget Law (N.J.S.A. 40A:4-1 et seq.) the Town 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. Every local unit must adopt a budget in the form required by the Division. Items of revenue and appropriation are regulated by

law and must be certified by the Director of the Division 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 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. Tax anticipation notes are limited in amount by law and must be paid in full within 120 days of the close of the fiscal year. The cash basis budgets of local units must be in balance, i.e., the total of anticipated revenues must equal the total of appropriations (N.J.S.A. 40A:4-22). If in any year a local unit's expenditures exceed its realized revenues for that year, then such excess must be raised in the succeeding year's budget.

### **Limitations on Municipal Appropriations and Tax Levy**

A statute enacted in 1976, as amended and supplemented (N.J.S.A. 40A:4-45.1 et seq.), commonly known as the "Cap Law", imposed limitations on increases in municipal appropriations subject to various exceptions. While the Cap Law restricts the ability of a municipality to increase its overall appropriations, the payment of debt service is an exception from this limitation. The Cap formula is somewhat complex, but basically, it permits a municipality to increase its overall appropriations by the lesser of 2.5% or the Cost-of-Living Adjustment ("COLA"). Increases up to 3.5% are allowed by adoption of an ordinance whenever the COLA is less than 2.5%. If the COLA is greater than 2.5%, an increase in any amount above 2.5% will be permitted by adoption of an ordinance to 3.5% and beyond 3.5% upon passage of a referendum. The COLA is the rate of annual percentage increase in the Implicit Price Deflator for State and Local Government purchases of goods and services computed by the U.S. Department of Commerce. Exceptions to the limitations imposed by the Cap Law also exist for other items including capital expenditures; extraordinary expenses approved by the Local Finance Board for implementation of an interlocal services agreement; expenditures mandated as a result of certain emergencies; and certain expenditures for services mandated by law. The Cap Law does not limit the obligation of the Town to levy *ad valorem* taxes upon all taxable real property within the Town to pay debt service.

Chapter 62 of the Pamphlet Laws of 2007 imposed restrictions upon the allowable annual increase in the tax levy. In general, starting with the 2008 budgets for calendar year municipalities and 2009 budgets for fiscal year municipalities, municipalities have their tax levies limited to a four percent (4%) increase. The cap calculation is subject to various adjustments, such as the value of increased assessments, and allows for an increase in the adjusted tax levy for various items, including amounts required to be added to the adjusted tax levy for increases in debt service, amounts required to replace reductions in State formula aid, certain increased pension contributions, increases greater than four percent (4%) in the reserve for uncollected taxes, and increases in health care costs in excess of four percent (4%) (but not in excess of the percentage increase in the State Health Benefits Program). The law also allows the Local Finance Board to grant waivers for extraordinary circumstances (some of which are defined in the Law) and authorizes a municipality to submit a public question to the voters for approval (by an affirmative vote of at least sixty percent (60%)) to increase the amount to be raised by taxation by more than the allowable adjusted tax levy.

For municipalities, the levy cap is in addition to the existing appropriation cap; both cap laws must be met. Neither cap law limits the obligation of the Town to levy *ad valorem* taxes upon all taxable real property within the Town to pay debt service.

On July 13, 2010, P.L. 2010, c. 44 ("Chapter 44") was enacted, effective for budget years following enactment (the 2011 budget for the Town) reducing the tax levy cap to 2% and limiting the exclusions to amounts required to be raised by taxation for debt service as defined by law, certain pension contributions and health care costs in excess of 2% and extraordinary costs directly related to a declared emergency. Voter approval may be requested to increase the amount to be raised by taxation by more than the allowable adjusted tax levy. Chapter 44 eliminated the process for obtaining waivers for additional spending under the tax levy limitation.

The Town's appropriation and tax levy increases for 2011 to 2019, inclusive, were within the limits allowed under the CAP Law, taking into account applicable adjustments and without conducting a referendum to exceed the cap limits. The Town's 2020 budget was introduced on April 28, 2020, and is in compliance with both

cap laws taking into account applicable adjustments and without conducting a referendum to exceed the cap limits.

### **Miscellaneous Revenues**

The Local Budget Law (N.J.S.A. 40A:4-26) provides that: "No miscellaneous revenues from any source shall be included as an anticipated revenue in the budget in an amount in excess of the amount actually realized in cash from the same source during the next preceding fiscal year, unless the Director shall determine upon application by the governing body that the facts clearly warrant the expectation that such excess amount will actually be realized in cash during the fiscal year and shall certify such determination, in writing, to the local unit."

No budget or amendment thereof shall be adopted unless the Director shall have previously certified his approval of such anticipated revenues except that categorical grants-in-aid contracts may be included for their face amount with an offsetting appropriation of like amount. The fiscal years for such grants rarely coincide with the municipality's fiscal year. However, grant revenue is generally not realized until received in cash.

### **Real Estate Taxes**

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

N.J.S.A. 40A:4-41 provides with regard to current taxes that: "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 the preceding fiscal year."

This provision and N.J.S.A. 40A:4-40 require 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:

$$\frac{\text{Levy required to balance budget}}{\text{Prior Year's Percentage of Current Tax Collection (or lesser \%)} } = \text{Total Taxes to be Levied}$$

Chapter 28 of the Pamphlet Laws of 1997 of New Jersey amended Section 41 of the Local Budget Law to allow municipalities to reduce the reserve for uncollected taxes by taking into account prior year tax reductions resulting from tax appeal judgments awarded to property owners. Another statute, Chapter 99 of the Pamphlet Laws of 1997 of New Jersey, allows a municipality to (1) reduce the reserve for uncollected tax by deducting receipts anticipated during the fiscal year from the sale of unpaid taxes or municipal liens when such sale is concluded in the final month of the fiscal year or (2) not budget for the reserve for uncollected taxes if it sells its total property tax levy pursuant to such statute. See "ASSESSMENT AND COLLECTION OF TAXES - Tax Collection Procedure" herein for a brief discussion of Chapter 99.

### **Deferral of Current Expenses**

Emergency appropriations (those made after the adoption of the budget and the determination of the tax rate) may be authorized by the governing body of the municipality. However, with minor exceptions, such appropriations must be included in full in the following year's budget.

The exceptions are certain enumerated quasi-capital projects ("special emergencies") such as ice, snow, and flood damage to streets, roads and bridges, which may be amortized over three years, and tax map preparation, property revaluation programs, revision and codification of ordinances, master plan preparations, and drainage map preparation for flood control purposes which may be amortized over five years. Of course, emergency appropriations for capital projects may be financed through the adoption of a bond ordinance and amortized over the useful life of the project.

### **Budget Transfers**

Budget transfers provide a degree of flexibility and afford a control mechanism. Transfers between appropriation accounts may be made only during the last two months of the year. Appropriation reserves may be transferred during the first three (3) months of the year to the previous years' budget. Both types of transfers require a 2/3 vote of the full membership of the governing body, however, transfers cannot be made from either the down payment account or the capital improvement fund. Transfers may be made between sub-account line items within the same account at any time during the year, subject to approval by the governing body.

### **Operation of Utilities**

Municipal public utilities are supported by the revenues generated by the respective operations of the utilities in addition to the general taxing power upon real property.

For each utility, there is established a separate budget. The anticipated revenues and appropriations for each utility are set forth in the separate budget. The budget is required to be balanced and to provide fully for debt service. The regulations regarding anticipation of revenues and deferral of charges apply equally to the budgets of the utilities.

Deficits or anticipated deficits in utility operations which cannot be provided for from utility surplus, if any, are required to be raised in the "Current" or operating budget.

### **Fiscal Year**

The Town's fiscal year is the calendar year. Chapter 75 of the Pamphlet Laws of 1991 of the State (codified as N.J.S.A. 40A:4-3.1) required municipalities with populations in excess of 35,000 or that received Municipal Revitalization Aid from the State in 1990 or 1991 to change their fiscal year from the calendar year to the State fiscal year (July 1 to June 30), unless an exemption was granted. Municipalities not meeting the criteria for a mandatory change had the option to choose to change to the State fiscal year. N.J.S.A. 40A:4-3.1 was amended by P.L. 2000, c. 126, to eliminate the criteria for mandatory change of the fiscal year, but to continue to grant all municipalities the option to change to the State fiscal year. In addition, P.L. 2008, c. 92, further amended N.J.S.A. 40A:4-3.1 to allow municipalities operating on a fiscal year basis to revert to a calendar year. The Town did not meet the criteria to change to the State fiscal year and does not presently intend to optionally make such a change in the future.

### **Budget Process**

Primary responsibility for the Town's budget process lies with the Town Council. 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 Town 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 Town may approve emergency temporary appropriations for any purpose for which appropriations may lawfully be made.

### **Capital Budget**

In accordance with the Local Budget Law, the Town must adopt and may from time to time amend rules and regulations for capital budgets, which rules and regulations must require a statement of capital undertakings underway or projected for a period of the next ensuing six years as a general improvement program. The capital budget, when adopted, does not constitute the approval or appropriation of funds, but sets forth a plan of the

possible capital expenditures which the local unit may contemplate over the next six years. Expenditures for capital purposes may be made either by ordinances adopted by the governing body setting forth the items and the method of financing or from the annual operating budget if the items were detailed.

## **ASSESSMENT AND COLLECTION OF TAXES**

### **Tax Collection Procedure**

Real property taxes are assessed locally, based upon an assessment at true value. The tax bill includes a levy for Town, County and School purposes. Tax bills are mailed annually in June. Taxes are payable in four quarterly installments on February 1, May 1, August 1 and November 1. If unpaid on these dates, the amount due becomes delinquent and subject to interest at 8% per annum, or 18% on any delinquency amount in excess of \$1,500, and an additional penalty of 6% on delinquent taxes in excess of \$10,000. The school levy is turned over to the Board of Education monthly. County taxes are paid quarterly on February 15, May 15, August 15 and November 15 to the County by the Town. Annually, all properties with unpaid taxes for the previous year are placed in a tax sale in accordance with the New Jersey Statutes. Annual interim tax foreclosure proceedings are instituted to enforce the tax collection or acquisition of title to the property by the Town.

Chapter 99 of the Pamphlet Laws of 1997 of New Jersey allows 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 a surety bond. The purchaser is entitled to receive delinquent taxes and other municipal charges collected by the tax collector. The statute sets forth bidding procedures and minimum bidding terms and requires the review and approval of the sale by the Division of Local Government Services.

In response to the \$10,000 annual limitation on an individual's federal income tax deduction for state and local taxes paid (beginning in 2018 and ending in 2025) contained in the federal "Tax Cuts and Jobs Act", Pub. L. No. 115-97, New Jersey Governor Phil Murphy signed into law Senate Bill No. 1893 ("S-1893") on May 4, 2018. S-1893, which will take effect when implementing regulations are adopted by various State agencies, authorizes municipalities, counties and school districts ("local units") to establish one or more charitable funds, each for specific public purposes, and permits certain donations to those charitable funds to be credited toward the donor's property tax obligation. Moneys held in a charitable fund are immediately available to pay debt service. On June 13, 2019, the Internal Revenue Service (the "IRS") issued final regulations, effective August 12, 2019, denying the deductibility (except for a de minimis amount) for federal income tax purposes of property tax credit donation mechanisms authorized by S-1893 and similar laws adopted in other states. The Town makes no representations as to whether any local units will establish charitable funds pursuant to S-1893 or how S-1893 will be implemented.

### **Tax Appeals**

New Jersey statutes provide a taxpayer with remedial procedures for appealing an assessment deemed excessive. The taxpayer has a right to petition the County Tax Board on or before the first day of April of the current tax year for review. The County Tax Board has the authority after a hearing to decrease or reject the appeal petition. These adjustments are usually concluded within the current tax year and reductions are shown as canceled or remitted taxes for that year. If the taxpayer feels his petition was unsatisfactorily reviewed by the County Tax Board, appeal may be made to the State Department of Taxation, Division of Tax Appeal, for a further hearing. Further, an assessment in excess of \$1,000,000 can be appealed directly to the Tax Court of New Jersey. State tax appeals tend to take several years prior to settlement, and any losses in tax collections from prior years are charged directly to operations or with the permission of the Local Finance Board may be financed, generally, over a three to five year period. In addition, pursuant to Assembly Bill No. 2004, signed into law by Governor Phil Murphy on August 9, 2019, commercial tax appeal refunds exceeding \$100,000 may be paid to the property owner, with interest, in substantially equal payments within a three year period – rather than within sixty days of the final judgment (the standard period for refunds).

## **TAX MATTERS**

### **Federal Income Taxes**

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds be and remain excluded from gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Code. Such requirements include requirements relating to the use and investment of proceeds of the Bonds and other amounts and rebate of certain arbitrage earnings to the United States. Noncompliance by the Town with such requirements may cause interest on the Bonds to be included in gross income of the owners thereof retroactive to the date of issuance of the Bonds, regardless of when such noncompliance occurs.

The Town has covenanted, to the extent permitted by the Constitution and the laws of the State, to do and perform all acts and things permitted by law and necessary to assure that interest paid on the Bonds be and remain excluded from gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Code. The Town's Tax Certificate (the "Tax Certificate"), which will be delivered concurrently with the delivery of the Bonds, will contain provisions and procedures regarding compliance with the requirements of the Code. The Town, in executing the Tax Certificate, will certify to the effect that the Town expects and intends to comply with the provisions and procedures contained therein.

In rendering the opinion described below with respect to the Bonds, Bond Counsel has relied upon the covenant and has assumed the material accuracy of the representations, statements of intention and reasonable expectations, and certifications of fact contained in the Tax Certificate.

### **Tax Opinions**

In the opinion of Rogut McCarthy LLC, Bond Counsel to the Town, assuming compliance by the Town with the Tax Certificate, under existing law, interest on the Bonds is excluded from gross income of the owners thereof for Federal income tax purposes pursuant to Section 103 of the Code. In addition, under existing law, interest on the Bonds is not treated as a preference item for purposes of the alternative minimum tax imposed under the Code with respect to individuals. For other Federal tax information, see "TAX MATTERS - Additional Federal Income Tax Consequences" herein.

In the opinion of Bond Counsel, under the New Jersey Gross Income Tax Act, as enacted and construed on the date hereof, interest on the Bonds and any gain from the sale of the Bonds are not includable in gross income of the holders thereof.

### **Premium Bonds**

Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount at maturity ("Premium Bonds") will be treated as having amortizable bond premium. No deduction is allowable for amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excludable from gross income for Federal income tax purposes. However, the amount of tax exempt interest received, and a holder's basis in Premium Bonds, will be reduced by the amount of amortizable bond premium properly allocated to such holder in each interest accrual period. The reduction of basis in a Premium Bond may increase the amount of gain, or decrease the amount of loss, a holder will realize on disposition of a Premium Bond. Holders of Premium Bonds should consult with their own tax advisors concerning the proper treatment of amortizable bond premium in their particular circumstances.

### **Additional Federal Income Tax Consequences**

Prospective purchasers of the Bonds should be aware that ownership of governmental obligations, such as the Bonds, may have collateral Federal income tax consequences for certain taxpayers, including financial institutions, property and casualty insurance companies, S Corporations, certain foreign corporations, individual recipients of Social Security or Railroad Retirement benefits, taxpayers otherwise eligible for the earned income credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry such



obligations. Prospective purchasers should consult their tax advisors as to any possible collateral consequences from the ownership of the Bonds. Bond Counsel expresses no opinion regarding any such collateral Federal income tax consequences.

### **Proposals for Tax Changes**

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 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. 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.

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

### **STATEMENT OF LITIGATION**

There is no litigation 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 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. There is at present no single action pending or threatened against the Town which would impose an undue financial burden on the Town. In New Jersey's courts of general jurisdiction, unliquidated money damages are pleaded generally without specifying a dollar amount. The Town is a party-defendant in certain lawsuits, none of a kind unusual for a Town of its size, and none of which, in the opinion of the Town Attorney, would adversely impair the Town's ability to pay its bondholders. All of the Town's tort actions are being defended by municipal joint insurance funds (which provide pooled private insurance coverage and self-insurance coverage to its members). The Town is also insured for liability in excess of the limits provided by the municipal joint insurance funds. Pending municipal real estate appeals are limited in number and, based upon the Town's prior experience in tax appeals, and assuming that such tax appeals are resolved adversely to the interest of the Town, such resolution would not in any way endanger the Town's ability to pay its bondholders.

### **LEGALITY FOR INVESTMENT**

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

## **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 Rogut McCarthy LLC, Cranford, New Jersey, Bond Counsel to the Town, whose approving legal opinion will be delivered with the Bonds substantially in the form set forth as Appendix C.

## **RATING**

S&P Global Ratings, acting through Standard & Poor's Financial Services LLC ("S&P"), has assigned a rating of "AA" to the Bonds.

An explanation of the significance of such rating may be obtained from S&P, 55 Water Street, New York, New York 10041. The rating is not a recommendation to buy, sell or hold the Bonds and there is no assurance that such rating will continue for any given period of time or that such rating will not be revised downward or withdrawn entirely by S&P if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of such rating by S&P may have an adverse effect on the market price of the Bonds.

## **UNDERWRITING**

The Bonds are being purchased from the Town by RBC Capital Markets, LLC, West Conshohocken, Pennsylvania (the "Underwriter"), pursuant to a purchase contract dated \_\_\_\_\_, 2020, at a purchase price of \$ \_\_\_\_\_ ("Purchase Price"). The purchase price reflects the aggregate principal amount of \$ \_\_\_\_\_, plus an original issue premium in the amount of \$ \_\_\_\_\_, less an underwriter's discount in the amount of \$ \_\_\_\_\_.

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

The Underwriter and its respective affiliates are full-service financial institutions engaged in various activities that may include securities trading, commercial and investment banking, municipal advisory, brokerage, and asset management. In the ordinary course of business, the Underwriter and its respective affiliates may actively trade debt and, if applicable, equity securities (or related derivative securities) and provide financial instruments (which may include bank loans, credit support or interest rate swaps). The Underwriter and its respective affiliates may engage in transactions for their own accounts involving the securities and instruments made the subject of this securities offering or other offering of the Issuer. The Underwriter and its respective affiliates may make a market in credit default swaps with respect to municipal securities in the future. The Underwriter and its respective affiliates may also communicate independent investment recommendations, market color or trading ideas and publish independent research views in respect of this securities offering or other offerings of the Issuer.

## **MUNICIPAL ADVISOR**

Phoenix Advisors, LLC, Bordentown, New Jersey has served as Municipal Advisor to the Town 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 this Official Statement and the Appendices hereto. The Municipal Advisor is an independent firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

## **INFECTIOUS DISEASE OUTBREAK – COVID-19**

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has been characterized as a pandemic (the “Pandemic”) by the World Health Organization and is currently affecting many parts of the world, including the United States and the State of New Jersey. On January 31, 2020, the Secretary of the United States Health and Human Services Department declared a public health emergency for the United States and on March 13, 2020, the President of the United States declared the outbreak of COVID-19 in the United States a national emergency. Subsequently, the President’s Coronavirus Guidelines for America and the United States Centers for Disease Control and Prevention called upon Americans to take actions to slow the spread of COVID-19 in the United States.

New Jersey Governor Phil Murphy has issued multiple Executive Orders since March 16, 2020 including but not limited to aggressive social distancing measures, restrictions on local elections, restrictions on foreclosure and evictions, suspension of all elective surgeries, closing of all schools and child care centers, the commandeering of property such as medical supplies, the cessation of all non-essential construction projects, extending insurance premium grace periods, the temporary reprieve to certain at-risk inmates and the extension of the permitted statutory grace period from May 11, 2020 to June 1, 2020 for quarterly property taxes due May 1, 2020. The Town expects ongoing actions will be taken by State, federal and local governments and private entities to mitigate the spread and impacts of COVID-19. The Pandemic has negatively affected travel, commerce, and financial markets globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide. These negative impacts may reduce or negatively affect property values within the Town. To secure the payment of the principal of and interest on the Bonds, the Town has pledged its full faith, credit and all available taxing power, which taxing power presently includes the power to levy *ad valorem* taxes on all taxable real property within the Town, within the limits provided by law as to rate or amount for such purpose.

Because of the evolving nature of the outbreak and federal, state and local responses thereto, the Town cannot predict how the outbreak will impact the financial condition or operations of the Town, or if there will be any impact on the assessed values of property within the Town or deferral of tax payments to municipalities. The Town cannot predict costs associated with this or any other potential infectious disease outbreak, including whether there will be any reduction in State funding or an increase in operational costs incurred to clean, sanitize and maintain its facilities either before or after an outbreak of an infectious disease.

Additional information with respect to events surrounding the outbreak of COVID-19 and responses thereto can be found on the State’s websites, including <https://covid19.nj.gov/> or [nj.gov/health](https://nj.gov/health). *The Town has not incorporated by reference the information on such websites and the Town does not assume any responsibility for the accuracy of the information on such websites.*

## **VERIFICATION OF MATHEMATICAL COMPUTATIONS**

The accuracy of: (i) the arithmetic computations supporting the conclusion that the principal amounts of, and interest earned on, the Government Obligations to be acquired with a portion of the proceeds of the Bonds, are sufficient to pay, when due, the interest accrued on the Refunded Bonds to the Redemption Date and the redemption price of the Refunded Bonds on the Redemption Date; and (ii) the mathematical computations supporting the conclusion of Bond Counsel that the Bonds will not be “arbitrage bonds” under the Code, will be independently verified by Bowman & Company LLP, Voorhees, New Jersey.

## **SECONDARY MARKET DISCLOSURE**

The Town has agreed, pursuant to a resolution adopted on \_\_\_\_\_, 2020, to undertake for the benefit of the Bondholders and the beneficial owners of the Bonds to provide certain secondary market disclosure information pursuant to Rule 15c2-12 to the Municipal Securities Rulemaking Board (the “MSRB”) in an electronic format, as prescribed by the MSRB. Specifically, the Town will do the following for the benefit of the holders of the Bonds and the beneficial owners thereof:

(A) Not later than seven months after the end of the Town's fiscal year (presently December 31), commencing with the report for the year ending December 31, 2019, provide or cause to be provided, annual financial information with respect to the Town consisting of (i) audited financial statements (or unaudited financial statements if audited financial statements are not then available by the date of filing, which audited financial statements will be delivered when and if available) of the Town and (ii) certain financial information and operating data consisting of information concerning the Town's debt, overlapping indebtedness, tax rate, levy and collection data, property valuation, budget and fund balance of the type contained in Appendix A hereof. The audited financial statements will be prepared in accordance with mandated State statutory accounting principles, as in effect from time to time. Audited financial statements if not available by the filing date will be submitted separately when available.

(B) Provide or cause to be provided in a timely manner not in excess of ten business days after the occurrence of the event, notice of the occurrence of any of the following events with respect to the Bonds or financial obligations of the Town:

- (1) Principal or interest payment delinquencies;
- (2) Non-payment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds ;
- (7) Modifications to the rights of Bondholders, if material;
- (8) Bond calls, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution or sale of property which secures the repayment of the Bonds, if material;
- (11) Rating changes;
- (12) Bankruptcy, insolvency, receivership or similar event of the Town (the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Town in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Town, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Town);
- (13) The consummation of a merger, consolidation, or acquisition involving the Town or the sale of all or substantially all of the assets of the Town, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (15) Incurrence of a financial obligation of the Town, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Town, any of which affect Bondholders, 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 Town, any of which reflect financial difficulties.

The Town intends the words used in paragraphs (15) and (16) and the definition of “financial obligation” to have the meaning ascribed to them in SEC Release No. 34-83885 (August 20, 2018).

(C) Provide or cause to be provided, in a timely manner, notice of a failure of the Town to provide required annual financial information on or before the date specified above.

All documents provided to the MSRB shall be accompanied by identifying information as prescribed by the MSRB.

If the Town fails to comply with the above-described undertaking, any Bondholder or beneficial owner of the Bonds may pursue an action for specific performance to enforce the rights of all Bondholders and beneficial owners with respect to such undertaking; *provided, however*, that failure to comply with such undertaking shall not be an event of default and shall not result in any acceleration of payment of the Bonds or any liability by the Town for monetary damages. All actions shall be instituted, had and maintained in the manner provided in this paragraph for the benefit of all Bondholders and beneficial owners of the Bonds.

The Town reserves the right to terminate its obligation to provide annual financial information and notice of material events, as set forth above, if and when the Town no longer remains an "obligated person" with respect to the Bonds within the meaning of Rule 15c2-12.

The undertaking may be amended by the Town from time to time, without the consent of the Bondholders or the beneficial owners of the Bonds, in order to make modifications required in connection with a change in legal requirements, a change in law or a change in identity, nature, type of operation or status of the Town, which in the opinion of nationally recognized bond counsel complies with Rule 15c2-12 and does not, in such bond counsel's opinion, materially impair the interests of the Bondholders and the beneficial owners of the Bonds.

The Town has previously entered into continuing disclosure undertakings under Rule 15c2-12 with respect to its own obligations and obligations of the Secaucus Municipal Utilities Authority for which the Town is an obligated person. The Town appointed Phoenix Advisors, LLC, Bordentown, New Jersey in November of 2016 to serve as continuing disclosure agent to assist in the filing of certain information on the MSRB's Electronic Municipal Market Access Dataport ("EMMA") as required under its obligations.

#### **PREPARATION OF OFFICIAL STATEMENT**

The firm of Bowman & Company LLP, Voorhees, New Jersey, Certified Public Accountants, takes responsibility for the financial statements to the extent specified in the Independent Accountant's Compilation Report and Independent Auditor's Report as presented in Appendix B.

The firm of Bowman & Company LLP, Voorhees, New Jersey, assisted in the preparation of information contained in this Official Statement and information has been obtained from sources which Bowman & Company LLP, considers to be reliable but they make no warranty, guarantee or other representation with respect to the accuracy and completeness of such information.

#### **APPROVAL OF OFFICIAL STATEMENT**

Prior to the delivery of the Bonds, the Town Council of the Town will have adopted a resolution approving this Official Statement, deeming it a "final official statement" for purposes of Rule 15c2-12 and directing the Chief Financial Officer to deliver a reasonable number of copies thereof in final form to the Underwriter for its use in the sale, resale or distribution of the Bonds.

#### **ADDITIONAL INFORMATION**

Inquiries regarding this Official Statement, including requests for information additional to that contained herein, may be directed to Michael Marra, Town Clerk or Patrick J. DeBlasio, Chief Financial Officer, Town of Secaucus, 1203 Paterson Plank Road, Secaucus, New Jersey, 07094, telephone (201) 330-2025, ext. 3033 or to the Town's Municipal Advisor, Phoenix Advisors, LLC, 625 Farnsworth Avenue, Bordentown, New Jersey 08505, telephone (609) 291-0130.

## **MISCELLANEOUS**

This Official Statement is not to be construed as a contract or agreement between the Town 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 contained herein are subject to change without notice and neither the delivery of this Official Statement nor any sale of Bonds made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Town since the date hereof. The information contained in the Official Statement is not guaranteed as to accuracy or completeness.

This Official Statement has been duly executed and delivered by the Town Clerk and the Chief Financial Officer on behalf of the Town.

### **TOWN OF SECAUCUS, IN THE COUNTY OF HUDSON, NEW JERSEY**

By: /s/ \_\_\_\_\_  
Michael Marra  
Town Clerk

By: /s/ \_\_\_\_\_  
Patrick J. DeBlasio  
Chief Financial Officer

Dated: May \_\_\_\_, 2020

**APPENDIX A**

**ECONOMIC AND DEMOGRAPHIC INFORMATION  
RELATING TO THE TOWN OF SECAUCUS**

## **GENERAL INFORMATION ON THE TOWN**

### **Location**

The Town of Secaucus is a fully developed urban town in northwestern Hudson County in view of the New York skyline. The Town encompasses approximately 6.2 square miles and is located about five miles from midtown New York City.

Secaucus is a virtual island lying almost completely within the Hackensack Meadowlands district. Its borders are defined by the Hackensack River to the north, west and south, the Mill Creek to the northeast and the Penhorn Creek to the southeast. Secaucus is bordered by the Hudson County communities of North Bergen to the East, Jersey City to the Southeast, and Kearny to the Southwest. To the North and West, Secaucus is bordered by the Bergen County communities of Carlstadt, East Rutherford, Rutherford, and Lyndhurst.

Secaucus is intersected by the New Jersey Turnpike (Interstate Route 95), State Highway Route 3 and several rail lines. It lies just five miles from Times Square in New York City and the New Jersey Meadowlands Sports Complex is one short mile across the Hackensack River.

Secaucus contains a diverse mix of residential neighborhoods concentrated in the north and commercial, industrial and retail developments to the south. Through clever planning, Secaucus was developed with a distinct separation between the commercial and residential sections of the Town, creating the feel of a small community with the advantages of a well-developed suburb. There are approximately 18,311 residents, but its daytime population explodes to well over 60,000 as people come from throughout the region to work and shop. Secaucus is the corporate home of many major corporations including, Hartz Mountain Industries, The Children's Place, and many others. The Town has become a distribution center serving Manhattan and Northern New Jersey, including one of United Parcel Service's largest New Jersey hubs and a massive distribution center for Ferguson Enterprises in the former Panasonic facility. Widely known for warehouse outlet shopping in the past, Secaucus' industry has evolved with the changing business climate. Leveraging on proximity to NYC and the need for geographically strategic data storage, Secaucus has become an attractive option to data centers and hosting facilities who have taken over many of the warehouses and outlets. These facilities produce an excellent revenue stream without a major impact on community services. Secaucus remains a communication hub with the broadcast studios of Major League Baseball Network and MY9NJ.

Despite such extensive development, commerce and industry, Secaucus has managed to preserve nature in areas large and small at Buchmuller Park, Schmidts Woods, Mill Creek Point, the Duck Pond and dozens of other parks and green spaces throughout the community.

### **Government**

The Town, settled in 1692, was incorporated as a Borough in 1900 and adopted the "Town" form of government in 1917. This provides for an independently elected Mayor and six council members (two for each of its three wards with one seat in each ward up for election in each municipal election). The term of office for the mayor and council is four years. A full-time Municipal Administrator oversees the operation of municipal departments, personnel, and planning functions for municipal projects, prepares the municipal budget, and obtains grants on behalf of the Town.

The Town provides excellent municipal services and has consistently maintained the lowest tax rates in the County. The Town has, over the years, attracted valuable commercial, non-industrial ratables, resulting in almost 70% of the tax bill being shouldered by non-residential property owners.



## **Protection to Persons and Property**

The Town has 67 paid policemen and 110 volunteer firemen; five firehouses and 18 pieces of firefighting equipment. In 2012, the Town sustained damage from flooding during Hurricane Sandy. As a result, officials have spent years carrying out action plans to decrease flooding risk during future storms. This includes raising the elevation of berms surrounding the community to an average elevation of 12 feet, working with developers to install tide gates and esthetically pleasing berms which act as nature walks, building flood walls around susceptible areas of the community, increasing pump stations, increasing storm line diameters, and acquiring waterfront land to create buffer zones around the community. These upgrades and changes began within weeks of Hurricane Sandy and continue to be at the forefront of municipal planning.

## **Public Library**

The Secaucus Library and Business Resource Center is a 25,000 sq. ft., state-of-the-art, fully handicapped-accessible facility, with parking for over 100 cars. The Library maintains a collection of 59,000 volumes and is a member of two consortiums, increasing the collection to over 500,000 volumes in its databases. Its computers are all Internet accessible and the Library has recently gone wireless. It serves a residential population of 18,311 and a business/corporate community that more than doubles that number each day. Its programs and resources define the Library as the informational, educational and cultural hub of the community.

## **Recreation**

The Town's Recreation Department supervises an extensive and diversified year-round recreation program for residents of all ages, including Special Needs programs, a 7-week Summer Day Camp for children ages 7-12 years, an Aftercare Program 5 days a week for grades kindergarten through sixth, senior exercise and line dancing lessons and a birth to pre-K Fun Time - Play Time (Mommy and Me) Program.

There are ten ball fields, a naturally wooded recreational area, and seven riverside nature parks spread throughout the community. In total, residents enjoy over thirty parks and recreational facilities in our small community. The centrally located Buchmuller Park features multiple sport and recreational facilities including a bocce ball court, basketball courts, tennis courts, playgrounds, and more. An outdoor concert facility hosts weekly concerts for residents thought the summer months. Buchmuller Park also houses Secaucus' covered ice rink which was fully renovated in 2015 to allow ice production for up to 7 months a year. During non skating months, the facility converts to a multipurpose covered field with artificial turf.

The Town has a four pool swim center offering swim lessons and senior water aerobics throughout the summer. It is located on Town-owned property next to Schmidt's Woods in the northern end of Town. The pool complex is a membership based facility which is also open on a per-day fee basis to all Secaucus residents, and is operated as a municipal utility.

A large recreation facility, completed in December of 2008, includes state-of-the-art fitness equipment, indoor running track, basketball courts and swimming pool which, in addition to providing residents new recreation opportunities, has allowed Secaucus High School to develop a new swim team.

## **Transportation**

Transportation and communication facilities utilize close to 500 acres of the industrial related developed land in Secaucus. The Town's proximity to New York City places it in the Greater Metropolitan Free Trade Area making it an important warehouse and distribution center for the largest metropolitan area in the nation.

The Town is served by a well maintained highway system that includes State Route 3, a major east-west artery that provides direct access to the Lincoln Tunnel and midtown Manhattan; U.S. Routes 1 and 9 which provide direct access to the Holland Tunnel and downtown Manhattan; two portions of the New Jersey Turnpike (Interstate Route 95), a major north-south highway running from the George Washington Bridge to the City of Philadelphia, Pennsylvania, with 15-minute access to Newark International Airport. Additionally, direct bus service to Manhattan, Jersey City (and the PATH railroad system), and other points in New Jersey is available via public and private carriers, and a train stop links the Town to Hoboken, New Jersey and the PATH railroad system to Newark, Jersey City and Manhattan.

The Town's importance in the State's rail/highway chain is evident as construction was completed July 1, 2005 on the Frank Lautenberg Rail Transfer Station, a major rail hub built in a 26-acre, triangular shaped, formerly land-locked tract off County Avenue. Located at the junction of Amtrak and New Jersey Transit rail lines, and close to the New Jersey Turnpike, the facility gives New Jersey commuters a new and direct connection between New Jersey Transit and Amtrak lines and New York City.

With the help of a grant from New Jersey Transit, the Town has acquired two brand new 23 passenger shuttle buses. These buses are used to provide transportation to and from the rail transfer station. Also, an additional New Jersey Turnpike interchange, Exit 15X, was completed in 2007 in the vicinity of the rail transfer station.

### **Other Services**

Secaucus has a Department of Social Services which provides information and referrals for residents. The Department administers education, social, and recreational programs for senior citizens as well as operating the Town's Senior Center and senior citizen bus program. Social Services provides information and guidance on Medicare, Medicaid, Social Security Disability, The SNAP Program, medically needy programs, community job banks, housing subsidies, shelters for the homeless, and such services as PAAD and other entitlement programs, hospice care, homemaker and nursing services, placement in nursing homes, as well as alternative solutions to institutional care. The Social Services Department also operates an emergency food pantry and distributes federal commodities to low income residents.

The Housing Authority of Secaucus leases and manages two 100-unit and one 75-unit apartment complexes for senior citizens. The Authority administers 150 units of rental assistance under the HUD Section 8 existing housing program and 250 HUD housing choice vouchers.

The Secaucus Municipal Utilities Authority operates a sewerage treatment system which serves the entire Town.

### **Land Use/Development Activity**

Commercial and industrial properties are situated primarily in the southern portion of the Town of Secaucus. The Harmon Meadow shopping area, hotels, office space and retail stores are concentrated along State Route 3 and in the northeast corner of Secaucus, well outside of the central residential district.

Secaucus continues to attract luxury residential developers who recognize the advantage of a community with such a close proximity to New York City. XChange at Secaucus Junction is Secaucus' largest luxury housing development, with 1,384 units completed, an additional 160 under construction and approximately 491 units to be built in the near future. This commuter development sits less than 1/4 mile from the Frank Lautenberg Train Station and features luxury amenities to renters.

Hartz Mountain Industries recently completed two luxury rental developments on Meadowlands Parkway with a third breaking ground soon on Park Plaza Drive.

## New Construction Permits and Estimated Construction Costs

<u>Year</u>	<u>Residential</u>	<u>Non-Residential</u>	<u>Additions/Alterations Residential/Non-Residential</u>		<u>Total</u>	<u>Estimated Construction Costs</u>
2015	18	11	565	583	1,177	\$113,813,984
2016	8	2	555	305	870	346,032,503 *
2017	8	0	570	292	870	147,947,659
2018	1	1	537	282	821	86,659,049
2019	1	1	508	295	805	47,002,950

## Economic Development

In 2015, the Meadowlands Commission merged with The New Jersey Sports and Exposition Authority (NJSEA). Tax sharing payments made by the Town were eliminated, resulting in a budget savings of close to \$3,000,000 per year. In lieu of tax sharing, the NJSEA is funded through a hotel occupancy tax.

## Secaucus Municipal Utilities Authority

The Secaucus Municipal Utilities Authority (the "SMUA") was created by the Town in 1978. The SMUA is a designated public agency which provides for wastewater treatment to the Town, and which owns and operates an advanced wastewater (tertiary) treatment plant located on Koelle Boulevard (the "Koelle Plant"), near Mill Creek, serving the entire Town.

The collection of revenue for operation and maintenance of the wastewater treatment facilities is through the Town's ad valorem assessment of property taxes. A system has been established to charge the users of the system who are exempt from property taxes, and to provide rebates and surcharges to insure that each user pays their fair share according to actual use. In addition, the SMUA has adopted a capital cost recovery system to assess charges to new developers.

## Town Employees

	<u>December 31,</u>				
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Permanent	248	250	226	221	205
Part-time	<u>263</u>	<u>266</u>	<u>246</u>	<u>267</u>	236
	<u>511</u>	<u>516</u>	<u>472</u>	<u>488</u>	<u>441</u>

## Employee Collective Bargaining Units

Currently, there are three (3) collective bargaining units in the Town. The representative bargaining units are: Policeman's Benevolent Association (PBA); Public Works (Teamsters 11); and White Collar Employees (Secaucus Public Employees Association). All three unions are under current contracts until December 31, 2020.

## Population(1)

2010 Federal Census	16,264
2000 Federal Census	15,931
1990 Federal Census	14,061
1980 Federal Census	13,719
1970 Federal Census	13,228

\* Includes \$117,250,001 for New High Tech School

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

**Selected Census 2017 Data for the Town(1)**

Median household income	\$99,883
Median family income	\$119,406
Per capita income	\$47,623

**Labor Force(2)**

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

	<u><b>2018</b></u>	<u><b>2017</b></u>	<u><b>2016</b></u>	<u><b>2015</b></u>	<u><b>2014</b></u>
<b>Town</b>					
Labor Force	10,301	10,373	10,111	9,814	9,689
Employed	9,953	9,977	9,677	9,361	9,175
Unemployed	348	396	434	453	514
Unemployment	3.4%	3.8%	4.3%	4.6%	5.3%
<b>County</b>					
Labor Force	357,639	360,296	361,787	362,265	359,286
Employment	343,787	344,612	344,904	343,208	336,391
Unemployment	13,852	15,684	16,883	19,057	22,895
Unemployment Rate	3.9%	4.4%	4.7%	5.3%	6.4%
<b>State</b>					
Labor Force	4,422,900	4,453,500	4,524,300	4,543,800	4,513,600
Employment	4,239,600	4,247,500	4,299,900	4,288,800	4,209,700
Unemployment	183,300	206,000	224,400	255,000	303,900
Unemployment Rate	4.1%	4.6%	5.0%	5.6%	6.7%

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

(2) Source: New Jersey Department of Labor

## **Largest Employers in the Town(1)**

<b><u>Employer</u></b>	<b><u>Nature of Business</u></b>	<b><u>Approximate Employees</u></b>
United Parcel Service	Package Overnight Delivery Systems	3,211
Ernst & Young	Public Accounting	1,000
County of Hudson	Health Services, Youth Services, Emergency Management, Planning and Engineering	800
Century 21 Inc.	General Merchandising Stores	685
Meadowlands Hospital Medical Center	Acute Hospital Care	653
N.B.A. Entertainment Inc.	Television and Communications	600
Walmart	Department Store	550
Empire CLS Services	Worldwide Chauffeurs	500
Buck Consultants	Actuaries, Tax Consultants	450
Major League Baseball Network	Television and Communications	450
Public Service Electric & Gas Co.	Public Utility, Palisades Division	400
Secaucus Board of Education	Primary and Secondary Public Education	355
Gucci	Accessory Store & Corporate Headquarters	300
Browne Business Comm.	Printing and Publishing	300
Town of Secaucus	Municipal Government	260
Cosco	Importing and Exporting	200
Hartz Mountain Real Estate	Property Developers, Lessee, Manager	200
Crown Plaza Meadowlands	Hotel, Eating and Accessories	180
Hartz Mountain Corporation	Pet Products	180
Kenneth Cole Productions	Accessory Store and Corporate Headquarters	165
Home Depot	Hardware, Lumber Supermarket	135
Embassy Suites Hotel	Hotel and Other Lodging Places	90
Restaurant Depot	Bulk Food and Accessories	67

## **EDUCATION(2)**

The Town's school district, coterminous with the Town, is a type II school district, and is an independent legal entity administered by a nine member Board of Education elected by the voters of the school district. The school district is not part of any regional or consolidated school district, and neither receives nor sends students, except for a limited number of special education students. The school district is authorized by law to issue debt for school purposes upon the vote of the electorate.

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(1) Source: Town officials

(2) Source: School District officials

**TOWN OF SECAUCUS SCHOOL DISTRICT  
SCHOOL ENROLLMENTS(1)**

<b><u>Grade</u></b>	<b><u>2019</u></b>	<b><u>2018</u></b>	<b><u>October 15, 2017</u></b>	<b><u>2016</u></b>	<b><u>2015</u></b>
PreK	73	73	66	72	59
K	173	188	155	135	164
1	184	154	135	143	150
2	143	138	136	129	158
3	144	135	126	146	139
4	132	132	156	137	152
5	140	162	139	144	134
6	161	147	144	123	144
7	142	153	125	144	135
8	152	141	141	132	154
9	127	118	128	144	148
10	118	127	150	146	115
11	123	153	143	118	113
12	153	140	123	115	110
Spec. Ed.	311	315	292	286	245
Spec. Ed. Sen	17	18	16	19	12
Charter School	<u>14</u>	<u>16</u>	<u>21</u>	<u>31</u>	<u>36</u>
Total	<u>2,307</u>	<u>2,310</u>	<u>2,196</u>	<u>2,164</u>	<u>2,168</u>

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

<b><u>Facilities</u></b>	<b><u>Date Constructed</u></b>	<b><u>Renovations/ Additions</u></b>	<b><u>Grades</u></b>	<b><u>Functional Capacity</u></b>
Elementary Schools:				
Clarendon	1969	2002-2003	Pre-K - 6	610
Huber Street	1958	1960, 1966, 2002-2003	Pre-K - 6	506
Junior/Senior High School	1976	2003-2004	7 - 12	<u>1,066</u>
				<u>2,182</u>

The Board Administration Offices are located in a separate Administration Building.

Every board of education is required by State statute to provide an annual audit of the district's accounts and financial transactions. The audit must be performed by a licensed public school accountant. The statutory submission date is the fifth day after five months (*N.J.S.A. 18A:23-1*) after the end of the school fiscal year. This audit, in conformity with statutory requirements, must be filed with the State Commissioner of Education. Additionally, the audit must be summarized and discussed at a regular public meeting of the local board of education within 40 days of its completion.

(1) Source: School District officials

**CERTAIN FINANCIAL INFORMATION  
LARGEST TAXPAYERS(1)**

<b><u>Name of Taxpayer</u></b>	<b><u>Nature of Business</u></b>	<b><u>2019 Assessed Valuation</u></b>
Fraternity Meadows LLC	Residential Development	\$85,159,400
Hancock S REIT SECA Corp	Commercial Owner	63,126,200
800 Secaucus LLC c/o Hartz	Data Center	53,746,700
755 Secaucus LLC c/o Hartz	Data Center	52,695,800
300-400 Park Plaza Drive Inc.	Retail/Mall	44,856,600
NY2 Hartz Way LLC c/o Equinix	Data Center	38,021,400
50 Meadowland Parkway LLC	Ferguson Plumbing	35,985,800
Fraternity Meadows LLC	Oliners/Landlords Development	33,793,600
REEP RTL Mill NJ LLC	Retail/Mall	33,158,200
BT New Yo LLC	Commercial Services	31,781,500

**CURRENT TAX COLLECTIONS(2)**

<b><u>Year</u></b>	<b><u>Total Levy</u></b>	<b><u>Collection in Year of Levy</u></b>		<b><u>Outstanding End of Year</u></b>	
		<b><u>Amount</u></b>	<b><u>Percentage</u></b>	<b><u>Amount</u></b>	<b><u>Percentage</u></b>
2019(3)	\$105,291,437	\$103,900,838	98.67%	\$380,457	0.36%
2018	100,956,141	99,300,543	98.36	590,833	0.59
2017	99,949,670	99,478,420	99.53	369,921	0.37
2016	101,709,037	101,090,371	99.39	548,055	0.54
2015	96,528,805	95,356,374	98.79	792,614	0.82

**DELINQUENT TAXES(2)**

<b><u>Year</u></b>	<b><u>Outstanding Beginning of Year</u></b>		<b><u>Collected</u></b>		<b><u>Transferred To Liens</u></b>	<b><u>Other Credits</u></b>	<b><u>Outstanding End of Year</u></b>
	<b><u>Year</u></b>	<b><u>Added</u></b>	<b><u>Amount</u></b>	<b><u>Percentage</u></b>			
2019(3)	\$601,608	\$137,730	\$581,045	78.59%	---	\$69,793	\$88,500
2018	376,677	1,343	360,782	95.44	---	6,463	10,775
2017	551,004	4,234	514,631	92.69	\$33,686	165	6,756
2016	796,911	5,379	762,814	95.08	---	36,527	2,949
2015	776,055	2,225	667,264	85.74	---	106,718	4,298

**TAX TITLE LIENS(2)**

<b><u>Year</u></b>	<b><u>Balance Beginning of Year</u></b>	<b><u>Added by Sales and Transfers</u></b>	<b><u>Receipts/ Transfers to Property Acquired for Taxes</u></b>	<b><u>Balance End of Year</u></b>
2019(3)	---	---	---	---
2018	\$109,524	\$58,436	\$167,960	---
2017	---	109,524	---	\$109,524
2016	---	---	---	---
2015	---	---	---	---

(1) Source: Town Tax Assessor

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

(3) Information from Annual Compiled Financial Statement

**FORECLOSED PROPERTY(1)(2)**

<u>Year</u>	<u>Balance Beginning of Year</u>	<u>Adjustment to Assessed Valuation</u>	<u>Property Dedicated for Mun. Purposes</u>	<u>Transfers from Tax Title Liens Receivable</u>	<u>Balance End of Year</u>
2019(3)	\$1,316,300	---	---	---	\$1,316,300
2018	1,316,300	---	---	---	1,316,300
2017	1,316,300	---	---	---	1,316,300
2016	1,316,300	---	---	---	1,316,300
2015	1,316,300	---	---	---	1,316,300

**NET ASSESSED VALUATIONS AND  
ANNUAL TAX RATES(4)**

**Tax Rate(5)**

<u>Calendar Year</u>	<u>Net Valuation Taxable</u>	<u>Total</u>	<u>County</u>	<u>School</u>	<u>Municipal</u>
2019	\$2,821,143,985	\$3.712	\$0.831	\$1.321	\$1.560
2018	2,771,569,462	3.610	0.792	1.337	1.481
2017	2,756,832,531	3.614	0.871	1.304	1.439
2016	2,650,184,650	3.707	0.918	1.360	1.429
2015	2,556,618,146	3.702	0.904	1.408	1.390

**RATIO OF ASSESSED VALUATION TO TRUE VALUE  
AND TRUE VALUE PER CAPITA(6)**

<u>Calendar Year</u>	<u>Real Property Assessed Valuation</u>	<u>Percentage of True Value</u>	<u>True Value</u>	<u>True Value Per Capita(7)</u>
2019	\$2,817,807,825	51.82%	\$5,437,683,954	\$334,339
2018	2,768,311,225	56.91	4,864,366,939	299,088
2017	2,753,600,425	57.37	4,799,721,849	295,113
2016	2,646,890,975	58.25	4,544,018,841	279,391
2015	2,553,278,425	58.25	4,383,310,601	269,510

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

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

(3) Information from Annual Compiled Financial Statement

(4) Source: Town Tax Collector

(5) Per \$100 of assessed valuation

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

(7) Based upon 2010 Census of 16,264



# REAL PROPERTY CLASSIFICATION(1)

Calendar Year	Assessed Value		Vacant Land	Residential	Commercial	Industrial	Apartment
	Land and Improvements						
2019	\$2,817,807,825	\$52,745,100	\$838,410,850	\$922,260,875	\$939,627,600	\$64,763,400	
2018	2,768,311,225	59,458,100	833,569,750	903,258,175	906,966,800	65,058,400	
2017	2,753,600,425	60,578,100	829,147,250	892,345,175	906,471,500	65,058,400	
2016	2,646,890,975	60,427,100	865,092,000	797,560,475	867,274,300	56,537,100	
2015	2,553,278,425	66,114,200	815,705,950	770,237,175	847,178,100	54,043,000	

## FUND BALANCE--CURRENT FUND(2)

<b><u>Calendar Year</u></b>	<b><u>Balance December 31</u></b>	<b><u>Utilized In Budget of Succeeding Year</u></b>	<b><u>Percentage of Fund Balance Used</u></b>
2019(3)	\$5,440,128	\$4,500,000(4)	82.72%
2018	6,284,815	3,892,840	61.94
2017	6,606,504	3,882,530	58.77
2016	9,078,694	5,633,768	62.05
2015	5,450,017	3,936,470	72.23

## FUND BALANCE--SWIMMING POOL UTILITY OPERATING FUND(2)

<b><u>Calendar Year</u></b>	<b><u>Balance December 31</u></b>	<b><u>Utilized In Budget of Succeeding Year</u></b>	<b><u>Percentage of Fund Balance Used</u></b>
2019(3)	\$58,999	---	---
2018	58,999	---	---
2017	58,999	---	---
2016	58,999	---	---
2015	58,999	---	---

(1) Source: Town Tax Assessor

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

(3) Source: 2019 Annual Financial Statement

(4) As Introduced

**TOWN OF SECAUCUS  
STATEMENT OF INDEBTEDNESS (1)**

The following table summarizes the direct debt of the Town as of December 31, 2019. The gross debt comprises short and long-term debt issued and debt authorized but not issued, including General, Swimming Pool Utility, and debt of the School District. Deductions from gross debt to arrive at net debt include deductible school debt, excess proceeds from issuance of Notes, as well as debt considered to be self-liquidating. The resulting net debt of \$52,217,822 represents 0.960% of the average of equalized valuations for the Town for the last three (3) years, which is within the 3.5% limit imposed by N.J.S.A. 40A:2-6.

	Debt Issued			Debt Authorized but not Issued	Gross Debt	Deductions			Net Debt
	Bonds	Notes	Loans			School Debt	Self-Liquidating Debt	Excess Proceeds from Issuance of Notes	
General	\$ 26,538,000	\$23,635,508	\$ 1,430,106	\$ 771	\$ 51,604,385			\$ 454,843	\$51,149,542
Swimming Pool Utility		1,300,000		100	1,300,100		\$ 231,820		1,068,280
School District	22,180,000				22,180,000	\$ 22,180,000			
	<u>\$ 48,718,000</u>	<u>\$24,935,508</u>	<u>\$ 1,430,106</u>	<u>\$ 871</u>	<u>\$ 75,084,485</u>	<u>\$ 22,180,000</u>	<u>\$ 231,820</u>	<u>\$ 454,843</u>	<u>\$52,217,822</u>

(1) As of December 31, 2019

Source: Annual Debt Statement

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

Average of Equalized Valuations of Real Property with Improvements for 2017, 2018 and 2019	\$5,437,955,960
Statutory Net Debt as a Percentage of the Average of Equalized Valuations of Real Property with Improvements for 2017, 2018 and 2019	0.96%
2019 Net Valuation Taxable	\$2,821,143,985
2019 Equalized Valuation of Real Property and Taxable Personal Property Used in Communications	\$5,441,020,114
Gross Debt (3):	
As a percentage of 2019 Net Valuation Taxable	2.66%
As a percentage of 2019 Equalized Valuations	1.38%
Net Debt (3):	
As a percentage of 2019 Net Valuation Taxable	1.85%
As a percentage of 2019 Equalized Valuations	0.96%
Gross Debt Per Capita (4)	\$4,617
Net Debt Per Capita (4)	\$3,211

## TOWN BORROWING CAPACITY(1)(2)

3.5% of Averaged (2017-19) Equalized Valuation of Real Property including Improvements (\$5,437,955,960)	\$190,328,459
Net Debt	<u>52,217,822</u>
Remaining Borrowing Capacity	<u><u>\$138,110,636</u></u>

## LOCAL BOARD OF EDUCATION BORROWING CAPACITY(1)(2)

4% of Averaged (2017-19) Equalized Valuation of Real Property including Improvements (\$5,437,955,960)	\$217,518,238
Local School Debt	<u>22,180,000</u>
Remaining Borrowing Capacity	<u><u>\$195,338,238</u></u>

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(1) As of December 31, 2019

(2) Source: Town Auditor

(3) Excluding overlapping debt

(4) Based on Federal 2010 Census of 16,264

**TOWN OF SECAUCUS  
OVERLAPPING DEBT  
AS OF DECEMBER 31, 2019**

<b>DEBT ISSUED</b>					
	<u>Debt Outstanding</u>	<u>Deductions</u>	<u>Statutory Net Debt Outstanding</u>	<u>Net Debt Outstanding Allocated to the Issuer</u>	<u>Debt Auth. but not Issued</u>
County of Hudson(1):					
General:					
Bonds	\$ 242,519,125	\$ 74,296,342 (2)	\$ 168,222,783	\$ 10,244,767 (4)	\$ 138,751,677
Notes	182,121,155	2,769,478	179,351,677	10,922,517	
Loan Agreements	2,387,006		2,387,006	145,369	
Bonds Issued by Other Public Bodies					
Guaranteed by the County	352,154,379	352,154,379 (3)	-		
Secaucus MUA	976,495		976,495	976,495	
	<u>\$ 780,158,160</u>	<u>\$ 429,220,199</u>	<u>\$ 350,937,961</u>	<u>\$ 22,289,148</u>	<u>\$ 138,751,677</u>

(1) Source: County of Hudson

(2) Includes Reserve for Payment of Bonds, County College Bonds and Dedicated Open Space Bonds.

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

(4) Such debt is allocated as a proportion of the Issuer's share of the total 2019 Net Valuation on which County taxes are apportioned, which is 6.09%.

**TOWN OF SECAUCUS**  
**SCHEDULE OF OUTSTANDING DEBT SERVICE**  
**BONDED DEBT ONLY (1)**

Year Ended December 31	General			Swimming Pool Utility			Grand Total
	Principal	Interest	Total General Debt Service	Principal	Interest	Total Swimming Pool Debt Service	
2020	\$ 2,280,000	\$ 884,918	\$ 3,164,918				\$ 3,164,918
2021	2,295,000	807,380	3,102,380				3,102,380
2022	2,325,000	727,250	3,052,250				3,052,250
2023	2,395,000	644,308	3,039,308				3,039,308
2024	2,445,000	557,570	3,002,570				3,002,570
2025	2,695,000	465,020	3,160,020				3,160,020
2026	2,790,000	367,070	3,157,070				3,157,070
2027	2,915,000	265,595	3,180,595				3,180,595
2028	2,500,000	170,920	2,670,920				2,670,920
2029	2,498,000	84,960	2,582,960				2,582,960
2030	1,400,000	21,000	1,421,000				1,421,000
	<u>\$ 26,538,000</u>	<u>\$ 4,995,990</u>	<u>\$ 31,533,990</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 31,533,990</u>

(1) As of December 31, 2019

**SCHEDULE OF OUTSTANDING DEBT SERVICE**  
**LONG TERM LOANS (1)**

Year Ended December 31	General						Grand Total
	Infrastructure Loans			Green Acres Loans			
	Principal	Interest	Total	Principal	Interest	Total	
2020	\$ 185,840	\$ 13,894	\$ 199,734	\$ 46,377	\$ 9,684	\$ 56,060	\$ 255,795
2021	180,618	11,144	191,762	47,309	8,751	56,060	247,822
2022	189,891	8,394	198,285	48,260	7,801	56,060	254,345
2023	184,193	5,394	189,587	49,230	6,831	56,060	245,647
2024	193,847	2,844	196,690	50,219	5,841	56,060	252,751
2025				51,229	4,832	56,060	56,060
2026				32,565	3,802	36,367	36,367
2027				13,329	3,344	16,673	16,673
2028				13,597	3,076	16,673	16,673
2029				13,870	2,803	16,673	16,673
2030				14,149	2,524	16,673	16,673
2031				14,433	2,240	16,673	16,673
2032				14,723	1,950	16,673	16,673
2033				15,019	1,654	16,673	16,673
2034				15,321	1,352	16,673	16,673
2035				15,629	1,044	16,673	16,673
2036				15,943	730	16,673	16,673
2037				16,263	409	16,673	16,673
2038				8,254	83	8,336	8,336
	\$ 934,389	\$ 41,669	\$ 976,058	\$ 495,717	\$ 68,750	\$ 564,467	\$ 1,540,524

(1) As of December 31, 2019

**TOWN OF SECAUCUS  
YEAR 2019 MUNICIPAL BUDGET**

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**CURRENT FUND**

Anticipated Revenues:	
Fund Balance	\$3,892,840
Miscellaneous Revenues:	
Local Revenues	1,790,000
State Aid Without Offsetting Appropriations	1,817,255
Dedicated Uniform Construction Code Fees	
Offset With Appropriations	1,500,000
Special Items of Revenue with Consent of DLGS:	
Public and Private Revenues	1,357,082
Other Special Items	6,235,419
Receipts from Delinquent Taxes	450,000
Amount to be Raised from Taxation	<u>43,740,015</u>
Total Anticipated Revenues	<u><u>\$60,782,612</u></u>
Appropriations:	
Within "CAPS":	
Operations	\$41,790,250
Deferred Charges and Statutory Expenditures	5,054,131
Excluded from "CAPS":	
Other Operations	6,907,995
Shared Service Agreements	20,000
Public and Private Progs Offset by Revs.	1,377,345
Capital Improvements	200,000
Municipal Debt Service	4,317,325
Deferred Charges	120,562
Reserve for Uncollected Taxes	<u>995,003</u>
Total Appropriations	<u><u>\$60,782,612</u></u>

**SWIMMING POOL UTILITY FUND**

Anticipated Revenues:	
Membership Fees	\$22,000
Guest Fees	40,000
Miscellaneous	35,000
Deficit (General Budget)	<u>346,412</u>
Total Anticipated Revenues	<u><u>\$443,412</u></u>
Appropriations:	
Salaries and Wages	\$225,000
Other Expenses	125,000
Capital Improvement Fund	4,500
Debt Service	53,414
Deferred Charges	18,285
Statutory Expenditures	<u>17,213</u>
Total Appropriations	<u><u>\$443,412</u></u>

**TOWN OF SECAUCUS  
CAPITAL BUDGET  
PROJECTS SCHEDULED FOR THE YEARS 2019 - 2024**

<u>Project Title</u>	<u>Estimated Total Cost</u>	<u>Current Year 2019</u>	<u>Capital Improvement Fund</u>	<u>Debt Authorized</u>	
				<u>Bonds and Notes</u>	<u>Self-</u>
				<u>General</u>	<u>Liquidating</u>
MUNICIPAL PROJECTS:					
Acquisition of Police Vehicles	\$197,000		\$ 9,850	\$ 187,150	
2019 Universal Hook Truck, DPW	110,000		5,500	104,500	
Various Improvements to Municipal Buildings	685,000		34,250	650,750	
Acquisition of 2019 54 Passenger Bus with Lift	125,000		6,250	118,750	
Acquisition of Medical Escort Vehicles	72,000		3,600	68,400	
Flood Control	300,000		15,000	285,000	
Fire Department - Acquisition of Equipment Marine Division	30,000		1,500	28,500	
Recreation Center - Acquisition of Various Equipment	125,000		6,250	118,750	
Information Technology - Various Upgrades and Equipment	96,600		4,830	91,770	
Library Annex Addition and Improvements	300,000		15,000	285,000	
Additional Improvements Born St Pump Station	40,000		2,000	38,000	
Acquisition of 40 Millridge Road Block 225 Lot 10	1,800,000		90,000	1,710,000	
Various Road Improvements	2,431,100		121,555	2,309,545	
IT Conversion of Various Departments	100,000		5,000	95,000	
Various Improvements to Swim Club	82,500		4,125		\$ 78,375
<b>TOTALS - ALL PROJECTS</b>	<b>\$6,494,200</b>	<b>\$ -</b>	<b>\$324,710</b>	<b>\$6,091,115</b>	<b>\$ 78,375</b>

**APPENDIX B**

**UNAUDITED FINANCIAL DATA OF THE TOWN FOR THE YEAR ENDED  
DECEMBER 31, 2019 AND AUDITED FINANCIAL STATEMENTS OF THE TOWN FOR  
THE YEARS ENDED DECEMBER 31, 2018, 2017, 2016, 2015 AND 2014**



**FOR THE YEAR ENDED 2019**  
**COMPILED FINANCIAL STATEMENTS**



## **INDEPENDENT ACCOUNTANT'S COMPILATION REPORT**

The Honorable Mayor and  
Members of the Town Council  
Town of Secaucus  
Secaucus, New Jersey 07094

Management is responsible for the accompanying financial statements of the Town of Secaucus, in the County of Hudson, New Jersey, which comprise the statement of assets, liabilities, reserves and fund balance-- regulatory basis of the various funds as of December 31, 2019 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 Town'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/ L. Jarred Corn  
Certified Public Accountant  
Registered Municipal Accountant

Voorhees, New Jersey  
March 26, 2020

**TOWN OF SECAUCUS**  
**CURRENT FUND**  
STATEMENT OF ASSETS, LIABILITIES, RESERVES AND FUND BALANCE--  
REGULATORY BASIS  
As of December 31, 2019

**ASSETS**

Cash	\$ 12,275,232
Due from/to State of New Jersey - Veterans and Senior Citizens	14,317
	<u>12,289,549</u>
Receivables and Other Assets	
with Full Reserves:	
Delinquent Property Taxes Receivable	468,955
Interfunds Receivable	1,246,855
Revenue Accounts Receivable	61,654
Property Acquired for Taxes--	
Assessed Value	1,316,300
Deferred Charges	179,377
	<u>3,273,141</u>
	<u>15,562,690</u>
Grant Fund:	
Cash	45,478
Grants Receivable	5,318,846
Due from Trust - Other Funds	74,080
Deferred Charges	59,294
	<u>5,497,698</u>
	<u>\$ 21,060,388</u>

**LIABILITIES, RESERVES  
AND FUND BALANCE**

Appropriation Reserves	\$ 4,199,593
Reserve for Encumbrances	1,499,432
Deposits Payable	30,900
Reserve for Tax Appeals	350,687
Tax Overpayments	13,029
Prepaid Taxes	524,802
Due County for Added and Omitted Taxes	126,108
Accounts Payable	123,243
Other	161,004
	<u>7,028,798</u>
Reserve for Receivables and Other Assets	3,093,764
Fund Balance	5,440,128
	<u>15,562,690</u>
Grant Fund:	
Reserve for Grants--Appropriated	2,026,469
Reserve for Grants--Unappropriated	177,748
Reserve for Encumbrances	2,542,217
Interfunds Payable	751,264
	<u>5,497,698</u>
	<u>\$ 21,060,388</u>

See Independent Accountant's Compilation Report and selected notes.

**TOWN OF SECAUCUS**  
**CURRENT FUND**  
STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCE--  
REGULATORY BASIS  
For the Year Ended December 31, 2019

Revenue and Other Income Realized:	
Fund Balance Utilized	\$ 3,892,840
Miscellaneous Revenue Anticipated	14,019,536
Receipts from Delinquent Taxes	581,045
Receipts from Current Taxes	103,900,838
Non-Budget Revenues	853,375
Other Credits to Income:	
Refunds of Prior Years' Expenditures	2,929
Interfunds Returned	1,033,545
Cancellation of Accounts Payable	57,850
Unexpended Balance of Appropriation Reserves	<u>1,185,675</u>
Total Income	<u>125,527,634</u>
Expenditures:	
Budget and Emergency Appropriations	
(Within "CAPS"):	
Operations (Including Contingent)	41,969,127
Deferred Charges and Statutory	
Expenditures--Municipal	5,005,740
Budget (Excluded from "CAPS"):	
Operations:	
Other Operations	8,979,534
Capital Improvements	200,000
Municipal Debt Service	4,295,175
Deferred Charges--Municipal	120,562
County Taxes	23,421,366
Due County for Added Taxes	127,689
Municipal Open Space Tax	283,652
Local District School Tax	37,258,923
Refund of Prior Year Revenue	36,267
Due State of New Jersey	2,204
Interfunds Advanced	<u>958,618</u>
Total Expenditures	<u>122,658,857</u>
Excess in Revenue	2,868,777
Adjustments to Income Before Fund Balance:	
Expenditures included above which	
are by Statute Deferred Charges	
to Budget of Succeeding Year	<u>179,377</u>
Statutory Excess to Fund Balance	3,048,154
Fund Balance, January 1	<u>6,284,815</u>
	9,332,968
Decreased by:	
Utilized as Anticipated Revenue	<u>3,892,840</u>
Balance December 31	<u><u>\$ 5,440,128</u></u>

See Independent Accountant's Compilation Report and selected notes.

**TOWN OF SECAUCUS**  
**GENERAL CAPITAL FUND**  
STATEMENT OF ASSETS, LIABILITIES, RESERVES AND FUND BALANCE--  
REGULATORY BASIS  
As of December 31, 2019

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**ASSETS**

Cash	\$ 6,161,982
Deferred Charges to Future Taxation:	
Funded	27,979,473
Unfunded	23,470,463
Deferred Charges	178,773
Due from Federal and State Grant Fund	<u>400,000</u>
	<u><u>\$ 58,190,691</u></u>

**LIABILITIES, RESERVES AND  
FUND BALANCE**

Bond Anticipation Notes	\$ 23,635,508
General Serial Bonds	26,538,000
Reserve for Payment of Bonds	72,913
N.J. Environmental Infrastructure Loans Payable	934,389
N.J. Green Acres Loans Payable	507,084
Contracts Payable	2,356,218
Improvement Authorizations:	
Funded	169,256
Unfunded	3,779,747
Capital Improvement Fund	68,300
Fund Balance	<u>129,276</u>
	<u><u>\$ 58,190,691</u></u>

See Independent Accountant's Compilation Report and selected notes.

**TOWN OF SECAUCUS**  
**SWIMMING POOL UTILITY FUND**  
STATEMENT OF ASSETS, LIABILITIES, RESERVES AND FUND BALANCE--  
REGULATORY BASIS  
As of December 31, 2019

**ASSETS**

Operating Fund:	
Cash	\$ 90,035
Deferred Charge	29,352
Total Operating Fund	<u>119,387</u>
Capital Fund:	
Cash	111,140
Fixed Capital	1,022,517
Fixed Capital Authorized and Uncompleted	1,532,500
Interfund Receivables	1,952
Total Capital Fund	<u>2,668,109</u>
	<u><u>\$ 2,787,496</u></u>

**LIABILITIES, RESERVES  
AND FUND BALANCE**

Operating Fund:	
Interfunds Payable	\$ 50,843
Appropriation Reserves	545
Accrued Interest on Notes and Bonds	9,000
Fund Balance	58,999
Total Operating Fund	<u>119,387</u>
Capital Fund:	
Reserve for:	
Deferred Amortization	74,500
Amortization	1,180,417
Capital Improvement Fund	7,850
Bond Anticipation Note	1,300,000
Contracts Payable	13,315
Improvement Authorizations:	
Unfunded	92,027
Total Capital Fund	<u>2,668,109</u>
	<u><u>\$ 2,787,496</u></u>

See Independent Accountant's Compilation Report and selected notes.

**TOWN OF SECAUCUS**  
**SWIMMING POOL UTILITY FUND**  
STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCE--  
REGULATORY BASIS  
For the Year Ended December 31, 2019

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Revenue and Other Income Realized:	
Membership Fees	\$ 47,006
Guest Fees	31,355
Miscellaneous	49,322
Deficit General Budget	297,521
Other Credits to Income:	
Unexpended Balance of Appropriation Reserves	<u>5,600</u>
Total Income	<u>430,803</u>
Expenditures:	
Budget Expenditures:	
Operating	396,566
Capital Improvements	4,500
Debt Service	40,805
Deferred Charges and Statutory Expenditures	<u>18,285</u>
Total Expenditures	<u>460,155</u>
Deficit in Revenue	(29,352)
Adjustments to Income before Surplus:	
Expenditures included above which are by Statute Deferred	
Charges to Budget of Succeeding Year	29,352
Statutory Excess to Surplus	<u><u>-</u></u>
Fund Balance January 1	<u>58,999</u>
Fund Balance December 31	<u><u>\$ 58,999</u></u>

See Independent Accountant's Compilation Report and selected notes.

**TOWN OF SECAUCUS  
TRUST AND OTHER FUNDS**  
STATEMENT OF ASSETS, LIABILITIES, RESERVES AND FUND BALANCE--  
REGULATORY BASIS  
As of December 31, 2019

**ASSETS**

Animal Control Trust Fund:	
Cash	\$ 164,869
	<u>164,869</u>
Other Funds:	
Cash	4,565,933
Assessments Liens	33,888
Assessments Lien Interest and Costs	711
Community Development Block Grant	
Receivable	<u>259,500</u>
	<u>4,860,032</u>
	<u>\$ 5,024,901</u>

**LIABILITIES, RESERVES  
AND FUND BALANCE**

Animal Control Trust Fund:	
Reserve for Animal Control Trust Fund	
Expenditures	\$ 15,873
Reserve for Animal Shelter Donations	<u>148,996</u>
	<u>164,869</u>
Other Funds:	
Interfunds Payable	921,601
Due to Grantor - Historical Grant	5,625
Bonds Payable	35,000
Interest Payable	19,131
Assessment Overpayments	995
Surplus	789,834
Reserve for:	
Community Development Block Grants	101,667
Assessments and Liens	33,888
Assessments Lien Interest and Costs	711
Miscellaneous Deposits	2,450,456
Future Use	212,204
Payroll Deductions Payable	67,710
Encumbrances	116,145
Unemployment Insurance	<u>105,065</u>
	<u>4,860,032</u>
	<u>\$ 5,024,901</u>

See Independent Accountant's Compilation Report and selected notes.



**TOWN OF SECAUCUS**  
Notes to Financial Statements  
For the Year Ended December 31, 2019

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

**Description of Financial Reporting Entity** - The Town of Secaucus (hereafter referred to as the "Town") was incorporated as a Borough in 1900, and adopted the "Town" form of government in 1917. The Town is located approximately five miles from midtown New York City. According to the 2010 census, the population is 16,264.

The "Town" form of government provides for an independently elected mayor and six council members (two for each of its three wards with one seat in each ward up for election in each municipal election). The term of office for the mayor and council is four years, with municipal elections every two years. A full-time municipal administrator oversees the operation of municipal departments, personnel, and planning functions for municipal projects, prepares the municipal budget, and obtains grants on behalf of the Town.

**Component Units** - The financial statements of the component units of the Town are not presented in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, as amended. If the provisions of the aforementioned GASB Statement, as amended had been complied with, the financial statements of the following component units would have been either blended or discretely presented with the financial statements of the Town, the primary government:

Secaucus Municipal Utilities Authority  
1100 Koelle Boulevard  
Secaucus NJ 07094

Secaucus Housing Authority  
700 County Avenue  
Secaucus NJ 07094

Secaucus Public Library  
1379 Paterson Plank Road  
Secaucus NJ 07094

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

**Measurement Focus, Basis of Accounting and Financial Statement Presentation** - The financial statements of the Town 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.

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

In accordance with the *Requirements*, the Town 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.

**Swimming Pool Utility Operating and Capital Funds** - The swimming pool utility operating and capital funds account for the operations and acquisition of capital facilities of the municipally owned swimming pool operations.

**Bond and Interest Account** - The bond and interest account is used to account for the accumulation of resources (mainly provided from current fund budget appropriations) for payment of principal and interest on matured debt.

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

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

Budgets are adopted on the same basis of accounting utilized for the preparation of the Town'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.

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

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

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

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

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

**General Fixed Assets** - Accounting for governmental fixed assets, as required by N.J.A.C. 5:30-5.6, differs in certain respects from accounting principles generally accepted in the United States of America. In accordance with the regulations, all local units, including municipalities, must maintain a general fixed assets reporting system that establishes and maintains a physical inventory of nonexpendable, tangible property as defined and limited by the U.S. Office of Management and *Budget's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Part 200, §200.12), except that the useful life of such property is at least five years. The Town 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 Town 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 Town'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.

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

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

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

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

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

**Fund Balance** - Fund balances included in the current fund and swimming pool utility operating 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 is realized when anticipated as such in the Town's budget. Receivables for property taxes are recorded with offsetting reserves on the statement of assets, liabilities, reserves and fund balance of the Town's current fund; accordingly, such amounts are not recorded as revenue until collected. Other amounts that are due to the Town 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 Town's annual budget, but also the amounts required in support of the budgets of the County of Hudson and the Town of Secaucus School District. Unpaid property taxes are subject to tax sale in accordance with the statutes.

**School Taxes** - The Town is responsible for levying, collecting, and remitting school taxes for the Town of Secaucus School District. Operations is charged for the full amount required to be raised from taxation to operate the local school district for the period from January 1 to December 31.

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

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

**Library Taxes** - The municipality is responsible for levying, collecting and remitting library taxes for the Secaucus Public Library. The amount of the library tax is a separate local levy tax and is remitted to the Library through the municipal budget.

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

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

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

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

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

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

**FOR THE YEARS ENDED 2018, 2017, 2016, 2015 AND 2014**

**AUDITED FINANCIAL STATEMENTS**

## **INDEPENDENT AUDITOR'S REPORT**

The Honorable Mayor and  
Members of the Town Council  
Town of Secaucus  
Secaucus, New Jersey 07094

### **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 Town of Secaucus, in the County of Hudson, State of New Jersey, as of December 31, 2018, 2017, 2016, 2015 and 2014, and the related statements of operations and changes in fund balance - regulatory basis for the years then ended, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

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

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

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

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

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

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

### ***Opinions***

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

As described in note 1 to the financial statements, the financial statements are prepared by the Town 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 Town of Secaucus, in the County of Hudson, State of New Jersey, as of December 31, 2018, 2017, 2016, 2015 and 2014, or the results of its operations and changes in fund balance for the years then ended.

### *Basis for Qualified Opinion on the Swimming Pool Utility Operating Fund - Regulatory Basis*

The Town could not provide original supporting documentation for the recorded balance of guest fees revenue for the swimming pool utility operating fund for the years ended December 31, 2018 and 2017. As a result of not being able to obtain sufficient appropriate audit evidence for the recorded amounts of the Town’s guest fees, we were unable to determine whether any adjustments were necessary to the revenue balances recorded on the swimming pool utility operating fund comparative statements of operations and changes in fund balance - regulatory basis for the years ended December 31, 2018 and 2017 and on the statement of revenues - regulatory basis for the year ended December 31, 2018.

### *Qualified Opinion on the Swimming Pool Utility Operating Fund - Regulatory Basis*

In our opinion, except for the possible effects of the matters described in the “*Basis for Qualified Opinions on the Swimming Pool Utility Operating Fund - Regulatory Basis*” paragraph, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, reserves and fund balance - regulatory basis of the swimming pool utility operating fund of the Town of Secaucus, in the County of Hudson, State of New Jersey, as of December 31, 2018 and 2017, the results of its operations and changes in fund balance - regulatory basis for the years then ended, and the revenues - regulatory basis and expenditures - regulatory basis for the year ended December 31, 2018, 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.

### *Unmodified 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 Town of Secaucus, in the County of Hudson, State of New Jersey, as of December 31, 2018, 2017, 2016, 2015 and 2014, and the results of its operations and changes in fund balance - regulatory basis of such funds, other than the swimming pool utility operating fund, for the years ended December 31, 2018 and 2017, in conformity with accounting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, as described in note 1.

### **Emphasis of Matter**

#### *Adoption of New Accounting Principles*

As discussed in note 1 to the financial statements, during the year ended December 31, 2018, the Town adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. The adoption of this new accounting principle resulted in a material note disclosure (see note 8). As a result of the regulatory basis of accounting, described in the previous paragraph, the implementation of this Statement only required financial statement disclosures. Our opinions are not modified with respect to this matter.

Respectfully submitted,

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

/s/ L. Jarred Corn  
Certified Public Accountant  
Registered Municipal Accountant

Voorhees, New Jersey  
October 11, 2019



**TOWN OF SECAUCUS  
CURRENT FUND  
STATEMENTS OF ASSETS, LIABILITIES, RESERVES AND FUND BALANCE--  
REGULATORY BASIS**

ASSETS	As of December 31,				
	2018	2017	2016	2015	2014
Cash - Treasurer	\$ 10,790,265	\$ 11,430,049	\$ 13,307,724	\$ 9,690,909	\$ 10,162,417
Cash - Collector	210,189	1,835,371	216,820	337,533	392,143
Cash - Change Fund	575	575	575	575	575
Due State of New Jersey Per Chapter 20, P.L. 1971	11,567	14,817	14,942	16,192	16,442
	11,012,596	13,280,812	13,540,061	10,045,209	10,571,577
Receivables and Other Assets with Full Reserves:					
Delinquent Property Taxes Receivable	601,608	376,677	551,004	796,911	776,055
Tax Title Liens Receivable		109,524			
Maintenance Lien Receivable		1,490	5,686	3,481	3,911
Interfunds Receivable	1,321,782	1,095,760	1,167,380	1,259,878	1,471,743
Revenue Accounts Receivable	61,654	73,012	85,906	69,692	70,035
Property Acquired for Taxes-- Assessed Value	1,316,300	1,316,300	1,316,300	1,316,300	1,316,300
Deferred Charges	120,562	69,379	351,174	886,473	
	3,421,906	3,042,142	3,477,450	4,332,735	3,638,045
	14,434,502	16,322,954	17,017,511	14,377,944	14,209,621
Grant Fund:					
Cash	1,038,299	198,527	905,076	217,881	397,201
Grants Receivable	4,195,295	2,149,840	2,776,066	2,967,625	1,165,574
Due from Current Fund				106,328	36,330
Due from Trust - Other Funds	12,270	11,282	62,029		171,592
Due from Bank		1,500			
Deferred Charges		884,194		57,907	
	5,245,864	3,245,343	3,743,171	3,349,742	1,770,698
	\$ 19,680,366	\$ 19,568,297	\$ 20,760,682	\$ 17,727,686	\$ 15,980,319
<b>LIABILITIES, RESERVES AND FUND BALANCE</b>					
Appropriation Reserves	\$ 1,508,546	\$ 1,965,919	\$ 1,490,834	\$ 1,127,290	\$ 1,429,289
Reserve for Encumbrances	1,205,094	1,110,130	1,125,816	1,028,568	971,846
Deposits Payable	30,900	30,900			
Reserve for Tax Appeals		152,561	500,346	730,892	
Local District School Tax Payable	1	1	338,706	1,229,367	12
Tax Overpayments	1,184	288,286	18,499	10,180	153,312
Prepaid Taxes	1,048,009	2,480,299	800,750	779,423	382,080
Due County for Added and Omitted Taxes	196,579	75,063	421,832	461,191	371,538
Accounts Payable	165,887	377,912	81,291	8,426	8,868
Interfunds Payable	692,143	262,618	34,467	106,328	44,494
	4,848,343	6,743,687	4,812,541	5,481,665	3,361,438
Reserve for Receivables and Other Assets	3,301,344	2,972,763	3,126,276	3,446,262	3,638,045
Fund Balance	6,284,815	6,606,504	9,078,694	5,450,017	7,210,139
	14,434,502	16,322,954	17,017,511	14,377,944	14,209,621
Grant Fund:					
Reserve for Grants--Appropriated	3,217,327	2,037,200	2,460,054	2,333,862	1,052,842
Reserve for Grants--Unappropriated	173,888	202,274	6,539	434,602	165,154
Reserve for Encumbrances	1,125,968	465,834	269,989	51,114	75,511
Due to Secaucus Youth Alliance					4,000
Interfunds Payable	728,681	540,035	1,006,590	530,164	473,190
	5,245,864	3,245,343	3,743,171	3,349,742	1,770,698
	\$ 19,680,366	\$ 19,568,297	\$ 20,760,682	\$ 17,727,686	\$ 15,980,319

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

**TOWN OF SECAUCUS  
CURRENT FUND  
STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE--  
REGULATORY BASIS**

	For the Years Ended December 31,				
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Revenue and Other Income Realized:					
Fund Balance Utilized	\$ 3,882,530	\$ 5,633,768	\$ 3,936,470	\$ 5,859,000	\$ 4,688,410
Miscellaneous Revenue Anticipated	14,299,658	11,036,031	11,398,706	11,693,498	10,540,295
Receipts from Delinquent Taxes	528,742	514,631	762,814	667,264	793,595
Receipts from Current Taxes	99,300,543	99,478,420	101,090,371	95,356,375	96,136,995
Non-Budget Revenues	1,821,113	813,679	1,053,904	668,034	2,034,532
Other Credits to Income:					
Refunds of Prior Years' Expenditures	85,795	25,208	228,217	8,322	20,523
Property Tax Deposits Receivable					242,282
Interfunds Returned	216,342	562,202	1,080,737	1,039,175	959,312
Cancellation of Various Liabilities and Reserves	802,247	100,438	3,376	1,832	117,426
Unexpended Balance of Appropriation Reserves	1,399,800	812,722	840,721	993,539	1,100,521
<b>Total Income</b>	<b>122,336,772</b>	<b>118,977,099</b>	<b>120,395,316</b>	<b>116,287,039</b>	<b>116,633,892</b>
Expenditures:					
Budget and Emergency Appropriations (Within "CAPS"):					
Operations (Including Contingent)	39,306,141	36,455,727	34,053,084	32,321,555	31,144,265
Deferred Charges and Statutory Expenditures--Municipal	5,547,675	4,720,718	5,051,072	4,610,437	3,584,393
Budget (Excluded from "CAPS"):					
Operations:					
Other Operations	9,460,070	6,365,465	6,633,844	9,358,281	6,373,685
Capital Improvements	400,000	3,459,000	2,123,661	2,704,637	1,655,000
Municipal Debt Service	3,473,548	3,702,117	3,443,579	3,119,857	3,004,069
Deferred Charges--Municipal				221,996	761,719
County Taxes	21,918,155	23,988,735	24,283,096	23,082,839	26,027,100
Due County for Added Taxes	198,161	75,063	421,832	461,191	371,538
Municipal Open Space Tax	279,659	277,265			
Local District School Tax	37,054,759	35,945,958	36,062,683	35,992,485	34,107,422
Refund of Prior Year Revenue	1,625	71,082	120,288	174,104	1,971,558
Payment of Tax Appeals	791,768				
Due Federal and State Grant Fund:					
Recapture of Prior Year Expenditures	27,591				
Due State of New Jersey	1,343	3,496	2,136	2,225	1,310
Cancellation of Various Liabilities and Reserves		273,471			
Interfunds Advanced	435,998	486,424	986,069	819,059	1,341,529
<b>Total Expenditures</b>	<b>118,896,493</b>	<b>115,824,520</b>	<b>113,181,344</b>	<b>112,868,665</b>	<b>110,343,587</b>
<b>Excess in Revenue</b>	<b>3,440,278</b>	<b>3,152,579</b>	<b>7,213,972</b>	<b>3,418,374</b>	<b>6,290,305</b>
Adjustments to Income Before Fund Balance:					
Expenditures included above which are by Statute Deferred Charges to Budget of Succeeding Year	120,562	9,000	351,174	680,504	---
<b>Statutory Excess to Fund Balance</b>	<b>3,560,840</b>	<b>3,161,579</b>	<b>7,565,146</b>	<b>4,098,878</b>	<b>6,290,305</b>
<b>Fund Balance, January 1</b>	<b>6,606,504</b>	<b>9,078,694</b>	<b>5,450,017</b>	<b>7,210,139</b>	<b>5,608,244</b>
	10,167,345	12,240,272	13,015,164	11,309,017	11,898,549
Decreased by:					
Utilized as Anticipated Revenue	3,882,530	5,633,768	3,936,470	5,859,000	4,688,410
<b>Balance December 31</b>	<b>\$ 6,284,815</b>	<b>\$ 6,606,504</b>	<b>\$ 9,078,694</b>	<b>\$ 5,450,017</b>	<b>\$ 7,210,139</b>

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

**TOWN OF SECAUCUS**  
**GENERAL CAPITAL FUND**  
 STATEMENTS OF ASSETS, LIABILITIES, RESERVES AND FUND BALANCE--  
 REGULATORY BASIS

ASSETS	As of December 31,				
	2018	2017	2016	2015	2014
Cash	\$ 2,151,397	\$ 2,039,452	\$ 452,193	\$ 2,519,336	\$ 180,778
Deferred Charges to Future Taxation:					
Funded	30,429,661	19,295,801	21,454,184	23,720,341	25,709,282
Unfunded	17,817,281	28,303,823	22,692,040	18,385,155	16,103,864
Deferred Charges					443,134
Due from Federal and State Grant Fund	489,640	319,765	328,300	527,193	473,190
Prospective Assessments Raised by Taxation					23,900
Interfunds Receivable	2,269,678	2,062,455	1,469,355	119,198	
	<u>\$ 53,157,657</u>	<u>\$ 52,021,297</u>	<u>\$ 46,396,073</u>	<u>\$ 45,271,223</u>	<u>\$ 42,934,149</u>
 <b>LIABILITIES, RESERVES AND FUND BALANCE</b>					
Bond Anticipation Notes	\$ 18,272,123	\$ 27,939,542	\$ 21,851,759	\$ 18,496,874	\$ 13,025,514
General Serial Bonds	28,778,000	17,698,000	19,653,000	21,713,000	23,493,000
Reserve for Payment of Bonds	395,419				
N.J. Environmental Infrastructure Loan Payable	1,110,482	1,291,322	1,461,940	1,635,976	1,813,431
Contracts Payable	1,610,407	1,903,163	1,461,760	1,685,224	2,717,157
New Jersey Green Acres Loans Payable	541,180	306,479	339,244	371,364	402,851
Improvement Authorizations:					
Funded	249,218	452,071	485,613	24,500	70,241
Unfunded	1,638,899	2,168,441	944,301	226,286	1,020,332
Capital Improvement Fund	175,000			6,339	1,339
Interfund Payables	144,101	64,193		978,875	230,170
Reserve for Prospective Assessments Raised by Taxation					23,900
Fund Balance	242,829	198,085	198,456	132,784	136,213
	<u>\$ 53,157,657</u>	<u>\$ 52,021,297</u>	<u>\$ 46,396,073</u>	<u>\$ 45,271,223</u>	<u>\$ 42,934,149</u>

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

**TOWN OF SECAUCUS**  
**SWIMMING POOL UTILITY FUND**  
STATEMENTS OF ASSETS, LIABILITIES, RESERVES AND FUND BALANCE--  
REGULATORY BASIS

	As of December 31,				
	2018	2017	2016	2015	2014
<b>ASSETS</b>					
Operating Fund:					
Cash	\$ 1,524,514	\$ 1,015,854	\$ 600,766	\$ 692,983	\$ 200,879
Change Fund	75	75	75	75	75
Interfund Receivables	5,503				8,163
Deferred Charges -- Operating Deficit	18,285	28,284			70,686
Total Operating Fund	1,548,376	1,044,213	600,841	693,058	279,803
Capital Fund:					
Cash	311,639	314,289	867,010	123,583	138,202
Fixed Capital	1,022,517	1,022,517	1,022,517	1,022,517	1,022,517
Fixed Capital Authorized and Uncompleted	1,450,000	1,370,000	520,000	520,000	140,000
Interfund Receivables	683,467	506,178	131,005	519,069	205,613
Total Capital Fund	3,467,622	3,212,984	2,540,531	2,185,169	1,506,332
	\$ 5,015,998	\$ 4,257,197	\$ 3,141,372	\$ 2,878,227	\$ 1,786,135
<b>LIABILITIES, RESERVES AND FUND BALANCE</b>					
Operating Fund:					
Interfunds Payable	\$ 1,473,001	\$ 922,786	\$ 509,690	\$ 588,490	\$ 204,500
Appropriation Reserves	1,885	53,602	24,765	39,997	3,417
Accounts Payable		977			
Reserve for Encumbrances	3,908		1,713	2,438	5,405
Accrued Interest on Notes and Bonds	10,583	7,850	5,674	3,133	7,483
Fund Balance	58,999	58,999	58,999	58,999	58,999
Total Operating Fund	1,548,376	1,044,213	600,841	693,058	279,803
Capital Fund:					
Reserve for:					
Deferred Amortization	70,500	66,500	26,000	26,000	7,000
Amortization	1,167,917	978,817	847,667	716,517	420,817
Capital Improvement Fund	7,350	3,100	1,100	1,100	1,100
Bond Anticipation Note	1,234,000	1,347,100	668,750	799,900	911,100
Contracts Payable	2,362			38,250	
Interfunds Payable	922,600	809,500	976,104	271,970	161,883
Improvement Authorizations:					
Unfunded	62,893	7,967	20,911	331,432	4,432
Total Capital Fund	3,467,622	3,212,984	2,540,531	2,185,169	1,506,332
	\$ 5,015,998	\$ 4,257,197	\$ 3,141,372	\$ 2,878,227	\$ 1,786,135

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

**TOWN OF SECAUCUS**  
**SWIMMING POOL UTILITY FUND**  
**STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE--**  
**REGULATORY BASIS**

	For the Years Ended December 31,				
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Revenue and Other Income Realized:					
Membership Fees	\$ 46,731	\$ 44,298	\$ 54,454	\$ 56,310	\$ 57,382
Guest Fees	55,083	49,950	101,483	56,756	38,736
Miscellaneous	39,324	35,181	37,572	32,666	22,283
Deficit General Budget	426,471	399,024	307,517	595,998	356,415
Cancellation of: Accounts Payable	977				
Other Credits to Income:					
Unexpended Balance of Appropriation Reserves	51,468	22,956	27,378	6,167	11,415
Total Income	620,054	551,409	528,404	747,897	486,231
Expenditures:					
Budget Expenditures:					
Operating	365,570	380,276	372,655	342,885	338,250
Capital Improvements	8,250	42,500		19,000	1,000
Debt Service	219,015	141,617	140,654	300,462	217,667
Deferred Charges and Statutory Expenditures	17,220	15,300	15,095	14,865	
Deficit in Operations in Prior Years	28,284			70,686	
Total Expenditures	638,339	579,693	528,404	747,897	556,917
Deficit in Revenues:					
Operating Deficit to be Raised in Budget of Succeeding Year	\$ (18,285)	\$ (28,284)	\$ -	\$ -	\$ (70,686)
Fund Balance January 1	\$ 58,999	\$ 58,999	\$ 58,999	\$ 58,999	\$ 58,999
Fund Balance December 31	\$ 58,999	\$ 58,999	\$ 58,999	\$ 58,999	\$ 58,999

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

**TOWN OF SECAUCUS  
TRUST AND OTHER FUNDS**  
STATEMENTS OF ASSETS, LIABILITIES, RESERVES AND FUND BALANCE--  
REGULATORY BASIS

	As of December 31,				
	2018	2017	2016	2015	2014
<b>ASSETS</b>					
Animal Control Trust Fund:					
Cash	\$ 118,692	\$ 103,162	\$ 85,607	\$ 52,357	\$ 73,785
Due from Town Clerk				8,184	
	118,692	103,162	85,607	60,540	73,785
Other Funds:					
Cash	3,705,811	3,545,868	2,816,706	2,232,017	2,398,833
Interfunds Receivable	1,148,983	710,370	7,938	2,971	
Prepaid Payroll					594,840
Assessments Receivable	547,934	1,095,867	1,655,376	2,207,500	2,933,332
Assessments Liens	33,888	33,888	33,888	33,888	33,888
Assessments Lien Interest and Costs	711	711	711	711	711
Community Development Block Grant Receivable	185,000	108,500	140,500	152,203	371,506
	5,622,327	5,495,203	4,655,119	4,629,289	6,333,110
	\$ 5,741,019	\$ 5,598,366	\$ 4,740,726	\$ 4,689,829	\$ 6,406,895
<b>LIABILITIES, RESERVES AND FUND BALANCE</b>					
Animal Control Trust Fund:					
Reserve for Animal Control Trust Fund Expenditures	\$ 15,873	\$ 16,403	\$ 16,769	\$ 15,931	\$ 15,965
Reserve for Animal Shelter Donations Due to Town Clerk	96,453	71,911	58,173	36,247	57,748
Interfunds Payable	6,367	14,848	10,666	8,362	32
	118,692	103,162	85,607	60,540	73,785
Other Funds:					
Interfunds Payable	1,964,431	2,091,831	628,491	50,447	1,252,356
Due to Grantor - Historical Grant	5,625	5,625			
Bonds Payable	35,000	35,000	35,000	35,000	35,000
Notes Payable		66,941	744,883	1,295,531	1,861,152
Interest Payable	19,131	19,131	19,131	19,131	19,131
Assessment Overpayments	995	995			
Surplus	741,900	693,967			
Reserve for:					
Community Development Block Grants	88,247	18,747	31,159	152,203	196,943
Assessments and Liens	581,821	1,127,669	1,771,833	1,762,686	1,923,948
Assessments Lien Interest and Costs	711	711	711	711	711
Miscellaneous Deposits	1,679,880	1,119,625	1,088,073	1,166,087	928,618
Future Use	70,835	139,965			
Payroll Deductions Payable	45,940	84,083	234,120	114,981	100,201
Encumbrances	318,371				
Unemployment Insurance	69,439	90,914	101,718	32,512	15,050
	5,622,327	5,495,203	4,655,119	4,629,289	6,333,110
	\$ 5,741,019	\$ 5,598,366	\$ 4,740,726	\$ 4,689,829	\$ 6,406,895

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

**TOWN OF SECAUCUS**  
Notes to Financial Statements  
For the Year Ended December 31, 2018

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

**Description of Financial Reporting Entity** - The Town of Secaucus (hereafter referred to as the "Town") was incorporated as a Borough in 1900, and adopted the "Town" form of government in 1917. The Town is located approximately five miles from midtown New York City. According to the 2010 census, the population is 16,264.

The "Town" form of government provides for an independently elected mayor and six council members (two for each of its three wards with one seat in each ward up for election in each municipal election). The term of office for the mayor and council is four years, with municipal elections every two years. A full-time municipal administrator oversees the operation of municipal departments, personnel, and planning functions for municipal projects, prepares the municipal budget, and obtains grants on behalf of the Town.

**Component Units** - The financial statements of the component units of the Town are not presented in accordance with Governmental Accounting Standards Board (GASB) Statements No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34*, and GASB Statement No. 80, *Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14*. If the provisions of the aforementioned GASB Statements had been complied with, the financial statements of the following component units would have been either blended or discretely presented with the financial statements of the Town, the primary government:

Secaucus Municipal Utilities Authority  
1100 Koelle Boulevard  
Secaucus NJ 07094

Secaucus Housing Authority  
700 County Avenue  
Secaucus NJ 07094

Secaucus Public Library  
1379 Paterson Plank Road  
Secaucus NJ 07094

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

**Measurement Focus, Basis of Accounting and Financial Statement Presentation** - The financial statements of the Town 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.

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

In accordance with the *Requirements*, the Town 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.

**Swimming Pool Utility Operating and Capital Funds** - The swimming pool utility operating and capital funds account for the operations and acquisition of capital facilities of the municipally owned swimming pool operations.

**Bond and Interest Account** - The bond and interest account is used to account for the accumulation of resources (mainly provided from current fund budget appropriations) for payment of principal and interest on matured debt.

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

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

Budgets are adopted on the same basis of accounting utilized for the preparation of the Town'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.



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

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

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

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

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

**General Fixed Assets** - Accounting for governmental fixed assets, as required by N.J.A.C. 5:30-5.6, differs in certain respects from accounting principles generally accepted in the United States of America. In accordance with the regulations, all local units, including municipalities, must maintain a general fixed assets reporting system that establishes and maintains a physical inventory of nonexpendable, tangible property as defined and limited by the U.S. Office of Management and *Budget's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Part 200, §200.12), except that the useful life of such property is at least five years. The Town 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 Town 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 Town'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.

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

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

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

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

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

**Fund Balance** - Fund balances included in the current fund and swimming pool utility operating 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 is realized when anticipated as such in the Town's budget. Receivables for property taxes are recorded with offsetting reserves on the statement of assets, liabilities, reserves and fund balance of the Town's current fund; accordingly, such amounts are not recorded as revenue until collected. Other amounts that are due to the Town 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 Town's annual budget, but also the amounts required in support of the budgets of the County of Hudson and the Town of Secaucus School District. Unpaid property taxes are subject to tax sale in accordance with the statutes.

**School Taxes** - The Town is responsible for levying, collecting, and remitting school taxes for the Town of Secaucus School District. Operations is charged for the full amount required to be raised from taxation to operate the local school district for the period from January 1 to December 31.

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

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

**Library Taxes** - The municipality is responsible for levying, collecting and remitting library taxes for the Secaucus Public Library. The amount of the library tax is a separate local levy tax and is remitted to the Library through the municipal budget.

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

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

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

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

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

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

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

For the year ended December 31, 2018, the Town adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. As a result of adopting Statement No. 75, the Town 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 Town.

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

As of December 31, 2018, the Town's bank balances of \$20,228,850.98 were insured by FDIC and GUDPA.

**Note 3: PROPERTY TAXES**

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

**Comparative Schedule of Tax Rates**

	<u>Year Ended</u>				
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Tax Rate	<u>\$ 3.610</u>	<u>\$ 3.614</u>	<u>\$ 3.707</u>	<u>\$ 3.702</u>	<u>\$ 3.766</u>
Apportionment of Tax Rate:					
Municipal	\$ 1.413	\$ 1.373	\$ 1.374	\$ 1.334	\$ 1.334
Municipal Open Space	.010	.011	-	-	-
Municipal Library	.058	.055	.055	.056	.062
County	.792	.871	.918	.904	1.026
Local School	1.337	1.304	1.360	1.408	1.344

**Assessed Valuation**

<u>Year</u>	<u>Amount</u>
2018	\$ 2,771,569,462.00
2017	2,756,832,531.00
2016	2,650,184,650.00
2015	2,556,618,146.00
2014	2,538,692,219.00

**Comparison of Tax Levies and Collections**

<u>Year</u>	<u>Tax Levy</u>	<u>Collections</u>	<u>Percentage of Collections</u>
2018	\$ 100,956,140.86	\$ 99,300,543.32	98.36%
2017	99,949,670.06	99,478,419.80	99.53%
2016	101,709,037.13	101,090,371.34	99.39%
2015	96,528,805.41	95,356,374.70	98.79%
2014	96,969,263.92	96,136,995.45	99.14%

**Note 3: PROPERTY TAXES (CONT'D)**

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

**Delinquent Taxes and Tax Title Liens**

<u>Year</u>	<u>Tax Title Liens</u>	<u>Delinquent Taxes</u>	<u>Total Delinquent</u>	<u>Percentage of Tax Levy</u>
2018		\$ 10,774.67	\$ 10,774.67	0.01%
2017	\$ 109,523.68	6,755.90	116,279.58	0.12%
2016		2,948.86	2,948.86	0.00%
2015		4,297.74	4,297.74	0.00%
2014		776,054.68	776,054.68	0.80%

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

<u>Year</u>	<u>Number</u>
2018	-
2017	1
2016	-
2015	-
2014	-

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

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

<u>Year</u>	<u>Amount</u>
2018	\$ 1,316,300.00
2017	1,316,300.00
2016	1,316,300.00
2015	1,316,300.00
2014	1,316,300.00

**Note 5: FUND BALANCES APPROPRIATED**

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

**Current Fund**

<u>Year</u>	<u>Balance December 31,</u>	<u>Utilized in Budget of Succeeding Year</u>	<u>Percentage of Fund Balance Used</u>
2018	\$ 6,284,814.72	\$ 3,892,840.00	61.94%
2017	6,606,504.35	3,882,530.00	58.77%
2016	9,078,693.57	5,633,768.00	62.05%
2015	5,450,017.48	3,936,470.00	72.23%
2014	7,210,139.15	5,859,000.00	81.26%

**Note 5: FUND BALANCES APPROPRIATED (CONT'D)**

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

**Swimming Pool Utility Fund**

<u>Year</u>	<u>Balance December 31,</u>	<u>Utilized in Budget of Succeeding Year</u>	<u>Percentage of Fund Balance Used</u>
2018	\$ 58,998.82	-	-
2017	58,998.82	-	-
2016	58,998.82	-	-
2015	58,998.82	-	-
2014	58,998.82	-	-

**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, 2018:

<u>Fund</u>	<u>Interfunds Receivable</u>	<u>Interfunds Payable</u>
Current	\$ 1,321,782.41	\$ 692,142.73
Federal and State Grant	12,270.49	728,680.98
Trust - Assessment	650,000.00	1,295,748.84
Trust - Animal Control		6,366.85
Trust - Municipal Open Space	247,349.04	
Trust - Other	251,634.15	667,773.71
General Capital	2,759,318.39	144,101.12
Swimming Pool Utility - Operating	5,503.22	1,473,001.34
Swimming Pool Utility - Capital	683,466.56	922,600.00
Bond and Interest		908.69
Total	<u>\$ 5,931,324.26</u>	<u>\$ 5,931,324.26</u>

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

**Note 7: PENSION PLANS**

A substantial number of the Town's employees participate in one of the following defined benefit pension plans: the Public Employees' Retirement System ("PERS") and the Police and Firemen's Retirement System ("PFRS"), which are administered by the New Jersey Division of Pensions and Benefits. In addition, several Town's 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.

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

The Division issues a publicly available financial report that includes financial statements, required supplementary information and detailed information about the PERS and PFRS plan's fiduciary net position which can be obtained by writing to or at the following website:

State of New Jersey  
Division of Pensions and Benefits  
P.O. Box 295  
Trenton, New Jersey 08625-0295  
<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' 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 Town, provided the employee is not required to be a member of another state-administered retirement system or other state pensions fund or local jurisdiction's pension fund. The PERS' Board of Trustees is primarily responsible for the administration of the PERS.

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

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

**Vesting and Benefit Provisions**

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

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

**Public Employees' Retirement System (Cont'd)** - The following represents the membership tiers for PERS:

**Tier Definition**

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

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

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

The following represents the membership tiers for PFRS:

**Tier Definition**

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

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

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



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

The Town's contractually required contribution rate for the year ended December 31, 2018 was 13.39% of the Town'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, 2018, the Town's contractually required contribution to the pension plan for the year ended December 31, 2018 is \$1,331,831.00, and was payable by April 1, 2019. Due to the basis of accounting described in note 1, no liability has been recorded in the financial statements for this amount. Based on the PERS measurement date of June 30, 2017, the Town's contractually required contribution to the pension plan for the year ended December 31, 2017 was \$1,118,536.00, which was paid on April 1, 2018. Employee contributions to the Plan during the year ended December 31, 2018 were \$745,622.39.

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

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

The Town's contractually required contribution rate for the year ended December 31, 2018 was 26.83% of the Town's covered payroll. This amount was actuarially determined as the amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

**Note 7: PENSION PLANS (CONT'D)****General Information about the Pension Plans (Cont'd)****Contributions (Cont'd)**

**Police and Firemen's Retirement System (Cont'd)** - Based on the most recent PFRS measurement date of June 30, 2018, the Town's contractually required contribution to the pension plan for the year ended December 31, 2018 is \$1,933,877.00, and was payable by April 1, 2019. Due to the basis of accounting described in note 1, no liability has been recorded in the financial statements for this amount. Based on the PFRS measurement date of June 30, 2017, the Town's contractually required contribution to the pension plan for the year ended December 31, 2017 was \$1,674,084.00, which was paid on April 1, 2018. Employee contributions to the Plan during the year ended December 31, 2018 were \$723,000.50.

The amount of contractually required contribution for the State of New Jersey's proportionate share, associated with the Town, for the year ended December 31, 2018 was 2.99% of the Town's covered payroll.

Based on the most recent PFRS measurement date of June 30, 2018, the State's contractually required contribution, on-behalf of the Town, to the pension plan for the year ended December 31, 2018 is \$215,329.00, and was payable by April 1, 2019. Based on the PFRS measurement date of June 30, 2017, the State's contractually required contribution, on-behalf of the Town, to the pension plan for the year ended December 31, 2017 was \$163,559.00, which was paid on April 1, 2018.

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

For the year ended December 31, 2018, employee contributions totaled \$5,319.62, and the Town's contributions were \$2,940.46. There were no forfeitures during the year.

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

**Public Employees' Retirement System** - At December 31, 2018, the Town's proportionate share of the PERS net pension liability was \$26,363,423.00. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2018. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. For the June 30, 2018 measurement date, the Town's proportion was .1338958384%, which was an increase of .0131548832% from its proportion measured as of June 30, 2017.

At December 31, 2018, the Town's proportionate share of the PERS pension expense, calculated by the Plan as of the June 30, 2018 measurement date is \$2,449,741.00. This expense is not recognized by the Town because of the regulatory basis of accounting as described in note 1; however, as previously mentioned, for the year ended December 31, 2018, the Town's contribution to PERS was \$1,118,536.00, and was paid on April 1, 2018.

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

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

Town's Proportionate Share of Net Pension Liability	\$ 26,766,855.00
State of New Jersey's Proportionate Share of Net Pension Liability Associated with the Town	3,635,835.00
	<u>\$ 30,402,690.00</u>

The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2018. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers and the State of New Jersey, actuarially determined. For the June 30, 2018 measurement date, the Town's proportion was .1978092646%, which was an increase of .0086511759% from its proportion measured as of June 30, 2017. Likewise, at June 30, 2018, the State of New Jersey's proportion, on-behalf of the Town, was .1978092646%, which was an increase of .0086511759% from its proportion, on-behalf of the Town, measured as of June 30, 2017.

At December 31, 2018, the Town's proportionate share of the PFRS pension expense, calculated by the Plan as of the June 30, 2018 measurement date is \$2,250,814.00. This expense is not recognized by the Town because of the regulatory basis of accounting as described in note 1; however, as previously mentioned, for the year ended December 31, 2018, the Town's contribution to PFRS was \$1,674,084.00 and was paid on April 1, 2018.

At December 31, 2018, the State's proportionate share of the PFRS pension expense, associated with the Town, calculated by the Plan as of the June 30, 2018 measurement date is \$430,659.00. This on-behalf expense is not recognized by the Town because of the regulatory basis of accounting as described in note 1.

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

	<u>Deferred Outflows of Resources</u>			<u>Deferred Inflows of Resources</u>		
	<u>PERS</u>	<u>PFRS</u>	<u>Total</u>	<u>PERS</u>	<u>PFRS</u>	<u>Total</u>
Differences between Expected and Actual Experience	\$ 502,754.00	\$ 272,318.00	\$ 775,072.00	\$ 135,938.00	\$ 110,768.00	\$ 246,706.00
Changes of Assumptions	4,344,255.00	2,297,574.00	6,641,829.00	8,429,621.00	6,859,883.00	15,289,504.00
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	-	-	247,290.00	146,439.00	393,729.00
Changes in Proportion and Differences between Town Contributions and Proportionate Share of Contributions	3,665,115.00	1,384,962.00	5,050,077.00	-	813,300.00	813,300.00
Town Contributions Subsequent to the Measurement Date	665,916.00	966,939.00	1,632,855.00	-	-	-
	<u>\$ 9,178,040.00</u>	<u>\$ 4,921,793.00</u>	<u>\$ 14,099,833.00</u>	<u>\$ 8,812,849.00</u>	<u>\$ 7,930,390.00</u>	<u>\$ 16,743,239.00</u>

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

**Deferred Outflows of Resources and Deferred Inflows of Resources (Cont'd)** - \$665,916.00 and \$966,939.00 for PERS and PFRS, respectively, included in deferred outflows of resources, will be included as a reduction of the net pension liability in the year ending December 31, 2019. These amounts were based on an estimated April 1, 2020 contractually required contribution, prorated from the pension plans' measurement date of June 30, 2018 to the Town's year end of December 31, 2018.

The Town will amortize the above other deferred outflow of resources and deferred inflows of resources related to pensions over the following number of years:

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

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

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

<b><u>Year Ending Dec 31,</u></b>	<b><u>PERS</u></b>	<b><u>PFRS</u></b>	<b><u>Total</u></b>
2019	\$ 1,171,257.00	\$ 404,971.00	\$ 1,576,228.00
2020	698,204.00	(725,167.00)	(26,963.00)
2021	(1,016,942.00)	(2,145,562.00)	(3,162,504.00)
2022	(981,031.00)	(1,246,559.00)	(2,227,590.00)
2023	(172,213.00)	(263,219.00)	(435,432.00)
	<u>\$ (300,725.00)</u>	<u>\$ (3,975,536.00)</u>	<u>\$ (4,276,261.00)</u>

**Actuarial Assumptions**

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

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

For PERS, preretirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the Conduent modified 2014 projection scale.

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

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

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

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

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

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

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

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

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

	<b>1% Decrease (4.66%)</b>	<b>Current Discount Rate (5.66%)</b>	<b>1% Increase (6.66%)</b>
Town's Proportionate Share of the Net Pension Liability	\$ 33,148,967.00	\$ 26,363,423.00	\$ 20,670,786.00

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

	<b>1% Decrease (5.51%)</b>	<b>Current Discount Rate (6.51%)</b>	<b>1% Increase (7.51%)</b>
Town's Proportionate Share of the Net Pension Liability	\$ 35,824,114.00	\$ 26,766,855.00	\$ 19,296,266.00
State of New Jersey's Proportionate Share of Net Pension Liability associated with the Town	4,866,113.96	3,635,835.00	2,621,078.95
	<u>\$ 40,690,227.96</u>	<u>\$ 30,402,690.00</u>	<u>\$ 21,917,344.95</u>

**Note 7: PENSION PLANS (CONT'D)****Pension Plan Fiduciary Net Position**

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

**Supplementary Pension Information**

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

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

	<b><u>Measurement Date Ended June 30,</u></b>		
	<b><u>2018</u></b>	<b><u>2017</u></b>	<b><u>2016</u></b>
Town's Proportion of the Net Pension Liability	0.1338958384%	0.1207409552%	0.1172522228%
Town's Proportionate Share of the Net Pension Liability	\$ 26,363,423.00	\$ 28,106,564.00	\$ 34,726,745.00
Town's Covered Payroll (Plan Measurement Period)	\$ 9,383,372.00	\$ 8,309,580.00	\$ 8,020,816.00
Town's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	280.96%	338.24%	432.96%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	53.60%	48.10%	40.14%
	<b><u>2015</u></b>	<b><u>2014</u></b>	<b><u>2013</u></b>
Town's Proportion of the Net Pension Liability	0.1106667214%	0.1093580510%	0.1078889232%
Town's Proportionate Share of the Net Pension Liability	\$ 24,842,461.00	\$ 20,474,818.00	\$ 20,619,717.00
Town's Covered Payroll (Plan Measurement Period)	\$ 7,560,484.00	\$ 7,613,672.00	\$ 7,436,832.00
Town's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	328.58%	268.92%	277.26%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	47.93%	52.08%	48.72%



**Note 7: PENSION PLANS (CONT'D)****Supplementary Pension Information (Cont'd)*****Schedule of the Town's Contributions - Public Employees' Retirement System (PERS) (Last Six Years):***

	<u>Year Ended December 31,</u>		
	<u>2018</u>	<u>2017</u>	<u>2016</u>
Town's Contractually Required Contribution	\$ 1,331,831.00	\$ 1,118,536.00	\$ 1,041,652.00
Town's Contribution in Relation to the Contractually Required Contribution	<u>(1,331,831.00)</u>	<u>(1,118,536.00)</u>	<u>(1,041,652.00)</u>
Town's Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's Covered Payroll (Calendar Year)	\$ 9,947,532.00	\$ 9,459,324.00	\$ 8,435,484.00
Town's Contributions as a Percentage of Covered Payroll	13.39%	11.82%	12.35%
	<u>2015</u>	<u>2014</u>	<u>2013</u>
Town's Contractually Required Contribution	\$ 951,437.00	\$ 901,532.00	\$ 812,921.00
Town's Contribution in Relation to the Contractually Required Contribution	<u>(951,437.00)</u>	<u>(901,532.00)</u>	<u>(812,921.00)</u>
Town's Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's Covered Payroll (Calendar Year)	\$ 8,025,709.00	\$ 7,575,569.00	\$ 7,559,074.00
Town's Contributions as a Percentage of Covered Payroll	11.85%	11.90%	10.75%

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

	<u>Measurement Date Ended June 30,</u>		
	<u>2018</u>	<u>2017</u>	<u>2016</u>
Town's Proportion of the Net Pension Liability	0.1978092646%	0.1891580887%	0.1948079139%
Town's Proportionate Share of the Net Pension Liability	\$ 26,766,855.00	\$ 29,202,352.00	\$ 37,213,295.00
State's Proportionate Share of the Net Pension Liability associated with the Town	<u>3,635,835.00</u>	<u>3,270,909.00</u>	<u>3,124,994.00</u>
Total	<u>\$ 30,402,690.00</u>	<u>\$ 32,473,261.00</u>	<u>\$ 40,338,289.00</u>
Town's Covered Payroll (Plan Measurement Period)	\$ 6,651,728.00	\$ 6,017,540.00	\$ 6,226,540.00
Town's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	402.40%	485.29%	597.66%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62.48%	58.60%	52.01%

**Note 7: PENSION PLANS (CONT'D)****Supplementary Pension Information (Cont'd)*****Schedule of the Town's Proportionate Share of the Net Pension Liability - Police and Firemen's Retirement System (PFRS) (Last Six Years) (Cont'd):***

	<u>Measurement Date Ended June 30,</u>		
	<u>2015</u>	<u>2014</u>	<u>2013</u>
Town's Proportion of the Net Pension Liability	0.1988234388%	0.1947839152%	0.1904231602%
Town's Proportionate Share of the Net Pension Liability	\$ 33,117,054.00	\$ 24,502,010.00	\$ 25,315,041.00
State's Proportionate Share of the Net Pension Liability associated with the Town	2,904,255.00	2,638,455.00	2,359,669.00
Total	<u>\$ 36,021,309.00</u>	<u>\$ 27,140,465.00</u>	<u>\$ 27,674,710.00</u>
Town's Covered Payroll (Plan Measurement Period)	\$ 6,228,040.00	\$ 6,191,948.00	\$ 5,976,116.00
Town's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	531.74%	395.71%	423.60%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	56.31%	62.41%	58.70%

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

	<u>Year Ended December 31,</u>		
	<u>2018</u>	<u>2017</u>	<u>2016</u>
Towns Contractually Required Contribution	\$ 1,933,877.00	\$ 1,674,084.00	\$ 1,588,348.00
Town's Contribution in Relation to the Contractually Required Contribution	<u>(1,933,877.00)</u>	<u>(1,674,084.00)</u>	<u>(1,588,348.00)</u>
Town's Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's Covered Payroll (Calendar Year)	\$ 7,206,675.00	\$ 6,698,860.60	\$ 6,204,379.00
Town's Contributions as a Percentage of Covered Payroll	26.83%	24.99%	25.60%
	<u>2015</u>	<u>2014</u>	<u>2013</u>
Town's Contractually Required Contribution	\$ 1,616,138.00	\$ 1,496,075.00	\$ 1,389,285.00
Town's Contribution in Relation to the Contractually Required Contribution	<u>(1,616,138.00)</u>	<u>(1,496,075.00)</u>	<u>(1,389,285.00)</u>
Town's Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's Covered Payroll (Calendar Year)	\$ 6,353,688.00	\$ 6,278,210.00	\$ 6,155,418.00
Town's Contributions as a Percentage of Covered Payroll	25.44%	23.83%	22.57%

**Note 7: PENSON PLANS (CONT'D)****Other Notes to Supplementary Pension Information*****Public Employees' Retirement System (PERS)*****Changes in Benefit Terms**

None

**Changes in Assumptions**

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

The long-term expected rate of return changed at June 30<sup>th</sup> over the following years: 7.90% 2014 and 2015, 7.65% 2016, 7.00% 2017 and 2018.

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

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

***Police and Firemen's Retirement System (PFRS)*****Changes in Benefit Terms**

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

**Changes in Assumptions**

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

The long-term expected rate of return changed at June 30<sup>th</sup> over the following years: 7.90% 2014 and 2015, 7.65% 2016, 7.00% 2017 and 2018.

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

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

**Note 8: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS****General Information about the OPEB Plan**

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

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

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

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

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

The Town was billed monthly by the Plan and paid \$1,539,718.92 for the year ended December 31, 2018, representing 8.98% of the Town's payroll. During the year ended December 31, 2018, retirees were not required to contribute.

**Note 8: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONT'D)****General Information about the OPEB Plan (Cont'd)**

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

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

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

The amount of actual contributions to the OPEB Plan made by the State, on-behalf of the Town, is not known, however, under the Special Funding Situation, the State's OPEB expense, on-behalf of the Town, is \$436,889.00 for the year ended December 31, 2018 representing 2.55% of the Town's covered payroll.

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

**OPEB Liability** - At December 31, 2018 the Town's and State's proportionate share of the net OPEB liability were as follows:

Town's Proportionate Share of Net OPEB Liability	\$ 40,693,257.00
State of New Jersey's Proportionate Share of Net OPEB Liability Associated with the Town	14,432,524.00
	<u>\$ 55,125,781.00</u>

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

**Note 8: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONT'D)****OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources (Cont'd)**

**OPEB Liability (Cont'd)** - The Town's proportion of the net OPEB liability was based on the ratio of the plan members of an individual employer to the total members of the Plan's nonspecial funding situation during the measurement period July 1, 2017 through June 30, 2018. For the June 30, 2018 measurement date, the Town's proportion was .259745% which was an increase of .014789% from its proportion measured as of the June 30, 2017 measurement date.

The State's proportion of the net OPEB liability, on-behalf of the Town was based on the ratio of the plan members of an individual employer to the total members of the Plan's special funding situation during the measurement period July 1, 2017 through June 30, 2018. For the June 30, 2018 measurement date, the State's proportion on-behalf of the Town was .232264% which was an increase of .002338% from its proportion measured as of the June 30, 2017 measurement date.

**OPEB Expense** - At December 31, 2018, the Town's proportionate share of the OPEB expense, calculated by the Plan as of the June 30, 2018 measurement date is \$1,414,227.00. This expense is not recognized by the Town because of the regulatory basis of accounting as described in note 1; however, as previously mentioned, for the year ended December 31, 2018, the Town made contributions to the Plan totaling \$1,539,718.92.

At December 31, 2018, the State's proportionate share of the OPEB expense, associated with the Town, calculated by the Plan as of the June 30, 2018 measurement date is \$436,889.00. This on-behalf expense is not recognized by the Town because of the regulatory basis of accounting as described in note 1.

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

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Differences between Expected and Actual Experience	\$ -	\$ 8,262,183.00
Changes of Assumptions	-	10,322,378.00
Net Difference between Projected and Actual Earnings on OPEB Plan Investments	21,505.00	-
Changes in Proportion and Differences between Town Contributions and Proportionate Share of Contributions	2,941,863.00	3,512,644.00
Town Contributions Subsequent to the Measurement Date	306,597.85	-
	<u>\$ 3,269,965.85</u>	<u>\$ 22,097,205.00</u>

**Note 8: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONT'D)****OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources (Cont'd)**

**Deferred Outflows of Resources and Deferred Inflows of Resources (Cont'd)** - \$306,597.85 reported as deferred outflows of resources resulting from the Town's contributions subsequent to the measurement date will be included as a reduction of the Town's net OPEB liability during the year ending December 31, 2019. The Town will amortize the above other deferred outflow of resources and deferred inflows of resources related to the OPEB liability over the following number of years:

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

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

<b><u>Year Ending Dec. 31,</u></b>	
2019	\$ (2,895,275.00)
2020	(2,895,275.00)
2021	(2,895,275.00)
2022	(2,897,547.00)
2023	(2,901,219.00)
Thereafter	<u>(4,649,246.00)</u>
	<u><u>\$ (19,133,837.00)</u></u>

**Note 8: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONT'D)****Actuarial Assumptions**

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

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

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

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

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

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

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

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

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



**Note 8: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONT'D)****Sensitivity of the net OPEB Liability to Changes in the Discount Rate**

As previously mentioned, the OPEB Plan has a special funding situation where the State of New Jersey pays a portion of the Town's contributions for certain eligible employees. As such, the proportionate share of the net OPEB liability as of June 30, 2018, the Plan's measurement date, for the Town and the State of New Jersey, calculated using a discount rate of 3.87%, as well as using a discount rate that is 1% lower or 1% higher than the current rates used, is as follows

	<b>1% Decrease (2.87%)</b>	<b>Current Discount Rate (3.87%)</b>	<b>1% Increase (4.87%)</b>
Town's Proportionate Share of the Net OPEB Liability	\$ 47,743,949.00	\$ 40,693,257.00	\$ 35,061,350.00
State of New Jersey's Proportionate Share of the Net OPEB Liability Associated with the Town	16,933,166.00	14,432,524.00	12,435,077.00
	<u>\$ 64,677,115.00</u>	<u>\$ 55,125,781.00</u>	<u>\$ 47,496,427.00</u>

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

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

	<b>1% Decrease</b>	<b>Healthcare Cost Trend Rates</b>	<b>1% Increase</b>
Town's Proportionate Share of the Net OPEB Liability	\$ 33,944,701.00	\$ 40,693,257.00	\$ 49,426,891.00
State of New Jersey's Proportionate Share of the Net OPEB Liability Associated with the Town	12,039,039.00	14,432,524.00	17,530,049.00
	<u>\$ 45,983,740.00</u>	<u>\$ 55,125,781.00</u>	<u>\$ 66,956,940.00</u>

**OPEB Plan Fiduciary Net Position**

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

**Note 8: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONT'D)****Supplementary OPEB Information**

In accordance with GASBS No. 75, the following information is also presented for the State Health Benefits Local Government Retired Employees Plan. These schedules are presented to illustrate the requirements to show information for 10 years; however, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available.

***Schedule of the Town's Proportionate Share of the net OPEB Liability (Last 2 Years):***

	<u>Measurement Date Ended June 30,</u>	
	<u>2018</u>	<u>2017</u>
Town's Proportion of the Net OPEB Liability	0.259745%	0.244956%
Town's Proportionate Share of the Net OPEB Liability	\$ 40,693,257.00	\$ 50,009,699.00
State's Proportionate Share of the Net OPEB Liability Associated with the Town	<u>14,432,524.00</u>	<u>19,993,016.00</u>
Total	<u>\$ 55,125,781.00</u>	<u>\$ 70,002,715.00</u>
Town's Covered Payroll (Plan Measurement Period)	\$ 16,719,894.00	\$ 15,367,815.60
Town's Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	243.38%	325.42%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	1.97%	1.03%

***Schedule of the Town's Contributions (Last 2 Years):***

	<u>Year Ended December 31,</u>	
	<u>2018</u>	<u>2017</u>
Town's Required Contributions	\$ 1,539,718.92	\$ 1,588,334.57
Town's Contributions in Relation to the Required Contribution	<u>(1,539,718.92)</u>	<u>(1,588,334.57)</u>
Town's Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
Town's Covered Payroll (Calendar Year)	\$ 17,154,207.00	\$ 16,158,184.60
Town's Contributions as a Percentage of Covered Payroll	8.98%	9.83%

**Note 8: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONT'D)****Other Notes to Supplementary OPEB Information****Changes in Benefit Terms**

None

**Changes in Assumptions**

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

**Note 9: COMPENSATED ABSENCES**

Under the existing policy of the Town, full-time employees are entitled to accumulate annual unused sick leave and vacation days. Unused sick leave may be accumulated and carried forward to the subsequent year. Vacation days not used during the year may be accumulated and carried forward, but the carry-forward is limited to the equivalent of one year's accrued vacation days.

The Town compensates employees for unused sick leave and vacation days upon termination or retirement. For unused sick leave, however, the current policy provides one compensated day for every two days accumulated.

The Town does not record accrued expenses related to compensated absences. However, it is estimated that, at December 31, 2018, accrued benefits for compensated absences, including employer share of taxes, are valued at \$5,830,905.04.

**Note 10: DEFERRED COMPENSATION SALARY ACCOUNT**

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

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

**Note 11: CAPITAL DEBT****General Improvement Bonds**

General Improvement Bonds, Series 2010 - On April 1, 2010, the Town issued \$15,608,000.00 of general improvement bonds, with interest rates ranging from 2.0% to 4.0%. The purpose of the bonds is to fund various capital ordinances, specifically 2006-16, 2006-22, 2007-31, 2007-36, 2007-37, and 2008-20. The final maturity of the bonds is April 1, 2029.

**Note 11: CAPITAL DEBT (CONT'D)****General Improvement Bonds (Cont'd)**

General Improvement Refunding Bonds, Series 2016 - On December 8, 2016, the Town issued \$5,020,000.00 in general obligation refunding bonds, with interest rates ranging from 2.0% to 4.0%, to advance refund \$5,250,000.00 outstanding 2007 general improvement bonds with an interest rate of 3.983%. The final maturity of the bonds is January 15, 2027.

General Improvement Bonds, Series 2018 - On May 1, 2018, the Town issued \$12,585,000.00 of general improvement bonds with an interest rate of 3.0%. The purpose of the bonds is to fund various capital ordinances, specifically 2010-39, 2011-19, 2011-23, 2012-07, 2012-25, 2012-34, 2013-06, 2014-08, 2014-10, and 2016-22. The final maturity of the binds is May 1, 2030.

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 2,240,000.00	\$ 959,030.00	\$ 3,199,030.00
2020	2,280,000.00	884,917.50	3,164,917.50
2021	2,295,000.00	807,380.00	3,102,380.00
2022	2,325,000.00	727,250.00	3,052,250.00
2023	2,395,000.00	644,307.50	3,039,307.50
2024-2028	13,345,000.00	1,826,175.00	15,171,175.00
2029-2030	<u>3,898,000.00</u>	<u>105,960.00</u>	<u>4,003,960.00</u>
Totals	<u>\$ 28,778,000.00</u>	<u>\$ 5,955,020.00</u>	<u>\$ 34,733,020.00</u>

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

On October 14, 2004, the Town entered into a loan agreement with the New Jersey Environmental Infrastructure Trust to provide \$2,490,000.00, at no interest, from the fund loan, and \$835,000.00 at interest rates ranging from 3.0% to 5.0% from the trust loan. The proceeds were used to fund the upgrading of a storm sewer pumping station and construction of a tide gate. Semiannual debt payments are due February 1st and August 1st through 2024.

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 176,092.58	\$ 16,393.76	\$ 192,486.34
2020	185,840.48	13,893.76	199,734.24
2021	180,617.78	11,143.76	191,761.54
2022	189,890.89	8,393.76	198,284.65
2023	184,193.41	5,393.76	189,587.17
2024	<u>193,846.56</u>	<u>2,843.76</u>	<u>196,690.32</u>
Totals	<u>\$ 1,110,481.70</u>	<u>\$ 58,062.56</u>	<u>\$ 1,168,544.26</u>

**General Debt - New Jersey Green Acres Loans**

On March 28, 2006, the Town entered into a loan agreement with the New Jersey Department of Environmental Protection to provide \$163,410.00, at an interest rate of 2.0%. The proceeds were used to fund the redevelopment of the Town's little league baseball field. Semiannual debt payments are due January 1st and July 1st through 2026.

**Note 11: CAPITAL DEBT (CONT'D)****General Debt - New Jersey Green Acres Loans (Cont'd)**

In addition, on June 27, 2006, the Town entered into a second loan agreement with the New Jersey Department of Environmental Protection to provide \$470,000.00, at an interest rate of 2.0%. The proceeds were used to fund the Buchmuller Park ice rink. Semiannual debt payments are due March 1st and September 1st through 2026.

Lastly, on April 4, 2018, the Town entered into a third loan agreement with the New Jersey Department of Environmental Protection to provide \$268,125.00, at an interest rate of 2.0%. The proceeds were used to fund the acquisition of a downtown recreation facility. Semiannual debt payments are due January 4th and July 4th through 2038.

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 45,462.94	\$ 10,597.42	\$ 56,060.36
2020	46,376.71	9,683.60	56,060.31
2021	47,308.89	8,751.45	56,060.34
2022	48,259.80	7,800.52	56,060.32
2023	49,229.82	6,830.50	56,060.32
2024-2028	160,937.95	20,895.04	181,832.99
2029-2033	72,193.43	11,170.90	83,364.33
2034-2038	<u>71,410.03</u>	<u>3,617.86</u>	<u>75,027.89</u>
Totals	<u>\$ 541,179.57</u>	<u>\$ 79,347.29</u>	<u>\$ 620,526.86</u>

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>
<b><u>Issued</u></b>			
Assessment:			
Notes		\$ 66,941.00	\$ 744,883.00
General:			
Bonds, Loans and Notes	\$ 48,701,784.27	47,235,342.92	43,305,943.27
Swimming Pool Utility:			
Notes	<u>1,234,000.00</u>	<u>1,347,100.00</u>	<u>668,750.00</u>
Total Issued	<u>49,935,784.27</u>	<u>48,649,383.92</u>	<u>44,719,576.27</u>
<b><u>Authorized but not Issued</u></b>			
General:			
Bonds, Loans and Notes	0.17	476,000.00	952,000.00
Swimming Pool Utility:			
Notes	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>
Total Authorized but not Issued	<u>100.17</u>	<u>476,100.00</u>	<u>952,100.00</u>
Total Issued and Authorized but not Issued	<u>49,935,884.44</u>	<u>49,125,483.92</u>	<u>45,671,676.27</u>
<b><u>Deductions</u></b>			
General:			
Excess Proceeds from Issuance of Notes	<u>850,261.76</u>	<u>111,719.00</u>	<u>111,719.00</u>
Total Deductions	<u>850,261.76</u>	<u>111,719.00</u>	<u>111,719.00</u>
<b>Net Debt</b>	<u>\$ 49,085,622.68</u>	<u>\$ 49,013,764.92</u>	<u>\$ 45,559,957.27</u>

**Note 11: CAPITAL DEBT (CONT'D)****Summary of Statutory Debt Condition - Annual Debt Statement**

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the annual debt statement and indicated a statutory net debt of .955%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
School Purposes	\$ 23,595,000.00	\$ 23,595,000.00	
Self-Liquidating	1,234,100.00		\$ 1,234,100.00
General	48,701,784.44	850,261.76	47,851,522.68
	<u>\$ 73,530,884.44</u>	<u>\$ 24,445,261.76</u>	<u>\$ 49,085,622.68</u>

Net debt \$49,085,622.68 divided by the equalized valuation basis per N.J.S.A.40A:2-2, as amended, \$5,137,762,174.33, equals .955%.

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

3 1/2% of Equalized Valuation Basis (Municipal)	\$ 179,821,676.10
Less: Net Debt	<u>49,085,622.68</u>
Remaining Borrowing Power	<u>\$ 130,736,053.42</u>

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

Cash Receipts from Fees, Rents, Fund Balance Anticipated, Interest and Other Investment Income, and Other Charges for the Year		\$ 141,138.60
Deductions:		
Operating and Maintenance Costs	\$ 382,789.70	
Debt Service	<u>219,014.98</u>	
Total Deductions		<u>601,804.68</u>
Deficit in Revenue		<u>\$ (460,666.08)</u>

**Note 12: DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS**

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

<u>Description</u>	<u>Balance December 31, 2018</u>	<u>2019 Budget Appropriation</u>
Current Fund:		
Emergency Appropriation (N.J.S.A. 40A:4-48)	\$ 120,562.05	\$ 120,562.05
Swimming Pool Utility Operating Fund:		
Overexpenditure of Appropriation	18,284.68	28,284.36

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

**Note 13: RISK MANAGEMENT**

**New Jersey Unemployment Compensation Insurance** - The Town has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method". Under this plan, the Town 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 Town is billed quarterly for amounts due to the State.

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

<u>Year</u>	<u>Town Contributions</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2018	\$ 139,500.00	\$ 31,523.07	\$ 192,497.97	\$ 69,438.65
2017	75,000.00	44,074.62	129,879.45	90,913.55
2016	125,000.00	30,751.37	86,544.64	101,718.38

It is estimated that unreimbursed payments on behalf of the Town at December 31, 2018 are \$5,491.22.

**Joint Insurance Pool** - The Town 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. As a result, the Town is a member of the Suburban Essex Joint Insurance Fund. The Fund provides its members, including the Town, with the following coverage:

Property Damage  
Boiler and Machinery  
Liability  
Workers' Compensation  
Crime  
Public Officials / Employment Liability

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

The Town's agreement with the Pool provides that the Pool will be self-sustaining through member premiums and will reinsure through the Municipal Excess Liability Joint Insurance Fund for claims in excess of \$50,000.00 to \$200,000.00 based on the line of coverage for each insured event.

For more information regarding claims, coverages and deductibles, the Fund publishes its own financial report for the year ended December 31, 2018, which can be obtained from:

Suburban Essex Joint Insurance Fund  
9 Campus Drive, Suite 16  
Parsippany, New Jersey 07054

**Note 14: OPEN SPACE, RECREATION AND FARMLAND PRESERVATION TRUST**

On November 8, 2016 pursuant to P.L. 1997, c. 24 (N.J.S.A. 40:12-15.1 et seq.), the voters of the Town authorized the establishment of the Town of Secaucus Open Space, Recreation and Farmland Preservation Trust Fund effective January 1, 2017, for the purpose of raising revenue for the acquisition of lands and interests in lands for the conservation of farmland and open space.

**Note 14: OPEN SPACE, RECREATION AND FARMLAND PRESERVATION TRUST (CONT'D)**

Overall, as a result of the referendum, the Town levies a tax not to exceed one cents per one hundred dollars of equalized valuation. Amounts raised by taxation are assessed, levied and collected in the same manner and at the same time as other taxes. Future increases in the tax rate or to extend the authorization must be authorized by referendum. All revenue received is accounted for in a trust fund dedicated by rider (N.J.S.A. 40A:4-39) for the purposed stated. Interest earned on the investment of these funds is credited to the Town of Secaucus Open Space, Recreation and Farmland Preservation Trust Funds.

**Note 15: 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 Town expects such amount, if any, to be immaterial.

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

**Note 16: CONCENTRATIONS**

The Town 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 Town is subject to changes in specific flows of intergovernmental revenues based on modifications to federal and State laws and federal and State appropriations.

**Note 17: RESTATEMENT OF PRIOR YEAR FINANCIAL STATEMENTS**

The Town performed a physical fixed asset inventory count during 2018, and as a result, fixed assets were identified that were purchased prior to 2018 but were not included in the balances of the general fixed assets group of accounts as of December 31, 2017. As a result, the statement of general fixed asset group of accounts - regulatory basis as of December 31, 2017 has been restated as follows:

<u>Account</u>	<u>December 31, 2017</u>	<u>Adjustment</u>	<u>(Restated) December 31, 2017</u>
Land	\$ 40,311,700.00		\$ 40,311,700.00
Buildings	26,316,583.00		26,316,583.00
Machinery and Equipment	13,101,824.00	\$ 2,740,227.00	15,842,051.00
	<u>\$ 79,730,107.00</u>	<u>\$ 2,740,227.00</u>	<u>\$ 82,470,334.00</u>



**Note 18: SUBSEQUENT EVENTS**

**Tax Appeals** - As of December 31, 2018, several tax appeals were on file against the Town. Based upon information provided by the tax appeal attorney, if such appeals are not settled in favor of the Town, the estimated impact of the tax refunds is not expected to be material.

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

<u>Purpose</u>	<u>Adoption</u>	<u>Authorization</u>
<b>General Improvements</b>		
Various Public Improvements and the Acquisition of New Additional or Replacement Equipment and Machinery, New Information Technology and Telecommunications Equipment, and New Automotive Vehicles, Including Original Apparatus and Equipment	05/14/19	\$ 6,105,000.00
Various Improvements at the Swim Center	05/14/19	78,500.00

**APPENDIX C**

**PROPOSED FORM OF BOND COUNSEL OPINION**

STEVEN L. ROGUT  
DANIEL J. McCARTHY  
DIANE U. DABULAS  
THOMAS J. BACE ††

# ROGUT McCARTHY LLC

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ANN S. BEDDINGFIELD, Of Counsel †  
PATRICE E. HEW

† ADMITTED IN NY AND NC ONLY  
†† ALSO ADMITTED IN FL AND DC

## APPENDIX C

### [Proposed Form of Bond Counsel Opinion]

May \_\_, 2020

Town Council  
Town of Secaucus  
County of Hudson, New Jersey

Dear Council Members:

We have acted as bond counsel in connection with the issuance of \$\_\_\_\_\_ aggregate principal amount of General Improvement Refunding Bonds (Series 2020) (the "Bonds") by the Town of Secaucus, in the County of Hudson, a municipal corporation of the State of New Jersey (the "Town"). The Bonds are dated the date hereof and comprise an issue of registered bonds. The Bonds bear interest from their date, payable on each April 1 and October 1, commencing October 1, 2020 (each, an "Interest Payment Date"), in each year until maturity.

The Bonds are payable in annual installments on April 1 in each year, and bear interest at the rates per annum, as follows:

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2021	\$	%	2026	\$	%
2022			2027		
2023			2028		
2024			2029		
2025					

Town Council  
Town of Secaucus  
County of Hudson, New Jersey  
May \_\_\_\_, 2020  
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The Bonds are issued pursuant to the Local Bond Law (Chapter 2 of Title 40A of the New Jersey Statutes, as amended) and pursuant to a refunding bond ordinance adopted by the Town Council of the Town on March 24, 2020 (Ord. No. 2020-4) and a resolution adopted by the Town Council of the Town on \_\_\_\_\_, 2020.

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds be and remain excluded from gross income of the owners thereof for Federal income tax purposes pursuant to Section 103 of the Code. Such requirements include requirements relating to the use and investment of proceeds of the Bonds and other amounts and to the rebate of certain arbitrage earnings to the United States. Noncompliance by the Town with such requirements may cause interest on the Bonds to be included in gross income of the owners thereof retroactive to the date of issuance of the Bonds, regardless of when such noncompliance occurs.

The Town has covenanted, to the extent permitted by the Constitution and the laws of the State of New Jersey, to do and perform all acts and things permitted by law and necessary to assure that interest paid on the Bonds be and remain excluded from gross income of the owners thereof for Federal income tax purposes pursuant to Section 103 of the Code. The Town's Tax Certificate (the "Tax Certificate"), which will be delivered concurrently with the delivery of the Bonds, will contain provisions and procedures regarding compliance with the requirements of the Code. The Town, in executing the Tax Certificate, will certify to the effect that the Town expects and intends to comply with the provisions and procedures contained therein.

As bond counsel, we have examined certified copies of the refunding bond ordinance and resolution referred to above and related proceedings in connection with the issuance of the Bonds. We have also examined originals (or copies certified or otherwise identified to our satisfaction) of such other instruments, certificates and documents as we have deemed necessary or appropriate for the purpose of the opinion rendered below, including the Tax Certificate executed by the Chief Financial Officer of the Town of even date herewith. We have

assumed the accuracy of the factual information and the truthfulness of the expectations set forth in the Tax Certificate and the exhibits thereto. We have also examined the executed and authenticated first numbered Bond and have assumed that all of the other Bonds have been similarly executed and authenticated. 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 have not prepared nor have we verified the accuracy, completeness or fairness of (i) the information set forth in the Official Statement prepared by the Town in connection with the sale and issuance of the Bonds, or (ii) other documents of the Town delivered to the purchasers of the Bonds, and we take no responsibility therefor.

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

1. The Bonds have been duly authorized, executed and delivered and constitute valid and legally binding obligations of the Town enforceable in accordance with their terms, except as enforcement of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium, liquidation or other laws relating to or affecting the enforcement of creditors' rights generally now or hereafter in effect to the extent constitutionally applicable, and enforcement may also be subject to the exercise of judicial discretion in certain cases.

2. The Town has pledged its full faith and credit to the payment of the principal of and interest on the Bonds, and unless paid from other sources, the Town is authorized and required by law to levy on all real property taxable by the Town such ad valorem taxes as may be necessary to pay the Bonds and the interest thereon, without limitation as to rate or amount.

3. Assuming compliance by the Town with the Tax Certificate, under existing law, interest on the Bonds is excluded from gross income of the owners thereof for Federal income tax purposes pursuant to Section 103 of the Code. In

Town Council  
Town of Secaucus  
County of Hudson, New Jersey  
May \_\_\_\_, 2020  
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addition, under existing law, interest on the Bonds is not treated as a preference item for purposes of the alternative minimum tax imposed under the Code with respect to individuals. In addition, under the New Jersey Gross Income Tax Act, as enacted and construed on the date hereof, interest on the Bonds and any gain from the sale of the Bonds are not includable in gross income of the holders thereof.

Very truly yours,

Rogut McCarthy LLC